REQUEST TO ESTABLISH DOCKET
(PLEASE TYPE)

Date 3/25/96

Docket No. 960376-WS

1. Division Name/Staff Name Division of Water and Wastewater/ S. Austin
2. OPR S. Austin
3. OCR Legal
4. Suggested Docket Title Request for approval of a bulk service agreement ~~between~~ with Rolling Oaks Utilities, Inc. and Morrison Homes, in Citrus County. of Florida, Inc.
5. Suggested Docket Mailing List (attach separate sheet if necessary)

   A. Provide NAMES ONLY for regulated companies or ACRONYMS ONLY regulated industries, as shown in Rule 25-22.104, F.A.C.
   B. Provide COMPLETE name and address for all others. (Match representatives to clients.)

   1. Parties and their representatives (if any)

Martin S. Friedman
Rose, Sundstrom & Bentley
P.O. Box 1567
Tallahassee, FL 32302-1567

   2. Interested Persons and their representatives (if any)

6. Check one:
   X Documentation is attached.
   ___ Documentation will be provided with the recommendation.

PSC/RAR 10 (Revised 01/96)

DOCUMENT NUMBER-DATE
03591 MAR 26 96
FPSC-RECORDS/REPORTING

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

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March 14, 1996

VIA HAND DELIVERY

Ms. Blanco S. Bayo, Director
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Rolling Oaks Utilities, Inc.
Bulk Service Agreement with Morrison Homes of Florida, Inc.
Our File No. 16622.26

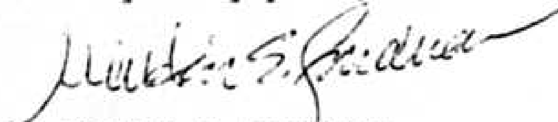
Dear Ms. Bayo:

Pursuant to Commission Rule 25-30.550, Florida Administrative Code, enclosed is a copy of a Bulk Service Agreement entered into between Rolling Oaks Utilities, Inc. and Morrison Homes of Florida, Inc.

Rolling Oaks Utilities, Inc.'s wastewater treatment plant has a permitted capacity of 0.5 mgd. The current treatment plant connected load is approximately 460,000 gallons a day and the Bulk Service Agreement with the Laurel Ridge Subdivision is for 94,150 gallons a day. Rolling Oaks Utilities, Inc. will be undertaking a plant expansion to provide the service required by this Agreement.

In accordance with the aforementioned Rule, we will deem this Agreement approved if we do not receive notice from the Commission of its intent to disapprove within thirty days. Should you have any questions regarding this Wastewater Agreement, please do not hesitate to contact me.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/bsr
Enclosure
cc: Mr. Troy Rendell

RECEIVED
MAR 14 1996
Florida Public Service Commission
Division of Water and Wastewater

BULK SERVICE AGREEMENT

11th THIS BULK SERVICE AGREEMENT is made and entered into as of the 11th day of March, 1996, between Rolling Oaks Utilities, Inc., a Florida corporation (hereinafter the "Utility"), and MORRISON HOMES OF FLORIDA, INC., a Florida corporation and its successors and assigns (hereinafter the "Developer").

W I T N E S S E T H :

WHEREAS, Utility and Developer did enter into that certain Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal dated February 23, 1989 (the "Agreement"); and

WHEREAS, Developer and Utility have entered into on even date, an Amendment to the Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal (the "Amendment") and a related Escrow Agreement (the "Escrow Agreement"); and

WHEREAS, Developer has determined that it would be in the best interest of the residents of the Laurel Ridge Subdivision, Phase I and II, to own and control through the subdivision homeowners association, the on-site water and sewer utility systems and to provide for maintenance and care of same and to utilize bulk service from the Utility in order to achieve that result; and

WHEREAS, the Developer intends to convey to the homeowners association for the Laurel Ridge Subdivision, all of the on-site systems contained therein in order to accomplish this Bulk Service arrangement and to have that entity bound by all the obligations under this Bulk Service Agreement; and

WHEREAS, Developer has requested that this Bulk Service Agreement be entered into to provide that the Utility will furnish bulk water and wastewater service to Developer for the Laurel Ridge Phase I and Phase II according to the terms and provisions hereafter set forth; and

NOW THEREFORE, in consideration of ten dollars ($10.00) and other valuable consideration paid by Developer to Utility, the receipt of which is hereby acknowledged, and for other good and valuable consideration, the Parties hereto mutually covenant and agree, each with the other, as follows:

1. Definitions. The following definitions and references are given for the purpose of interpreting terms as used in this Bulk Service Agreement and apply unless the context indicates a different meaning.

(a) "The Agreement" - The Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal entered into on February 23, 1989.

(b) "Amendment" or "Amendment to Agreement" - The Amendment to Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal which was entered into on even date in order to modify the terms of the Agreement, as well as to deal with the occurrence of certain contingencies under this Bulk Service Agreement.

(c) "Contributions-in-aid-of-construction (CIAC)" - the sum of money which Developer will actually transfer to Utility at no cost to provide utility service to this specified property.

(d) "The Property" or "Subdivision" - The subdivision described in **Exhibit "1"** attached hereto.

(e) "Developer" and "Utility" - These terms are used to identify George Wimpey of Florida, Inc. and Rolling Oaks Utilities, Inc. respectively, the parties to this Bulk Service Agreement. When these terms are used, they are intended by both parties to include the successors and assigns of those entities as well as any subsequent owners of the water and wastewater facilities which are the subject of this Bulk Service Agreement. Both parties intend that those successors, assigns and later owners are to be notified of the terms of this Bulk Service Agreement and bound by them to the extent this Bulk Service Agreement effects those parties.

(f) "Favorable Private Letter Ruling" - An IRS written opinion provided in response to the Request submitted hereunder that the Bulk Service Agreement as outlined herein does not cause any portion of the cost or value of the On-Site Systems of Developer to be included in the income of the Utility at any time up through and including the expiration of the Bulk Service Agreement and the transfer of those systems at that time.

2. Bulk Service. For the subdivision described in **Exhibit "1"**, Utility agrees to furnish bulk water and sewer services ("Bulk Service") to Developer at the point of delivery ("Point of Delivery") as follows:

(a) The water Point of Delivery for Laurel Ridge subdivision, Phase I and II, as described in **Exhibit "1"** is located at: (see Exhibit "5" attached hereto)

(b) The sewer Point of Delivery for Laurel Ridge subdivision, Phase I and II, as described in **Exhibit "1"** is located at: (see Exhibit "5" attached hereto)

(c) Point of Delivery shall be that point where the pipes or meter of Utility are connected with the pipes of the

Developer. Utility shall, according to the terms and conditions hereof, own all water and sewer facilities and appurtenances to the Point of Delivery, which is the same as the Utility's side of the Point of Delivery, unless otherwise agreed ("Off-Site System"). The water and sewer facilities and appurtenances inside the Point of Delivery, which is the same as the Developer's side of the Point of Delivery, shall belong to Developer or the homeowners' association ("Homeowners' Association") created for the subdivision where the pipes and appurtenances are located ("On-Site System").

(d) For each subdivision developed by Developer subsequent to the date hereof, the Amendment to Agreement and this Bulk Service Agreement may be amended to define the location of each Bulk Service Point of Delivery, for each such subdivision and to allow Bulk Service to such locations under terms similar to those in this Agreement, if both Parties so agree.

(e) Developer shall, at Developer's sole cost and expense, extend such water and sewer facilities and construct such facilities as necessary to connect the water distribution and sewer collection systems of Developer to the existing water and sewer system of Utility at the Point of Delivery. Upon notification that construction of such facilities is complete and Developer's request that service be connected to such subdivision, the Utility shall, after verification of those facts, allow connection of Developer's On-Site System to that of Utility and allow installation by Developer of the meter as required in Paragraph 6(b) hereof. After installation, Developer shall notify Utility of the completion of such meter installation and Utility shall inspect such installation to verify it is in accordance with industry standards and the Utility's requirements. Upon verification of same, in addition to payment of all applicable service availability charges and Gross-up charges related thereto, as well as any other applicable fees or charges imposed under the Utility's tariff, Utility shall begin providing bulk service to Developer's property. The size, type and make of such meter shall be determined by the Utility in its sole discretion based upon its tariff, policy, and then current industry standards.

3. Construction of On-Site System. All provisions of the Agreement pertaining to construction of water and sewer systems and facilities located on Developer's side of the Point of Delivery as contained in the Agreement shall continue in full force and effect. Developer will be required to install meters to all tap-ins or connections on to the On-Site System receiving water service so that all water service connections shall be metered at all times. The Utility shall be informed of the size, type, and make and model of meters utilized, selection of which shall be subject to approval by the Utility, in order to conform those meters to those utilized by the Utility in its existing system.

4. Construction of Off-Site System. The provisions of the Agreement pertaining to construction of the water and sewer system facilities located on the Utility's side of the Point of Delivery shall remain in full force and effect as set forth in the Agreement.

5. Conveyance of On-Site System. Because Utility is providing the Developer with Bulk Service, the Developer shall remain owner and operator of the internal distribution and collection facilities on Developer's side of the Point of Delivery as defined herein.

(a) The term of this Bulk Service Agreement shall be thirty (30) years; upon termination of this Bulk Service Agreement the On-Site System in the subdivision, to which Bulk Service has been provided under the terms of this Bulk Service Agreement, shall be transferred to Utility at no cost to Utility and free and clear of any encumbrances, subject to payment by Developer of any charges which may be due to Utility by reason of such transfer.

(b) Notwithstanding the obligation to transfer the On-Site Systems at the expiration of the Bulk Service Agreement, Developer hereby grants to Utility the option, exercisable by the Utility at any time after execution hereof, to purchase the On-Site System for the sum of ONE THOUSAND AND 00/100 DOLLARS ($1,000.00). However, if this option to purchase is exercised by the Utility, the transfer of the On-Site System to the Utility under those circumstances will not subject the transferor to any gross-up of tax impact charges being imposed.

(c) At the time of a transfer provided for herein, Developer shall deliver to the Utility, an appropriate bill of sale within sixty (60) days of such written demand for conveyance. Such conveyance shall include, to the extent available, all original invoices evidencing the cost of the On-Site System, release of liens for all such invoices, as built plans, shopdrawings, and O&M manuals as appropriate. Transferor shall further convey to Utility any and all easements, rights-of-way, or other property rights vested in or in favor of transferor free and clear of any encumbrances, which may be necessary to own, operate, and maintain the On-Site System, upon demand for conveyance under this Section.

(d) The provisions of this Section dealing with the required sale or transfer of the On-Site System by the Developer shall be an obligation running with ownership of that On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Bulk Service Agreement.

(e) Developer further agrees that it will provide written notice of the requirements of this Section to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Bulk Service Agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

(f) In accordance with the provisions of this Section, the On-Site System transferred shall include all on-site water and sewer lines, services, laterals, meters, hydrants, pumps, mains, lift stations and appurtenant facilities (collectively referred to as "Components") from the Point of Delivery as defined hereunder to the point of connection of the On-Site System to each individual lot of the subdivision so affected together with the pertinent supporting documentation as hereinbefore defined.

6. Agreement to Serve. Subject to the provisions of this Bulk Service Agreement, the Amendment to Agreement, and the provisions of the Agreement regarding providing of water and sewer service by Utility shall remain and continue in full force and effect.

