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A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

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March 8, 1996

VIA HAND DELIVERY

ORIGINAL
FILE COPY

Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

960305-WS

Re: Little Sumter Utility Company
Application for Original Water and Wastewater Certificates
Our File No. 30059.01

Dear Ms. Bayo:

Attached hereto is the original and 15 copies of the Application for Original Water and Wastewater Certificates in Sumter County for Little Sumter Utility Company.

Also attached is a check in the amount of \$6,000 for the filing fee.

Should you or any members of the Commission staff have any questions in this regard, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDBSTROM & BENTLEY

F. Marshall Deterding
For The Firm

FMD/lts
Enclosures
cc: Mr. John Wise
Robert C. Nixon, CPA

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Wate
DOCUMENT NO.
02918-96
3/8/96

RECEIVED & FILED
Wate
EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

02917 MAR-8 96

FPSC-RECORDS/REPORTING

Wastewater
DOCUMENT NO.
02919-96
3/8/96

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of LITTLE SUMTER)
UTILITY COMPANY to operate a water)
and wastewater utility in Sumter)
County, Florida.)

DOCKET NO. 960305-WS

APPLICATION FOR ORIGINAL WATER AND WASTEWATER CERTIFICATES

Applicant, Little Sumter Utility Company, by and through its undersigned attorneys, and pursuant to Sections 367.031 and 367.045, Florida Statutes, and Rule 25-30.033, Florida Administrative Code, files this Application for certificates to operate a water and wastewater utility in Sumter County, and in support thereof states:

I.

The Applicant's name and address is:

Little Sumter Utility Company
1100 Main Street
Lady Lake, Florida 32159

II.

The name and address of the person to contact concerning this application is:

F. Marshall Deterding, Esquire
Rose, Sundstrom & Bentley
2548 Blainstone Pines Drive
Tallahassee, Florida 32301

III.

Little Sumter Utility Company, is a corporation, incorporated in Florida on November 17, 1994.

DOCUMENT NUMBER-DATE

02917 MAR-88

FPSC-RECORDS/REPORTING

IV.

The name and address of all corporate officers and directors are as follows:

H. Gary Morse, Director/President
1100 Main Street
Lady Lake, Florida 32159

R. Dewey Burnsed, Secretary
1100 Main Street
Lady Lake, Florida 32159

John F. Wise, Treasurer
1100 Main Street
Lady Lake, Florida 32159

Sharon Morse, Assistant Secretary
1100 Main Street
Lady Lake, Florida 32159

The stock of Little Sumter Utility Company is owned 100% by The Villages of Lake-Sumter, Inc.

V.

The Applicant has made an election under Internal Revenue Code Section 1362 to be an S corporation.

VI.

The Applicant has the financial and technical ability to provide water and wastewater service to the area applied for herein. Prior to the recent formation of this Utility, related parties owned and operated a water and wastewater system in Lake and Sumter Counties under the name of Sunbelt Utilities, Inc.. That entity began operations in 1976 as a utility regulated by the Florida Public Service Commission until its sale in November

1993. By the time of that sale, it was providing service to approximately 8,000 equivalent residential connections in Lake and Sumter Counties. Such service was provided in accordance with all regulatory requirements in a safe and efficient manner. The Utility will employ operations, maintenance, technical and management personnel necessary to ensure the efficient provision of water and wastewater service to the various customers of the Utility as it did during the period it previously owned and operated a water and wastewater utility system.

VII.

The Applicant is related to the Developer of the property proposed for service hereunder. That Developer, The Villages of Lake-Sumter, Inc., will provide financial support and backing to ensure the safe, efficient, and sufficient provision of water and wastewater service to the territory applied for herein and the expansion of that service as needed. Attached hereto as **Exhibit "A"** is a letter from the Chief Financial Officer for the related Developer indicating that support will be provided and a copy of the certified financial statements of the affiliated developer showing total shareholders equity in excess of \$38,000,000.

There is currently a need for water and wastewater service within the service territory applied for herein. The Developer anticipates that service will be needed in the very near future. In fact, as soon as service is authorized through the granting of water and wastewater certificates by the Commission, the Utility will begin providing service to persons within its territory.

That service consists of service to both residential and commercial customers. The needs for these various services are throughout the service territory applied for. There are no other utilities in close proximity to the area who might be able to provide service to this territory or who have the ready ability to expand their capacity to meet the immediate and anticipated needs of this area.

VIII.

The provision of service in the proposed service territory, as outlined in this Application is consistent with the water and wastewater sections of the local comprehensive plan for Sumter County, as approved by the Department of Community Affairs. Attached hereto as Exhibit "B" is a letter from a Planner employed by the Utility, stating that review of the approved Comprehensive Plan reveals that the proposed service is considered with such plan and in fact, required as a condition of the approved DRIs for this Development.

IX.

Applicant plans to begin providing service for compensation to all customers within its certificated service territory immediately upon the granting of certificates and approval of the appropriate rates and charges by the Florida Public Service Commission.

X.

Attached hereto as Exhibit "C" is a statement and table concerning the number of equivalent residential connections proposed to be served by Little Sumter Utility Company, by meter size and customer class within Phase I and a separate chart showing the timing of the anticipated addition of Phase II and III ERCs which are of approximately equal size to Phase I.

XI.

Attached hereto as Exhibit "D" is a description of the type of customers that Little Sumter Utility Company, anticipates providing service to in Phase I. It is anticipated that Phases II and III will have very similar numbers of ERCs in each category and will utilize similar meter sizes, draft content for purchase and sale, and proposed warranty.

XII.

Attached hereto as Exhibit "E" is a copy of a deed for the water and wastewater treatment plant sites which will be executed immediately upon approval of these certificates by the Florida Public Service Commission. This deed will provide for the continuous use of the land on which the Utility treatment facilities are located.

XIII.

Attached hereto as Exhibit "F" are the original and two copies of sample tariffs containing all rates, classifications,

charges, rules and regulations consistent with Rule 25-9, Florida Administrative Code, which the Applicant herein intends to utilize in providing water and wastewater services.

XIV.

Attached hereto as **Exhibit "G"** is a description of the outer boundaries of the territory to be served by the Applicant, using township, range and section references.

XV.

Attached hereto as **Exhibit "H"** in one copy of maps showing the location of the proposed water and wastewater facilities to serve Phase I of the proposed territory. These maps are of sufficient scale and detail to enable correlation with the description of the territory proposed for service.

XVI.

Attached hereto as **Exhibit "I"** is one copy of a map showing township, range and section, with a scale of one (1) inch equal to 1200 feet, with the proposed service territory plotted thereon by use of metes and bounds. The defined referenced point of beginning is included.

To the extent the Commission deems it necessary to request a waiver under the provisions of Section 25-30.033(1)(n), Florida Administrative Code, Applicant hereby requests that the Commission waive the requirement for this map to be based on a scale

such as one (1) inch equals two hundred (200) feet, or one (1) inch equals four hundred (400) feet so as to permit the use of a reasonably useful map to the Commission as attached hereto in Exhibit "I". The Applicant herein believes that the map presented as Exhibit "I" complies with the spirit of the rule, and is much more helpful to the Commission for the purpose intended by that requirement.

XVII.

Attached hereto as Exhibit "J" is a statement regarding the separate capacities of the proposed lines and treatment facilities in terms of ERCs and gallons per day for Phase I of the proposed service territory.

XVIII.

A written description of the type of water and wastewater treatment proposed is attached hereto as Exhibit "K". As noted therein, the Utility will be utilizing a reuse system by spray irrigation to golf courses as its primary means of effluent disposal.

XIX.

The Utility is just beginning operations, and has not yet received its first dollar of revenue, and will not receive such revenue until such time as the Florida Public Service Commission approves the appropriate rates. Therefore, no detailed balance

sheet or statement of financial condition or operating statement of the Applicant are available. However, included as part of **Exhibit "L"** is information concerning all of the assets of the Utility to be utilized in the provision of such water and wastewater service to Phase I of the service area which consists of a total of 3,396 combined residential and commercial ERCs. **Exhibit "L"** also includes an estimate of operation and maintenance expenses for the systems. Those lists of assets and operation and maintenance expenses are prepared in accordance with the provisions of Rule 25-30.115, Florida Administrative Code. As such, Applicant believes this exhibit complies with the requirement of Rule 25-30.032(1)(r) and (s).

XX.

The affiliated Developer, The Villages of Lake-Sumter, Inc., is the entity which has provided and will continue to provide funding to the Utility in the future. As previously noted, attached hereto as part of **Exhibit "A"** are certified financial statements of this affiliate for the year ended December 31, 1995.

XXI.

Attached hereto as part of **Exhibit "L"** is a cost study, including customer growth projections supporting the proposed rates and charges and service availability charges.

XXII.

Attached hereto as part of Exhibit "L" are schedules showing the projected costs of the proposed Phase I systems by NARUC account numbers and the related capacity of each system in ERCs and gallons per day.

XXIII.

Attached hereto as part of Exhibit "L" are schedules showing the projected operating expenses of the proposed systems by NARUC account numbers, when eighty percent (80%) of the design capacity of the Phase I system is being utilized.

XXIV.

A schedule showing the projected capital structure, including the methods of financing the construction and operation of the Utility until the Utility reaches eighty percent (80%) of design capacity of the system, is attached hereto as Schedule No. 8 of Exhibit "L". To the extent financing of construction or operations is beyond the resources of the Utility, the Utility shareholders or the affiliate Developer, The Villages of Lake-Sumter, Inc., will provide all additional funding as and when needed in order to finance such construction and operation of the Utility until it reaches that eighty percent (80%) of design capacity level.

XXV.

Attached hereto as **Exhibit "M"** is an affidavit showing that the Utility has provided notice in accordance with the requirements of Rule 25-30.030, Florida Administrative Code, to all those entitled to such notice.

Publication notice, in compliance with Rule 25-30.030(7), Florida Administrative Code, will be published within 7 days of the date of the filing of this Application. Proof of publication will be provided to the Commission as **Exhibit "N"** immediately after it is received from the newspaper utilized for this purpose.

The Utility has provided a copy of the appropriate notice by regular mail or personal service to each of the customers of the system to be certified. There are no existing customers at this time and since all of the land within the proposed territory belongs to the affiliated Developer, that notice required by Section 25-30.030(6) has been provided only to the Developer.

XXVI.

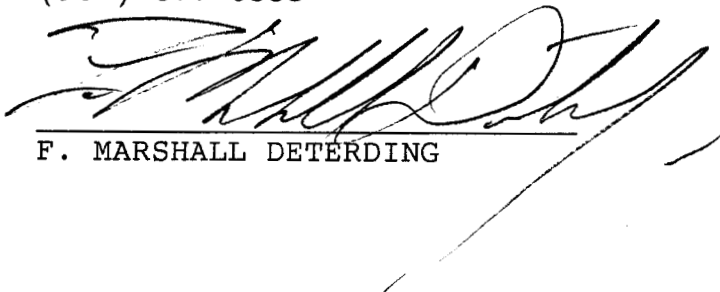
In accordance with the requirements of Section 367.045(1)(e), Florida Statutes, and Rules 25-30.032(2) and 25-30.020, Florida Administrative Code, enclosed is a check for the filing fee of \$6,000 which is intended to satisfy the requirements of those rules and statutory sections for both water and wastewater systems intending to serve more than 4,000 ERCs each.

XXVII.

The Applicant herein requests that the Florida Public Service Commission grant the waiver of Rule 25-30.032(1)(h) as requested in paragraph XV hereof, to the extent the Commission deems such waiver necessary, and issue water and wastewater certificates to Little Sumter Utility Company, to provide such utility services to the territory requested in Sumter County, Florida. In addition, Applicant requests that the Commission in its Order granting such certificates authorize the collection of the rates proposed herein, and implementation of the tariffs as included herein.

Respectfully submitted this 8th
day of March, 1996, by:

ROSE, SUNDSTROM & BENTLEY
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(904) 877-6555



F. MARSHALL DETERDING

lsu\certific.app

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Support Letter and
Financial Statements

EXHIBIT A

The Villages



September 11, 1995

Florida Public Service Commission
Division of Water and Sewer
101 East Gaines Street
Tallahassee, Florida 32399-0873

RE: Application of Little Sumter Utility Co. to the Florida
Public Service Commission for Certificates to operate a
Water and Waste-Water Utility in Sumter County.

Dear Sir,

Little Sumter Utility Co. will provide water and waste-water services to a development known as The Villages. The Villages of Lake-Sumter, Inc. is the developer of the property within the service territory of Little Sumter Utility Co. The Villages currently has in excess of 6,500 homes and sales have averages in excess of 500 homes for the past 10 years.

The Villages of Lake-Sumter, Inc. will provide the financing for capital improvements and fund losses of Little Sumter Utility Co. until outside sources of financing become available.

Very truly yours,

John F. Wise
Chief Financial Officer

JFW/dk

THE VILLAGES OF LAKE-SUMTER, INC.

Consolidated Financial Statements

December 31, 1994 and 1993

(With Independent Accountants' Review Report Thereon)

KPMG Peat Marwick LLP

111 North Orange Avenue, Suite 1600
P.O. Box 3031
Orlando, FL 32802

Independent Accountants' Review Report

The Board of Directors
The Villages of Lake-Sumter, Inc.:

We have reviewed the accompanying consolidated balance sheets of The Villages of Lake-Sumter, Inc. as of December 31, 1994 and 1993 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of The Villages of Lake-Sumter, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

K P M G Peat Marwick LLP

February 27, 1995

THE VILLAGE OF LAKE-SUMTER, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994 AND 1993
(See accompanying review report of KPMG Peat Marwick LLP)

<u>ASSETS</u>	<u>1994</u>	<u>1993</u>
Current Assets:		
Cash, including restricted cash of \$300,000 in 1994 and in 1993	\$ 3,687,616	3,423,821
Accounts and notes receivable, less allowance for doubtful accounts of \$50,000 in 1994 and 1993	1,933,859	1,108,311
Inventories (Notes 2, 6 and 7)	14,350,460	12,704,685
Prepaid expenses	452,836	490,801
Total current assets	20,424,771	17,727,618
Property, plant and equipment, net of accumulated depreciation of \$10,241,629 in 1994 and \$9,878,209 in 1993 (Notes 3, 7 and 8)		
	29,885,554	32,781,028
Restricted funds held by trustee for capital projects and repayment of debt (Note 4)	9,631,654	-
Land held for future development and sale (Note 7)	11,716,088	10,060,998
Due from affiliates (Note 5)	2,144,770	789,727
Investment in life insurance contract (Note 7)	725,707	670,739
Other assets	685,174	789,208
	\$75,213,718	62,819,318
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Note payable bank (Note 6)	100	-
Customer deposits	5,396,713	4,435,354
Accounts payable	2,310,916	2,150,868
Accrued expenses (Note 5)	1,368,586	5,795,238
Due to affiliates	-	151,247
Unearned revenues	803,311	728,818
Current installments of long-term debt (Note 7)	2,928,000	2,254,000
Total current liabilities	12,807,626	15,515,525
Long-term debt less current installments (Note 7)	29,850,088	22,150,459
Minority interest in consolidated partnership	108,648	84,768
Shareholders' Equity:		
Common stock, \$100 par value, 100 shares authorized, 50.84 shares issued	5,084	5,084
Additional paid in capital	272,335	272,335
Retained earnings	38,997,270	31,618,480
Less 29.68 shares of treasury stock at cost	(6,827,333)	(6,827,333)
Total shareholder's equity	32,447,356	25,068,566
Commitments and contingencies (Note 9)		
	\$75,213,718	62,819,318

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1994 AND 1993
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1994</u>	<u>1993</u>
Revenues:		
Developed lots and homes	\$70,155,333	54,359,830
Food and beverage services	6,330,860	5,266,960
Homeowner maintenance fees	6,844,857	5,855,421
Retail store operations	3,432,258	3,204,545
Other	5,193,655	4,797,148
Total revenues	<u>91,956,963</u>	<u>73,483,904</u>
Cost of Sales:		
Developed lots and homes	44,661,644	37,082,805
Other	5,590,287	4,961,885
Total cost of sales	<u>50,251,931</u>	<u>42,044,690</u>
Gross profit	41,705,032	31,439,214
Selling, operating and general and administrative expenses, including advertising expense of \$2,852,000 in 1994 and \$2,792,000 in 1993.	29,677,141	25,436,686
Operating profit	<u>12,027,891</u>	<u>6,002,528</u>
Other income (expenses):		
Other income, net (including loss on sale of property, plant and equipment of \$86,269 in 1994 and \$38,487 in 1993)	34,825	164,801
Interest income	216,898	190,445
Interest expense	(2,104,056)	(1,880,193)
Total expenses, net	<u>(1,852,333)</u>	<u>(1,524,947)</u>
Net income from continuing operations before minority partners' share of income of consolidated partnership	10,175,558	4,477,581
Minority partners' share of income of consolidated partnership	(80,131)	(49,093)
Income from continuing operations	<u>10,095,427</u>	<u>4,428,488</u>
Discontinued operation (Note 5)		
Income from operations of Sunbelt Utilities, Inc., less income taxes of \$55,477	-	102,675
Gain on sale of Sunbelt Utilities, Inc. net assets less income tax expense of \$3,497,275 (Note 10)	-	6,472,644
Net income	<u>\$10,095,427</u>	<u>11,003,807</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1994 AND 1993
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>Total</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	
		<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>
Balances - December 31, 1992	\$22,211,348	50.84	5,084	272,335	23,933,929	22.50	(2,000,000)
Treasury Stock Purchases	(4,827,333)					7.18	(4,827,333)
Net income	11,003,807				11,003,807		
Dividends	(3,319,256)				(3,319,256)		
Balances - December 31, 1993	25,068,566	50.84	5,084	272,335	31,618,480	29.68	(6,827,333)
Net income	10,095,427				10,095,427		
Dividends	(2,716,637)				(2,716,637)		
Balances - December 31, 1994	\$32,447,356	50.84	5,084	272,335	38,997,270	29.68	(6,827,333)

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1994 AND 1993
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1994</u>	<u>1993</u>
Cash flows from operating activities:		
Income from continuing operations	\$10,095,427	4,428,488
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation	1,900,808	1,760,965
Minority partners' share of income of consolidated partnership	80,131	49,093
Loss on sale of property & equipment	86,269	38,487
Cash provided by (used for) changes in:		
Accounts and notes receivable	(825,548)	77,253
Inventories and land held for future development and sale	(3,300,865)	(6,491,816)
Due from affiliates	(1,506,290)	(807,772)
Prepaid expenses	37,965	54,813
Other assets	104,034	(539,126)
Customer deposits	961,359	302,397
Accounts payable	160,048	(82,717)
Accrued expenses	(4,426,652)	5,204,993
Unearned revenues	74,493	107,653
Net cash provided by operating activities	<u>3,441,179</u>	<u>4,102,711</u>
Cash flows from investing activities (Note 5):		
Purchase of property, plant and equipment	(7,516,112)	(10,050,005)
Proceeds from sale of property & equipment	5,268,509	1,895,891
Investment in life insurance contract	(54,968)	(124,242)
Gain on sale of Sunbelt Utilities, Inc.	-	6,472,644
Income from operations of Sunbelt Utilities, Inc.	-	102,675
Net cash used for investing activities	<u>(2,302,571)</u>	<u>(1,703,037)</u>
Cash flows from financing activities (Note 10):		
Proceeds from issuance of long-term debt	18,223,000	11,061,807
Repayment of long-term debt	(6,693,371)	(3,708,648)
Increase in restricted funds held by trustee	(9,631,654)	
Net change in notes payable to banks	100	-
Change in net liabilities of discontinued operation	-	(319,685)
Dividends paid	(2,716,637)	(3,319,256)
Distributions paid to minority partners' of consolidated partnership	(56,251)	-
Purchase of treasury stock	-	(4,827,333)
Net cash used for financing activities	<u>(874,813)</u>	<u>(1,113,115)</u>
Net increase in cash	263,795	1,286,559
Cash, beginning of year	3,423,821	2,137,262
Cash, end of year	<u>\$3,687,616</u>	<u>3,423,821</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest (including interest paid related to discontinued operations of \$586,618 in 1993)	<u>\$2,057,386</u>	<u>2,355,981</u>
Cash paid by discontinued operations for income taxes, net of refund received	<u>\$ -</u>	<u>171,121</u>
Debt assumed by Lazy B Cattle Venture, Ltd.	<u>\$3,156,000</u>	<u>-</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1994 AND 1993
(See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies

Operations

The Villages of Lake-Sumter, Inc. ("The Villages") has developed a retirement community known as The Villages located in Lady Lake, Florida. The Villages constructs and sells single family site built homes, including the related land. Sales are recorded at closing. Funds collected prior to closing are recorded as customer deposits, and are shown as a liability on the accompanying consolidated balance sheets.

