

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: December 28, 1998
TO: Division of Records and Reporting
FROM: Division of Water and Wastewater (Walker) *Walker*
RE: Docket No. 981697-WS - Application for authority to transfer the facilities of Village Water, Ltd. and Certificate Nos. 585-W and 503-S in Polk County, Florida, to AquaSource Utility, Inc.

On December 23, 1998, Mr. Martin S. Friedman filed additional information on behalf of his client, AquaSource Utility, Inc., to complete the minimum filing requirements (MFRs) for the above referenced docket. The additional information includes copies of warranty deeds for the utility's treatment plant sites. Revised tariff schedules were also filed. Please add the attached documents to the docket file. This division will retain the corrected tariff schedules.

Attachments

cc: Division of Legal Services (McRae)

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE

00099 JAN-5 88

FPSC-RECORDS/REPORTING

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY, LLP

2548 BLAIRSTONE PINES DRIVE
TALLAHASSEE, FLORIDA 32301

(850) 877-6555

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F. MARSHALL DETERDING
CAROL L. DUTRA
MARTIN S. FRIEDMAN, P.A.
JOHN R. JENKINS, P.A.
STEVEN T. MINDLIN, P.A.
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MAILING ADDRESS
POST OFFICE BOX 1567
TALLAHASSEE, FLORIDA 32302-1567

TELECOPIER (850) 656-4029

December 23, 1998

VIA HAND DELIVERY

ROBERT M. C. ROSE
OF COUNSEL

RECEIVED

DEC 23 1998

Florida Public Service Commission
Division of Water and Wastewater

Mr. N. D. Walker
Florida Public Service Commission
Water and Wastewater Division
2540 Shumard Oaks Boulevard
Tallahassee, Florida 32399-0850

Re: AquaSource Utility, Inc.; Village Water, Ltd.
Docket No. 981697-WS
Our File No. 33087.04

Dear N.D.:

This letter is in response to John Williams' December 18, 1998 correspondence to me requesting additional information in the above-referenced matter. Apparently the exhibits to the Asset Purchase Agreement between Village Water, Ltd, and AquaSource Utility, Inc. did not make it into the Application and copies of those exhibits are enclosed. The properties upon which Village Water, Ltd.'s treatment plants are located are owned by Village Water, Ltd. and some are owned by Gerald A. Kent and Shirley W. Kent, Husband and Wife. Therefore, you will see two Warranty Deeds attached as exhibits transferring the plant sites to AquaSource Utility, Inc.

I have also enclosed the original and one copy of an original tariff for AquaSource Utility, Inc. for service in Polk County. Should you have any additional question, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/brm
Enclosure
cc: Mr. Derek Clow (via fax)

EXHIBIT A

BILL OF SALE AND ASSIGNMENT

THE STATE OF FLORIDA §

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF _____ §

§

_____, ("Grantor"), for and in consideration of the sum of Ten and No/100 (\$10.00) Dollars cash and other good and valuable consideration paid to Grantor by AQUASOURCE UTILITY, INC., a Texas corporation ("Grantee"), the receipt and sufficiency of which is hereby acknowledged, has pursuant to the Asset Purchase Agreement between Grantor and Grantee dated _____, 1998 (the "Agreement") granted, sold, and conveyed, and by these presents does grant, sell, and convey unto Grantee, its successors and assigns, the following:

- 1. Personal Property. All items of furniture, fixtures, equipment, and miscellaneous tangible personal property owned by Grantor, and located on or within or used in connection with the ownership or operation of the improvements located in _____ County, Florida consisting of all of the personal property used and/or owned by Grantor in connection with the water distribution system serving _____, comprised of the parcel more particularly described on Schedule "1" (Asset Listing) attached hereto and incorporated herein as the "Project," and all of such items and personal property being collectively referred to herein as the "Personal Property".
- 2. Leases. All of Grantor's right, title, and interest as lessor or landlord in and under all leases and license agreements granting possessory rights in, on, or covering the Project (the "Leases").
- 3. Property Agreements. All of the Grantor's right, title, and interest as owner of the Project, to the extent Grantor's interest is assignable, in and to any and all agreements that relate solely to the ownership, use, leasing, management, advertising, security, maintenance, construction, or operation of the Project or the Personal Property (the "Property Agreements").
- 4. Intangibles. To the extent and relating solely to the ownership, development use, or projected use, maintenance, or operation of the Project, Personal Property, Leases, or Property Agreements, all of Grantor's right, title, and interest in and to all (i) plans, models, drawings, specifications, surveys, engineering reports, and other technical descriptions or materials that are in the possession of Grantor or its representatives (the "Plans"); (ii) warranties, guaranties, indemnities, and claims (the "Warranties"); (iii) licenses, permits, franchises, and similar rights issued by any federal, state, or municipal authority, including, without limitation, any waste, wastewater, storm sewer, or other utility capacity reservations or allocations

issued solely for the benefit of the Project or improvements to be constructed on the above described land (the "Permits"); and (iv) all other claims or causes of action (the "Intangibles").

- 5. Trade Names. All of Grantor's right, title, and interest in and to the use of the name " _____ " (the "Trade Name"), together with all "d/b/a's", assumed name certificates, certificates of the Secretary of State of Florida, trademark and copyright certificates, licenses, permits, and other similar instruments which evidence Grantor's right, title, and interest in the Trade Name and its use.

Grantee hereby assumes and agrees to perform, discharge and satisfy, after the date hereof, all of the Assumed Commitments (as defined in the Agreement), all in accordance with the terms of the Agreement. Purchaser shall not have any obligation, duty, or liability under the Assumed Commitments arising or accruing on or before the date hereof.

TO HAVE AND TO HOLD THE Personal Property, Leases, Property Agreements, Plans, Warranties, Permits, Intangibles, and Trade Names, together with all and singular rights and appurtenances thereto in anywise belonging, unto the said Grantee, its successors and assigns, forever, and Grantor does hereby bind itself and its successors to WARRANT and FOREVER DEFEND title to the Personal Property, Leases, Property Agreements, Plans, Warranties, Permits, and Intangibles unto said Grantee, its successors and assigns, against the lawful claims of any and all persons lawfully claiming or to claim the same or any part hereof.

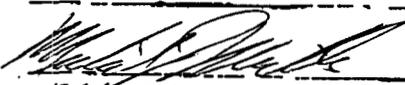
Grantor warrants that there are no liens, encumbrances, or security agreements affecting the Project and/or Grantor's interest in the Project.

IN WITNESS WHEREOF, Grantor has executed this Bill of Sale and Assignment as of the _____ day of _____, 199_.

GRANTOR:

GRANTEE:

 By: _____
 Name: _____
 Title: _____


 MICHAEL J. MILLER
 V. PRES



THE STATE OF FLORIDA

§
§
§

COUNTY OF _____

BEFORE ME, the undersigned authority on this day personally appeared _____ of _____, a _____ corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed as an individual and corporate officer.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____, 199__.

Notary Public in and for the State of Florida

Printed Name: _____

My Commission Expires: _____

Schedule "1" (Asset Listing)
To Bill of Sale and Assignment

**See Water and Sewer Facilities Evaluation dated
October 1998 by Robert F. Green, P.E.**

VILLAGE WATER, LTD.
WATER & SEWAGE FACILITIES EVALUATION
OCTOBER 1998

GENERAL:

Village Water, Ltd. is a privately owned utility company which has a franchised area of some 2,000 acres located in Sections 25, 26, 35, & 36, Township 28 South, Range 24 East, Polk County, Florida. The utility franchised area is located east of Reynolds Road along Maine Avenue in Eaton Park, which is southeast of Lakeland.

