

WMSI ANNUAL REPORTS  
 FILED WITH PSC

	Operating Revenue Received from Ratepayers Page F-3(a), Column (e)	CIAC Revenue Received from Ratepayers Page W-8(a), Column (d)	TOTAL
2004	\$1,417,623	\$99,351	\$1,516,974
2005	\$1,426,929	\$77,109	\$1,504,038
2006	\$1,486,218	\$38,633	\$1,524,851
2007	\$1,501,205	\$26,264	\$1,517,469
2008	\$1,374,676	\$29,967	\$1,404,643
2009	\$1,319,313	\$26,939	\$1,346,252
2010	\$1,291,712	\$149,109	<u>\$1,440,821</u>
			\$10,255,048

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 FPSC-COMMISSION CLERK

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2004
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 1,057,043	\$ 1,419,587
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(3,438)	(1,964)
Net Operating Revenues			\$ 1,053,605	\$ 1,417,623
401	Operating Expenses	F-3(b)	\$ 742,696	\$ 791,065
403	Depreciation Expense:	F-3(b)	\$ 158,563	\$ 304,608
	Less: Amortization of CIAC	F-22	80,717	82,365
Net Depreciation Expense			\$ 77,846	\$ 222,243
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	507	18,261
408	Taxes Other Than Income	W/S-3	87,153	112,397
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 908,202	\$ 1,143,966
Net Utility Operating Income			\$ 145,403	\$ 273,656
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	3,438	1,964
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property			(6,330)
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 148,841	\$ 269,290

\* For each account, Column e should agree with Columns f, g and h on F-3(b)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT  
December 31, 2004

SYSTEM NAME / COUNTY : Franklin

**WATER CIAC SCHEDULE "A"**  
**ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR**

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	52	\$ 845	\$ 43,940
Plant Capacity	2	3,863	7,726
Meter Installation	51	250	12,750
Meter Installation	1	410	410
Meter Installation	1	600	600
Meter Installation	1	425	425
Main Extension	48	525	25,200
Main Extension	4	875	3,500
Main Extension	2	2,400	4,800
Total Credits			\$ 99,351

**ACCUMULATED AMORTIZATION OF WATER  
 CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 861,493
Debits during the year:	
Accruals charged to Account 272	\$ 82,365
Other debits (specify) :	
Total debits	\$ 82,365
Credits during the year (specify) :	
Total credits	\$
Balance end of year	\$ 943,858

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2005
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 1,419,587	\$ 1,427,665
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(1,964)	(737)
Net Operating Revenues			\$ 1,417,623	\$ 1,426,929
401	Operating Expenses	F-3(b)	\$ 791,065	\$ 775,113
403	Depreciation Expense:	F-3(b)	\$ 304,608	\$ 306,814
	Less: Amortization of CIAC	F-22	82,365	84,014
Net Depreciation Expense			\$ 222,243	\$ 222,800
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	18,261	15,123
408	Taxes Other Than Income	W/S-3	112,397	112,431
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,143,966	\$ 1,125,467
Net Utility Operating Income			\$ 273,657	\$ 301,462
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	1,964	737
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		(6,330)	23,160
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(e)]			\$ 269,290	\$ 325,358

\* For each account, Column e should agree with Columns f, g and h on F-3(b)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT  
 December 31, 2005

SYSTEM NAME / COUNTY : Franklin

**WATER CIAC SCHEDULE "A"**  
 ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	35	\$ 845	\$ 29,575
Plant Capacity	1	930	930
Plant Capacity	4	362	1,449
Plant Capacity	6	604	3,621
Meter Installation	33	250	8,250
Meter Installation	10	650	6,500
Meter Installation	1	750	750
Meter Installation	1	1,450	1,450
Main Extension	33	525	17,325
Main Extension	225	4	900
Main Extension	2,025	1	2,025
Main Extension	578	1	578
Main Extension	1,107	1	1,107
Main Extension	375	6	2,250
Main Extension	400	1	400
<b>Total Credits</b>			<b>\$ 77,109</b>

**ACCUMULATED AMORTIZATION OF WATER  
 CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 943,858
Debits during the year: Accruals charged to Account 272	\$ 84,014
Other debits (specify):	
<b>Total debits</b>	<b>\$ 84,014</b>
Credits during the year (specify):	
<b>Total credits</b>	
Balance end of year	<b>\$ 1,027,872</b>

W-8(a)  
 GROUP \_\_\_\_\_

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2006
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
UTILITY OPERATING INCOME				
400	Operating Revenues	F-3(b)	\$ 1,427,665	\$ 1,487,200
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(737)	(982)
Net Operating Revenues			\$ 1,426,929	\$ 1,486,218
401	Operating Expenses	F-3(b)	\$ 775,113	\$ 910,801
403	Depreciation Expense:	F-3(b)	\$ 306,814	\$ 318,060
	Less: Amortization of CIAC	F-22	84,014	84,159
Net Depreciation Expense			\$ 222,800	\$ 233,901
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	15,123	14,616
408	Taxes Other Than Income	W/S-3	112,431	115,195
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,125,467	\$ 1,274,513
Net Utility Operating Income			\$ 301,462	\$ 211,704
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	737	982
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		23,160	227,098
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 325,358	\$ 439,784

\* For each account, Column e should agree with Columns f, g and h on F-3(b)

UTILITY NAME: Water Management Services, Inc.

**YEAR OF REPORT**  
December 31, 2006

SYSTEM NAME / COUNTY : Franklin

**WATER CIAC SCHEDULE "A"**  
 ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	21	\$ 845	\$ 17,745
Meter Installation	21	250	5,250
Meter Installation (actual)	1	2,783	2,783
Main Extension	21	525	11,025
Main Extension (road bore actual)	1	400	400
Main Extension (road bore actual)	1	530	530
Main Extension (road bore actual)	2	450	900
Total Credits			\$ 38,633

**ACCUMULATED AMORTIZATION OF WATER  
 CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 1,027,872
Debits during the year:	
Accruals charged to Account 272	\$ 84,159
Other debits (specify):	
Total debits	\$ 84,159
Credits during the year (specify):	
Total credits	\$
Balance end of year	\$ 1,112,031

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT  
 December 31, 2007

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
<b>UTILITY OPERATING INCOME</b>				
400	Operating Revenues	F-3(b)	\$ 1,487,200	\$ 1,501,205
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(982)	0
Net Operating Revenues			\$ 1,486,218	\$ 1,501,205
401	Operating Expenses	F-3(b)	\$ 910,801	\$ 959,148
403	Depreciation Expense:	F-3(b)	\$ 318,060	\$ 292,199
	Less: Amortization of CIAC	F-22	84,159	84,535
Net Depreciation Expense			\$ 233,901	\$ 207,664
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	14,616	14,616
408	Taxes Other Than Income	W/S-3	115,195	119,309
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,274,513	\$ 1,300,737
Net Utility Operating Income			\$ 211,704	\$ 200,468
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	982	0
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		227,098	210,420
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(e)]			\$ 439,784	\$ 410,888

\* For each account, Column e should agree with Columns f, g and h on F-3(b)



UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT  
December 31, 2007

SYSTEM NAME / COUNTY : Franklin

**WATER CIAC SCHEDULE "A"**

ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	15	\$ 845	\$ 12,675
Meter Installation	14	250	3,500
Meter Installation (road bore actual)	1	150	150
Meter Installation (road bore actual)	1	450	450
Meter Installation (actual)	1	332	332
Meter Installation (road bore actual)	1	682	682
Main Extension	15	525	7,875
Main Extension (road bore actual)	1	600	600
Total Credits			\$ 26,264

**ACCUMULATED AMORTIZATION OF WATER CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 1,112,031
Debits during the year:	
Accruals charged to Account 272	\$ 84,535
Other debits (specify):	
Total debits	\$ 84,535
Credits during the year (specify):	
Total credits	\$
Balance end of year	\$ 1,196,566

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2008
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
<b>UTILITY OPERATING INCOME</b>				
400	Operating Revenues	F-3(b)	\$ 1,501,205	\$ 1,374,799
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	0	(123)
Net Operating Revenues			\$ 1,501,205	\$ 1,374,676
401	Operating Expenses	F-3(b)	\$ 959,148	\$ 940,311
403	Depreciation Expense:	F-3(b)	\$ 292,199	\$ 281,739
	Less: Amortization of CIAC	F-22	84,535	84,963
Net Depreciation Expense			\$ 207,664	\$ 196,776
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	14,616	14,616
408	Taxes Other Than Income	W/S-3	119,309	108,243
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,300,737	\$ 1,259,946
Net Utility Operating Income			\$ 200,468	\$ 114,730
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	0	123
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		210,420	(7,286)
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 410,888	\$ 107,567

\* For each account, Column e should agree with Columns f, g and h on F-3(b)

UTILITY NAME: Water Management Services, Inc.  
 SYSTEM NAME / COUNTY: Franklin

YEAR OF REPORT  
 December 31, 2008

**WATER CIAC SCHEDULE "A"**  
 ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR.

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	7	\$ 845	\$ 5,915
Plant Capacity	6	various	8,583
Meter Installation	7	250	1,750
Meter Installation	7	various	2,144
Main Extension	9	425	3,825
Main Extension	5	various	5,400
Enc Hydrant	1	2,500	2,500
Total Credits			\$ 29,967

**ACCUMULATED AMORTIZATION OF WATER CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 1,196,568
Debits during the year:	
Accruals charged to Account 272	\$ 84,963
Other debits (specify):	
Total debits	\$ 84,963
Credits during the year (specify):	
Total credits	\$
Balance end of year	\$ 1,281,529

W-8(a)  
 GROUP \_\_\_\_\_

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2009
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COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
<b>UTILITY OPERATING INCOME</b>				
400	Operating Revenues	F-3(b)	\$ 1,374,799	\$ 1,319,558
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(123)	(246)
Net Operating Revenues			\$ 1,374,676	\$ 1,319,313
401	Operating Expenses	F-3(b)	\$ 940,311	\$ 1,057,196
403	Depreciation Expense:	F-3(b)	\$ 281,739	\$ 267,723
	Less: Amortization of CIAC	F-22	84,963	92,178
Net Depreciation Expense			\$ 196,776	\$ 175,545
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	14,616	14,616
408	Taxes Other Than Income	W/S-3	108,243	100,197
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,259,946	\$ 1,347,555
Net Utility Operating Income			\$ 114,730	\$ (28,242)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	123	246
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		(7,286)	4,500
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 107,567	\$ (23,496)

\* For each account, Column e should agree with Columns f, g and h on F-3(b)



UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT December 31, 2010
-------------------------------------

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (d)	CURRENT YEAR * (e)
<b>UTILITY OPERATING INCOME</b>				
400	Operating Revenues	F-3(b)	\$ 1,319,558	\$ 1,291,958
469, 530	Less: Guaranteed Revenue and AFPI	F-3(b)	(246)	(246)
Net Operating Revenues			\$ 1,319,313	\$ 1,291,712
401	Operating Expenses	F-3(b)	\$ 1,057,196	\$ 1,115,100
403	Depreciation Expense:	F-3(b)	\$ 267,723	\$ 294,090
	Less: Amortization of CIAC	F-22	92,178	94,695
Net Depreciation Expense			\$ 175,545	\$ 199,395
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)		
407	Amortization Expense (Other than CIAC)	F-3(b)	14,616	14,616
408	Taxes Other Than Income	W/S-3	100,197	107,672
409	Current Income Taxes	W/S-3		
410.10	Deferred Federal Income Taxes	W/S-3		
410.11	Deferred State Income Taxes	W/S-3		
411.10	Provision for Deferred Income Taxes - Credit	W/S-3		
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3		
412.11	Investment Tax Credits Restored to Operating Income	W/S-3		
Utility Operating Expenses			\$ 1,347,555	\$ 1,436,783
Net Utility Operating Income			\$ (28,242)	\$ (145,071)
469, 530	Add Back: Guaranteed Revenue and AFPI	F-3(b)	246	246
413	Income From Utility Plant Leased to Others			
414	Gains (losses) From Disposition of Utility Property		4,500	1,500
420	Allowance for Funds Used During Construction			
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ (23,496)	\$ (143,325)

\* For each account, Column e should agree with Columns f, g and h on F-3(b)

UTILITY NAME: Water Management Services, Inc.

YEAR OF REPORT
December 31, 2010

SYSTEM NAME / COUNTY : Franklin

**WATER CIAC SCHEDULE "A"**  
 ADDITIONS TO CONTRIBUTIONS IN AID OF CONSTRUCTION RECEIVED FROM CAPACITY,  
 MAIN EXTENSION AND CUSTOMER CONNECTION CHARGES RECEIVED DURING THE YEAR

DESCRIPTION OF CHARGE (a)	NUMBER OF CONNECTIONS (b)	CHARGE PER CONNECTION (c)	AMOUNT (d)
Plant Capacity	3	\$ 845	\$ 2,535
Plant Capacity		various	37,806
Meter Installation	10	250	2,500
Meter Installation		various	307
Main Extension	3	525	1,575
Main Extension		various	25,336
Fire Hydrants			77,300
Sprinkler Systems			1,750
<b>Total Credits</b>			\$ <u>149,109</u>

**ACCUMULATED AMORTIZATION OF WATER  
 CONTRIBUTIONS IN AID OF CONSTRUCTION**

DESCRIPTION (a)	WATER (b)
Balance first of year	\$ 1,373,707
Debits during the year:	
Accruals charged to Account 272	\$ 94,695
Other debits (specify):	
<b>Total debits</b>	\$ 94,695
Credits during the year (specify):	
<b>Total credits</b>	
Balance end of year	\$ <u>1,468,402</u>


\_\_\_\_\_ **WATER MANAGEMENT SERVICES, INC.** \_\_\_\_\_

250 John Knox Rd. # 4  
Tallahassee, FL 32303  
(850) 668-0440 Fax (850) 577-0441

MEMO

HAND DELIVERY

TO: Commissioner Eduardo E. Balbis  
Commissioner Ronald A. Brise'  
Commissioner Julie I. Brown  
Commissioner Lisa Polak Edgar  
Commissioner Art Graham

FROM: Gene D. Brown 

DATE: August 1, 2012

RE: Response to Erik Saylor's Letter of July 31, 2012 and to Issue 15 of PSC Staff  
Recommendation dated July 20, 2012

This memo is in response to to the letter from Erik Saylor dated July 31, 2012, with special emphasis on issue 15 of the staff's recommendation dated July 20, 2012, which is set forth as follows:

Issue 15: Have the Utility's cash advances to WMSI's President and associated companies in the amount of \$1.2 million, represented by Account 123, affected the Utility's ability to meet its financial and operating responsibilities? If so, what action, if any, should the Commission take?

At the outset, it should be noted that this issue is misstated because it refers to the \$1.2 million as "cash advances," or loans, when in fact this Account 123 represents accumulated investments in an associated company that have built up over a 38 year period since I started this utility in 1974. These cumulative investments have been properly and accurately shown in Account 123, year after year, in the annual reports filed with this Commission. The Uniform System of Accounts for Class A Utilities published by the National Association of Regulatory Utility Commissioners (NARUC), which WMSI is required to follow by order of this Commission, defines Account 123 as follows:



123. Investment in Associated Companies

A. This account shall include the book cost of investment in securities issued or assumed by associated companies (See definition 5) and investment advances to such companies . . .

WMSI would have been in direct violation of NARUC if it had booked the \$1.2 million of advances as a debt receivable under Accounts 145 and 146 rather than as equity under Account 123. Account 145 is entitled: "Accounts Receivable from Associated Companies," and Account 146 is entitled: "Notes Receivable from Associated Companies." The NARUC description under Account 146 is as follows:

146. Notes Receivable from Associated Companies

These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.)

The NARUC description under Account 145 simply says: "See Account 146."

The staff recommendation quotes the prior order of the Commission which authorizes the staff to "recommend an appropriate adjustment for imprudence" as the basis for a \$44,441 adjustment to my compensation. The dictionary defines imprudence as "rash" or "indiscreet." It would have been more "rash" or "indiscreet" to have booked these payments into Accounts 145 and 146 in direct violation of NARUC, which WMSI is mandated to follow by order of this Commission. Investments extending over 38 years can hardly be considered "rash." All of the activity in question occurred prior to December 31, 2010, the end of the test year in this case. WMSI stopped using Account 123 at all as of January 1, 2011, and has not used it since then except to correct an accounting error made in 2010 regarding \$40,000 that I loaned to WMSI prior to the end of that year.

Not only was the form of these Account 123 transactions correct, the substance was wise and prudent as well. These investments and transfers of funds as consolidated under Account 123 have been used for the benefit of the utility and have helped keep it solvent when there were insufficient funds from the ratepayers to cover the day-to-day cash operating requirements for WMSI. For example, during the 2010 test year, Brown Management Group (BMG) sold two assets at a "fire sale" for \$421,000 cash, which was helpful in covering the \$705,265 deficit between the ratepayer funds and the operating costs of WMSI which I had to cover. During the PSC Account 123 audit, WMSI documented the fact that the value of the 100% stock ownership in BMG was greater than the \$1.2 million that WMSI paid for the stock. That investment gave

WMSI another source of needed cash flow and was not "imprudent."

The wisdom of WMSI's outside investments is implicitly shown by the PSC audit of Account 123 which divided the revenue and expenses into "utility activity" and "non-utility activity." Under "utility activity," the PSC auditor included outside investments to show revenue over and above those revenues obtained from ratepayers. For example, the "utility activity" for 2007 included the sale of two investment lots in Tallahassee which resulted in a \$234,000 net profit and a check of \$229,000 to WMSI cash at closing. That \$229,000 of cash came from BMG and was critical in covering the \$554,563 gap, or deficit, which existed between the funds collected from ratepayers and the actual cash required to fund utility operations that year.

Two other points should be made regarding the PSC staff audit of Account 123:

(1) It confirmed that the balance in Account 123 was correct (to the last dollar), which shows the accuracy of WMSI's accounting as reflected in its annual reports filed year after year with this Commission.

(2) It was not based on any analysis of funds supplied by WMSI's ratepayers as compared to funds supplied by third parties, including myself.

Because of that, and because of the OPC assertion that I took \$1.2 million of money which belonged to the WMSI customers, I commissioned an internal audit to show the actual cash difference, or deficit, between the funds obtained from WMSI's customers and the actual cost of operating the utility from 2000 through 2010. The results and a summary chart of that internal audit is attached as Composite Exhibit "A." That audit shows that the deficit during that 11 year period was \$16,237,529, including all investments under Account 123. If no investments had been made through Account 123, the deficit would still have been in excess of \$15,000,000. However, under that scenario, WMSI would not have had the BMG properties available for liquidation to cover deficits as described above. Exhibit "A" was prepared using the cash basis, showing actual cash in and actual cash out. Composite Exhibit "B" is based on the accrual method and contains 3 charts prepared from WMSI's annual reports filed with this Commission. These charts also show that there was never enough revenue to cover basic operating costs and plant additions, so there was never any excess revenue from rates or ratepayers for me to have "taken" \$1.2 million of ratepayer funds. These charts also show how WMSI's debt grew from around \$1.5 million to over \$8 million as a result of the state's decision to tear down our water supply main with no compensation. That debt has to be paid by WMSI and me, not by the ratepayers.

Not only did WMSI not ever transfer any ratepayer funds to affiliates, WMSI never even earned the return from ratepayers to which it was entitled. Attached as Exhibit "C" is part of WMSI's audit response in this case which shows the total (under) earnings from 2000-2010 was \$633,506 as shown by WMSI's annual reports filed with this Commission. The PSC audit states that the \$1.2 million figure was actually a net of \$930,552 when certain other credits were given.

WMSI disagreed in its response, showing the actual inter-company net calculation to be \$264,498. See Exhibit "C." In any event, all of these numbers are below the net value of BMG, which is owned 100% by WMSI as a result of the cash invested through Account 123.

In its recommendation regarding issue 15, the staff states that WMSI's rates included funds for debt service and that despite "the availability of these funds through rates, multiple payments on the loan from DEP were not made" during the time that funds were advanced through Account 123. This statement is incorrect for several reasons:

(1) WMSI has made every payment required by the DEP/WMSI loan documents except the one that was due May 15, 2012, almost 1 ½ years after this Commission's order of January 3, 2011 which resulted in a substantial decrease in WMSI rates after 20 years with no general rate relief. May 15, 2012 is not "during the period" from the beginning of the utility through December 31, 2010 when funds were being invested through Account 123.

(2) While it is true that WMSI received a limited increase in rates as part of the limited proceeding involving the bridge supply main, it is not true that those rates ever produced sufficient revenue to cover the DEP debt service.

In addition to the January 3, 2011 order which caused a substantial net decrease in WMSI's revenue, the only support offered by staff for their assertion that WMSI's approved rates covered the DEP debt service is a reference to two preliminary orders from the limited proceeding, one on November 21, 2000 and one on September 8, 2003. Specifically, the staff refers to page 12 of the September 8, 2003 order which "projected" that WMSI would receive \$415,977 in additional annual revenue (still less than the annual DEP payment at that time), but which did not include any coverage for certain additional costs necessitated by the new supply main, such as increased insurance costs, increased maintenance costs, or the cost of leasing and storing the maintenance equipment for the new supply main. (Emphasis added.)

The September 8, 2003 order cited in the staff recommendation approved \$33.06 per month as the base facility charge for a standard residential meter, which is the "bread and butter" of WMSI's revenue, especially during the winter months when little water is used. Using the rates from the 2003 order cited by staff, WMSI was able to operate fairly well from 2003 until 2006, when this Commission entered its final order setting rates for WMSI on February 9, 2006. The staff recommendation omits any reference to that order even though it is the one that actually set the rates that the recommendation now says were available and adequate to cover the DEP loan costs.

The February 9, 2006 order, which the staff recommendation ignored, made drastic changes in WMSI's rate structure after WMSI borrowed and spent over \$7,000,000 on the bridge project. The \$7,000,000 actually spent included well over \$500,000 of "soft costs" and other expenses that could not be included in the limited proceeding because of "regulatory lag" according to our consultants in that proceeding. Among other things, the final order on February

9, 2006 cut the standard base facility charge back to \$27.50 on a permanent, going forward basis. More importantly, that order put a 50% surcharge on all high volume water use, which meant that WMSI's customers would have to pay \$4.98 per thousand gallons for all water use over 15,000 gallons per month. That last minute decision, entered in an order over WMSI's objection after the water line was constructed, lead directly to a tremendous increase in the number of shallow wells on St. George Island. That proliferation of shallow wells resulting from the 2006 order prevented WMSI from actually receiving the cash revenue which was "projected" by the 2003 order which the staff cites as support for their recommendation on issue 15. (Emphasis added.)

It is impossible to know exactly how much revenue WMSI has lost since the February, 2006 order, but it is probably several hundred thousand dollars per year, certainly more than the one \$162,000 DEP payment that is past due since May 15, 2012. However, the following facts are known:

(1) In 2006, WMSI personnel began seeing wells going in all over St. George Island, including inside the Plantation, the island's largest development, despite the fact that wells were prohibited there by a County ordinance and a State DRI.

(2) Between 2006 and 2009, WMSI identified approximately 300 shallow wells that were constructed on the island with no consumptive use permit as required by law, including a large number in the Plantation that were placed in service in violation of the County ordinance and the State DRI.

(3) After WMSI tried unsuccessfully to get the County to enforce its ordinance, and after WMSI lost a legal action against the Northwest Florida Water Management District (NFWFMD) to limit wells on the island, the NFWFMD changed its rules so as to allow and "encourage" shallow wells all over the island, with no consumptive use permit for both non-potable and potable uses.

This NFWFMD rule change went into effect on January 4, 2010, the first month of the test year in this case. Since then, the rate of increase in shallow wells has gone up because all the wells are now legal and encouraged by the NFWFMD. WMSI estimates that there are now between 400 and 500 shallow wells on the island, and more are being placed in service each month. These wells have caused a substantial decrease in WMSI's revenue, starting in 2005 when this Commission entered its PAA order No. PSC-05-1156-PAP-WU, which created a tremendous incentive for all of WMSI's customers to put in shallow wells and to use WMSI water only for personal uses and for fire protection. That order was also omitted from the staff recommendation. Exhibit "B-1" is a chart showing how WMSI's operating income started to drop around the '05-'06 time frame when WMSI's rate structure was drastically changed. The investments under Account 123 had absolutely nothing to do with this steady drop in operating income.

To understand the cost of each shallow well to WMSI's revenue, WMSI analyzed the annual water use of 20 of its current customers. If each of those 20 customers put in a shallow well tomorrow so that they no longer have to pay for their water over 15,000 gallons per month, the annual loss to WMSI for just those 20 wells would be \$30,950, calculated as follows:

$$\begin{aligned} & \text{Average water use over 15,000 gallons per month (gpm)} \\ = & \quad 26,000 \text{ gpm} \\ & \quad \times \$4.96 \text{ per k} \\ & \quad \$128.96 \text{ per mo.} \times 12 \text{ months} = \$1,547.52 \times 20 \text{ wells} = \quad \$30,950 \text{ Annual Loss} \end{aligned}$$

We estimate that there are now 400-500 shallow wells on the island, with more going in every month. If even 250 of those wells are costing WMSI 26,000 gallons per month in water sales, the total lost revenue is \$386,880 ( $\$128.96 \times 12 \times 250$ ), which is more than the \$324,024 annual debt service requirement on the DEP loan.

There is no way to quantify WMSI's loss from this increase in shallow wells after this Commission's final order in 2006. As noted above, WMSI was able to survive from the '03 order cited by staff until the '06 order which actually established the rate structure. But as shown by the chart attached s Exhibit "B-1," which is based on WMSI's annual reports, the utility's total operating revenue started to drop steadily from late 2005 through 2010. The problem really became serious in 2008, when it became clear that the NFWFMD was not going to alter its plan to allow unlimited shallow wells on St. George Island for both non-potable and potable water, all with no consumptive use permits. As shown by WMSI's annual reports (F-3( c)), WMSI's net income was minus (\$260,464) in 2008, minus (\$331,692) in 2009, and minus (\$504,038) in 2010. Although these shallow wells save some expense for electricity and chemicals, they also increase the expense of administering WMSI's cross-connection control program because wells are a major hazzard to the system. This Commission should look at these hard numbers based upon actual operations to determine if adequate ratepayer funds were "available" to WMSI to cover all its operating costs. Those historic accounting numbers are much more reliable than "projections" in a 2003 order, especially since that order was not the actual order that established WMSI's rates. (Emphasis added.)

The staff recommendation asserts that my salary should be reduced by 35%, or \$33,688 per year, plus an additional reduction in benefits for a total downward adjustment of \$44,441, because my "managerial imprudence" cost the ratepayers an additional \$928,071 in interest. Specifically, the recommendation explains the basis for the adjustment as follows:

In the instant case, the amount of the adjustment is based on the additional interest expense on the DEP loan. As noted earlier, had funds collected through rates been used to timely pay debt service payments instead of paid out in the form of cash advances to associated companies, the incremental increase in interest expense of \$928,071 would have been avoided. Staff determined the amount necessary to reduce revenue

requirement to prevent this unnecessary cost from being borne by ratepayers. Such an adjustment represents approximately 35 per cent of the Utility President's salary, plus the applicable adjustments to pensions and benefits expense and payroll taxes.

Two basic points should be made regarding this part of the recommendation:

- (1) The \$928,071 in interest can never be passed on, or "borne by," WMSI's ratepayers. That interest will have to be paid by me, my family and my associated companies, all of whom have personally endorsed the DEP note. But this debt is not owed by any ratepayer, and this Commission's rate structure process does not allow that \$928,071 of interest to be passed on to the ratepayers.
- (2) The extension of the DEP amortization from 20 to 30 years had nothing whatsoever to do whether or not debt service payments were timely made to DEP. Instead, the 10 year extension of the DEP amortization was made as a matter of managerial prudence to allow adequate funds for the necessary principal reductions on the DEP loan.

Debt service payments on an amortized loan are made up of two components: principal and interest. There is nothing in the PSC rules or procedures that allows a utility to recover principal payments through rates, except for the depreciation expenses. There is also nothing to allow utilities such as WMSI to require ratepayers to pay the interest on all the debt incurred for utility improvements or any other purpose. Instead, the rules allow the utility to receive a return on its net investment, known as the rate base. For a debt company, such as WMSI, that return is based upon the company's weighted cost of debt. For a company with no debt, that return is based upon an equity calculation as established by this Commission on a year-to-year basis.

Applying these basic concepts to this case, it can be seen that the extension of the DEP amortization did not cost the ratepayers any money. Instead, it actually saved them money as shown by the following examples. Example One shows the cost to WMSI ratepayers based on the 10 year extension which I negotiated. Example Two shows what would have happened if I had left the amortization at 20 years, as suggested by the staff recommendation.

Example One: Extend the DEP amortization from 20 to 30 years:

Cost to WMSI ratepayers for last 10 years:

$3\% + 6.5\% = 9.5\% \div 2 = 4.75\%$  weighted cost of debt, assuming  
WMSI's interest rates remain at 3% and 6.5%, assuming the  
financing is divided equally between the two rates, and assuming  
that the rate base remains the same as it was at the end of the  
2010 test year, \$3,759,162.

$4.75\% \times \$3,759,162 = \$178,562 \times 10 \text{ years}$

Total Cost to WMSI ratepayers last ten years = \$1,785,602

Example Two: Pay off the DEP Loan in 20 years:

Cost to WMSI ratepayers for last ten years

<u>Scenario A</u>	<u>Scenario B</u>
100% Debt Company	100% Equity Company

Under Scenario A, it is assumed that WMSI is still a 100% debt company during the last 10 years, that the remaining (non-DEP) debt is still at 6.5%, and that the rate base is still at \$3,759,162.

$$6.5\% \times \$3,759,162 = \$244,346 \times 10 \text{ years}$$

Total Cost to WMSI ratepayers last 10 years= \$2,443,455

Under Scenario B, it is assumed that WMSI pays off its other debt to become a 100% equity company, and the rate base remains at \$3,759,162. Under that scenario, WMSI would be entitled to a return on equity (ROE) of 11.16%, assuming the current leverage formula does not change.

$$11.16\% \times \$3,759,162 = \$419,522 \times 10 \text{ years}$$

Total Cost to WMSI ratepayers last 10 years= \$4,195,225

To summarize, doing it my way will cost the WMSI ratepayers \$1,758,602 for the last 10 years. If I had followed the staff recommendation, the WMSI ratepayers would pay \$2,443,455 during those last 10 years. But if I was really "prudent" as defined by the staff recommendation and paid off all of WMSI's debt by the end of the DEP 20 year amortization, the WMSI ratepayers would be charged \$4,195,225 during those last years. In other words, my decision to extend the DEP amortization saved the WMSI ratepayers somewhere between \$657,843 (\$2,443,445 - \$1,785,602) and \$2,409,623 (\$4,195,225-\$1,785,602) depending upon the mix of debt and equity. Accordingly, I do not see why the ratepayers should complain, and I certainly do not see how this is a case of imprudence or bad management so as to justify a reduction in my compensation of over \$40,000 per year. Just like household finance, you always keep your low interest debt and pay off high interest debt first, assuming all debt cannot be paid at once.

The most important reason I extended the DEP amortization was to more evenly match the term of the loan with the depreciable life of the supply main built with the DEP loan proceeds. As I mentioned earlier, there is no way to directly recover the principal portion of a loan used to purchase plant assets. However, it is possible and prudent to use the cash from the depreciation expense charged to ratepayers if you can get that annual depreciation expense on an asset to match the annual principal payments on the loan used to buy that asset. In this case, depreciable life of the supply main was 40 years, but we were able to get the Commission to cut it back to 35 years. However, that was still 15 years longer than the 20 year amortization on the DEP loan. Accordingly, the depreciation expense embedded in our rates was never going to cover the principal portion of the DEP debt service with a 20 year amortization. By extending the DEP amortization to 30 years, there is now only a 5 year difference so that the depreciation

expense included in our rates is almost adequate to cover the principal reductions on the DEP loan. This was a wise and prudent decision in accord with sound utility management principles.

On page 37, the staff states that the reduction of my salary "is consistent with prior Commission decisions wherein the president's salary was reduced for managerial imprudence," citing two cases. However, neither of those cases apply to the facts of this case. One of the decisions involved egregious and willful conduct by the president which resulted in poor water quality and poor quality of service. In this case, WMSI has consistently provided excellent water quality together with prompt and reliable service to all our customers with virtually no complaints. For example, during the most recent storm on the island when electric power was out for five days, we continued to provide prompt, reliable service 24/7 with no outage which afforded consistent fire protection, and which allowed several businesses to stay in operation all for the benefit of our customers. We did this by having our operator stay with the system night and day to make sure our generator did not fail in case of a fire or other major problem. The other Commission order was based upon repeated, willful acts and repeated failures to act in violation of §367.161, Florida Statutes, which authorizes a penalty for a utility that "knowingly refuses to comply with, or willfully violates, any provision of this chapter or any lawful rule or order of the commission." In this case, there has been no violation, willful or otherwise; or any part of Chapter 367 or of any rule or order of this Commission. Indeed, with regard to this Account 123 issue, we have followed the mandates of NARUC to the letter. I would ask these rhetorical questions: If WMSI was not supposed to make investments in associated companies, why is this Account 123 entitled "Investments in Associated Companies" included as a separate, defined account in NARUC? And, if cash payments to the associated company must be treated as debt advances (not equity) years after those advances were made, why does NARUC mandate that all such advances shall be moved to Account 123 and treated as an equity investment after 12 months?

