

**RUTLEDGE, ECENIA, PURNELL & HOFFMAN ORIGINAL**

PROFESSIONAL ASSOCIATION  
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA  
RICHARD M. ELLIS  
KENNETH A. HOFFMAN  
THOMAS W. KONRAD  
MICHAEL G. MAIDA  
MARTIN P. McDONNELL  
J. STEPHEN MENTON

POST OFFICE BOX 551, 32302-0551  
215 SOUTH MONROE STREET, SUITE 420  
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (850) 681-6788  
TELECOPIER (850) 681-6515

R. DAVID PRESCOTT  
HAROLD F. X. PURNELL  
MARSHA E. RULE  
GARY R. RUTLEDGE  
GOVERNMENTAL CONSULTANTS  
MARGARET A. MENDUNI  
M. LANE STEPHENS

February 7, 2003

Ms. Blanca Bayo, Director  
Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**HAND DELIVERY**

RECEIVED  
03 FEB - 7 PM 4:46  
COMMISSION  
CLERK

Re: Docket No. 021066-WS

Dear Ms. Bayo:

Enclosed with this letter on behalf of Florida Water Services Corporation ("Florida Water") are the original and fifteen copies of Florida Water's Application for Acknowledgment of Sale of Facilities to Florida Water Services Authority.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

AUS \_\_\_\_\_  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM 5 \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
SEC 1 \_\_\_\_\_  
OTR \_\_\_\_\_

Thank you for your assistance with this filing.

Sincerely,

  
J. Stephen Menton

JSM/knb  
Enclosures  
cc: All Parties of Record

021066\Bayo.207

RECEIVED & FILED

FPSC BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

01329 FEB-7-8

FPSC-COMMISSIONER'S CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application by Florida Water Services Corporation for acknowledgment of sale of facilities to Florida Water Services Authority and cancellation of Certificates )  
Docket No. 021066-WS )  
Filed: February 7, 2003 )  
\_\_\_\_\_ )

**FLORIDA WATER SERVICES CORPORATION'S  
APPLICATION FOR ACKNOWLEDGMENT OF SALE OF FACILITIES  
TO FLORIDA WATER SERVICES AUTHORITY**

Applicant, Florida Water Services Corporation ("Florida Water"), files this Application pursuant to Section 367.071(4), Florida Statutes, for acknowledgment of the proposed sale of its water and wastewater facilities to the Florida Water Services Authority (the "Authority") and, upon closing of the sale, for cancellation of the certificates issued to Florida Water by the Florida Public Service Commission (the "Commission"). This Application is being filed at the directive of the Commission at the Agenda Conference on February 4, 2003. During the February 4 Agenda Conference, the Commission voted to require Florida Water to file an Application by February 7 with respect to the anticipated sale of its utility assets to the Authority. Florida Water has filed a Writ of Prohibition with the First District Court of Appeal challenging the authority of the Commission to mandate such a pre-closing filing. The filing of this Application should not be construed as a waiver of any legal position or basis to contest the Commission's ruling. Florida Water submits this Application with a reservation of all legal rights and claims that it may have to challenge the Commission's unprecedented order.

As set forth in the Comments of Florida Water previously filed in this docket, Section 367.071(4), Florida Statutes, provides that the Commission shall approve the sale to the Authority as a matter of right. Florida Water reasserts its position that the Commission is compelled by statute

DOCUMENT NUMBER - DATE

01329 FEB-7<sup>th</sup>

FPSC-COMMISSION CLERK

to approve the proposed sale to the Authority and has no fact-finding or review authority with respect to the sale. Florida Water also contests the authority of the commission to require Florida Water to file an application prior to the closing of the sale to the Authority. Nothing in this Application should be construed to waive or modify those positions.

### **THE APPLICATION**

1. Rule 25-30.037, Florida Administrative Code, sets forth the matters that must be contained in an application submitted to the Commission regarding the sale of utility assets. The requirements of subsection (2) of the Rule are only applicable to a transfer to a “non-governmental entity.” There can be no dispute that the Authority is a governmental entity. Thus, none of the requirements in Subsection (2) are applicable to this Application. Similarly, Subsection (3) of the Rule only applies in the case of a change in majority organizational control. Since the proposed sale to the Authority is an asset sale, Subsection (4) of the Rule is the only provision that specifies the content for the present Application.