SUPPLY & SERVICE:

Village Water, Ltd. presently provides water and sewer service to the following developments:

Dawn Heights Mobile Home Park -----	126 lots
G-M Industrial Park* -----	12 lots
Mustang Village Industrial Park -----	16 lots
Ruthven Industrial Sites -----	4 lots
Saddle Creek Village Subdivision -----	52 lots
Sandy Ridge Industrial Park -----	22 lots

* G-M Industrial Park has some 75 acres of undeveloped land within proximity of the existing facilities.

Village Water, Ltd. presently has water and sewer services installed to the following lots:

<u>Type of Development</u>	<u>Water</u>	<u>Sewer</u>
Residential	140 lots	0 lots
Industrial	<u>122 lots</u>	<u>80 lots</u>
	262 lots	80 lots

of which the Utility is presently providing water and sewer service as follows:

<u>Type of Development</u>	<u>Water</u>	<u>Sewer</u>
Residential	140 services	0 services
Industrial	<u>39 services</u>	<u>36 services</u>
	179 services	36 services

WATER SERVICE FACILITIES

Village Water, Ltd. does not have water treatment plant facilities instead, however, water is purchased from the City of Lakeland Water Division, conveyed by Village Water, Ltd. facilities and supplied to its customers and consumers.

Village Water, Ltd.'s existing facilities consist of an 8" Master Meter located at the intersection of Reynolds Road and Maine Avenue. The master meter is the property of the City of Lakeland.

Village Water, Ltd. has an existing deep well located on the north side of Maine Avenue in the G-M Industrial Park. The well is 26" in diameter and is 1,300 feet deep with 700 feet of steel casing and is presently not in use.

All existing facilities are located within utility easements and or rights of way, which have been obtained by, or are lands owned by the utility company.

All facilities and materials have been installed within the last twenty years and appear to be operating in a satisfactory manner.

Water Facilities Assets - Tangible

<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Cost</u>	<u>Estimated Cost (1)</u>
Land				\$ 6,250
Structures & Equipment				
a. Well-26"/700' casing/1300' depth	1LS			93,750
b. Master Meter-8" Box/By-pas	1	LS		(2)
Distribution				
a. Mains-8" AC	5,720	LF	\$ 14.25	81,510
8" PVC	3,320	LF	15.00	49,800
4" PVC	14,310	LF	6.75	96,593
2" PVC	20,220	LF	3.75	80,880
b. Gate Valves-4"	11	EA.	400.00	4,400
2"	28	EA.	125.00	3,500
8"	4	EA.	1,000.00	4,000
Services - single	65	EA.	150.00	9,750
double	66	EA.	200.00	13,200

Meter/Boxes-8"	1	EA.	4,500.00	4,500
4"	1	EA.	1,250.00	1,250
2"	7	EA.	250.00	1,750
1½"	6	EA.	125.00	750
1"	6	EA.	90.00	540
¾"	151	EA.	60.00	9,060
Fire Hydrants	10	EA.	1,500.00	15,000
Blow off	9	EA.	300.00	2,700
Casing-Steel-12"(2 ea.)	638	LF.	115.00	73,370
14"(2ea.)	688	LF.	132.00	<u>90,816</u>

Water Facilities Assets - Total

\$643,369

Casings are under the Polk County Parkway to serve the Franchise area south of the Parkway.

- (1) Estimated cost is based upon 1998 cost of replacement.
- (2) Presently the City's 8" meter tap fee is \$600,000

SEWER SERVICE FACILITIES

Village Water, Ltd. owns and operates a wastewater treatment plant located south of Maine Avenue and Saddle Creek Village on a 14.3- acre site owned by the utility.

All existing facilities and improvements are located within easements and or rights of way which have been obtained by or are on lands owned by Village Water, Ltd.

The wastewater treatment plant relocated and expanded from a 20,000 GPD plant to a 40,000 GPD plant in 1989, at which time two (2) large lift stations were added to the system.

The facilities have been modified and expanded to convert the 20,000 GPD steel plant into a surge tank and to add tankage to the 20,000 GPD concrete plant to increase its capacity to 75,000 GPD. The expansion included providing a spray irrigation area and a 14.5 acre percolation/evaporation pond for additional effluent disposal.