I have just finished reading Mr. Saylor's letter of July 31, 2012, although I have still not received my email copy from Mr. Saylor as shown by his letter. The two Commissioners who were at the final hearing in the last case will recall that Florida's Public Counsel, J. R. Kelly, stood up at the final hearing, pointed toward me, and directly told WMSI's customers that I had taken (stolen) \$1.2 million of "your money." He then argued that WMSI would not ever need a rate increase if I had not essentially stolen their money. Among lawyers, this is known as the "Big Lie" strategy. If you don't have the law or the facts on your side, you attack your opponent. If an unscrupulous lawyer tells an outrageous lie, and tells it often and loud, the public will come to believe it over time, especially if it is in their economic interest to believe it. This lie has caused great damage to my professional reputation among the WMSI customers who do not know me, and I had to explain the truth to my first mortgage lender who heard this lie on the radio and read it in the paper.

The "Big Lie" strategy worked very well for OPC in the last rate case. It set a narrative and captured the primary attention of everyone involved in the case. The narrative went like this: Gene Brown is a bad person, he stole \$1.2 million from his customers, so he should get no rate



increase at all, despite the fact that OPC had already prefiled testimony from its accounting expert which acknowledged that WMSI was entitled to at least a \$132,000 annual revenue increase. Nevertheless, this Commission voted to keep WMSI rates exactly the same, to the penny, after almost 20 years with no general rate relief. The staff did an administrative change after the vote, resulting in an additional \$10,000 in annual revenue increase, which still required WMSI to pay \$229,000 of rate case expenses out of that \$10,000. The bottom line was a substantial rate decrease after 20 years without any general overall rate relief.

With such outstanding "success" in the last case, OPC is now doubling down with an expanded "Big Lie" and new narrative that goes like this: Gene Brown stole \$1.2 million from his customers so WMSI is unable to pay its debts and is no longer a "going concern," implying that the company may have to be sold at a forced sale. This new narrative, which is being now repeated by people on St. George Island, is consistent with the publically announced goal of a new group on the island that is trying to buy the water company for less than it's appraised value. That group, which recently helped kill a sale to the City of Carrabelle, just filed documentation with the Department of State for a new "SGI Water Cooperative, Inc." to take title. Their obvious strategy is to force the rates down, trash the management of WMSI, and make it impossible for WMSI to obtain financing and survive as a "going concern" so they can take over the water company for less than it is worth.

The main difference between OPC's narrative in the last case and OPC's narrative in this case is OPC is now actively engaged with its "clients" to make the narrative come true. Through access to the staff data requests in this case, OPC was able to get a copy of the loan application filed by WMSI with Fidelity Bank, the bank WMSI had been working with for over a year to obtain the USDA funds necessary to build the improvements involved in this case. A few weeks go, I received a phone call from the Fidelity loan officer in Orlando in charge of USDA loans who had been working on our file. He asked me: "Who is Erik Saylor"? After I told him, he said Mr. Saylor called him from some official state office in Tallahassee, asking for information about WMSI's pending loan application. The banker told Mr. Saylor that he could not answer his questions or release any information about WMSI's loan because it was against bank policy to release any information about customers. The banker and I continued to talk for well over an hour in a very positive way about how we could modify the loan request to make it work. I told the banker I was expecting a preliminary recommendation from the Commission staff on Friday, July 20, which would give us both an idea as to what funds would be available to service the debt on the new loan, and that I would send him that information as soon as it was received. On Monday morning, July 23, as I was getting ready to send the recommended rate increase numbers to the Orlando banker, he called me and said, basically, that your loan is dead, we cannot do this deal. His tone was entirely different and there was no way to get him to consider anything else I had to say about keeping the deal together. When I asked him, "what happened," he said that Erik Saylor had called him again demanding information about the WMSI loan, and when he still would not give it to him, Erik Saylor had called the Orlando banker's boss in Atlanta. When I asked the banker what Erik Saylor had said to him, the banker replied that Mr. Saylor was "not positive," emphasizing the "not."

From this, it is clear that OPC has successfully sabotaged WMSI's loan with Fidelity, after WMSI worked on it for over a year, and that this was done deliberately just before WMSI would have been able to provide more positive revenue information from the PSC to the bank, which was the only reason Fidelity was considering the loan in the first place. It is also clear that OPC was able to kill this loan by using the loan information they received only because of their status as attorneys in this case.

OPC and their "clients" know that banks do not want to deal with a thief who would steal \$1.2 million from his customers. They also know that banks will not likely lend millions of dollars to a company run by a man who has just been fined and penalized for bad management by the regulator having life and death control over that company, especially if the regulators also say the company may not be a "going concern." J. R. Kelly and Erik Sayler also know that a bank would not likely move forward with a deal that starts with an aggressive lawyer from an official sounding state office calling the bank repeatedly to make negative comments about a potential borrower. Banks do not go looking for trouble!

That is why OPC came up with this new narrative involving the "going concern" concept, which was first mentioned in a filing by OPC a couple of months ago and which is still being pressed in OPC's letter filed yesterday. That is also why you will hear a lot of rhetoric tomorrow about the "missing" \$1.2 million, both by OPC and the customers. Up to this point, I cannot really blame the customers who are just repeating what their lawyer told them. If my lawyer pointed to a man I did not know and told me that man stole \$1.2 million of "your money," I would also have a problem with that man. By this memo, I am suggesting that Mr. Sayler distribute copies of this memo with exhibits to his "clients" so they will know all the facts. To call a man a thief is slander per se, or liable per se in the case of the writings being circulated around St. George Island and Tallahassee. Anyone who continues making these statements about me taking \$1.2 million of somebody else's money will be held accountable.

In order to protect the financial integrity of WMSI it will likely have to take legal action against J. R. Kelly and Erik Sayler for tortious interference with a prospective economic advantage, as defined in Turkey Creek, Inc. V. Londono, 567 So. 2d 943 (Fla. 1<sup>st</sup> DCA 1990), affirmed in Londono v. Turkey Creek, Inc., 609 So. 2d 14 (Fla. 1992). This suit will seek damages for the losses suffered by WMSI and me as a result of the Fidelity Bank conduct, as well as any similar conduct uncovered during discovery. Anyone found to have engaged in similar conduct will be added to the lawsuit, which will also seek a permanent injunction to prevent Mr. Kelly and Mr. Sayler from trying to interfere with my business relationship with any other lenders or prospective buyers of the system. I will also ask my attorney, Martin Friedman, to request a special order from this Commission to prevent OPC from gaining access to loan applications or other sensitive documents as I move forward in trying to finance the necessary improvements to the St. George Island water system.

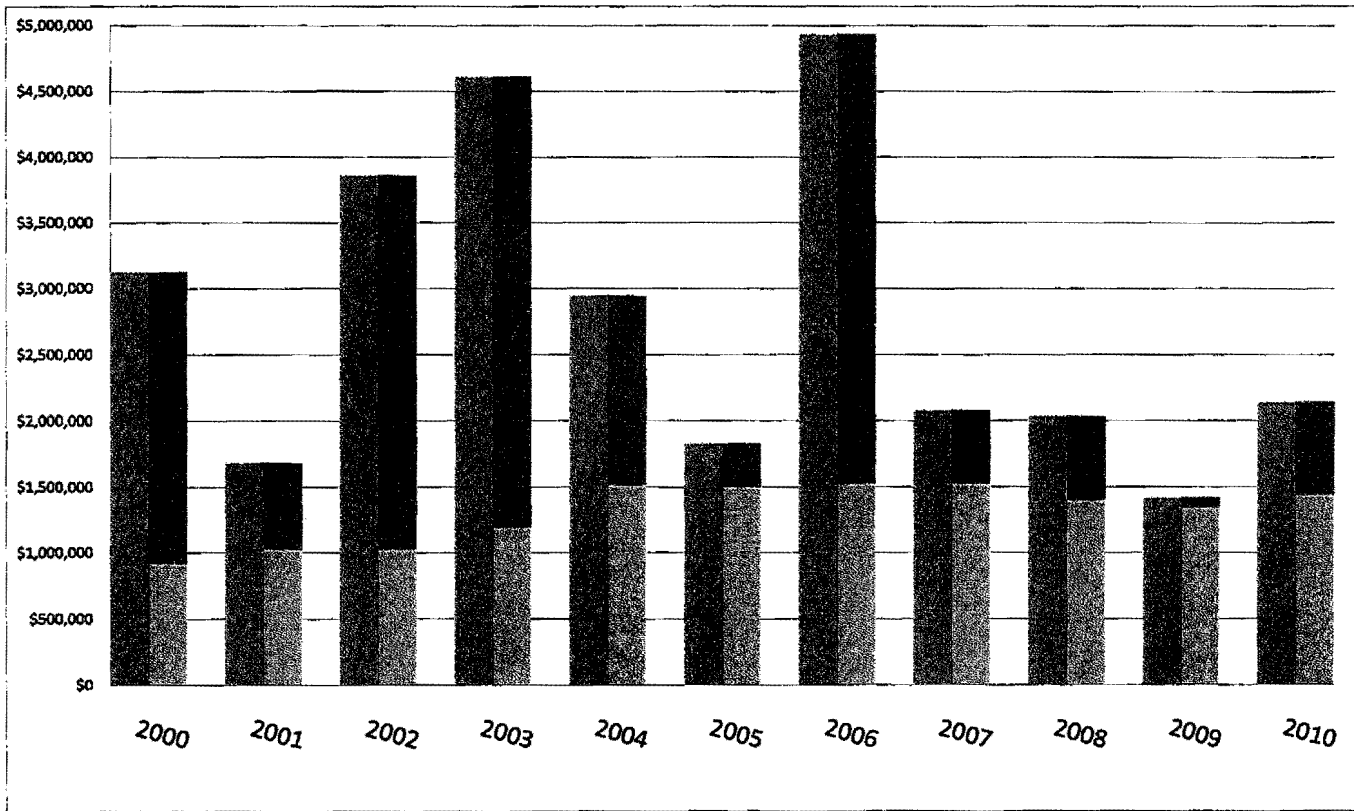
I will end this memo with the same statement that I made during the final hearing in the last case. I have never taken one dollar of ratepayer funds for my own use or the use of any of my affiliates. Instead, I have subsidized this company financially and otherwise for 38 years, which has resulted in an outstanding and reliable water system on St. George Island which I will




continue to maintain and protect. I will be at the agenda conference tomorrow and I encourage each of you to ask me any questions you may have concerning this memo or anything else involving this matter.

cc: via Hand Delivery  
Division of Economic Regulation (Brown, Cicchetti, Fletcher, Maurey)  
Office of General Counsel (Jaeger, Barrera)  
Office of Public Counsel (Kelly, Saylor)  
Office of Commission Clerk  
Martin S. Friedman, Esq.

**COMPOSITE EXHIBIT "A"**

### Water Management Services, Inc. Cash Flow Analysis 2000 - 2010



 Cost of Operations  
 Funds from Ratepayers  
 Deficit Furnished by GDB/Affiliates/3rd Parties

**WATER MANAGEMENT SERVICES, INC.  
 FINANCIAL SOURCES AND USES  
 SUMMARY OF YEARS 2000 - 2010**

<b>2000</b>	
COSTS OF OPERATIONS OF WMSI	\$3,130,455.04
FUNDS FROM RATEPAYERS	\$925,647.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,204,808.04</b>
	=====
<b>2001</b>	
COSTS OF OPERATIONS OF WMSI	\$1,685,202.06
FUNDS FROM RATEPAYERS	\$1,034,524.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$660,678.06</b>
	=====
<b>2002</b>	
COSTS OF OPERATIONS OF WMSI	\$3,863,314.74
FUNDS FROM RATEPAYERS	\$1,032,329.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,830,985.74</b>
	=====
<b>2003</b>	
COSTS OF OPERATIONS OF WMSI	\$4,616,103.06
FUNDS FROM RATEPAYERS	\$1,198,338.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,417,765.06</b>
	=====
<b>2004</b>	
COSTS OF OPERATIONS OF WMSI	\$2,950,998.38
FUNDS FROM RATEPAYERS	\$1,518,938.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$1,432,060.38</b>
	=====
<b>2005</b>	
COSTS OF OPERATIONS OF WMSI	\$1,831,156.68
FUNDS FROM RATEPAYERS	\$1,504,774.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$326,382.68</b>
	=====

**WATER MANAGEMENT SERVICES, INC.  
 FINANCIAL SOURCES AND USES  
 SUMMARY OF YEARS 2000 - 2010**

<b>2006</b>	
COSTS OF OPERATIONS OF WMSI	\$4,937,082.76
FUNDS FROM RATEPAYERS	\$1,525,833.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,411,249.76</b>
=====	
<b>2007</b>	
COSTS OF OPERATIONS OF WMSI	\$2,082,031.91
FUNDS FROM RATEPAYERS	\$1,527,469.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$554,562.91</b>
=====	
<b>2008</b>	
COSTS OF OPERATIONS OF WMSI	\$2,036,491.79
FUNDS FROM RATEPAYERS	\$1,404,766.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$631,725.79</b>
=====	
<b>2009</b>	
COSTS OF OPERATIONS OF WMSI	\$1,418,542.00
FUNDS FROM RATEPAYERS	\$1,346,497.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$72,045.00</b>
=====	
<b>2010</b>	
COSTS OF OPERATIONS OF WMSI	\$2,146,331.94
FUNDS FROM RATEPAYERS	\$1,441,066.16
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$705,265.78</b>
=====	
<b>TOTAL, 2000 - 2010</b>	
COSTS OF OPERATIONS OF WMSI	\$30,697,710.36
FUNDS FROM RATEPAYERS	\$14,460,181.16
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$16,237,529.20</b>
=====	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2000**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$796,007.00	
W-8(a)	CIAC from Ratepayers	\$129,640.00	
W-10(a)	Utility Expenses		\$610,076.00
W-3	Utility Taxes & Fees		\$71,617.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$243,954.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$925,647.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$925,647.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$352,980.00
	Citizen's Bank of Perry Payments		\$43,232.55
	Transamerica Payments		\$1,390,408.53
	Gulf State Bank Payments		\$347,694.80
	Farmers & Merchants Bank Payments		\$13,510.99
	Capital City Bank Payments		\$19,719.29
	N.L.I. Payments		\$53,493.79
	Utility Expenses not included on W-10(a) above		\$162,203.41
	Cash from third parties	\$27,295.77	
	Cash from Loans Secured by GDB/Affiliates	\$2,222,097.68	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(44,585.41)	
	Adjustment to convert from accrual to cash basis		(178,435.32)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$2,204,808.04</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$2,204,808.04</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$3,130,465.04</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$925,647.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,204,808.04</b>	
		=====	
	* Plant additions in 2000 were \$596,934. This includes \$189,793 C.W.I.P. increase during 2000.		



**WMSI  
 FINANCIAL SOURCES AND USES  
 2001**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$910,524.00	
W-8(a)	CIAC from Ratepayers	\$124,000.00	
W-10(a)	Utility Expenses		\$699,554.00
W-3	Utility Taxes & Fees		\$79,511.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$255,459.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,034,524.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,034,524.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$531,519.51
	Citizen's Bank of Perry Payments		\$189,366.34
	Wachovia Bank Payments		\$7,411.68
	Gulf State Bank Payments		\$71,703.89
	Farmers & Merchants Bank Payments		\$20,865.96
	Utility Expenses not included on W-10(a) above		\$44,937.30
	Cash from third parties	\$26,694.97	
	Cash from Loans Secured by GDB/Affiliates	\$707,726.10	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(83,743.01)	
	Adjustment to convert from accrual to cash basis		(215,126.62)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$650,678.06</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$650,678.06</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$1,885,202.06</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,034,524.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$650,678.06</b>	
* Plant additions in 2001 were \$786,979. This includes \$487,655 C.W.I.P. increase during 2001.			

**WMSI  
 FINANCIAL SOURCES AND USES  
 2002**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$914,481.00	
W-8(a)	CIAC from Ratepayers	\$117,848.00	
W-10(a)	Utility Expenses		\$734,387.00
W-3	Utility Taxes & Fees		\$80,975.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$216,967.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,032,329.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,032,329.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$1,538,008.00
	D.E.P. Loan Payments		\$0.00
	Citizen's Bank of Perry Payments		\$177,847.97
	Wachovia Bank Payments		\$7,411.68
	Gulf State Bank Payments		\$736,444.73
	Farmers & Merchants Bank Payments		\$22,210.58
	Utility Expenses not included on W-10(a) above		\$129,941.91
	Cash from third parties	\$6,532.81	
	Cash from Loans Secured by GDB/Affiliates	\$2,757,720.86	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	66,732.07	
	Adjustment to convert from accrual to cash basis		219,120.89
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$2,830,985.74</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$2,830,985.74</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$3,863,314.74</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,032,329.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,830,985.74</b>	
		=====	
	* Plant additions in 2002 were \$1,754,975. This includes \$1,723,648 C.W.I.P. increase during 2002.		

**WMSI  
 FINANCIAL SOURCES AND USES  
 2003**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,057,043.00	
W-8(a)	CIAC from Ratepayers	\$141,295.00	
W-10(a)	Utility Expenses		\$742,696.00
W-3	Utility Taxes & Fees		\$87,153.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$368,489.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,198,338.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,198,338.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$2,483,347.89
	D.E.P. Loan Payments		\$290,211.48
	Citizen's Bank of Perry Payments		\$156,486.75
	Wachovia Bank Payments		\$7,411.88
	Gulf State Bank Payments		\$94,404.93
	Farmers & Merchants Bank Payments		\$20,114.09
	Utility Expenses not included on W-10(a) above		\$37,525.42
	Cash from third parties	\$126,209.03	
	Cash from Loans Secured by GDB/Affiliates	\$3,377,628.03	
F-1(a), F-12	Net funds to GDB/Affiliates as per Account 145	(86,072.00)	
	Adjustment to convert from accrual to cash basis		328,262.82
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$3,417,765.06</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$3,417,765.06</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$4,616,103.08</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,198,338.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,417,765.08</b>	
* Plant additions in 2003 were \$2,851,837. This includes \$1,889,314 C.W.I.P. increase during 2003.			

**WMSI  
 FINANCIAL SOURCES AND USES  
 2004**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,419,587.00	
W-8(a)	CIAC from Ratepayers	\$99,351.00	
W-10(a)	Utility Expenses		\$791,065.00
W-3	Utility Taxes & Fees		\$112,397.00
W-4(a)	Utility Plant Additions (Net of C.W.I.P Decrease) *		\$615,478.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,518,938.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,518,938.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Net of C.W.I.P Decrease) *		\$78,719.00
	D.E.P. Loan Payments		\$418,517.89
	Citizen's Bank of Perry Payments		\$142,539.66
	Wachovia Bank Payments		\$14,253.42
	Gulf State Bank Payments		\$93,230.35
	Farmers & Merchants Bank Payments		\$83,635.42
	Envision Payments		\$2,624.08
	Utility Expenses not included on W-10(a) above		\$320,700.65
	Cash from third parties	\$413,956.58	
	Cash from affiliates not shown by Acct. 123		
	Cash from Loans Secured by GDB/Affiliates	\$888,329.95	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(110,532.48)	
F-1(a)	Net funds from GDB/Affiliates as per Account 145	240,306.33	
	Adjustment to convert from accrual to cash basis		277,839.91
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$1,432,080.38</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$1,432,060.38</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$2,950,998.38</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,518,938.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$1,432,060.38</b>	
	* Plant additions in 2004 were \$5,001,428. This included \$4,307,233 in C.W.I.P. at the beginning of 2004 for work done from 2000 thru 2003. (See F-7 of 2003 annual report.		

**WMSI  
 FINANCIAL SOURCES AND USES  
 2005**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$1,427,665.00	
W-8(a)	CIAC from Ratepayers	\$77,109.00	
W-10(a)	Utility Expenses		\$775,113.00
W-3	Utility Taxes & Fees		\$112,431.00
W-4(a)	Utility Plant Additions		\$134,740.00
	D.E.P. Loan Payments		\$417,389.78
	Citizen's Bank of Perry Payments		\$65,100.22
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,504,774.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,504,774.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Citizen's Bank of Perry Payments		\$99,279.65
	Gulf State Bank Payments		\$175,808.02
	Farmers & Merchants Bank Payments		\$121,274.23
	Capital City Bank Payments		\$3,423.54
	Envision Payments		\$7,872.24
	Wakulla Bank Payments		\$3,128.27
	Hitachi Capital Payments		\$3,807.48
	Utility Expenses not included on W-10(a) above		\$58,560.82
	Cash from third parties	\$151,822.51	
	Cash from Loans Secured by GDB/Affiliates	\$709,875.14	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(535,315.97)	
	Adjustment to convert from accrual to cash basis		(146,772.57)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$326,381.68</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$326,381.68</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$1,831,155.68</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,504,774.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$326,381.68</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2006**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,487,200.00	
W-8(a)	CIAC from Ratepayers	\$38,633.00	
W-10(a)	Utility Expenses		\$910,801.00
W-3	Utility Taxes & Fees		\$115,195.00
W-4(a)	Utility Plant Additions		\$499,837.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,525,833.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,525,833.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
W-4(a)	Remainder of Utility Plant Additions		\$19,250.00
	D.E.P. Payment		\$417,389.78
	Citizens's Bank of Perry Payments		\$1,827,515.00
	Gulf State Bank Payments		\$897,301.64
	Farmers & Merchants Bank Payments		\$32,552.52
	Capital City Bank Payments		\$35,013.03
	Envision Payments		\$7,872.24
	Bank of Tallahassee Payments		\$18,315.77
	Wakulla Bank Payments		\$195,833.85
	Hitachi Capital Payments		\$11,422.44
	GMAC Payments		\$740.40
	Utility Expenses not included on W-10(a) above		\$78,146.14
	Cash from third parties	\$129,752.60	
	Cash from affiliates not shown by Acct. 123	\$7,000.00	
	Cash from Loans Secured by GDB/Affiliates	\$3,402,081.68	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(127,585.52)	
	Adjustment to convert from accrual to cash basis		(130,104.05)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$3,411,248.76</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$3,411,248.76</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$4,937,081.76</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,525,833.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,411,248.76</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2007**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$1,501,205.00	
W-8(a)	CIAC from Ratepayers	\$26,264.00	
W-10(a)	Utility Expenses		\$959,148.00
W-3	Utility Taxes & Fees		\$119,309.00
W-4(a)	Utility Plant Additions		\$90,527.00
	Partial Payment to D.E.P.		\$358,485.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,527,469.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,527,469.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of D.E.P. Payment		\$58,904.78
	Gulf State Bank Payments		\$290,159.55
	Farmers & Merchants Bank Payments		\$27,759.20
	Capital City Bank Payments		\$1,536.10
	Envision Payments		\$7,872.24
	S.E. Toyota Payments		\$1,691.68
	Bank of Tallahassee Payments		\$18,657.83
	Wakulla Bank Payments		\$4,470.83
	Hitachi Capital Payments		\$1,903.74
	GMAC Payments		\$6,663.60
	Utility Expenses not included on W-10(a) above		\$106,685.91
	Cash from third parties	\$302,550.21	
	Cash from affiliates not shown by Acct. 123	\$243,722.58	
	Cash from Loans Secured by GDB/Affiliates	\$159,472.24	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(151,183.10)	
	Adjustment to convert from accrual to cash basis		28,256.45
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$554,561.91</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$554,561.91</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$2,082,030.91</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,527,469.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$554,561.91</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2008**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,374,799.00	
W-8(a)	CIAC from Ratepayers	\$29,967.00	
W-10(a)	Utility Expenses		\$940,311.00
W-3	Utility Taxes & Fees		\$108,243.00
W-4(a)	Utility Plant Additions		\$96,215.00
	Partial Payment to D.E.P.		\$259,997.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,404,766.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,404,766.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of D.E.P. Payment		\$157,393.00
	Gulf State Bank Payments		\$299,736.00
	Farmers & Merchants Bank Payments		\$28,508.00
	Capital City Bank Payments		\$9,217.00
	Envision Payments		\$4,592.00
	S.E. Toyota Payments		\$10,150.00
	Utility Expenses not included on W-10(a) above		\$162,791.64
	Cash from third parties	\$806,189.15	
	Cash from affiliates not shown by Acct. 123	\$61,621.91	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(236,086.27)	
	Adjustment to convert from accrual to cash basis		(40,662.85)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$631,724.79</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$631,724.79</b>
<b>SUMMARY</b>			
	COSTS OF OPERATIONS OF WMSI (NOT INCLUDING ACCT. 123)	\$2,036,490.79	
	FUNDS FROM RATEPAYERS	\$1,404,766.00	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$631,724.79</b>	



**WMSI  
 FINANCIAL SOURCES AND USES  
 2009**

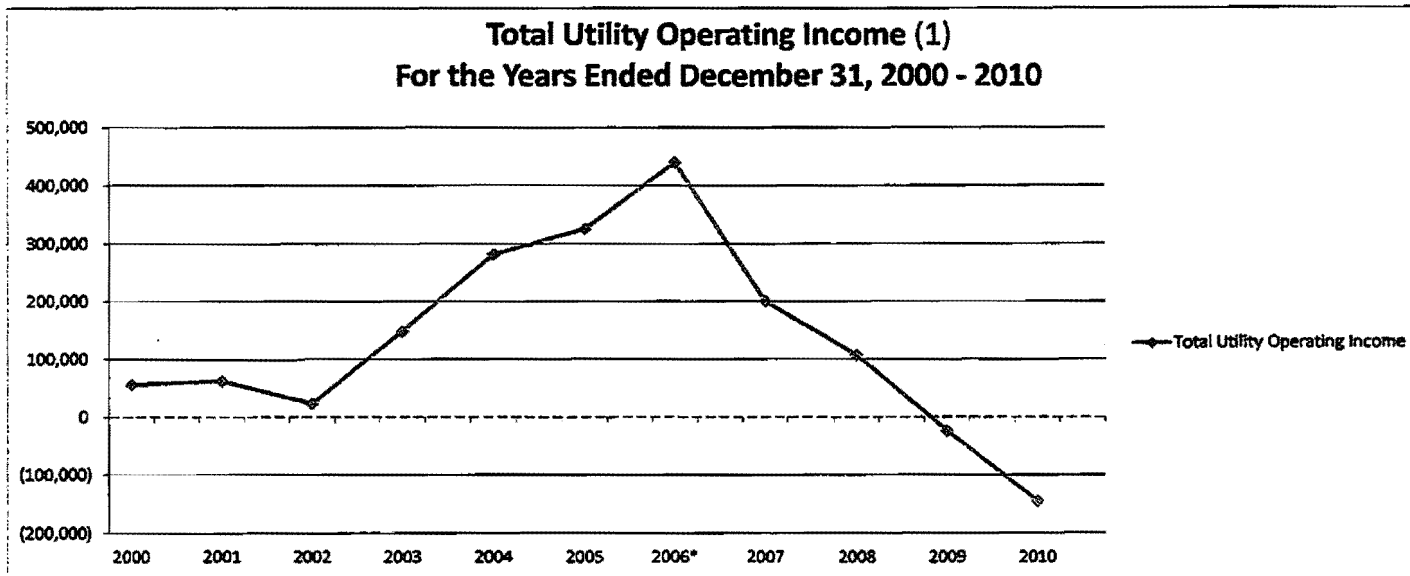
<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,319,558.00	
W-8(a)	CIAC from Ratepayers	\$26,939.00	
W-10(a)	Utility Expenses		\$1,057,196.00
W-3	Utility Taxes & Fees		\$100,197.00
W-4(a)	Utility Plant Additions		\$21,487.00
	Partial Contribution to D.E.P. Payment		\$167,617.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,346,497.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,346,497.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Balance of D.E.P. Payment		\$41,017.00
	Gulf State Bank Payments		\$175,359.00
	Farmers & Merchants Bank Payments		\$25,872.00
	Capital City Bank Payments		\$9,217.00
	Envision Payments		\$3,850.00
	Florida Commerce Credit Union Payments		\$4,094.00
	Utility Expenses not included on W-10(a) above		\$72,174.00
	Cash from third parties	\$9,246.00	
	Cash from affiliates not shown by Acct. 123	\$58,672.00	
	Cash from Loans Secured by GDB/Affiliates	\$57,329.00	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(\$53,202.00)	
	Adjustment to convert from accrual to cash basis		(\$259,538.00)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$72,045.00</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$72,045.00</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$1,418,542.00</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,346,497.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$72,045.00</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2010**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,291,957.50	
W-8(a)	CIAC from Ratepayers	\$149,108.66	
W-10(a)	Utility Expenses		\$1,115,100.17
W-3	Utility Taxes & Fees		\$107,671.79
W-4(a)	Utility Plant Additions		\$218,294.20
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,441,066.16</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,441,066.16</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions		\$267,208.60
	Gulf State Bank Payments		\$160,745.64
	Farmers & Merchants Bank Payments		\$22,686.92
	Capital City Bank Payments		\$24,029.58
	GMAC Payments		\$41,652.62
	Envision Payments		\$4,620.00
	Florida Commerce Credit Union Payments		\$4,943.16
	Utility Expenses not Included on W-10(a) above		\$330,080.70
	Cash from third parties	\$61,205.49	
	Cash from affiliates not shown by Acct. 123	\$102,651.75	
	Cash from Loans Secured by GDB/family and Affiliates	\$502,578.36	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	\$38,830.18	
	Adjustment to convert from accrual to cash basis		(\$150,701.44)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$705,285.78</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$705,265.78</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$2,146,331.94</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,441,066.16</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$705,265.78</b>	
		=====	

**COMPOSITE EXHIBIT "B"**

# Water Management Services, Inc.



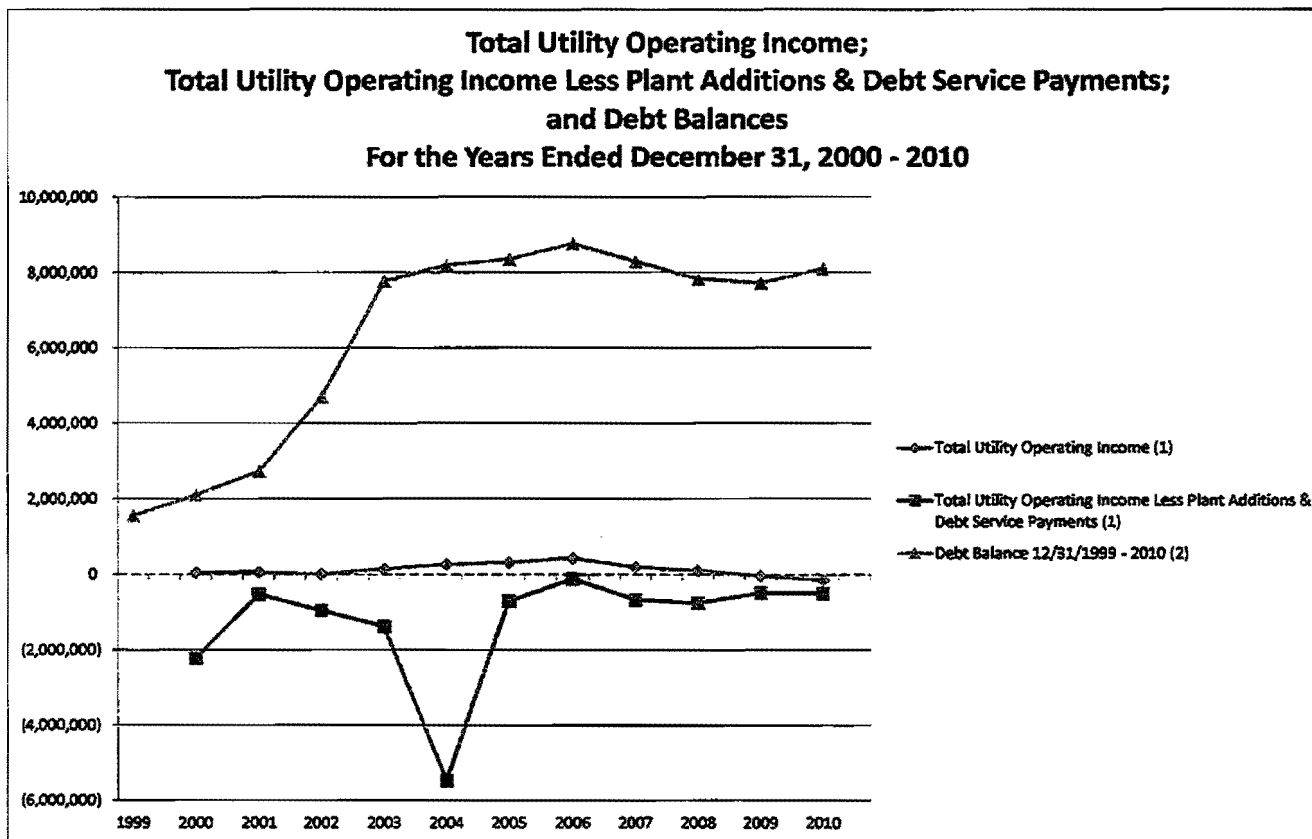
Source of Information:

(1) Annual Reports filed with the Florida Public Service Commission, Schedule W-3 Water Operating Statement.

\* Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of \$227,098.