2. Subsection (6) of the Rule provides as follows:

Upon its receipt of items required in (4)(a), (b), (c), (d), (e) and (f), the Commission will issue an order acknowledging that the facilities or any portion thereof have been acquired by the governmental authority.

Thus, the Commission’s rules do not provide any basis for a hearing on the Application or any review to be conducted with respect to the transfer.

3. The name and address of the Applicant is:

Florida Water Services Corporation  
Post Office Box 609520  
Orlando, FL 32860-9520

4. Attached hereto as composite Exhibit A are copies of the Certificates issued to Florida Water by the Commission. Those Certificates relate to Florida Water's water and wastewater operations in the identified counties. In addition to its utility operations regulated by the Commission, Florida Water owns numerous other water and wastewater utility assets throughout the state that operate pursuant to certificates issued by various county regulatory authorities.

5. The names and addresses of Florida Water's authorized representatives for purpose of this Application are:

KENNETH A. HOFFMAN, ESQ.  
J. STEPHEN MENTON, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, Florida 32302  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Telecopier)

- - and - -

CARLYN KOWALSKY, ESQ.  
Vice President and General Counsel  
Florida Water Services Corporation  
P. O. Box 609520  
Orlando, Florida 32860-9520  
(407) 598-4297 (Telephone)  
(407) 589-4241 (Telecopier)

6. The name and address of the governmental authority purchasing the utility assets is:

Florida Water Services Authority  
1070 Shoreline Drive  
Gulf Breeze, Florida 32561

7. The Authority is a governmental authority exempt from regulation by the Commission pursuant to Section 367.171(8), Florida Statutes. As discussed below, the Authority



was created by Interlocal Agreement, pursuant to Chapter 163, Florida Statutes. The names and addresses of the Authority's authorized representatives are:

Bruce Culpepper, Esq.  
Akerman Senterfitt  
301 South Bronough Street  
Suite 200  
Tallahassee, Florida

and

Matthew E. Dannheisser, P.A.  
504 North Baylan Street  
Pensacola, Florida 32501

8. Because this Application is filed in connection with a sale to a governmental authority, notice is not required to be provided. See Rule 25-30.030(9), Florida Administrative Code.

#### **THE PURCHASE AGREEMENT**

9. On September 19, 2002, Florida Water and the Authority entered into an Agreement for the sale of all of Florida Water's utility assets in the state to the Authority. A copy of that Agreement has previously been submitted in this docket. The parties subsequently agreed to amend the terms of the proposed sale and incorporated their agreement into an Amendment and Restatement of Asset Purchase Agreement dated as of December 20, 2002 (the "Amended Agreement"). A copy of the Amended Agreement with Exhibits is submitted herewith as Exhibit B.

10. The proposed sale to the Authority includes all of Florida Water's utility assets throughout the state, including its assets regulated by the Commission.

11. The Authority is exempt from regulation by the Commission pursuant to Sections 163.01(7)(g)1, 367.022(2) and 367.171(8), Florida Statutes.

## GOVERNMENTAL AUTHORITY

12. The Authority was formed by Interlocal Agreement between the Cities of Gulf Breeze and Milton, Florida. A copy of the Interlocal Agreement has previously been submitted in this docket. At the February 4<sup>th</sup> Agenda Conference, there was extensive discussion as to whether the Authority qualified as a “governmental authority” for purposes of obtaining approval of the proposed sale as a matter of right pursuant to Section 367.071(4), Florida Statutes. There can be no legitimate dispute over this matter.

13. Section 367.021(7), Florida Statutes (2002)<sup>1</sup>, defines a “governmental authority” as:

[A] political subdivision, as defined by s. 1.01(8), a regional water supply authority created pursuant to s. 373.1962, or a nonprofit corporation formed for the purpose of acting on behalf of a political subdivision with respect to a water or wastewater facility.

14. A city is a “political subdivision” under Section 1.01(8), Florida Statutes.<sup>2</sup> Chapter 163.01, Florida Statutes, did not exist at the time the Legislature defined the term “political subdivision.” However, in adopting Chapter 163, the Legislature made it clear that an entity created under that Chapter can have all of the powers, status and privileges of its creating entities. Section 163.01(7)(g)1, Florida Statutes, unequivocally recognizes that an entity created by interlocal agreement pursuant to that section can operate as the functional and statutory equivalent of a county or municipality and such an entity is entitled to the same treatment and regulatory status as its

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<sup>1</sup>All statutory references herein are to the 2002 Florida Statutes.