(a) It is acknowledged that Utility shall file a request to amend its tariffs to provide a rate for Bulk Service, and Utility agrees to give Developer notice of its filing and to provide Developer with a copy of same. It is further agreed that the derivation of such Bulk Service rate shall be based upon employment of a standard base charge and gallonage charge as currently reflected in the Utility's general service tariff. Those respective rates shall be calculated as follows:

(i) Base charge - The base charge imposed each month for both water and sewer service shall be the greater of: (1) the base charge applicable utilizing the standard general service tariff rates for the size meter utilized in providing such Bulk Service; or to the extent that meter size is not reflected in the general service tariff, the base charge that would be calculated utilizing the AWWA meter equivalent standards provided for in Rule 25-30.055, FAC, and applying those standards to then existing rates; or (2) the general service base facility charge for a 5/8" X 3/4" meter multiplied by the number of ERCs behind the Bulk Service meter in any given month. If this latter basis for determining the base charge is utilized, the base charge per ERC shall be discounted 4.83% for water and 6.61% for wastewater to recognize the savings in billing and other related costs to the Utility as a result of the Bulk Service Agreement.

To the extent and so long as the base charges are applied under Section 6(a)(i)(1) above, and those charges exceed those that would be applicable under application of Section 6(a)(i)(2) above, the Developer shall ensure that that excess is paid by Developer so long as an excess exists, and that none of the residential or commercial customers behind the bulk meter are assessed an individual charge which is intended to recover that excess from those individual customers behind the bulk meter.

(ii) Gallonage charge - The gallonage charge imposed shall be based upon application of the residential service charge per 1,000 gallons as contained in the Utility's residential service tariff multiplied by the number of gallons of water which has passed through the Bulk Service meter during any given month for both water and sewer service. To the extent and at such time as the base charge provisions under Paragraph 6(a)(i)(2) above are utilized in establishing the base charge for sewer services, a 6,000 gallon per ERC cap shall be placed on the charges for sewer service through the bulk meter.

(b) The parties agree that the appropriate metering device to be installed in order to provide Bulk Service to the Developer's On-Site System shall be an eight inch (8") compound meter. Developer will purchase and install, at its sole cost and expense, a metering device approved by the Utility for the provision of such bulk service.

(c) The Bulk Service rate as determined shall be charged in accordance with the standard tariffs for other general services rendered by the Utility. Attached hereto as Exhibit "2" is a calculation of the appropriate charges that will be proposed for assessment to the Bulk Service customer under this Agreement as calculated under the provisions of Subparagraph (a) hereof and utilizing the tariff rates of the Utility in effect at the time of the execution of this Bulk Service Agreement. The parties recognize that the jurisdiction over the rates and charges of the Utility are governed by the regulatory oversight and authority of the Florida Public Service Commission. The Florida Public Service Commission or other economic regulator, having jurisdiction over the rates and charges of the Utility, may from time to time revise those rates and charges which will then be applicable to this Bulk Service Agreement.

(d) The Parties hereto recognize and agree that the implementation of the above rate system will require reporting by Developer to the Utility on a monthly basis the exact number of equivalent residential connections on the Developer's side of the Bulk Service meter (within the On-Site

System). Developer therefore agrees that it will provide to the Utility by the twentieth day of each month, a listing of the number of equivalent residential connections (ERCs) then receiving service as of the fifteenth of that month through the Bulk Service meter and within the On-Site System. Each tap-in to the mains of the On-Site System shall be considered one ERC, unless the size of the line providing such service is larger than 3/4" in diameter or the meter size measuring such service is larger than 5/8" x 3/4", in which case, the number of ERCs represented by each such tap-in shall be based upon application of the AWWA equivalency standards contained in Rule 25-30.055, FAC. Such monthly reports shall include a cumulative total from the previous month of the number of ERCs receiving such service, as well as a detailed explanation of any new connections added during that period, including size, address, type of service, meter or connection line diameter for each new service, and whether the customer is a residential, commercial, industrial or other type of service.

(e) Because of the importance of the timeliness and accuracy of these reports, Developer hereby agrees that the Utility shall have rights at any time to inspect the facilities behind the meter to determine through any reasonable means the number of connections, number, nature, and size of connections receiving service through the Point of Delivery. In order to ensure timely and accurate reporting of such connections by Developer, the Utility may estimate and back bill Developer, at any time, for previous under billings resulting from under reporting of ERCs receiving service through the Point of Delivery, plus interest at 6% per annum and a penalty equal to 15% of the back billed amount. The Utility shall also bill for and Developer shall pay all costs, including reasonable engineering, accounting and attorneys' fees incurred by the Utility in determining the existence and nature of the under billing and collection of under billed amounts together with interest, penalty and costs. Such under billed amounts, plus interest, penalty, and costs shall be paid within 20 days of written demand for same by Utility to Developer. Should Developer fail to pay all such under billed amounts, fees, costs, interest and penalty in accordance with these time limitations, Utility reserves the right to discontinue service to Developer, and/or its successors or assigns at this and any other installation owned or controlled by Developer, and/or its successors or assigns, receiving such service and to refuse service to any new installation requesting service until such time as all applicable fees, costs, penalties, interest and back billed amounts are paid. This provision shall not be read to allow disconnection of Developer installation or refusal of service to Developer under circumstances where Developer no longer owns or operates the On-Site System and where Developer no longer controls the entity which owns or operates the On-Site System. Under those circumstances, these rights of termination and refusal of

service shall apply solely to the owner and/or operator of the system at that time.

(f) To the extent this Bulk Service Agreement or Bulk Service rate methodology or such other rate acceptable to Utility which produces at least as much revenue to the Utility as would be produced by individual service, are not approved by the Florida Public Service Commission or other applicable regulatory agency, the Utility shall have the unilateral right to cancel this Bulk Service Agreement and to require contribution by Developer of all On-Site Systems along with all applicable Gross-up charges relative to the On-Site Systems. Notwithstanding the above, any deficiency of the revenues below those which would be generated by individual service resulting strictly from imposition of the rate as outlined in Section 6(a) above, shall not authorize Utility the unilateral right to cancel this Bulk Service Agreement and require contribution of the on-site facilities or gross-up charges by Developer.

(g) In order to terminate service to the On-Site System as provided for within this Agreement, the Utility shall be required to provide notice in accordance with its tariff to each of the individual customers within the On-Site System owned and operated by Developer or its assigns. Such notice shall be in conformance with the requirements of the tariff and Commission rules concerning notice of discontinuance of service. In order to facilitate such notice, Developer and its assigns shall be obligated to provide the Utility with an updated and current monthly listing, including name, service address, and billing address of each connection and customer receiving service through that On-Site System within fifteen (15) days of the end of each month. Failure to provide such listing within the time limits outlined herein shall result in Developer being liable to the Utility for a penalty of an additional fifteen percent (15%) of the average monthly billing to the bulk customer for the most recent six (6) months after the seventh (7th) day. In addition, interest shall immediately begin to accrue on such penalty at the rate of six percent (6%) per annum. The Developer or its assigns shall pay all costs including reasonable engineering, accounting and attorneys fees incurred by the Utility in enforcing this provision.

(h) In order to facilitate the Utility's rights hereunder, all connections to the On-Site System must be metered, and the Utility shall install all meters within the On-Site System in accordance with the charges and the general requirements of its tariff. However, once installed, the Utility shall have no obligation to maintain such meters, nor any ownership right in such meters. In accordance with standard utility practice and the provisions of the Utility's tariff and Commission rules, the Utility shall install such meters

expeditiously upon appropriate request for same by Developer or its assigns.

(i) All of the provisions of this Bulk Service Agreement dealing with the required payment for service and reporting of connections and facilities behind the Point of Delivery within the On-Site System by the Developer and required payment for additional metering systems and all other continuing obligations that will or may continue beyond the execution date of this Bulk Service Agreement shall be an obligation running with ownership of that On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Bulk Service Agreement.

(j) Developer further agrees that it will provide written notice of the requirements of this Bulk Service Agreement to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Bulk Service Agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

(k) During the pendency of the application for approval of this Bulk Service Agreement, and the bulk service rate outlined in this subsection, the Developer shall cooperate with the Utility in the processing of its applications for approval of same from the Public Service Commission or other applicable regulatory agencies or authorities.

7. Required Capacity. Developer intends to reserve for the purposes of this Bulk Service Agreement, capacity necessary to supply those On-Site Facilities referred to as Phase I and II of the Laurel Ridge Subdivision. The parties hereto agree to reserve sufficient capacities for ADF of 94,150 gallons per day for water and 94,150 gallons per day for sewer, which represents two hundred and sixty-nine (269) Equivalent Residential Connections for the water system and two hundred and sixty-nine (269) Equivalent Residential Connections for the sewer system. Utility is not obligated to provide system capacity or service in excess of the number of Equivalent Residential Connections estimated to be supplied under the above calculations. Reserve capacity in excess of the amounts agreed to herein which may be required by Developer may be requested by providing formal written notice to Utility. Developer shall not allow the connection to the internal distribution and collection systems services which exceed either the ERC or gallonage limitations committed above. To the extent Utility determines that Developer's use exceeds either ERC or gallonage limitations as outlined above during the term of this Bulk Service

Agreement, Utility may notify Developer of additional requirements including system capacity, other service availability charges, and any cost of inspection and enforcement related to this requirement including Utility's legal and engineering fees, and Developer shall pay those charges within ten (10) days of such written notice. To the extent Developer declines or neglects to pay such additional funds within ten (10) days of notice by Utility. Utility reserves the right to discontinue all service to Developer and to refuse to connect any further services requested by or through Developer.

8. System Capacity and Gross-up Charges. The Florida Public Service Commission has approved for Utility, water plant capacity and main extension charges of four hundred and fourteen dollars ($414) per unit and sewer plant capacity and main extension charges of six hundred and twenty-eight dollars ($628) per unit. Pursuant to the provision of individual service in Phase I of the Laurel Ridge Subdivision, Utility has already allowed connection of 85 ERCs for which service availability charges and applicable gross-up have been paid by Developer totalling one hundred and forty-two thousand dollars ($142,000). Simultaneous with execution of this Bulk Service Agreement, Developer will pay to the Utility, the remaining plant capacity and main extension charges for 184 ERCs of water capacity totalling seventy-six thousand one hundred and seventy-six dollars ($76,176), and 184 ERCs for sewer main extension and plant capacity totalling one hundred and fifteen thousand five hundred and fifty-two dollars ($115,552).

The Developer and the Utility recognize and agree that the above system capacity charges result in the requirement of imposition of a "gross-up" charge for the tax impact of receipt of such cash contributions. Attached hereto as **Exhibit "3"** is a calculation of the cash contributions along with the applicable gross-up and other charges which must be paid as a prerequisite to service hereunder.

The Developer payment of plant capacity and main extension charges does not and will not result in Utility waiving any of its rates or rules or regulations and their enforcement shall not be effected in any manner whatsoever by Developer's payment of same. Utility shall not be obligated to refund to Developer any portion of the value of the plant capacity or main extension charges for any reason whatsoever, nor shall Utility pay any interest or rate of interest upon the plant capacity or main extension charges paid. Neither Developer nor any person or other entity holding any of the property by, through or under Developer, or otherwise, shall have any present or future right, title, claim or interest in and in to the plant capacity or main extension charges paid or to any of the water or sewer facilities or property of Utility, and all prohibitions applicable to Developer with respect to no refund of plant capacity or main extension charges, no interest payment on plant capacity or main extension charges, and otherwise, are applicable to all persons or entities.