EXHIBIT "B-1"

## Water Management Services, Inc.

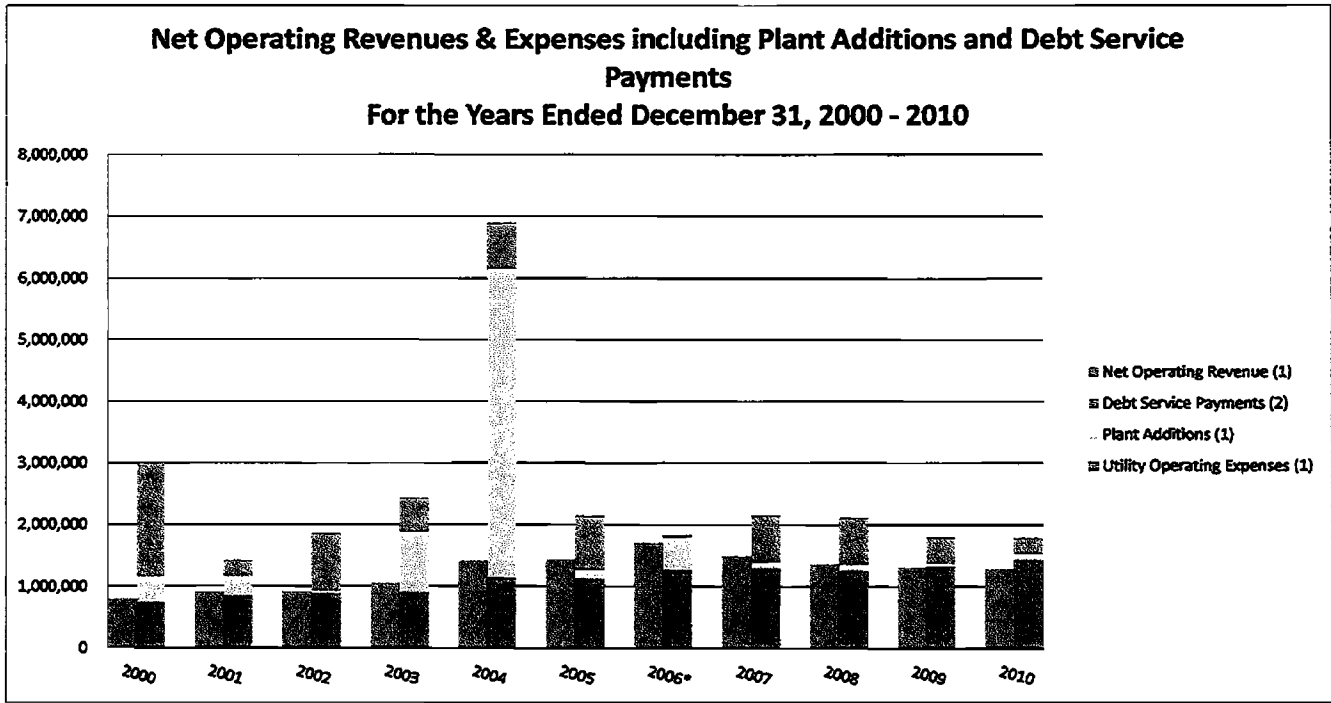


**Source of Information:**

- (1) Annual Reports filed with the Florida Public Service Commission, W-3 Water Operating Statement.
- (2) Annual Reports filed with the Florida Public Service Commission, Comparative Balance Sheet, Schedule F-2(a), Accounts 224 and 232.

**EXHIBIT "B-2"**

**Water Management Services, Inc.**



**Source of Information:**

- (1) Annual Reports filed with the Florida Public Service Commission, Schedules W-3 Water Operating Statement and W-4(a) Column D of Water Utility Plant Account.
- (2) Principal and interest payments on outstanding debt.

\*Fiscal year 2006 includes Gains (losses) From Disposition of Utility Property of \$227,098.

**EXHIBIT "B-3"**

WMSI does not disagree with the auditor's finding regarding this issue, except as discussed in the utility's response to Finding 4 above.  
**FINDING 7: CASH FLOW ANALYSIS UPDATE**

Since this finding does not relate to an issue that is directly before the Commission in this docket, WMSI will provide only a cursory response at this time. If this becomes an issue, WMSI will provide a more complete and detailed response.

The following points are offered at this time:

- (1) The PSC audit report confirms the balance in account 123, Investments in Associated Companies, that has consistently been shown by WMSI in its annual reports and general ledgers provided to the Commission. WMSI's numbers were correct, to the exact dollar amount of \$1,215,075. This balance includes amounts that were transferred from other accounts in 2004, so it is really a balance of all investments in associated companies since WMSI was formed.
- (2) The PSC audit report also confirms the total revenue from WMSI ratepayers as shown by the utility's cash flow audit and general ledgers provided to the PSC staff as part of this audit. The PSC audit report shows \$11,639,415 in cash receipts from ratepayers during the 8 year period from 2004-2011, including CIAC. The WMSI audit report and general ledgers provided to the Commission show \$11,647,666 in cash receipts during the same 8 year period, including CIAC. The \$8,251 difference is in miscellaneous fees and charges included in the WMSI cash flow audit.
- (3) The PSC audit report is based upon year end balances allocated into "operating," "investing" and "financing" activities, but it does not show the deficits between ratepayer revenue and cash operating requirements during the 8 year audit period. The WMSI audit report is based on the same raw numbers, but it does show the operating deficits by comparing the total cash operating requirements with the total funds received from ratepayers. Based on that analysis, the cash operating deficit was \$7,133,292 for the period 2004-2010, and was \$16,237,529 for the period 2000-2010, as shown by the audit reports previously submitted to the PSC.
- (4) The PSC audit report does not indicate or suggest that the revenue from ratepayers was ever adequate to cover all utility operating cash requirements, or that any ratepayer funds were ever transferred to Gene Brown or any of his associated companies. That fact was confirmed by the WMSI audits based on the same raw numbers. Not only did WMSI never have sufficient ratepayer revenue to operate, WMSI never received the earnings allowed by the Commission after 2000, when the State began tearing down the utility's supply main to the island. WMSI's loss of PSC authorized earnings totaled (\$633,506) between 2000 and 2010, as shown

by the numbers in WMSI's annual reports on file with the Commission which are summarized below:

YEAR	RATE BASE	EARNINGS	ACHIEVED RATE OF RETURN	COST OF CAPITAL	ALLOWED EARNINGS	OVER (UNDER) EARNINGS
2000	\$657,050	\$52,690	8.02%	10.23%	\$67,216	(\$14,526)
2001	751,711	59,601	7.92%	8.95%	67,368	(7,767)
2002	598,176	20,355	3.40%	5.18%	30,986	(10,631)
2003	5,821,736	146,403	2.59%	3.95%	222,059	(76,656)
2004	5,463,876	273,656	5.01%	4.18%	228,390	45,266
2005	6,311,725	301,462	5.68%	4.69%	249,120	52,342
2006	6,387,188	211,704	3.93%	5.38%	289,831	(78,127)
2007	4,943,816	200,468	4.05%	5.00%	247,191	(46,723)
2008	4,047,544	114,730	2.83%	3.58%	144,093	(29,363)
2009	3,877,452	(28,242)	-0.73%	3.85%	149,282	(177,524)
2010	3,769,162	(145,071)	-3.86%	3.85%	144,728	(289,799)
		\$1,208,756			\$1,840,262	(\$633,506)

- (5) The PSC audit report shows \$15,085,524 in cash receipts and \$14,614,799 in cash disbursements from "Utility Activity" resulting in \$470,725 of "Net cash for Utility Activity." But that should not be taken as any indication that there was ever an excess of \$470,725 in "net cash" from the ratepayers. Only \$11,722,859 of the \$15,085,524 came from ratepayers. The other \$3,362,665 came from loans personally secured by Gene Brown, including personal credit cards (which do not have to be repaid by ratepayers) or from other entrepreneurial activities of Gene Brown, such as an \$800,000 damage settlement and the sale (and purchase) of certain other assets in which the ratepayers had no interest. These assets included, for example, two investment lots in Tallahassee that had nothing to do with the water company on St. George Island. The lots were purchased for \$236,000 in 2006, which included a \$220,000 loan personally endorsed by Gene Brown. In 2007, Brown Management Group bought the lots from WMSI for \$480,000 by assuming and making the payments on the \$220,000 loan and by giving WMSI a check for \$229,723 at closing. As with many of the other transactions shown as "Utility Activity" in the PSC audit report, this investment lot transaction was a "Utility Activity" only in the sense that it involved property titled in the name of



the corporate entity, WMSI. It was not a "Utility Activity" in the sense of having anything to do with rate structure or the utility's ratepayers. Accordingly, the PSC audit report should not be interpreted so as to indicate that WMSI ever had a positive cash flow from activities regulated by the PSC under its rate structure policy and procedure, or from revenue funded by the ratepayers as authorized by PSC rate case policy and procedure.

- (6) A reader of the PSC audit report should also not assume that the reference to investments in associated companies (Account 123) reflects the net total of all the transactions by, between or among WMSI, Gene Brown and his associated companies. For example, the 123 account does not include the cash from Brown Management Group to WMSI under the \$480,00 lot purchase referenced above. It also does not include the \$200,000 paid to WMSI by Brown Management Group as referenced in table 2 of the PSC audit report. And it does not include the debt service paid on outside loans used to fund advances to WMSI. It should also be noted that the balance in account 123 did not just build up over the 2004-2011 time period. A balance of \$240,306 was brought forward from another account as of 1/1/04, so the final 12/31/11 balance is actually from the inception of WMSI. The following is a more accurate summary of the net funds back and forth between or among WMSI, Gene Brown and his associated companies during the period from 1/1/04 through 12/13/10.

Funds to Associated Companies-Account 123	\$ 1,175,075
Less: Misstatement of Beginning Balance-1/1/04	<u>(240,306)</u>
Corrected Change in Account 123 Balance	934,769
Less: Lot Purchase Proceeds	(229,723)
Less: Note Payments	(200,000)
Less: Note Interest Payments	<u>( 43,946)</u>
Actual Funds to Associated Companies	\$ 461,100
Less: Personal Interest Payments on loans for funds advanced to the Utility	(196,602)
Funds to Associated Companies-Adjusted	<u>\$ 264,498</u>

But whatever the final number may be determined to be after a more comprehensive and complete audit, none of this has had any impact or effect on the rate structure of WMSI or its ratepayers. The company, WMSI, owns all of the outstanding stock of the associated company, Brown Management Group, which has a documented net worth in excess of the \$1,215,075 balance in account 123, "Investments in Associated Companies."

- (7) In the audit report issued by the PSC auditor on July 29, 2011, the auditor states that the balance in account 123 should be zero, and that all the advances to associated companies over the years should be netted out and put back into

account 145, "Accounts Receivable from Associated Companies" or account 146, "Notes Receivable from Associated Companies." But that would require WMSI to violate the clear mandate of NARUC, which provides in the instructions under account 146 on page 66 as follows:

Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date shall be transferred to account 123 - Investment in Associated Companies. (Emphasis added.) See Exhibit "K" attached.

The instruction under account 145 on page 65 says: "See account 146."

The word "shall" is mandatory, and all advances to associated companies have been properly recorded in account 123, including those which were originally carried in accounts 145 and 146, but which were not paid within one year.

The reclassification of the 123 balance back into accounts 145 or 146 would also require WMSI to amend many years of Federal and State tax returns which have treated the funds represented in account 123 as equity, not debt, on the advice of WMSI's tax professionals. This would cause havoc with WMSI's tax accounting and would be unexplainable to the IRS and WMSI's lenders.

#### SUMMARY

This entire subject of WMSI's cash flow and account 123 is irrelevant to any issue properly before the Commission in this proceeding. Accordingly, WMSI will have nothing else to say on this subject until and unless the Commission enters an order which defines the precise legal issue involved in this docket, and the legal standard which either was or was not violated by WMSI.

**WATER MANAGEMENT SERVICES, INC.  
 FINANCIAL SOURCES AND USES  
 SUMMARY OF YEARS 2000 - 2012-SEP**

<b>2000</b>	
COSTS OF OPERATIONS OF WMSI	\$3,130,455.04
FUNDS FROM RATEPAYERS	\$925,647.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,204,808.04</b>
	=====
<b>2001</b>	
COSTS OF OPERATIONS OF WMSI	\$1,685,202.06
FUNDS FROM RATEPAYERS	\$1,034,524.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$650,678.06</b>
	=====
<b>2002</b>	
COSTS OF OPERATIONS OF WMSI	\$3,863,314.74
FUNDS FROM RATEPAYERS	\$1,032,329.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,830,985.74</b>
	=====
<b>2003</b>	
COSTS OF OPERATIONS OF WMSI	\$4,616,103.06
FUNDS FROM RATEPAYERS	\$1,198,338.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,417,765.06</b>
	=====
<b>2004</b>	
COSTS OF OPERATIONS OF WMSI	\$2,950,998.38
FUNDS FROM RATEPAYERS	\$1,518,938.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$1,432,060.38</b>
	=====
<b>2005</b>	
COSTS OF OPERATIONS OF WMSI	\$1,831,156.68
FUNDS FROM RATEPAYERS	\$1,504,774.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$326,382.68</b>
	=====
<b>2006</b>	
COSTS OF OPERATIONS OF WMSI	\$4,937,082.76
FUNDS FROM RATEPAYERS	\$1,525,833.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,411,249.76</b>
	=====

**WATER MANAGEMENT SERVICES, INC.  
 FINANCIAL SOURCES AND USES  
 SUMMARY OF YEARS 2000 - 2012-SEP**

<b>2007</b>	
COSTS OF OPERATIONS OF WMSI	\$2,082,031.91
FUNDS FROM RATEPAYERS	\$1,527,469.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$554,562.91</b>
=====	
<b>2008</b>	
COSTS OF OPERATIONS OF WMSI	\$2,036,491.79
FUNDS FROM RATEPAYERS	\$1,404,766.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$631,725.79</b>
=====	
<b>2009</b>	
COSTS OF OPERATIONS OF WMSI	\$1,418,542.00
FUNDS FROM RATEPAYERS	\$1,346,497.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$72,045.00</b>
=====	
<b>2010</b>	
COSTS OF OPERATIONS OF WMSI	\$2,146,331.94
FUNDS FROM RATEPAYERS	\$1,441,066.16
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$705,265.78</b>
=====	
<b>2011</b>	
COSTS OF OPERATIONS OF WMSI	\$1,518,687.14
FUNDS FROM RATEPAYERS	\$1,406,450.00
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$112,237.14</b>
=====	
<b>2012-SEP</b>	
COSTS OF OPERATIONS OF WMSI	\$1,187,126.17
FUNDS FROM RATEPAYERS	\$1,091,303.73
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$85,824.44</b>
=====	
<b>TOTAL, 2000 - 2012-SEP</b>	
COSTS OF OPERATIONS OF WMSI	\$33,403,525.67
FUNDS FROM RATEPAYERS	\$16,957,934.89
<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$16,445,590.78</b>
=====	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2000**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$796,007.00	
W-8(a)	CIAC from Ratepayers	\$129,640.00	
W-10(a)	Utility Expenses		\$610,076.00
W-3	Utility Taxes & Fees		\$71,617.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$243,954.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$925,647.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$925,647.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$352,980.00
	Citizen's Bank of Perry Payments		\$43,232.55
	Transamerica Payments		\$1,390,408.53
	Gulf State Bank Payments		\$347,694.80
	Farmers & Merchants Bank Payments		\$13,510.99
	Capital City Bank Payments		\$19,719.29
	N.L.I. Payments		\$53,493.79
	Utility Expenses not included on W-10(a) above		\$162,203.41
	Cash from third parties	\$27,295.77	
	Cash from Loans Secured by GDB/Affiliates	\$2,222,097.68	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(44,585.41)	
	Adjustment to convert from accrual to cash basis		(178,435.32)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$2,204,808.04</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$2,204,808.04</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$3,130,455.04</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$925,647.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,204,808.04</b>	
		=====	
	* Plant additions in 2000 were \$596,934. This includes \$189,793 C.W.I.P. increase during 2000.		

**WMSI  
 FINANCIAL SOURCES AND USES  
 2001**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-8	Billing Revenue from Ratepayers	\$910,524.00	
W-8(a)	CIAC from Ratepayers	\$124,000.00	
W-10(a)	Utility Expenses		\$699,554.00
W-3	Utility Taxes & Fees		\$79,511.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$255,459.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,034,524.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,034,524.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$531,519.51
	Citizen's Bank of Perry Payments		\$189,366.34
	Wachovia Bank Payments		\$7,411.68
	Gulf State Bank Payments		\$71,703.89
	Farmers & Merchants Bank Payments		\$20,865.96
	Utility Expenses not included on W-10(a) above		\$44,937.30
	Cash from third parties	\$26,694.97	
	Cash from Loans Secured by GDB/Affiliates	\$707,726.10	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	(83,743.01)	
	Adjustment to convert from accrual to cash basis		(215,126.62)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$650,678.06</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$650,678.06</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$1,685,202.06</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,034,524.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$650,678.06</b>	
		=====	
	* Plant additions in 2001 were \$786,979. This includes \$487,655 C.W.I.P. increase during 2001.		

**WMSI  
 FINANCIAL SOURCES AND USES  
 2002**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$914,481.00	
W-8(a)	CIAC from Ratepayers	\$117,848.00	
W-10(a)	Utility Expenses		\$734,387.00
W-3	Utility Taxes & Fees		\$80,975.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$216,967.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,032,329.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,032,329.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$1,538,008.00
	D.E.P. Loan Payments		\$0.00
	Citizen's Bank of Perry Payments		\$177,847.97
	Wachovia Bank Payments		\$7,411.68
	Gulf State Bank Payments		\$736,444.73
	Farmers & Merchants Bank Payments		\$22,210.56
	Utility Expenses not included on W-10(a) above		\$129,941.91
	Cash from third parties	\$6,532.81	
	Cash from Loans Secured by GDB/Affiliates	\$2,757,720.86	
F-1(a), F-2(a)	Net funds to GDB/Affiliates as per Account 144, 145 & 233	66,732.07	
	Adjustment to convert from accrual to cash basis		219,120.89
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$2,830,985.74</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$2,830,985.74</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)</b>	<b>\$3,863,314.74</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,032,329.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$2,830,985.74</b>	
* Plant additions in 2002 were \$1,754,975. This includes \$1,723,648 C.W.I.P. increase during 2002.			

**WMSI  
 FINANCIAL SOURCES AND USES  
 2003**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,057,043.00	
W-8(a)	CIAC from Ratepayers	\$141,295.00	
W-10(a)	Utility Expenses		\$742,696.00
W-3	Utility Taxes & Fees		\$87,153.00
W-4(a)	Utility Plant Additions (Including C.W.I.P Increase) *		\$368,489.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,198,338.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,198,338.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Including C.W.I.P Increase) *		\$2,483,347.89
	D.E.P. Loan Payments		\$290,211.48
	Citizen's Bank of Perry Payments		\$156,486.75
	Wachovia Bank Payments		\$7,411.68
	Gulf State Bank Payments		\$94,404.93
	Farmers & Merchants Bank Payments		\$20,114.09
	Utility Expenses not included on W-10(a) above		\$37,525.42
	Cash from third parties	\$126,209.03	
	Cash from Loans Secured by GDB/Affiliates	\$3,377,628.03	
F-1(a), F-12	Net funds to GDB/Affiliates as per Account 145	(86,072.00)	
	Adjustment to convert from accrual to cash basis		328,262.82
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$3,417,765.06</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$3,417,765.06</b>
<b>SUMMARY</b>			
	COSTS OF OPERATIONS (NOT INCLUDING ACCT. 145)	\$4,616,103.06	
	FUNDS FROM RATEPAYERS	\$1,198,338.00	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,417,765.06</b>	
* Plant additions in 2003 were \$2,851,837. This includes \$1,889,314 C.W.I.P. increase during 2003.			



**WMSI  
 FINANCIAL SOURCES AND USES  
 2004**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,419,587.00	
W-8(a)	CIAC from Ratepayers	\$99,351.00	
W-10(a)	Utility Expenses		\$791,065.00
W-3	Utility Taxes & Fees		\$112,397.00
W-4(a)	Utility Plant Additions (Net of C.W.I.P Decrease) *		\$615,476.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,518,938.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,518,938.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions (Net of C.W.I.P Decrease) *		\$78,719.00
	D.E.P. Loan Payments		\$418,517.89
	Citizen's Bank of Perry Payments		\$142,539.66
	Wachovia Bank Payments		\$14,253.42
	Gulf State Bank Payments		\$93,230.35
	Farmers & Merchants Bank Payments		\$83,635.42
	Envision Payments		\$2,624.08
	Utility Expenses not included on W-10(a) above		\$320,700.65
	Cash from third parties	\$413,956.58	
	Cash from affiliates not shown by Acct. 123		
	Cash from Loans Secured by GDB/Affiliates	\$888,329.95	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(110,532.48)	
F-1(a)	Net funds from GDB/Affiliates as per Account 145	240,306.33	
	Adjustment to convert from accrual to cash basis		277,839.91
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$1,432,060.38</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$1,432,060.38</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$2,950,998.38</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,518,938.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$1,432,060.38</b>	
* Plant additions in 2004 were \$5,001,428. This included \$4,307,233 in C.W.I.P. at the beginning of 2004 for work done from 2000 thru 2003. (See F-7 of 2003 annual report.			

**WMSI  
 FINANCIAL SOURCES AND USES  
 2005**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$1,427,665.00	
W-8(a)	CIAC from Ratepayers	\$77,109.00	
W-10(a)	Utility Expenses		\$775,113.00
W-3	Utility Taxes & Fees		\$112,431.00
W-4(a)	Utility Plant Additions		\$134,740.00
	D.E.P. Loan Payments		\$417,389.78
	Citizen's Bank of Perry Payments		\$65,100.22
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,504,774.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,504,774.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Citizen's Bank of Perry Payments		\$99,279.65
	Gulf State Bank Payments		\$171,596.23
	Farmers & Merchants Bank Payments		\$121,274.23
	Capital City Bank Payments		\$3,423.54
	Envision Payments		\$7,872.24
	Wakulla Bank Payments		\$3,128.27
	Hitachi Capital Payments		\$3,807.48
	Utility Expenses not included on W-10(a) above		
	Cash from third parties	\$151,822.51	
	Cash from Loans Secured by GDB/Affiliates	\$709,875.14	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(535,315.97)	
	Adjustment to convert from accrual to cash basis		(146,772.57)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$326,381.68</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$263,609.07</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$1,768,383.07</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,504,774.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$263,609.07</b>	
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**WMSI  
 FINANCIAL SOURCES AND USES  
 2006**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,487,200.00	
W-8(a)	CIAC from Ratepayers	\$38,633.00	
W-10(a)	Utility Expenses		\$910,801.00
W-3	Utility Taxes & Fees		\$115,195.00
W-4(a)	Utility Plant Additions		\$499,837.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,525,833.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,525,833.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
W-4(a)	Remainder of Utility Plant Additions		\$19,250.00
	D.E.P. Payment		\$417,389.78
	Citizens's Bank of Perry Payments		\$1,827,515.00
	Gulf State Bank Payments		\$897,301.64
	Farmers & Merchants Bank Payments		\$32,552.52
	Capital City Bank Payments		\$35,013.03
	Envision Payments		\$7,872.24
	Bank of Tallahassee Payments		\$18,315.77
	Wakulla Bank Payments		\$195,833.85
	Hitachi Capital Payments		\$11,422.44
	GMAC Payments		\$740.40
	Utility Expenses not included on W-10(a) above		\$78,146.14
	Cash from third parties	\$129,752.60	
	Cash from affiliates not shown by Acct. 123	\$7,000.00	
	Cash from Loans Secured by GDB/Affiliates	\$3,402,081.68	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(127,585.52)	
	Adjustment to convert from accrual to cash basis		(130,104.05)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$3,411,248.76</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$3,411,248.76</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$4,937,081.76</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,525,833.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$3,411,248.76</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2007**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,501,205.00	
W-8(a)	CIAC from Ratepayers	\$26,264.00	
W-10(a)	Utility Expenses		\$959,148.00
W-3	Utility Taxes & Fees		\$119,309.00
W-4(a)	Utility Plant Additions		\$90,527.00
	Partial Payment to D.E.P.		\$358,485.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,527,469.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,527,469.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of D.E.P. Payment		\$58,904.78
	Gulf State Bank Payments		\$290,159.55
	Farmers & Merchants Bank Payments		\$27,759.20
	Capital City Bank Payments		\$1,536.10
	Envision Payments		\$7,872.24
	S.E. Toyota Payments		\$1,691.68
	Bank of Tallahassee Payments		\$18,657.83
	Wakulla Bank Payments		\$4,470.83
	Hitachi Capital Payments		\$1,903.74
	GMAC Payments		\$6,663.60
	Utility Expenses not included on W-10(a) above		\$106,685.91
	Cash from third parties	\$302,550.21	
	Cash from affiliates not shown by Acct. 123	\$243,722.56	
	Cash from Loans Secured by GDB/Affiliates	\$159,472.24	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(151,183.10)	
	Adjustment to convert from accrual to cash basis		28,256.45
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$554,561.91</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$554,561.91</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS (NOT INCLUDING ACCT. 123)</b>	<b>\$2,082,030.91</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,527,469.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$554,561.91</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2008**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$1,374,799.00	
W-8(a)	CIAC from Ratepayers	\$29,967.00	
W-10(a)	Utility Expenses		\$940,311.00
W-3	Utility Taxes & Fees		\$108,243.00
W-4(a)	Utility Plant Additions		\$96,215.00
	Partial Payment to D.E.P.		\$259,997.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,404,766.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,404,766.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of D.E.P. Payment		\$157,393.00
	Gulf State Bank Payments		\$299,736.00
	Farmers & Merchants Bank Payments		\$28,508.00
	Capital City Bank Payments		\$9,217.00
	Envision Payments		\$4,592.00
	S.E. Toyota Payments		\$10,150.00
	Utility Expenses not included on W-10(a) above		\$162,791.64
	Cash from third parties	\$806,189.15	
	Cash from affiliates not shown by Acct. 123	\$61,621.91	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(236,086.27)	
	Adjustment to convert from accrual to cash basis		(40,862.85)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$631,724.79</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$631,724.79</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATIONS OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$2,036,490.79</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,404,766.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$631,724.79</b>	
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**WMSI  
 FINANCIAL SOURCES AND USES  
 2009**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,319,558.00	
W-8(a)	CIAC from Ratepayers	\$26,939.00	
W-10(a)	Utility Expenses		\$1,057,196.00
W-3	Utility Taxes & Fees		\$100,197.00
W-4(a)	Utility Plant Additions		\$21,487.00
	Partial Contribution to D.E.P. Payment		\$167,617.00
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,346,497.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,346,497.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Balance of D.E.P. Payment		\$41,017.00
	Gulf State Bank Payments		\$175,359.00
	Farmers & Merchants Bank Payments		\$25,872.00
	Capital City Bank Payments		\$9,217.00
	Envision Payments		\$3,850.00
	Florida Commerce Credit Union Payments		\$4,094.00
	Utility Expenses not included on W-10(a) above		\$72,174.00
	Cash from third parties	\$9,246.00	
	Cash from affiliates not shown by Acct. 123	\$58,672.00	
	Cash from Loans Secured by GDB/Affiliates	\$57,329.00	
F-1(a), F-10	Net funds to GDB/Affiliates as per Account 123	(\$53,202.00)	
	Adjustment to convert from accrual to cash basis		(\$259,538.00)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$72,045.00</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$72,045.00</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$1,418,542.00</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,346,497.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$72,045.00</b>	

**WMSI  
 FINANCIAL SOURCES AND USES  
 2010**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,291,957.50	
W-8(a)	CIAC from Ratepayers	\$149,108.66	
W-10(a)	Utility Expenses		\$1,115,100.17
W-3	Utility Taxes & Fees		\$107,671.79
W-4(a)	Utility Plant Additions		\$218,294.20
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,441,066.16</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,441,066.16</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Plant Additions		\$267,208.60
	Gulf State Bank Payments		\$160,745.64
	Farmers & Merchants Bank Payments		\$22,686.92
	Capital City Bank Payments		\$24,029.58
	GMAC Payments		\$41,852.62
	Envision Payments		\$4,620.00
	Florida Commerce Credit Union Payments		\$4,943.16
	Utility Expenses not included on W-10(a) above		\$330,080.70
	Cash from third parties	\$61,205.49	
	Cash from affiliates not shown by Acct. 123	\$102,651.75	
	Cash from Loans Secured by GDB/family and Affiliates	\$502,578.36	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	\$38,830.18	
	Adjustment to convert from accrual to cash basis		(\$150,701.44)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$705,265.78</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$705,265.78</b>
<b>SUMMARY</b>			
	COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)	\$2,146,331.94	
	FUNDS FROM RATEPAYERS	\$1,441,066.16	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$705,265.78</b>	
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**WMSI  
 FINANCIAL SOURCES AND USES  
 2011**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
<b>Annual Rpt Reference</b>		<b>Debit</b>	<b>Credit</b>
W-9	Billing Revenue from Ratepayers	\$1,384,769.00	
W-8(a)	CIAC from Ratepayers	\$21,681.00	
W-10(a)	Utility Expenses		\$1,026,060.00
W-3	Utility Taxes & Fees		\$113,594.00
W-4(a)	Utility Plant Additions		\$84,308.00
	Gulf State Bank (Centennial) Payments		\$149,396.16
	Partial Contribution to D.E.P. Payment		\$33,091.84
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,406,450.00</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,406,450.00</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of D.E.P. Payments		\$116,397.44
	Farmers & Merchants Bank Payments		\$21,253.68
	Farmers & Merchants Bank Payments		\$1,266.27
	Florida Commerce Credit Union Payments		\$4,943.16
	Utility Expenses not included on W-10(a) above		\$81,919.66
	Cash from third parties	\$2,822.58	
	Cash from affiliates not shown by Acct. 123	(\$74.72)	
	Cash from Loans Secured by GDB/family and Affiliates	\$149,489.28	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123 *	(\$40,000.00)	
	Adjustment to convert from accrual to cash basis		(\$113,543.07)
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$112,237.14</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$112,237.14</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$1,518,687.14</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,406,450.00</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$112,237.14</b>	
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\* WMSI has not used account 123 since 12-31-10; however, an adjustment of \$40,000 was made in 2011 to reflect that \$40,000 of cash from Gene Brown to WMSI was a loan rather than a cash advance not to be repaid.