The Villages also operates recreational facilities, restaurants, retail stores and a shopping center within the community.

Principles of Consolidation

The consolidated financial statements include the accounts of The Villages and a 75% owned partnership. The partnership operates within the cable television industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at cost which is not in excess of estimated market value. Costs incurred to develop lots and construct homes are capitalized and charged to cost of sales when the lots and homes are sold. Cost of other inventories, consisting primarily of food and beverages and retail merchandise is determined principally using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Normal maintenance and repair costs are expensed as incurred. Depreciation is provided for property, plant and equipment by use of the straight-line method over the estimated useful lives of the assets, as follows:

	<u>YEARS</u>
Buildings and improvements	15 - 31.5
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	3 - 5

Unearned Revenues

Unearned revenues primarily relate to annual golf membership and greens fee agreements collected in advance related to The Villages' golf course operations. These fees are recognized as earned revenue evenly over the term of the agreements.

Income Taxes

The Villages and its stockholders have elected under subchapter S of the Internal Revenue Code to have The Villages' taxable income or loss reported by its shareholders. Because of this election, Federal and state income taxes have not been provided for in the accompanying consolidated financial statements, except for 1993 Federal and State income taxes provided related to the operations of Sunbelt Utilities, Inc. (see Note 5).

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies, continued

Capital Improvement Revenue Bonds

The Villages has recorded the indebtedness of Village Community Development District No. 1 ("CDD") issued subsequent to the effective date of Emerging Issues Task Force Issue No. 91-10 as required by generally accepted accounting principles. The Villages is required to make payments to the CDD as lots are sold and to make annual installments on unsold lots. Accordingly, The Villages has recorded indebtedness in the amount of \$10,175,000 related to the issuance of Capital Improvement Revenue Bonds by the CDD on November 17, 1994 (see Notes 4 and 7).

2. Inventories

Inventories at December 31, 1994 and 1993 consist of the following:

	<u>1994</u>	<u>1993</u>
Developed lots	\$ 5,981,947	3,655,679
Homes under construction	7,187,994	7,904,576
Other	1,180,519	1,144,430
	<u>\$14,350,460</u>	<u>12,704,685</u>

The Villages includes developed lots and land actively held for sale as a component of inventory. Land held for future development and sale is excluded from inventory as it will not be available for sale during The Villages' upcoming fiscal year.

3. Property, Plant and Equipment

Property, plant and equipment at December 31, 1994 and 1993 consist of the following:

	<u>1994</u>	<u>1993</u>
Shopping centers and retail facilities (Note 5)	\$ 5,498,264	12,987,172
Recreational facilities, restaurants and common areas	14,339,072 1,334,184	12,778,549 1,165,807
Construction and related equipment	18,955,663	15,727,709
Sales, administrative and other offices and equipment	40,127,183 (10,241,629)	42,659,237 (9,878,209)
Less accumulated depreciation	<u>\$29,885,554</u>	<u>32,781,028</u>

4. Village Community Development District No. 1

During 1992, The Villages, as land owner, formed Village Community Development District No. 1 ("CDD") pursuant to Chapter 190, Florida Statutes. The CDD plans, finances, and constructs the infrastructure improvements, including roads, drainage, and water and sewer facilities necessary for The Villages to construct and sell homes on its Sumter County, Florida property. On June 19, 1992, the CDD sold \$16.4 million of its Capital Improvement Revenue Bonds ("Bonds"). The

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

4. Village Community Development District No. 1, continued

Villages is required to make payments to the CDD as new homes and the related land are sold within the boundaries of the CDD. The payments to the CDD related to the 1992 Bond issue (\$3,702,000 in 1994 and \$1,740,000 in 1993) are charged to cost of sales when the home and lot are sold. Commencing in 1994, The Villages was required to pay annual assessments for maintenance and debt service, and The Villages paid \$536,508 related to the 1992 Bond issue for these assessments on the land it owns within the boundaries of the CDD. These assessment payments are expensed during the year incurred. Indebtedness issued in the CDD's 1992 Bond issue and related infrastructure improvements funded by the CDD are not reflected in the accompanying consolidated balance sheet. The Villages is the owner of all unsold lots within the boundaries of the CDD, and therefore, the CDD is dependent on The Villages for funding for the unsold lots.

On November 17, 1994, the CDD sold \$10,175,000 of its Capital Improvement Revenue Bonds. The Villages has recorded this indebtedness (see Notes 1 and 6) as required by generally accepted accounting principles. Payments made by The Villages to the CDD will be treated as debt payments and interest expense will be recorded on the related indebtedness outstanding.

The CDD received cash of \$9,919,340, which is held by a Trustee, after costs of the offering in the amount of \$255,660. The debt issuance costs are included in other assets in the accompanying consolidated balance sheet and are being amortized as an additional element of interest expense related to the 1994 Bonds.

The Villages will increase its land inventory by amounts disbursed by the CDD for improvements related to property owned by The Villages. These inventory costs will be charged to cost of sales as lots are sold. As of December 31, 1994, the CDD had disbursed 1994 bond funds in the amount of \$305,000 for improvements which were recorded as an increase in land inventory by The Villages.

The portion of the proceeds from the Capital Improvement Revenue Bonds that has not been disbursed by the Trustee is shown on the accompanying consolidated balance sheet as "Restricted funds held by trustee for capital projects and repayment of debt. The composition of these funds at December 31, 1994 is as follows:

Construction Fund	\$7,967,336
Interest Fund	646,818
Debt Service Reserve Fund	1,017,500
	<hr/>
	\$9,631,654
	<hr/>

5. Transactions with Affiliates

The Villages routinely borrows from and advances funds to companies related through common ownership and to certain shareholders. Certain administrative costs are shared by The Villages and its affiliates which are allocated between the companies based on the benefits received.

Also during 1992, The Villages, as landowner, formed Village Center Community Development District ("Village Center") an entity similar to the CDD. On November 29, 1993, Village Center sold \$26.0 million of its Utility Revenue Bonds. The proceeds were used to acquire the net assets of Sunbelt Utilities, Inc. ("Sunbelt"), to acquire a sewer plant from the Town of Lady Lake, and to fund improvements to its purchased utility system. The Village Center bonds are payable solely from revenues generated from its utility operations.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

5. Transactions with Affiliates, continued

On November 30, 1993, Sunbelt and Homecrafters of Florida, Inc. ("Homecrafters") were merged into The Villages. Shareholders of Sunbelt received 5.5 shares of common stock of The Villages for all the outstanding common stock of Sunbelt. Shareholders of Homecrafters were given .34 shares of common stock of The Villages for all the outstanding common stock of Homecrafters. These mergers were accounted for as poolings of interests, as the shareholders of the merged companies were substantially identical to the shareholders of The Villages. Sunbelt provided water and sewer utility services to the residents of The Villages. Homecrafters owned and leased property in a commercial area at The Villages.

Substantially, all the assets of Sunbelt were sold to Village Center on November 29, 1993 for a contract sales price of approximately \$20,180,000. Sunbelt received cash of \$11,447,299 and a subordinated note in the amount of \$370,849 after closing prorations and retirement of Sunbelt indebtedness. This \$370,849 subordinated note was entirely reserved in 1994. A summary of the Sunbelt's operations for the eleven months ended November 30, 1993 is as follows:

	<u>1993</u>
Operating revenues	\$ 2,026,071
Operating expenses	(1,312,924)
Interest expense	(610,085)
Other income	55,090
Gain on sale of net assets	9,969,919
Income tax expense	(3,552,752)
Net income	<u>\$ 6,575,319</u>

Prior to the merger with The Villages, Sunbelt was a C Corporation and was required to pay Federal and state income taxes on its earnings. Included in accrued expenses in the accompanying consolidated balance sheet at December 31, 1993 is \$4,223,000 of Federal and state income taxes related to Sunbelt's final C Corporation tax returns. This amount of \$4,223,000 was paid in February 1994.

As of December 31, 1993, The Villages acquired the net assets of Lake Tropicana Ranchettes, Inc. ("Tropicana") and Rainbow Acres, Inc. ("Rainbow"). Tropicana and Rainbow were owned by the president of The Villages who received cash of \$70,000 and 5.9% notes aggregating \$312,578 (see note 7).

A summary of the net assets purchased is as follows:

Cash	\$ 156,951
Accounts receivable	53,153
Inventories	6,753
Due from The Villages	208,953
Total assets	<u>425,810</u>
Less accrued expenses	(43,232)
Total net assets	<u>\$ 382,578</u>

The Lazy B Cattle Venture, Ltd. ("Lazy B") was formed in 1991 as a retirement program for 17 members of The Villages' management team.

During 1993, The Villages sold property to Lazy B and received a \$350,000 subordinated promissory note which bears interest at Prime +1%. Lazy B obtained bank financing, which is guaranteed by The Villages, and built a fast food restaurant at The Villages.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

5. Transactions with Affiliates, continued

During 1994, The Villages sold its Winn Dixie and Publix anchored shopping centers to Lazy B. The gross sale price was \$8,413,000 which approximated the net book value of the assets sold. The Villages received cash of \$4,095,000, subordinated promissory notes bearing interest at 8% in the amount of \$1,162,000, and Lazy B assumed The Villages indebtedness in the amount of \$3,156,000. The Villages does not guarantee indebtedness of Lazy B related to these shopping centers.

6. Notes Payable to Banks

At December 31, 1994, The Villages had a \$2,000,000 bank line of credit bearing interest at Prime plus 1% (9.5% as of December 31, 1994) used to finance its homes under construction. This line of credit is collateralized by the homes under construction and the related land. Homes under construction must be subject to a contract and meet other requirements before the bank will advance funds. The Villages was not indebted under this line of credit at December 31, 1994.

At December 31, 1994, The Villages had an additional \$525,000 bank line of credit bearing interest at prime plus 1%, collateralized by developed lots not within the boundaries of the CDD. The Villages was indebted in the amount of \$100 under this line of credit at December 31, 1994.

7. Long-Term Debt

Long-term debt at December 31, 1994 and 1993 consist of the following:

	<u>1994</u>	<u>1993</u>
Capital Improvement Revenue Bonds issued by Villages Community Development District No. 1; \$5,960,000 bears interest at 6.75% due in varying installments through 2002 and \$4,215,000 bears interest at 8% due in varying installments through 2015.	\$10,175,000	-
Unsecured notes payable to the president and a former stockholder of The Villages, interest payable monthly at 6.61%, through 2013. Beginning 2014, monthly payments including interest of \$2,853 due through 2023.	2,207,299	2,207,299
Mortgage notes payable to bank, payable in monthly installments of \$15,583 plus interest at prime plus 1% with a balloon payment due in 1999, collateralized by a shopping center and bowling alley in 1993. During 1994, the shopping center was expanded and sold to Lazy B Cattle Venture, Ltd. and \$4,044,534 of this indebtedness was retired (see Note 5).	1,884,417	4,687,448
Mortgage note payable to bank, interest payable monthly at 11% with a balloon payment due in 2006, collateralized by shopping center and investment in life insurance contract.	1,724,038	1,724,038

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

7. Long-Term Debt, continued	<u>1994</u>	<u>1993</u>
Note payable to bank, payable in monthly installments of \$72,500 (\$51,666 in 1993) plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	3,419,167	2,893,333
Notes payable to former shareholders, payable in monthly installments of \$19,343 including interest at 10% maturing in 1997 and 2000, collateralized by 22.5 shares of treasury stock.	670,570	827,024
Industrial development revenue bond, payable in monthly installments of \$7,352 plus interest at 4.6781%, matures 2005, collateralized by an 18 hole Country Club golf course.	955,952	1,044,176
Mortgage note payable to bank, payable in monthly installments of \$10,515 plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	410,085	525,750
Unsecured notes payable to president of the Villages for acquisition of Rainbow Acres, Inc. and Lake Tropicana Ranchettes, Inc., payable in monthly installments of \$3,455, including interest at 5.9% through 2003.	288,932	312,578
Mortgage notes payable to bank, payable in monthly installments of \$17,141 plus interest at prime plus 1% maturing in 1999, collateralized by The Villages's hotels.	865,638	968,485
Mortgage note payable to bank, interest payable monthly at prime plus 1% with a balloon payment due in January 1996, collateralized by The Villages's model home inventory.	440,315	720,000
Mortgage note payable to bank in monthly installments of interest only at prime plus 1%, principal payable \$150,000 per calendar quarter, collateralized by developed commercial property.	2,570,902	2,251,705
Mortgage note payable to bank in the amount of \$4.0 million for construction of Villages' new administration building. Interest payable monthly at prime plus 1/2%. Principal payments of \$33,333 commence in 1995. Note matures in 2000.	2,330,821	-
Mortgage note payable to bank, payable in monthly installments of \$6,042 plus interest at prime plus 1/2% maturing in 2001, collateralized by The Villages's 27 hole Country Club golf course.	2,260,028	-
Mortgage note payable to insurance company in monthly installments of \$28,997 including interest at 9.1%, maturing in 2013, collateralized by a shopping center. This balance		

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

7. Long-Term Debt, continued	<u>1994</u>	<u>1993</u>
due on this indebtedness was assumed by the Lazy B Cattle Venture, Ltd. in August 1994 (see Note 5).	-	3,190,503
Purchase money mortgages payable in installments currently aggregating \$449,071 annually including interest at rates ranging from 5.45% to Prime +1%, collateralized by land held for future development.	2,491,434	2,761,788
Other	83,490	290,332
Total long-term debt	<u>32,778,088</u>	<u>24,404,459</u>
Less current installments	<u>(2,928,000)</u>	<u>(2,254,000)</u>
Long-term debt less current installments	<u>\$29,850,088</u>	<u>22,150,459</u>

Maturities of long-term debt for the years ended December 31, 1995 through 1999 and thereafter are as follows:

1995	\$ 2,928,000
1996	3,495,000
1997	3,640,000
1998	3,742,000
1999	2,588,000
Thereafter	16,385,088
	<u>\$32,778,088</u>

8. Leases

The Villages leases its owned shopping center and retail facilities under various non-cancellable operating leases, which expire at various dates through the year 1999. The Villages leases retail space to related parties at rates similar to those charged to non-related parties. At December 31, 1994 and 1993, the gross amount of property, plant and equipment leased under operating lease agreements was as follows:

	<u>1994</u>	<u>1993</u>
Shopping centers and retail facilities	\$ 1,946,678	7,946,579
Less accumulated depreciation	(868,622)	(979,230)
	<u>\$ 1,078,056</u>	<u>6,967,349</u>

Future minimum lease payments to be received under non-cancellable operating leases for the years ended December 31, 1995 through 1999 and thereafter are as follows:

1995	\$ 135,000
1996	122,000
1997	104,000
1998	87,000
1999	61,000
Thereafter	-
	<u>\$ 509,000</u>

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

8. Leases, continued

Rental income for the years ended December 31, 1994 and 1993 amounted to \$898,730 and \$796,987, respectively. During 1994 The Villages sold two of its shopping centers (see Note 5).

9. Commitments and Contingencies

The Villages has entered into a land purchase option to acquire 1,385 acres of land for future development. The payments required to exercise this option for the years ended December 31, 1995 through 1999 and thereafter are as follows:

1995	\$ 350,000
1996	350,000
1997	350,000
1998	350,000
1999	350,000
Thereafter	<u>3,150,000</u>
	<u>\$4,900,000</u>

The Villages is not required to make scheduled option payments. However, if a scheduled option payment is not made, the option terminates and The Villages forfeits its right to acquire additional property in the future pursuant to the options.

During December 1993, The Villages sold a warehouse it acquired in the merger with Homecrafters for a cash price of \$855,000. The purchaser sells building supplies to subcontractors who construct homes at The Villages. The Villages has agreed to repurchase the warehouse at decreasing sales prices over the next ten years should its subcontractors not purchase minimum amounts of building materials from the warehouse owner. The Villages does not believe it will be required to repurchase the warehouse because it requires its subcontractors to purchase building materials from the warehouse owner.

The Villages is contingently liable for bank indebtedness of Lazy B Cattle Venture, Ltd. in the amount of \$807,500.

10. Extinguished Debt

In conjunction with the sale of substantially all the assets of Sunbelt Utilities, Inc. (see Note 5), Sunbelt defeased approximately \$8 million of industrial development revenue bonds by irrevocably placing U.S. Government Securities in a trust. The trust is to be used solely in satisfying scheduled payments of principal and interest on the bonds. The extraordinary loss on defeasance before income taxes was \$1,448,638, and is reflected as a reduction in the gain on sale of Sunbelt Utilities, Inc. in the accompanying consolidated Statements of Income.

THE VILLAGES OF LAKE-SUMTER, INC.