<sup>2</sup>Section 1.01(8), Florida Statutes, specifically provides that the words “public body,” “public politic,” or “political subdivision” when used in a statute includes “counties, cities, towns, villages, special tax school districts, special road and bridge districts, bridge districts, and all other districts in this state.”

creating public bodies. Specifically, Section 163.01(7)(g)1, Florida Statutes, authorizes cities to create and control entities such as the Authority. Section 163.01(7)(g)1 states that:

Except as may be limited by the interlocal agreement under which the entity is created, all of the privileges, benefits, powers and terms of . . . s. 166.021, relating to municipalities are fully applicable to the entity. [emphasis added].

15. Section 163.01(9)(c), Florida Statutes, confirms that an entity such as the Authority is entitled to all of the privileges and exemptions from laws and ordinances that apply to the municipalities that created it. Moreover, Section 163.01(7)(g)1 specifically recognizes that an entity created under Chapter 163 is “not subject to Commission jurisdiction.” In view of these statutory provisions, the Authority, like its member municipalities, must be treated as a governmental authority for purposes of Chapter 367.

16. The Interlocal Agreement creating the Authority clearly assigns the broad powers of the creating municipalities to the Authority. For example, Section 1(G) of the Interlocal Agreement provides:

It is the intent of the parties hereto that the Authority shall have all possible powers which may be conferred upon the Authority pursuant to law which may be necessary or desirable to enable the Authority to acquire, construct, finance, own, manage, operate and dispose of projects and programs and to fulfill the objectives and purposes of this Interlocal Agreement.

17. Because there are no limitations in the Interlocal Agreement, the FWSA enjoys *all* of the privileges, benefits, powers and terms granted by Section 166.021, Florida Statutes, to

municipalities including the power, as a governmental authority, to own, operate, manage or control a water and wastewater facility<sup>3</sup>.

18. Section 4 of the Interlocal Agreement expressly grants the Authority the power to acquire public utilities, such as Florida Water:

**Section 4. Powers of the Authority**

... to the extent not inconsistent with general or special law [the Authority's] power shall include, but not be restricted to:

\* \* \*

(O) [E]xercise all powers heretofore or hereafter granted by law to the Authority in respect to the acquisition, construction, ownership, operation, financing and disposition of public utilities, including, without limitation, the powers granted under Section 163.01(7), Florida Statutes.

19. Section 4 of the Interlocal Agreement further provides that:

The Authority shall have the powers to, and all powers necessary and incidental to, accomplish the purpose or objectives of this agreement, including, without limiting the generality of the foregoing, the power to promote, plan, establish, acquire, construct, erect, finance, expand, improve, consolidate, furnish, equipment, operate, maintain, manage, diversify and develop programs and projects from time to time, and issue bonds from time to time to finance the cost thereof...

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<sup>3</sup> The provision of utility services beyond municipal boundaries is expressly recognized in Section 163.01(7)(g), Florida Statutes, which provides in pertinent part:

Notwithstanding any other provisions of this section, any separate legal entity created under this section, the membership of which is limited to municipalities and counties of this state, may acquire, own, construct, improve, operate, and manage public facilities or finance facilities on behalf of any person, relating to a governmental function or purpose, including, but not limited to, wastewater facilities, water or alternative water supply facilities, and water reuse facilities *which may serve populations within or outside* of the members of the entity. [emphasis added].

20. The creation of the Authority by the cities of Gulf Breeze and Milton was clearly within the scope of the powers granted by Chapters 163 and 166, Florida Statutes. Because the Authority has all the privileges, benefits, powers and terms that apply to municipalities and there are no limitations in the Interlocal Agreement restricting the power of the Authority to own and operate water and wastewater facilities, the Authority must be treated as a “governmental authority” for purposes of Section 367.021(7) and 367.071(4), Florida Statutes.