**WMSI  
 FINANCIAL SOURCES AND USES  
 2012  
 THRU 9-30-12**

<b>RATEPAYERS</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
Annual Rpt Reference		Debit	Credit
W-9	Billing Revenue from Ratepayers	\$1,056,055.26	
W-8(a)	CIAC from Ratepayers	\$35,248.47	
W-10(a)	Utility Expenses		\$730,083.79
W-3	Utility Taxes & Fees		\$83,031.37
W-4(a)	Utility Plant Additions		\$31,601.93
	Gulf State Bank (Centennial) Payments		\$119,803.78
	D.E.P. Payment		\$76,425.77
	Farmers & Merchants Bank Payments		\$18,537.36
	Florida Commerce Credit Union Payments		\$3,707.37
	Utility Expenses not included on W-10(a) above		\$28,112.36
	<b>TOTAL FUNDS FROM RATEPAYERS</b>	<b>\$1,091,303.73</b>	
	<b>TOTAL PAID FROM RATEPAYER FUNDS</b>		<b>\$1,091,303.73</b>
<b>GENE BROWN, AFFILIATES &amp; 3RD PARTIES</b>			
<b>SOURCES &amp; USES OF RESOURCES</b>			
	Remainder of Utility Expenses not included on W-10(a) above		\$70,849.54
	Cash from third parties	\$738.29	
	Cash from affiliates not shown by Acct. 123	\$18,660.38	
	Cash from Loans Secured by GDB/family and Affiliates	\$76,425.77	
F-1(a), F-10	Net funds to/from GDB/Affiliates as per Account 123	\$0.00	
	Adjustment to convert from accrual to cash basis		\$24,974.90
	<b>TOTAL FUNDS FROM GDB, AFFILIATES &amp; 3RD PARTIES</b>	<b>\$95,824.44</b>	
	<b>TOTAL PAID FROM GDB, AFFILIATES AND 3RD PARTY FUNDS</b>		<b>\$95,824.44</b>
<b>SUMMARY</b>			
	<b>COSTS OF OPERATION OF WMSI (NOT INCLUDING ACCT. 123)</b>	<b>\$1,187,128.17</b>	
	<b>FUNDS FROM RATEPAYERS</b>	<b>\$1,091,303.73</b>	
	<b>DEFICIT FURNISHED BY GDB/AFFILIATES/3RD PARTIES</b>	<b>\$95,824.44</b>	
		=====	

**WATER MANAGEMENT SERVICES, INC.  
GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

SUMMARY	
2010	\$324,351.75
2009	276,783.28
2008	162,371.91
2007	434,722.56
2006	114,500.00
2005	41,500.00
2004	316,218.88
Total	<b>\$1,670,448.38</b>
	=====

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2010
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	03/25/10	4,500.00
Regions Bank-Home Eq	04/20/10	2,350.00
Regions Bank-Home Eq	10/29/10	10,000.00
Regions Bank-Flexline1	03/25/10	2,500.00
Regions Bank-Flexline1	04/20/10	1,000.00
Regions Bank-Flexline1	10/27/10	5,000.00
Regions Bank-Flexline1	12/30/10	1,750.00
Regions Bank-Flexline2	03/25/10	2,500.00
Regions Bank-Flexline2	04/20/10	800.00
Regions Bank-Flexline2	10/27/10	5,000.00
Regions Bank-Flexline2	12/22/10	1,800.00
FMB-Refinance Loan for RAF	03/04/10	19,500.00
Chase Providian Advance	04/26/10	3,500.00
Chase Card Advance	04/26/10	3,500.00
GDB 401k Plan Advance	07/21/10	20,000.00
GDB 401k Plan Advance	08/27/10	42,000.00
WMS Note Receivable-BMG	05/11/10	34,000.00
WMS Note Receivable-BMG	05/13/10	41,000.00
WMS Note Receivable-BMG	05/25/10	20,000.00
WMS Note Receivable-BMG	06/28/10	5,000.00
Sold Jackson County Prop	06/28/10	16,000.00
Sold Cell Phone Leases	08/04/10	40,000.00
Sold Cell Phone Leases	08/09/10	40,000.00
WMS Note Interest from BMG	03/24/10	1,750.00
WMS Note Interest from BMG	06/28/10	901.75
		<b>324,351.75</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2009
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	04/22/09	5,500.00
Regions Bank-Home Eq	07/28/09	6,000.00
Regions Bank-Home Eq	10/23/09	5,500.00
Regions Bank-Flexline1	04/22/09	4,000.00
Regions Bank-Flexline1	07/30/09	3,000.00
Regions Bank-Flexline1	10/26/09	2,200.00
Regions Bank-Flexline1	12/29/09	2,300.00
Regions Bank-Flexline2	07/30/09	1,500.00
Regions Bank-Flexline2	10/29/09	2,200.00
FMB BMG-Wcap Loan	06/22/09	50,000.00
FMB-\$175,000 Loan	03/25/09	115,411.03
GDB Sale of Asset	02/27/09	15,000.00
GDB Sale of Asset	02/12/09	9,000.00
WMS Note Receivable-BMG	06/22/09	50,000.00
WMS Note Interest from BMG	04/22/09	(3.5k-Hm Eq)
WMS Note Interest from BMG	07/30/09	2,500.00
WMS Note Interest from BMG	09/29/09	922.25
WMS Note Interest from BMG	12/18/09	1,750.00
		<b>276,783.28</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		2008
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	12/30/08	4,000.00
Regions Bank-Home Eq	11/12/08	45,000.00
Regions Bank-Flexline1	11/25/08	10,000.00
Regions Bank-Flexline2	12/03/08	3,750.00
Regions Bank-VISA Card	12/30/08	9,000.00
FMB-Line of Credit	02/04/08	29,000.00
WMS Note Receivable-BMG	04/23/08	50,000.00
WMS Note Interest from BMG	03/05/08	300.00
WMS Note Interest from BMG	03/31/08	3,200.00
WMS Note Interest from BMG	06/02/08	2,871.91
WMS Note Interest from BMG	11/07/08	2,625.00
WMS Note Interest from BMG	12/18/08	2,625.00
		<b>162,371.91</b>
		=====
		2007
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	05/14/07	6,000.00
Regions Bank-Flexline 1	05/14/07	5,000.00
Regions Bank-Flexline 2	05/14/07	5,000.00
Sold L.L. Wallace Property	05/14/07	175,000.00
FMB-Lot Loan	11/02/07	229,722.56
WMS Note Interest from BMG	08/09/07	7,000.00
WMS Note Interest from BMG	08/24/07	7,000.00
		<b>434,722.56</b>
		=====
		2006
	Receipt Date	Proceeds To WMS
Regions Bank-Home Eq	01/30/06	80,000.00
Regions Bank-Home Eq (11k)	11/10/06	11,000.00
Regions Bank-Flexline1	11/10/06	7,500.00
Regions Bank-Flexline2	11/10/06	8,000.00
Regions Bank-VISA Card	11/10/06	8,000.00
WMS Note Interest from BMG	11/10/06	(7k-HmEq Above)
		<b>114,500.00</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

		<b>2005</b>
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
Regions Bank-Home Eq	08/03/05	6,500.00
Regions Bank-VISA Card	11/28/05	6,500.00
Regions Bank-Flexline1	04/27/05	5,000.00
Regions Bank-Flexline1	05/26/05	1,350.00
Regions Bank-Flexline2	05/26/05	1,150.00
Regions Bank-Flexline2	04/02/05	5,000.00
GDB 2004 Tax Refund	11/25/05	16,000.00
		<b>41,500.00</b>
		=====
		<b>2004</b>
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>
Regions Bank-Home Eq	06/28/04	5,500.00
Regions Bank-Home Eq	10/26/04	3,750.00
Regions Bank-Flexline1	10/26/04	4,550.00
Regions Bank-Flexline2	06/28/04	3,500.00
Regions Bank-VISA Card	10/26/04	3,600.00
GDB pers loan	05/14/04	100,000.00
GSB Loan # 1011550-50	11/17/04	30,000.00
GSB Loan # 5007638-64	11/26/04	20,000.00
Capital One Card Advance	01/02/04	1,000.00
Les Thomas Loan	06/30/04	111,000.00
GDB 401k Distribution	08/18/04	33,318.88
		<b>316,218.88</b>
		=====

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
Regions Home Equity Loan	06/28/04	\$5,500.00	
	10/26/04	3,750.00	
	08/03/05	6,500.00	
Original Loan Date 1/25/06	01/30/06	80,000.00	
Interest Rate - 3.25% Fixed	11/10/06	11,000.00	
6/30/12 Balance \$148,298	05/14/07	6,000.00	
	12/30/08	4,000.00	
	11/12/08	45,000.00	
	04/22/09	5,500.00	
	07/28/09	6,000.00	
	10/27/09	5,500.00	
	03/25/10	4,500.00	
	04/20/10	2,350.00	
	10/29/10	10,000.00	
		<b>\$195,600.00</b>	<b>\$195,600.00</b>
		=====	
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
Regions Bank-Flexline1 (20k)	10/26/04	\$4,550.00	
	04/27/05	5,000.00	
	05/26/05	1,350.00	
Original Loan Date 7/11/00	11/10/06	7,500.00	
Interest Rate - 7.25% Variable	05/14/07	5,000.00	
6/30/12 Balance \$17,445	12/30/08	10,000.00	
	04/22/09	4,000.00	
	07/30/09	3,000.00	
	10/26/09	2,200.00	
	12/29/09	2,300.00	
	03/25/10	2,500.00	
	04/20/10	1,000.00	
	10/27/10	5,000.00	
	12/30/10	1,750.00	
		<b>\$55,150.00</b>	<b>\$55,150.00</b>
		=====	

**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

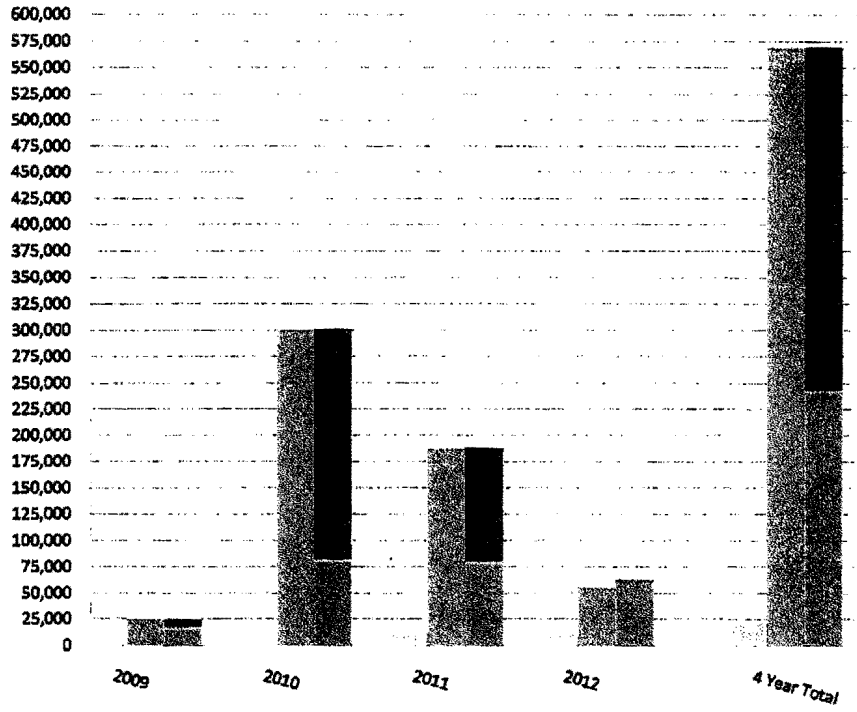
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
Regions Bank-Flexline2 (30k)	06/28/04	\$3,500.00	
	04/02/05	5,000.00	
	05/26/05	1,150.00	
Original Loan Date 11/22/00	11/10/06	8,000.00	
Interest Rate - 7.25% Variable	05/14/07	5,000.00	
6/30/12 Balance \$28,691	12/03/08	3,750.00	
	07/30/09	1,500.00	
	10/29/09	2,200.00	
	03/25/10	2,500.00	
	04/20/10	800.00	
	10/27/10	5,000.00	
	12/22/10	1,800.00	
		<b>\$40,200.00</b>	\$40,200.00
		=====	
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
<b>MISC. RESOURCES</b>			
GDB 401k Distribution	08/18/04	\$33,318.88	
GDB 2004 Tax Refund	11/25/05	16,000.00	
Sold L.L. Wallace Property	05/14/07	175,000.00	
GDB Sale of Asset	02/12/09	9,000.00	
GDB Sale of Asset	02/27/09	15,000.00	
GDB 401k Distribution	08/27/10	42,000.00	
GDB 401k Distribution	07/21/10	20,000.00	
Sold Jackson County Prop	06/28/10	16,000.00	
Sold Cell Phone Leases	08/04/10	40,000.00	
Sold Cell Phone Leases	08/09/10	40,000.00	
		<b>\$406,318.88</b>	\$406,318.88
		=====	
	<b>Receipt Date</b>	<b>Proceeds To WMS</b>	
<b>CREDIT CARD ADVANCES</b>			
Capital One Card Advance	01/02/04	\$1,000.00	
Regions Bank-VISA Card	10/26/04	3,600.00	
Regions Bank-VISA Card	11/28/05	6,500.00	
Regions Bank-VISA Card	11/10/06	8,000.00	
Regions Bank-VISA Card	12/30/08	9,000.00	
Chase Providian Advance	04/26/10	3,500.00	
Chase Card Advance	04/26/10	3,500.00	
		<b>\$35,100.00</b>	\$35,100.00
		=====	



**WATER MANAGEMENT SERVICES, INC.  
 GDB/AFFILIATES RESOURCES + LOANS TO WMSI**

OTHER LOANS	Receipt Date	Proceeds To WMS	
Les Thomas Loan	08/30/04	\$111,000.00	
GSB Personal Loan	05/14/04	100,000.00	
GSB Loan # 1011550-50	11/17/04	30,000.00	
GSB Loan # 5007638-64	11/26/04	20,000.00	
FMB-Lot Loan	11/02/07	229,722.56	
FMB-Line of Credit	02/04/08	29,000.00	
FMB-\$175,000 Loan	03/25/09	115,411.03	
FMB BMG Wcap Loan	06/22/09	50,000.00	
FMB-Refinance Loan for RAF	03/04/10	19,500.00	
WMS Note Receivable-BMG	Various	200,000.00	
WMS Note Interest from BMG	Various	43,945.91	
WMS Note Interest from BMG	2006-HmEq	(7,000.00)	
WMS Note Interest from BMG	2009-HmEq	(3,500.00)	
		<b>\$938,079.50</b>	<b>\$938,079.50</b>
			<b>\$1,670,448.38</b>

## Water Management Services, Inc. Rate Case Receipts/Paid/Accrued



	RATE INCREASE RECEIVED (21K)
	TOTAL COST INCURRED (570K)
	TOTAL PAID (243K)
	TOTAL UNPAID (327K)

**WATER MANAGEMENT SERVICES, INC.  
RATE CASE RECEIPTS / PAID / INCURRED**

	2009	2009	2010	2010	2011	2011	2012	2012	TOTAL	TOTAL
	RECEIVED	PAID	RECEIVED	PAID	RECEIVED	PAID	RECEIVED	PAID	RECEIVED	PAID
	0.00		0.00		11,228.00		10,105.00		21,333.00	
<b>PAID</b>										
Rate Case 1 (Docket No. 100104-WU)		5,031.44		43,524.27		7,853.39		17,200.00		73,609.10
Rate Case 2 (Docket No. 100104-WU)		0.00		0.00		13,351.34		11,618.53		24,969.87
Rate Case 3 (Docket No. 110200-WU)		0.00		0.00		31,733.29		26,907.95		58,641.24
Engineering-Post Buckley		12,500.00		39,000.00		6,000.00		3,500.00		61,000.00
Engineering-Les Thomas		0.00		0.00		21,000.00		4,000.00		25,000.00
		17,531.44		82,524.27		79,938.02		63,226.48		243,220.21
<b>ACCRUED</b>										
Rate Case 1 (Docket No. 100104-WU)		12,687.79		245,187.75		3,175.91				261,051.45
Rate Case 2 (Docket No. 100104-WU)		0.00		7,200.00		16,200.89		1,568.98		24,969.87
Rate Case 3 (Docket No. 110200-WU)		0.00		0.00		70,574.79		53,486.34		124,061.13
Engineering-Post Buckley		12,500.00		48,500.00		0.00		0.00		61,000.00
Engineering-Les Thomas		0.00		0.00		97,750.00		1,000.00		98,750.00
		25,187.79		300,887.75		187,701.59		56,055.32		569,832.45

AFFIDAVIT

STATE OF FLORIDA  
COUNTY OF LEON

BEFORE ME, the undersigned authority, personally appeared Gene D. Brown, who, being first duly sworn, deposes and says that:

1. He is the President and sole director of Water Management Services, Inc., a Florida corporation (the "Borrower"). Borrower has applied to the Florida Department of Environmental Protection ("Lender") for a loan in the amount of \$6,400,000 (the "Loan"). Lender has agreed to make the Loan to Borrower subject to certain terms and conditions including the guaranty of the Loan by the following:

- a. Gene D. Brown.
- b. Marilyn B. Brown
- c. Marilyn B. Brown, as Trustee of the Brown Family Trust.
- d. Barbara Withers, as Trustee of The Brown Children's Trust.
- e. St. George Island Utility Company, Ltd.
- f. Land In Florida, Inc., f/k/a ABC Industries, Inc., f/k/a Armada Bay Company
- g. Leisure Properties, Ltd.
- h. Leisure Development Services, Inc.
- i. St. George's Plantation, Inc.

2. He is the President and sole director of St. George's Plantation, Inc. The Board of Directors of St. George's Plantation, Inc. has approved the Guaranty and authorized him, as President, to execute and deliver the Guaranty and all other documents required by Lender.

3. He is the President and sole director of Land In Florida, f/k/a ABC Industries, Inc., f/k/a Armada Bay Company. The Board of Directors of Land in Florida, Inc. has approved the Guaranty and authorized him, as President, to execute and deliver the Guaranty and all other documents required by Lender.

4. He is the President and sole director of Leisure Development Services, Inc. The Board of Directors of Leisure Development Services, Inc. has approved the Guaranty and authorized him, as President, to execute and deliver the Guaranty and all other documents required by Lender.

5. Leisure Properties, Ltd., is the sole general partner of St. George Island Utility Company, Ltd. Leisure Development Services, Inc., and St. George's Plantation, Inc., are the general partners of Leisure Properties, Ltd. St. George Island Utility Company, LTD., Leisure Properties, Ltd., as the sole general partner of St. George Island Utility Company, Ltd., and Leisure Development Services, Inc. and St. George's Plantation, Inc., as the general partners of Leisure Properties, Ltd., have taken all action required to approve the Guaranty by St. George Island Utility Company, Ltd. The Boards of Directors of Leisure Development Services, Inc. and St. George's Plantation, Inc., have authorized him to execute and deliver the Guaranty, as President, on behalf of Leisure Development Services, Inc. and St. George's Plantation, Inc., as the general partners of Leisure Properties, Ltd., in Leisure Properties, Ltd.'s, capacity as the sole general partner of St. George Island Utility Company, Ltd.

6. Leisure Properties, Ltd., and Leisure Development Services, Inc. and St. George's Plantation, Inc., as the general partners, have taken all appropriate action to approve the Guaranty by Leisure Properties, Ltd. The Boards of Directors of Leisure Development Services, Inc. and St. George's Plantation, Inc. have authorized him to execute and deliver the Guaranty, as President, on behalf of Leisure Development Services, Inc. and St. George's Plantation, Inc., in their capacity as the general partners of Leisure Properties, Ltd.

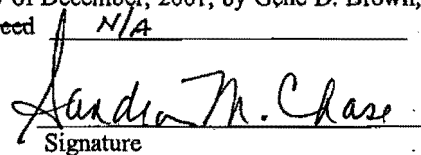
7. The Brown Children's Trust owns 49.5% of the partnership interests of St. George Island Utility Company, Ltd.

8. Leisure Properties, Ltd. owns 10% of the partnership interests of St. George Island Utility Company, Ltd.

  
Gene D. Brown

STATE OF FLORIDA  
COUNTY OF LEON

Sworn to and subscribed before me this 19<sup>th</sup> day of December, 2001, by Gene D. Brown, who is personally know to me ~~or who has produced~~ N/A as identification.

  
Signature

Sandra M. Chase  
Print or type name



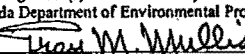
NOTARY PUBLIC

My Commission Expires



Sandra M. Chase  
MY COMMISSION # CC862002 EXPIRES  
November 17, 2003  
BONDED THRU TROY FAIN INSURANCE, INC.

State of Florida  
**UNIFORM COMMERCIAL CODE FINANCING STATEMENT** FORM UCC-1 (REV.2001)  
 This Financing Statement is presented to a filing officer pursuant to the Uniform Commercial Code:

1. Debtor (Last Name First if an individual)		1a. Date of Birth or FEI#
Water Management Services, Inc.		59-3449317
1b. Mailing Address	1c. City, State	1d. Zip Code
3848 Killearn Court	Tallahassee, FL	32308
2. Additional Debtor or Trade Name (Last Name First if an Individual)		2a. Date of Birth of FEI#
Withers, Barbara, as Trustee of the Brown Children's Trust		
2b. Mailing Address	2c. City, State	2d. Zip Code
3848 Killearn Court	Tallahassee, FL	32308
3. Secured Party (Last Name First if an Individual)		
Florida Department of Environmental Protection		
3a. Mailing Address	3b. City, State	3c. Zip Code
2600 Blair Stone Road, M.S. 3505	Tallahassee, FL	32399
4. Assignee of Secured Party (Last Name First if an individual)		
4a. Mailing Address	4b. City, State	4c. Zip Code
5. This Financing Statement covers the following types or items or property [include description of real property on which located and owner of record when required. If more space is required, attach additional sheet(s)]. Forty-Nine and One-Half percent (49.5%) partnership interest in St. George Island Utility Company, Ltd.		
6. Check only if Applicable: <input type="checkbox"/> Products of collateral are also covered. <input checked="" type="checkbox"/> Proceeds of collateral are also covered <input checked="" type="checkbox"/> Debtor is transmitting utility.		
7. Check appropriate box: <input checked="" type="checkbox"/> All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid. (one box must be marked) <input type="checkbox"/> Florida Documentary Stamp Tax is not required.		
8. In accordance with s. 679.402(2) F.S., this statement is filed without the Debtor's signature to perfect a security interest in collateral:  <input type="checkbox"/> already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state.  <input type="checkbox"/> which is proceeds of the original collateral described above in which a security interest was perfected.  <input type="checkbox"/> as to which the filing has lapsed. Dated filed _____ and previous. UCC-1 file number _____  <input type="checkbox"/> acquired after a change of name, identity, or corporate structure of the debtor.		9. Number of additional sheets presented: _____
10. Signature(s) of Debtor(s) Water Management Services, Inc. By:  Gene D. Brown, President		Signature of Additional Debtor  Barbara Withers, as Trustee of The Brown Children's Trust
11. Signature(s) of Secured Party or if Assigned, by Assignee(s) Florida Department of Environmental Protection By: 		
12. Return Copy to: Name: Angela Kuecht Address: Department of Environmental Protection Address: 2600 Blair Stone Road, M.S. 3505 City, State, Zip: Tallahassee, Florida 32399		

STANDARD FORM - FORM UCC-1

Approved by Secretary of State, State of Florida

State of Florida  
**UNIFORM COMMERCIAL CODE FINANCING STATEMENT** FORM UCC-1 (REV.2001)  
 This Financing Statement is presented to a filing officer pursuant to the Uniform Commercial Code:

1. Debtor (Last Name First if an individual)		1a. Date of Birth or FEI#
Water Management Services, Inc.		59-3449317
1b. Mailing Address	1c. City, State	1d. Zip Code
3848 Killlearn Court	Tallahassee, FL	32308
2. Additional Debtor or Trade Name (Last Name First if an Individual)		2a. Date of Birth of FEI#
Leisure Properties, Ltd.		
2b. Mailing Address	2c. City, State	2d. Zip Code
3848 Killlearn Court	Tallahassee, FL	32308
3. Secured Party (Last Name First if an individual)		
Florida Department of Environmental Protection		
3a. Mailing Address	3b. City, State	3c. Zip Code
2600 Blair Stone Road, M.S. 3505	Tallahassee, FL	32399
4. Assignee of Secured Party (Last Name First if an individual)		
4a. Mailing Address	4b. City, State	4c. Zip Code
5. This Financing Statement covers the following types or items or property [include description of real property on which located and owner of record when required. If more space is required, attach additional sheet(s)]. Ten percent (10%) partnership interest in St. George Island Utility Company, Ltd.		
6. Check only if Applicable: <input type="checkbox"/> Products of collateral are also covered. <input checked="" type="checkbox"/> Proceeds of collateral are also covered <input checked="" type="checkbox"/> Debtor is transmitting utility.		
7. Check appropriate box: <input checked="" type="checkbox"/> All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid. (one box must be marked) <input type="checkbox"/> Florida Documentary Stamp Tax is not required.		
8. In accordance with s. 679.402(2) F.S., this statement is filed without the Debtor's signature to perfect a security interest in collateral: <input type="checkbox"/> already subject to a security interest in another jurisdiction when it was brought into this state or debtor's location changed to this state. <input type="checkbox"/> which is proceeds of the original collateral described above in which a security interest was perfected. <input type="checkbox"/> as to which the filing has lapsed. Dated filed _____ and previous. UCC-1 file number _____ <input type="checkbox"/> acquired after a change of name, identity, or corporate structure of the debtor.		9. Number of additional sheets presented: _____
10. Signature(s) of Debtor(s) Water Management Services, Inc. By: <u>Gene D. Brown</u> Gene D. Brown, President		Additional Debtor: Leisure Properties, Ltd. By: Leisure Development Services, Inc. & St. George's Plantation, Inc. General Partners By: <u>Gene D. Brown</u> Gene D. Brown, President
11. Signature(s) of Secured Party or if Assigned, by Assignee(s) Florida Department of Environmental Protection By: <u>W. M. Mullis</u>		
12. Return Copy to: Name: Angela Knecht Address: Department of Environmental Protection Address: 2600 Blair Stone Road, M.S. 3505 City, State, Zip: Tallahassee, Florida 32399		

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
2600 BLAIR STONE ROAD, M.S. 3505  
TALLAHASSEE, FLORIDA 32399-2400

**CORPORATE RESOLUTION AUTHORIZING GUARANTIES**  
(including authorization to pledge and hypothecate corporation property)  
of LAND IN FLA., INC. F/K/A ACB INDUSTRIES, INC.

WHEREAS, WATER MANAGEMENT SERVICES, INC., (Borrower) has applied, or may hereafter and from time to time apply, to the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) for financial accommodation.

WHEREAS, DEP is willing to consider extending such accommodations to Borrower if this corporation agrees to guaranty Borrower's obligations to DEP.

WHEREAS, it is to the direct economic benefit, advantage and best interest of this corporation that such financial accommodations be extended to Borrower by DEP.

NOW THEREFORE, BE IT RESOLVED, that any one of the following named officers, whose authorized signatures appear below:

  
GENE D. BROWN, PRESIDENT

is hereby authorized, directed and empowered, for and on behalf of and in the name of this corporation:

- A. To guaranty any and all indebtedness of Borrower now or hereafter incurred, on such terms as DEP may require, provided that the aggregate liabilities of Borrower which may be guarantied by this corporation pursuant to this resolution shall not at any one time exceed the sum of:
  1. \$6,400,000 for principal on the guarantied indebtedness,
  2. all interest on the principal indebtedness,
  3. any additional liabilities of the Borrower with regard to this indebtedness, and
  4. such amount(s) as may be otherwise authorized;
- B. To execute and deliver to DEP agreements evidencing this corporation's guaranty as DEP may require;
- C. To transfer, endorse, mortgage, pledge or hypothecate to DEP any and all of the real or personal property of this corporation as security for any amounts borrowed from DEP, or any liability incurred by this corporation to DEP, whether matured or not matured, absolute or contingent, and wherever payable;
- D. To perform all acts and execute and deliver all further instruments which DEP may deem necessary to carry out the purposes of these resolutions;
- E. To substitute for said property or any part thereof from time to time, other property to be held on like terms; and
- F. To renew said guaranty or guaranties in whole or in part, and to execute other or further guaranties and security instruments from time to time.

RESOLVED FURTHER, that this corporation hereby ratifies and confirms the acts of its officers, agents or employees in heretofore obligating this corporation to DEP together with any acts performed in relation thereto.

RESOLVED FURTHER, that the Secretary of this corporation is hereby authorized and directed to execute, acknowledge and deliver a certified copy of these resolutions to DEP and any other person or agency which may require copies of these resolutions and that the certification of the Secretary as to the signatures of the above named officers will be binding on this corporation.

RESOLVED FURTHER, that DEP is authorized to act upon these resolutions until written notice of the revocation thereof by a resolution duly adopted by the Board of Directors of this corporation is delivered to DEP, such revocation in no way to affect the obligations of this corporation to DEP incurred pursuant to the terms of these resolutions prior to receipt by DEP of such notice of revocation.

I, Sandra M. Chase, Secretary of LAND IN FLA. INC., F/K/A ACB INDUSTRIES, INC., a corporation, duly organized and existing under the laws of the State of FLORIDA do hereby certify that the foregoing is a full, true and correct copy of certain resolutions of the Board of Directors of said corporation, duly adopted (at a meeting of the Board of Directors of said corporation which was duly and regularly called and held on Dec. 18, 2001 which meeting a quorum of the Board of Directors of said corporation was at all times present and acting) (by the Board by written consent on Dec. 18, 2001).

I further certify that said resolutions conform to all requirements of the corporation's articles of incorporation and bylaws, are still in force and effect and have not been amended or revoked, and that the specimen signatures appearing above are the signatures of the officers authorized to sign for this corporation by virtue of said resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and affixed the corporate seal of said corporation on

Dec. 19, 2001.  
Sandra M. Chase  
Secretary

[Corporate Seal\*]

(\*Corporate seal may be affixed, by failure to affix shall not affect validity or reliance.)

The undersigned, as a voting member of the Board of Directors, hereby certifies that the resolutions contained herein were duly adopted by the Board and are in full force and effect.

  
Director



DEPARTMENT OF ENVIRONMENTAL PROTECTION  
2600 BLAIR STONE ROAD, M.S. 3505  
TALLAHASSEE, FLORIDA 32399-2400

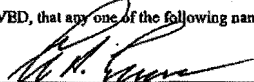
**CORPORATE RESOLUTION AUTHORIZING GUARANTIES**  
(including authorization to pledge and hypothecate corporation property)  
of ST. GEORGE'S PLANTATION, INC.

WHEREAS, WATER MANAGEMENT SERVICES, INC., (Borrower) has applied, or may hereafter and from time to time apply, to the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) for financial accommodation.

WHEREAS, DEP is willing to consider extending such accommodations to Borrower if this corporation agrees to guaranty Borrower's obligations to DEP.

WHEREAS, it is to the direct economic benefit, advantage and best interest of this corporation that such financial accommodations be extended to Borrower by DEP.

NOW THEREFORE, BE IT RESOLVED, that any one of the following named officers, whose authorized signatures appear below:

  
\_\_\_\_\_  
GENE D. BROWN

is hereby authorized, directed and empowered, for and on behalf of and in the name of this corporation:

- A. To guaranty any and all indebtedness of Borrower now or hereafter incurred, on such terms as DEP may require, provided that the aggregate liabilities of Borrower which may be guarantied by this corporation pursuant to this resolution shall not at any one time exceed the sum of:
  1. \$6,400,000 for principal on the guarantied indebtedness,
  2. all interest on the principal indebtedness,
  3. any additional liabilities of the Borrower with regard to this indebtedness, and
  4. such amount(s) as may be otherwise authorized;
- B. To execute and deliver to DEP agreements evidencing this corporation's guaranty as DEP may require;
- C. To transfer, endorse, mortgage, pledge or hypothecate to DEP any and all of the real or personal property of this corporation as security for any amounts borrowed from DEP, or any liability incurred by this corporation to DEP, whether matured or not matured, absolute or contingent, and wherever payable;
- D. To perform all acts and execute and deliver all further instruments which DEP may deem necessary to carry out the purposes of these resolutions;
- E. To substitute for said property or any part thereof from time to time, other property to be held on like terms; and
- F. To renew said guaranty or guaranties in whole or in part, and to execute other or further guaranties and security instruments from time to time.

RESOLVED FURTHER, that this corporation hereby ratifies and confirms the acts of its officers, agents or employees in heretofore obligating this corporation to DEP together with any acts performed in relation thereto.

RESOLVED FURTHER, that the Secretary of this corporation is hereby authorized and directed to execute, acknowledge and deliver a certified copy of these resolutions to DEP and any other person or agency which may require copies of these resolutions and that the certification of the Secretary as to the signatures of the above named officers will be binding on this corporation.

RESOLVED FURTHER, that DEP is authorized to act upon these resolutions until written notice of the revocation thereof by a resolution duly adopted by the Board of Directors of this corporation is delivered to DEP, such revocation in no way to affect the obligations of this corporation to DEP incurred pursuant to the terms of these resolutions prior to receipt by DEP of such notice of revocation.

I, Sandra M. Chase, Secretary of ST. GEORGE'S PLANTATION, INC., a corporation, duly organized and existing under the laws of the State of FLORIDA do hereby certify that the foregoing is a full, true and correct copy of certain resolutions of the Board of Directors of said corporation, duly adopted (at a meeting of the Board of Directors of said corporation which was duly and regularly called and held on Dec. 18, 2001, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting)/(by the Board by written consent on Dec. 18, 2001).

I further certify that said resolutions conform to all requirements of the corporation's articles of incorporation and bylaws, are still in force and effect and have not been amended or revoked, and that the specimen signatures appearing above are the signatures of the officers authorized to sign for this corporation by virtue of said resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and affixed the corporate seal of said corporation on

Dec. 19, 2001.  
Sandra M. Chase  
Secretary

[Corporate Seal\*]

(\*Corporate seal may be affixed, by failure to affix shall not affect validity or reliance.)

The undersigned, as a voting member of the Board of Directors, hereby certifies that the resolutions contained herein were duly adopted by the Board and are in full force and effect.

Gene D. Brown  
Director

DEPARTMENT OF ENVIRONMENTAL PROTECTION  
2600 BLAIR STONE ROAD, M.S. 3505  
TALLAHASSEE, FLORIDA 32399-2400

**CORPORATE RESOLUTION AUTHORIZING GUARANTIES**  
(including authorization to pledge and hypothecate corporation property)  
of LEISURE DEVELOPMENT SERVICES, INC.

WHEREAS, WATER MANAGEMENT SERVICES, INC., (Borrower) has applied, or may hereafter and from time to time apply, to the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) for financial accommodation.

WHEREAS, DEP is willing to consider extending such accommodations to Borrower if this corporation agrees to guaranty Borrower's obligations to DEP.

WHEREAS, it is to the direct economic benefit, advantage and best interest of this corporation that such financial accommodations be extended to Borrower by DEP.

NOW THEREFORE, BE IT RESOLVED, that any one of the following named officers, whose authorized signatures appear below:

  
\_\_\_\_\_  
GENE D. BROWN

is hereby authorized, directed and empowered, for and on behalf of and in the name of this corporation:

- A. To guaranty any and all indebtedness of Borrower now or hereafter incurred, on such terms as DEP may require, provided that the aggregate liabilities of Borrower which may be guarantied by this corporation pursuant to this resolution shall not at any one time exceed the sum of:
  1. \$6,400,000 for principal on the guarantied indebtedness,
  2. all interest on the principal indebtedness,
  3. any additional liabilities of the Borrower with regard to this indebtedness, and
  4. such amount(s) as may be otherwise authorized;
- B. To execute and deliver to DEP agreements evidencing this corporation's guaranty as DEP may require;
- C. To transfer, endorse, mortgage, pledge or hypothecate to DEP any and all of the real or personal property of this corporation as security for any amounts borrowed from DEP, or any liability incurred by this corporation to DEP, whether matured or not matured, absolute or contingent, and wherever payable;
- D. To perform all acts and execute and deliver all further instruments which DEP may deem necessary to carry out the purposes of these resolutions;
- E. To substitute for said property or any part thereof from time to time, other property to be held on like terms; and
- F. To renew said guaranty or guaranties in whole or in part, and to execute other or further guaranties and security instruments from time to time.

RESOLVED FURTHER, that this corporation hereby ratifies and confirms the acts of its officers, agents or employees in heretofore obligating this corporation to DEP together with any acts performed in relation thereto.

RESOLVED FURTHER, that the Secretary of this corporation is hereby authorized and directed to execute, acknowledge and deliver a certified copy of these resolutions to DEP and any other person or agency which may require copies of these resolutions and that the certification of the Secretary as to the signatures of the above named officers will be binding on this corporation.

RESOLVED FURTHER, that DEP is authorized to act upon these resolutions until written notice of the revocation thereof by a resolution duly adopted by the Board of Directors of this corporation is delivered to DEP, such revocation in no way to affect the obligations of this corporation to DEP incurred pursuant to the terms of these resolutions prior to receipt by DEP of such notice of revocation.