Developer and Utility recognize that jurisdiction over the rates and charges of Utility is currently held by the Florida Public Service Commission and may at some time be transferred to some other regulatory agency. In recognition of this fact, the Utility and Developer agree that the rates and charges of Utility may, from time to time, be changed by such regulatory agency, and that the charges then in effect at the time of connection of each unit, in accordance with the provisions of regulatory agent's authority, rules, statutes and orders, and Utility's approved tariff and service availability policy will be applied to property as required or allowed by law.

9. Maintenance Agreement. For the entire term of the Agreement, the Amendment, and this Bulk Service Agreement, Developer shall enter into a service contract with E+L Mechanical ____________ or a similar type company independent from Utility for the purpose of providing administrative and maintenance services to read meters, send bills to the consumers, receive and pay bills from the Utility, to maintain and repair the On-Site System when and as needed, to insure compliance with all rules and regulations to which the operator of the On-Site System may be subject, and to prepare the monthly reports as required under Paragraph 6(d) hereof, and for similar type services as may be necessary from time to time.

(a) Because the Utility system is required to be connected to and provide service to the On-Site System of Developer and because the Utility may at some time demand transfer of all of such On-Site Facilities, such system shall be maintained in compliance with all regulatory requirements and specifications and reasonable industry standards. Utility shall have the right to inspection of Developer's On-Site System prior to the time Utility allows connection of those facilities to those of Utility. Utility shall also have a right to require correction or improvement of those facilities in order to meet industry standards or to make those facilities compatible with those of Utility as a precondition of allowing the connection of Developer's On-Site System to Utility. Utility shall have a right to review all plans and specifications for construction of facilities necessary for interconnection of Developer's On-Site System to those of Utility prior to their construction, and to approve such design specifications, as well as to inspect those facilities during construction. Utility shall have a right to final approval of all of Developer's On-Site System, including design, construction, sizing, and materials utilized in piping, meters, valves, etc. prior to connection of those facilities constructed by Developer to the facilities of Utility.

(b) Should Utility determine from these inspections or review of plans as outlined above, that the quality, size or type of materials utilized or the installation performed by

Developer in constructing the On-Site System necessary to connect to Utility's system are in any way defective, below industry standards, or not compatible with the system of Utility, Utility shall have the right to demand correction of any such problems or discrepancies prior to allowing connection of Developer's On-Site System to the facilities of the Utility.

(c) The Utility shall be responsible for maintaining adequate quantity, quality and pressure up to and including the Point of Delivery. The Developer shall be responsible for the quality and quantity of water and sewer service delivered beyond the Point of Delivery into the On-Site System. The Utility shall have no responsibility for the quality, quantity or pressure beyond the Point of Delivery.

(d) The Utility shall have a right to connect future facilities or existing facilities into the system owned by Developer as reasonably necessary in order to allow the Utility to provide service to other parts of its existing or proposed certificated service territory outside the subdivision receiving Bulk Service. The Utility will coordinate with the Developer in making such connection and ensure accurate metering devices are installed and maintained at that connection in order to ensure that Developer is not charged for water service going through its On-Site System, but not utilized within that On-Site System. Developer will be required to pay, simultaneous with the execution of this Agreement, the cost of materials and installation of such metering devices as outlined in **Exhibit "4"** hereof. Such estimated costs of materials and installation shall be based upon and equal to, the actual installation and materials cost of the metering device required for bulk service as outlined under Paragraph 2(e) hereof. Developer shall provide the Utility with a breakdown of that estimated cost for the Utility's approval prior to execution hereof. Notwithstanding any of the above, if the additional areas to receive service from such connection to Developer's On-Site System are also to receive bulk service rather than individual service, then the cost of such metering device shall be appropriately born by the owner of the On-Site System for which that metering device is necessitated in order to provide such bulk service. If that is other than the Developer herein, then the Utility shall refund the prepaid meter installation charge for the back-side meter as required hereunder immediately upon payment for same by that future bulk service customer.

(e) The Utility shall also have a right to inspect Developer's On-Site System at any reasonable time in order to determine whether that system is being properly operated and maintained in accordance with DEP rules and regulations (including Rule 62-550.540, F.A.C.), with industry standards and in a manner which makes ~~is~~ it compatible with and not

detrimental to the Utility's operation of its facilities. Developer or its assigns shall also provide to the Utility within fifteen (15) days of completion, copies of all testing results performed in or on the on-site water and wastewater systems. To the extent the Utility finds a problem with such maintenance or operation, the Utility may inform Developer of such problem or discrepancy and Developer will be required to repair such problem in accordance with sound industry standards. Failure by Developer to make such improvement within the reasonable time explicitly provided for same by the Utility shall result in the Developer or its assigns being assessed a penalty of fifteen percent (15%) of the cost of such repairs and interest at six percent (6%) per annum on such estimated costs. The Utility shall then have a right to make such repairs as it deems reasonable and Developer will be liable along with the interest and penalties as outlined above for all such costs expended by the Utility, including reasonable attorney, engineering and other fees incurred in making such repairs and enforcement of this provision. Failure to maintain the Developer's On-Site System in accordance with these terms and provisions shall constitute a violation and default under the terms and provisions of the Agreement and this Amendment.

(f) Upon notification by the Utility to Developer of a problem in the operation or maintenance of the water and wastewater systems as outlined herein, Developer shall have 10 days in which to provide a response if it believes that the need for additional operation and maintenance are other than as stated by the Utility. To the extent that the Developer's Professional Engineer disagrees with the conclusion of the Utility's Professional Engineer as to the need for such service, operation or maintenance adjustments, the Developer's Professional Engineer shall provide in writing, an explanation of its position regarding the need for such repairs and the nature of what, if any repairs that Professional Engineer believes are necessary and appropriate. If the parties cannot agree, then within three days of the receipt of such notification from Developer, then the Utility's consulting Professional Engineer and the Developer's consulting Professional Engineer shall select a third Professional Engineer to arbitrate the matter and render a decision as to the necessary operation or maintenance changes in order to bring that system in compliance with sound industry standards and practices. Such decision of the third party Professional Engineer shall be binding upon both parties and the cost of obtaining the services of that third party Professional Engineer shall be born by the party with whom the third party Professional Engineer disagrees. To the extent the third party Professional Engineer disagrees with positions of both parties' consulting Professional Engineers, the cost of that third party Professional Engineer shall be shared equally.

(g) To the extent an emergency situation arises as requiring immediate attention by the Utility (any condition which must be dealt with under sound industry standards in less than fifteen days), the Utility shall have a right to provide the Developer 24 hour notice to make such repair, and Developer shall make such repair or begin continuous work toward making such repair within 24 hours or the Utility shall make that repair and charge the Developer for the cost of any such repair. The Utility will provide an itemized statement of such costs after completion of such repairs.

(h) Failure to pay the costs of the third party Professional Engineer or to pay the cost of emergency repair in accordance with these terms and provisions within ten (10) days of written notification of the amount of such costs, shall also constitute a violation and default under the terms and provisions of the Agreement as amended and shall constitute a basis for the Utility to refuse further service under this Bulk Service Agreement or to any new service, in the Developer and/or its successors or assigns' names, and for assessments of penalties of fifteen percent (15%) of the cost of such engineering services and repairs and interest thereon at the rate of six percent (6%) per annum.

10. Private Letter Ruling. As a condition precedent to the Utility's initial obligation to provide Bulk Service or to continue to provide Bulk Service to the subdivision of Developer, as herein before set forth, Developer shall apply for, at its sole cost and expense, and obtain a favorable Private Letter Ruling from the Internal Revenue Service which will confirm that the provision of Bulk Service by Utility, to Developer, pursuant to the terms of this Bulk Service Agreement will not subject Utility at any time to the requirement that it report as income all or a portion of the cost or value of the On-Site System, with the sole exception being the tax impact that will result to the Utility if it exercises the purchase option under Paragraph 5(b) hereof.

(a) The Developer will prepare the Private Letter Ruling Request which contains all of the key elements of this Bulk Service Arrangement as contained herein, including but not limited to the following components:

(i) The Bulk Service Arrangement as outlined in Paragraph 6 hereof and the reporting requirements of Paragraph 6(d).

(ii) The Third Party Maintenance Arrangement as contained in Paragraph 9.

(iii) The Mandatory Transfer Provisions and "Buy-out" Provisions of Paragraph 5(a) and 5(b) and such other particulars as the parties may agree to.

(b) The Utility shall have a right to approve the final form of the Private Letter Ruling Request before submission to the Internal Revenue Service. Such approval by the Utility shall not be unreasonably withheld.

(c) An unfavorable Ruling or notification by the Internal Revenue Service means any decision by the Internal Revenue Service that finds that all or any part of the value or cost of the Developer's On-Site System will be treated as taxable income to the Utility at any time from the date of initial service up to and through the date of transfer of that system under the buy-out provisions and/or transfer provisions outlined in Paragraph 5(a) hereof.

(d) Utility shall be a named recipient of any and all correspondence between Developer or its agent and the Internal Revenue Service and shall be named in correspondence to the Internal Revenue Service as a recipient of all such correspondence from the Internal Revenue Service. The Utility shall immediately provide all copies of correspondence received from the Internal Revenue Service to the Developer within 10 days of receipt if Developer or its agent is not provided that correspondence directly.

(e) Developer agrees to promptly file the request for the Private Letter Ruling on behalf of the Utility (and Developer if need be); Utility shall cooperate with Developer in the preparation and filing of the request. In the event the Private Letter Ruling issued by the Internal Revenue Service is not favorable, e.g., it states that all or a portion of the cost or value of the On-Site System owned by Developer as provided for herein must be included in the gross income of the Utility, then in such event this Bulk Service Agreement and the Amendment to Agreement may be amended in such manner as to satisfy the reasons the Private Letter Ruling is not favorable and the request may be resubmitted to the Internal Revenue Service so long as both Parties agree that such amendments do not materially alter the intent of the Agreement. The parties agree to cooperate to determine what revision will be necessary in order for the Amendment to receive a favorable Private Letter Ruling and in the preparation and filing of a new request. Notwithstanding the foregoing, in the event all reasonable efforts to obtain a favorable Private Letter Ruling are expended and no such favorable Private Letter Ruling has been obtained within 18 months of the execution of the Amendment or if an unfavorable Letter Ruling is received, then this provision of Bulk Service shall terminate, and the Utility shall immediately disconnect all meters for Bulk Service so that immediately thereafter individual meter service to each customer will be provided by the Utility in accordance with and under the terms outlined in the Amendment to Agreement. Developer will convey the On-Site

System to Utility under the terms of the Amendment to Agreement executed on even date.

(f) Notwithstanding any of the other provisions of this Bulk Service Agreement, if Developer and/or Utility have not received a Private Letter Ruling finding no tax impact on the Utility as a result of this Bulk Service Agreement herein within eighteen (18) months of the date of execution of this Bulk Service Agreement and the Amendment to Agreement, then the Utility shall have a right to exercise its full rights under this Agreement, the Amendment to Agreement, and the Escrow Agreement as though an unfavorable Private Letter response had been received from the Internal Revenue Service, regardless of whether any request for Private Letter Ruling is still pending with the Internal Revenue Service.