21. The Commission has previously determined that an entity created pursuant to Chapter 163 qualifies as a governmental authority for purposes of Section 367.071(4), Florida Statutes. Dating back to at least 1989, the Commission has treated a sale of facilities to an interlocal utility authority as a sale to a governmental authority that must be approved as a matter of right. In Order No. 21045 issued April 19, 1989, the Commission treated the sale of the facilities of Seacoast Utilities to the Seacoast Utility Authority (which consisted of Palm Beach County and four municipalities within Palm Beach County) as a sale to a governmental authority entitled to approval as a matter of right.

22. Such treatment has specifically been applied to entities created under Chapter 163. In Docket No. 990489-WS, the Commission approved the transfer of the facilities of Florida Cities Water Company and Poinciana Utilities (“PU”) to the Florida Governmental Utility Authority (“FGUA”). See Order No. PSC-00-2351-FOF-WS issued December 7, 2000 (the “FGUA Order”). In the Amended Application for Transfer of Facilities to the Florida GUA filed October 4, 2000 in Docket No. 990489-WS, the applicants asserted that:

Florida Governmental Utility Authority, a legal entity and public body created by Interlocal Agreement pursuant to Section 163.01(7)(g), Florida Statutes... [is] exempt from regulation by the Commission pursuant to Section 367.022(2), Florida Statutes.

23. In the FGUA Order, the Commission agreed with the applicants and established the legal precedent that entities created pursuant to Section 163.01(7)(g), Florida Statutes, (such as the FGUA and the Authority) are “governmental authorities” for purposes of Chapter 367. The Commission specifically held:

[W]e find that the application as amended is in compliance with Section 367.071(4), Florida Statutes and Rule 25-30.037(4), Florida Administrative Code. Pursuant to Section 367.071(4)(a), Florida Statutes, the sale or transfer of facilities *to a governmental authority* is approved as a matter of right. Accordingly, we hereby approve the transfer of facilities from FCWS and PUI to the GUA. [Emphasis supplied].

See Order No. PSC-00-2351-FOF-WS at pg. 3.

24. Since the issuance of the FGUA Order, there have been no relevant changes to the statutory language in Chapters 163, 166 or 367. There is no legal basis for the Commission to deviate from its prior ruling that an entity created pursuant to Section 163.01(7)(g), Florida Statutes, is a governmental authority. This determination is binding and controlling precedent. See, Southern States Utilities v. Florida Public Service Commission, 714 So.2d 1046 (Fla. 1<sup>st</sup> DCA 1998); Palm Coast Utility Corporation v. Florida Public Service Commission, 742 So.2d 482 (Fla. 1<sup>st</sup> DCA 1999); Martin Memorial Hospital Association v. Dept. of Health and Rehabilitative Services, 584 So.2d 39, 40 (Fla. 4<sup>th</sup> DCA 1991).

25. The Commission must respect and adhere to its prior decisions as applicable stare decisis. The Commission’s prior determination that an interlocal utility authority established under Section 163.01(7)(g) 1 is to be treated as a “governmental authority” for purposes of Section 367.071(4)(a) is controlling. There is no basis in the statutes or the rules that would allow the Commission to treat Florida Water’s contract with the Authority any differently.

26. In Amos v. DHRS, 444 So.2d 43 (Fla. 1<sup>st</sup> DCA, 1983), the court held that persons who are subject to an agency's regulatory requirements "have the right to locate precedent and have it apply, and the right to know the factual basis and policy basis for agency action." The court went on to say that:

Inconsistent results based upon similar facts, without a reasonable explanation, violate both the Administrative Procedure Act, as well as the equal protection guarantees of both the Florida and United States Constitutions.

27. In negotiating its sale to the Authority, Florida Water relied upon the prior Commission decision addressing a sale of assets by a regulated utility to a Chapter 163 governmental utility authority. As noted above, the Commission has without exception treated such entities as a governmental authority and approved the transaction as a matter of right under Section 367.071(4)(a). From a statutory standpoint, there is no basis for the Commission to deviate from the FGUA Order. Under the Amos decision, Florida Water was entitled to rely upon that precedent in determining to sell its assets to the Authority. Any deviation from that precedent would violate Florida Water's constitutional right of equal protection.