Consolidated Financial Statements

December 31, 1995 and 1994

(With Independent Accountants' Review Report Thereon)

KPMG Peat Marwick LLP

111 North Orange Avenue, Suite 1600
P.O. Box 3031
Orlando, FL 32802

Independent Accountants' Review Report

The Board of Directors
The Villages of Lake-Sumter, Inc.:

We have reviewed the accompanying consolidated balance sheets of The Villages of Lake-Sumter, Inc. as of December 31, 1995 and 1994 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of The Villages of Lake-Sumter, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

February 2, 1996

THE VILLAGE OF LAKE-SUMTER, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

<u>ASSETS</u>	<u>1995</u>	<u>1994</u>
Current Assets:		
Cash, including restricted cash of \$650,000 in 1995 and \$470,000 in 1994	\$ 5,064,439	3,687,616
Accounts and notes receivable, less allowance for doubtful accounts of \$50,000 in 1995 and 1994	1,627,296	1,933,859
Inventories (Notes 2, 6 and 7)	21,449,281	14,350,460
Prepaid expenses	421,906	452,836
Total current assets	28,562,922	20,424,771
Property, plant and equipment, net of accumulated depreciation of \$11,644,492 in 1995 and \$10,241,629 in 1994 (Notes 3, 7 and 8)		
Restricted funds held by trustee for capital projects and repayment of debt (Note 4)	36,736,488	29,885,554
Land held for future development and sale (Note 7)	2,263,961	9,631,654
Due from affiliates (Note 5)	12,689,368	11,716,088
Investment in life insurance contract (Note 7)	3,171,863	2,144,770
Other assets	791,580	725,707
	1,189,344	685,174
	\$85,405,526	75,213,718
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Note payable bank (Note 6)	2,315,439	100
Customer deposits	6,047,564	5,396,713
Accounts payable	2,658,292	2,310,916
Accrued expenses	2,362,694	1,368,586
Unearned revenues	874,981	803,311
Current installments of long-term debt (Note 7)	3,339,000	2,928,000
Total current liabilities	17,597,970	12,807,626
Long-term debt less current installments (Note 7)	29,586,268	29,850,088
Minority interest in consolidated partnership	164,532	108,648
Shareholders' Equity:		
Common stock, \$100 par value, 100 shares authorized, 50.84 shares issued	5,084	5,084
Additional paid in capital	272,335	272,335
Retained earnings	44,606,670	38,997,270
Less 29.68 shares of treasury stock at cost	(6,827,333)	(6,827,333)
Total shareholder's equity	38,056,756	32,447,356
Commitments and contingencies (Note 9)		
	\$85,405,526	75,213,718

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1995</u>	<u>1994</u>
Revenues:		
Developed lots and homes	\$77,428,593	70,155,333
Food and beverage services	7,397,793	6,330,860
Homeowner maintenance fees (Note 9)	7,880,801	6,844,857
Retail store operations	6,242,599	3,432,258
Other	5,365,621	5,193,655
Total revenues	104,315,407	91,956,963
Cost of Sales:		
Developed lots and homes	47,507,720	44,661,644
Other	8,302,097	5,590,287
Total cost of sales	55,809,817	50,251,931
Gross profit	48,505,590	41,705,032
Selling, operating and general and administrative expenses, including advertising expense of \$3,431,000 in 1995 and \$2,852,000 in 1994.	36,786,276	29,677,141
Operating profit	11,719,314	12,027,891
Other income (expenses):		
Other income, net (including loss on disposition of property, plant and equipment of \$28,237 in 1995 and \$86,269 in 1994)	204,741	34,825
Interest income	330,142	216,898
Interest expense	(2,704,864)	(2,104,056)
Total other expenses, net	(2,169,981)	(1,852,333)
Net income before minority partners' share of income of consolidated partnership	9,549,333	10,175,558
Minority partners' share of income of consolidated partnership	(80,884)	(80,131)
Net income	\$ 9,468,449	10,095,427

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>Total</u>	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	
		<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>
Balances - December 31, 1993	\$25,068,566	50.84	5,084	272,335	31,618,480	29.68	(6,827,333)
Net income	10,095,427				10,095,427		
Dividends	(2,716,637)				(2,716,637)		
Balances - December 31, 1994	\$32,447,356	50.84	5,084	272,335	38,997,270	29.68	(6,827,333)
Net income	9,468,449				9,468,449		
Dividends	(3,859,049)				(3,859,049)		
Balances - December 31, 1995	\$38,056,756	50.84	5,084	272,335	44,606,670	29.68	(6,827,333)

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Net income	\$ 9,468,449	10,095,427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,981,034	1,900,808
Minority partners' share of income of consolidated partnership	80,884	80,131
Loss on disposition of property and equipment	28,237	86,269
Cash provided by (used for) changes in:		
Accounts and notes receivable	306,563	(825,548)
Inventories and land held for future development and sale	(8,072,101)	(3,300,865)
Due from affiliates	(1,027,093)	(1,506,290)
Prepaid expenses	30,930	37,965
Other assets	(504,170)	104,034
Customer deposits	650,851	961,359
Accounts payable	347,376	160,048
Accrued expenses	994,108	(4,426,652)
Unearned revenues	71,670	74,493
Net cash provided by operating activities	<u>4,356,738</u>	<u>3,441,179</u>
Cash flows from investing activities:		
Purchase of property and equipment	(8,912,638)	(7,516,112)
Proceeds from sale of property and equipment	52,433	5,268,509
Investment in life insurance contract	(65,873)	(54,968)
Net cash used for investing activities	<u>(8,926,078)</u>	<u>(2,302,571)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,614,967	18,223,000
Repayment of long-term debt	(4,467,787)	(6,693,371)
(Increase) decrease in restricted funds held by trustee	7,367,693	(9,631,654)
Net change in notes payable to banks	2,315,339	100
Dividends paid	(3,859,049)	(2,716,637)
Distributions paid to minority partners' of consolidated partnership	(25,000)	(56,251)
Net cash provided by (used for) financing activities	<u>5,946,163</u>	<u>(874,813)</u>
Net increase in cash	1,376,823	263,795
Cash, beginning of year	3,687,616	3,423,821
Cash, end of year	<u>\$5,064,439</u>	<u>3,687,616</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$2,713,000</u>	<u>2,057,386</u>
Debt assumed by Lazy B Cattle Venture, Ltd.	<u>\$ -</u>	<u>3,156,000</u>

See accompanying notes to consolidated financial statements.

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994
(See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies

Operations

The Villages of Lake-Sumter, Inc. ("The Villages") has developed a retirement community known as The Villages located in Lady Lake, Florida. The Villages constructs and sells single family site built homes, including the related land. Sales are recorded at closing. Funds collected prior to closing are recorded as customer deposits, and are shown as a liability in the accompanying consolidated balance sheets.

The Villages also operates recreational facilities, restaurants, retail stores and a shopping center within the community.

Principles of Consolidation

The consolidated financial statements include the accounts of The Villages and a 75% owned partnership. The partnership operates within the cable television industry. All significant intercompany balances and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at cost which is not in excess of estimated market value. Costs incurred to develop lots and construct homes are capitalized and charged to cost of sales when the lots and homes are sold. Cost of other inventories, consisting primarily of food and beverages and retail merchandise is determined principally using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Normal maintenance and repair costs are expensed as incurred. Depreciation is provided for property, plant and equipment by use of the straight-line method over the estimated useful lives of the assets, as follows:

	<u>YEARS</u>
Buildings and improvements	15 - 31.5
Machinery and equipment	3 - 10
Furniture and fixtures	3 - 10
Vehicles	3 - 5

Unearned Revenues

Unearned revenues primarily relate to annual golf membership and greens fee agreements collected in advance related to The Villages' golf course operations. These fees are recognized as earned revenue evenly over the term of the agreements.

Income Taxes

The Villages and its stockholders have elected under Subchapter S of the Internal Revenue Code to have The Villages' taxable income or loss reported by its shareholders. Because of this election, Federal and state income taxes have not been provided for in the accompanying consolidated financial statements.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

1. Organization and Summary of Significant Accounting Policies, continued

Capital Improvement Revenue Bonds

The Villages has recorded the indebtedness of Village Community Development District No. 1 ("CDD") issued subsequent to the effective date of Emerging Issues Task Force Issue No. 91-10 as required by generally accepted accounting principles. The Villages is required to make payments to the CDD as lots are sold and to make annual installments on unsold lots. Accordingly, The Villages has recorded indebtedness in the amount of \$10,175,000 related to the issuance of Capital Improvement Revenue Bonds by the CDD on November 17, 1994 (see Notes 4 and 7).

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Financial Instruments Fair Value

The carrying amounts reported in the accompanying consolidated balance sheets for cash, accounts receivable, restricted funds held by Trustee for capital projects and repayment of debt, notes payable bank and accounts payable approximate fair value due to the short term nature of these financial accounts. The carrying value of variable rate long-term debt approximates fair value due to required repricing. The fair value of fixed rate long-term debt is estimated using discounted cash flows based upon the incremental borrowing rates currently available to the company for loans with similar security, terms and maturities. The fair value of fixed rate long-term debt included in the accompanying consolidated balance sheet is estimated to be approximately equal to its carrying value.

2. Inventories

Inventories at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Developed lots	\$13,540,479	5,981,947
Homes under construction	6,603,064	7,187,994
Other	1,305,738	1,180,519
	<u>\$21,449,281</u>	<u>14,350,460</u>

The Villages includes developed lots and land actively held for sale as a component of inventory. Land held for future development and sale is excluded from inventory as it will not be available for sale during The Villages' upcoming fiscal year.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

3. Property, Plant and Equipment

Property, plant and equipment at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Shopping centers and retail facilities (Note 5)	\$ 5,505,287	5,498,264
Recreational facilities, restaurants and common areas (Note 9)	22,106,438	14,339,072
Construction and related equipment	1,397,561	1,334,184
Sales, administrative and other offices and equipment	19,371,694	18,955,663
	<u>48,380,980</u>	<u>40,127,183</u>
Less accumulated depreciation	(11,644,492)	(10,241,629)
	<u>\$36,736,488</u>	<u>29,885,554</u>

4. Village Community Development District No. 1

During 1992, The Villages, as land owner, formed Village Community Development District No. 1 ("CDD") pursuant to Chapter 190, Florida Statutes. The CDD plans, finances, and constructs the infrastructure improvements, including roads, drainage, and water and sewer facilities necessary for The Villages to construct and sell homes on its Sumter County, Florida property. On June 19, 1992, the CDD sold \$16.4 million of its Capital Improvement Revenue Bonds ("Bonds"). The Villages is required to make payments to the CDD as new homes and the related land are sold within the boundaries of the CDD. The payments to the CDD related to the 1992 Bond issue (\$3,127,000 in 1995 and \$3,702,000 in 1994) are charged to cost of sales when the home and lot are sold. Commencing in 1994, The Villages was required to pay annual assessments for maintenance and debt service, and The Villages paid \$581,045 in 1995 and \$536,508 in 1994 related to the 1992 Bond issue for these assessments on the land it owns within the boundaries of the CDD. These assessment payments are expensed during the year incurred. Indebtedness issued in the CDD's 1992 Bond issue and related infrastructure improvements funded by the CDD are not reflected in the accompanying consolidated balance sheet. The Villages is the owner of all unsold lots within the boundaries of the CDD, and therefore, the CDD is dependent on The Villages for funding for the unsold lots. At December 31, 1995, the balance due on the bonds was approximately \$7,585,000.

On November 17, 1994, the CDD sold \$10,175,000 of its Capital Improvement Revenue Bonds. The Villages has recorded this indebtedness (see Notes 1 and 6) as required by generally accepted accounting principles. Payments made by The Villages to the CDD will be treated as debt payments and interest expense will be recorded on the related indebtedness outstanding.

The CDD received cash of \$9,919,340, which was held by a Trustee, after costs of the offering in the amount of \$255,660. The debt issuance costs are included in other assets in the accompanying consolidated balance sheet and are being amortized as an additional element of interest expense related to the 1994 Bonds. The Villages will increase its land inventory by amounts disbursed by the CDD for improvements related to property owned by The Villages. These inventory costs will be charged to cost of sales as lots are sold. As of December 31, 1995, the CDD had disbursed 1995 bond funds in the amount of \$7,230,170 for improvements which were recorded as an increase in land inventory by The Villages.

The portion of the proceeds from the Capital Improvement Revenue Bonds that has not been disbursed by the Trustee is shown on the accompanying consolidated

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

4. Village Community Development District No. 1, continued

balance sheet as "Restricted funds held by trustee for capital projects and repayment of debt. The composition of these funds at December 31, 1995 and 1994 is as follows:

	<u>1995</u>	<u>1994</u>
Construction Fund	\$ 1,329,774	7,967,336
Interest Fund	7,687	646,818
Debt Service Reserve Fund	926,500	1,017,500
	\$ 2,263,961	9,631,654

5. Transactions with Affiliates

The Villages routinely borrows from and advances funds to companies related through common ownership and to certain shareholders. Certain administrative costs are shared by The Villages and its affiliates which are allocated between the companies based on the benefits received.

The Lazy B Cattle Venture, Ltd. ("Lazy B") was formed in 1991 as a retirement program for 17 members of The Villages' management team.

During 1993, The Villages sold property to Lazy B and received a \$350,000 subordinated promissory note which bears interest at Prime +1%. Lazy B obtained bank financing, which is guaranteed by The Villages, and built a fast food restaurant at The Villages.

During 1994, The Villages sold its Winn Dixie and Publix anchored shopping centers to Lazy B. The gross sale price was \$8,413,000 which approximated the net book value of the assets sold. The Villages received cash of \$4,095,000, subordinated promissory notes bearing interest at 8% in the amount of \$1,162,000, and Lazy B assumed The Villages indebtedness in the amount of \$3,156,000. The Villages does not guarantee indebtedness of Lazy B related to these shopping centers.

6. Notes Payable to Banks

At December 31, 1995, The Villages had a \$1,000,000 unsecured bank line of credit bearing interest at Prime (8.75% as of December 31, 1995). The Villages was not indebted under this line of credit at December 31, 1995.

At December 31, 1995, The Villages had an additional \$6,000,000 bank line of credit bearing interest at prime, collateralized by developed lots and undeveloped land within the boundaries of the CDD. The Villages was indebted in the amount of \$2,315,439 under this line of credit at December 31, 1995.

7. Long-Term Debt

Long-term debt at December 31, 1995 and 1994 consist of the following:

	<u>1995</u>	<u>1994</u>
Capital Improvement Revenue Bonds issued by Villages Community Development District No. 1; \$5,450,000 bears interest at 6.75% due in varying installments through 2002 and \$3,815,000 bears interest at 8% due in varying installments through 2015.	\$ 9,265,000	10,175,000

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

7. Long-Term Debt, continued	<u>1995</u>	<u>1994</u>
Unsecured notes payable to the president and a former stockholder of The Villages, interest payable monthly at 6.61%, through 2013. Beginning 2014, monthly payments including interest of \$25,152 due through 2023.	2,204,299	2,207,299
Mortgage notes payable to bank, payable in monthly installments of \$6,333 plus interest at prime plus 1% with a balloon payment due in 1999, collateralized by a bowling alley.	1,772,240	1,884,417
Mortgage note payable to bank, interest payable monthly at 11% with a balloon payment due in 2006, collateralized by shopping center and investment in life insurance contract.	1,724,038	1,724,038
Note payable to bank, payable in monthly installments of \$92,842 (\$72,500 in 1994) plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	3,200,107	3,419,167
Notes payable to former shareholders, payable in monthly installments of \$19,343 including interest at 10% maturing in 1997 and 2000, collateralized by 22.5 shares of treasury stock.	497,733	670,570
Industrial development revenue bond, payable in monthly installments of \$7,352 plus interest at 5.74%, matures 2005, collateralized by an 18 hole Country Club golf course.	867,728	955,952
Mortgage note payable to bank, payable in monthly installments of \$10,515 plus interest at prime plus 1% maturing in 1998, collateralized by operating assets.	273,390	410,085
Unsecured notes payable to president of the Villages, payable in monthly installments of \$3,455, including interest at 5.9% through 2003.	261,716	288,932
Mortgage notes payable to bank, payable in monthly installments of \$8,571 plus interest at prime plus 1% maturing in 1999, collateralized by The Villages's hotels.	762,790	865,638
Mortgage note payable to bank, interest payable monthly at prime plus 1% with a balloon payment due in January 1997, collateralized by The Villages's model home inventory.	514,600	440,315
Mortgage note payable to bank in monthly installments of interest only at prime plus 1%, principal payable \$150,000 per calendar quarter, collateralized by developed commercial property.	1,970,902	2,570,902

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

7. Long-Term Debt, continued	<u>1995</u>	<u>1994</u>
Mortgage note payable to bank, payable in monthly installments of \$33,333 plus interest at prime plus ½% maturing in 2000. Collateralized by the Villages sales and administration building which was completed in 1995.	3,788,478	2,330,821
Mortgage notes payable to bank, payable in monthly installments of \$6,042 plus interest at prime plus ½% maturing in 2001, collateralized by The Villages's 27 hole Hacienda Hills golf course, and an additional 9 holes under construction at December 31, 1995.	3,465,744	2,260,028
Purchase money mortgages payable in installments currently aggregating \$445,000 annually including interest at rates ranging from 5.45% to Prime +1%, collateralized by land held for future development.	2,264,491	2,491,434
Other	92,012	83,490
Total long-term debt	<u>32,925,268</u>	<u>32,778,088</u>
Less current installments	<u>(3,339,000)</u>	<u>(2,928,000)</u>
Long-term debt less current installments	<u><u>\$29,586,268</u></u>	<u><u>29,850,088</u></u>

Maturities of long-term debt for the years ended December 31, 1996 through 2000 and thereafter are as follows:

1996	\$ 3,339,000
1997	3,921,000
1998	4,045,000
1999	4,566,000
2000	2,263,000
Thereafter	14,791,268
	<u><u>\$32,925,268</u></u>

During 1995, The Villages capitalized interest in the amount of \$493,000 related to its construction activities.

The net book value of property, plant and equipment pledged as collateral for long-term debt was \$27,570,000 at December 31, 1995.

8. Leases

The Villages leases its owned shopping center and retail facilities under various non-cancellable operating leases, which expire at various dates through the year 2000. The Villages leases retail space to related parties at rates similar to those charged to non-related parties. At December 31, 1995 and 1994, the gross amount of property, plant and equipment leased under operating lease agreements was as follows:

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (See accompanying review report of KPMG Peat Marwick LLP)

8. Leases, continued	<u>1995</u>	<u>1994</u>
Shopping centers and retail facilities	\$ 2,292,018	1,946,678
Less accumulated depreciation	(1,130,870)	(868,622)
	<u>\$ 1,161,148</u>	<u>1,078,056</u>

Future minimum lease payments to be received under non-cancellable operating leases for the years ended December 31, 1996 through 2000 and thereafter are as follows:

1996	\$ 261,000
1997	242,000
1998	207,000
1999	145,000
2000	66,000
Thereafter	—
	<u>\$ 921,000</u>

Rental income for the years ended December 31, 1995 and 1994 amounted to \$223,121 and \$898,730, respectively. During 1994 The Villages sold two of its shopping centers (see Note 5).

9. Commitments and Contingencies

The Villages has entered into a land purchase option to acquire 1,320 acres of land for future development. The payments required to exercise this option for the years ended December 31, 1996 through 2000 and thereafter are as follows:

	Option Amount	Acres to be Acquired
1996	\$ 350,000	70
1997	350,000	75
1998	350,000	80
1999	350,000	85
2000	350,000	90
Thereafter	2,800,000	920
	<u>\$4,550,000</u>	<u>1,320</u>

The Villages is not required to make scheduled option payments. However, if a scheduled option payment is not made, the option terminates and The Villages forfeits its right to acquire additional property in the future pursuant to the options. During 1995 and 1994, The Villages acquired 65 and 60 acres, respectively, when it exercised its option with a cash payment of \$350,000 each year.

During December 1993, The Villages sold a warehouse to a purchaser who sells building supplies to subcontractors who construct homes at The Villages. The Villages has agreed to repurchase the warehouse at decreasing sales prices over the next ten years should its subcontractors not purchase minimum amounts of building materials from the warehouse owner. The Villages does not believe it will be required to repurchase the warehouse because it requires its subcontractors to purchase building materials from the warehouse owner.

Continued,

THE VILLAGES OF LAKE-SUMTER, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(See accompanying review report of KPMG Peat Marwick LLP)

9. Commitments and Contingencies, continued

The Villages is contingently liable for bank indebtedness of Lazy B Cattle Venture, Ltd. in the amount of \$765,000.

On December 15, 1995, The Villages agreed to sell certain recreation and security facilities and drainage and other common areas, and to assign its right to collect monthly homeowner amenity fees from approximately 5,300 of the approximately 6,700 residences in The Villages to Village Center Community Development District ("Village Center"). Village Center has validated \$25.0 million of its Recreational Revenue Bonds to acquire these assets. The Village Center Recreational Bonds will be payable solely from revenues generated from its recreational activities. Village Center has received a commitment, subject to contingencies, to insure the payment of principal and interest on its tax exempt Recreational Revenue Bonds from a major municipal bond insurance company. There can be no guarantee that the contingencies can be met or that this sale will be consummated. The Villages will record a gain on this sale if it is consummated.

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Statement of Consistency
With Comprehensive Plan

EXHIBIT B

CARLTON, FIELDS, WARD, EMMANUEL, SMITH & CUTLER, P. A.

ATTORNEYS AT LAW

ONE HARBOUR PLACE P.O. BOX 3239 TAMPA, FLORIDA 33601 (813) 223-7000 FAX (813) 229-4133	FIRSTSTATE TOWER P.O. BOX 1171 ORLANDO, FLORIDA 32802 (407) 849-0300 FAX (407) 648-9099	HARBOURVIEW BUILDING P.O. BOX 12426 PENSACOLA, FLORIDA 32582 (904) 434-0142 FAX (904) 434-5366	FIRST FLORIDA BANK BUILDING P.O. DRAWER 190 TALLAHASSEE, FLORIDA 32302 (904) 224-1585 FAX (904) 222-0398	ESPERANTE P.O. BOX 150 WEST PALM BEACH, FLORIDA 33402 (407) 659-7070 FAX (407) 659-7368	BARNETT TOWER P.O. BOX 2861 ST. PETERSBURG, FLORIDA 33731 (813) 821-7000 FAX (813) 822-3768
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PLEASE REPLY TO :

February 20, 1996

Tallahassee

F. Marshall Deterding
Rose, Sundstrom And Bentley
2548 Blairstone Pine Dr.
Tallahassee, Fl 32301

Re: Consistency of PSC Application with Sumter County Comprehensive Plan

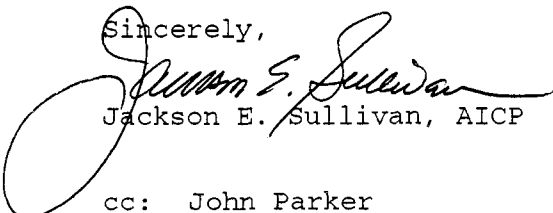
Dear Mr. Deterding:

At your direction and pursuant to the instructions contained in paragraph 6. of your letter dated November 9, 1994, I have evaluated the consistency of your application to the Public Service Commission with the provisions of the Sumter County Comprehensive Plan. As I understand your application, Little Sumter Utility Company plans to construct a water and wastewater system that will provide service to an area in Sumter County being developed by the Villages of Lake-Sumter, Inc., and under the Tri-County Villages DRI.