I, Sandra M. Chase, Secretary of LEISURE DEVELOPMENT SERVICES, INC., a corporation, duly organized and existing under the laws of the State of FLORIDA do hereby certify that the foregoing is a full, true and correct copy of certain resolutions of the Board of Directors of said corporation, duly adopted (at a meeting of the Board of Directors of said corporation which was duly and regularly called and held on Dec. 18, 2001, at which meeting a quorum of the Board of Directors of said corporation was at all times present and acting) (by the Board by written consent on Dec. 18, 2001).

I further certify that said resolutions conform to all requirements of the corporation's articles of incorporation and bylaws, are still in force and effect and have not been amended or revoked, and that the specimen signatures appearing above are the signatures of the officers authorized to sign for this corporation by virtue of said resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary and affixed the corporate seal of said corporation on

Dec 19, 2001.  
Sandra M. Chase  
Secretary

[Corporate Seal\*]

(\*Corporate seal may be affixed, by failure to affix shall not affect validity or reliance.)

The undersigned, as a voting member of the Board of Directors, hereby certifies that the resolutions contained herein were duly adopted by the Board and are in full force and effect.

M. D. Brown  
Director

**GUARANTY AGREEMENT FOR A SPECIFIC LOAN**  
As Security for a Loan from  
**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

December 19, 2001

Gene D. Brown, Individually, (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note, executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by Bank at any time that Bank is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrence of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical

immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.

- 10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, selection of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

- 11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
- 12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
- 13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
- 14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
- 15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
- 16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
- 17. **GENERAL PROVISIONS.**

- (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
- (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
- (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
- (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
- (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
- (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
- (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
- (H) **SUCCESSORS AND LIABILITY OF GUARANTOR.** This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
- (I) **NUMBER AND GENDER.** Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
- (J) **DEFINITIONS.** The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
- (K) **PARAGRAPH HEADINGS.** The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
- (L) **IF HELD UNENFORCEABLE.** If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

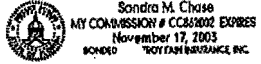
GUARANTOR:

By: [Signature]  
GENE D. BROWN, INDIVIDUALLY  
Witness: [Signature]  
Sandra M. Chase

Witness: [Signature]

STATE OF Florida COUNTY OF Leon  
The foregoing instrument was acknowledged before me on Dec 19, 2001 by GENE D. BROWN, INDIVIDUALLY. He is personally known to me or has produced NTA as identification.

[Signature] Notary Public  
Sandra M. Chase  
(Name typed, printed or stamped)



GUARANTY AGREEMENT FOR A SPECIFIC LOAN  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

BROWN FAMILY TRUST, (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. **GENERAL PROVISIONS.**
  - (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) **SUCCESSORS AND LIABILITY OF GUARANTOR.** This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) **NUMBER AND GENDER.** Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) **DEFINITIONS.** The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) **PARAGRAPH HEADINGS.** The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) **IF HELD UNENFORCEABLE.** If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.


**GUARANTOR:**

BROWN FAMILY TRUST  
 By: Marilyn B. Brown, Trustee  
 MARILYN B. BROWN, TRUSTEE OF THE BROWN FAMILY TRUST

As Trustee of the Brown Family Trust and not in her individual capacity  
Sandra M. Chase Witness Debra Mitchell, Jr. Witness

STATE OF Florida COUNTY OF Leon  
 The foregoing instrument was acknowledged before me on Dec. 14, 2001 by MARILYN B. BROWN, as TRUSTEE OF THE BROWN FAMILY TRUST, on behalf of said Trust. He/She is personally known to me or has produced

Sandra M. Chase as identification  
Sandra M. Chase  
 Notary Public (Name typed, printed or stamped)

 Sandra M. Chase  
 MY COMMISSION # CC62002 EXPIRES  
 November 17, 2003  
 BONDED THROUGH FARM INSURANCE, INC.

Initials MB

GUARANTY AGREEMENT FOR A SPECIFIC LOAN  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

LAND IN FLA., INC. F/K/A ABC INDUSTRIES, INC., a FLORIDA corporation (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any set or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

- 11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
- 12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
- 13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
- 14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
- 15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
- 16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
- 17. **GENERAL PROVISIONS.**
  - (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) **SUCCESSORS AND LIABILITY OF GUARANTOR.** This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) **NUMBER AND GENDER.** Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) **DEFINITIONS.** The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) **PARAGRAPH HEADINGS.** The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) **IF HELD UNENFORCEABLE.** If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

**GUARANTOR:**

LAND IN FLA., INC. F/K/A ABC INDUSTRIES, INC.  
a FLORIDA corporation

By: [Signature]  
Gene D. Brown, President

[Signature]  
Sandra M. Chase  
Witness

[Signature]  
Bobby Mitchell  
Witness

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19 2001 by Gene D. Brown, President of LAND IN FLA., INC. F/K/A ABC INDUSTRIES, INC., a FLORIDA corporation, on behalf of said corporation. He is personally known to me or has produced

[Signature]  
Sandra M. Chase  
Notary Public

[Signature]  
Sandra M. Chase  
(Name typed, printed or stamped)

Sandra M. Chase  
MY COMMISSION # CCR69022 EXPIRES  
November 17, 2003  
NOTARY PUBLIC STATE OF FLORIDA



GUARANTY AGREEMENT FOR A SPECIFIC LOAN  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

LEISURE PROPERTIES, LTD., a FLORIDA limited partnership (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

- (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. **GENERAL PROVISIONS.**
- (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.

(H) SUCCESSORS AND LIABILITY OF GUARANTOR. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.

(I) NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

(J) DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.

(K) PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.

(L) IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

GUARANTOR:

LEISURE PROPERTIES, LTD.  
a FLORIDA limited partnership

By: LEISURE DEVELOPMENT SERVICES, INC.  
a FLORIDA corporation  
General Partner

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

Sandra M. Chase  
Witness

Bobby Mitchell, Jr.  
Witness

By: ST. GEORGE'S PLANTATION, INC.  
a FLORIDA corporation  
General Partner

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

Sandra M. Chase  
Witness

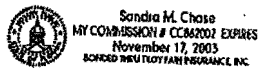
Bobby Mitchell, Jr.  
Witness

STATE OF Florida COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19, 2001 by GENE D. BROWN, PRESIDENT of LEISURE DEVELOPMENT SERVICES, INC., a FLORIDA corporation, on behalf of said corporation and GENE D. BROWN, PRESIDENT of ST. GEORGE'S PLANTATION, INC., a FLORIDA corporation, on behalf of said corporation, as general partners on behalf of LEISURE PROPERTIES, LTD. a FLORIDA limited partnership. He is personally known to me or ~~has produced~~ Na as identification.

Sandra M. Chase  
Notary Public

Sandra M. Chase  
(Name typed, printed or stamped)



**GUARANTY AGREEMENT FOR A SPECIFIC LOAN**  
As Security for a Loan, from  
**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

December 19, 2001

Marilyn B. Brown, Individually, (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereinafter defined) to DEP, when due, up to \$5,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth hereinafter.
5. **EVENTS OF DEFAULT:** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrence of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider," as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical,

immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.

10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.  
 Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.  
 In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.
11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. **GENERAL PROVISIONS.**
  - (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) **SUCCESSORS AND LIABILITY OF GUARANTOR.** This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) **NUMBER AND GENDER.** Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) **DEFINITIONS.** The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) **PARAGRAPH HEADINGS.** The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) **IF HELD UNENFORCEABLE.** If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

GUARANTOR:

By: Marilyn B. Brown  
 MARILYN B. BROWN INDIVIDUALLY

Sandra M. Chase  
 Witness

[Signature]  
 Witness

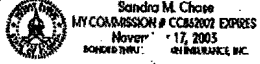
STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19, 2001 by MARILYN B. BROWN, INDIVIDUALLY. She is personally known to me or has produced DA identification.

Sandra M. Chase  
 Notary Public

Sandra M. Chase  
 (Name typed, printed or stamped)



Initials MB

GUARANTY AGREEMENT FOR A SPECIFIC LOAN  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

ST. GEORGE'S PLANTATION, INC., a FLORIDA corporation (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

11. COLLATERAL. Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. WARRANTY AND RELIANCE BY GUARANTOR. Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. RELIANCE BY DEP. Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. FINANCIAL STATEMENTS. Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. JOINT AND SEVERAL. Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. WAIVER OF JURY TRIAL. To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. GENERAL PROVISIONS.
  - (A) TIME IS OF THE ESSENCE. Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) NO WAIVER BY DEP. DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) AMENDMENT. The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) INTEGRATION CLAUSE. This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) FURTHER ASSURANCES. Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) GOVERNING LAW. This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) FORUM AND VENUE. In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) SUCCESSORS AND LIABILITY OF GUARANTOR. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owns the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

GUARANTOR:

ST. GEORGE'S PLANTATION, INC.  
a FLORIDA corporation

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

Witness: Sandra M. Chase  
Sandra M. Chase

Witness: Bobby Mitchell, Jr.  
Bobby Mitchell, Jr.

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19, 2001 by Gene D. Brown, President of ST. GEORGE'S PLANTATION, INC., a FLORIDA corporation, on behalf of said corporation. He is personally known to me or has produced as identification.

Sandra M. Chase  
Notary Public

Sandra M. Chase  
(Name typed, printed or stamped)



Sandra M. Chase  
MY COMMISSION # CC651071 EXPIRES  
November 17, 2003  
BONDED THROUGH FARM INSURANCE, INC.

GUARANTY AGREEMENT FOR A SPECIFIC LOAN  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

Barbara Withers, Trustee The Brown Children's Trust, (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guaranties prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guaranties prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.



<sup>1</sup> Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DBP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the Bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. **GENERAL PROVISIONS.**
  - (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) **SUCCESSORS AND LIABILITY OF GUARANTOR.** This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) **NUMBER AND GENDER.** Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) **DEFINITIONS.** The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) **PARAGRAPH HEADINGS.** The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) **IF HELD UNENFORCEABLE.** If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions not the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

**GUARANTOR:**

BARBARA WITHERS, TRUSTEE THE BROWN CHILDREN'S TRUST

By: Barbara Withers, as Trustee

BARBARA WITHERS

is Trustee of the Brown Children's Trust and not in her individual capacity

Sandra M. Chase

Witness

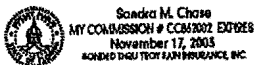
Sandra M. Chase

Witness

STATE OF Florida COUNTY OF Leon  
The foregoing instrument was acknowledged before me on Dec. 19, 2001 by BARBARA WITHERS, as Trustee for THE BROWN CHILDREN'S TRUST, on behalf of said Trust. She is personally known to me or has produced an identification.

Sandra M. Chase  
Notary Public

Sandra M. Chase  
(Name typed, printed or stamped)



Initials AW

**GUARANTY AGREEMENT FOR A SPECIAL LOAN**  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

ST. GEORGE ISLAND UTILITY COMPANY, LTD., a FLORIDA limited partnership (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note, executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

- (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
- (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (G) consent to the release, substitution or impairment of any collateral.
- (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
- (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
- (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.
- Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.
- In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.
11. **COLLATERAL.** Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. **WARRANTY AND RELIANCE BY GUARANTOR.** Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. **RELIANCE BY DEP.** Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. **FINANCIAL STATEMENTS.** Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. **JOINT AND SEVERAL.** Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. **WAIVER OF JURY TRIAL.** To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. **GENERAL PROVISIONS.**
- (A) **TIME IS OF THE ESSENCE.** Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
- (B) **NO WAIVER BY DEP.** DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
- (C) **AMENDMENT.** The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
- (D) **INTEGRATION CLAUSE.** This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
- (E) **FURTHER ASSURANCES.** Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
- (F) **GOVERNING LAW.** This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
- (G) **FORUM AND VENUE.** In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.

(H) SUCCESSORS AND LIABILITY OF GUARANTOR. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.  
(I) NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.  
(J) DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.  
(K) PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.  
(L) IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

GUARANTOR:

ST. GEORGE ISLAND UTILITY COMPANY, LTD.  
a FLORIDA limited partnership

By: LEISURE PROPERTIES, LTD.  
a FLORIDA corporation  
General Partner

By: Gene D. Brown  
Gene D. Brown, President  
Witness: Sandra M. Chase Bobby Mitchell, Jr.  
Witness

By: LEISURE DEVELOPMENT SERVICES, INC.  
a FLORIDA corporation  
General Partner

By: Gene D. Brown  
Gene D. Brown, President  
Witness: Sandra M. Chase Bobby Mitchell, Jr.  
Witness

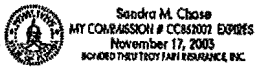
By: ST. GEORGE'S PLANTATION, INC.  
a FLORIDA corporation  
General Partner

By: Gene D. Brown  
Gene D. Brown, President  
Witness: Sandra M. Chase Bobby Mitchell, Jr.  
Witness

STATE OF Florida COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19, 2001 by GENE D. BROWN, PRESIDENT of LEISURE PROPERTIES, LTD., a FLORIDA corporation, on behalf of said corporation and GENE D. BROWN, PRESIDENT of LEISURE DEVELOPMENT SERVICES, INC., a FLORIDA corporation, on behalf of said corporation, as general partners on behalf of ST. GEORGE ISLAND UTILITY COMPANY, LTD. a FLORIDA limited partnership. He/She is personally known to me or has produced Id as identification.

Notary Public: Sandra M. Chase Sandra M. Chase  
(Name typed, printed or stamped)



**GUARANTY AGREEMENT FOR A SPECIFIC LOAN**  
As Security for a Loan from  
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION

December 19, 2001

LEISURE DEVELOPMENT SERVICES, INC., a FLORIDA corporation (the Guarantor); and the State of Florida Department of Environmental Protection (DEP) agree as follows:

1. **AGREEMENT TO GUARANTY.** Guarantor requests that the DEP make the Loan (as herein defined) to WATER MANAGEMENT SERVICES, INC. (Borrower). In consideration of the DEP making any such loan(s), Guarantor jointly and severally, absolutely and unconditionally promises to pay and guarantees prompt payment of the Obligations (as hereafter defined) to DEP, when due, up to \$6,400,000 of the principal amount. The term "Obligations" shall mean the indebtedness of Borrower to DEP as evidenced by Borrower's promissory note executed by Borrower payable to the order of DEP, which evidences a loan (Loan) to Borrower in the sum of \$3,000,000, and all additional notes, extensions, renewals, modifications, or substitutions thereof. Guarantor further absolutely and unconditionally promises to pay and guarantees prompt payment, when due, of all accrued interest and reasonable attorneys' fees which shall be construed to mean 10% of the total of the unpaid Obligations plus all accrued interest or such larger amount as may be reasonable and just, incurred in all legal actions, including those incurred in appellate proceedings.
2. **EXTENSIONS.** Guarantor consents to all renewals, extensions, modifications and substitutions of the Obligations which may be made by DEP upon such terms and conditions as DEP may see fit from time to time without further notice to Guarantor and without limitation as to the number of renewals, extensions, modifications or substitutions.
3. **PRIMARY LIABILITY.** Guarantor is primarily liable under this Agreement, regardless of whether or not DEP pursues any of its remedies against Borrower, against any other maker, surety, guarantor or endorser of the Obligations or against any collateral securing the Obligations.
4. **NO OTHER CONDITIONS.** The liability of the Guarantor is not conditioned on the signing of the Agreement by any other person and further is not subject to any condition not expressly set forth herein.
5. **EVENTS OF DEFAULT.** Guarantor shall be in default upon the occurrence of any of the following events, circumstances or conditions (Events of Default):
  - (A) Failure by any party obligated on the Obligations to make payment when due; or
  - (B) A default or breach by Borrower or any co-signer, endorser, surety, or guarantor under any of the terms of this Agreement, the Note, any construction loan agreement or other loan agreement, any security agreement, mortgage, deed to secure debt, deed of trust, trust deed, or any other document or instrument evidencing, guarantying, securing or otherwise relating to the Obligations; or
  - (C) The making or furnishing of any verbal or written representation, statement or warranty to DEP which is or becomes false or incorrect in any material respect by or on behalf of Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (D) Failure to obtain or maintain the insurance coverages required by DEP, or insurance as is customary and proper for the Collateral (as herein defined); or
  - (E) The death, dissolution or insolvency of, the appointment of a receiver by or on behalf of, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against Guarantor, Borrower, or any co-signer, endorser, surety or guarantor of the Obligations; or
  - (F) A good faith belief by DEP at any time that DEP is insecure with respect to Borrower, Guarantor, or any co-signer, endorser, surety or guarantor, that the prospect of any payment is impaired, that the Property is impaired, or that the Collateral (as herein defined) is impaired; or
  - (G) Failure to pay or provide proof of payment of any tax, assessment, rent, insurance premium, escrow or escrow deficiency on or before its due date; or
  - (H) A material adverse change in Guarantor's business, including ownership, management, and financial conditions, which in DEP's opinion impairs the Collateral or repayment of the Obligations; or
  - (I) A transfer of a substantial part of Guarantor's money or property.
6. **REMEDIES ON DEFAULT.** At the option of DEP, all or any part of the Obligations under this Agreement, together with any other obligations of Guarantor relating to this Loan, shall become immediately due and payable without notice or demand, upon the occurrence of an Event of Default or at any time thereafter. In addition, upon the occurrences of any Event of Default, DEP, at its option, may immediately invoke any or all other remedies provided in this Guaranty, the Note, or any other instrument evidencing the Obligations, and any documents securing or otherwise relating to the Obligations. DEP is entitled to all rights and remedies provided at law or equity whether or not expressly stated in this Agreement. By choosing any remedy, DEP does not waive its right to an immediate use of any other remedy if the event of default continues or occurs again.
7. **WAIVER AND CONSENT BY GUARANTOR AND OTHER SIGNERS.** Regarding the Note and Obligations, to the extent not prohibited by law, Guarantor and any other signers:
  - (A) consent to the valuation of any collateral in connection with any proceedings under the U.S. Bankruptcy Code concerning Borrower or Guarantor, regardless of any such valuation or actual amounts received by DEP arising from sale of such collateral.
  - (B) consent to any waiver granted Borrower, and agree that any delay or lack of diligence in the enforcement of the Obligations, or any failure to file a claim or otherwise protect any of the Obligations, in no way affects or impairs Guarantor's liability.
  - (C) waive reliance on any anti-deficiency statutes, through subrogation or otherwise, and such statutes in no way affect or impair Guarantor's liability. In addition, Guarantor waives any rights of subrogation, contribution or reimbursement and any other right Guarantor may have to enforce any remedy which DEP now has or in the future may have against Borrower or another guarantor or as to any collateral or security interest DEP may now or in the future hold for the indebtedness. Any Guarantor who is an "insider", as contemplated by the U.S. Bankruptcy Code, 11 U.S.C. 101, makes these waivers permanently. (An insider includes, among others, a director, officer, partner, or other person in control of Borrower, a person or an entity that is a co-partner with Borrower, an entity in which Borrower is a general partner, director, officer or other person in control or a close relative of any of these other persons.) Any Guarantor who is not an insider makes these waivers until all of Borrower's Obligations to DEP, including Obligations that are not covered by the Guaranty, are fully repaid.
  - (D) waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.
  - (E) consent to any renewals and extensions for payment on the Note and Obligations, regardless of the number of such renewals or extensions.
  - (F) consent to DEP's release of any borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
  - (G) consent to the release, substitution or impairment of any collateral.
  - (H) consent that Borrower or Guarantor is authorized to modify the terms of the Note or any instrument securing, guarantying or relating to the Note.
  - (I) consent to DEP's right of set-off as well as right of set-off of any bank participating in the Loan.
  - (J) consent to any and all sales, repurchases and participations of the Note to any person in any amounts and waive notice of such sales, repurchases or participations of the Note.
8. **RELEASE OF COLLATERAL.** Guarantor agrees that any collateral which secures all or part of the Obligations (Collateral) may be assigned, exchanged, released in whole or in part or substituted without notice to Guarantor and without defeating, discharging, or diminishing the liability of the Guarantor. Guarantor's obligation is absolute and DEP's failure to perfect any security interest or any act or omission by DEP which impairs the Collateral shall not relieve Guarantor of Guarantor's liability under this Agreement.
9. **NO DUTY BY DEP.** DEP is under no duty to preserve or protect any Collateral until DEP is in actual or constructive possession of the Collateral. For purposes of this paragraph, DEP shall only be deemed to be in "actual" possession of the Collateral when DEP has physical, immediate and exclusive control over the Collateral and has accepted such control in writing. Further, DEP shall only be deemed to be in "constructive" possession of the Collateral when DEP has both the power and the intent to exercise control over the Collateral.
10. **BANKRUPTCY.** If a bankruptcy petition should at any time be filed by or against the Borrower, the maturity of the Obligations, so far as Guarantor's liability is concerned, shall be accelerated and the Obligation shall be immediately payable by Guarantor.

Guarantor acknowledges and agrees that this Agreement, and the Obligations secured hereby, shall remain in full force and effect at all times, notwithstanding any action or undertakings by, or against, DEP or against any collateral, in connection with any obligation in any proceeding in the U.S. Bankruptcy Courts, including without limitation, valuation of collateral, election of remedies or imposition of secured or unsecured claim status upon claims by DEP, pursuant to the U.S. Bankruptcy Code, as amended.

In the event that any payment of principal or interest received and paid by any other guarantor, borrower, surety, endorser or co-maker is deemed, by final order of a court of competent jurisdiction, to have been a voidable preference under the bankruptcy or insolvency laws of the United States or otherwise, then Guarantor's obligation shall remain as an obligation to DEP and shall not be considered as having been extinguished.

11. COLLATERAL. Guarantor's performance under this Agreement is secured by and Guarantor grants and assigns a security interest in the following collateral:
12. WARRANTY AND RELIANCE BY GUARANTOR. Guarantor represents and warrants that this Agreement was entered into at the request of Borrower, and that Guarantor is satisfied regarding Borrower's financial condition and existing indebtedness, authority to borrow and the use and intended use of all loan proceeds. Guarantor further represents and warrants that Guarantor has not relied on any representations or omissions of DEP or any information provided by DEP respecting Borrower, Borrower's financial condition and existing indebtedness, Borrower's authority to borrow or Borrower's use and intended use of all loan proceeds.
13. RELIANCE BY DEP. Guarantor acknowledges that DEP is relying on this Agreement in making the Obligations to Borrower, and Guarantor has signed this Agreement to induce DEP to make the Obligations. Guarantor further acknowledges and agrees that the requirement for Guarantor's signature is necessary for the Obligations to be considered creditworthy and that the signatures of all co-signers, if any, are necessary since DEP would not have otherwise made the Loan.
14. FINANCIAL STATEMENTS. Until the Obligations are paid in full, Guarantor shall furnish DEP upon DEP's request and in the event of no request, at least annually a current financial statement which is certified by Guarantor and Guarantor's accountant to be true, complete and accurate.
15. JOINT AND SEVERAL. Guarantor and all other borrowers, endorsers, makers, co-signers, and sureties shall be jointly and severally liable under this Agreement and other related agreements.
16. WAIVER OF JURY TRIAL. To the extent permitted by law, Guarantor and DEP hereby waive the right, which either party may have, to a trial by jury in respect to any litigation arising from the Note or any other agreement executed in conjunction with this Loan. Guarantor and DEP each acknowledge that this paragraph has either been brought to the attention of each party's legal counsel or that each party had the opportunity to do so.
17. GENERAL PROVISIONS.
  - (A) TIME IS OF THE ESSENCE. Time is of the essence in Guarantor's performance of all duties and obligations imposed by this Agreement.
  - (B) NO WAIVER BY DEP. DEP's course of dealing, or DEP's forbearance from, or delay in, the exercise of any of DEP's rights, remedies, privileges or right to insist upon Guarantor's strict performance of any provisions contained in this Agreement, or other loan documents, shall not be construed as a waiver by DEP, unless any such waiver is in writing and is signed by DEP.
  - (C) AMENDMENT. The provisions contained in this Agreement may not be amended, except through a written amendment which is signed by Guarantor and DEP.
  - (D) INTEGRATION CLAUSE. This written Agreement and all documents executed concurrently herewith, represent the entire understanding between the parties as to the Obligations and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.
  - (E) FURTHER ASSURANCES. Guarantor agrees, upon request of DEP and within the time DEP specifies, to provide any information, and to execute, acknowledge, deliver and record or file such further instruments or documents as may be required by DEP to secure the Note or confirm any lien.
  - (F) GOVERNING LAW. This Agreement shall be governed by the laws of the State of Florida, provided that such laws are not otherwise preempted by federal laws and regulations.
  - (G) FORUM AND VENUE. In the event of litigation pertaining to this Agreement, the exclusive forum, venue and place of jurisdiction shall be in the State of Florida in the state courts for the county, or the federal court of the United States Federal District, where the principal office of DEP is located (as applicable), unless otherwise designated in writing by DEP or otherwise required by law.
  - (H) SUCCESSORS AND LIABILITY OF GUARANTOR. This Agreement shall inure to the benefit of and bind the heirs, personal representatives, successors, assigns of the parties and subsequent holders of the Obligations; provided however, that Guarantor may not assign, transfer or delegate any of its rights or obligations under this Agreement. If any Guarantor dies, the estate of the deceased Guarantor only owes the amount of the Obligations outstanding at the death of this Guarantor. As to all Obligations after such death, this Agreement shall remain in full force and effect as a guaranty by the surviving Guarantor(s), but not as a guaranty by the deceased Guarantor's estate.
  - (I) NUMBER AND GENDER. Whenever used, the singular shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.
  - (J) DEFINITIONS. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in the other documents executed contemporaneously, or in conjunction, with this Agreement.
  - (K) PARAGRAPH HEADINGS. The headings at the beginning of any paragraph, or any subparagraph, in this Agreement are for convenience only and shall not be dispositive in interpreting or construing this Agreement.
  - (L) IF HELD UNENFORCEABLE. If any provision of this Agreement shall be held unenforceable or void, then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Agreement. This Agreement is valid despite the genuineness, validity or enforceability of any of the loan documents.

GUARANTOR:

LEISURE DEVELOPMENT SERVICES, INC.  
a FLORIDA corporation

By: [Signature]  
Gene D. Brown, President

Witness: Sandra M. Chase

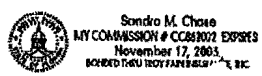
Witness: [Signature]

STATE OF Florida COUNTY OF Leon

The foregoing instrument was acknowledged before me on Dec. 19 2001 by GENE D. BROWN of LEISURE DEVELOPMENT SERVICES, INC., a FLORIDA corporation, on behalf of said corporation. He is personally known to me as has produced

Sandra M. Chase  
Notary Public

Sandra M. Chase  
(Name typed, printed or stamped)



Initials [Signature]

LOAN AGREEMENT

GULF STATE COMMUNITY BANK, a state banking association (hereafter called the "Bank" or the "Lender"), and WATER MANAGEMENT SERVICES, INC., a Florida corporation (hereafter called the "Borrower") agrees as follows:

**THE LOAN.** The Bank will loan up to Three Million Dollars (\$3,000,000.00) (hereinafter called the "Loan"), for the purposes and upon the terms and conditions set forth below.

1. Rate. The interest rate will be Prime Rate plus 1.00%. The Prime Rate is the rate reported by major banks, which is currently 8.00%. This rate will float with prime over the life of the loan.
2. Purpose. The purpose of the loan is to satisfy and refinance certain loans at Citizens Bank of Perry and the Bank and to advance further funds to the Borrower to reimburse the Borrower for expenses in completing certain repairs and renovations ("Improvements") to the St. George Island pipeline and water system ("Premises") owned by the Borrower.
3. Repayment Schedule. Twelve (12) interest only payments followed by forty-seven (47) payments of interest and principal based on 30-year amortization, and one final payment of the outstanding balance of principal and interest.
4. Security. The Premises and Property described in Exhibit A.
5. Guarantors. Gene D. Brown.
6. Fees. In addition to fees required by third parties, \$50.00 Loan File Fee, \$75.00 Document Preparation, \$150.00 Loan Processing Fee and 1.00% origination fee on all loan proceeds that are not utilized to refinance and satisfy existing loans to the Bank.

**LOAN DOCUMENTS.** Prior to any disbursements, Borrower shall execute and deliver, or cause to be executed and delivered, to the Lender the following documents (hereinafter collectively and together with this Agreement referred to as "Loan Documents"), all in a form satisfactory to the Lender:

1. Note(s). A promissory note of even date herewith executed by Borrower and payable to the order of the Lender in the principal amount of \$3,000,000 and such subsequent promissory notes as appropriate.
2. Real Estate Mortgage and Security Agreement. A mortgage and security agreement (the "Mortgage") encumbering (among other things) the Premises which upon recordation, shall constitute a first lien on said property, and which, mortgage shall be in a form satisfactory to the Lender and shall be subject only to

those exceptions and matters satisfactory to the Lender. The Mortgage shall contain a future advance clause allowing the Lender, but not obligating the Lender, to make future advances; provided, however, that the maximum principal amount to be secured by the Mortgage at any time or times shall be that amount set forth in the Mortgage.

3. UCC 1 Financing Statements. UCC-1 Financing Statements (state and local) and such other documents as will insure a first perfected security interest in and to all personal property, fixtures, and equipment placed or to be placed on or under said Premises, and personal property, fixtures, equipment and other assets belonging to the Borrower.
4. Assignment of Leases and Rents. A general collateral assignment of all contracts, leases, income, rents and profits from or concerning the Premises.
5. Mortgagee Title Insurance Binder and Policy. A mortgagee title insurance binder and policy in the face amount of \$3,000,000 insuring the Mortgage as a valid first lien on the Premises subject only to exceptions as shall be approved in writing by Lender issued by a title insurance company satisfactory to Lender, containing such endorsements, and in a form satisfactory to and approved by Lender. All standard title exceptions for Construction liens and rights of parties in possession shall be eliminated from and not included in the mortgagee title insurance policy.
6. Unconditional Guaranty of Payment and Performance. Borrower's obligations of payment and performance under this Agreement and under the documents evidencing, securing, or in any way related to the loan by Lender to Borrower shall be unconditionally jointly and severally guaranteed by Gene D. Brown, (herein "Guarantor") in a form satisfactory to Lender.
7. Environmental Indemnification Agreement. An agreement by the Borrower and Guarantors in favor of Lender whereby they jointly and severally warrant that the Premises do not and shall not contain at any time any hazardous pollutants or toxic materials and whereby they jointly and severally indemnify Lender against any of same and agree to certain other terms and conditions concerning such substances.
8. Agreement Regarding Closing of Loan. An Agreement between the parties regarding the closing of the Loan.
9. Collateral Assignment of Contract Rights. A collateral assignment by the Borrower in favor of the Lender of all contract rights of the Borrower in and to any contracts or documents concerning the improvement or use of the Premises.



**WARRANTIES OF BORROWER.** The Borrower represents and warrants to the Bank that the following paragraphs are true and correct:

1. Power. The Borrower is a Corporation, duly organized, validly existing under the laws of the State of Florida and has the full corporate power to execute this Agreement, to borrow money in accordance with the terms hereof, and to do any and all things required herein.
2. Authority. The execution of this Agreement and the documents provided for herein have been duly authorized by appropriate corporate action; no provision of Borrower's corporate resolution, regulations, by laws, or of any agreement or undertaking to which Borrower is a party conflicts with or prevents the Borrower from executing and carrying out the terms of this Agreement and the loan's implementing documents.
3. Financial Condition. The financial statements delivered to the Bank are true and show the financial condition of the Borrower(s) and any subsidiaries. Nothing has occurred or will occur before funding that will materially affect in any adverse manner the condition of the Borrower(s) or any subsidiary as disclosed in the financial statements. The Borrower(s) has no known actual or contingent liabilities, except such as are reflected in the financial statements or in other documents that have been delivered to the Bank.
4. Liens. There are no liens or encumbrances on any of the assets of the Borrower(s) or any subsidiary other than those disclosed to the Bank.
5. Taxes. The Borrower has filed all required federal, state, and local tax returns and has paid all taxes and assessments as shown on such returns as they have become due. No claims have been asserted or are unpaid with respect to such taxes except as disclosed in the financial statements.
6. Priority of Lien on Personalty. That no bill of sale, security agreement, financing statement, or other title retention agreement (except those executed in favor of the Lender) has been or will be executed with respect to any personal property, equipment, or fixtures used in conjunction with the construction, operation, or maintenance of the Improvements.
7. Other Loans. That the Borrower has not procured subordinate financing in connection with the purchase of the Premises nor has the Borrower procured a loan or loans from other sources other than the Lender for the work contemplated by this Loan Agreement and will not procure such loans, unless approved by Lender in writing.
8. Violations of Governmental Law, Ordinances or Regulations. That the Borrower has no knowledge of any violations or notices of violations of any federal or state law or municipal ordinance or order or requirement of the county or city in which the Premises are located or any municipal department or other governmental

authority having jurisdiction affecting the Premises, which violations in any way relate to or affect the Premises.

9. Compliance with Zoning Ordinances and Similar Laws. That the construction pursuant thereto and the use of the premises contemplated thereby comply and will comply with all governmental laws and regulations, and requirements, standards, and regulations of appropriate supervising boards of fire underwriters and similar agencies.
10. Construction Permits. That all construction permits and final approvals of governmental authorities or quasi-governmental authorities or agencies required for the construction of the Improvements, have been obtained and copies of same shall be or have been delivered to Lender.
11. Condition of Premises. That the Premises are not now damaged or injured as a result of any fire, explosion, accident, flood, or other casualty, except to the extent such damages or injuries are the subject of the Improvements.