28. Many of the local governments that have been seeking to thwart Florida Water's sale to the Authority have attempted to confuse matters by arguing that, since an entity created under Chapter 163 is not specifically mentioned in Section 367.021(7), the Authority is not entitled to consideration as a governmental authority. Such an argument cannot be squared with the unequivocal language of Chapter 163 or prior Commission precedent. As set forth above, the law and prior rulings compel the conclusion that the Authority is a governmental authority. In any event, a technical legal debate on this issue is completely unnecessary in the present case. Under 367.021(7), "a non-profit corporation formed for the purpose of acting on behalf of a political

subdivision with respect to a water or wastewater facility,” clearly qualifies as a “governmental authority” under Section 367.021(7). Since its inception, the Authority has had the power under Section 3 of the Interlocal Agreement to establish a non-profit corporation to act on behalf of the cities of Gulf Breeze and Milton. As reflected by the attached Exhibit C, such a non-profit corporation has been established. The Commission is obligated to treat the non-profit corporation as a governmental authority. Thus, the semantical arguments of those opposing the treatment of the Authority as a “governmental authority” cannot change the inescapable conclusion that this sale must be approved as a matter of right.

### CONTINGENCY

29. During the February 4<sup>th</sup> Agenda Conference, questions were raised as to whether Florida Water was entitled under the statute to file its application following a closing of the sale to the Authority.<sup>4</sup> The staff recommendation for the Agenda Conference mistakenly concluded that the purchase agreement was not contingent upon Commission’s approval and, consequently, Florida Water was not entitled to file a post-closing application under Section 367.071(1), Florida Statutes. As reflected by the Amended Agreement, the contract clearly contains such a contingency. However, before discussing that contingency, it is important to note that the Commission has never required such a contingency as a condition to consideration of a post-closing application for a sale to a governmental entity.

30. In several prior situations involving a sale to a governmental authority, the Commission has approved a post-closing application even through the purchase contract did not

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<sup>4</sup>Section 367.071(1), Florida Statutes, provides that, even in the case of a sale from one investor-owned utility to another investor owned utility, the application for approval can be filed subsequent to closing if the sale is made contingent upon Commission approval.



contain a condition that the sale was contingent upon Commission approval. Thus, for example, in the recent FGUA purchase, the application for acknowledgment of the sale was filed either the day of or the day after the closing even though the contract did not include a contingency for Commission approval. As discussed above, the Commission approved the sale to the FGUA as a matter of right as required by Section 367.071(4). See Order No. PSC-00-2351 issued December 7, 2002. Similarly, when United Water sold its system-wide assets to JEA, the application for acknowledgment of the sale was filed after the closing. Even though the contract did not include a contingency clause for Commission approval, the Commission approved that sale as a matter of right. See Order No. PSC -02-0280 issued March 4, 2002. These precedents establish that a provision in the contract conditioning the sale on Commission approval is not necessary in order for the parties to proceed to closing without prior Commission approval when the buyer is a governmental entity.

31. Placing the entire statute in context, it is clear that the necessity for a contingency provision is only relevant for a sale to an entity that will remain under Commission jurisdiction. Under subsection (4)(b) of 367.071, when the sale of facilities is not to a governmental entity, the Commission must amend the certificate of authorization to reflect the change resulting from the sale. Subsection (5) goes on to authorize the Commission to establish the rate base for the purchasing utility except when the sale is to a governmental entity. These statutes clearly contemplate that a sale under Section 367.071(1) involves continuing Commission jurisdiction over the purchaser. In the present case, which involves a sale to an governmental entity created pursuant to Chapter 163, Florida Statutes, there can be no denying that the Commission will not have jurisdiction over the Authority following closing. Section 163.07(7)(g)1 - - which is the later enacted and more specific

statute - - clearly states that notwithstanding Section 367.171(7), any separate legal entity created under Chapter 163 is not subject to Commission jurisdiction. Under these circumstances, there is no need for a contingency in the contract because there will be no continuing Commission jurisdiction. The Authority will assume the responsibilities assigned to it by the legislature and implement the conversion of the privately-owned utility assets to public ownership.

32. Even if it is assumed that a contract contingency is essential in order for a selling utility to submit a post-closing application for acknowledgment of a sale to a governmental entity, such a contingency exists in the Amended Agreement. The contingency requirement in subsection (1) of Section 367.071 grants the utility the right to make the determination of whether to file a post-closing application. There is no basis in the existing statute or rules for the Commission to ignore this provision and interfere with the efforts to sell private property as authorized by law.