As you know, pursuant to the Tri-County Villages DRI substantial deviation application submitted to Sumter County on September 30, 1993, I made an evaluation in that submittal to insure consistency of the Tri-County Villages Master Plan with the Sumter County Comprehensive Plan. Because of the requirements of the Sumter County Comprehensive Plan, the provision of central water and sewer service by the Developer related utility was required. This requirement was incorporated into the DRI development order and provided for in the Developer's master plan for the project. I have again reviewed the Master Plan and the development order issued on September 20, 1994 by the Sumter County Commission for the Tri-County Villages DRI. Based on the representations in the Master Plan and the DRI-ADA and the development order, the provision of water and wastewater service as represented in the PSC application is consistent with the utilities subelements of the Sumter Comprehensive Plan

If you need further information or clarification, please contact me.

Sincerely,


Jackson E. Sullivan, AICP

cc: John Parker
John Wise

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Statement and Table of
Equivalent Residential Connections

EXHIBIT C

EQUIVALENT RESIDENTIAL CONNECTIONS (ERC's) WATER

PHASE I 1997 - 2002

RESIDENTIAL

METER SIZE	ERC	CUMULATIVE ERC
5/8"	2750	2750

COMMERCIAL

METER SIZE	ERC	CUMULATIVE ERC
5/8"	10	10
1"	65	75
1 1/2"	25	100
2"	24	124
3"	32	156
4"	25	181

Future phasing will contain a similar mix of commercial and residential ERC's. The equivalent residential connections (ERC) for water demands and wastewater flows is required to be defined to assist in the Public Service Commission's review of LSU. As stated previously, water demands and wastewater flows were estimated based on a unit demand of 230 gpcd and 61 gpcd, respectively for annual average conditions. The 230 gpcd unit water demand was based on total residential, commercial, development uses, and unaccounted-for water. To define an ERC, the commercial and a portion of the unaccounted-for water were subtracted from the total unit demand of 230 gpcd to determine the total estimated residential water demand of 216 gpcd (195 gpcd total residential demand, 11 gpcd unaccounted-for water, plus 10 gpcd development use). The estimated water demand for each category of water use was defined in the Application for Water Use Permit and Water Conservation Plan (CH2M Hill, October 1995). For LSU, an ERC is defined as one dwelling unit with an annual average water demand of 410 gpd (216 gpcd multiplied by 1.9 persons per dwelling unit). The wastewater flow generated from an ERC is 109 gpd based on the wastewater unit flow of 61 gpcd, 1.9 persons per dwelling unit, and the percentage of total residential water demand compared to total water demand ($216/230=0.939$).

PROJECT PHASING SCHEDULE

PHASE	DWELLING UNITS	YEAR
1	0 - 2750	1997 - 2002
2	2751 - 5750	2003 - 2007
3	5751 - 8954	2008 - 2015

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Type of Customers

EXHIBIT D

The following is a description of the type of customers to be served by the Little Sumter Utility Company (Lsu) Water and Wastewater Treatment Plants.

Residential Customers

Single Family conventionally built retirement homes with approximately 1.9 capita per dwelling unit.

Commercial Customers

Will include recreational and mail pickup facilities, golf course clubhouses, neighborhood shopping centers, health care and wellness center.

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Evidence of Ownership

EXHIBIT E

CONTRACT FOR SALE AND PURCHASE
FAR/BAR



PARTIES: THE VILLAGES OF LAKE-SUMTER, INC., a Florida corporation ("Seller")
of 1100 Main Street, Lady Lake, Florida 32159 (Phone)
and LITTLE SUMTER UTILITY COMPANY, a Florida corporation ("Buyer")
of 1100 Main Street, Lady Lake, Florida 32159 (Phone)

herby agree that Seller shall sell and Buyer shall buy the following Real Property and Personal Property (collectively "Property") upon the following terms and conditions, which INCLUDE Standards for Real Estate Transactions ("Standard(s)") on the reverse side or attached hereto and riders and addenda to this Contract for Sale and Purchase ("Contract").

I. DESCRIPTION:

- (a) Legal description of Real Property located in Sumter County, Florida: See attached Exhibit "A".
(b) Street address, city, zip, of the Property is:
(c) Personal Property:

II. PURCHASE PRICE: One Dollar (\$1.00) & other valuable consideration \$
PAYMENT:

- (a) Deposit held in escrow by in the amount of \$
(b) Additional escrow deposit within days after Effective Date (as defined in Paragraph III) in the amount of \$
(c) Subject to AND assumption of mortgage in good standing in favor of
having an approximate present principal balance of \$
(d) Purchase money mortgage and note (see addendum) in the amount of \$
(e) Other: \$
(f) Balance to close by U.S. cash, LOCALLY DRAWN certified or cashier's check or third-party loan, subject to adjustments and prorations \$

III. TIME FOR ACCEPTANCE OF OFFER; EFFECTIVE DATE; FACSIMILE: If this offer is not executed by and delivered to all parties OR FACT OF EXECUTION communicated in writing between the parties on or before the deposit(s) will, at Buyer's option, be returned to Buyer and this offer withdrawn. The date of Contract ("Effective Date") will be the date when the last one of the Buyer and Seller has signed this offer. A facsimile copy of this Contract and any signatures hereon shall be considered for all purposes as originals.

IV. FINANCING:

- (a) If the purchase price or any part of it is to be financed by a third-party loan, this Contract is conditioned on Buyer obtaining a written commitment within days after Effective Date for (CHECK ONLY ONE): a fixed, an adjustable, or a fixed or adjustable rate loan for the principal amount of \$ at an initial interest rate not to exceed %, discount and origination fees not to exceed % of the principal amount, and a term of years. Buyer will make application within days after Effective Date and use reasonable diligence to obtain the loan commitment and, thereafter, to satisfy the terms and conditions of the commitment and close the loan. Buyer shall pay all loan expenses. If Buyer fails to obtain the commitment or fails to waive Buyer's rights under this subparagraph within the time for obtaining the commitment or, after diligent effort, fails to meet the terms and conditions of the commitment, then either party thereafter, by written notice to the other, may cancel this Contract and Buyer shall be refunded the deposit(s); or
(b) The existing mortgage described in Paragraph II(c) above has (CHECK ONLY ONE): a variable interest rate; or a fixed interest rate of % per annum. At time of title transfer some fixed interest rates are subject to increase. If increased, the rate shall not exceed % per annum. Seller shall, within days after Effective Date, furnish a statement from each mortgagee stating principal balance, method of payment, interest rate and status of mortgage. If Buyer has agreed to assume a mortgage which requires approval of Buyer by the mortgagee for assumption, then Buyer shall promptly obtain the necessary application and diligently complete and return it to the mortgagee. Any mortgagee charge(s) not to exceed \$ shall be paid by Buyer. If Buyer is not accepted by mortgagee or the requirements for assumption are not in accordance with the terms of this Contract or mortgagee makes a charge in excess of the stated amount, Seller or Buyer may rescind this Contract by written notice to the other party unless either elects to pay the increase in interest rate or excess mortgagee charges.

V. TITLE EVIDENCE: At least 2 days before closing date, but no earlier than days after Seller receives written notification that Buyer has obtained the loan commitment or been approved for the loan assumption as provided in Paragraphs IV(a) or (b), above, or, if applicable, waived the financing requirements, (CHECK ONLY ONE): Seller shall, at Seller's expense, deliver to Buyer or Buyer's attorney; or Buyer shall at Buyer's expense obtain, in accordance with Standard A, (CHECK ONLY ONE): abstract of title; or title insurance commitment (with legible copies of instruments listed as exceptions) and, after closing, an owner's policy of title insurance.

VI. CLOSING DATE: This transaction shall be closed and the deed and other closing papers delivered on See Addendum, unless extended by other provisions of this Contract.

VII. RESTRICTIONS; EASEMENTS; LIMITATIONS: Buyer shall take title subject to: comprehensive land use plans, zoning, restrictions, prohibitions and other requirements imposed by governmental authority; restrictions and matters appearing on the plat or otherwise common to the subdivision; public utility easements of record (easements are to be located contiguous to Real Property lines and not more than 10 feet in width as to the rear or front lines and 7 1/2 feet in width as to the side lines, unless otherwise stated herein); taxes for year of closing and subsequent years; assumed mortgages and purchase money mortgages, if any; (if other matters, see Paragraph XV); provided, that there exists at closing no violation of the foregoing and none of them prevents use of the Property for water and wastewater utility purpose(s).

VIII. OCCUPANCY: Seller warrants that there are no parties in occupancy other than Seller; but, if Property is intended to be rented or occupied beyond closing, the fact and terms thereof shall be stated herein and the tenant(s) or occupants disclosed pursuant to Standard F. Seller shall deliver occupancy of Property at time of closing unless otherwise stated herein. If occupancy is to be delivered before closing, Buyer assumes all risk of loss to Property from date of occupancy, shall be responsible and liable for maintenance from that date, and shall be deemed to have accepted Property in its existing condition as of time of taking occupancy unless otherwise stated herein.

IX. TYPEWRITTEN OR HANDWRITTEN PROVISIONS: Typewritten or handwritten provisions, riders and addenda shall control all printed provisions of this Contract in conflict with them.

- X. RIDERS: (CHECK those riders which are applicable AND are attached to this Contract):
(a) COASTAL CONSTRUCTION CONTROL LINE RIDER (e) INSULATION RIDER
(b) CONDOMINIUM RIDER (f) "AS IS" RIDER
(c) FHA/VA RIDER (g)
(d) FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT RIDER (h)

XI. ASSIGNABILITY: (CHECK ONLY ONE): Buyer may assign and thereby be released from any further liability under this Contract; may assign but not be released from liability under this Contract; or may not assign this Contract.

XII. TIME: Time is of the essence of this Contract.

XIII. DISCLOSURES: Buyer (CHECK ONLY ONE) does not acknowledge receipt of the Agency/Radon/Compensation, the Real Property Sales Expense Disclosure Warning, and, if applicable, the Mandatory Homeowners' Association disclosures. BUYER'S INITIALS.

- XIV. MAXIMUM REPAIR COSTS: Seller shall not be responsible for the payment of costs in excess of:
(a) \$ for treatment and repair under Standard D (if blank, then 2% of the Purchase Price).
(b) \$ for repair and replacement under Standard N (if blank, then 3% of the Purchase Price).

XV. SPECIAL CLAUSES: If additional space is required, attach addendum and CHECK HERE
THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, SEEK THE ADVICE OF AN ATTORNEY PRIOR TO SIGNING. THIS FORM HAS BEEN APPROVED BY THE FLORIDA ASSOCIATION OF REALTORS AND THE FLORIDA BAR. Approval does not constitute an opinion that any of the terms and conditions in this Contract should be accepted by the parties in a particular transaction. Terms and conditions should be negotiated based upon the respective interests, objectives and bargaining positions of all interested persons.

LITTLE SUMTER UTILITY COMPANY THE VILLAGES OF LAKE-SUMTER, INC.
By: (Buyer) (Date) By: (Seller) (Date)

Social Security or Tax I.D. # (Buyer) Social Security or Tax I.D. # (Seller)

(Buyer) (Date) (Seller) (Date)

Social Security or Tax I.D. # (Buyer) Social Security or Tax I.D. # (Seller)

Deposit under Paragraph II (a) received, IF OTHER THAN CASH, THEN SUBJECT TO CLEARANCE. (Escrow Agent)

BROKER'S FEE: The brokers named below, including listing and cooperating brokers, are the only brokers entitled to compensation in connection with this Contract:

Name Listing Broker Cooperating Brokers, if any

STANDARDS FOR REAL ESTATE TRANSACTIONS

A. EVIDENCE OF TITLE: (1) An abstract of title prepared or brought current by a reputable and existing abstract firm (if not existing then certified as correct by an existing firm) purporting to be an accurate synopsis of the instruments affecting title to the Real Property recorded in the public records of the county wherein Real Property is located through Effective Date and which shall commence with the earliest public records, or such later date as may be customary in the county. Upon closing of this transaction, the abstract shall become the property of Buyer, subject to the right of retention thereof by first mortgagee until fully paid. (2) A title insurance commitment issued by a Florida licensed title insurer agreeing to issue to Buyer, upon recording of the deed to Buyer, an owner's policy of title insurance in the amount of the purchase price insuring Buyer's title to the Real Property, subject only to liens, encumbrances, exceptions or qualifications set forth in this Contract and those which shall be discharged by Seller at or before closing. Seller shall convey marketable title subject only to liens, encumbrances, exceptions or qualifications specified in this Contract. Marketable title shall be determined according to applicable Title Standards adopted by authority of The Florida Bar and in accordance with law. Buyer shall have 30 days, if abstract, or 5 days, if title commitment, from date of receiving evidence of title to examine it. If title is found defective, Buyer shall within 3 days thereafter, notify Seller in writing specifying defect(s). If the defect(s) render title unmarketable, Seller will have 30 days from receipt of notice to remove the defects, failing which Buyer shall, within five (5) days after expiration of the thirty (30) day period, deliver written notice to Seller either: (1) extending the time for a reasonable period not to exceed 120 days within which Seller shall use diligent effort to remove the defects; or (2) requesting a refund of deposit(s) paid which shall immediately be returned to Buyer. If Buyer fails to so notify Seller, Buyer shall be deemed to have accepted the title as it then is. Seller shall, if title is found unmarketable, use diligent effort to correct defect(s) in the title within the time provided therefor. If Seller is unable to remove the defects within the times allowed therefor, Buyer shall either waive the defects or receive a refund of deposit(s), thereby releasing Buyer and Seller from all further obligation under this Contract.

B. PURCHASE MONEY MORTGAGE; SECURITY AGREEMENT TO SELLER: A purchase money mortgage and mortgage note to Seller shall provide for a 30-day grace period in the event of default if a first mortgage and a 15-day grace period if a second or lesser mortgage; shall provide for right of prepayment in whole or in part without penalty; shall permit acceleration in event of transfer of the Real Property; shall require all prior liens and encumbrances to be kept in good standing and forbid modifications of or future advances under prior mortgage(s); shall require Buyer to maintain policies of insurance containing a standard mortgagee clause covering all improvements located on the Real Property against fire and all perils included within the term "extended coverage endorsements" and such other risks and perils as Seller may reasonably require, in an amount equal to their highest insurable value; and the mortgage, note and security agreement shall be otherwise in form and content required by Seller; but Seller may only require clauses and coverage customarily found in mortgages, mortgage notes and security agreements generally utilized by savings and loan institutions or state or national banks located in the county wherein Real Property is located. All Personal Property and leases being conveyed or assigned will, at Seller's option, be subject to the lien of a security agreement evidenced by recorded financing statements. If a balloon mortgage, the final payment will exceed the periodic payments thereon.

C. SURVEY: Buyer, at Buyer's expense, within time allowed to deliver evidence of title and to examine same, may have the Real Property surveyed and certified by a registered Florida surveyor. If survey shows encroachment on Real Property or that improvements located on Real Property encroach on setback lines, easements, lands of others or violate any restrictions, Contract covenants or applicable governmental regulation, the same shall constitute a title defect.

D. TERMITES: Buyer, at Buyer's expense, within time allowed to deliver evidence of title, may have the Property inspected by a Florida Certified Pest Control Operator ("Operator") to determine if there is any visible active termite infestation or visible damage from termite infestation in the Property. If either or both are found, Buyer will have 4 days from date of written notice thereof within which to have cost of treatment, if required, estimated by the Operator and all damage, inspected and estimated by a licensed builder or general contractor. Seller shall pay valid costs of treatment and repair of all damage up to the amount provided in Paragraph XIV(a). Should estimated costs exceed that amount, Buyer shall have the option of canceling Contract within 5 days after receipt of contractor's repair estimate by giving written notice to Seller or Buyer may elect to proceed with the transaction, in which event Buyer shall receive a credit at closing of the amount provided in Paragraph XIV(a). "Termites" shall be deemed to include all wood destroying organisms required to be reported under the Florida Pest Control Act.

E. INGRESS AND EGRESS: Seller warrants and represents that there is ingress and egress to the Real Property sufficient for its intended use as described in Paragraph VII hereof, title to which is in accordance with Standard A.

F. LEASES: Seller shall, not less than 15 days before closing, furnish to Buyer copies of all written leases and estoppel letters from each tenant specifying the nature and duration of the tenant's occupancy, rental rates, advanced rent and security deposits paid by tenant. If Seller is unable to obtain such letter from each tenant, the same information shall be furnished by Seller to Buyer within that time period in the form of a Seller's affidavit, and Buyer may thereafter contact tenants to confirm such information. Seller shall, at closing, deliver and assign all original leases to Buyer.

G. LIENS: Seller shall furnish to Buyer at time of closing an affidavit attesting to the absence, unless otherwise provided for herein, of any financing statement, claims of lien or potential liens known to Seller and further attesting that there have been no improvements or repairs to the Property for 90 days immediately preceding date of closing. If Property has been improved or repaired within that time, Seller shall deliver releases or waivers of construction liens executed by all general contractors, subcontractors, suppliers and materialmen in addition to Seller's lien affidavit setting forth the names of all such general contractors, subcontractors, suppliers and materialmen and further affirming that all charges for improvements or repairs which could serve as a basis for a construction lien or a claim for damages have been paid or will be paid at closing of this Contract.

H. PLACE OF CLOSING: Closing shall be held in the county wherein the Real Property is located at the office of the attorney or other closing agent designated by Seller.

I. TIME PERIOD: In computing time periods of less than six (6) days, Saturdays, Sundays and state or national legal holidays shall be excluded. Any time periods provided for herein which shall end on a Saturday, Sunday or a legal holiday shall extend to 5:00 p.m. of the next business day.

J. DOCUMENTS FOR CLOSING: Seller shall furnish the deed, bill of sale, construction lien affidavit, owner's possession affidavit, assignments of leases, tenant and mortgagee estoppel letters and corrective instruments. Buyer shall furnish closing statement, mortgage, mortgage note, security agreement and financing statements.

K. EXPENSES: Documentary stamps on the deed and recording of corrective instruments shall be paid by Seller. Documentary stamps and intangible tax on the purchase money mortgage and any mortgage assumed, and recording of purchase money mortgage to Seller, deed and financing statements shall be paid by Buyer.

L. PRORATIONS; CREDITS: Taxes, assessments, rent, interest, insurance and other expenses and revenue of Property shall be prorated through day before closing. Buyer shall have the option of taking over any existing policies of insurance, if assumable, in which event premiums shall be prorated. Cash at closing shall be increased or decreased as may be required by prorations. Prorations will be made through day prior to occupancy if occupancy occurs before closing. Advance rent and security deposits will be credited to Buyer and escrow deposits held by mortgagee will be credited to Seller. Taxes shall be prorated based on the current year's tax with due allowance made for maximum allowable discount, homestead and other exemptions. If closing occurs at a date when the current year's millage is not fixed and current year's assessment is available, taxes will be prorated based upon such assessment and the prior year's millage. If current year's assessment is not available, then taxes will be prorated on the prior year's tax. If there are completed improvements on the Real Property by January 1st of year of closing, which improvements were not in existence on January 1st of the prior year, then taxes shall be prorated based upon the prior year's millage and at an equitable assessment to be agreed upon between the parties, failing which, request will be made to the County Property Appraiser for an informal assessment taking into consideration available exemptions. Any tax proration based on an estimate shall, at request of either Buyer or Seller, be subsequently readjusted upon receipt of tax bill on condition that a statement to that effect is in the closing statement.