(g) Upon issuance of an unfavorable Private Letter Ruling or notification of an intention to initially rule unfavorably to the request of the Utility and Developer, by the Internal Revenue Service, the Developer shall immediately provide a list, to the Utility, of all of the individual customers receiving service, the quantity, type and size of service, as well as addresses for such customers, for all connections made to the On-Site System of Developer.

(h) Upon execution of the Amendment to Agreement and this Bulk Service Agreement and the related Escrow accounts and upon payment of such other fees and costs and performance of such other conditions as outlined in the Amendment to Agreement and Escrow Agreement, and hereunder and upon meeting all the preconditions requisite thereto, the Utility shall immediately begin providing Bulk Service to Developer's subdivisions as described herein on an interim basis pending the outcome of the Private Letter Ruling Request. Within a reasonable time after execution of this Agreement for Bulk Service and the Amendment to Agreement, the Utility will file with the Florida Public Service Commission, a request for approval of such rate in accordance with the provisions of Section 367.091(4) and (5), Florida Statutes and this Bulk Service Agreement, and Amendment to Agreement pursuant to Section 25-30.550, Fla. Adm. Code. The Utility's willingness to continue with this Bulk Service Agreement on an interim and/or final basis shall be governed by the provisions of Paragraph 6 and shall be based upon the Commission's ultimate approval of the Agreements outlining the Bulk Service arrangement and the charges outlined thereunder.

(i) During the pendency of the application for the Private Letter Ruling, Utility shall cooperate with Developer in the processing of its applications of water and sewer approvals and permits from the various regulatory authorities, including the execution of applications for permits and approvals.

(j) Notwithstanding any of the other provisions hereof, in the event that the IRS notifies the parties that the mandatory transfer provisions of Section 5(a) hereof do in fact result in a required inclusion by the Utility, at any time, of some portion (less than the full cost or value) of the On-Site System owned by Developer, then in lieu of termination of the Bulk Service Agreement, Developer can elect to pay the gross-up due on account of inclusion in the Utility's income such portion of the cost or value of the On-Site System, directly to the Utility within thirty (30) days of such notification in which case Developer may elect to continue the Bulk Service Agreement outlined herein.

(k) The provisions of this section and the related sections of the Amendment to Agreement dealing with the rights and obligations of the Developer shall be obligations running with the ownership of the On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Bulk Service Agreement.

(l) Developer further agrees that it will provide written notice of the requirements of this section and the related sections of the Amendment to Agreement to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision by Bulk Service pursuant to the terms of this Bulk Service Agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

11. Homeowners' Association. Upon execution of this Agreement for Bulk Service and the Amendment to Agreement, Developer shall immediately cause to be processed with the Florida Public Service Commission ("PSC") an application for Exemption from Regulation as provided for under Section 25-30.060(1),(2), and (3)(g) for each Homeowners' Association for each subdivision which will receive Bulk Service. For each subdivision to which Bulk Service is provided subsequent to the date of this Agreement for Bulk Service and the Amendment, Developer shall cause the application for Exemption from Regulation for the Homeowners' Association for each such subdivision to be filed and processed with the PSC. Upon each such Homeowners' Association receiving an Exemption from Regulation, and upon completion of each On-Site System for each subdivision Developer will cause the On-Site System to be conveyed to the Homeowners' Association subject of the terms and provisions of the Agreement, the Amendment to Agreement and this Bulk Service Agreement.

12. Utility Cost and Expenses. The parties hereto recognize that the Utility will incur certain costs and expenses,

transfers responsibility for Utility services related to those facilities, it is intended by both parties that the provisions of this Bulk Service Agreement shall be binding upon those assignees or successors. In recognition thereof, both parties have agreed to provide written notice in advance of the assignment or sale or other transfer to the transferee or assignee of the provisions of this Bulk Service Agreement and the rights and responsibilities hereunder. The assigning or transferring party shall obtain approval and agreement to be bound by the terms of the Bulk Service Agreement from that transferee or assignee no later than the date of transfer. The other party shall be provided with a copy of the written notice as well as the Bulk Service Agreement by the transferee or assignee to be bound by the terms of this Bulk Service Agreement within 10 days of the assignment or transfer.

14. No Other Entity to Serve. The Utility is entering into this Bulk Service Agreement and related Agreements for the convenience of the Developer and the residents of Phase I and Phase II of the Laurel Ridge Estates. Therefore, Developer agrees that it will not seek nor will it accept water and/or sewer service from any entity other than the Utility company without the express written consent of the Utility. Any attempts to do so will result in right of the Utility to demand the discontinuance of Bulk Service and the right to demand transfer of all On-Site Facilities and charges applicable thereto as authorized under the Utility's tariff, and the refusal of further service until such charges are paid.

15. Deposits. Under the terms of its tariff, the Utility is authorized to impose deposits upon its customers. The Utility has already imposed upon those individuals currently connected within Phase I of Laurel Ridge Estates, deposits required in accordance with its tariff. Upon execution of this Agreement, the Utility will collect from Developer a deposit equal to the amount authorized for service to the Developer under existing provisions of the Utility's tariff. This charge is reflected on **Schedule "2"** attached hereto. Within 30 days after such payment, the Utility will refund the individual deposits previously collected.

16. Transfer of System and Meter Readings. Upon any transfer of the On-Site System by Developer or its successor to Utility or its successors, the transferor shall cooperate with the transferee in coordinating the transfer by providing meter readings as of the required transfer date to the transferee Utility to assist the transferee in billing for that period.

17. Attorneys' Fees and Costs. In the event the Utility or Developer is required to enforce this Amendment by court proceeding or otherwise, by instituting suit or otherwise, then the prevailing party shall be entitled to recover from the other party, all costs incurred, including reasonable attorneys' fees and costs.

primarily legal expenses, but also possibly engineering and accounting, in negotiating, drafting, executing and complying with the provisions of this Bulk Service Agreement, the Amendment to Agreement and the related Escrow Agreement, the Bulk Service filing with the PSC, and the Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal dated February 23, 1989. The Utility must recover the costs of processing those matters from Developer. Developer has paid to the Utility's attorneys, a sum of twenty thousand dollars ($20,000) in order to fund the payment of such costs. Those funds shall be applied against the costs of previous and future legal and other services related hereto, incurred by the Utility. To the extent there is excess monies remaining after issuance of a Private Letter Ruling and settlement of all matters related to this Agreement to Bulk Service, the Amendment to Agreement, the original Agreement dated February 23, 1989, and the Escrow Agreement, attorneys for the Utility will refund those monies to Developer. To the extent the balance in such Escrow Account falls to or below five thousand dollars ($5,000), the Utility may demand payment of an additional five thousand dollars ($5,000), payable to the Utility's attorneys to be held in a similar manner in that trust account and applied toward current outstanding and future bills. Each time the account falls below five thousand dollars ($5,000), the Utility may make a similar request. To the extent the Developer fails to pay all such outstanding cost and fees above and beyond the twenty thousand dollar ($20,000) initial fee, or to pay any of the additional five thousand dollar ($5,000) amounts to be held in such trust account for the payment of such fees within twenty days of demand by Utility, the Utility may cease provision of Bulk Service, and disconnect any and all existing connections of Developer receiving service from Utility and to refuse to connect any further connections requesting such service. In addition, any such refusal by Developer shall constitute a breach of this Bulk Service Agreement and the Utility may demand transfer of the systems and all other rights to provide individual service as outlined herein and in the Amendment to Agreement and Escrow Agreement upon demand by the Utility. If the Utility exercises this last option, the Developer shall convey all rights and interest in the On-Site System to the Utility so that it may provide service on an individual basis from that point forward.

Prior to the Utility's declaring a breach under this provision, the Utility shall provide Developer with a ten (10) day demand notice to pay such costs and expenses and only after Developer's failure to make such demanded payment within ten (10) days of the date of such written notice, may the Utility declare the Developer actions to constitute a breach under this provision.

13. Transfer and Binding Effect of Bulk Service Agreement on Successors and Assigns. This Bulk Service Agreement is intended to be binding upon the successors and assigns of both the Utility and the Developer. To the extent the Utility transfers it system or the Developer transfers its On-Site System, or either party

transfers responsibility for Utility services related to those facilities, it is intended by both parties that the provisions of this Bulk Service Agreement shall be binding upon those assignees or successors. In recognition thereof, both parties have agreed to provide written notice in advance of the assignment or sale or other transfer to the transferee or assignee of the provisions of this Bulk Service Agreement and the rights and responsibilities hereunder. The assigning or transferring party shall obtain approval and agreement to be bound by the terms of the Bulk Service Agreement from that transferee or assignee no later than the date of transfer. The other party shall be provided with a copy of the written notice as well as the Bulk Service Agreement by the transferee or assignee to be bound by the terms of this Bulk Service Agreement within 10 days of the assignment or transfer.

14. No Other Entity to Serve. The Utility is entering into this Bulk Service Agreement and related Agreements for the convenience of the Developer and the residents of Phase I and Phase II of the Laurel Ridge Estates. Therefore, Developer agrees that it will not seek nor will it accept water and/or sewer service from any entity other than the Utility company without the express written consent of the Utility. Any attempts to do so will result in right of the Utility to demand the discontinuance of Bulk Service and the right to demand transfer of all On-Site Facilities and charges applicable thereto as authorized under the Utility's tariff, and the refusal of further service until such charges are paid.

15. Deposits. Under the terms of its tariff, the Utility is authorized to impose deposits upon its customers. The Utility has already imposed upon those individuals currently connected within Phase I of Laurel Ridge Estates, deposits required in accordance with its tariff. Upon execution of this Agreement, the Utility will collect from Developer a deposit equal to the amount authorized for service to the Developer under existing provisions of the Utility's tariff. This charge is reflected on **Schedule "2"** attached hereto. Within 30 days after such payment, the Utility will refund the individual deposits previously collected.

16. Transfer of System and Meter Readings. Upon any transfer of the On-Site System by Developer or its successor to Utility or its successors, the transferor shall cooperate with the transferee in coordinating the transfer by providing meter readings as of the required transfer date to the transferee Utility to assist the transferee in billing for that period.

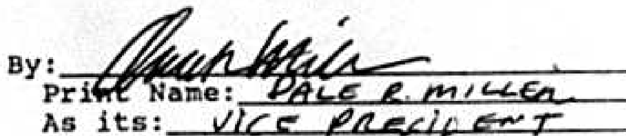
17. Attorneys' Fees and Costs. In the event the Utility or Developer is required to enforce this Amendment by court proceeding or otherwise, by instituting suit or otherwise, then the prevailing party shall be entitled to recover from the other party, all costs incurred, including reasonable attorneys' fees and costs.

18. Effect of Amendment. Except as set forth herein, and in the related Agreements executed on even date, the terms and provisions of the Agreement and the Option Agreement, both dated February 23, 1989, shall remain in full force and effect, and shall not be otherwise modified or amended, except to the extent the terms and provisions of this Bulk Service Agreement, the Amendment to Agreement, or the Escrow Agreement are in conflict with the terms and provisions of the Option Agreement or the Agreement. Any conflict in the provisions of this Bulk Service Agreement, and provisions of the Agreement or the Option Agreement shall be controlled by the provisions of the Amendment to Agreement, this Bulk Service Agreement and the Escrow Agreement.