**COVENANTS OF BORROWER.** Borrower hereby covenants and agrees with Lender as follows:

1. Annual Financial Statements. Borrower will furnish to the Bank, not later than 150 days after the expiration of each fiscal year, Financial Statements and Tax Returns of the Borrower and the Guarantor covering such fiscal year prepared by their accountant.
2. Insurance. Borrower will maintain property insurance (with the Bank named as loss payee) with responsible companies in such amounts and against such risks as is customarily carried by prudent owners of similar businesses and property, which includes, Fire, Flood, and Windstorm coverage. Borrower will promptly furnish the Bank a schedule of all such insurance. Updates will be furnished annually thereafter. The Bank will be furnished copies of insurance policies as requested.
3. Taxes. Borrower will promptly pay when due all taxes, assessments, and governmental charges of every kind and nature lawfully levied, assessed, or imposed upon the Borrower or its properties except to the extent contested in good faith, and in this connection will establish and maintain a reserve for federal income taxes in accordance with generally accepted accounting practices.
4. Maintenance of Fixed Assets. The Borrower shall maintain all property in a good state of repair.
5. Contingent Liabilities. The Bank will be informed of any litigation, changes in contractual obligations, or other changes in the status quo of the Borrower that could materially affect the business.

6. Attorney's Fees. All attorneys' fees and other direct Bank expenses incurred in connection with the origination of the Loan shall be paid by the Borrower.
7. Information. Borrower will furnish to the Bank with reasonable promptness such data and information concerning the business of the Borrower as may be requested by the Bank from time to time.
8. Management. Borrower will maintain executive management which shall at all times be satisfactory to the Bank and will notify the Bank of any management changes. The Bank is satisfied with the existing executive management of the Borrower.
9. Other Loans. To procure no subordinate financing in connection with the purchase of the Land nor to procure a loan or loans from other sources other than the Lender for the work contemplated by this Loan Agreement, unless approved by the Lender in writing.
10. Collection of Insurance Proceeds. To cooperate with the Lender in obtaining for the Lender the benefits of any insurance or other proceeds lawfully or equitably payable to them in connection with the transactions contemplated hereby and the collection of any indebtedness or obligation of the Borrower to the Lender incurred hereunder (including the payment by the Borrower of the expense of an independent appraisal on behalf of the Lender in case of a fire or other casualty affecting the Premises).
11. Right of Lender to Inspect Premises. To permit the Lender and its representatives and agents to enter upon the Premises and to inspect the Improvements and all materials to be used in the construction thereof and to cooperate and cause Contractor to cooperate with the Lender and its representatives and agents during such inspections (including making available to the Lender working copies of the Plans and Specifications together with all related supplementary materials), provided, however, that this provision shall not be deemed to impose upon the Lender any obligation to undertake such inspections.
12. Correction of Defects. To promptly correct any structural defect in the Improvements. The advance of any loan proceeds shall not constitute a waiver of the Lender's right to require compliance with this covenant.
13. Books and Records. To keep and maintain proper and accurate books, records and accounts reflecting all items of income and expense of the Borrower in connection with the Premises and the construction thereon; and, upon the request of the Lender, to make such books, records, and accounts immediately available to the Lender for inspection or independent audit. Such inspection shall take place in the Florida offices of the Borrower during normal business hours.

14. Notification of Claims by Subcontractors and Materialmen. To advise the Lender immediately, and in writing, if the Borrower receives any Notice to Owner, written or oral, from any laborer, subcontractor, or materialmen in connection with any labor or materials furnished in the construction of the Improvements.
  
15. Articles of Incorporation. To furnish the Lender a certificate of good standing of the Borrower certified by the Secretary of State of the state of incorporation of the Borrower. The Borrower shall also furnish to the Lender the Articles of Incorporation and Bylaws of the Borrower accompanied by a certificate from an appropriate officer of the Borrower that the copy is complete and that neither the Articles of Incorporation nor Bylaws have been amended, annulled, rescinded, or revoked since the date of the certificate of the Secretary of State and a copy of resolutions of the Board of Directors of the Borrower authorizing the execution, delivery, and performance of the Loan Documents and the borrowings hereunder, and specifying the officer or officers of the Borrower authorized to execute the Loan Documents, accompanied by a certificate from an appropriate officer that the resolutions are true and complete, were duly adopted at a duly called meeting in which a quorum was present and acting throughout, or were duly adopted by written action and have not been amended, annulled, rescinded or revoked in any respect and remain in full force and effect on the date of the certificate funds.  
  
The Articles of Incorporation and By-Laws will not, throughout the term of the Loan, be in any manner changed, modified or altered without the prior written consent of the Lender.
  
16. Deposit Account. As a condition of, and in consideration of the pricing of, the Loan, the Borrower shall on or before the Closing open, and maintain for the entire term of the Loan one or more demand deposit accounts with the Lender, which shall include Borrower's operating accounts.
  
17. Life Insurance. Borrower will assign the current life insurance policy with UNITED OF OMAHA LIFE INSURANCE COMPANY on the life of Guarantor in the amount of One Million Dollars (\$1,000,000). The Borrower will pay the premiums on the life insurance policy as they become due and furnish the Lender with proof of such payment within thirty (30) days of the date of the payment. The Bank will be furnished a copy of the insurance policy.
  
18. Additional Documents. To perform hereunder as follows:
  - a. Preservation of Security. To sign and deliver to the Lender such documents, instruments, assignments, and other writings, and to do such other acts necessary or desirable, to preserve and protect the collateral at any time securing or intended to secure, the Note, as the Lender may require.

- b. This Agreement. To do and execute all and such further lawful and reasonable acts, conveyances, and assurances in the law for the better and more effective carrying out of the intents and purposes of this Agreement as the Lender shall reasonably require from time to time.
- c. Assignment of Rents and Leases. If requested by the Lender, to furnish a collateral assignment of the Borrower's interest in leases and rents on the Premises, assigning to the Lender all leases now or hereafter entered into by the Borrower and demising all or any part of the Premises.
- d. Certificate of Completion. To furnish to the Lender when available a certificate of completion certifying that all of the repairs and renovations necessary for the Premises to be in good repair and operating properly have been completed and other certificates required by any governmental agency.

***DISBURSEMENT OF LOAN PROCEEDS.***

1. At closing the Lender will disburse sufficient funds in the approximate amount of One Million Seven Hundred Seventy Five Thousand Dollars (\$1,775,000) to satisfy the Borrower's outstanding loan at the Citizens Bank of Perry, sufficient funds in the approximate amount of Six Hundred Ninety Thousand Dollars (\$690,000) to satisfy existing loans at the Bank, and closing fees and expenses. The balance, up to a total loan of Three Million Dollars (\$3,000,000) will be available for a final disbursement at such time as such repairs to the St. George Pipeline have been completed so that the pipeline is in good and operable condition and has been determined to be so by the Department of Environmental Protection and by the Lenders inspectors. The Lender may make interim disbursements at its sole discretion.
2. Provided that the Borrower is in Compliance with the terms and conditions hereof, Lender agrees to make a final disbursement to the Borrower against the Mortgage up to the full principal amount thereof in accordance with and subject to the following procedure.
  - a. Request for Advance. At such time as the Borrower shall desire to obtain, subject to the other requirements hereof, a disbursement of any portion of the loan proceeds, the Borrower shall complete, execute, and deliver to the Lender a request for advance.
  - b. Evidence of Progress of Construction. The above said Request for Advance shall, upon the request of the Lender be accompanied by evidence in form and content satisfactory to the Lender, including but not limited to certificates and affidavits of Borrower, Contractor, Engineer or such other persons as the Lender may require, showing that:

- i. All outstanding claims for labor, materials and fixtures for which prior Requests for Advance have been funded by the Lender have been paid;
  - ii. There are no liens outstanding against the Premises except for Lender's lien, other than inchoate liens for property taxes not yet due;
  - iii. Borrower has complied with all of the Borrower's obligations, as of the date thereof, under the Loan Documents;
3. Continuation of Title Insurance Coverage. The above said Request for Advance shall, at the request of the Lender, be accompanied by a satisfactory endorsement to the previously delivered mortgagee title insurance policy which endorsement shall (a) indicate that since the effective date of said policy (or the effective date of the last such endorsement, if any) there has been no change in the status of title to the Premises as set out in said policy and (b) have the effect of increasing the coverage of the policy by an amount equal to the advance then being made unless said policy expressly provides automatically and without condition for such increase in coverage upon each such disbursement.
4. Conditions Precedent to Disbursement. At no time and in no event shall the Lender be obligated to disburse funds:
  - a. if any event of default shall have occurred and not have been cured; or
  - b. if the Premises shall have been damaged by fire or other casualty and the Lender shall not have received insurance proceeds sufficient in the sole judgment of the Lender to effect the restoration of the Improvements; or
  - c. in excess of that recommended by the Lender's Inspector.
5. Notice, Frequency, and Place of Disbursements. The above said Request for Advance shall be submitted to Lender at least ten (10) business days prior to the date of the requested advance.
6. Advances Do Not Constitute a Waiver. No advance of loan proceeds hereunder shall constitute a waiver of any of the conditions of the Lender's obligation to make further advances, nor in the event that the Borrower is unable to satisfy any such condition, shall any such waiver have the effect of precluding the Lender from thereafter declaring such inability to be an event of default hereunder.
7. Warranties and Representations True. The warranties, representations, and covenants of the Borrower in the Loan Documents shall be true and correct and the Borrower shall be in strict compliance therewith on and as of the date of each advance with the same effect as if made on such date.

**EVENTS OF DEFAULT.** An event of default shall be deemed to have occurred hereunder if:

1. Failure To Comply With Covenants. Borrower fails to comply with any of the covenants made by it in this Agreement; or
2. Default Under Loan Documents. A Default or Event of Default shall occur under the Note, Mortgage, or the other Loan Documents of even date herewith; or
3. Breach of Warranty/Failure To Strictly Comply With The Covenants. Any warranties, representations or covenants made or agreed to be made in any of the Loan Documents or any other document executed in conjunction with the Loan shall be breached by the Borrower or shall prove to be false or misleading or the Borrower shall have failed to strictly comply with same on a timely basis which has not been cured within the applicable grace period, if any; or
4. Inspection Denied. Lender or its representatives or the Inspector are not permitted, at all reasonable times, to enter upon the Premises, inspect the Improvements and the construction thereof and all materials, fixtures and articles used or to be used in the construction and to examine all detailed plans, shop drawings and specifications which relate to the Improvements, or the Borrower shall fail to furnish to the Lender or its authorized representative, when requested, copies of such plans, drawings and specifications; or
5. Lien Against Premises. A lien or claim of lien for the performance of work or the supply of materials be filed against the Premises and remain unsatisfied or unbonded at the time of any request for an Advance or for a period of fifteen (15) days after the date of filing thereof; or
6. Failure To Deliver Documentation. Borrower's failure to deliver any report or documentation as and when required by the terms of this Agreement.; or
7. Failure to Disprove Default. If the Lender reasonably suspects the occurrence of one or more of the above said events of default and the Borrower, upon request of the Lender, shall fail to provide evidence reasonably satisfactory to the Lender that such event or events of default have not in fact occurred.

**REMEDIES OF LENDER.** Upon the occurrence of any one or more of the events of default set out herein, the Lender shall at its option be entitled, in addition to and not in lieu of the remedies provided for in the Notes, Mortgage, Guaranties, or other documents executed in connection with the loan, to cumulatively exercise all other rights, options, and privileges provided by law or in equity including but not limited to the option to cease or withhold any further advances of the Loan proceeds and declare a default under the Loan.

**MISCELLANEOUS.** In the event of a conflict with other provisions of this Agreement, the provisions of this section shall control.

1. Notices To All Parties. All notices, statements, requests, and demands given to or made upon any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given or made when hand delivered or deposited in the Certified Mails of the United States, Return Receipt Requested, postage prepaid, addressed to such party at the address or addresses hereinabove stated following the names of the respective parties, or to a different address in accordance with any un-revoked written direction from such party to the other parties hereto, except in cases herein where it is expressly provided that such notice, request, or demand shall not be effective until received by the party to whom it is intended.
2. No Partnership or Joint Venture. Nothing herein nor the acts of the parties hereto shall be construed to create a partnership or joint venture between the Borrower and the Lender.
3. No Assignment by Borrower. This Agreement may not be assigned by the Borrower without the prior written consent of the Lender. If the Lender approves an assignment hereof by the Borrower, the Lender shall be entitled to make advances to such assignee and such advances shall be evidenced by the note(s) and secured by the mortgage and Loan Documents. The Borrower shall remain liable for payment of all sums advanced hereunder before and after such assignment, and all guarantors shall remain liable under the guaranties.
4. Relief from Automatic Stay. The Borrower hereby agrees that, in consideration of the Lender funding the Loan, in the event that the Borrower shall (a) file with any bankruptcy court of competent jurisdiction or be the subject of any petition under Title 11 of the United States Code, as amended ("Title 11"); (b) be the subject of any order for relief issued under Title 11; (c) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to insolvency or bankruptcy, or other relief from creditors for debtors; (d) have sought or consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator; (e) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to insolvency or bankruptcy, or other relief from creditors for debtors, the Lender shall thereupon be entitled to relief from any automatic stay imposed by Section 362 of Title 11, or otherwise, on or against the exercise of the rights and remedies otherwise available to the Lender under this Loan Agreement and the Loan Documents, and as otherwise provided by law.



5. Furnishing of Documents and Funds. The Borrower shall comply with all warranties and covenants set forth in this Agreement and shall furnish all documents and funds to the Lender in a timely basis with time being of the essence.

**GENERAL CONDITIONS.** The following conditions shall be applicable throughout the term of this Agreement:

1. Rights of Third Parties. All conditions of the obligations of the Lender hereunder, including the obligation to make advances, are imposed solely and exclusively for the benefit of the Lender, its successors and assigns, and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that the Lender will refuse to make advances in the absence of strict compliance with any or all thereof, and no other person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any and all of which may be freely waived in whole or in part by the Lender at any time if in its sole discretion it deems it desirable to do so. In particular, the Lender makes no representations and assumes no obligations as to third parties concerning the quality of the construction of the Improvements by the Borrower or the absence thereof of defects. In this connection the Borrower agrees to and shall indemnify the Lender from any liability, claims or losses, and attorneys' fees resulting from the disbursement of the loan proceeds or from the condition of the Premises whether related to the quality of construction or otherwise and whether arising during or after the term of the loan made by the Lender to the Borrower in connection herewith. This provision shall survive the repayment of said Loan and shall continue in full force and effect so long as the possibility of such liability, claims or losses exists.
2. Evidence of Satisfaction of Conditions. Any condition of this Agreement which requires the submission of evidence of the existence or nonexistence of a specified fact or facts implies as a condition the existence or nonexistence, as the case may be, of such fact or facts. However, the Lender shall at all times be free to independently establish to its satisfaction and in its absolute discretion such existence or nonexistence.
3. Assignment by Lender. Lender shall have the unconditional right to assign all or any part of its interest hereunder to any third parties, but the Borrower may not assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the Lender.
4. Successors and Assigns Included in Parties. Whenever in this Agreement one of the parties hereto is named or referred to, the heirs, legal representatives, successors, and assigns of such parties shall be included, and all covenants and agreements contained in this Agreement by or on behalf of the Borrower or by or on behalf of Lender shall bind and inure to the benefit of their respective heirs, legal representatives, successors and assigns whether so expressed or not.

5. Headings. The headings of the sections, paragraphs and subdivisions of this Agreement are for the convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.
6. Invalid Provisions to Affect No Others. If fulfillment of any provision hereof or any transaction related hereto at the time performance of such provisions shall be due, shall involve transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only shall be held for naught as though not herein contained, and the remainder of this Agreement shall remain operative and in full force and effect.
7. Neuter and Gender. Whenever the singular or plural number, masculine or feminine, or neuter gender is used herein, it shall equally include the other.
8. Amendments. Neither this Agreement nor any provision hereof may be changed, waived, discharged, or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought.
9. Governing Law. This Agreement shall be governed by and construed according to the laws of the State of Florida.
10. Time. Time is of the essence with respect to all duties and periods of time set forth herein.
11. WAIVER OF RIGHT TO JURY TRIAL. THE BORROWER AND THE LENDER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LOAN AGREEMENT AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER ENTERING INTO THIS AGREEMENT AND MAKING THE LOAN OR EXTENSION OF CREDIT EVIDENCED BY THE NOTE.

IN WITNESS WHEREOF, the Borrower and the Lender have hereunto caused these presents to be executed on the date first above written.

Signed, sealed and delivered  
in the presence of:

**GULF STATE COMMUNITY BANK**

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Witness

By: \_\_\_\_\_  
CLIFF BUTLER, President

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Witness

STATE OF FLORIDA  
COUNTY OF LEON

The foregoing construction loan agreement was executed, sworn to and acknowledged before me this 16<sup>th</sup> day of June, 2006, by CLIFF BUTLER, as President of GULF STATE COMMUNITY BANK, on its behalf. Personally Known \_\_\_\_\_ or Produced Identification \_\_\_\_\_. Type of Identification Produced: \_\_\_\_\_

(NOTARY SEAL)

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Name of Notary Public  
(Typed, Printed or Stamped)

**WATER MANAGEMENT SERVICES, INC.**

*Carolyn Forrest*  
\_\_\_\_\_  
Print Name: Carolyn Forrest  
Witness

By: \_\_\_\_\_  
GENE D. BROWN, President

*Edward W. Dougherty*  
\_\_\_\_\_  
Print Name: Edward W. Dougherty  
Witness

STATE OF FLORIDA  
COUNTY OF LEON

The foregoing construction loan agreement was executed, sworn to and acknowledged before me this 16<sup>th</sup> day of June, 2006, by GENE D. BROWN, as President of WATER MANAGEMENT SERVICES, INC., on its behalf. Personally Known \_\_\_\_\_ or Produced Identification . Type of Identification Produced: drivers license

(NOTARY SEAL)

*Carolyn Forrest*  
\_\_\_\_\_  
Signature of Notary Public

Carolyn Forrest  
\_\_\_\_\_  
Name of Notary Public  
(Typed, Printed or stamped)



Carolyn Forrest  
MY COMMISSION # DD322856 EXPIRES  
May 24, 2008  
BONDED THROUGH TROY FAIR INSURANCE, INC.

"GUARANTOR"

Carolyn Forrest  
Print Name: Carolyn Forrest  
Witness

Gene D. Brown  
GENE D. BROWN, INDIVIDUALLY

Edward W. Douglas  
Print Name: Edward W. Douglas  
Witness

STATE OF FLORIDA  
COUNTY OF LEON

The foregoing construction loan agreement was executed, sworn to and acknowledged before me this 16<sup>th</sup> day of June, 2006, by GENE D. BROWN, Individually.

Personally Known \_\_\_\_\_ or Produced Identification  Type of Identification Produced: drivers license

(NOTARY SEAL)



Carolyn Forrest  
MY COMMISSION # DD322856 EXPIRES  
May 24, 2008  
BONDED THRU TROY FAIR INSURANCE, INC.

Carolyn Forrest  
Signature of Notary Public  
Carolyn Forrest  
Name of Notary Public  
(Typed, Printed or stamped)

**EXHIBIT "A"**

**LEGAL DESCRIPTION**

That certain piece, parcel and tract of land located in FRANKLIN County, Florida, described as follows:

**WELL NO. 1**

Lot 7, Block 1, DAVID H. BROWN ESTATES, ADDITION TO EASTPOINT, FLORIDA, a subdivision as per map or plat thereof recorded in Plat Book 3, Page 4 of the Public Records of Franklin County, Florida.

**WELL NO. 2**

Commence at the Southwest corner of the Northwest Quarter of Fractional Section 31, Township 8 South, Range 6 West, Franklin County, Florida, and thence run North 407.50 feet to the Intersection of the West Line of said Fractional Section 31 with the Northerly right-of-way boundary of State Road No. 30 (U.S. Highway No. 98), thence run North 86 degrees 53 minutes East 800.00 feet, thence run North 00 degrees 00 minutes 54 seconds West 200.00 feet thence run North 86 degrees 53 minutes East 318.10 feet to the POINT OF BEGINNING. From said POINT OF BEGINNING continue North 86 degrees 53 minutes East 75.00 feet, thence run South 00 degrees 05 minutes 58 seconds West 75.00 feet, thence run South 86 degrees 53 minutes West 75.00 feet, thence run North 00 degrees 00 minutes 54 seconds West 75.00 feet to the POINT OF BEGINNING containing 0.13 of an acre, more or less.

**WELL NO. 3**

Lot 1, Block 9, DAVID H. BROWN ESTATES, ADDITION TO EASTPOINT, FLORIDA, a subdivision as per map or plat thereof recorded in Plat Book 3, Page 4 of the Public Records of Franklin County, Florida.

**WELL SITE NO. 4**

Commence at a concrete monument marking the Northeast corner of Section 30, Township 8 South, Range 6 West, Franklin County, Florida and thence run South 656.64 feet, thence run West 2640 feet to an iron pipe on the Southerly right-of-way boundary of Twin Lakes Road, thence run South 00 degrees 04 minutes 34 seconds West 1980.32 feet to an iron pipe, thence run North 89 degrees 54 minutes 30 seconds West 560.61 feet to the POINT OF BEGINNING. From the said Point of Beginning continue North 89 degrees 54 minutes 30 seconds West 100 feet to an iron pipe, thence run North 00 degrees 04 minutes 59 seconds East 100 feet, thence run South 89 degrees 54 minutes 30 seconds East 100 feet, thence run South 00 degrees 04 minutes 59 seconds West 100 feet to the POINT OF BEGINNING containing 0.23 of an acre, more or less.

Together with a non-exclusive easement for ingress and egress, utilities and purposes commonly associated with access ways over, across and within: Commence at a concrete monument marking the Northeast corner of Section 30, Township 8 South, Range 6 West, Franklin County, Florida and thence run South 656.64 feet, thence run West 2640.00 feet to an iron pipe on the Southerly right-of-way boundary of Twin Lakes Road for the POINT OF BEGINNING. From said POINT OF BEGINNING continue West 40 feet, thence run South 00 degrees 04 minutes 34 seconds West 1648.85 feet, thence run East 40 feet, thence run North 00 degrees 04 minutes 34 seconds East 1648.85 feet to the POINT OF BEGINNING containing 1.51 acres, more or less.

**ELEVATED TANK**

Lots 21 and 22, Block 5, West, unit 1, ST. GEORGE ISLAND GULF BEACHES, a subdivision as per map or plat thereof recorded in Plat Book 2, Page 7, of the Public Records of Franklin County, Florida.

**GROUND STORAGE TANK AND ISLAND OFFICE**

Lots 6, 7, 8, 9 and 10, Block 5, West, Unit 1, ST. GEORGE ISLAND GULF BEACHES, a subdivision as per map or plat thereof recorded in Plat Book 2, Page 7, of the Public Records of Franklin County, Florida.

TOGETHER WITH that certain easement in favor of Water Management Services, Inc. contained in instrument recorded 06/21/2001, in O.R. Book 661, Page 489, Public Records of Franklin County, Florida.

**NOTICE OF FINAL AGREEMENT**

Principal	Loan Date	Maturity	Loan No	Gal/Coil	Account	Officer	Initials
\$2,743,015.75	02-01-2012	05-01-2012	500763851	27		GAYDO	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Water Management Services, Inc.  
250 John Knox Rd  
Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
4270-FDIC Covered All Other  
2932 Crawfordville Hwy  
Crawfordville, FL 32326

**BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.**

As used in this Notice, the following terms have the following meanings:

**Loan.** The term "Loan" means the following described loan: a Fixed Rate (4.250%) Nondisclosable Loan to a Corporation for \$2,743,015.75 due on May 1, 2012. This is a secured renewal loan.

**Loan Agreement.** The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

**LOAN DOCUMENTS**

Corporate Resolution: Water Management Services, Inc.  
Customer Information Profile: Gene D Brown  
FL Commercial Security Agreement: 10% partnership interest in SGI Utility Co LTD (Refer to UCC# 20060296336 and Continuation #201104793235)  
49.5% partnership interest in SGI Utility Co. LTD (Refer to UCC#20010014060)  
85,000 shares of outstanding stock of Water Management Services, Inc. (Refer to UCC#200602963344 and Continuation#201104793243)  
Assignment of leases & income from the leases for the use of water tower on St. George Island, FL and any additional leases & income derived for the use of water tower on St. George Island, FL (Refer to UCC# 2011479326X filed 6/16/2011); owned by Water Management Services, Inc.  
Agreement to Provide Insurance: 10% partnership interest in SGI Utility Co LTD (Refer to UCC# 20060296336 and Continuation #201104793235)  
49.5% partnership interest in SGI Utility Co. LTD (Refer to UCC#20010014060)  
85,000 shares of outstanding stock of Water Management Services, Inc. (Refer to UCC#200602963344 and Continuation#201104793243)  
Assignment of leases & income from the leases for the use of water tower on St. George Island, FL and any additional leases & income derived for the use of water tower on St. George Island, FL (Refer to UCC# 2011479326X filed 6/16/2011);  
Real Property located at 139 W Gulf Beach Drive, St. George Island, FL 32328; owned by Water Management Services, Inc.

Customer Information Profile: Water Management Services, Inc.  
Change In Terms Agreement  
Assignment of Life Insurance Policy Policy No. L8 226 829  
Assignment of Life Insurance Policy Policy No. L8 240 685-A  
FL Modification of Mortgage  
Flood Insurance Notice: Real Property located at 139 W Gulf Beach Drive, St. George Island, FL 32328  
BAR CODE FOR NOTE - Bar Code Cover Sheet for NOTE  
BAR CODE FOR REAL ESTATE - Bar Code Cover Sheet for REAL ESTATE  
BAR CODE FOR LOM - Bar Code Cover Sheet for LOM  
BAR CODE FOR CREDIT DOCS - Bar Code Cover Sheet for CREDIT DOCS  
BAR CODE CS FOR MISC - Bar Code Cover Sheet for MISCELLANEOUS  
Disbursement Request and Authorization  
Notice of Final Agreement  
FL Insurance Statement of Anti-Coercion: Real Property located at 139 W Gulf Beach Drive, St. George Island, FL 32328

**Parties.** The term "Parties" means CENTENNIAL BANK and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

**Borrower:** Water Management Services, Inc.  
**Grantor(s):** Gene D Brown  
**Grantor(s):** Water Management Services, Inc..

**NOTICE OF FINAL AGREEMENT  
(Continued)**


Loan No: 500763851

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Each Party who signs below, other than CENTENNIAL BANK, acknowledges, represents, and warrants to CENTENNIAL BANK that it has received, read and understood this Notice of Final Agreement. This Notice is dated February 1, 2012.

**BORROWER:**

WATER MANAGEMENT SERVICES, INC.

By:   
Gene D Brown, President of Water Management  
Services, Inc.

**GRANTOR:**

X   
Gene D Brown, Individually

**LENDER:**

CENTENNIAL BANK

X \_\_\_\_\_  
Donnie Gay, Loan Officer

**COMMERCIAL SECURITY AGREEMENT**

Original	Holder	Maturity	Loan No.	Package	Account	Office	Initials
20110722	20110722	20130201	50078350			22AVUE	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** Water Management Services, Inc.  
 250 John Knox Rd Ste 4  
 Tallahassee, FL 32309

**Lender:** CENTENNIAL BANK  
 Apalachicola Branch  
 22 Avenue E  
 Apalachicola, FL 32329

THIS COMMERCIAL SECURITY AGREEMENT dated November 21, 2011, is made and executed between Water Management Services, Inc. ("Grantor") and CENTENNIAL BANK ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is granting to Lender a security interest for the payment of the indebtedness and performance of all other obligations under the Note and this Agreement:

- 10% partnership interest in 891 Utility Co LTD (Refer to UCC# 20080298338 and Continuation #201104793235)
- 49.5% partnership interest in 891 Utility Co. LTD (Refer to UCC#20010014080)
- 65,000 shares of outstanding stock of Water Management Services, Inc. (Refer to UCC#200602983344 and Continuation#201104793243)
- Assignment of revenue from rental income prop. located at St. George Island Utility Co. (Refer to UCC#201104793261 filed 8/18/2011)
- Assignment of leases & income from the leases for the use of water tower on St. George Island, FL and any additional leases & income derived for the use of water tower on St. George Island, FL (Refer to UCC# 2011470326X filed 6/16/2011)

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**CROSS-COLLATERALIZATION.** In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

**FUTURE ADVANCES.** In addition to the Note, this Agreement secures all future advances made by Lender to Grantor regardless of whether the advances are made a) pursuant to a commitment or b) for the same purposes.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will not deliver the Collateral to any other party and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

**Notice to Lender.** Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management of the Corporation Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall



COMMERCIAL SECURITY AGREEMENT  
(Continued)

Loan No: 500763851

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Immediately deliver any such proceeds to Lender.

**Title.** Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

**Inspection of Collateral.** Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subject to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, reasonable attorneys' fees or other charges that could occur as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains in effect, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds \$100.00, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the indebtedness.

**Insurance Reserves.** Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. This includes making sure Lender is shown as the first and only security interest holder on the title covering the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

**GRANTOR'S RIGHT TO POSSESSION.** Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral. If Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No: 5007B3851

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remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Default In Favor of Third Parties.** Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Insolvency.** The dissolution or termination of Grantor's existence as a going business, the inactivity of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Foreclosure Proceedings.** Commencement of foreclosure or foreclosure proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or foreclosure proceedings and if Grantor gives Lender written notice of the creditor or foreclosure proceeding and deposits with Lender monies or a surety bond for the creditor or foreclosure proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Florida Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaining, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** In the event of a suit being instituted to foreclose this Agreement, Lender shall be entitled to apply at any time pending such foreclosure suit to the court having jurisdiction thereof for the appointment of a receiver of any or all of the Collateral, and of all rents, incomes, profits, issues and revenues thereof, from whatsoever source. The parties agree that the court shall forthwith appoint such receiver with the usual powers and duties of receivers in like cases. Such appointment shall be made by the court as a matter of strict right to Lender and without notice to Grantor, and without reference to the adequacy or inadequacy of the value of the Collateral, or to Grantor's solvency or any other party defendant to such suit. Grantor hereby specifically waives the right to object to the appointment of a receiver and agrees that such appointment shall be made as an admitted equity and as a matter of absolute right to Lender, and consents to the appointment of any officer or employee of Lender as receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral pending foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Arbitration.** Grantor and Lender agree that all disputes, claims and controversies between them whether individual, joint, or class in nature,

COMMERCIAL SECURITY AGREEMENT  
(Continued)

Loan No: 500763851

Page 4

arising from this Agreement or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association in effect at the time the claim is filed, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Agreement shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Florida without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Florida.

**Choice of Venue.** If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of the State of Florida, in the county in which Grantor's following address is located: 250 John Knox Fd Ste 4, Tallahassee, FL 32303.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addressee shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**Waive Jury.** All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means Water Management Services, Inc. and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means Water Management Services, Inc..

**Guaranty.** The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No: 500763851

Page 5

and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, indebtedness includes the future advances set forth in the Future Advances provision, together with all interest thereon and all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement.

**Lender.** The word "Lender" means CENTENNIAL BANK, its successors and assigns.

**Note.** The word "Note" means the Note executed by Water Management Services, Inc. in the principal amount of \$2,743,015.75 dated November 21, 2011, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

**GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED NOVEMBER 21, 2011.**

GRANTOR:

WATER MANAGEMENT SERVICES, INC.

By:   
Gene D. Brown, President of Water Management Services, Inc.

## ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL

Policy No.	Policy Date	Maturity	Account No.	Charged	Account	Interest	Liabilities
5977810222	01-02-01	01-02-01	30769151	11			

References in the boxes above are for Assignee's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

Grantor: Water Management Services, Inc.  
260 John Knox Rd Ste 4  
Tallahassee, FL 32303

Lender: CENTENNIAL BANK  
Apalachicola Branch  
22 Avenue E  
Apalachicola, FL 32329

A. For Value Received the undersigned hereby pledges, collaterally assigns, transfers, delivers and sets over to and in favor of CENTENNIAL BANK of Apalachicola Branch, 22 Avenue E, Apalachicola, FL 32329, its successors and assigns, (herein called the "Assignee") Term Life Insurance Policy Number L8 226 829 in the amount of \$2,000,000.00 on the life of GENE D BROWN, issued by PRUCO LIFE INSURANCE COMPANY (herein called the "Insurer") and any supplementary contracts issued in connection therewith (said policy and contracts herein called the "Policy"), upon the life of , and all claims, options, privileges, rights, title and interest therein and thereunder (except as provided in Paragraph C hereof), subject to all the terms and conditions of the Policy and to all superior liens, if any, which the insurer may have against the Policy. The undersigned by this instrument jointly and severally agree, and the Lender by the acceptance of this assignment agrees, to the conditions and provisions herein set forth.

B. It is expressly agreed that, without detracting from the generality of the foregoing, the following specific rights are included in this assignment and pass by virtue hereof:

1. The sole right to collect from the insurer the net proceeds of the Policy when it becomes a claim by death or maturity;
2. The sole right to surrender the Policy and receive the surrender value thereof at any time provided by the terms of the Policy and at such other times as the insurer may allow;
3. The sole right to obtain one or more loans or advances on the Policy at any time, either from the Insurer or from other persons, and to pledge or assign the Policy as security for such loans or advances;
4. The sole right to collect and receive all distributions or shares of surplus, dividend deposits or additions to the Policy, now or hereafter made or apportioned thereto, and to exercise any and all options contained in the Policy with respect thereto; provided that, unless and until the Assignee shall notify the Insurer in writing to the contrary, the distributions or shares of surplus, dividend deposits and additions shall continue on the plan in force at the time of this assignment; and
5. The sole right to exercise all nonforfeiture rights permitted by the terms of the Policy or allowed by the insurer and to receive all benefits and advantages derived therefrom.