M. SPECIAL ASSESSMENT LIENS: Certified, confirmed and ratified special assessment liens as of date of closing (not as of Effective Date) are to be paid by Seller. Pending liens as of date of closing shall be assumed by Buyer. If the improvement has been substantially completed as of Effective Date, any pending lien shall be considered certified, confirmed or ratified and Seller shall, at closing, be charged an amount equal to the last estimate of assessment for the improvement by the public body.

N. INSPECTION, REPAIR AND MAINTENANCE: Seller warrants that, as of 10 days prior to closing, the ceiling, roof (including the fascia and soffits) and exterior and interior walls, foundation, seawalls (or equivalent) and dockage do not have any VISIBLE EVIDENCE of leaks, water damage or structural damage and that the septic tank, pool, all appliances, mechanical items, heating, cooling, electrical, plumbing systems and machinery are in WORKING CONDITION. The foregoing warranty shall be limited to the items specified unless otherwise provided in an addendum. Buyer may, at Buyer's expense, have inspections made of those items by a firm or individual specializing in home inspections and holding an occupational license for such purpose (if required) or by an appropriately licensed Florida contractor. Buyer shall prior to Buyer's occupancy or not less than 10 days prior to closing, whichever occurs first, report in writing to Seller such items that do not meet the above standards as to defects. Unless Buyer reports such defects within that time, Buyer shall be deemed to have waived Seller's warranties as to defects not reported. If repairs or replacements are required to comply with this Standard, Seller shall cause them to be made and shall pay up to the amount provided in Paragraph XIV(b). Seller is not required to make repairs or replacements of a cosmetic nature unless caused by a defect Seller is responsible to repair or replace. If the cost for such repair or replacement exceeds the amount provided in Paragraph XIV(b), Buyer or Seller may elect to pay such excess, failing which either party may cancel this Contract. If Seller is unable to correct the defects prior to closing, the cost thereof shall be paid into escrow at closing. Seller shall, upon reasonable notice, provide utilities service and access to the Property for inspections, including a walk-through prior to closing, to ensure that all items of Personal Property are on the Real Property and, subject to the foregoing, that all required repairs and replacements have been made and that the Property, including, but not limited to, the lawn, shrubbery and pool, if any, has been maintained in the condition existing as of the Effective Date, ordinary wear and tear excepted.

O. RISK OF LOSS: If the Property is damaged by fire or other casualty before closing and cost of restoration does not exceed 3% of the assessed valuation of the Property so damaged, cost of restoration shall be an obligation of the Seller and closing shall proceed pursuant to the terms of this Contract with restoration costs escrowed at closing. If the cost of restoration exceeds 3% of the assessed valuation of the improvements so damaged, Buyer shall have the option of either taking Property as is, together with either the 3% or any insurance proceeds payable by virtue of such loss or damage, or of canceling this Contract and receiving return of deposit(s).

P. PROCEEDS OF SALE; CLOSING PROCEDURE: The deed shall be recorded upon clearance of funds. If abstract of title has been furnished, evidence of title shall be continued at Buyer's expense to show title in Buyer, without any encumbrances or change which would render Seller's title unmarketable from the date of the last evidence. Proceeds of the sale shall be held in escrow by Seller's attorney or by another mutually acceptable escrow agent for a period of not more than 5 days after closing date. If Seller's title is rendered unmarketable, through no fault of Buyer, Buyer shall, within the 5-day period, notify Seller in writing of the defect and Seller shall have 30 days from date of receipt of such notification to cure the defect. If Seller fails to timely cure the defect, all deposit(s) and closing funds shall, upon written demand by Buyer and within 5 days after demand, be returned to Buyer and, simultaneously with such repayment, Buyer shall return the Personal Property, vacate the Real Property and reconvey the Property to Seller by special warranty deed and bill of sale. If Buyer fails to make timely demand for refund, Buyer shall take title as is, waiving all rights against Seller as to any intervening defect except as may be available to Buyer by virtue of warranties contained in deed or bill of sale. If a portion of the purchase price is to be derived from institutional financing or refinancing, requirements of the lending institution as to place, time of day and procedures for closing, and for disbursement of mortgage proceeds shall control over contrary provision in this Contract. Seller shall have the right to require from the lending institution a written commitment that it will not withhold disbursement of mortgage proceeds as a result of any title defect attributable to Buyer-mortgagor. The escrow and closing procedure required by this Standard shall be waived if title agent insures adverse matters pursuant to Section 627.7841, F.S. (1993), as amended.

Q. ESCROW: Any escrow agent (Agent) receiving funds or equivalent is authorized and agrees by acceptance of them to deposit them promptly, hold same in escrow and, subject to clearance, disburse them in accordance with terms and conditions of Contract. Failure of clearance of funds shall not excuse Buyer's performance. If in doubt as to Agent's duties or liabilities under the provisions of Contract, Agent may, at Agent's option, continue to hold the subject matter of the escrow until the parties mutually agree to its disbursement or until a judgment of a court of competent jurisdiction shall determine the rights of the parties or Agent may deposit same with the clerk of the circuit court having jurisdiction of the dispute. Upon notifying all parties concerned of such action, all liability on the part of Agent shall fully terminate, except to the extent of accounting for any items previously delivered out of escrow. If a licensed real estate broker, Agent will comply with provisions of Chapter 475, F.S. (1993), as amended. Any suit between Buyer and Seller wherein Agent is made a party because of acting as Agent hereunder, or in any suit wherein Agent interpleads the subject matter of the escrow, Agent shall recover reasonable attorney's fees and costs incurred with the fees and costs to be paid from and out of the escrowed funds or equivalent and charged and awarded as court costs in favor of the prevailing party. Parties agree that Agent shall not be liable to any party or person for misdelivery to Buyer or Seller of items subject to this escrow, unless such misdelivery is due to willful breach of this Contract or gross negligence of Agent.

R. ATTORNEY'S FEES; COSTS: In any litigation, including breach, enforcement or interpretation, arising out of this Contract, the prevailing party in such litigation which, for the purposes of this Standard, shall include Seller, Buyer and any brokers acting in agency or nonagency relationships authorized by Chapter 475, F.S. (1993), as amended, shall be entitled to recover reasonable attorney's fees, costs and expenses.

3. FAILURE OF PERFORMANCE: If Buyer fails to perform this Contract within the time specified, including payment of all deposit(s), the deposit(s) paid by Buyer and deposit(s) agreed to be paid, may be retained by or for the account of Seller as agreed upon liquidated damages, consideration for the execution of this Contract and in full settlement of any claims; whereupon, Buyer and Seller shall be relieved of all obligations under this Contract; or Seller, at Seller's option, may proceed in equity to enforce Seller's rights under this Contract. If for any reason other than failure of Seller to make Seller's title marketable after diligent effort, Seller fails, neglects or refuses to perform this Contract, the Buyer may seek specific performance or elect to receive the return of Buyer's deposit(s) without thereby waiving any action for damages resulting from Seller's breach.

f. CONTRACT NOT RECORDABLE; PERSONS BOUND; NOTICE: Neither this Contract nor any notice of it shall be recorded in any public records. This Contract shall bind and inure to the benefit of the parties and their successors in interest. Whenever the context permits, singular shall include plural and one gender shall include all. Notice given by or to the attorney or any party shall be as effective as if given by or to that party.

J. CONVEYANCE: Seller shall convey title to the Real Property by statutory warranty, trustee's, personal representative's or guardian's deed, as appropriate to the status of Seller, subject only to matters contained in Paragraph VII and those otherwise accepted by Buyer. Personal Property shall, at request of Buyer, be transferred by an absolute bill of sale with warranty of title, subject only to such matters as may be otherwise provided for herein.

7. OTHER AGREEMENTS: No prior or present agreements or representations shall be binding upon Buyer or Seller unless included in this Contract. No modification or change in this Contract shall be valid or binding upon the parties unless in writing and executed by the party or parties intended to be bound by it.

V. WARRANTY: Seller warrants that there are no facts known to Seller materially affecting the value of the Property which are not readily observable by Buyer or which have not been disclosed to Buyer.

ADDENDUM TO CONTRACT FOR SALE AND PURCHASE
BETWEEN THE VILLAGES OF LAKE-SUMTER, INC., A
FLORIDA CORPORATION, AS SELLER, AND LITTLE
SUMTER UTILITY COMPANY, AS BUYER, DATED: _____

1. The attached Warranty Deed shall be the form to be executed by the Seller.

2. The closing shall take place within thirty (30) days after Buyer is granted a certificate to operate a water and wastewater utility upon that site.

SELLER:

THE VILLAGES OF LAKE-SUMTER, INC.

By: _____
H. Gary Morse, Vice President

LITTLE SUMTER UTILITY COMPANY

By: _____

Its: _____

EXHIBIT A

**LITTLE SUMTER UTILITIES, INC.
DESCRIPTION OF WASTEWATER TREATMENT PLANT**

A TRACT OF LAND LYING IN AND BEING A PORTION OF SECTIONS 2 AND 3, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA. BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGIN AT THE NORTHWEST CORNER OF THE S 1/2 OF THE S 1/2 OF THE NW 1/4 OF SAID SECTION 2 AND PROCEED EAST, ALONG THE NORTH LINE OF SAID S 1/2 OF S 1/2 OF NW 1/4, A DISTANCE OF 935.00 FEET; THENCE SOUTH, A DISTANCE OF 538.38 FEET TO A POINT ON A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 1160.00 FEET AND A CENTRAL ANGLE OF 23°09'12"; THENCE SOUTHWESTERLY, ALONG THE ARC OF SAID CURVE, A DISTANCE OF 468.76 FEET TO A POINT OF TANGENCY. SAID ARC HAVING A CHORD BEARING AND DISTANCE OF S. 57°56'06" W., 465.58 FEET; THENCE S. 46°21'30" W., A DISTANCE OF 179.16 FEET MORE OR LESS TO AN INTERSECTION WITH THE SOUTHWESTERLY RIGHT OF WAY LINE OF A FLORIDA POWER CORPORATION TRANSMISSION LINE EASEMENT (BEING 170.00 FEET WIDE); THENCE N. 43°38'30" W., ALONG SAID RIGHT OF WAY, A DISTANCE OF 602.93 FEET MORE OR LESS TO AN INTERSECTION WITH THE WEST LINE OF THE NW 1/4 OF SAID SECTION 2; THENCE CONTINUE N. 43°38'30" W., ALONG SAID RIGHT OF WAY, A DISTANCE OF 668.91 FEET MORE OR LESS TO AN INTERSECTION WITH THE SOUTH BOUNDARY OF THE NE 1/4 OF THE SE 1/4 OF THE NE 1/4 OF SAID SECTION 3; THENCE EAST, A DISTANCE OF 467.00 FEET MORE OR LESS TO THE POINT OF BEGINNING. SAID TRACT OF LAND LYING IN AND BEING SITUATE IN SUMTER COUNTY, FLORIDA AND CONTAINS 17.58 ACRES MORE OR LESS.

EXHIBIT A

LITTLE SUMTER UTILITIES, INC. DESCRIPTION OF WATER TREATMENT PLANT

A TRACT OF LAND LYING IN AND BEING A PORTION OF SECTION 3, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA. BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE SOUTHWEST CORNER OF THE AFORESAID SECTION 3 AND PROCEED S. 89°35'08" E., ALONG THE SOUTH BOUNDARY OF SAID SECTION, A DISTANCE OF 1,970.48 FEET TO THE SOUTHERLY SOUTHEAST CORNER OF THOSE CERTAIN LANDS DESCRIBED IN OFFICIAL RECORDS BOOK 531, PAGES 701-705, PUBLIC RECORDS, SUMTER COUNTY, FLORIDA; THENCE CONTINUE S. 89°35'08" E., ALONG SAID SOUTH BOUNDARY, A DISTANCE OF 225.00 FEET; THENCE N. 00°27'53" E., A DISTANCE OF 45.23 FEET; THENCE N. 55°38'36" E., A DISTANCE OF 345.60 FEET TO A POINT OF CURVATURE OF A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 295.00 FEET AND A CENTRAL ANGLE OF 33°25'56"; THENCE NORTHEASTERLY, ALONG THE ARC OF SAID CURVE, A DISTANCE OF 172.13 FEET TO A POINT OF TANGENCY. SAID ARC HAVING A CHORD BEARING AND DISTANCE OF N. 72°21'34" E., 169.70 FEET; THENCE N. 89°04'32" E., A DISTANCE OF 464.07 FEET; THENCE N. 00°21'49" E., A DISTANCE OF 225.06 FEET TO THE EASTERLY SOUTHEAST CORNER OF SAID LANDS DESCRIBED IN OFFICIAL RECORDS BOOK 531, PAGES 701-705; THENCE , ALONG THE SOUTHERLY BOUNDARY OF SAID LANDS, THE FOLLOWING COURSES AND DISTANCES: S. 89°04'32" W., A DISTANCE OF 469.13 FEET TO A POINT OF TANGENCY OF A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 520.00 FEET AND A CENTRAL ANGLE OF 33°25'56"; THENCE SOUTHWESTERLY, ALONG THE ARC OF SAID CURVE, A DISTANCE OF 303.42 FEET TO A POINT OF TANGENCY. SAID ARC HAVING A CHORD BEARING AND DISTANCE OF S. 72°21'34" W., 299.14 FEET; THENCE S. 55°38'36" W., A DISTANCE OF 463.17 FEET; THENCE S. 00°27'53" W., A DISTANCE OF 163.00 FEET TO THE POINT OF BEGINNING. SAID TRACT OF LAND LYING AND BEING SITUATE IN SUMTER COUNTY, FLORIDA AND CONTAINS 6.26 ACRES MORE OR LESS.

THIS DOCUMENT PREPARED BY/RETURN TO:
R. DEWEY BURNESED/amr
McLIn, Burneed, Morrison, Johnson & Robuck, P.A.
Post Office Box 491357
Leesburg, FL 34749-1357

WARRANTY DEED

THIS INDENTURE, made this _____ day of _____, 1996, between THE VILLAGES OF LAKE-SUMTER, INC., a Florida corporation, whose post office address is 1100 Main Street, Lady Lake, Florida 32159, grantor, and LITTLE SUMTER UTILITY COMPANY, a Florida corporation, whose post office address is 1100 Main Street, Lady Lake, Florida, grantee,

WITNESSETH, that said grantor, for and in consideration of the sum of TEN AND NO/100-----(\$10.00)----- Dollars, and other good and valuable considerations to said grantor in hand paid by grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said grantee, and grantee's heirs and assigns forever, the following described land, situate and being in Sumter County, Florida, to-wit:

Parcel ID No:

See attached Exhibit "A".

Subject to easements and reservations of record, if any, but this instrument shall not operate to reimpose the same.

and said grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

IN WITNESS WHEREOF, grantor has hereunto set grantor's hand and seal the day and year first above written.

Signed, sealed and delivered
In our presence:

THE VILLAGES OF LAKE-SUMTER, INC.

By: _____
H. Gary Morse, Vice President

Witness Signature

Print Witness Name

Witness Signature

Print Witness Name

[CORPORATE SEAL]

STATE OF FLORIDA
COUNTY OF LAKE

The foregoing instrument was acknowledged before me this _____ day of _____, 1996, by H. Gary Morse, the Vice President of The Villages of Lake-Sumter, Inc., a Florida corporation.

NOTARY PUBLIC - STATE OF FLORIDA
(Signature of Notary Public)

(Print Name of Notary Public)

My Commission Expires: _____

Serial/Commission Number: _____

Personally Known _____ or Produced Identification _____

Type of Identification Produced: _____

EXHIBIT A

**LITTLE SUMTER UTILITIES, INC.
DESCRIPTION OF WASTEWATER TREATMENT PLANT**

A TRACT OF LAND LYING IN AND BEING A PORTION OF SECTIONS 2 AND 3, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA. BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGIN AT THE NORTHWEST CORNER OF THE S 1/2 OF THE S 1/2 OF THE NW 1/4 OF SAID SECTION 2 AND PROCEED EAST, ALONG THE NORTH LINE OF SAID S 1/2 OF S 1/2 OF NW 1/4, A DISTANCE OF 935.00 FEET; THENCE SOUTH, A DISTANCE OF 538.38 FEET TO A POINT ON A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 1160.00 FEET AND A CENTRAL ANGLE OF 23°09'12"; THENCE SOUTHWESTERLY, ALONG THE ARC OF SAID CURVE, A DISTANCE OF 468.76 FEET TO A POINT OF TANGENCY. SAID ARC HAVING A CHORD BEARING AND DISTANCE OF S. 57°56'06" W., 465.58 FEET; THENCE S. 46°21'30" W., A DISTANCE OF 179.16 FEET MORE OR LESS TO AN INTERSECTION WITH THE SOUTHWESTERLY RIGHT OF WAY LINE OF A FLORIDA POWER CORPORATION TRANSMISSION LINE EASEMENT (BEING 170.00 FEET WIDE); THENCE N. 43°38'30" W., ALONG SAID RIGHT OF WAY, A DISTANCE OF 602.93 FEET MORE OR LESS TO AN INTERSECTION WITH THE WEST LINE OF THE NW 1/4 OF SAID SECTION 2; THENCE CONTINUE N. 43°38'30" W., ALONG SAID RIGHT OF WAY, A DISTANCE OF 668.91 FEET MORE OR LESS TO AN INTERSECTION WITH THE SOUTH BOUNDARY OF THE NE 1/4 OF THE SE 1/4 OF THE NE 1/4 OF SAID SECTION 3; THENCE EAST, A DISTANCE OF 467.00 FEET MORE OR LESS TO THE POINT OF BEGINNING. SAID TRACT OF LAND LYING IN AND BEING SITUATE IN SUMTER COUNTY, FLORIDA AND CONTAINS 17.58 ACRES MORE OR LESS.