WHEREFORE, the parties have executed this Bulk Service Agreement as of the date hereinabove stated.

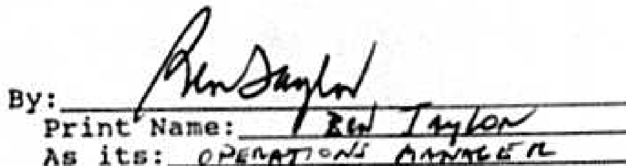
UTILITY:

ROLLING OAKS UTILITIES, INC.



By: ____________________
Print Name: DALE R. MILLER
As its: VICE PRESIDENT

DEVELOPER:
MORRISON HOMES OF FLORIDA, INC. f/k/a
GEORGE WIMPEY OF FLORIDA, INC.
A Florida Corporation



By: ____________________
Print Name: BEN TAYLOR
As its: OPERATIONS MANAGER

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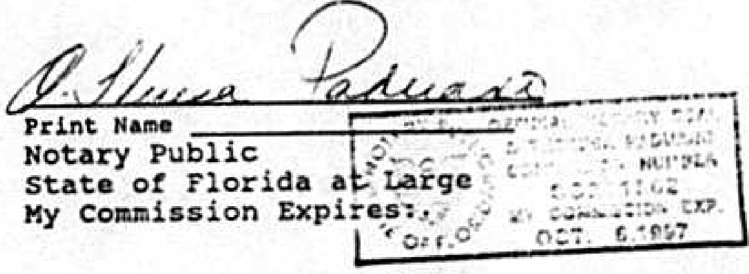
STATE OF Florida)
COUNTY OF Citrus)

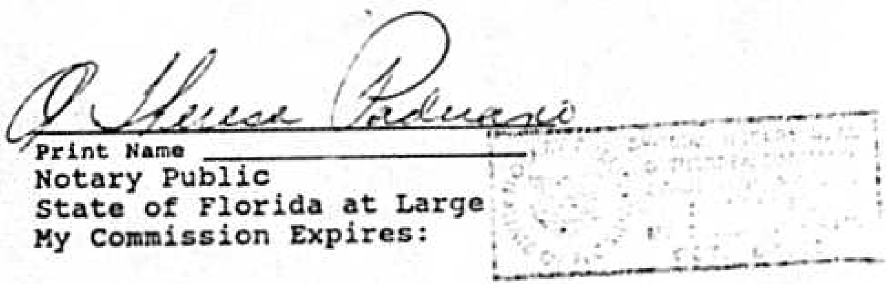
The foregoing instrument was acknowledged before me this 11th day of March, 1996, by Don R. Miller, as a representative of ROLLING OAKS UTILITIES, INC., who is personally known to me or who has produced N/A as identification and who did (did not) take an oath.



Print Name ______
Notary Public
State of Florida at Large
My Commission Expires:

STATE OF Florida)
COUNTY OF Citrus)

The foregoing instrument was acknowledged before me this 11th day of March, 1996, by Ben Taylor, as a representative of MORRISON HOMES OF FLORIDA, INC., who is personally known to me or who has produced N/A as identification and who did (did not) take an oath.



Print Name ______
Notary Public
State of Florida at Large
My Commission Expires:

LAW OFFICES
ROSE, SUNDSTROM & BENTLEY
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(904) 877-6555

CHRIS H. BENTLEY, P.A.
JENNIFER S. BRUBAKER
F. MARSHALL DETERDING
BRIAN L. DOSTER
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
ROBERT M. C. ROSE, P.A.
WILLIAM E. SUNDSTROM, P.A.
DIANE D. TREMOR, P.A.
JOHN L. WHARTON

MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (904) 656-4029

March 14, 1996

VIA HAND DELIVERY

Ms. Blanco S. Bayo, Director
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

Re: Rolling Oaks Utilities, Inc.
Amendment to Agreement with Morrison Homes of Florida, Inc.
Our File No. 16622.26

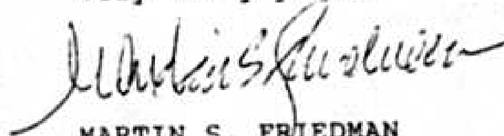
Dear Ms. Bayo:

Pursuant to Commission Rule 25-30.550, Florida Administrative Code, enclosed is a copy of the Amendment to Agreement For Provision of Potable Water Supply and Sanitary Sewer Treatment and Disposal entered into between Rolling Oaks Utilities, Inc. and Morrison Homes of Florida, Inc.

Since this Agreement does not increase the amount of capacity reserved under the original Agreement, the Amendment has no impact upon committed capacity or rates.

In accordance with the aforementioned Rule, we will deem this Agreement approved if we do not receive notice from the Commission of its intent to disapprove within thirty days. Should you have any questions regarding this Wastewater Agreement, please do not hesitate to contact me.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/bsr

Enclosure

cc: Mr. Troy Rendell ✓

RECEIVED
MAR 1 4 1996
Florida Public Service Commission
Division of Water and Wastewate

AMENDMENT TO AGREEMENT FOR PROVISION OF POTABLE WATER SUPPLY AND SANITARY SEWAGE TREATMENT AND DISPOSAL

THIS AMENDMENT is made and entered into as of the 14th day of March, 1996 between ROLLING OAKS UTILITIES, INC., a Florida corporation (the "Utility"), and MORRISON HOMES OF FLORIDA, INC. , a Florida Corporation, and its successors and assigns, (the "Developer").

W I T N E S S E T H :

WHEREAS, Utility and Developer did enter into that certain Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal under date of February 23, 1989 (the "Agreement"); and

WHEREAS, Developer has requested that said Agreement be amended to provide that Utility will furnish water and sewer services to Developer by bulk service for the subdivision hereafter described, according to the terms and provisions hereafter set forth; and

1st in org.

WHEREAS, Developer and Utility have entered into a Bulk Service Agreement on even date, the terms of which are outlined herein, and an Escrow Agreement on even date, which will control certain contingencies under this Amendment and the Bulk Service Agreement.

NOW, THEREFORE, in consideration of the sum of Ten Dollars ($10.00) and other valuable consideration paid by Developer to Utility, the receipt whereof is hereby acknowledged, and for other good and valuable considerations, the parties hereto mutually covenant and agree, each with the other, as follows:

1. Definitions. The following definitions and references are given for the purpose of interpreting terms as used in this Amendment to Agreement and apply unless the context indicates a different meaning.

(a) "The Agreement" - The Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal entered into on February 23, 1989.

(b) "Amendment" or "Amendment to Agreement" - This Amendment to Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal which is intended to modify the terms of the Agreement.

(c) "Escrow Agreement" - The Escrow Agreement which shall be executed on even date and control the rights and obligations of the Developer and the Utility under certain contingencies outlined in this Amendment and the Bulk Service Agreement.

(d) "Contributions-in-aid-of-construction (CIAC)" - The sum of money and/or the value of property represented by the cost of the water distribution and sewage collection systems, including lift stations and treatment plants, constructed or to be constructed by a developer or owner, which developer or owner transfers, or agrees to transfer, to Utility at no cost to Utility to provide Utility service to specified property.

(e) "Gross-up" - The tax impact to the Utility, charged to the contributor of CIAC in accordance with the provisions of the Utility's tariff and Florida Public Service Commission orders to offset the tax impact to the Utility of receipt of CIAC.

(f) "The Property" or "Subdivision" - The subdivision described in **Exhibit "1"** attached hereto.

(g) "Developer" and "Utility" - These terms are used to identify George Wimpey of Florida, Inc. and Rolling Oaks Utilities, Inc. respectively, the parties to this Amendment. When these terms are used, they are intended by both parties to include the successors and assigns of those entities as well as any subsequent owners of the water and wastewater facilities which are the subject of this Amendment. Both parties intend that those successors, assigns and later owners are to be notified of the terms of this Amendment and bound by them to the extent this Amendment effects those parties.

2. Bulk Service. For the subdivision described in **Exhibit "1"**, Utility agrees to furnish bulk water and sewer services ("Bulk Service") to Developer at the point of delivery ("Point of Delivery") as follows:

(a) The water Point of Delivery for Laurel Ridge subdivision, Phase I and II, as described in **Exhibit "1"** is located at: (see **Exhibit "4"** attached hereto)

(b) The sewer Point of Delivery for Laurel Ridge subdivision, Phase I and II, as described in **Exhibit "1"** is located at: (see **Exhibit "4"** attached hereto)

(c) Point of Delivery shall be that point where the pipes or meter of Utility are connected with the pipes of the Developer. Utility shall, according to the terms and conditions hereof, own all water and sewer facilities and appurtenances to the Point of Delivery, which is the same as the Utility's side of the Point of Delivery, unless otherwise agreed ("Off-Site System"). The water and sewer facilities and appurtenances inside the Point of Delivery, which is the same as the Developer's side of the Point of Delivery, shall

belong to Developer or the homeowners' association ("Homeowners' Association") created for the subdivision where the pipes and appurtenances are located ("On-Site System").

(d) For each subdivision developed by Developer subsequent to the date hereof, the Agreement may be amended to define the location of each Bulk Service Point of Delivery, for each such subdivision and to allow Bulk Service to such locations under terms similar to those in this Amendment, and the Bulk Service Agreement and Escrow Agreement, if both Parties so agree.

(e) Developer shall, at Developer's sole cost and expense, extend such water and sewer facilities and construct such facilities as necessary to connect the water distribution and sewer collection systems of Developer to the existing water and sewer system of Utility at the Point of Delivery. Upon notification that construction of such facilities is complete and Developer's request that service be connected to such subdivision, the Utility shall, after verification of those facts, assess all applicable service availability charges and Gross-up charges related thereto, as well as any other applicable fees or charges imposed under the Utility's tariff and thereafter allow installation of the metering device at the Point of Delivery as required under Paragraph 7(b) hereof and begin the provision of bulk service under the terms set out in this Amendment and the Bulk Service Agreement. The size, type and make of such meter shall be determined by the Utility in its sole discretion based upon its tariff, policy, and then current industry standards.

3. Construction of On-Site System. All provisions of the Agreement pertaining to construction of water and sewer systems and facilities located on Developer's side of the Point of Delivery as contained in the Agreement shall continue in full force and effect. Developer will be required to install meters to all tap-ins or connections on to the On-Site System receiving water service so that all water service connections shall be metered at all times. The Utility shall be informed of the size, type, and make and model of meters utilized, selection of which shall be subject to approval by the Utility, in order to conform those meters to those utilized by the Utility in its existing system.

4. Construction of Off-Site System. The provisions of the Agreement pertaining to construction of the water and sewer system facilities located on the Utility's side of the Point of Delivery shall remain in full force and effect as set forth in the Agreement.