Sewer Facilities Assets - Tangible				
<u>Description</u>	<u>Quantity</u>	<u>Unit</u>	<u>Unit Cost</u>	<u>Est. Cost(1)</u>
Land-Plant site-13.5Ac.	1	LS		\$ 135,000
Irrigation site	1	LS		0*
Perc Pond - Ph.2 14.5 Acres	1	LS		40,000
Structures & Equipment				
a. Wastewater plant -				
75,000 GPD	1	LS		225,000
b. Surge tank-20,000 Gal.	1	LS		60,000
c. Lift stations	3	EA.	\$19,000	57,000
	2	EA.	30,000	60,000
d. Force main - 3"	1,910	LF	6.25	11,938
4"	6,925	LF	9.25	64,057
e. Spray irrigation facilities	1	LS		75,000
f. Percolation Pond- Ph.2	1	LS		25,000
g. Casings-steel-10"(3ea)	1,112	LF	84.00	93,408
12"(3ea)	1,055	LF	115.00	121,325
14"(2ea)	1,236	LF	132.00	63,152
Collection				
a. Gravity - 8" VCP	2,250	LF	15.00	33,750
8" PVC	10,425	LF	12.50	130,313
b. Manholes	36	EA.	1,250.00	45,000
Services - single	30	EA.	150.00	4,500
double	16	EA.	200.00	3,200

Sewer Facilities Assets - Total \$1,350,643

* Golf Course Lease

Casings under Polk County Parkway are to serve the franchise area south of the Parkway.

- (1) Estimated cost is based upon 1998 cost of replacement.

Valuation

The tangible assets for the physical amenities is somewhat limited as to actual installed costs and dates; therefore, this evaluation represents a best estimate of the reasonable reproduction cost of the facilities as of October 1998, plus a straight line depreciation of the facilities over a 25 year life span at a rate of 4% per year. Installation of the facilities began in 1972 with the majority of the distribution and collection facilities being added in 1979. In 1989, additional facilities and plant expansion was undertaken. In 1996, plant expansion and spray irrigation disposal were completed. In 1997 a 14.5-acre effluent disposal pond was constructed. Depreciation has been estimated using a term of 18 years or as noted. The 1989 and 1995 facilities construction has not been separated for depreciation; therefore, the present value is conservative.

<u>Description</u>	<u>Reproduction Cost October 1998</u>	<u>Accumulated Depreciation</u>	<u>Present Value</u>
<u>Water Facilities</u>			
Land	\$ 6,250	0	\$ 6,250
Structures & Equipment	93,750	50,586	43,164
Distribution	360,116	187,359(1)	172,757
	183,253	21,123(2)	162,130
<u>Sewer Facilities</u>			
Land	\$ 175,000	0	\$175,000
Structures & Equipment	955,880	266,319(3)	689,561
Collection	<u>219,763</u>	<u>114,864(1)</u>	<u>104,899</u>
Totals	\$1,994,012	\$640,251	\$1,353,761

- (1) 18 years
- (2) 3 years
- (3) 8 years

Less: Cost of improvements and required maintenance - Unknown

Present Value Net Total - \$1,353,761

Prepared By: Robert F. Green, P.E.

Robert F. Green
 FL. Cert. No. 13955
 October 30, 1998

EXHIBIT B-1

GENERAL WARRANTY DEED
(Property Owned)



EXHIBIT B-2

GENERAL WARRANTY DEED
(Property not Owned but Being Conveyed at Closing)



EXHIBIT C

DISCLOSURE SCHEDULE TO
REPRESENTATIONS AND WARRANTIES

EXHIBIT D**EXCLUDED ASSETS**

1. 1994 Lexus automobile
2. 1996 Jeep grand Cherokee automobile
3. 1995 Ford Tractor
4. 45' Storage trailer (less inventory located therein)
5. Computer system (not located on-site)
6. Portion of effluent sprinkler system not currently in use that is located off the realk
Property being conveyed
7. Honda 4X4 All Terrain Vehicle

EXHIBIT E

ESCROW AGREEMENT

Escrow agreement to be provided by Hoiland & Knight, L.L.P.