EXHIBIT A

LITTLE SUMTER UTILITIES, INC.
DESCRIPTION OF WATER TREATMENT PLANT


A TRACT OF LAND LYING IN AND BEING A PORTION OF SECTION 3, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA. BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

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LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Legal Description

EXHIBIT G



LITTLE SUMTER UTILITIES, INC.
DESCRIPTION OF TERRITORY TO BE SERVED

A TERRITORY OF LAND IN SECTIONS 1, 2, 3, 4, 9, 10, 11, 12, 15 AND 16, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGIN AT THE SOUTHWEST CORNER OF THE S1/2 OF THE SE1/4 OF SECTION 9; FROM SAID POINT OF BEGINNING RUN NORTH TO THE NORTHWEST CORNER OF AFORESAID S1/2 OF SE1/4; THENCE EAST TO THE SOUTHWEST CORNER OF THE NE1/4 OF THE SE1/4 OF SECTION 9; THENCE NORTH TO THE NORTHWEST CORNER OF THE SE1/4 OF THE NE1/4 OF SECTION 9; THENCE WEST TO THE SOUTHWEST CORNER OF THE N1/2 OF THE NE1/4; THENCE NORTH TO THE SOUTHEAST CORNER OF THE E1/2 OF THE SW1/4 OF SECTION 4; THENCE WEST TO THE SOUTHWEST CORNER OF SAID E1/2 OF SW1/4; THENCE NORTH TO THE NORTHWEST CORNER OF SAID E1/2 OF SW1/4; THENCE EAST TO THE NORTHEAST CORNER OF SAID E1/2 OF SW1/4; THENCE NORTH TO THE SOUTHEAST CORNER OF THE NE1/4 OF THE NW1/4 OF SECTION 4; THENCE WEST TO THE SOUTHWEST CORNER OF SAID NE1/4 OF NW1/4; THENCE NORTH TO THE NORTHWEST CORNER OF SAID NE1/4 OF NW1/4; THENCE EAST ALONG THE NORTH LINE OF SECTION 4 TO THE NORTHWEST CORNER OF SECTION 3; THENCE CONTINUE EAST ALONG THE NORTH LINE OF SECTION 3 TO THE NORTHEAST CORNER OF THE NW1/4 OF SECTION 3; THENCE SOUTH TO THE NORTHWEST CORNER OF THE S1/2 OF THE NE1/4 OF SECTION 3; THENCE EAST TO THE NORTHWEST CORNER OF THE NE1/4 OF THE SE1/4 OF THE NE1/4 OF SECTION 3; THENCE SOUTH TO THE SOUTHWEST CORNER OF SAID NE1/4 OF SE1/4 OF NE1/4; THENCE EAST TO THE NORTHWEST CORNER OF THE S1/2 OF THE S1/2 OF THE NW1/4 OF SECTION 2; THENCE CONTINUE EAST ALONG THE NORTH LINE OF SAID S1/2 OF S1/2 OF NW1/4 TO A POINT THAT IS 330 FEET WEST OF THE EAST LINE OF THE NW1/4 OF SECTION 2; THENCE PARALLEL WITH SAID EAST LINE RUN SOUTH TO THE EAST-WEST MID-SECTION LINE OF SECTION 2; THENCE ALONG SAID MID-SECTION LINE RUN EAST TO THE NORTHWEST CORNER OF THE N1/2 OF THE SW1/4 OF SECTION 1; THENCE CONTINUE EAST TO THE NORTHEAST CORNER OF SAID N1/2 OF SW1/4; THENCE NORTHEAST TO AN INTERSECTION OF THE EAST LINE OF THE W1/2 OF SW1/4 OF NE1/4 OF SECTION 1 WITH THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 441/27 (BEING 200 FEET WIDE); THENCE S41°21'52"E ALONG SAID SOUTHWESTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 441/27, 2497.32 FEET MORE OR LESS TO A POINT THAT IS N41°21'52"W, 533.33 FEET FROM AN INTERSECTION WITH THE EAST LINE OF SECTION 1; THENCE DEPARTING SAID RIGHT-OF-WAY, S27°37'55"W, 1006.24 FEET; THENCE N89°05'33"W, 979.95 FEET; THENCE S76°37'00"W, 512.93 FEET; THENCE S53°39'25"W, 661.67 FEET; THENCE S38°28'11"W, 29.14 FEET MORE OR LESS TO AN INTERSECTION WITH THE NORTH LINE OF SECTION 12; THENCE CONTINUE S38°28'11"W, 740.59 FEET MORE OR LESS; THENCE S22°00'48"W, 346.72 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE EASTERLY, HAVING A RADIUS OF 745.00 FEET AND A CENTRAL ANGLE OF 06°46'35"; THENCE SOUTHERLY, ALONG THE ARC OF SAID CURVE, 88.11 FEET TO A POINT OF TANGENCY; THENCE S00°05'27"E, 449.53 FEET; THENCE N89°16'28"W, 79.53 FEET; THENCE N74°00'58"W, 254.18 FEET; THENCE S80°26'07"W, 75.25 FEET TO A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 100.00 FEET AND A CENTRAL ANGLE OF 35°58'33"; THENCE SOUTHWESTERLY, ALONG THE ARC OF SAID CURVE, 62.79 FEET; THENCE S44°27'34"W, 186.05 FEET TO A CURVE CONCAVE NORTHERLY, HAVING A RADIUS OF 450.00 FEET AND A CENTRAL ANGLE OF 78°06'55"; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE, 613.51 FEET; THENCE N57°25'31"W, 159.55 FEET TO A CURVE CONCAVE SOUTHERLY, HAVING A RADIUS OF 100.00 FEET AND A CENTRAL ANGLE OF 63°09'25"; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE, 110.23 FEET; THENCE S59°25'04"W, 277.28 FEET TO A CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 450.00 FEET AND A CENTRAL ANGLE OF 64°09'50"; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE, 323.53 FEET MORE OR LESS TO AN INTERSECTION WITH THE EAST LINE OF SECTION 11; THENCE CONTINUE WESTERLY, ALONG SAID ARC, 180.41 FEET MORE OR LESS; THENCE N73°22'28"W, ALONG A NON-TANGENT LINE, 781.39 FEET; THENCE S69°02'49"W, 253.31 FEET; THENCE S67°46'25"W, 639.15 FEET; THENCE S22°53'09"W, 97.61 FEET; THENCE S43°31'09" W, 81.52 FEET; THENCE S83°16'40"W, 64.19 FEET;

THENCE S58°25'29"W, 611.18 FEET; THENCE S16°09'24"W, 786.28 FEET; THENCE N89°34'18"W, 16.11 FEET MORE OR LESS TO AN INTERSECTION WITH THE NORTH-SOUTH MID-SECTION LINE OF SECTION 11; THENCE NORTH, ALONG SAID MID-SECTION LINE, TO THE SOUTHEAST CORNER OF THE W1/2 OF SECTION 2; THENCE ALONG THE EAST LINE OF THE W1/2 OF SECTION 2, RUN N00°04'27"W, 109.72 FEET MORE OR LESS TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF A FLORIDA POWER CORPORATION TRANSMISSION LINE EASEMENT; THENCE ALONG SAID SOUTHWESTERLY RIGHT-OF-WAY LINE RUN N44°26'00"W, 622.28 FEET; THENCE S00°04'35"E, 506.40 FEET TO A POINT THAT IS 50.00 FEET NORTH OF THE SOUTH LINE OF THE SW1/4 OF SECTION 2; THENCE, PARALLEL WITH SAID SOUTH LINE, RUN WEST TO THE WEST LINE OF THE SW1/4 OF SECTION 2 ALSO BEING THE EAST LINE OF THE SE1/4 OF SECTION 3; THENCE, PARALLEL WITH AND 50.00 FEET NORTH OF THE SOUTH LINE OF THE SE1/4 OF SECTION 3, RUN WEST TO THE WEST LINE OF SAID SE1/4; THENCE SOUTH TO THE SOUTHWEST CORNER OF SAID SE1/4; THENCE CONTINUE SOUTH TO THE SOUTHEAST CORNER OF THE NE1/4 OF THE SW1/4 OF SECTION 10; THENCE, ALONG THE SOUTH LINE OF SAID NE1/4 OF SW1/4, RUN WEST TO THE SOUTHWEST CORNER OF SAID NE1/4 OF THE SW1/4 OF SECTION 10; THENCE SOUTH TO THE SOUTHEAST CORNER OF THE W1/2 OF THE SW1/4 OF SECTION 10. SAID POINT ALSO BEING ON THE NORTH LINE OF THE NW1/4 OF SECTION 15; THENCE, ALONG SAID NORTH LINE, RUN WEST 185.91 FEET, MORE OR LESS, TO A 4-INCH CONCRETE MONUMENT; SAID MONUMENT BEING N89°59'15"E, 1142.39 FEET FROM THE NORTHWEST CORNER OF SECTION 15; FROM SAID CONCRETE MONUMENT RUN SOUTH 1334.50 FEET TO THE SOUTH LINE OF THE N1/2 OF THE NW1/4 OF SECTION 15; THENCE CONTINUE SOUTH 77.99 FEET TO A POINT ON THE ARC OF A CURVE IN THE NORTH RIGHT-OF-WAY LINE OF COUNTY ROAD C-466 (BEING 100-FEET WIDE); SAID CURVE BEING CONCAVE SOUTHWESTERLY, HAVING A RADIUS OF 1959.86 FEET AND A CENTRAL ANGLE OF 16°57'10"; THENCE RUN NORTHWESTERLY, ALONG THE ARC OF SAID CURVE, 579.89 FEET, TO THE POINT OF TANGENCY OF SAID CURVE; THENCE N89°29'27"W, ALONG SAID NORTH RIGHT-OF-WAY LINE, TO THE EAST LINE OF THE NE1/4 OF SECTION 16; THENCE CONTINUE WEST ALONG SAID RIGHT-OF-WAY LINE TO THE WEST LINE OF THE NE1/4 OF SECTION 16; THENCE NORTH ALONG SAID WEST LINE TO THE POINT OF BEGINNING. SAID TERRITORY LYING AND BEING SITUATE IN SUMTER COUNTY, FLORIDA AND CONTAINS APPROXIMATELY 2393 ACRES.

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

System Maps

EXHIBIT H

ONE COPY OF THESE MAPS WAS PROVIDED
TO THE CLERK AS REQUIRED BY RULE

*Forwarded
to ~~WAT~~
WAW*

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Territory Map

EXHIBIT I

ONE COPY OF THIS MAP WAS PROVIDED
TO THE CLERK AS REQUIRED BY RULE

*Forwarded
to WAW*

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Statement of Capacities
of Lines and Facilities

EXHIBIT J

LINES & TREATMENT FACILITIES CAPACITIES

PHASE I WATER

The proposed capacity of the water treatment plant and associated distribution system will be designed to provide the maximum daily demand plus fire flows. This design is adequate to provide the annual average daily flow of 1.20 mgd and the expected 2,931 equivalent residential connections.

SEWER

The proposed capacity of the wastewater treatment plant and associated collection system will be designed to accept the maximum month average daily flow. This design is adequate to provide the annual average daily flow of 0.32 mgd and the expected 2,936 equivalent residential connections.

The capacities of the water and wastewater facilities of the future phases will be designed in a similar manner.

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Statement of Type
of Treatment

EXHIBIT K

The following paragraphs contain a summary of components for the Little Sumter Utility Company (LSU) Water and Wastewater Treatment Plants. The facility components will be constructed in a three phased approach as the development by Villages of Sumter, Inc. grows.

LSU Water Treatment Plant

The water for LSU will be supplied by groundwater. The groundwater supply wells will be located in an area adjacent to a wildlife preserve that is centrally located within the service area. Recommended water treatment consists of chlorination and storage. The chlorination system will be used to maintain a disinfectant residual in the distribution system and consist of chlorine cylinder storage and chlorinators. Ground storage tank will be constructed to provide water during peak hour demands. A high service pump station (HSPS) will be required to deliver water to customers and maintain adequate distribution system pressure.

LSU Wastewater Treatment Plant

The goal of the LSU wastewater treatment plant (WWTP) is to treat wastewater to levels acceptable for public-access reuse via golf course irrigation. Backup disposal will be to percolation ponds during periods of wet weather or when effluent criteria is not met for course irrigation. The planned treatment processes include the following:

- Screening
- Activated sludge with anoxic/aeration basins and secondary clarification
- Filtration
- Disinfection by chlorine
- Effluent holding basin prior to golf course irrigation with percolation ponds as backup disposal method
- Sludge treatment by aerobic digestion and disposal by land application

The WWTP will be located within the LSU service area. It is recommended that the buildout capacity of 1.3 mgd maximum month average day flow (MMADF) be provided in three 0.45 mgd plant expansions.

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Financial and Rate Schedules

EXHIBIT L

Little Sumter Utility Company
Special Report
Original Certificate Application
February 8, 1996

Little Sumter Utility Company
Special Report
Original Certificate Application

Index

<u>Schedule No.</u>	<u>Page(s)</u>	<u>Description</u>
		Accountants Letter
1	1-2	Proposed Rates and Service Availability Charges
2	3	Estimated Rate Base when Phase I Utility Plants are Operating at 80% of Designed Capacity (2200 ERC's)
3	4	Estimated Utility Plant Costs and Capacities for Phase I Utility Facilities
4	5	Accumulated Depreciation and Depreciation Expense through Build-out of Phase I
5	6-7	Used and Useful Calculations for Phase I Utility Facilities when Operating at 80% of Designed Capacity
6	8	Allocation of Total Estimated Plant Costs to Primary Utility Plant Accounts
7	9	Calculation of AFUDC and Total Cumulative Plant Costs Excluding Land
8	10	Proforma Cost of Capital Reconciled to Phase I Rate Base when Operating at 80% of Designed Capacity
9	11	Calculation of Proposed Service Availability Charges for Phase I Utility Facilities
10	12	CIAC and Accumulated Amortization of CIAC when Phase I Utility Facilities are Operating at 80% of Designed Capacity
11	13-14	Proforma Statements of Operation when Phase I Plants are Operating at 80% of Designed Capacity
12	15-16	Operation and Maintenance Expenses for Phase I Utility Plants when Operating at 80% of Designed Capacity

Cronin, Jackson, Nixon & Wilson

CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

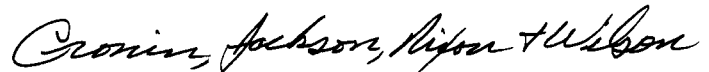
2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
TELECOPIER
(813) 797-3602

February 8, 1996

Officers and Directors
Little Sumter Utility Company

In accordance with your request, we have prepared the accompanying Special Report of Little Sumter Utility Company consisting of the schedules listed in the preceding Index. This report is intended solely for use as part of an original certificate application and request for initial rates and charges to be filed with the Florida Public Service Commission and should not be used for any other purpose.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.



CRONIN, JACKSON, NIXON & WILSON

Little Sumter Utility Company
Proposed Rates and Service Availability Charges

Line No.		<u>Proposed Monthly Rates</u>
1	I. <u>Monthly service rates</u>	
2	<u>Water</u>	
3	<u>Residential and General Service</u>	
4	Base facility charges:	
5	5/8" x 3/4"	\$ 5.26
6	Full 3/4"	7.89
7	1"	13.15
8	1 1/2"	26.30
9	2"	42.08
10	3"	84.16
11	4"	131.50
12	6"	263.00
13	8"	420.80
14	Gallonage charge per 1,000 gallons:	
15	First 9,000 gallons	.46
16	Over 9,000 gallons	1.27
17	<u>Private fire protection</u>	
18	Line size:	
19	2"	3.51
20	3"	7.01
21	4"	10.96
22	6"	21.92
23	8"	35.07
24	<u>Sewer</u>	
25	<u>Residential - all meter sizes</u>	
26	Base facility charge	9.53
27	Gallonage charge per 1,000 gallons	
28	(10,000 maximum)	1.24
29	<u>General Service</u>	
30	Base facility charges:	
31	5/8" x 3/4"	9.53
32	Full 3/4"	14.30
33	1"	23.83
34	1 1/2"	47.65
35	2"	76.24
36	3"	152.48
37	4"	238.25
38	6"	476.50
39	8"	762.40
40	Gallonage charge per 1,000 gallons	1.24
41	II. <u>Miscellaneous service charges</u>	
42	Initial connection	\$ 15 \$ 15
43	Normal reconnection	15 15
44	Violation reconnection	15 Actual Cost
45	Premise visit	10 10

Little Sumter Utility Company
Proposed Service Availability Charges

Line
No.

1	III. <u>Service availability charges</u>	
2	<u>Water (Schedule No. 9)</u>	
3	Main extension charge:	
4	Residential per ERC (410 gpd)	\$ <u>780</u>
5	General service per gallon of daily demand	\$ <u>1.90</u>
6	General service - minimum charge per ERC	\$ <u>780</u>
7	Meter and installation charges:	
8	5/8" x 3/4"	\$ <u>100</u>
9	Larger than 5/8" x 3/4"	<u>Actual Cost</u>
10	<u>Sewer (Schedule No. 9)</u>	
11	Main extension charge:	
12	Residential per ERC (109 gpd)	\$ <u>840</u>
13	General service per gallon of daily demand	\$ <u>7.71</u>
14	General service - minimum charge per ERC	\$ <u>840</u>
15	IV. <u>AFUDC rate</u>	
16	The Company proposes an annual AFUDC rate of 10.60 percent,	
17	discounted to a monthly rate of .843100 percent. Such rate would	
18	be applied to all future construction until changed by the	
19	Commission.	

Little Sumter Utility Company
 Estimated Rate Base when Phase I
 Utility Plants when Operating at 80% of Designed Capacity

<u>Line No.</u>		<u>Reference Schedule No.</u>	<u>Water</u>	<u>Sewer</u>
1	Utility plant in service	3	\$ 4,012,171	\$ 5,658,747
2	Land	3	55,324	262,789
3	Accumulated depreciation	4	(652,040)	(1,279,254)
4	Non-used and useful plant	5	(698,344)	(1,165,486)
5	CIAC	10	(2,063,600)	(1,969,800)
6	Accumulated amortization of CIAC	10	<u>161,110</u>	<u>143,956</u>
7			814,621	1,650,952
8	Working capital allowance (1)		<u>23,800</u>	<u>27,675</u>
9	Estimated Phase I rate base		<u>\$ 838,421</u>	<u>\$ 1,678,627</u>

10 (1) 1/8 of estimated O&M expenses per Schedule No. 11.

11 Little Sumter Utility Company was organized to provide water and sewer service to an
 12 approved Development of Regional Impact (DRI) in Sumter County, known as The Villages
 13 of Sumter. The development will consist of an adult residential golfing community
 14 similar to the existing Villages of Lady Lake. The ultimate build-out of the project
 15 is expected to be 9,544 residential and commercial ERC's, serving a population of
 16 approximately 17,000 persons. The water and sewer treatment plants will have an
 17 ultimate capacity of 10.0 mgd and 1.35 mgd, respectively.

18 The utility facilities will be constructed in three phases, beginning in 1996.
 19 Phase I is designed to serve 2,931 ERC's (2,750 developed residential lots and 181
 20 commercial ERC's). Based on historic sales and growth in the adjacent development of
 21 The Villages of Lady Lake, Phase I capacity is expected to be reached in six years.

Little Sumter Utility Company
Estimated Utility Plant Costs and
Capacities for Phase I Utility Facilities

Line No.	NARUC Account No.	Description	Estimated Cost	Capacity - ERC's (3)	Capacity (mgd) (4)	Cost per ERC
1		<u>Water</u>				
2	302	Franchises (1)	\$ 20,000	9,544	10.00	\$ 2.10
3	303	Land	55,324	2,931	5.16	18.88
4	304	Structures & improvements	274,280	2,931	5.16	93.57
5	307	Wells	554,242	2,931	5.16	189.10
6	309	Supply mains	183,293	2,931	5.16	62.53
7	311	Pumping equipment	284,170	2,931	5.16	96.95
8	320	Water treatment equipment (chlorination)	113,709	2,931	5.16	38.80
9	330	Distribution reservoirs	362,377	2,931	5.16	123.64
10	331	Transmission & distribution mains	1,927,000	2,931	3.00	657.45
11	334	Meters & meter insallations (2)	293,100	2,931	N/A	100.00
12		Total	<u>\$ 4,067,495</u>			<u>\$ 1,383.02</u>
13		<u>Sewer</u>				
14	352	Franchises (1)	\$ 20,000	9,544	1.350	\$ 2.10
15	353	Land	262,789	3,308	0.450	79.44
16	354	Structures & improvements	290,367	3,308	0.450	87.78
17	360	Collection sewers - force	118,760	2,931	0.400	40.51
18	361	Collection sewers - gravity	1,537,544	2,931	0.400	524.58
19	363	Services	530,712	2,931	0.400	181.07
20	370	Receiving wells (lift stations)	274,984	2,931	0.400	93.82
21	371	Pumping equipment	223,932	3,308	0.450	67.69
22	380	Treatment & disposal equipment	2,068,709	3,308	0.450	625.37
23	380	Chlorination equipment	166,135	3,308	0.450	50.22
24	381	Plant sewers	261,468	3,308	0.450	79.04
25	389	Other plant & miscellaneous equipment	129,990	3,308	0.450	39.30
26	395	Power operated equipment	36,146	3,308	0.450	10.93
27		Total	<u>\$ 5,921,536</u>			<u>\$ 1,881.85</u>

- 28 Notes (1) Estimated legal, accounting, and engineering costs associated with this proceeding.
- 29 (2) Meters & meter installations were based on a cost of \$100 applied to 2,931 connections.
30 See Schedule No. 9.
- 31 (3) ERC capacity for facilities in Phase I was determined by the Company's engineer, CH2M Hill, in the
32 water and wastewater master plan.
- 33 (4) Water
34 Designed capacity for maximum daily demand plus fire flow. Average daily demand designed
35 capacity is 1.20 mgd and peak hourly demand capacity is 4.21 mgd.
- 36 Sewer
37 Designed capacity for average maximum monthly flow of 136 gpd per ERC.