5. Escrow Account. Utility and Developer recognize that the Bulk Service arrangement as outlined herein may be construed by the Internal Revenue Service to constitute income to the Utility in

an amount equal to all or a portion of the cost or value of the on-site system. This Amendment is undertaken in order to accommodate the Developer in an attempt to avoid that consequence and as such, to avoid the Utility's having to impose upon the Developer, an additional charge for the tax impact related to such property contribution as authorized under the Utility's tariff. Therefore, in order to hold the Utility harmless and to ensure the funds are available to the Utility to pay such tax impact, in accordance with its tariff, if imposed, the Parties hereto agree that Developer will establish an escrow account for the tax impact related to all such facilities receiving Bulk Service and provide proof of establishment of such escrow account pursuant to this Amendment prior to the Utility's willingness to execute this Amendment or the related Bulk Service Agreement or Escrow Agreement. This requirement of establishing and Escrow Account is more fully discussed in the Escrow Agreement executed on even date. Such Escrow Agreement is an integral part of the Utility's willingness to enter into the Bulk Service Agreement and this Amendment, and must be read in concert with those two documents.

Notwithstanding any of the other provisions of this Amendment, and specifically this subsection 5, if Developer and/or Utility have not received a Private Letter Ruling finding no tax impact on the Utility as a result of the Bulk Service arrangement herein within eighteen (18) months of the date of execution of this Amendment to Agreement, then the Utility shall have a right to receive full payment of all Gross-up monies, including accrued interest from Escrow Agent, regardless of whether any request for Private Letter Ruling is still pending with the Internal Revenue Service.

6. Conveyance of On-Site System. Because Utility is providing the Developer with Bulk Service, the Developer shall remain owner and operator of the internal distribution and collection facilities on Developer's side of the Point of Delivery as defined herein.

(a) The term of this Amendment and the Bulk Service Agreement shall be thirty (30) years; upon termination of this Amendment and the Bulk Service Agreement, the On-Site System in the subdivision for which Bulk Service has been provided for under the terms of this Amendment and the Bulk Service Agreement shall be transferred to Utility at no cost to the Utility and free and clear of any encumbrances, subject to payment by Developer of any charges which may be due to Utility by reason of such transfer.

(b) Notwithstanding the foregoing, Developer hereby grants to Utility the option, exercisable by the Utility at any time after execution hereof, to purchase the On-Site System for the sum of one thousand dollars ($1,000). However, if this option to purchase is exercised by the Utility, the

transfer of the On-Site System to the Utility under those circumstances will not subject the transferor to any gross-up of tax impact charges being imposed.

(c) At the time of a transfer provided for herein, Developer shall deliver to the Utility, an appropriate bill of sale within sixty (60) days of such written demand for conveyance. Such conveyance shall include, to the extent available, all original invoices evidencing the cost of the On-Site System, release of liens for all such invoices, as built plans, shopdrawings, and O&M manuals as appropriate. Transferor shall further convey to Utility any and all easements, rights-of-way, or other property rights vested in or in favor of transferor free and clear of any encumbrances, which may be necessary to own, operate, and maintain the On-Site System, upon demand for conveyance under this Section and the provisions of the Bulk Service Agreement.

(d) The provisions of this Section dealing with the required sale or transfer of the On-Site System by the Developer shall be an obligation running with ownership of that On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by bulk service pursuant to the terms of this Amendment and the Bulk Service Agreement.

(e) Developer further agrees that it will provide written notice of the requirements of this Section to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

(f) In accordance with the provisions of this Section and the Bulk Service Agreement, the On-Site System transferred shall include all on-site water and sewer lines, services, laterals, meters, hydrants, pumps, mains, lift stations and appurtenant facilities (collectively referred to as "Components") from the Point of Delivery as defined hereunder to the point of connection of the On-Site System to each individual lot of the subdivision so affected together with the pertinent supporting documentation as hereinbefore defined.

7. <u>Agreement to Serve</u>. Subject to the provisions contained in the Bulk Service Agreement, the Escrow Agreement and this Amendment, the provisions of the Agreement regarding providing of water and sewer service by Utility shall remain and continue in full force and effect.

(a) It is acknowledged that Utility shall file a request to amend its tariffs to provide a rate for Bulk Service, and Utility agrees to give Developer notice of its filing and to provide Developer with a copy of the same. It is further agreed that the derivation of such Bulk Service rate shall be based upon employment of a standard base charge and gallonage charge as currently reflected in the Utility's general service tariff. Those respective rates shall be calculated as follows:

(i) Base charge - The base charge imposed each month for both water and sewer service shall be the greater of: (1) the base charge applicable utilizing the standard general service tariff rates for the size meter utilized in providing such Bulk Service; or to the extent that meter size is not reflected in the general service tariff, the base charge that would be calculated utilizing the AWWA meter equivalent standards provided for in Rule 25-30.055, FAC, and applying those standards to then existing rates; or (2) the general service base facility charge for a 5/8" X 3/4" meter multiplied by the number of ERCs behind the Bulk Service meter in any given month. If this latter basis for determining the base charge is utilized, the base charge per ERC shall be discounted 4.83% for water and 6.61% for wastewater to recognize the savings in billing and other related costs to the Utility as a result of the Bulk Service Agreement.

To the extent and so long as the base charges are applied under Section 7(a)(i)(1) above, and those charges exceed those that would be applicable under application of Section 7(a)(i)(2) above, the Developer shall ensure that that excess is paid by Developer so long as an excess exists, and that none of the residential or commercial customers behind the bulk meter are assessed an individual charge which is intended to recover that excess from those individual customers behind the bulk meter.

(ii) Gallonage charge - The gallonage charge imposed shall be based upon application of the residential service charge per 1,000 gallons as contained in the Utility's residential service tariff multiplied by the number of gallons of water which has passed through the Bulk Service meter during any given month for both water and sewer service. To the extent and at such time as the base charge provisions under Paragraph 7(a)(i)(2) above are utilized in establishing the base charge for sewer services, a 6,000 gallon per ERC cap shall be placed on the charges for sewer service through the bulk meter.

(b) The parties agree that the appropriate metering device to be installed in order to provide Bulk Service to the Developer's On-Site System shall be an eight inch (8") compound meter. Developer will purchase and install, at its sole cost and expense, a metering device approved by the Utility for the provision of such bulk service. Which device shall be transferred to the Utility, by Bill of Sale, upon inspection and approval by the Utility.

(c) The Bulk Service rate as determined shall be charged in accordance with the standard tariffs for other general services rendered by the Utility.

(d) The Parties hereto recognize and agree that the implementation of the above rate system will require reporting by Developer to the Utility on a monthly basis the exact number of equivalent residential connections on the Developer's side of the Bulk Service meter (within the On-Site System). Developer therefore agrees that it will provide to the Utility by the twentieth day of each month, a listing of the number of equivalent residential connections (ERCs) then receiving service as of the fifteenth of that month through the Bulk Service meter and within the On-Site System. Each tap-in to the mains of the On-Site System shall be considered one ERC, unless the size of the line providing such service is larger than 3/4" in diameter or the meter size measuring such service is larger than 5/8" x 3/4", in which case, the number of ERCs represented by each such tap-in shall be based upon application of the AWWA equivalency standards contained in Rule 25-30.055, FAC. Such monthly reports shall include a cumulative total from the previous month of the number of ERCs receiving such service, as well as a detailed explanation of any new connections added during that period, including size, address, type of service, meter or connection line diameter for each new service, and whether the customer is a residential, commercial, industrial or other type of service.

(e) Because of the importance of the timeliness and accuracy of these reports, Developer hereby agrees that the Utility shall have rights at any time to inspect the facilities behind the meter to determine through any reasonable means the number of connections, number, nature, and size of connections receiving service through the Point of Delivery. In order to ensure timely and accurate reporting of such connections by Developer, the Utility may estimate and back bill Developer, at any time, for previous under billings resulting from under reporting of ERCs receiving service through the Point of Delivery, plus interest at 6% per annum and a penalty equal to 15% of the back billed amount. The Utility shall also bill for and Developer shall pay all costs, including reasonable engineering, accounting and attorneys' fees incurred by the Utility in determining the existence and

nature of the under billing and collection of under billed amounts together with interest, penalty and costs. Such under billed amounts, plus interest, penalty, and costs shall be paid within 20 days of written demand for same by Utility to Developer. Should Developer fail to pay all such under billed amounts, fees, costs, interest and penalty in accordance with these time limitations, Utility reserves the right to discontinue service to Developer, and/or its successors or assigns at this and any other installation owned or controlled by Developer, and/or its successors or assigns, receiving such service and to refuse service to any new installation requesting service until such time as all applicable fees, costs, penalties, interest and back billed amounts are paid.

(f) To the extent the Bulk Service Agreement, this Bulk Service arrangement or the Bulk Service rate methodology, or other rate acceptable to Utility which produces at least as much revenue to the Utility as would be produced by individual service, are not approved by the Florida Public Service Commission or other applicable regulatory agency, the Utility shall have the unilateral right to cancel this Bulk Service arrangement and to require contribution by Developer of all On-Site Systems along with all applicable Gross-up charges relative to the On-Site Systems. Notwithstanding the above, any deficiency of the revenues below those which would be generated by individual service resulting strictly from imposition of the rate as outlined in Section 7(a) above, shall not authorize Utility the unilateral right to cancel this Bulk Service Agreement and require contribution of the on-site facilities or gross-up charges by Developer.

(g) In order to terminate service to the On-Site System as provided for within this Agreement, the Utility shall be required to provide notice in accordance with its tariff to each of the individual customers within the On-Site System owned and operated by Developer or its assigns. Such notice shall be in conformance with the requirements of the tariff and Commission rules concerning notice of discontinuance of service. In order to facilitate such notice, Developer and its assigns shall be obligated to provide the Utility with an updated and current monthly listing, including name, service address, and billing address of each connection and customer receiving service through that On-Site System within fifteen (15) days of the end of each month. Failure to provide such listing within the time limits outlined herein shall result in Developer being liable to the Utility for a penalty of an additional fifteen percent (15%) of the average monthly billing to the bulk customer for the most recent six (6) months after the seventh (7th) day. In addition, interest shall immediately begin to accrue on such penalty at the rate of six percent (6%) per annum. The Developer or its assigns

shall pay all costs including reasonable engineering, accounting and attorneys fees incurred by the Utility in enforcing this provision.

(h) In order to facilitate the Utility's rights hereunder, all connections to the On-Site System must be metered, and the Utility shall install all meters within the On-Site System in accordance with the charges and the general requirements of its tariff. However, once installed, the Utility shall have no obligation to maintain such meters, nor any ownership right in such meters. In accordance with standard utility practice and the provisions of the Utility's tariff and Commission rules, the Utility shall install such meters expeditiously upon appropriate request for same by Developer or its assigns.

(i) All of the provisions of this Amendment and the Bulk Service Agreement dealing with the required payment for service and reporting of connections and facilities behind the Point of Delivery within the On-Site System by the Developer and required payment for additional metering systems and all other continuing obligations that will or may continue beyond the execution date of this Amendment shall be an obligation running with ownership of that On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Amendment and the Bulk Service Agreement.