C. It is expressly agreed that the following specific rights, so long as the Policy has not been surrendered, are reserved and excluded from this assignment and do not pass by virtue hereof:

1. The right to collect from the insurer any disability benefit payable in cash that does not reduce the amount of insurance;
2. The right to designate and change the beneficiary; and
3. The right to elect any optional mode of settlement permitted by the Policy or allowed by the insurer;

however, the reservation of these rights shall in no way impair the right of the Assignee to surrender the Policy completely with all its incidents or impair any other right of the Assignee hereunder, and any designation or change of beneficiary or election of a mode of settlement shall be made subject to this assignment and to the rights of the Assignee hereunder.

D. This assignment is made and the Policy is to be held as collateral security for any and all present and future liabilities of the undersigned, or any of them, to the Assignee, of every nature and kind, whether now existing or that may hereafter arise in the ordinary course of business between any of the undersigned and the Assignee, together with interest, costs, expenses and reasonable attorneys' fees and other fees and charges (all of which liabilities secured or to become secured are herein individually, collectively and interchangeably called "Liabilities").

E. The Assignee covenants and agrees with the undersigned as follows:

1. That any balance of sums received hereunder from the insurer remaining after payment of the then existing Liabilities, matured or unmatured, shall be paid by the Assignee to the persons who would have been entitled thereto under the terms of the Policy had this assignment not been executed;
2. That the Assignee will not exercise either the right to surrender the Policy or (except for the purpose of paying premiums) the right to obtain policy loans from the insurer, until there has been default in any of the Liabilities or a failure to pay any premium when due, nor until twenty days after the Assignee shall have mailed, by first-class mail, to the undersigned at the address last supplied in writing to the Assignee specifically referring to this agreement, notice of intention to exercise such right; and
3. That the Assignee will upon request forward the Policy without unreasonable delay to the insurer for endorsement of any designation or change of beneficiary or any election of an optional mode of settlement.

F. The insurer is hereby authorized to recognize the Assignee's claim to rights hereunder without investigating the reason for any action taken by the Assignee, or the validity or the amount of the Liabilities or the existence of any default therein, or the giving of any notice under Paragraph E(2) above or otherwise, or the application to be made by the Assignee of any amounts to be paid to the Assignee. The sole signature of the Assignee shall be sufficient for the exercise of any rights under the Policy assigned hereby and the sole receipt of the Assignee for any sums received shall be a full discharge and release therefor to the insurer. Checks for all or any part of the sums payable under the Policy and assigned herein shall be drawn to the exclusive order of the Assignee if, when, and in such amounts, as may be requested by the Assignee.

G. The Assignee shall be under no obligation to pay any premium, or the principal of or interest on any loans or advances on the Policy whether or not obtained by the Assignee, or any other charges on the Policy, but any such amounts so paid by the Assignee from its own funds shall become a part of the Liabilities hereby secured, shall be due immediately, and shall bear interest at the lower of (a) the highest interest rate of any promissory note evidencing a liability from Borrower to Assignee or (b) the highest rate permitted by applicable law, from the date of each such advance until Assignee is repaid in full.

H. The exercise of any right, option, privilege, or power given herein to the Assignee shall be at the option of the Assignee, but (except as restricted by Paragraph E(2) above) the Assignee may exercise any such right, option, privilege, or power without notice to, or assent by, or affecting the liability of, or releasing any interest hereby assigned by, the undersigned, or any of them.

I. The Assignee may take or release other security, may release any party primarily or secondarily liable for any of the Liabilities, may grant extensions, renewals or indulgences with respect to the Liabilities, or may apply to the Liabilities in such order as the Assignee shall determine, the proceeds of the Policy assigned or any amount received on account of the Policy by the exercise of any right permitted under this assignment, without resorting or regard to other security.

J. In the event of any conflict between the provisions of this assignment and provisions of the note or other evidence of any Liability, with respect to the Policy or rights of collateral security therein, the provisions of this assignment shall prevail.

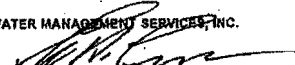
K. Each of the undersigned declares that no proceedings in bankruptcy are pending against him or her and that his or her property is not subject to any assignment for the benefit of creditors.

GOVERNING LAW. This assignment will be governed by federal law applicable to Assignee and, to the extent not preempted by federal law, the laws of the State of Florida without regard to its conflicts of law provisions. This assignment has been accepted by Assignee in the State of Florida.

SIGNED THIS 21ST DAY OF NOVEMBER, 2011.

ASSIGNMENT OF LIFE INSURANCE POLICY AS COLLATERAL  
(Continued) Page 2

INSURED OR OWNER:

WATER MANAGEMENT SERVICES, INC.  
  
\_\_\_\_\_  
Witness (L.S.)  
Gene D. Brown, President of Water Management Services, Inc.  
250 John Knox Rd Ste 4, Tallahassee, FL 32303  
\_\_\_\_\_  
Address

BENEFICIARY:

\_\_\_\_\_  
Witness (L.S.)  
Authorized Signer  
\_\_\_\_\_  
Address  
\_\_\_\_\_  
Witness (L.S.)  
Authorized Signer  
\_\_\_\_\_  
Address

ACKNOWLEDGMENT OF ASSIGNMENT BY INSURER

PRUCO LIFE INSURANCE COMPANY hereby acknowledges receipt of a duplicate of this Assignment of Life Insurance Policy Number \_\_\_\_\_, which has been filed at the home office of PRUCO LIFE INSURANCE COMPANY on this \_\_\_\_\_ Day of \_\_\_\_\_.

PRUCO LIFE INSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer for PRUCO LIFE INSURANCE COMPANY

RELEASE OF ASSIGNMENT OF LIFE INSURANCE POLICY

For Value Received, all right, title and interest of the undersigned assignee (CENTENNIAL BANK) in and to Life Insurance Policy Number \_\_\_\_\_ issued by \_\_\_\_\_ on the life of \_\_\_\_\_ is hereby relinquished and released.

CORPORATE SEAL

CENTENNIAL BANK

By: \_\_\_\_\_  
Signature and Title

Attest: \_\_\_\_\_  
Signature and Title

### VERIFICATION OF LIFE INSURANCE POLICY

Principal	Loan Date	Maturity	Loan No.	Call/Adj.	Account	Official	Initials
627743-01575	11-21-2011	01-30-2012	500763851	01		GAYDO	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** Water Management Services, Inc.  
250 John Knox Rd Ste 4  
Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
Apalachicola Branch  
22 Avenue E  
Apalachicola, FL 32329

**TO:** PRUCO LIFE INSURANCE COMPANY  
213 WASHINGTON ST  
NEWARK, NJ 07102

DATE November 21, 2011
POLICY NO.
LIFE OF

Dear Sir or Madam:

The above-described life insurance policy has been submitted to us as collateral security for loans or other financial accommodations. Will you please furnish us with the following information on Policy Number \_\_\_\_\_ A copy of this letter is enclosed for your reply.

**CENTENNIAL BANK**

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

1. Is premium payable:  Annually  Semi-Annually  Quarterly  Monthly  Other: \_\_\_\_\_
2. Amount of such premium: \$ \_\_\_\_\_ Date to which premium is paid: \_\_\_\_\_
3. Cash value at date to which premium is paid: \$ \_\_\_\_\_
4. Accumulated dividends in addition to cash value \$ \_\_\_\_\_
5. Principal Amount of loans or liens on policy: \$ \_\_\_\_\_
6. Accrued unpaid interest on above loans or liens at \_\_\_\_\_ % will be due from (date): \_\_\_\_\_
7. Interest at \_\_\_\_\_ % has been paid in advance to (date): \_\_\_\_\_
8. Are there any existing assignments of record?  No  Yes If yes, please explain below.  
Name of holder of interest: \_\_\_\_\_  
Address: \_\_\_\_\_
9. Does the policy have automatic premium loan provisions?  No  Yes
10. Is the policy payable in a lump sum?  No  Yes If no, please explain below.
11. Is insured receiving benefits under disability provisions at this date?  No  Yes If yes, please explain below.
12. Beneficiary Designation: \_\_\_\_\_

EXPLANATIONS: \_\_\_\_\_

DATE	COMPANY NAME PRUCO LIFE INSURANCE COMPANY	BY (Official Signature)
------	--	-------------------------

The undersigned hereby requests that you furnish Lender with the above information.

**GRANTOR:**

WATER MANAGEMENT SERVICES, INC.

By:   
Gene D Brown, President of Water Management Services, Inc.

**RETURN TO:** INSURANCE  
PO Box 968  
Conway, AR 72033

**THIS COPY FOR INSURANCE COMPANY USE**

### VERIFICATION OF LIFE INSURANCE POLICY

Principal	Loan Date	Maturity	Loan No.	Call / Call	Account	Officer	Initials
\$2,743,015.75	11-21-2011	01-30-2012	500763851	51		GAYDO	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** Water Management Services, Inc.  
250 John Knox Rd Ste 4  
Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
Apalachicola Branch  
22 Avenue E  
Apalachicola, FL 32329

**TO:** PRUCO LIFE INSURANCE COMPANY  
213 WASHINGTON ST  
NEWARK, NJ 07102

DATE November 21, 2011
POLICY NO.
LIFE OF

Dear Sir or Madam:

The above-described life insurance policy has been submitted to us as collateral security for loans or other financial accommodations. Will you please furnish us with the following information on Policy Number \_\_\_\_\_ . A copy of this letter is enclosed for your reply.

CENTENNIAL BANK

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


1. Is premium payable:  Annually  Semi-Annually  Quarterly  Monthly  Other: \_\_\_\_\_
2. Amount of such premium: \$ \_\_\_\_\_ Date to which premium is paid: \_\_\_\_\_
3. Cash value at date to which premium is paid: \$ \_\_\_\_\_
4. Accumulated dividends in addition to cash value \$ \_\_\_\_\_
5. Principal Amount of loans or liens on policy: \$ \_\_\_\_\_
6. Accrued unpaid interest on above loans or liens at \_\_\_\_\_ % will be due from (date): \_\_\_\_\_
7. Interest at \_\_\_\_\_ % has been paid in advance to (date): \_\_\_\_\_
8. Are there any existing assignments of record?  No  Yes If yes, please explain below.  
Name of holder of interest: \_\_\_\_\_  
Address: \_\_\_\_\_
9. Does the policy have automatic premium loan provisions?  No  Yes
10. Is the policy payable in a lump sum?  No  Yes If no, please explain below.
11. Is insured receiving benefits under disability provisions at this date?  No  Yes If yes, please explain below.
12. Beneficiary Designation: \_\_\_\_\_

EXPLANATIONS: \_\_\_\_\_

DATE	COMPANY NAME PRUCO LIFE INSURANCE COMPANY	BY (Official Signature)
------	--	-------------------------

The undersigned hereby requests that you furnish Lender with the above information.

**GRANTOR:**

WATER MANAGEMENT SERVICES, INC.  
By:   
Gene D Brown, President of Water Management Services, Inc.

**RETURN TO:** INSURANCE  
PO Box 966  
Conway, AR 72033

**THIS COPY TO BE RETURNED TO LENDER**



Number: \_\_\_\_\_

**COLLATERAL RECEIPT**

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Account	Officer	Initials
52,743,015.75	11-24-2011	01-30-2012	500764851	51		GAYBO	

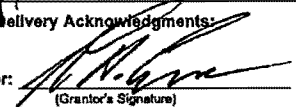
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
 Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** Water Management Services, Inc.  
 250 John Knox Rd Ste 4  
 Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
 Apalachicola Branch  
 22 Avenue E  
 Apalachicola, FL 32329

Description of Collateral	Custody Control Signatures	Date Released
Term Life Insurance Policy Number L8 226 829 In the amount of \$2,000,000.00 on the life of GENE D BROWN, issued by PRUCO LIFE INSURANCE COMPANY		

**Initial Delivery Acknowledgments:**

Grantor:   
 (Grantor's Signature)

CENTENNIAL BANK  
 By: \_\_\_\_\_  
 (Authorized Officer)

**Return Receipt Acknowledgment:**

Grantor acknowledges the receipt of all collateral, including all unmatured coupons, if any.

X \_\_\_\_\_  
 (Grantor's Signature)

**Instructions for Returning Collateral and Disposition of Coupons:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**AGREEMENT TO PROVIDE INSURANCE**

PROPERTY	APPLICABLE	MATURITY	BOOKING	CALLING	ASSIGN	OTHER
2/2/2011	11/21/2011	11/21/2012	8076831			

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** Water Management Services, Inc.  
 250 John Knox Rd Bldg 4  
 Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
 Apalachicola Branch  
 22 Avenue E  
 Apalachicola, FL 32328

**INSURANCE REQUIREMENTS.** Grantor, Water Management Services, Inc. ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

**Collateral:** 139 W GULF BEACH DR, ST GEORGE ISLAND, FL 32328.  
**Type:** Fire and extended coverage.  
**Amount:** Full Insurable Value.  
**Base:** Replacement value.  
**Endorsements:** Standard mortgagee's clause with stipulation that coverage will not be cancelled or diminished without minimum of 10 days prior written notice to Lender, and without disclaimer of the insurer's liability for failure to give a notice.  
**Defectible:** \$10,000.00.  
**Latest Delivery Date:** By the loan closing date.

**INSURANCE COMPANY.** Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

**FLOOD INSURANCE.** Flood Insurance for the Collateral securing this loan is described as follows:

Real Estate at 139 W GULF BEACH DR, ST GEORGE ISLAND, FL 32328.  
 Should the Collateral at any time be deemed to be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area. Grantor agrees to obtain and maintain Federal Flood Insurance, if available, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan. Flood insurance may be purchased under the National Flood Insurance Program or from private insurers.

**INSURANCE MAILING ADDRESS.** All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

CENTENNIAL BANK  
 PO Box 988  
 Conway, AR 72033

**FAILURE TO PROVIDE INSURANCE.** Grantor agrees to deliver to Lender, on the latest delivery date stated above, evidence of the required insurance as provided above, with an effective date of November 21, 2011, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

**AUTHORIZATION.** For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including an insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO IT. THIS AGREEMENT IS DATED NOVEMBER 21, 2011.



**GRANTOR:**  
 WATER MANAGEMENT SERVICES, INC.  
 By: *[Signature]*  
 Gene D. Brown, President of Water Management Services, Inc.

FOR LENDER USE ONLY		
DATE: _____	INSURANCE VERIFICATION	PHONE _____
AGENTS NAME: _____		
AGENCY: _____		
ADDRESS: _____		
INSURANCE COMPANY: _____		
POLICY NUMBER: _____		
EFFECTIVE DATES: _____		
COMMENTS: _____		

**DISBURSEMENT REQUEST AND AUTHORIZATION**

Principal	Interest	Maturity	Loan No.	Collateral	Amount	Office	Title
\$2,743,016.76	\$12,120.00	01/30/2012	500783651			CAYO	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Water Management Services, Inc.  
250 John Knox Rd Ste 4  
Tallahassee, FL 32303

**Lender:** CENTENNIAL BANK  
Apalachicola Branch  
22 Avenue E  
Apalachicola, FL 32320

**LOAN TYPE.** This is a Variable Rate Nondisclosed Loan to a Corporation for \$2,743,016.75 due on January 30, 2012. This is a secured renewal loan.

**PRIMARY PURPOSE OF LOAN.** The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

**SPECIFIC PURPOSE.** The specific purpose of this loan is: CIT on loan #500783651.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$2,743,016.75 as follows:

Other Disbursements:	\$2,743,016.75
\$2,743,016.76 Previously Disbursed	
<b>Note Principal:</b>	<b>\$2,743,016.75</b>

**FINANCIAL CONDITION.** BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED NOVEMBER 21, 2011.

**BORROWER:**

WATER MANAGEMENT SERVICES, INC.

By:   
Gene D. Brown, President of Water Management Services, Inc.

**STATE OF FLORIDA UNIFORM COMMERCIAL CODE  
FINANCING STATEMENT FORM**

A. NAME & DAYTIME PHONE NUMBER OF CONTACT PERSON EDWARD W. DOUGHERTY, JR., (850) 878-2411
B. SEND ACKNOWLEDGEMENT TO: Name EDWARD W. DOUGHERTY, JR.  Address IGLER & DOUGHERTY, P.A.  Address 2457 CARE DRIVE  City/State/Zip TALLAHASSEE, FLORIDA 32308

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

**1. DEBTOR'S EXACT FULL LEGAL NAME – INSERT ONLY ONE DEBTOR NAME (1a OR 1b) – Do Not Abbreviate or Combine Names**

1a. ORGANIZATION'S NAME Water Management Services, Inc.				
1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS 3200 Commonwealth Boulevard		CITY Tallahassee	STATE Florida	POSTAL CODE 32303
1d. TAX ID# 59-3449317	REQUIRED ADD'L INFO RE: ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID# <input type="checkbox"/> NONE

**2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – INSERT ONLY ONE DEBTOR NAME (2a OR 2b) – Do Not Abbreviate or Combine Names**

2a. ORGANIZATION'S NAME St. George Island Utility Company, Ltd.				
2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS, 3200 Commonwealth Boulevard		CITY Tallahassee	STATE Florida	POSTAL COD 32303
2d. TAX ID#	REQUIRED ADD'L INFO RE: ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID# <input type="checkbox"/> NONE

**3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P)– INSERT ONLY ONE SECURED PARTY NAME (3a OR 3b)**

3a. ORGANIZATION'S NAME GULF STATE COMMUNITY BANK				
3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS P.O. Box GG		CITY CARABELLE	STATE FLORIDA	POSTAL CODE 32322
				COUNTRY USA

**4. This FINANCING STATEMENT covers the following collateral:**

Eighty Five Thousand (85,000) shares of the outstanding stock of Water Management Services, Inc., a Florida Corporation.  
Evidenced by certificate number 2 dated June 8, 1997.

5. ALTERNATE DESIGNATION (if applicable)	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR
	AG. LIEN	NON-UCC FILING	SELLER/BUYER

**6. Florida DOCUMENTARY STAMP TAX – YOU ARE REQUIRED TO CHECK EXACTLY ONE BOX**

All documentary stamps due and payable or to become due and payable pursuant to s. 201.22 F.S., have been paid.

Florida Documentary Stamp Tax is not required.

**7. OPTIONAL FILER REFERENCE DATA**

DEBTOR NAME AND ADDRESS

WATER MANAGEMENT SERVICES, INC. &  
ST. GEORGE ISLAND UTILITY COMPANY, LTD.  
3200 COMMONWEALTH BOULEVARD  
TALLAHASSEE, FL 32308

SECURED PARTY NAME AND ADDRESS

GULF STATE COMMUNITY BANK  
P.O. BOX GG  
CARRABELLE, FL 32322

Type:  individual  partnership  corporation   
State of organization/registration (if applicable) Florida

COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is June 16, 2006.

**SECURED DEBTS.** This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one)  Debtor X Water Management Services (Borrower) owes to Secured Party.

**Specific Debts.** The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe): Promissory Note in the amount of Three Million Dollars (\$3,000,000) issued by Water Management Services, Inc. in favor of Gulf State Community Bank on June 16, 2006.

**All Debts.** All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.

**SECURITY INTEREST.** To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property, any rights and claims arising from the Property; and any collections and distributions on account of the Property. This Agreement remains in effect until terminated, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Borrower.

**PROPERTY DESCRIPTION.** The property is described as follows:

**Accounts or Other Rights to Payment:** All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.

**Inventory:** All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.

**Equipment:** All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts and tools. The Property includes any equipment described in list or schedule Debtor gives to Secured Party, but such list is not necessary to create a valid security interest in all of Debtor's equipment.

**Instruments and Chattel Paper:** All instruments, including negotiable instruments and promissory notes and any other writings or recordings that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.

**General Intangibles:** All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.

**Documents:** All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.

**Farm Products and Supplies:** All farm products including, but not limited to, all poultry and livestock and their young, along with the produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.

**Government Payments and Programs:** All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government programs.

**Investment Property:** All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.

**Deposit Accounts:** All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.

**Specific Property Description:** The Property includes, but is not limited to, the following (if required, provide real estate description):

Eighty Five Thousand (85,000) shares of the outstanding stock of Water Management Services, Inc., a Florida Corporation. Evidenced by certificate number 2 dated June 8, 1997.

**USE OF PROPERTY.** The Property will be used for  personal  business  agricultural  \_\_\_\_\_ purposes.

**SIGNATURES.** Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

**DEBTOR**

ST. GEORGE ISLAND UTILITY COMPANY, LTD.

  
\_\_\_\_\_  
GENE D. BROWN, GENERAL PARTNER

**SECURED PARTY**

GULF STATE COMMUNITY BANK

\_\_\_\_\_  
CLIFF BUTLER, PRESIDENT

DEBTOR(S) NAME(S) AND ADDRESS	SECURED PARTY NAME AND ADDRESS
WATER MANAGEMENT SERVICES, INC. & GENE D. AND MARLYN B. BROWN 3200 COMMONWEALTH BOULEVARD TALLAHASSEE, FL 32308	GULF STATE COMMUNITY BANK P.O. BOX GG CARRABELLE, FL 32322
Type: <input checked="" type="checkbox"/> individual <input type="checkbox"/> partnership <input checked="" type="checkbox"/> corporation <input type="checkbox"/> _____ State of organization/registration (if applicable) Florida	

### COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is June 16, 2006.

**SECURED DEBTS.** This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one)  Debtor X Water Management Services (Borrower) owes to Secured Party.

**Specific Debts.** The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe): Promissory Note in the amount of Three Million Dollars (\$3,000,000) issued by Water Management Services, Inc. in favor of Gulf State Community Bank on June 16, 2006.

**All Debts.** All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.

**SECURITY INTEREST.** To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property, any rights and claims arising from the Property; and any collections and distributions on account of the Property. This Agreement remains in effect until terminated, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Borrower.

**PROPERTY DESCRIPTION.** The property is described as follows:

**Accounts or Other Rights to Payment:** All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.

**Inventory:** All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.

**Equipment:** All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts and tools. The Property includes any equipment described in list or schedule Debtor gives to Secured Party, but such list is not necessary to create a valid security interest in all of Debtor's equipment.

**Instruments and Chattel Paper:** All instruments, including negotiable instruments and promissory notes and any other writings or recordings that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.

**General Intangibles:** All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.

**Documents:** All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.

**Farm Products and Supplies:** All farm products including, but not limited to, all poultry and livestock and their young, along with the produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.

**Government Payments and Programs:** All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government programs.

**Investment Property:** All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.

**Deposit Accounts:** All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.

**Specific Property Description:** The Property includes, but is not limited to, the following (if required, provide real estate description):

54.00% of St. George Island Utilities Company, Ltd. All payments required by that certain Communication Site Lease entered into by and between Water Management Services, Inc. and Nextel WIP Lease Corporation on June 15, 2004 which is the subject that Memorandum of Agreement recorded in Official Records Book 816, Page 442, Public Records of Franklin County shall be Rents under this Mortgage.  
SEE EXHIBIT "A" AND EXHIBIT "B" ATTACHED

**USE OF PROPERTY.** The Property will be used for  personal  business  agricultural  \_\_\_\_\_ purposes.


**SIGNATURES.** Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

**DEBTOR**

**SECURED PARTY**


WATER MANAGEMENT SERVICES, INC.

GULF STATE COMMUNITY BANK

  
\_\_\_\_\_  
GENE D. BROWN, PRESIDENT

\_\_\_\_\_  
CLIFF BUTLER, PRESIDENT

  
\_\_\_\_\_  
GENE D. BROWN, INDIVIDUALLY

  
\_\_\_\_\_  
MARILYN B. BROWN, INDIVIDUALLY



Also, where would I find a letter or statement from the USDA did not fund the USDA B&I loan program for 2012 and that lenders are not currently taking applications for USDA guaranteed loans? A Google search did not turn anything up.

Best regards  
Erik

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**From:** Thomas Hurdman [<mailto:THurdman@celticbank.com>]  
**Sent:** Friday, July 13, 2012 7:14 AM  
**To:** Saylor, Erik  
**Subject:** RE: Fidelity Bank Loan Application & B&I Overview - Follow up notes

Erick,

Happy to help and happy to review. I am heading to Tampa today to do a site visit and won't be able to get to it this weekend, but will turn it around for you.

Thomas F. Hurdman  
Vice President  
Business Development  
Celtic Bank  
3571 Valverde Circle  
Jacksonville, FL 32224  
Office: (904) 821-7158  
Fax: (904) 821-7975  
Cell: (904) 400-3350  
[thurdman@celticbank.com](mailto:thurdman@celticbank.com)  
[www.celticbank.com](http://www.celticbank.com)

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**From:** Saylor, Erik [<mailto:SAYLER,ERIK@leg.state.fl.us>]  
**Sent:** Thursday, July 12, 2012 6:28 PM  
**To:** Thomas Hurdman  
**Subject:** RE: Fidelity Bank Loan Application & B&I Overview - Follow up notes

Hi Tom,  
Thanks for taking time to discuss with me the banking application process and your interaction with Water Management Services, Inc. (WMSI) regarding their inquiry about USDA B&I loan through Fidelity Bank. I've typed up the notes from our conversation to be sure I understand the process and what we discussed. I've organized my notes by topics we discussed. Would you be able to review my notes for accuracy? Please feel free to edit or clarify. If I've misstated something, please let me know especially as it relates to your opinion of WMSI's loan request. I also added a few questions as it relates to the 1% processing fee and 30 day process. Your help with this is very important to the Customers of WMSI. Thank you.  
Best Regards,  
Erik

Erik L. Saylor  
Associate Public Counsel  
Office of Public Counsel  
111 West Madison Street, Room 812  
Tallahassee, FL 32399-1400  
850-487-8240  
850-487-6419 Fax

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## Notes from Conversation regarding USDA B&I loan program and interaction with WMSI regarding its loan inquiry

### USDA Business and Industry (B&I) Loans

These USDA loans are used for B&I mainly in rural areas. The USDA B&I program was not funded in 2012, and all previously authorized funds in 2011 were returned to Washington DC. Even if a local bank approves as USDA B&I loan, that decision is made in DC. Currently there is about a 16 month backlog in the USDA approving these loans, and currently over \$400 million in outstanding requests. You recalled emailing the owner of WMSI in late 2011 or early 2012 and advising him of the lack of funding for USDA loans; but you do not have access to your old Fidelity Bank email account.

Because of the backlog and lack of funding, local banks (such as Fidelity and Celtic and others) have stopped taking new USDA B&I loan applications. Applications in the pipeline are not being funded and are being "scored" or ranked for possible future approval.

The state director for USDA loan is Joe Miller. Darren Davis with Fidelity Bank in Atlanta.

### USDA B&I Loan qualification

To qualify for a USDA B&I loan, the borrower must meet certain USDA criteria. There is a B&I tool that the USDA uses, that depends on the most recent US Census. In your preliminary discussions with WMSI, you determined they were eligible for a USDA loan. This is indicated on your checklist dated May 6, 2011, which you sent to the utility along with a Fidelity Bank USDA Loan application.

### Fidelity Bank USDA Loan application process

WMSI was referred to you as a possible USDA loan applicant, and you discussed some of the requirements to qualify for the USDA loan as well as the loan application process. You sent the owner of WMSI the loan application along with an application checklist. That application checklist is very comprehensive. The last time you had contact with the owner about the application was on or about May 6, 2011, when you noted on the application checklist that WMSI was eligible for a USDA loan.

To process the application, you also stated that Fidelity requires a one percent (1%) application fee from the borrower submitted with the application. This is 1% application fee is to "weed out" non-serious loan applicants. That fee is placed into an escrow account. This fee is required upfront with the application. With the application fee, the application is deemed not filed.

What happens if the borrower does not submit the 1% fee? Will Fidelity start processing the application without the 1% fee? Does Fidelity ever waive that fee? Does the application need to be completed before the 1% fee is paid?

When an application is received, then under banking regulations, you have 30 days to respond in writing to the borrower, either to start processing the application or decline to process the loan further. Does the 30 days start even if the borrower doesn't submit the fee? What happens if no application fee is submitted with the application? Is the loan automatically declined?

### WMSI Fidelity Bank Loan Application submitted to the Public Service Commission

According to your recollection, WMSI did not submit an application for a USDA loan while you worked for Fidelity Bank. You left Fidelity Bank in March 2012 for your current employer.

I sent you a copy of what WMSI stated was its loan application with Fidelity Bank, dated May 25, 2012. You reviewed what WMSI called its Fidelity Loan application and said that it was not a loan application and also that it was not complete. To be complete, the owner would need to submit all the information requested in the application and on the application checklist and fee. A bank would want not only the business tax returns but the personal tax returns of the owner.

Since WMSI is seeking a \$6.6 million loan, WMSI would have had to submit a binder check of some sort with its application in the amount of \$66,000 or 1% of the loan to Fidelity Bank.

In your opinion, what WMSI submitted to the Public Service Commission as an application for a loan with Fidelity Bank is not an application? Or is it an incomplete application that Fidelity would not process until 1) the 1% fee is paid and 2) all the information on the checklist is provided?

**Opinion of WMSI's loan request**

I shared some information with you about what I stated was WMSI's current financial condition. You have not verified the accuracy of that information. You based your opinion solely on my representation.

I have told you that historical rates do not provide enough cash flow to make current debt service payments. I told you that WMSI had not made a loan payment on its \$4.8 million DEP loan since May 2009; that each time a payment was due, WMSI requested deferral of that loan payment; WMSI was not in default on its DEP loan, but not making the required payments either. If you learned that information from a prospective borrower, you would tell them that you would not be able to help them secure a loan from your bank. Based on that payment history information alone, you stated that Fidelity Bank (when you worked for them) or Celtic Bank or any other bank would not make a loan to WMSI.

Further, I told you that WMSI is not currently in default on its DEP loan, and just renegotiated its \$2.7 million loan with another bank. Based on this information, if you learned that information from a prospective borrower, you would tell them that you would not be able to help them secure a loan from your bank.

It is my understanding that based on the information provided to you by me, which I have gathered from the publicly available documents in WMSI's application for a rate increase, including information about WMSI's past payment history with other lenders, it would be safe to say it is very unlikely that WMSI could secure a \$6.6 million loan from a bank.

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**From:** Thomas Hurdman [<mailto:THurdman@celticbank.com>]  
**Sent:** Thursday, July 12, 2012 2:13 PM  
**To:** Saylor, Erik  
**Subject:** RE: Fidelity Bank Loan Application & B&I Overview

Thomas F. Hurdman  
Vice President  
Business Development  
Celtic Bank  
3571 Valverde Circle  
Jacksonville, FL 32224  
Office: (904) 821-7158  
Fax: (904) 821-7975

**Sayler, Erik**

---

**From:** Sayler, Erik  
**Sent:** Thursday, July 12, 2012 11:05 AM  
**To:** 'Joseph.aria@lonbank.com'  
**Subject:** Verification of details regarding WMSI's pending USDA loan application  
**Attachments:** 04560-12[1].pdf; 02612-12[1].pdf; 03362-12[1] - excerpt.pdf; 04333-12[1].pdf

Hi Joe,

As discussed on the phone, Water Management Services Inc (WMSI) has a pending request for a rate increase before the Public Service Commission (PSC). WMSI has stated publically in correspondence with PSC staff that it has applied for a USDA guaranteed loan from Fidelity Bank. The Office of Public Counsel (OPC) represents the customers and is seeking verification of those statements about the pending USDA loan.

I know you stated you were not personally familiar with this pending USDA loan application from WMSI with Fidelity Bank. To become familiar with the statements made by WMSI about the loan application, I have attached several documents which are mostly correspondence between the PSC staff and WMSI. By the way, the pdf file names correspond to WMSI's document filing numbers used by the PSC Clerk's office. Also, here is a link to the public docket file for WMSI's request for a rate increase (<http://www.psc.state.fl.us/dockets/cms/docketFilings3.aspx?docket=110200>) where I found the documents which are attached to this email.

List of attached documents for review:

- 02612-12 – Letter from Commission Staff requesting information about the USDA loan
- 03362-12 (excerpt) – Letter from WMSI to Staff in response. This is an excerpt because the filing is 158 pages long but is available here <http://www.psc.state.fl.us/library/FILINGS/12/03362-12/03362-12.pdf>
- 04333-12 – Letter from OPC to Commission Staff with additional questions about the utility's long-term debt situation and other concerns
- 04560-12 – Letter from WMSI to Staff supplementing its earlier statements.

Would you or the lending officer handling this application be able to verify WMSI's responses contained in document numbers 03362-12 (excerpt) and 04560-12? If you have any questions, please let me know. Your assistance in verifying these details about WMSI's pending USDA loan is greatly appreciated. Thank you.

Sincerely,

Erik

**Erik L. Sayler**  
Associate Public Counsel  
Office of Public Counsel  
11 West Madison Street, Room 812  
Tallahassee, FL 32399-1400  
850-487-8240  
850-487-6419 Fax

the utility \$1.2 million. The staff failed to address the \$1.2 million and that is something we are going to raise again about at the Aug 2 agenda conference when the commission votes.

Is it illegal what he's doing? I don't know. The PSC does not prosecute financial crimes. If it sees something, it refers them to the Attorney General's Office. Unfortunately, Mr. Brown owns or controls 95% of WMSI, so essentially it's his company to run well, or run into the ground. (The 5% shareholder, TE Bronson, appears uninterested in how the company runs or whether he'll be repaid for his 5% stake.) I don't know if he's committed anything that violates a criminal law. If he has lied to the banks in order to get financing for his debt, then quite possibly. But that would be something the bank would have to report, not OPC or the PSC.