Little Sumter Utility Company
Accumulated Depreciation and Depreciation Expense
Through Build-Out of Phase I

Line No.	NARUC Account No.	Description	Estimated Cost	PSC Depreciation Rate	Annual Depreciation Expense	Factor for Years to Phase I Build-out (1)	Accumulated Depreciation
1		<u>Water</u>					
2	302	Franchises	\$ 20,000	2.50	\$ 500	5.5	\$ 2,750
3	304	Structures & improvements	274,280	3.03	8,311	5.5	45,711
4	307	Wells	554,242	3.33	18,456	5.5	101,508
5	309	Supply mains	183,293	2.85	5,224	5.5	28,732
6	311	Pumping equipment	284,170	5.00	14,209	5.5	78,150
7	320	Water treatment equipment (chlorination)	113,709	10.00	11,371	5.5	62,541
8	330	Distribution reservoirs	362,377	2.50	9,059	5.5	49,825
9	331	Transmission & distribution mains	1,927,000	2.33	44,899	5.5	246,945
10	334	Meters & meter installations	293,100	5.00	14,655	5.5	35,878 (2)
11		Total	<u>\$ 4,012,171</u>	<u>-</u>	<u>\$ 126,684</u>		<u>\$ 652,040</u>
12		<u>Sewer</u>					
13	352	Franchises	\$ 20,000	2.50	\$ 500	5.5	\$ 2,750
14	354	Structures & improvements	290,367	3.13	9,088	5.5	49,984
15	360	Collection sewers - force	118,760	3.33	3,955	5.5	21,753
16	361	Collection sewers - gravity	1,537,544	2.22	34,133	5.5	187,732
17	363	Services	530,712	2.63	13,958	5.5	76,769
18	370	Receiving wells (lift stations)	274,984	3.33	9,157	5.5	50,364
19	371	Pumping equipment	223,932	5.56	12,451	5.5	68,481
20	380	Treatment & disposal equipment	2,068,709	5.56	115,020	5.5	632,610
21	380	Chlorination equipment	166,135	10.00	16,613	5.5	91,372
22	381	Plant sewers	261,468	2.86	7,478	5.5	41,129
23	389	Other plant & miscellaneous equipment	129,990	5.56	7,227	5.5	39,749
24	395	Power operated equipment	36,146	8.33	3,011	5.5	16,561
25		Total	<u>\$ 5,658,747</u>	<u>-</u>	<u>\$ 232,591</u>		<u>\$ 1,279,254</u>

26 Notes: (1) Based on historic growth patterns, the Company expects to reach capacity of Phase I plant (2,931 ERC's) in six years.
27 The half-year convention is included in the factor used above.

28 (2) Accumulated amortization per Schedule No. 10 plus amortization related to remaining 20 percent of Phase I connections in
29 Year 6 of \$1,465 (2,931 ERC's - 2,345 ERC's x \$100 x .05 x .5).

5

Little Sumter Utility Company
 Used and Useful Calculations for Phase I
 Utility Facilities when Operating at 80% of Designed Capacity

Line No.		Capacity of Plant (ERC's)	80% of Phase I Capacity (ERC's)(1)	Percent Used & Useful	Percent Non-used & Useful
5	<u>Water</u>				
6	302 Franchises	9,544	2,345	24.57	75.43
7	303 Land (4 acres)	2,931	2,345	80.00	20.00
8	304 Structures & improvements	2,931	2,345	80.00	20.00
9	307 Wells	2,931	2,345	80.00	20.00
10	309 Supply mains	2,931	2,345	80.00	20.00
11	311 Pumping equipment	2,931	2,345	80.00	20.00
12	320 Water treatment equipment	2,931	2,345	80.00	20.00
13	330 Distribution reservoirs	2,931	2,345	80.00	20.00
14	331 Transmission & distribution				
15	mains	2,931	2,345	80.00	20.00
16	334 Meters & meter installations	2,931	2,345	80.00	20.00
17	<u>Sewer</u>				
18	352 Franchises	9,544	2,345	24.57	75.43
19	353 Land (19 acres)	3,308	2,345	70.90	29.10
20	354 Structures & improvements	3,308	2,345	70.90	29.10
21	360 Collection sewers - force	2,931	2,345	80.00	20.00
22	361 Collection sewers - gravity	2,931	2,345	80.00	20.00
23	363 Services	2,931	2,345	80.00	20.00
24	370 Receiving wells				
25	(lift stations)	2,931	2,345	80.00	20.00
26	371 Pumping equipment	3,308	2,345	70.90	29.10
27	380 Treatment & disposal				
28	equipment	3,308	2,345	70.90	29.10
29	380 Chlorination equipment	3,308	2,345	70.90	29.10
30	381 Plant sewers	3,308	2,345	70.90	29.10
31	389 Other plant & miscellaneous				
32	equipment	3,308	2,345	70.90	29.10
33	395 Power operated equipment	3,308	2,345	70.90	29.10
34	Total ERC's to be served by Phase I facilities			2,931	
35	Utilization rate for initial proposed rates			<u>.80</u>	
36	ERC's to be served when plant is operating at				
37	80% of Phase I design capacity			<u>2,345</u>	

Little Sumter Utility Company
 Non-used and Useful Plant for Phase I
 Utility Facilities when Operating at 80% of Designed Capacity

Line No.		Projected Phase I Costs	Projected Accumulated Depreciation	Projected Net Plant Costs	Non-used & Useful Percent(1)	Net Non-used & Useful Plant
1	<u>Water</u>					
2	Franchises	\$ 20,000	\$ 2,750	\$ 17,250	75.43	\$ 13,012
3	Land	55,324	-	55,324	20.00	11,065
4	Structures &					
5	Improvements	274,280	45,711	228,569	20.00	45,714
6	Wells	554,242	101,508	452,734	20.00	90,547
7	Supply mains	183,293	28,732	154,561	20.00	30,912
8	Pumping equipment	284,170	78,150	206,020	20.00	41,204
9	Water treatment					
10	equipment	113,709	62,541	51,168	20.00	10,234
11	Distribution					
12	reservoirs	362,377	49,825	312,552	20.00	62,510
13	Transmission &					
14	Distribution mains	1,927,000	246,945	1,680,055	20.00	336,011
15	Meters &					
16	Installations	<u>293,100</u>	<u>35,878</u>	<u>257,222</u>	Note (2)	<u>57,135</u>
17	Total	<u>\$4,067,495</u>	<u>\$ 652,040</u>	<u>\$ 3,415,455</u>		<u>\$ 698,344</u>
18	<u>Sewer</u>					
19	Franchises	\$ 20,000	\$ 2,750	\$ 17,250	75.43	\$ 13,012
20	Land	262,789	-	262,789	29.10	76,472
21	Structures &					
22	Improvements	290,367	49,984	240,383	29.10	69,951
23	Collection sewers -					
24	force	118,760	21,753	97,007	20.00	19,401
25	Collection sewers -					
26	gravity	1,537,544	187,732	1,349,812	20.00	269,962
27	Services	530,712	76,769	453,943	20.00	90,789
28	Receiving wells					
29	(lift stations)	274,984	50,364	224,620	20.00	44,924
30	Pumping equipment	223,932	68,481	155,451	29.10	45,236
31	Treatment & disposal					
32	equipment	2,068,709	632,610	1,436,099	29.10	417,905
33	Chlorination					
34	equipment	166,135	91,372	74,763	29.10	21,756
35	Plant sewers	261,468	41,129	220,339	29.10	64,119
36	Other plant &					
37	miscellaneous	129,990	39,749	90,241	29.10	26,260
38	Power operated					
39	equipment	<u>36,146</u>	<u>16,561</u>	<u>19,585</u>	29.10	<u>5,699</u>
40	Total	<u>\$5,921,536</u>	<u>\$ 1,279,254</u>	<u>\$ 4,642,282</u>		<u>\$1,165,486</u>
41	Notes: (1) Per Page 1, this schedule.					
42	(2) Net non-used and useful meters were calculated as follows:					
43	Total meters and installations					\$ 293,100
44	Total at 80% level of capacity (Schedule No. 10)					<u>(234,500)</u>
45	Total non-used and useful					<u>58,600</u>
46	Total projected depreciation					35,878
47	Depreciation at 80% level of operation (Schedule No. 10)					<u>(34,413)</u>
48	Non-used and useful depreciation					<u>1,465</u>
49	Net non-used and useful meters					<u>\$ 57,135</u>

Little Sumter Utility Company
Allocation of Total Estimated Phase I Plant Costs to
Primary Utility Plant Accounts

Line No.	NARUC Account No.	Description	Estimated Costs Before AFUDC (1)	Plant Ratio	Allocated AFUDC (2)	Mobilization Bonding & Insurance	Allocated Legal, Engineering & Admin. (1)	Allocated Contingency (1)	Total Estimated Plant Costs
1	<u>Water</u>								
2	304	Structures & improvements	\$ 193,000	15.48	\$ 11,001	\$ 6,037	\$ 34,366	\$ 29,876	\$ 274,280
3	307	Wells	390,000	31.28	22,231	12,199	69,442	60,370	554,242
4	309	Supply mains	129,000	10.34	7,349	4,033	22,955	19,956	183,293
5	311	Pumping equipment	200,000	16.03	11,393	6,252	35,587	30,938	284,170
6	320	Water treatment equipment (chlorination)	80,000	6.42	4,563	2,504	14,251	12,391	113,709
7	330	Distribution reservoirs (ground storage)	255,000	20.45	14,534	7,975	45,399	39,469	362,377
8	331	Transmission & distribution mains (3)	1,927,000	-	-	-	-	-	1,927,000
9		Total	<u>\$ 3,174,000</u>	<u>100.00</u>	<u>\$ 71,071</u>	<u>\$ 39,000</u>	<u>\$ 222,000</u>	<u>\$ 193,000</u>	<u>\$ 3,699,071</u>
10	<u>Sewer</u>								
11	354	Structures & improvements	\$ 201,000	9.14	\$ 16,337	\$ 6,216	\$ 35,738	\$ 31,076	\$ 290,367
12	360	Collection sewers - force (3)	118,760	-	-	-	-	-	118,760
13	361	Collection - gravity (3)	1,537,544	-	-	-	-	-	1,537,544
14	363	Services (3)	530,712	-	-	-	-	-	530,712
15	370	Receiving wells (lift stations) (3)	274,984	-	-	-	-	-	274,984
16	371	Pumping equipment	155,000	7.05	12,602	4,794	27,566	23,970	223,932
17	380	Treatment & disposal equipment	1,432,000	65.12	116,400	44,282	254,619	221,408	2,068,709
18	380.4	Chlorination equipment	115,000	5.23	9,348	3,556	20,449	17,782	166,135
19	381	Plant sewers	181,000	8.23	14,711	5,596	32,179	27,982	261,468
20	389	Other plant & miscellaneous equipment	90,000	4.09	7,311	2,781	15,992	13,906	129,990
21	395	Power operated equipment	25,000	1.14	2,038	775	4,457	3,876	36,146
22		Total	<u>\$ 4,661,000</u>	<u>100.00</u>	<u>\$ 178,747</u>	<u>\$ 68,000</u>	<u>\$ 391,000</u>	<u>\$ 340,000</u>	<u>\$ 5,638,747</u>

- 23 Notes: (1) Estimated costs per utility master plan prepared by the Company's engineer, CH2M Hill.
24 (2) See Schedule No. 7.
25 (3) No AFUDC applied to transmission and distribution or collection system. Balances include engineering, legal, and administration allocated on relative costs.

Little Sumter Utility Company
Calculation of AFUDC and Total Cumulative Phase I
Plant Costs Excluding Land

Line No	Month	Estimated Monthly CWIP Increase (1)	Accumulated CWIP Beginning of Month	Accumulated CWIP End of Month	Average CWIP Balance	Monthly AFUDC (2)	Total Capitalized
1	<u>Water</u>						
2	1	\$ 15,540	-	\$ 15,540	\$ 7,770	\$ 66	15,606
3	2	15,540	\$ 15,606	31,146	23,376	197	31,343
4	3	15,540	31,343	46,883	39,113	330	47,213
5	4	15,540	47,213	62,753	54,983	464	63,217
6	5	15,540	63,217	78,757	70,987	598	79,355
7	6	15,540	79,355	94,895	87,125	735	95,630
8	7	15,540	95,630	111,170	103,400	872	112,042
9	8	15,540	112,042	127,582	119,812	1,010	128,592
10	9	15,540	128,592	144,132	136,362	1,150	145,282
11	10	15,540	145,282	160,822	153,052	1,290	162,112
12	11	193,200	162,112	355,312	258,712	2,181	357,493
13	12	193,200	357,493	550,693	454,093	3,828	554,521
14	13	193,200	554,521	747,721	651,121	5,490	753,211
15	14	193,200	753,211	946,411	849,811	7,165	953,576
16	15	193,200	953,576	1,146,776	1,050,176	8,854	1,155,630
17	16	193,200	1,155,630	1,348,830	1,252,230	10,558	1,359,388
18	17	193,200	1,359,388	1,552,588	1,455,988	12,275	1,564,863
19	18	193,200	1,564,863	1,758,063	1,661,463	14,008	1,772,071
20	Total	<u>\$ 1,701,000</u>				<u>\$ 71,071</u>	<u>\$ 1,772,071</u>
21	<u>Sewer</u>						
22	1	\$ 45,617	-	\$ 45,617	\$ 22,809	\$ 192	\$ 45,809
23	2	45,617	\$ 45,809	91,426	68,618	579	92,005
24	3	45,617	92,005	137,622	114,814	968	138,590
25	4	45,617	138,590	184,207	161,399	1,361	185,568
26	5	45,616	185,568	231,184	208,376	1,757	232,941
27	6	45,616	232,941	278,557	255,749	2,156	280,713
28	7	227,025	280,713	507,738	394,226	3,324	511,062
29	8	227,025	511,062	738,087	624,575	5,266	743,353
30	9	227,025	743,353	970,378	856,866	7,224	977,602
31	10	227,025	977,602	1,204,627	1,091,115	9,199	1,213,826
32	11	227,025	1,213,826	1,440,851	1,327,339	11,191	1,452,042
33	12	227,025	1,452,042	1,679,067	1,565,555	13,199	1,692,266
34	13	227,025	1,692,266	1,919,291	1,805,779	15,225	1,934,516
35	14	227,025	1,934,516	2,161,541	2,048,029	17,267	2,178,808
36	15	227,025	2,178,808	2,405,833	2,292,321	19,327	2,425,160
37	16	227,025	2,425,160	2,652,185	2,538,673	21,404	2,673,589
38	17	227,025	2,673,589	2,900,614	2,787,102	23,498	2,924,112
39	18	227,025	2,924,112	3,151,137	3,037,625	25,610	3,176,747
40	Total	<u>\$ 2,998,000</u>				<u>\$ 178,747</u>	<u>\$ 3,176,747</u>

41 Notes: (1) Excludes cost of water distribution system and sewer collection system since construction
42 time for each unit is expected to take less than 6 months.

43 (2) AFUDC is based on an annual rate of 10.60 percent, discounted to a monthly rate of 0.843100
44 percent. See Schedule No. 8 for calculation of requested cost of capital rate of 10.60 percent.

Little Sumter Utility Company
 Proforma Cost of Capital Reconciled to Phase I
 Rate Base when Plants are Operating at 80% of Designed Capacity

<u>Line No.</u>		<u>Estimated Amount</u>	<u>Percent Ratio</u>	<u>Cost of Each Percent</u>	<u>Weighted Cost</u>
1	Equity	\$1,006,819	40	11.88	4.75
2	Debt	<u>1,510,229</u>	<u>60</u>	<u>9.75</u>	<u>5.85</u>
3	Total	<u>\$2,517,048</u>	<u>100%</u>	<u>-</u>	<u>10.60%</u>

4 Note: A proforma capital structure consisting of 40 percent equity
 5 and 60 percent debt is proposed in order that the initial rates
 6 established in this proceeding will provide adequate financial
 7 resources.

8 Equity contributions will be made as required by stockholders to
 9 finance the operations of the Utility in the initial years of
 10 development.

11 The cost of debt is based on the current prime rate (9 percent) plus
 12 1.5 percent.

Little Sumter Utility Company
 Calculation of Proposed Service Availability Charges for Phase I Utility Facilities

Line No.		Recoverable Estimated Costs	Phase I Capacity (ERC's)	Main Extension Charge per ERC
1	<u>Water (1)</u>			
2	Transmission & distribution mains	\$ 1,927,000	2,931	\$ 657
3	Distribution reservoirs	<u>362,377</u>	2,931	<u>123</u>
4	Total	<u>\$ 2,289,377</u>		<u>\$ 780</u>
5	<u>Sewer (1)</u>			
6	Collection sewers - force	\$ 118,760	2,931	\$ 41
7	Collection sewers - gravity	1,537,544	2,931	525
8	Services	530,712	2,931	181
9	Receiving wells (lift stations)	<u>274,984</u>	2,931	<u>93</u>
10	Total	<u>\$ 2,462,000</u>		<u>\$ 840</u>
11	<u>Water meter and installation fee (5/8" x 3/4")</u>			
12	Cost of meter and fittings	\$ 50		
13	Meter box	20		
14	Installation (1/2 hour @ \$16)	8		
15		<u>78</u>		
16	Overhead @ 15%	12		
17	Administration (1/2 hour @ \$20)	<u>10</u>		
18	Total charge	<u>\$ 100</u>		
19	For meters larger than 5/8" x 3/4", the Company proposes the charge be based on actual cost.			
20	Notes: (1) The Utility requests service availability charges designed to result in acceptable			
21	minimum CIAC levels, as set forth in Rule 25-30.580.			

Little Sumter Utility Company
 CIAC and Accumulated Amortization of CIAC when Utility Plant is
 Operating at 80% of Phase I Design Capacity

Line No.	Year	Description	No. New ERC's	CIAC Collections(1)	Amortization Rate (2)	Factor for Years to Build-out(3)	Accumulated Amortization
1	<u>Water</u>						
2	1	Main extension charges	174	\$ 135,720	2.36	5.5	\$ 17,616
3		Meter fees	174	17,400	5.00	5.5	4,785
4				<u>153,120</u>			<u>22,401</u>
5	2	Main extension charges	374	291,720	2.36	4.5	30,983
6		Meter fees	374	37,400	5.00	4.5	8,415
7				<u>329,120</u>			<u>39,398</u>
8	3	Main extension charges	524	408,720	2.36	3.5	33,761
9		Meter fees	524	52,400	5.00	3.5	9,170
10				<u>461,120</u>			<u>42,931</u>
11	4	Main extension charges	574	447,720	2.36	2.5	26,415
12		Meter fees	574	57,400	5.00	2.5	7,175
13				<u>505,120</u>			<u>33,590</u>
14	5	Main extension charges	624	486,720	2.36	1.5	17,231
15		Meter fees	624	62,400	5.00	1.5	4,680
16				<u>549,120</u>			<u>21,911</u>
17	6	Main extension charges	75	58,500	2.36	0.5	691
18		Meter fees	75	7,500	5.00	0.5	188
19				<u>66,000</u>			<u>879</u>
20		Total	<u>2,345</u>	<u>\$ 2,063,600</u>			<u>\$ 161,110</u>
21	<u>Sewer</u>						
22	1	Main extension charges	174	\$ 146,160	2.49	5.5	\$ 20,014
23	2	Main extension charges	374	314,160	2.49	4.5	35,204
24	3	Main extension charges	524	440,160	2.49	3.5	38,360
25	4	Main extension charges	574	482,160	2.49	2.5	30,015
26	5	Main extension charges	624	524,160	2.49	1.5	19,578
27	6	Main extension charges	75	63,000	2.49	0.5	785
28		Total	<u>2,345</u>	<u>\$ 1,969,800</u>			<u>\$ 143,956</u>

29 Notes: (1) Based on proposed main extension charges of \$780 and \$840 for water and sewer, respectively,
 30 and a water meter fee of \$100.
 31 (2) Applicable depreciation rates per Rule 25-30.140.
 32 (3) See note on Schedule No. 4.