EXHIBIT F**ASSUMED COMMITMENTS**

1. Proposal to accept construction of Fire Water Main by and between Village Water, Ltd.; Insiturn Technologies, Inc.; American Environmental Container Corporation; and Lane Piping & Equipment Company, dated March 26, 1997.
2. Contract for installation and use of a sewage collection and transmission system, by and between Village Water, Ltd., and Joe P. Ruthuen, dated April 21, 1989.

to Asset Purchase Agreement

This instrument prepared by
(and return to):

Walter E. Engle, III
HOLLAND & KNIGHT LLP
92 Lake Wire Drive
P. O. Box 32092
Lakeland, FL 33802-2092

Property Appraiser's Parcel
Identification Number

WARRANTY DEED

FOR RECORDER'S USE ONLY

The Grantors, JERARD A. KENT and SHIRLEY W. KENT, husband and wife, in consideration of ten dollars and other valuable considerations received from the Grantee, hereby grant and convey to the Grantee, AQUASOURCE UTILITY, INC., a Texas corporation, whose mailing address is 2905 Jacque Lee Lane, Lakeland, Florida 33803, the real property in Polk County, Florida, described on Exhibit A attached.

This conveyance is subject to real estate taxes for 1998 and subsequent years, and easements and restrictions of record.

The Grantors hereby covenant and warrant that the property is free of all encumbrances, that lawful seisin of and good right to convey the property are vested in the Grantors, and that the Grantors hereby fully warrant the title to the property and will defend the same against the lawful claims of all persons whomsoever.

DATED this _____ day of _____, 1998.

WARRANTY DEED

Page 2

Signed in the presence of:

(print name)

Jerard A. Kent

(print name)
Two witnesses

Shirley W. Kent

ADDRESS:
2905 Jacque Lee Lane
Lakeland, FL 33803

STATE OF FLORIDA

COUNTY OF POLK

The foregoing instrument was acknowledged before me this ___ day of _____, 1998, by Jerard A. Kent and Shirley W. Kent, husband and wife. They are personally known to me or produced _____ and _____, respectively, as identification.

(SEAL)

Printed/typed name:
Notary Public-State of _____
Commission Number: _____
Commission expires: _____

WARRANTY DEEDPage 3

EXHIBIT A

A parcel of land located in the W-1/2 of Section 36, Township 28 South, Range 24 East, Polk County, Florida, being more particularly described as follows:

Commence at the NW corner of said Section 36, Township 28 South, Range 24 East, Polk County, Florida; thence run S 00°05'19" W along the west boundary of said Section 36, 100.00 feet; thence N 89°56'30" E, 65.00 feet to the point of beginning; thence continue N 89°56'30" E, 1335.00 feet; thence S 00°05'19" W 375.45 feet to the north right-of-way line of S.R. 570 as recorded in O.R. Book 3544, page 1475 in Polk County public records, said point also being a point on a curve concave to the southeast with the following elements radius of 23,103.31 feet, delta of 01°53'50"; thence run along the arc of said curve a distance of 764.99 feet; thence leaving said right-of-way line S 89°56'30" W 574.95 feet; thence N 00°05'19" E 467.00 feet to the point of beginning.

AND

A parcel of land located in Section 36, Township 28 South, Range 24 East, Polk County, Florida, being more particularly described as follows:

Commence at the NW corner of said Section 36, Township 28 South, Range 24 East, Polk County, Florida; thence run S 00°05'19" W 100.00 feet; thence N 89°56'30" E 1400.00 feet to the POINT OF BEGINNING; thence continue N 89°56'30" E 1796.45 feet; thence S 00°05'19" W 226.30 feet to the north right-of-way line of S.R. 570 as recorded in O.R. Book 3544, page 1475 in Polk County public records; thence along said north right-of-way line S 86°42'02" W 576.11 feet; thence S 78°03'13" W 146.29 feet; thence S 85°21'32" W 1081.95 feet; thence leaving said right-of-way line N 00°05'19" E 375.45 feet to the point of beginning.