#### **PUBLIC INTEREST**

33. While the Commission is authorized to make a determination whether the sale of utility assets from one private investor owned utility to another private investor owned utility is in the public interest, the statutes do not provide the Commission with any authority to make such a determination with respect to a sale to a governmental entity. The statute recognizes that an entity created under Chapter 163 is empowered to make its own determination whether to acquire utility assets within or outside of its jurisdictional boundaries and such a determination is presumptively in the public interest. In the present case, the Authority has made a determination that the purchase of Florida Water is in the public interest as reflected by the Resolution previously submitted in this docket. There is no basis for the Commission to second guess that determination.

34. Section 163.01(7)(g)4, Florida Statutes, establishes that this sale converting privately owned utility assets to public ownership is in the public interest. That statute provides:

The accomplishment of the authorized purposes of a legal entity created under this paragraph is in all respects for the benefit of the people of the state, for the increase of their commerce and prosperity, and for the improvement of their health and living conditions.

35. An entity created pursuant to Chapter 163 is granted the power by statute to determine whether to proceed with the purchase of utility assets. While the Commission may disagree with the policy choices inherent in this legal structure, the Commission is not empowered to change or ignore the law. See Fla. Stat. §§163.01(7)(g)1, 163.01(9)(c) and 367.071(4).

#### **MATTERS REQUIRED BY RULE**

36. As required by Section 367.071(4)(a), Florida Statutes, and the Rule, the Authority has obtained the most recently available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction applicable to the facilities to be sold.

37. Customer deposits and the accumulated interest will be turned over to the Authority at closing and will be returned to customers when service is terminated or at such earlier time as may be established by the Authority.

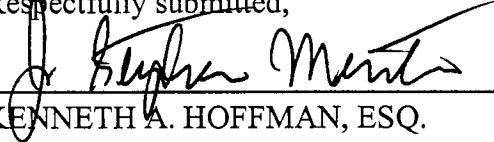
38. Florida Water is current with respect to payment of all regulatory assessment fees. Regulatory assessment fees for 2002 will be paid by Florida Water when due. Regulatory assessment fees for 2003 will be paid within the allowed time following closing.

39. There are no regulatory fines or refunds owed.

WHEREFORE, Florida Water requests that the Commission:

1. Acknowledge the sale of Florida Water's water and wastewater facilities as set forth in this Application to the Authority; and
2. After closing of the sale to the Authority, cancel the Certificates listed on the attached Exhibit A.

Respectfully submitted,



---

KENNETH A. HOFFMAN, ESQ.

J. STEPHEN MENTON, ESQ.

Rutledge, Ecenia, Purnell & Hoffman, P.A.

P. O. Box 551

Tallahassee, Florida 32302

(850) 681-6788 (Telephone)

(850) 681-6515 (Telecopier)

- - and - -

CARLYN KOWALSKY, ESQ.

Vice President and General Counsel

Florida Water Services Corporation

P. O. Box 609520

Orlando, Florida 32860-9520

(407) 598-4297 (Telephone)

(407) 589-4241 (Telecopier)

Attorneys for Florida Water Services Corporation

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand Delivery(\*) and U.S. Mail this 7<sup>th</sup> day of February, 2003 to:

Harold McLean(\*)  
General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Room 301J  
Tallahassee, FL 32399-0850

Lorena Holley, Esquire (\*)  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Room 370  
Tallahassee, Florida 32399-0850

John R. Marks, III,  
Knowles, Marks & Randolph, P.A.  
215 S. Monroe Street, Suite 130  
Tallahassee, Florida 32301

Thomas C. Palmer, Esquire  
Collier County Board of Commissioners  
3301 East Tamiami Trail  
Administrative Building, 8<sup>th</sup> Floor  
Naples, Florida 34112

Charles J. Beck  
Deputy Public Counsel  
Office of Public Counsel  
c/o the Florida Legislature  
111 West Madison Street, Room 812  
Tallahassee, Florida 32399-1400

Mr. Chuck Lewis  
Hernando County Board of County Commissioners  
20 North Main Street, Room 461  
Brooksville, Florida 34601-2849

  
\_\_\_\_\_  
J. STEPHEN MENTON

**AFFIDAVIT**

I, Forrest L. Ludsen, do solemnly swear or affirm that the facts stated in the forgoing application and all exhibits attached thereto are true and correct and that said statements of fact thereto constitutes a complete statement of the matter to which it relates.