(j) Developer further agrees that it will provide written notice of the requirements of this Amendment and the Bulk Service Agreement to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Amendment and the Bulk Service Agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

8. <u>Required Capacity</u>. Developer intends to developer a substantial housing development in Citrus County, Florida. Developer intends, however, to reserve for the purposes of this Amendment, capacity necessary to supply those On-Site Facilities referred to as Phase I and II of the Laurel Ridge Subdivision. The parties hereto agree to reserve sufficient capacities for ADF of 94,150 gallons per day for water and 94,150 gallons per day for sewer (based upon anticipated water consumption), which represents two hundred and sixty-nine (269) Equivalent Residential Connections for the water system and two hundred and sixty-nine (269) Equivalent Residential Connections for the sewer system. Utility is not

obligated to provide system capacity or service in excess of the number of Equivalent Residential Connections estimated to be supplied under the above calculations. Reserve capacity in excess of the amounts agreed to herein which may be required by Developer may be requested by providing formal written notice to Utility. Developer shall not allow the connection to the internal distribution and collection systems services which exceed either the ERC or gallonage limitations committed above. To the extent Utility determines that Developer's use exceeds either ERC or gallonage limitations as outlined above during the term of this Amendment, Utility may notify Developer of additional requirements including system capacity, other service availability charges, and any cost of inspection and enforcement related to this requirement including Utility's legal and engineering fees, and Developer shall pay those charges within ten (10) days of such written notice. To the extent Developer declines or neglects to pay such additional funds within ten (10) days of notice by Utility. Utility reserves the right to discontinue all service to Developer and to refuse to connect any further services requested by or through Developer.

9. System Capacity and Gross-up Charges. The Florida Public Service Commission has approved for Utility, water plant capacity and main extension charges of four hundred and fourteen dollars ($414) per unit; and sewer plant capacity and main extension charges of six hundred and twenty-eight dollars ($628) per unit. Pursuant to the provision of individual service in Phase I of the Laurel Ridge Subdivision, Utility has already allowed connection of 85 ERCs for which service availability charges and applicable gross-up have been paid by Developer totalling one hundred and forty-two thousand dollars ($142,000). Simultaneous with execution of this Amendment, Developer will pay to the Utility, the remaining plant capacity and main extension charges for 184 ERCs of water capacity totalling seventy-six thousand one hundred and seventy-six dollars ($76,176), and 184 ERCs for sewer main extension and plant capacity totalling one hundred and fifteen thousand five hundred and fifty-two dollars ($115,552) plus related "gross-up".

The Developer and the Utility recognize and agree that the above system capacity charges result in the requirement of imposition of a "gross-up" charge for the tax impact of receipt of such cash contributions. Attached hereto as Exhibit "2" is a calculation of the cash contributions along with the applicable gross-up and other charges which must be paid as a prerequisite to service hereunder.

The Developer payment of plant capacity and main extension charges does not and will not result in Utility waiving any of its rates or rules or regulations and their enforcement shall not be effected in any manner whatsoever by Developer's payment of same. Utility shall not be obligated to refund to Developer any portion of the value of the plant capacity or main extension charges for

any reason whatsoever, nor shall Utility pay any interest or rate of interest upon the plant capacity or main extension charges paid. Neither Developer nor any person or other entity holding any of the property by, through or under Developer, or otherwise, shall have any present or future right, title, claim or interest in and in to the plant capacity or main extension charges paid or to any of the water or sewer facilities or property of Utility, and all prohibitions applicable to Developer with respect to no refund of plant capacity or main extension charges, no interest payment on plant capacity or main extension charges, and otherwise, are applicable to all persons or entities.

Developer and Utility recognize that jurisdiction over the rates and charges of Utility is currently held by the Florida Public Service Commission and may at some time be transferred to some other regulatory agency. In recognition of this fact, the Utility and Developer agree that the rates and charges of Utility may, from time to time, be changed by such regulatory agency, and that the charges then in effect at the time of connection of each unit, in accordance with the provisions of regulatory agent's authority, rules, statutes and orders, and Utility's approved tariff and service availability policy will be applied to property as required or allowed by law.

10. Maintenance Agreement. During the term of the Agreement and this Amendment, Developer shall enter into a service contract with ESR Mechanical or a similar type company independent from Utility for the purpose of providing administrative and maintenance services to read meters, send bills to the consumers, receive and pay bills from the Utility, to maintain and repair the On-Site System when and as needed, to insure compliance with all rules and regulations to which the operator of the On-Site System may be subject, and for similar type services as may be necessary from time to time.

(a) Because the Utility system is required to be connected to and provide service to the On-Site System of Developer and because the Utility may at some time demand transfer of all of such On-Site Facilities, such system shall be maintained in compliance with all regulatory requirements and specifications and reasonable industry standards. Utility shall have the right to inspection of Developer's On-Site System prior to the time Utility allows connection of those facilities to those of Utility. Utility shall also have a right to require correction or improvement of those facilities in order to meet industry standards or to make those facilities compatible with those of Utility as a precondition of allowing the connection of Developer's On-Site System to Utility. Utility shall have a right to review all plans and specifications for construction of facilities necessary for interconnection of Developer's On-Site System to those of Utility prior to their construction, and to approve such

design specifications, as well as to inspect those facilities during construction. Utility shall have a right to final approval of all of Developer's On-Site System, including design, construction, sizing, and materials utilized in piping, meters, valves, etc. prior to connection of those facilities constructed by Developer to the facilities of Utility.

(b) Should Utility determine from these inspections or review of plans as outlined above, that the quality, size or type of materials utilized or the installation performed by Developer in constructing the On-Site System necessary to connect to Utility's system are in any way defective, below industry standards, or not compatible with the system of Utility, Utility shall have the right to demand correction of any such problems or discrepancies prior to allowing connection of Developer's On-Site System to the facilities of the Utility.

(c) The Utility shall be responsible for maintaining adequate quantity, quality and pressure up to and including the Point of Delivery. The Developer shall be responsible for the quality and quantity of water and sewer service delivered beyond the Point of Delivery into the On-Site System. The Utility shall have no responsibility for the quality, quantity or pressure beyond the Point of Delivery.

(d) The Utility shall have a right to connect future facilities or existing facilities into the system owned by Developer as reasonably necessary in order to allow the Utility to provide service to other parts of its existing or proposed certificated service territory outside the subdivision receiving Bulk Service. The Utility will coordinate with the Developer in making such connection and ensure accurate metering devices are installed and maintained at that connection in order to ensure that Developer is not charged for water service going through its On-Site System, but not utilized within that On-Site System. Developer will be required to pay, simultaneous with the execution of this Agreement, the cost of materials and installation of such metering devices as outlined in Exhibit "3" hereof. Such estimated costs of materials and installation shall based upon and equal to the actual cost of the installation and the metering device required for bulk service as outlined under Paragraph 2(e) hereof. Developer shall provide the Utility with a breakdown of that estimated cost for its approval prior to execution hereof.

(e) The Utility shall also have a right to inspect Developer's On-Site System at any reasonable time in order to determine whether that system is being properly operated and maintained in accordance with DEP rules and regulations

(including Rule 62-550.540, F.A.C.), with industry standards and in a manner which makes is compatible with and not detrimental to the Utility's operation of its facilities. Developer or its assigns shall also provide to the Utility within fifteen (15) days of completion, copies of all testing results performed in or on the on-site water and wastewater systems. To the extent the Utility finds a problem with such maintenance or operation, the Utility may inform Developer of such problem or discrepancy and Developer will be required to repair such problem in accordance with sound industry standards. Failure by Developer to make such improvement within the reasonable time explicitly provided for same by the Utility shall result in the Developer or its assigns being assessed a penalty of fifteen percent (15%) of the cost of such repairs and interest at six percent (6%) per annum on such estimated costs. The Utility shall then have a right to make such repairs as it deems reasonable and Developer will be liable along with the interest and penalties as outlined above for all such costs expended by the Utility, including reasonable attorney, engineering and other fees incurred in making such repairs and enforcement of this provision. Failure to maintain the Developer's On-Site System in accordance with these terms and provisions shall constitute a violation and default under the terms and provisions of the Agreement and this Amendment.

(f) Upon notification by the Utility to Developer of a problem in the operation or maintenance of the water and wastewater systems as outlined herein, Developer shall have 10 days in which to provide a response if it believes that the need for additional operation and maintenance are other than as stated by the Utility. To the extent that the Developer's Professional Engineer disagrees with the conclusion of the Utility's Professional Engineer as to the need for such service, operation or maintenance adjustments, the Developer's Professional Engineer shall provide in writing, an explanation of its position regarding the need for such repairs and the nature of what, if any repairs that Professional Engineer believes are necessary and appropriate. If the parties cannot agree, then within three days of the receipt of such notification from Developer, then the Utility's consulting Professional Engineer and the Developer's consulting Professional Engineer shall select a third Professional Engineer to arbitrate the matter and render a decision as to the necessary operation or maintenance changes in order to bring that system in compliance with sound industry standards and practices. Such decision of the third party Professional Engineer shall be binding upon both parties and the cost of obtaining the services of that third party Professional Engineer shall be born by the party with whom the third party Professional Engineer disagrees. To the extent the third party Professional Engineer disagrees with positions of both parties' consult-

ing Professional Engineers, the cost of that third party Professional Engineer shall be shared equally.

(g) To the extent an emergency situation arises as requiring immediate attention by the Utility (any condition which must be dealt with under sound industry standards in less than fifteen days), the Utility shall have a right to provide the Developer 24 hour notice to make such repair, and Developer shall make such repair or begin continuous work toward making such repair within 24 hours or the Utility shall make that repair and charge the Developer for the cost of any such repair. The Utility will provide an itemized statement of such costs after completion of such repairs.

(h) Failure to pay the costs of the third party Professional Engineer or to pay the cost of emergency repair in accordance with these terms and provisions within ten (10) days of written notification of the amount of such costs, shall also constitute a violation and default under the terms and provisions of the Agreement as amended and shall constitute a basis for the Utility to refuse further service under this Bulk Service arrangement or to any new service, in the Developer and/or its successors or assigns' names, and for assessments of penalties of fifteen percent (15%) of the cost of such engineering services and repairs and interest thereon at the rate of six percent (6%) per annum.

11. Private Letter Ruling. As a condition precedent to the Utility's initial obligation to provide Bulk Service or to continue to provide Bulk Service to the subdivision of Developer, as herein before set forth, Developer shall apply for, at its sole cost and expense, and obtain a favorable Private Letter Ruling from the Internal Revenue Service which will confirm that the provision of Bulk Service by Utility, to Developer, pursuant to the terms of the Bulk Service Agreement and this Amendment will not subject Utility at any time to the requirement that it report as income all or a portion of the cost or value of the On-Site System. With the sole exception being the tax impact that will result to the Utility if it exercises the purchase option under Paragraph 6(b) hereof.

(a) The Developer will prepare the Private Letter Ruling Request which contains all of the key elements of this Bulk Service Arrangement as contained herein, including but not limited to the following components:

(i) The Bulk Service Arrangement as outlined in Paragraph 7 hereof and the reporting requirements of Paragraph 7(c).

(ii) The Third Party Maintenance Arrangement as contained in Paragraph 8

(iii) The Mandatory Transfer Provisions and "Buy-out" Provisions of Paragraph 6(a) and 6(b) and such other particulars as the parties may agree to.

(b) The Utility shall have a right to approve the final form of the Private Letter Ruling Request before submission to the Internal Revenue Service. Such approval by the Utility shall not be unreasonably withheld.

(c) An unfavorable Ruling or notification by the Internal Revenue Service means any decision by the Internal Revenue Service that finds that all or any part of the value or cost of the Developer's On-Site System will be treated as taxable income to the Utility at any time from the date of initial service up to and through the date of transfer of that system under the buy-out provisions and/or transfer provisions outlined in Paragraph 6(a) hereof.