to Asset Purchase Agreement

This instrument prepared by
(and return to):

Walter E. Engle, III
HOLLAND & KNIGHT LLP
Post Office Box 32092
Lakeland, Florida 33802-2092

Property Appraiser's Parcel
Identification Number

WARRANTY DEED

FOR RECORDER'S USE ONLY

The Grantor, VILLAGE WATER, LTD., a Florida limited partnership, whose mailing address is 2905 Jacque Lee Lane, Lakeland, Florida 33802, in consideration of ten dollars and other valuable considerations received from the Grantee, hereby grants and conveys to the Grantee, AQUASOURCE UTILITY, INC., a Texas corporation, whose address is 16810 Barker Springs, Suite B-215, Houston, Texas 77084, the real property described on Exhibit A hereto.

This conveyance is subject to real estate taxes for 1998 and subsequent years and easements and restrictions of record.

The Grantor hereby covenants that the property is free of all encumbrances, except as stated herein, that lawful seisin of and good right to convey the property are vested in the Grantor, and the Grantor hereby fully warrants the title to the property and will defend the same against the lawful claims of all persons whomsoever.

DATED this ____ day of _____, 1998.

WARRANTY DEED

Page 2

Signed in the presence of:

**VILLAGE WATER, LTD., a
Florida limited partnership**

**By: Village Industrial Utilities,
Inc., a Florida corporation,
as general partner**

(name) _____

**Jerard A. Kent, as President
of Village Industrial Utilities, Inc.**

(name) _____
Two witnesses

STATE OF FLORIDA

COUNTY OF POLK

The foregoing instrument was acknowledged before me this ___ day of _____, 1998, by Jerard A. Kent, as President of Village Industrial Utilities, Inc., a Florida corporation, as general partner of Village Water, Ltd., a Florida limited partnership, on behalf of the corporation and the partnership. He is personally known to me or produced _____ as identification.

(SEAL)

Printed/typed name: _____
Notary Public-State of _____
Commission Number: _____
Commission expires: _____

WARRANTY DEED

Page 3

EXHIBIT A

Commence at the southwest corner of the SE-1/4 of Section 26, Township 28 South, Range 24 East, Polk County, Florida, run thence south 89°51'00" east along the south boundary of said section a distance of 100.00 feet, run thence north 00°03'06" east a distance of 148.95 feet to a concrete monument, run thence south 89°51'00" east a distance of 60.00 feet to a concrete monument, said concrete monument being the POINT OF BEGINNING; run thence north 00°03'06" east a distance of 25.00 feet to a concrete monument, run thence north 55°49'55" east a distance of 26.60 feet to a concrete monument, run thence south 89°51'00" east a distance of 28.00 feet to a concrete monument, run thence south 00°03'06" east a distance of 40.00 feet to a concrete monument, run thence north 89°51'00" west a distance of 50.00 feet to a concrete monument and the point of beginning.

AND

Commence at the S-1/4 corner of Section 26, Township 28 South, Range 24 East, Polk County, Florida, run thence south 89°51'00" east along south boundary of said Section 26 a distance of 100 feet, run thence north 00°03'06" east a distance of 358.95 feet, run thence west 6 feet to the POINT OF BEGINNING; continue thence west 42 feet, run thence south 86 feet, run thence east 42 feet, run thence north 86 feet to the point of beginning.

(End of Exhibit A)

ESCROW AGREEMENT

This is an escrow agreement ("Escrow Agreement") made by and among **AQUASOURCE UTILITY, INC.**, a Texas corporation ("Buyer"), **VILLAGE WATER, LTD.**, a Florida limited partnership ("Seller"), and **HOLLAND & KNIGHT LLP**, a Florida limited liability partnership ("Escrow Agent").