I don't know how he could be held accountable? Perhaps this: either the PSC would have to revoke his "Water Certificate" (i.e. – license to be a water provider) or his creditors, DEP and / or Centennial Bank would have to foreclose on their respective notes. Right now, having "money troubles" but still providing satisfactory quality of service (i.e. – still able to provide safe, clean water that meets DEP standards) is not likely grounds to revoke his water certificate. As for foreclosing, that's up to his creditors. Foreclosing is not anything this Office or the PSC can do. But if the PSC cancels the certificate or the creditors foreclose, the \$1.2 million is still quite likely gone unless the assets of Brown Management Group can be liquidated for that amount.

WMSI Next steps

Sorry – not a very satisfactory answer. We'll need to get a lot of customers to attend live and in person on Aug 2nd at the Commission agenda where the Commission votes on staff's recommendation. We need to spread the word and get lots of articulate customers like yourself to come.

Let's think about a good time for a conference call with the greatest number of customers. Do you guys have a meeting already planned for this week? If so, I can provide a call-in number. And we can discuss a combined strategy for next week.

Erik

**Erik L. Saylor**  
850-487-8240

---

**From:** Gail M. Riegelmayr [<mailto:coachgail@qtcom.net>]  
**Sent:** Monday, July 23, 2012 11:19 AM  
**To:** Saylor, Erik  
**Subject:** RE: Bunnell plans to purchase Plantation Bay in Flagler County

Erik, please help me understand something:

In light of all the non-payments to DEP and banks, squirreling away \$1.2 million and the other shenanigans, how come Mr. Brown isn't in jail or at the very least, charged with something. If any of us were to do the same things, we'd all be held accountable.

Also, at Mr. Brown's age, the \$44,000 will never be completely paid back.

---

**From:** Saylor, Erik [<mailto:SAYLER.ERIK@leg.state.fl.us>]  
**Sent:** Monday, July 23, 2012 9:44 AM  
**To:** 'Gail M. Riegelmayr'  
**Cc:** 'newt colston'; Vandiver, Denise  
**Subject:** RE: Bunnell plans to purchase Plantation Bay In Flagler County

Hi Gail,  
Good morning and good question. Short answer: The Commission staff has recommended an approximately \$44,000 (not \$33,688 as I wrote earlier) reduction to the president's salary, benefits, and payroll taxes. If the Commission agrees with the adjustment, then that portion of his salary won't be in the final rates paid by the customers. There is no guarantee that the Commission will agree with that adjustment, or the utility will still pay him the same salary but reduce other areas of utility operations.

We are evaluating whether there should be a greater adjustment to salaries or some other category related to the \$1.2 million In Acct 123.

---

**From:** Gail M. Riegelmayr [<mailto:coachgall@gtcom.net>]  
**Sent:** Saturday, July 21, 2012 12:30 PM  
**To:** Saylor, Erik  
**Cc:** 'newt colston'  
**Subject:** RE: Bunnell plans to purchase Plantation Bay In Flagler County

Thank you Erik. And what if he doesn't pay this, just like he hasn't paid his other obligations? What would the PSC do then?

Gail

---

**From:** Saylor, Erik [<mailto:SAYLER.ERIK@leg.state.fl.us>]  
**Sent:** Friday, July 20, 2012 3:03 PM  
**To:** 'Gail M. Riegelmayr'  
**Cc:** newt colston  
**Subject:** RE: Bunnell plans to purchase Plantation Bay In Flagler County

FDEP/WATER FACILITIES Fax:850-245-8411

Oct 11 2004 15:08 P.02

**DRINKING WATER STATE REVOLVING FUND  
AMENDMENT 1 TO LOAN AGREEMENT DW1901 010  
WATER MANAGEMENT SERVICES, INC.**

This amendment is executed by the STATE OF FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (Department) and WATER MANAGEMENT SERVICES, INC., (Project Sponsor) existing as a for profit corporation under the laws of the State of Florida.

**WITNESSETH:**

WHEREAS, the Department and the Project Sponsor entered into a Drinking Water State Revolving Fund Loan Agreement, Number DW1901 010, authorizing a Loan amount of \$3,000,000, excluding Capitalized Interest; and

WHEREAS, the Project Sponsor is entitled to additional financing of \$3,080,883, excluding Capitalized Interest; and

WHEREAS, an interest rate must be established for the additional financing amount awarded in this amendment; and

WHEREAS, a Loan Service Fee must be assessed for the additional financing; and

WHEREAS, the Loan Repayment Reserve Account deposit and the Semiannual Loan Payment amount need revision to reflect adjustment in the Loan amount; and

WHEREAS, the Project costs need adjustment to reflect revised estimates; and

WHEREAS, revised provisions for audit and monitoring along with related changes to the Project schedule are needed.

NOW, THEREFORE, the parties hereto agree as follows:

1. Subsections 2.01(10) and 2.01(11) of the Agreement are deleted and replaced by Section 2.03 AUDIT AND MONITORING REQUIREMENTS.

The Project Sponsor agrees to the following audit and monitoring requirements.

(1) Audits.

Within 12 months of the amendment establishing final Project costs, the Project Sponsor shall have an audit conducted by an independent certified public accountant of the Project revenues, including receipt of disbursements under financial assistance agreements, and expenditures. The audit shall be conducted in accordance with generally accepted auditing standards. The audit shall address whether the Project Sponsor complied with requirements set forth in the Loan Agreement, including applicable State and Federal laws and regulations referenced in Subsection 2.02(7). The audit findings shall set aside or question any costs that are unallowable under Chapter 62-552, Florida Administrative Code. A final determination of the allowability of such costs shall be made by the Department.

(2) Report Submission.

FDEP/WATER FACILITIES Fax:850-245-8411

Oct 11 2004 15:09 P.03

Copies of the audit report prepared in accordance with Subsection 2.03(1) of this Agreement shall be submitted by or on behalf of the Project Sponsor directly to the Department of Environmental Protection at each of the following addresses:

Don W. Berryhill, P.E., Chief  
Bureau of Water Facilities Funding  
Florida Department of Environmental Protection  
2600 Blair Stone Road, MS 3505  
Tallahassee, Florida 32399-2400

Joe Aita, Audit Director  
Office of the Inspector General  
Florida Department of Environmental Protection  
2600 Blair Stone Road, MS 40  
Tallahassee, Florida 32399-2400

(3) Record Retention.

The Project Sponsor shall retain sufficient records demonstrating its compliance with the terms of this Agreement for a period of five years from the date the audit report is issued, and shall allow the Department of Environmental Protection, or its designee, Comptroller, or Auditor General access to such records upon request. The Project Sponsor shall ensure that audit working papers are made available to the Department of Environmental Protection, or its designee, Comptroller, or Auditor General upon request for a period of three years from the date the audit report is issued, unless extended in writing by the Department of Environmental Protection.

(4) Monitoring.

In addition to reviews of audits conducted in accordance with this Agreement, monitoring procedures may include, but not be limited to, on-site visits by Department staff, additional audits, and/or other procedures. By entering into this Agreement, the Project Sponsor agrees to comply and cooperate with any monitoring procedures/processes deemed appropriate by the Department of Environmental Protection. In the event the Department of Environmental Protection determines that an additional audit of the Project Sponsor is appropriate, the Project Sponsor agrees to comply with any additional instructions provided by the Department to the Project Sponsor regarding such audit. The Project Sponsor further agrees to comply and cooperate with any inspections, reviews, investigations, or audits deemed necessary by the Comptroller or Auditor General.

2. Additional financing in the amount of \$3,080,883, excluding Capitalized Interest, is hereby awarded to the Project Sponsor.

3. An interest rate of 2.93 percent per annum is established for the additional financing amount awarded in this amendment; however, if this amendment is not executed by the Project Sponsor and returned to the Department before January 1, 2003, the interest rate may be adjusted.

4. The estimated principal amount of the Loan is hereby revised to \$6,161,683, which consists of \$6,080,883 authorized for disbursement to the Project Sponsor and \$80,800 of Capitalized Interest. This total consists of the following:



(a) \$3,064,100, including \$3,000,000 authorized for disbursement to the Project Sponsor and \$64,100 of Capitalized Interest, at an interest rate of 3.05 percent per annum; and

(b) \$3,097,583, including \$3,080,883 authorized for disbursement to the Project Sponsor and \$16,700 of Capitalized Interest, at an interest rate of 2.93 percent per annum.

An additional Loan Service Fee in the amount of \$59,823, for a total of \$118,075, is hereby assessed. The fee represents two percent of the Loan amount excluding the Loan Repayment Reserve and Capitalized Interest amounts; that is, two percent of \$5,903,770. Estimated Loan Service Fee capitalized interest for the fee amount assessed to date is \$3,160.

5. The Semiannual Loan Payment amount is hereby revised and shall be in the amount of \$209,823. Such payments shall be received by the Department on November 15, 2003 and semiannually thereafter on May 15 and November 15 of each year until all amounts due hereunder have been fully paid. Until this Agreement is further amended, each Semiannual Loan Payment will be proportionally applied, after deduction of the Loan Service Fee is complete, toward repayment of the amounts owed on each incremental Loan amount at the date such payment is due.

The Semiannual Loan Payment amount is based on the total amount owed of \$6,282,918, which consists of the Loan principal plus the Loan Service Fee with its capitalized interest (if any).

6. The Project Sponsor and the Department acknowledge that the actual cost of the Project has not been determined. Project cost adjustments may be made as a result of mutually agreed upon Project changes. An additional Loan Repayment Reserve deposit amount will be required for any additional financing. Capitalized Interest will be recalculated based on actual dates and amounts of Loan disbursements. If the Project Sponsor receives other governmental financial assistance for this Project, the costs funded by such other governmental assistance will not be financed by this Loan. The Department shall establish the final Project costs after its final inspection of the Project records. Changes in Project costs may also occur as a result of the Project Sponsor's Project audit or a Department audit.

Funds disbursed in accordance with Section 4.08 of this Agreement shall be disbursed in the order in which they have been obligated without respect to budgetary line item estimates. All disbursements shall be made from the original Loan amount until that amount has been disbursed; the interest rate established for the original Loan amount shall apply to such disbursements for the purpose of determining the associated Capitalized Interest and repayment amount. The interest rate established for any additional increment of Loan financing shall be used to determine the Capitalized Interest and repayment amount associated with the funds disbursed from that increment.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

The estimated Project costs are revised as follows:

CATEGORY	COST(\$)
(1) Administrative Allowance	32,850
(2) Engineering Allowance	375,000
(3) Construction and Demolition	4,865,638
(4) Contingencies	244,282
(5) Technical Services After Bid Opening	366,000
(6) Land	20,000
SUBTOTAL	5,903,770
(7) Loan Repayment Reserve (Loan Proceeds) *	177,113
SUBTOTAL (Disbursable Amount)	6,080,883
(8) Capitalized Interest	80,800
TOTAL (Loan Principal Amount)	6,161,683

\* Loan proceeds for deposit in the Loan Repayment Reserve Account represent three percent of the Loan amount excluding the Loan Repayment Reserve (Loan proceeds) and Capitalized Interest amounts; three percent of \$5,903,770 is \$177,113 for the Loan amount authorized to date. In addition, the Project Sponsor shall use its own funds to deposit \$209,785 in the reserve for a total deposit amount of \$386,898.

7. The amount to be deposited in the Loan Repayment Reserve Account as scheduled in Section 10.07 of the Loan Agreement is hereby revised; an additional \$194,625 shall be deposited for a total deposit requirement of \$386,898. The Project Sponsor shall deposit the total amount into the Loan Repayment Reserve Account no later than May 15, 2003. Loan proceeds are authorized for a portion of the deposit. The Project Sponsor shall use its own funds for the remainder of the deposit. A breakdown of the deposit requirements follows:

Source of Funds	Loan Repayment Reserve Deposit Requirements (\$)		
	Total	Amount Required Prior to this Amendment	Increment Associated with this Amendment
Loan Proceeds	177,113	87,379	89,734
Project Sponsor	209,785	104,894	104,891
Total	386,898	192,273	194,625

8. Section 10.07 PROJECT SCHEDULE is amended as follows:

(6) The initial annual certification required under Subsection 2.01(12) of this Agreement shall be due August 15, 2003. Thereafter the certification shall be submitted no later than September 30 of each year until the final Semiannual Loan Payment is made.

9. All other terms and provisions of the Loan Agreement shall remain in effect.

FDEP/WATER FACILITIES Fax:850-245-8411

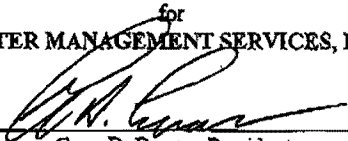
Oct 11 2004 15:10 P.06

This Amendment 1 to Loan Agreement DW1901 010 shall be executed in three or more counterparts, any of which shall be regarded as an original and all of which constitute but one and the same instrument.

IN WITNESS WHEREOF, the Department has caused this amendment to the Loan Agreement to be executed on its behalf by the Secretary of the Department and the Project Sponsor has caused this amendment to be executed on its behalf by its Authorized Representative and by its affixed seal. The effective date of this amendment shall be as set forth below by the Secretary of the Department.

Florida documentary tax required by law in the amount of \$10,841.60 has been paid or will be paid to the Department of Revenue for the incremental Loan principal provided by this amendment.

for  
WATER MANAGEMENT SERVICES, INC.

  
Gene D. Brown, President

Attest

I attest that this amendment complies with Section 2.02 of the Agreement and as to form and legality.

  
Notary Public

  
Attorney for Water Management Services, Inc.

Clara W. Jump  
Name typed or printed

JEFFREY J. TALLEY  
Name typed or printed

SEAL



for  
STATE OF FLORIDA  
DEPARTMENT OF ENVIRONMENTAL PROTECTION

  
Secretary

DEC 31 2002

Date

FDEP/WATER FACILITIES Fax:850-245-8411

Oct 11 2004 15:10 P.07

Attachment A

PROMISSORY NOTE  
(Business Purpose)

Florida Department of Environmental Protection

1. **DATE AND PARTIES.** The date of this Promissory Note (Note) is December 31, 2002. This Note evidences a loan, which includes all extensions, renewals, modifications and substitutions of the loan (the "Loan"). The parties to this Note and to the Loan are:

**BORROWER:**

WATER MANAGEMENT SERVICES, INC.  
a FLORIDA corporation  
3848 KILLEARN COURT  
TALLAHASSEE, FLORIDA 32308  
Tax I.D. # 59-3449317

**LENDER:**

FLORIDA DEPARTMENT OF  
ENVIRONMENTAL PROTECTION  
a FLORIDA state agency  
2600 Blair Stone Road, M.S. 3505  
Tallahassee, Florida 32399-2400

2. **PROMISE TO PAY.** For Value Received, Water Management Services ("Borrower"), promises to pay to Florida Department of Environmental Protection (the "Department") the aggregate principal amount outstanding on Borrower's Loan in the sum of \$6,080,883, or so much thereof as may, from time to time, be advanced to Borrower hereunder, plus interest from the date of disbursement on the unpaid principal balance, as shown on The Department's records, which shall at all times be conclusive and govern. Interest shall accrue on unpaid principal installments at an annual rate equal to 3.05% on the first \$3,000,000, and 2.93% on the remaining \$3,080,883. Principal and interest shall be payable at the times and in the manner set forth in the Loan Agreement executed on even date herewith and the terms of which are incorporated herein by reference (the "Loan Agreement").

The Department and Borrower have established specific instructions and procedures by which disbursements can be made pursuant to the terms and conditions of the Loan Agreement, but nothing contained herein shall create a duty on the part of The Department to make said disbursement if Borrower is in default of the terms of this Note or the terms of the Loan Agreement. In no event shall the Borrower be entitled to total disbursements hereunder exceeding \$6,080,883, or such lesser amount as may determined in accordance with the Loan Agreement.

3. **EFFECT OF PRE-PAYMENT.** Borrower may prepay the Loan, in whole or in part, at any time without premium or penalty. Absent a default under this Note or the Loan Agreement, any payments received by the Borrower shall be applied according to the terms and conditions of the Loan Agreement. No partial prepayment shall excuse or defer Borrower's subsequent payments or entitle Borrower to a release of any collateral. Interest shall cease to accrue on the amounts prepaid on the day actually credited by the Department.
4. **LATE CHARGE.** If any payment of interest and/or principal is not received by the Department when such payment is due, the Borrower agrees to pay the Department a late charge as provided in Article VI of the Loan Agreement.
5. **EVENTS OF DEFAULT.** Borrower shall be in default upon the occurrence of default in the payment of any of the principal hereof or any interest thereon when due, or if any event occurs or

condition exists which constitutes a default or authorizes the acceleration of the maturity hereof under the Loan Agreement.

6. **DEFAULT RATE OF INTEREST.** Upon the acceleration of this Note pursuant to its terms or the terms of the Loan Agreement, Borrower agrees that the rate of interest to be charged on unpaid principal and accrued interest shall be as provided in Article VI of the Loan Agreement.
7. **REMEDIES ON DEFAULT.** Upon or after an event of default, all or any part of the principal and accrued interest on this Note shall become immediately due and payable at the option of the Department, without presentment or demand or any notice to Borrower or any other person obligated hereon. The Department may exercise all rights and remedies provided by law, equity, this Note and the Loan Agreement. Time is of the essence with regard to all obligations in this Note and in the Loan Agreement. Failure to exercise any remedy or right under the Loan Agreement or hereunder shall not constitute a waiver of the right to exercise the same in the event of any subsequent default.
8. **ATTORNEY'S FEES.** In the event the Department utilizes the services of an attorney in attempting to collect the amounts due hereunder or to enforce the terms hereof or of any agreements related to this indebtedness, or if any holder hereof becomes party plaintiff or defendant in any legal proceeding in relation to the property described in any instrument securing this Note or for the recovery or protection of the indebtedness evidenced hereby, Borrower, its successors and assigns, shall repay to the Department, on demand, all costs and expenses so incurred, including reasonable attorney's fees, including those costs, expenses and attorney's fees incurred after the filing by or against the Borrower of any proceeding under any chapter of the Bankruptcy Code, or similar federal or state statute, and whether incurred in connection with the involvement of any holder hereof as creditor in such proceedings or otherwise.
9. **NO DUTY BY THE DEPARTMENT.** The Department is under no duty to preserve or protect any Collateral until the Department is in actual or constructive possession of the Collateral. For purposes of this paragraph, The Department shall only be considered to be in "actual" possession of Collateral when the Department has physical, immediate and exclusive control over the Collateral and has affirmatively accepted such control. The Department shall only be considered to be in "constructive" possession of the Collateral when the Department has both the power and the intent to exercise control over the Collateral.
10. **WAIVER AND CONSENT BY BORROWER AND OTHER SIGNERS.** Regarding this Note, to the extent not prohibited by law, Borrower and all and any other signers waive demand, presentment for payment, notice of nonpayment, protest, notice of protest and all other notice, filing of suit and diligence in collecting this Note or the release of any part primarily or secondarily liable hereon and further agree that it will not be necessary for any holder hereof, in order to enforce payment of this Note by any of them, to first institute suit or exhaust its remedies against any maker or others liable herefor, and consent to any extension or postponement of time or payment of this Note or any other indulgence with respect hereto without notice thereof to any of them.
11. **AMENDMENT.** The provisions contained in this Note may not be amended, except through written amendment which is signed by Borrower and the Department.
12. **INTEGRATION CLAUSE.** This written Note and all documents executed concurrently herewith, represent the entire understanding of the parties as to the obligations and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.


FDEP/WATER FACILITIES Fax:850-245-8411

Oct 11 2004 15:11 P.09

13. FURTHER ASSURANCES. Borrower agrees, upon request of the Department and within the time the Department specifies to provide any information and to execute any, acknowledge and deliver and record or file such further instruments or documents as may be required by the Department to secure this Note or confirm any lien.
14. GOVERNING LAW. This Note shall be governed by the laws of the state of Florida.
15. FORUM AND VENUE. In the event of litigation pertaining to this Note, the exclusive forum, venue and place of jurisdiction shall be in the state of Florida, in the state court in the county of Leon.
16. DEFINITIONS. The Terms used in this Note, if not defined herein, shall have their meanings as defined in the Loan Agreement or other documents executed contemporaneously herewith.
17. ENFORCEABILITY. If any provision of this Note shall be held unenforceable or void then such provision to the extent not otherwise limited by law shall be severable from the remaining provisions and shall in no way affect the enforceability of the remaining provisions nor the validity of this Note.
18. NOTICE. All notices under this Note must be in writing.

BORROWER:

WATER MANAGEMENT SERVICES, INC.  
a FLORIDA corporation

By:   
Gene D. Brown, President

(\*Corporate seal may be affixed, but failure to affix shall not affect validity or reliance.)

LENDER:

FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION  
a state of FLORIDA agency

By:   
Secretary

State of Florida's Documentary Stamp Tax is not required on this Note.

WATER MANAGEMENT SERVICES, INC.

250 John Knox Rd. # 4  
Tallahassee, FL 32303  
(850) 668-0440 Fax (850) 577-0441

MEMO

TO: Debra Dobiac  
FROM: Gene Brown  
DATE: May 27, 2011  
RE: Audit Request No. 27

Water Management Services, Inc.  
Cash Flow Analysis  
For the Period January 1, 2004 through December 31, 2010  
Dkt 100104-WU; ACN 11-007-1-2  
Description:

Attached are Brown Management Group statements for 2007, 2008, 2009 and 2010. We do not have statements for 2004-2006.

At December 31, 2010, the balance of Account 123 was \$1,175,075, and the net worth of Brown Management Group was \$1,191,227, an excess of \$16,152. The Brown Management Group net worth value was used as the value of all outstanding stock in Brown Management Group. That value is shown by the 2010 balance sheet which shows the following assets and liabilities:

<u>Cash</u>	\$88
<u>Notes Receivable (4)</u> These are all secured performing notes with regular monthly payments so they are included at face value.	\$498,836
<u>Water Management Services, Inc. Stock</u> This represents a 10% ownership in WMSI. The value of WMSI is based on a 2005 appraisal by Gerald Hartman of \$14,400,000, which has been updated by WMSI management to \$14,864,275 as of December 31, 2010.	\$606,459

SOURCE



Water Management Services, Inc.  
 Cash Flow Analysis  
 For the Period January 1, 2004 through December 31, 2010  
 Dkt 100104-WU; ACN 11-007-1-2  
 Description: SK-112-27

-2-

Tower Lease Rights

\$250,000 10-27-10

This is a leasehold interest in the elevated water tank on St. George Island under which BMG has the right to sub-lease space to a cell phone provider, such as AT&T. The value of \$250,000 is based upon comparable sales during 2010.

SGI Acreage

\$50,000 10-27-10

This represents a 50% interest in three acres on St. George Island, which is estimated to have a total value of \$100,000.

SGI Condos

\$288,000 10-27-10

These are two residential condos located above the WMSI offices on St. George Island. They are almost the same size, and are rented for the same amount. One was appraised by Jack B. Hanway on March 4, 2010 for \$144,000, so it is estimated that both are worth \$288,000.

Investment in Real Estate-Mustang Drive

\$120,000 10-27-10

This is a 4 bedroom, 2 bath house on 1 acre located off Oak Ridge Road in Leon County. It has a good rental record and is estimated to be worth \$120,000.

John Knox Office Condo

\$220,000 10-27-10

This is the office condo in Tallahassee occupied by WMSI. It was appraised by Paul Cureton on August 20, 2009 for \$220,000 and is assumed to have that value at year end 2010.

Notes Payable

\$842,156 10-27-10

The notes are listed at the full outstanding balances as of December 31, 2010.

SOURCE



10-27-2



**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DEC 31, 2007**

Water Management Services, Inc.  
 Cash Flow Analysis  
 For the Period January 1, 2004 through December 31, 2010  
 Dkt 100104-WU; ACN 11-007-1-2  
 Description: Water Management Services, Inc.

ASSETS	
Cash in Bank	\$40,143
Note Receivable-NWFWD	219,953
Water Management Services, Inc. Stock	600,000
Commonwealth Commercial Lots	480,000
Personal Property	67,000
SGI Condos	450,000
Investment Property-Mustang Drive	55,811
Investment Property-Marie Circle	101,841
Investment Property-Jackson County	32,242
John Knox Office Condo	221,019
Leasehold Interest in Tower	360,000
<b>TOTAL ASSETS</b>	<b>\$2,628,008</b>
=====	
LIABILITIES	
Accounts Payable	\$28,701
Note Payable-E.W. Lawrence	135,615
Note Payable-Farmers & Merchants Bank	40,667
Note Payable-Farmers & Merchants Bank	359,188
Note Payable-Farmers & Merchants Bank	100,650
Note Payable-SGI Condos	200,000
Note Payable-Gulf State Bank	91,878
Note Payable-BB&T	96,000
Note Payable-John Knox Condo	169,975
<b>TOTAL LIABILITIES</b>	<b>\$1,222,673</b>
=====	
<b>NET WORTH</b>	<b>1,405,335</b>
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$2,628,008</b>
=====	

SOURCE



**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DEC. 31, 2008**

Water Management Services, Inc.  
Cash Flow Analysis  
For the Period January 1, 2004 through December 31, 2010  
DK 100104-WU; ACN 11-007-1-2  
Description: 1/1/04 1,2477

<b>ASSETS</b>	
Cash in Bank	\$8,100
Notes Receivable	302,160
Water Management Services, Inc. Stock	600,000
Commonwealth Commercial Lots	480,000
SGI Acreage	50,000
SGI Condos	350,000
Investment Real Estate (Mustang Drive, Jackson County, Old Magnolia Road & Blountstown Hwy)	499,055
John Knox Office Condo	222,756
Leasehold Interest in Tower	650,000
	-----
<b>TOTAL ASSETS</b>	<b>\$3,162,071</b> =====
<b>LIABILITIES</b>	
Note Payable-E.W. Lawrence	118,654
Notes Payable-Farmers & Merchants Bank	822,563
Notes Payable-Capital City Bank	181,000
Note Payable-SGI Condos	150,000
Note Payable-Gulf State Bank	60,233
Note Payable-BB&T	95,151
	-----
<b>TOTAL LIABILITIES</b>	<b>\$1,407,601</b>
<b>NET WORTH</b>	
	1,754,470
<b>TOTAL LIABILITIES &amp; NET WORTH</b>	<b>\$3,162,071</b> =====

SOURCE

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2009**

Water Management Services, Inc.  
 Cash Flow Analysis  
 For the Period January 1, 2004 through December 31, 2010  
 Dkt 100104-WU; ACN 11-007-1-2  
 Description: \_\_\_\_\_

<b>ASSETS</b>		
Cash in Bank		\$250
Notes Receivable (4)		527,223.10
Water Management Services, Inc. Stock		600,000
Commonwealth Commercial Lots		480,000
SGI Acreage		50,000
SGI Condos		288,000
Investment Real Estate (Mustang Drive, Jackson County & Blountstown Hwy)		267,000
John Knox Office Condo		220,000
Cell Phone Leases		650,000
<b>TOTAL ASSETS</b>		<b>\$3,082,473</b> =====
<b>LIABILITIES</b>		
Notes Payable		1,475,236
<b>TOTAL LIABILITIES</b>		<b>\$1,475,236</b>
<b>NET WORTH</b>		
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$3,082,473</b> =====

SOURCE



10-27-5

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2009**

Water Management Services, Inc.  
Cash Flow Analysis  
For the Period January 1, 2004 through December 31, 2010  
Dkt 100104-WU; ACN 11-007-I-2  
Description: \_\_\_\_\_

**INVESTMENT REAL ESTATE**

Mustang Dr	120,000
Jackson Cty	32,000
Blountstown Rd	115,000
	-----
	267,000
	=====

**NOTES RECEIVABLE**

McCord	103,666
Smalley	172,252
Johns	144,605
Taylor	106,700
	-----
	527,223
	=====

SOURCE \_\_\_\_\_

10-2-10

**BROWN MANAGEMENT GROUP, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2010**

Water Management Services, Inc.  
 Cash Flow Analysis  
 For the Period January 1, 2004 through December 31, 2010  
 Dkt 100104-WU; ACN 11-007-1-2  
 Description: \_\_\_\_\_

ASSETS		
Cash in Bank		10-27-11 \$88
Notes Receivable (4)		498,836 10-27-11
Water Management Services, Inc. Stock		606,459 *
Tower Lease Rights		10-27-11 250,000
SGI Acreage		50,000
SGI Condos		288,000
Investment Real Estate -Mustang Drive		120,000
John Knox Office Condo		220,000
		-----
<b>TOTAL ASSETS</b>		<b>\$2,033,383</b> =====
LIABILITIES		
Notes Payable		10-27-11 842,156 10-27-11
		-----
<b>TOTAL LIABILITIES</b>		<b>\$842,156</b>
NET WORTH		
		1,191,227
<b>TOTAL LIABILITIES &amp; NET WORTH</b>		<b>\$2,033,383</b> =====

SOURCE \_\_\_\_\_

BROWN MANAGEMENT GROUP, INC.  
BALANCE SHEET  
DECEMBER 31, 2010

NOTES PAYABLE

CCB-LINE OF CREDIT	\$70,314.94
E.W. LAWRENCE	81,250.62
FMB-TALQUIN LOAN	14,999.41
FMB-CONDO LOAN	158,186.17
FMB-WORKING CAPITAL	27,851.40
FMB-OLD MAGNOLIA	120,048.91
BB&T-MUSTANG DRIVE	93,090.81
CITIZEN'S STATE BANK	150,000.00
CCB-COTTON PATCH	80,208.96
REGIONS BANK-FLEXLINES	46,204.56
	<hr/>
	16-21.7 \$842,155.78
	=====

NOTES RECEIVABLE

NFWD	\$147,678.20
MCCORD	102,103.38
JOHNS	143,363.47
TAYLOR	105,690.93
	<hr/>
	10-27.7 \$498,835.98
	=====



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\*\*\*\*\*AUTO\*\*5-DIGIT 32303  
 285 1.6120 AV 0.460 2 1 131  
 BROWN MANAGEMENT GROUP INC  
 250 JOHN KNOX ROAD SUITE #4  
 TALLAHASSEE FL 32303-4235

Date 6/30/09 Page 1  
 Primary Account  
 Enclosures

CHECKING ACCOUNT

FREE BUSINESS CHECKING		Statement Dates	6/01/09 thru 6/30/09
Account Number		Days in this Statement Period	30
Previous Balance	2,242.66	Avg Ledger Balance	4,465.85
17 Deposits/Credits	231,181.07	Avg Collected Balance	2,845.21
31 Checks/Debits	232,524.33		
Service Charges	.00		
Interest Paid	.00		
Ending Balance	899.40		

DEPOSITS AND OTHER CREDITS

Date	Description	Amount
6/01	Deposit	2,138.47
6/05	Deposit	2,300.00
6/05	Deposit	2,300.00
6/08	Deposit	2,300.00
6/09	Deposit	1,500.00
6/11	Deposit	850.00
6/11	Deposit	2,300.00
6/12	Deposit Ticket	3,300.00
6/16	Deposit	8,400.00
6/18	Deposit Ticket	2,300.00
6/19	Deposit	144,500.00
6/19	Deposit Ticket	3,019.00
6/22	brown 910280778 proceeds mlp	50,000.00
6/22	Deposit	855.00

034 80

BROWN MANAGEMENT GROUP INC  
 250 JOHN KNOX ROAD SUITE #4  
 TALLAHASSEE FL 32303

Date 6/30/09  
 Primary Account  
 Enclosures

Page 2  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

FREE BUSINESS CHECKING

(Continued)

DEPOSITS AND OTHER CREDITS

Date	Description	Amount
6/22	Deposit	2,121.80
6/22	Deposit	2,121.80
6/24	Deposit	875.00

OTHER DEBITS

Date	Description	Amount
6/05	BROWN MANAGEMENT GROUP, 920737 472, INT, LC, RENEWAL FEE, JV	1,149.34-
6/11	AMERICAN EXPRESSARC PMT ARC CHECK # 1718	2,495.97-
6/22	FR 1201 TO 6916-PER MR BROWN	50,000.00-





CHECKS IN NUMBER ORDER

Date	Check No	Amount	Date	Check No	Amount
6/01	1704	249.33	6/16	1723	3,568.44
6/01	1705	852.00	6/16	1724	3,462.32
6/09	1707*	1,500.00	6/22	1725	79.17
6/16	1709*	1,585.00	6/22	1726	148.84
6/08	1710	98.33	6/18	1727	600.00
6/10	1711	845.84	6/19	1728	1,412.91
6/08	1712	866.58	6/19	1729	889.46
6/23	1713	2,106.31	6/19	1730	144,500.00
6/09	1714	2,280.44	6/29	1732*	2,000.00
6/05	1715	1,000.00	6/26	1733	1,806.86
6/11	1718*	-See above-	6/24	1734	2,000.00
6/15	1719	2,000.00	6/29	1735	112.72
6/15	1720	95.70	6/30	1736	731.98
6/15	1721	150.28	6/30	1737	636.51
6/12	1722	3,300.00			

\* Denotes missing check numbers





<b>BROWN MANAGEMENT GROUP INC 10-07</b> 180 JOHN KNOX RD STE 4 TALLAHASSEE, FL 32308		<b>1730</b> 65-1117611 BRANCH 009
Date <u>June 19, 09</u>		
Pay to the Order of	<u>Water Management Service</u>	\$ <u>144500</u> <sup>00</sup>
<u>One hundred forty-four thousand five hundred and 00/100</u>		Dollars
 <b>Farmers &amp; Merchants Bank</b> 3328 Thomarville Road Tallahassee, Florida 32308 www.fmb.com		
For		
		
		<i>For Deposit Only</i> 0931366916

#1730 6/19/2009 \$144,500.00