(d) Utility shall be a named recipient of any and all correspondence between Developer or its agent and the Internal Revenue Service and shall be named in correspondence to the Internal Revenue Service as a recipient of all such correspondence from the Internal Revenue Service. The Utility shall immediately provide all copies of correspondence received from the Internal Revenue Service to the Developer within 10 days of receipt if Developer or its agent is not provided that correspondence directly.

(e) Developer agrees to promptly file the request for the Private Letter Ruling on behalf of the Utility (and Developer if need be); Utility shall cooperate with Developer in the preparation and filing of the request. In the event the Private Letter Ruling issued by the Internal Revenue Service is not favorable, e.g., it states that all or a portion of the cost or value of the On-Site System owned by Developer as provided for herein must be included in the gross income of the Utility, then in such event this Amendment and Bulk Service Agreement may be amended in such manner as to satisfy the reasons the Private Letter Ruling is not favorable and the request may be resubmitted to the Internal Revenue Service so long as both Parties agree that such amendments do not materially alter the intent of the Agreement. The parties agree to cooperate to determine what revision will be necessary in order for the Amendment to receive a favorable Private Letter Ruling and in the preparation and filing of a new request. Notwithstanding the foregoing, in the event all reasonable efforts to obtain a favorable Private Letter Ruling are expended and no such favorable Private Letter Ruling has been obtained within 18 months of execution of this Amendment or if an unfavorable Letter Ruling is received, then this provision of Bulk Service shall terminate, and the Utility shall immediately disconnect all meters for Bulk Service so

that immediately thereafter individual meter service to each customer will be provided by the Utility in accordance with and under the terms outlined in the Amendment to Agreement. Developer will convey the On-Site System to Utility under the terms of the Amendment to Agreement and Escrow Agreement executed on even date.

(f) The Utility shall also have a right upon issuance of an unfavorable Ruling to demand distribution of the escrowed gross-up funds to Utility and to immediate receipt of such funds.

(g) Notwithstanding any of the other provisions of this Bulk Service Agreement, if Developer and/or Utility have not received a Private Letter Ruling finding no tax impact on the Utility as a result of this Bulk Service Agreement herein within eighteen (18) months of the date of execution of this Bulk Service Agreement and the Amendment to Agreement, then the Utility shall have a right to exercise its full rights under this Agreement, the Amendment to Agreement, and the Escrow Agreement as though an unfavorable Private Letter response had been received from the Internal Revenue Service, regardless of whether any request for Private Letter Ruling is still pending with the Internal Revenue Service.

(h) Upon issuance of an unfavorable Private Letter Ruling or notification of an intention to initially rule unfavorably to the request of the Utility and Developer, by the Internal Revenue Service, the Developer shall immediately provide a list, to the Utility, of all of the individual customers receiving service, the quantity, type and size of service, as well as addresses for such customers, for all connections made to the On-Site System of Developer.

(i) Upon execution of the Amendment to Agreement and this Bulk Service Agreement and the related Escrow accounts and upon payment of such other fees and costs and performance of such other conditions as outlined in the Amendment to Agreement and Escrow Agreement, and the Bulk Service Agreement and upon meeting all the preconditions requisite thereto, the Utility shall immediately begin providing Bulk Service to Developer's subdivisions as described herein on an interim basis pending the outcome of the Private Letter Ruling Request. Within a reasonable time after execution of this Agreement for Bulk Service and the Amendment to Agreement, the Utility will file with the Florida Public Service Commission, a request for approval of such rate in accordance with the provisions of Section 367.091(4) and (5), Florida Statutes and the Bulk Service Agreement, and Amendment to Agreement pursuant to Section 25-30.550, Fla. Adm. Code. The Utility's willingness to continue with this Bulk Service Agreement on an interim and/or final basis shall be governed by the provisions

of Subsection 7 and shall be based upon the Commission's ultimate approval of the Agreements outlining the Bulk Service arrangement and the charges outlined thereunder.

(j) During the pendency of the application for the Private Letter Ruling, Utility shall cooperate with Developer in the processing of its applications of water and sewer approvals and permits from the various regulatory authorities, including the execution of applications for permits and approvals.

(k) Notwithstanding any of the other provisions hereof, in the event that the IRS notifies the parties that mandatory transfer provisions of Section 6(a) hereof do in fact result in a required inclusion by the Utility, at any time, of some portion (less than the full cost or value) of the On-Site System owned by Developer, then in lieu of termination of the Bulk Service Agreement, Developer can elect to pay the gross-up due on account of inclusion in the Utility's income of such portion of the cost or value of the On-Site System, directly to the Utility within thirty (30) days of such notification in which case Developer may elect to continue the Bulk Service Agreement outlined herein.

(l) The provisions of this section and the related sections of the Amendment to Agreement dealing with the rights and obligations of the Developer shall be obligations running with the ownership of the On-Site System and shall be binding upon any successor, assignee, purchaser or any other party who holds or in the future acquires an interest in the On-Site System of any subdivision served by Bulk Service pursuant to the terms of this Amendment and the Bulk Service Agreement.

(m) Developer further agrees that it will provide written notice of the requirements of this section and the related sections of the Amendment to Agreement to any successor, assignee, purchaser, or other party who holds or in the future acquires an interest in the On-Site System of any subdivision by Bulk Service pursuant to the terms of this Amendment and the Bulk Service Agreement. Such notice shall be given to any such person or entity prior to the actual transfer of such On-Site System. A copy of this written notification shall be provided to Utility prior to any such transfer.

12. Homeowners' Association. Upon execution of this Amendment, Developer shall immediately cause to be processed with the Florida Public Service Commission ("PSC") an application for Exemption from Regulation as provided for under Section 25-30.060(1),(2), and (3)(g) for each Homeowners' Association for each subdivision which will receive Bulk Service. For each subdivision to which Bulk Service is provided subsequent to the date of this

Amendment, Developer shall cause the application for Exemption from Regulation for the Homeowners' Association for each such subdivision to be filed and processed with the PSC. Upon each such Homeowners' Association receiving an Exemption from Regulation, and upon completion of each On-Site System for each subdivision Developer will cause the On-Site System to be conveyed to the Homeowners' Association subject of the terms and provisions of the agreement, as amended.

13. Utility Cost and Expenses. The parties hereto recognize that the Utility will incur certain costs and expenses, primarily legal expenses, but also possibly engineering and accounting, in negotiating, drafting, executing and complying with the provisions of this Amendment to Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal, the related Escrow Agreement, the Bulk Service filing with the PSC, and monitoring the Private Letter Ruling Request, and the original Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal dated February 23, 1989. The Utility must recover the costs of processing those matters from Developer. Developer has paid to the Utility's attorneys, a sum of twenty thousand dollars ($20,000) in order to fund the payment of such costs. Those funds shall be applied against the costs of previous and future legal and other services related hereto, incurred by the Utility. To the extent there is excess monies remaining after issuance of a Private Letter Ruling and settlement of all matters related to this Amendment, the original Agreement dated February 23, 1989, and the Escrow Agreement, attorneys for the Utility will refund those monies to Developer. To the extent the balance in such Escrow Account falls to or below five thousand dollars ($5,000), the Utility may demand payment of an additional five thousand dollars ($5,000), payable to the Utility's attorneys to be held in a similar manner in that trust account and applied toward current outstanding and future bills. Each time the account falls below five thousand dollars ($5,000), the Utility may make a similar request. To the extent the Developer fails to pay all such outstanding cost and fees above and beyond the twenty thousand dollar ($20,000) initial fee, or to pay any of the additional five thousand dollar ($5,000) amounts to be held in such trust account for the payment of such fees within twenty days of demand by Utility, the Utility may cease provision of Bulk Service, and disconnect any and all existing connections of Developer receiving service from Utility and to refuse to connect any further connections requesting such service. In addition, any such refusal by Developer shall constitute a breach of this Agreement and the Utility may demand payment from Escrow Agent for all gross-up monies with interest upon demand by the Utility. If the Utility exercises this last option, the Developer shall convey all rights and interest in the On-Site System to the Utility so that it may provide service on an individual basis from that point forward.

Prior to the Utility's declaring a breach under this provision, the Utility shall provide Developer with a ten (10) day demand notice to pay such costs and expenses and only after Developer's failure to make such demanded payment within ten (10) days of the date of such written notice, may the Utility declare the Developer actions to constitute a breach under this provision.

14. Transfer and Binding Effect of Amendment on Successors and Assigns. This Amendment is intended to be binding upon the successors and assigns of both the Utility and the Developer. To the extent the Utility transfers it system or the Developer transfers its On-Site System, or either party transfers responsibility for Utility services related to those facilities, it is intended by both parties that the provisions of this Amendment shall be binding upon those assignees or successors. In recognition thereof, both parties have agreed to provide written notice in advance of the assignment or sale or other transfer to the transferee or assignee of the provisions of this Amendment and the rights and responsibilities hereunder. The assigning or transferring party shall obtain approval and agreement to be bound by the terms of the Amendment from that transferee or assignee no later than the date of transfer. The other party shall be provided with a copy of the written notice as well as the agreement by the transferee or assignee to be bound by the terms of this Amendment within 10 days of the assignment or transfer.

15. No Other Entity to Serve. The Utility is entering into the Bulk Service Agreement and related Escrow Agreement and this Amendment to the Agreement for Provision of Potable Water Supply and Sanitary Sewage Treatment and Disposal dated February 23, 1989 in order to assist the Developer in avoiding paying for the tax impact related to the contribution of the On-Site System within the subdivisions as outlined herein. Therefore, Developer agrees that it will not seek nor will it accept water and/or sewer service from any entity other than the Utility company without the express written consent of the Utility. Any attempts to do so will result in right of the Utility to demand contribution of all On-Site Systems and applicable Gross-up monies from the Developer and to provide individual service from that point forward.

16. Transfer of System and Meter Readings. Upon any transfer of the On-Site System by Developer or its successor to Utility or its successors, the transferor shall cooperate with the transferee in coordinating the transfer by providing meter readings as of the required transfer date to the transferee Utility to assist the transferee in billing for that period.

17. Attorneys' Fees and Costs. In the event the Utility or Developer is required to enforce the Bulk Service Agreement, the related Escrow agreement, or this Amendment by court proceeding or otherwise, by instituting suit or otherwise, then the prevailing

party shall be entitled to recover from the other party, all costs incurred, including reasonable attorneys' fees and costs.

18. Effect of Amendment. Except as set forth herein, and in the Bulk Service Agreement and Escrow Agreement, the terms and provisions of the Agreement dated February 23, 1989 and amended hereby shall remain in full force and effect, and shall not be otherwise modified and amended. Any conflict in the provisions of this Amendment, the Bulk Service Agreement and the Escrow Agreement and provision of the Agreement shall be controlled by the provisions of the Amendment, Bulk Service Agreement and Escrow Agreement.

WHEREFORE, the parties have executed this Amendment as of the date hereinabove stated.

UTILITY:
ROLLING OAKS UTILITIES, INC.

By: ____________________
Print Name: DALE R. MILLER
As its: VICE PRESIDENT

DEVELOPER:
MORRISON HOMES OF FLORIDA, INC.,
A Florida Corporation

By: ____________________
Print Name: Ken Taylor
As its: OPERATIONS MANAGER

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