BACKGROUND: Seller is selling and Buyer is buying certain assets (the "Assets") pursuant to the Asset Purchase Agreement between Seller and Buyer dated November 30th, 1998 (the "Agreement"). Pursuant to Section 2.3 of the Agreement, at closing, ten percent (10%) of the purchase price shall be withheld and placed in escrow (the "Withheld Proceeds"). Escrow Agent shall hold the Withheld Proceeds as provided herein. The parties intend by this Escrow Agreement to provide for escrow of the Withheld Proceeds and the relative rights and obligations of the parties with respect thereto.

AGREEMENT: In consideration of the foregoing and in consideration of the mutual rights and obligations of the parties hereunder, Buyer and Seller agree as set forth below.

1. Holland & Knight LLP, who are attorneys for Seller, will act as Escrow Agent. Buyer waives any claim that a conflict of interest exists or might exist on account of the fact that Escrow Agent also is attorney for Seller.

2. Upon execution of the Agreement and this Escrow Agreement, Buyer shall place the Withheld Proceeds with Escrow Agent. Upon receipt of the Withheld Proceeds, Escrow Agent shall place and hold the Withheld Proceeds in a money market or similar interest bearing account in a federally insured national bank in which Escrow Agent maintains other escrowed or trust account funds ("Escrow Bank"). Escrow Agent will not be responsible or liable to either Buyer or Seller for (a) any failure on the part of the Escrow Bank, (b) the unavailability of FDIC or similar insurance on all or any part of the escrow funds, (c) any matters beyond the direct and exclusive control of Escrow Agent, or (d) any loss or damage arising out of Escrow Agent's handling of the escrow funds unless the loss or damage is caused by the wilful misconduct or gross negligence of Escrow Agent. Escrow Agent shall disburse the Withheld Proceeds in accordance with Section 2.3 of the Agreement, upon written notice from Seller and Buyer of the division of the Withheld Proceeds.

3. If any dispute arises between the parties or between either party and Escrow Agent as to any action to be taken by the Escrow Agent, or as to its rights and duties hereunder, or if Escrow Agent is in doubt as to its duties, or if any proceeding is instituted respecting the escrow funds and if any writ, order or rule of

attachment, garnishment or other similar order is levied upon or entered against the escrow funds while held by the Escrow Agent, Escrow Agent, in its sole discretion, may continue to hold the escrow funds until the parties mutually agree to the disbursement thereof or Escrow Agent may, without objection by the parties, file a bill of interpleader and deposit the escrow funds with the Clerk of the Circuit Court for Polk County and, upon notifying the parties hereto of such action, any liability on the part of Escrow Agent shall fully terminate. Each party shall be jointly and severally liable for all costs and attorneys' fees incurred by the Escrow Agent in discharging its duties and responsibilities hereunder.

4. All notices, requests, disbursements (except wire transfers, which shall be deemed to have been duly given after confirmation of receipt given by the recipient bank as directed in the wiring instructions) or other communications hereunder shall be in writing and shall be deemed to have been duly given on the date of mailing if hand delivered, sent Federal Express or by similar private overnight courier service, or sent by certified mail, return receipt requested, with all postage charges prepaid, and addressed to the following address for each party or to such further address as any such party may designate by written notice given pursuant to this paragraph:

If to Buyer:

AquaSource Utility, Inc.
16810 Barker Springs
Suite B-215
Houston, Texas 77084

If to Seller:

Village Water, Ltd.
2905 Jacque Lee Lane
Lakeland, Florida 33802

If to Escrow Agent:

Holland & Knight LLP
P. O. Box 32092
Lakeland, Florida 33802-2092
ATTN: Mr. Walter E. Engle, III

DATED the _____ day of _____, 1998.

AQUASOURCE UTILITY, INC.

VILLAGE WATER, LTD.

By: 
Name: MICHAEL D. MILLER
As its V. PRES

By: Village Industrial Utilities, Inc., a
Florida corporation, as its
general partner

By: _____
Jerard A. Kent,
as President of Village Industrial
Utilities, Inc.

HOLLAND & KNIGHT LLP

By: _____
James A. Park, III
As a partner