Little Sumter Utility Company
 Proforma Statements of Operation when Phase I
 Plants are Operating at 80% of Designed Capacity

<u>Line No.</u>		<u>Estimated Costs</u>	<u>Proforma Adjustments</u>	<u>Proforma Amounts</u>
1	<u>Water</u>			
2	Operating revenue	\$ -	\$ 405,048 (C)	\$ 405,048
3	Operating expenses:			
4	Operations & maintenance			
5	(Schedule No. 12)	190,400		190,400
6	Depreciation			
7	(Schedule No. 4)	126,684	(80,505) (A)	46,179
8	Taxes other than income		61,369 (B)	
9		-	18,227 (D)	79,596
10		<u>317,084</u>	<u>(909)</u>	<u>316,175</u>
11	Operating income (loss)	<u>\$(317,084)</u>	<u>\$ 405,957</u>	<u>\$ 88,873</u>
12	Rate of return			<u>10.60%</u>
13	Rate base			<u>\$ 838,421</u>
14	<u>Sewer</u>			
15	Operating revenue	\$ -	\$ 625,470 (C)	\$ 625,470
16	Operating expenses:			
17	Operations & maintenance			
18	(Schedule No. 12)	221,400		221,400
19	Depreciation			
20	(Schedule No. 4)	232,591	(111,394) (A)	121,197
21	Taxes other than income		76,793 (B)	
22		-	28,146 (D)	104,939
23		<u>453,991</u>	<u>(6,455)</u>	<u>447,536</u>
24	Operating income (loss)	<u>\$(453,991)</u>	<u>\$ 631,925</u>	<u>\$ 177,934</u>
25	Rate of return			<u>10.60%</u>
26	Rate base			<u>\$1,678,627</u>

Little Sumter Utility Company
Adjustments to Proforma Statements of Operations when
Phase I Plants are Operating at 80% of Designed Capacity

Line No.		<u>Water</u>	<u>Sewer</u>
1	(A) <u>Depreciation</u>		
2	Gross depreciation (Schedule No. 4)	\$ 126,684	\$ 232,591
3	Non-used and useful depreciation	(25,614)	(62,346)
4	Amortization of CIAC	<u>(54,891)</u>	<u>(49,048)</u>
5	Net depreciation expense	46,179	121,197
6	Gross depreciation per above	<u>(126,684)</u>	<u>(232,591)</u>
7	Adjustment required	<u>\$ (80,505)</u>	<u>\$ (111,394)</u>
8	(B) <u>Taxes other than income</u>		
9	(1) <u>Payroll taxes</u>		
10	Salaries subject to FICA (Schedule No. 12)	\$ 72,000	\$ 75,000
11	FICA tax rate	.0765	.0765
12	FICA taxes	<u>5,508</u>	<u>5,738</u>
13	<u>Unemployment taxes</u>		
14	Salaries subject to unemployment tax	24,500	24,500
15	Unemployment tax rate	.062	.062
16		<u>1,519</u>	<u>1,519</u>
17	Total payroll taxes	<u>7,027</u>	<u>7,257</u>
18	(2) <u>Property taxes</u>		
19	Gross Phase I plant costs	4,067,495	5,921,536
20	Less: Accumulated depreciation		
21	(Schedule No. 4)	(652,040)	(1,279,254)
22	Net non-used and useful plant		
23	(Schedule No. 5)	<u>(698,344)</u>	<u>(1,165,486)</u>
24	Net used and useful assessed value	2,717,111	3,476,796
25	Estimated Sumter County millage rate	<u>.02</u>	<u>.02</u>
26	Used and useful property taxes	<u>54,342</u>	<u>69,536</u>
27	Total taxes other than income	<u>\$ 61,369</u>	<u>\$ 76,793</u>
28	(C) <u>Revenue requirement</u>		
29	Revenue required to realize a 10.60% rate of return	<u>\$ 405,048</u>	<u>\$ 625,470</u>
30	(D) <u>Regulatory assessment fees (RAF)</u>		
31	Revenue required to realize a fair rate of return	\$ 405,048	\$ 625,470
32	RAF rate	<u>.0450</u>	<u>.0450</u>
33	Total RAF's	<u>\$ 18,227</u>	<u>\$ 28,146</u>

Little Sumter Utility Company
 Operation and Maintenance Expense for Phase I when
 Utility Plants are Operating at 80% of Designed Capacity

<u>Line No.</u>	<u>NARUC Account</u>	<u>Proforma Amount</u>
1	<u>Water</u>	
2	601	
3	Salaries & Wages (1 operator @ \$22,000, 2 maintenance men/ meter reader @ \$18,000, 50% of field supervisor @ \$28,000)	\$ 72,000
4	604	
5	Employee benefits (group health insurance @ \$200/mo. per employee)	8,400
6	615	
	Purchased power, per engineer	30,000
7	618	
	Chemicals, per engineer	7,000
8	620	
	Materials & Supplies, per engineer	5,000
9	631	
	Contractual services – engineering, per engineer	3,000
10	632	
	Contractual services – accounting	2,000
11	633	
	Contractual services – legal	2,000
12	634	
	Contractual services – management fee (billing collection, accounting, tax, and all other administrative functions)	30,000
13	635	
14	(1) Outside maintenance, per engineer	15,000
15	(2) Laboratory testing, per engineer	10,000
16	657	
	Insurance – general liability & physical damage, per engineer	<u>6,000</u>
17	Total O&M expense	<u>\$ 190,400</u>

Little Sumter Utility Company
 Operation and Maintenance Expense for Phase I when
 Utility Plants are Operating at 80% of Designed Capacity

Line No.	NARUC Account		Proforma Amount
1	<u>Sewer</u>		
2	701	Salaries & Wages (1 operator @ \$25,000, 2 field maintenance	
3		men @ \$18,000, 50% of field supervisor @ \$28,000)	\$ 75,000
4	704	Employee benefits (group health insurance @ \$200/mo.	
5		per employee)	8,400
6	715	Purchased power, per engineer	48,000
7	718	Chemicals, per engineer	4,000
8	720	Materials & Supplies, per engineer	10,000
9	731	Contractual services – engineering, per engineer	6,000
10	732	Contractual services – accounting	2,000
11	733	Contractual services – legal	2,000
12	734	Contractual services – management fee (billing, collection,	
13		accounting, tax, and all other administrative functions)	30,000
14	735	Contractual services – other	
15		(1) Outside maintenance, per engineer	20,000
16		(2) Laboratory testing, per engineer	5,000
17	757	Insurance – general liability & physical damage	<u>11,000</u>
18		Total O&M expense	<u>\$ 221,400</u>

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Affidavit of Noticing

EXHIBIT M

AFFIDAVIT

STATE OF FLORIDA

COUNTY OF LEON

Before me, the undersigned authority, authorized to administer oaths and take acknowledgements, personally appeared LYNN T. SALMON, who, after being duly sworn on oath, did depose on oath and say that she is the secretary of F. Marshall Deterding, attorney for Little Sumter Utility Company and that on March 8, 1996, she did send by certified mail, return receipt requested, a copy of the notice attached hereto to each of the utilities, governmental bodies, agencies, or municipalities, in accordance with the list provided by the Florida Public Service Commission, which is also attached hereto.

FURTHER AFFIANT SAYETH NAUGHT.


Lynn T. Salmon

Sworn to and subscribed before me this 8th day of March, 1996, by Lynn T. Salmon, who is personally known to me and who did (did not) take an oath.

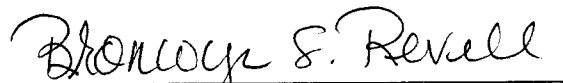
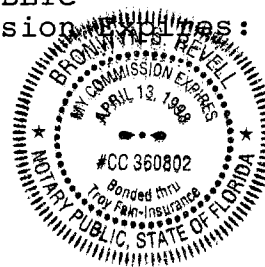

Print Name Bronwyn S. Revell
NOTARY PUBLIC
My Commission Expires:

EXHIBIT M



NOTICE OF APPLICATION FOR ORIGINAL WATER CERTIFICATE

Pursuant to Section 367.045, Florida Statutes, and Section 25-30.030, Florida Administrative Code, notice is hereby given by Little Sumter Utility Company, 1100 Main Street, Lady Lake, Florida 32159, of their application for original water and wastewater certificates for the following described territory in Sumter County, Florida:

A TERRITORY OF LAND IN SECTIONS 1, 2, 3, 4, 9, 10, 11, 12, 15 AND 16, TOWNSHIP 18 SOUTH, RANGE 23 EAST, SUMTER COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGIN AT THE SOUTHWEST CORNER OF THE S1/2 OF THE SE1/4 OF SECTION 9; FROM SAID POINT OF BEGINNING RUN NORTH TO THE NORTHWEST CORNER OF AFORESAID S1/2 OF SE1/4; THENCE EAST TO THE SOUTHWEST CORNER OF THE NE1/4 OF THE SE1/4 OF SECTION 9; THENCE NORTH TO THE NORTHWEST CORNER OF THE SE1/4 OF THE NE1/4 OF SECTION 9; THENCE WEST TO THE SOUTHWEST CORNER OF THE N1/2 OF THE NE1/4; THENCE NORTH TO THE SOUTHEAST CORNER OF THE E1/2 OF THE SW1/4 OF SECTION 4; THENCE WEST TO THE SOUTHWEST CORNER OF SAID E1/2 OF SW1/4; THENCE NORTH TO THE NORTHWEST CORNER OF SAID E1/2 OF SW1/4; THENCE EAST TO THE NORTHEAST CORNER OF SAID E1/2 OF SW1/4; THENCE NORTH TO THE SOUTHEAST CORNER OF THE NE1/4 OF THE NW1/4 OF SECTION 4; THENCE WEST TO THE SOUTHWEST CORNER OF SAID NE1/4 OF NW1/4; THENCE NORTH TO THE NORTHWEST CORNER OF SAID NE1/4 OF NW1/4; THENCE EAST ALONG THE NORTH LINE OF SECTION 4 TO THE NORTHWEST CORNER OF SECTION 3; THENCE CONTINUE EAST ALONG THE NORTH LINE OF SECTION 3 TO THE NORTHEAST CORNER OF THE NW1/4 OF SECTION 3; THENCE SOUTH TO THE NORTHWEST CORNER OF THE S1/2 OF THE NE1/4 OF SECTION 3; THENCE EAST TO THE NORTHWEST CORNER OF THE NE1/4 OF THE SE1/4 OF THE NE1/4 OF SECTION 3; THENCE SOUTH TO THE SOUTHWEST CORNER OF SAID NE1/4 OF SE1/4 OF NE1/4; THENCE EAST TO THE NORTHWEST CORNER OF THE S1/2 OF THE S1/2 OF THE NW1/4 OF SECTION 2; THENCE CONTINUE EAST ALONG THE NORTH LINE OF SAID S1/2 OF S1/2 OF NW1/4 TO A POINT THAT IS 330 FEET WEST OF THE EAST LINE OF THE NW1/4 OF SECTION 2; THENCE PARALLEL WITH SAID EAST LINE RUN SOUTH TO THE EAST-WEST MID-SECTION LINE OF SECTION 2; THENCE ALONG SAID MID-SECTION LINE RUN EAST TO THE NORTHWEST CORNER OF THE N1/2 OF THE SW1/4 OF SECTION 1; THENCE CONTINUE EAST TO THE NORTHEAST CORNER OF SAID N1/2 OF SW1/4; THENCE NORTHEAST TO AN INTERSECTION OF THE EAST LINE OF THE W1/2 OF SW1/4 OF NE1/4 OF SECTION 1 WITH THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 441/27 (BEING 200 FEET WIDE); THENCE S41°21'52"E ALONG SAID SOUTHWESTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 441/27, 2497.32 FEET MORE OR LESS TO A POINT THAT IS N41°21'52"W, 533.33 FEET FROM AN INTERSECTION WITH THE EAST LINE OF SECTION 1; THENCE DEPARTING SAID RIGHT-OF-WAY, S27°37'55"W, 1006.24 FEET; THENCE N89°05'33"W, 979.95 FEET; THENCE S76°37'00"W, 512.93 FEET; THENCE S53°39'25"W, 661.67 FEET; THENCE S38°28'11"W, 29.14 FEET MORE OR LESS TO AN INTERSECTION WITH THE NORTH LINE OF SECTION 12; THENCE CONTINUE S38°28'11"W, 740.59 FEET MORE OR LESS; THENCE S22°00'48"W, 346.72 FEET TO A POINT ON A NON-TANGENT CURVE CONCAVE EASTERLY, HAVING A RADIUS OF 745.00 FEET AND A CENTRAL ANGLE OF 06°46'35"; THENCE SOUTHERLY, ALONG THE ARC OF SAID CURVE, 88.11 FEET TO A POINT OF TANGENCY; THENCE S00°05'27"E, 449.53 FEET; THENCE N89°16'28"W, 79.53 FEET; THENCE N74°00'58"W, 254.18 FEET; THENCE S80°26'07"W, 75.25 FEET TO A CURVE CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 100.00 FEET AND A CENTRAL ANGLE OF 35°58'33"; THENCE SOUTHWESTERLY, ALONG THE ARC OF SAID CURVE, 62.79 FEET; THENCE S44°27'34"W, 186.05 FEET TO A CURVE CONCAVE NORTHERLY, HAVING A RADIUS OF 450.00 FEET AND A CENTRAL ANGLE OF 78°06'55"; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE, 613.51 FEET; THENCE N57°25'31"W, 159.55 FEET TO A CURVE CONCAVE SOUTHERLY, HAVING A RADIUS OF 100.00 FEET AND A CENTRAL ANGLE OF 63°09'25"; THENCE WESTERLY,

ALONG THE ARC OF SAID CURVE, 110.23 FEET; THENCE S59°25'04"W, 277.28 FEET TO A CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 450.00 FEET AND A CENTRAL ANGLE OF 64°09'50"; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE, 323.53 FEET MORE OR LESS TO AN INTERSECTION WITH THE EAST LINE OF SECTION 11; THENCE CONTINUE WESTERLY, ALONG SAID ARC, 180.41 FEET MORE OR LESS; THENCE N73°22'28"W, ALONG A NON-TANGENT LINE, 781.39 FEET; THENCE S69°02'49"W, 253.31 FEET; THENCE S67°46'25"W, 639.15 FEET; THENCE S22°53'09"W, 97.61 FEET; THENCE S43°31'09" W, 81.52 FEET; THENCE S83°16'40"W, 64.19 FEET; THENCE S58°25'29"W, 611.18 FEET; THENCE S16°09'24"W, 786.28 FEET; THENCE N89°34'18"W, 16.11 FEET MORE OR LESS TO AN INTERSECTION WITH THE NORTH-SOUTH MID-SECTION LINE OF SECTION 11; THENCE NORTH, ALONG SAID MID-SECTION LINE, TO THE SOUTHEAST CORNER OF THE W1/2 OF SECTION 2; THENCE ALONG THE EAST LINE OF THE W1/2 OF SECTION 2, RUN N00°04'27"W, 109.72 FEET MORE OR LESS TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF A FLORIDA POWER CORPORATION TRANSMISSION LINE EASEMENT; THENCE ALONG SAID SOUTHWESTERLY RIGHT-OF-WAY LINE RUN N44°26'00"W, 622.28 FEET; THENCE S00°04'35"E, 506.40 FEET TO A POINT THAT IS 50.00 FEET NORTH OF THE SOUTH LINE OF THE SW1/4 OF SECTION 2; THENCE, PARALLEL WITH SAID SOUTH LINE, RUN WEST TO THE WEST LINE OF THE SW1/4 OF SECTION 2 ALSO BEING THE EAST LINE OF THE SE1/4 OF SECTION 3; THENCE, PARALLEL WITH AND 50.00 FEET NORTH OF THE SOUTH LINE OF THE SE1/4 OF SECTION 3, RUN WEST TO THE WEST LINE OF SAID SE1/4; THENCE SOUTH TO THE SOUTHWEST CORNER OF SAID SE1/4; THENCE CONTINUE SOUTH TO THE SOUTHEAST CORNER OF THE NE1/4 OF THE SW1/4 OF SECTION 10; THENCE, ALONG THE SOUTH LINE OF SAID NE1/4 OF SW1/4, RUN WEST TO THE SOUTHWEST CORNER OF SAID NE1/4 OF THE SW1/4 OF SECTION 10; THENCE SOUTH TO THE SOUTHEAST CORNER OF THE W1/2 OF THE SW1/4 OF SECTION 10. SAID POINT ALSO BEING ON THE NORTH LINE OF THE NW1/4 OF SECTION 15; THENCE, ALONG SAID NORTH LINE, RUN WEST 185.91 FEET, MORE OR LESS, TO A 4-INCH CONCRETE MONUMENT; SAID MONUMENT BEING N89°59'15"E, 1142.39 FEET FROM THE NORTHWEST CORNER OF SECTION 15; FROM SAID CONCRETE MONUMENT RUN SOUTH 1334.50 FEET TO THE SOUTH LINE OF THE N1/2 OF THE NW1/4 OF SECTION 15; THENCE CONTINUE SOUTH 77.99 FEET TO A POINT ON THE ARC OF A CURVE IN THE NORTH RIGHT-OF-WAY LINE OF COUNTY ROAD C-466 (BEING 100-FEET WIDE); SAID CURVE BEING CONCAVE SOUTHWESTERLY, HAVING A RADIUS OF 1959.86 FEET AND A CENTRAL ANGLE OF 16°57'10"; THENCE RUN NORTHWESTERLY, ALONG THE ARC OF SAID CURVE, 579.89 FEET, TO THE POINT OF TANGENCY OF SAID CURVE; THENCE N89°29'27"W, ALONG SAID NORTH RIGHT-OF-WAY LINE, TO THE EAST LINE OF THE NE1/4 OF SECTION 16; THENCE CONTINUE WEST ALONG SAID RIGHT-OF-WAY LINE TO THE WEST LINE OF THE NE1/4 OF SECTION 16; THENCE NORTH ALONG SAID WEST LINE TO THE POINT OF BEGINNING. SAID TERRITORY LYING AND BEING SITUATE IN SUMTER COUNTY, FLORIDA AND CONTAINS APPROXIMATELY 2393 ACRES.

Written objections may be filed with the Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399, and a copy provided to F. Marshall Deterding, Esquire, Rose, Sundstrom & Bentley, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301, no later than thirty (30) days after the last date this Notice was mailed or published, whichever is later.

All Local Government Officials for Sumter County

As of 02/23/96

Clerk, Board of County Commissioners, Sumter County
Sumter County Courthouse
Bushnell, FL 33513

Mayor, City of Bushnell
P. O. Box 115
Bushnell, FL 33513-0115
FAX: (904) 793-2711

Mayor, City of Center Hill
P. O. Box 38
Center Hill, FL 33514-0038

Mayor, City of Coleman
West Central Avenue
P. O. Box 456
Coleman, FL 33521-0456

Mayor, City of Webster
P. O. Box 28
Webster, FL 33597-0028

Mayor, City of Wildwood
100 North Main Street
Wildwood, FL 34785-4047
FAX: (904) 748-4435

DEP SOUTHWEST DISTRICT
3804 COCONUT PALM DRIVE
TAMPA, FL 33619

S.W. FLORIDA WATER MANAGEMENT DISTRICT
2379 BROAD STREET
BROOKSVILLE, FL 34609-6899

WITHLACOOCHEE PLANNING COUNCIL
1241 S.W. 10TH STREET
OCALA, FL 32674

Regulated Utilities in Sumter County

As of 02/23/96

Continental Utility, Inc. WS606
50 Continental Blvd.
Wildwood, FL 34785
Liaison: Bob Hunt
Phone: (904) 748-0100
FAX: (904) 748-6450

Magnolia Manor Water Works WU547
% USA Utilities Unit 2, Inc. (Receiver
P. O. Box 26572
Tampa, FL 33623-6572
Liaison: John H. Hotaling
Phone: (813) 881-1211
FAX: (813) 881-1211

Sumter Water Company, Inc. WS668
P. O. Box 26572
Tampa, FL 33610-6572
Liaison: John H. Hotaling
Phone: (813) 886-5359
FAX: (813) 886-5359

Wildwood Estates WS664
5604 Heritage Blvd.
Wildwood, FL 34785
Liaison: Neil Duncan
Phone: (904) 748-4449
FAX: (904) 748-7737

LITTLE SUMTER UTILITY COMPANY
APPLICATION FOR ORIGINAL WATER
AND WASTEWATER CERTIFICATES

Proof of Publication

LATE FILED
EXHIBIT N