BY: *Forrest L. Ludsen*  
Applicant's Signature

Forrest L. Ludsen  
Applicant's Name (Typed)

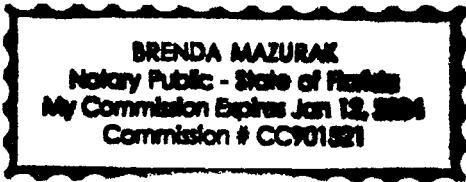
Executive Vice President and Chief Operating Officer  
Applicant's Title \*

Subscribed and sworn to before me this 6<sup>th</sup> day in the month of February

in the year of 2003 by Forrest L. Ludsen who is personally known to me XXX

or produced identification \_\_\_\_\_.  
Type of Identification Produced

*Brenda Mazurak*  
Notary Public's Signature



Print, Type or Stamp Commissioned  
Name of Notary Public

\* If applicant is a corporation, the affidavit must be made by the president or other officer authorized by the by-laws of the corporation to act for it. If applicant is a partnership or association, a member of the organization authorized to make such affidavit shall execute same.

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

554 - W

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Bradford County)

to provide water service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

ORDER	PSC-93-0713-FOF-WU	DOCKET	921264-WU
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
Director  
Division of Records and Reporting

EXHIBIT  
A

**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number**

**002 - W**

Upon consideration of the record it is hereby **ORDERED**  
that authority be and is hereby granted to:

**FLORIDA WATER SERVICES CORPORATION**

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Brevard County)

to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

ORDER 19505	DOCKET 880206-WU
ORDER PSC-94-1011-FOF-WU	DOCKET 930737-WU
ORDER PSC-97-0427-FOF-WS	DOCKET 970028-WS
ORDER	DOCKET
ORDER	DOCKET

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**



*Dancia S. Bayo*  
**Director**  
**Division of Records and Reporting**



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
570 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Charlotte County)

to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

ORDER	PSC-95-1164-FOF-WS	DOCKET	941301-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Diana S. Bayo*  
\_\_\_\_\_  
Director  
Division of Records and Reporting

**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number  
496 - S**

Upon consideration of the record it is hereby **ORDERED**  
that authority be and is hereby granted to:

**FLORIDA WATER SERVICES CORPORATION**

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Charlotte County)

to provide wastewater service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

ORDER	PSC-95-1164-FOF-WS	DOCKET	941301-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**



*Blanca L. Gay's*  
\_\_\_\_\_  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
003 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Clay County)

to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

ORDER 15598	DOCKET 850552-WU
ORDER 17359	DOCKET 861370-WU
ORDER 22915	DOCKET 891317-WU
ORDER PSC-94-0071-FOF-WU	DOCKET 930744-WU
ORDER PSC-97-0427-FOF-WS	DOCKET 970028-WS
ORDER	DOCKET
ORDER	DOCKET
ORDER	DOCKET
ORDER	DOCKET

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
177 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

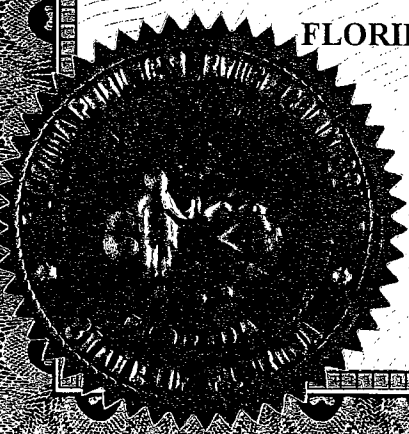
1000 Color Place  
Apopka, FL 32703 (Duval County)

to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

- |                          |                  |
|--------------------------|------------------|
| ORDER 6213               | DOCKET 74399-W   |
| ORDER 9909               | DOCKET 810029-WS |
| ORDER 10836              | DOCKET 810469-WS |
| ORDER 18512              | DOCKET 851092-WS |
| ORDER 16377              | DOCKET 860404-WS |
| ORDER PSC-97-0427-FOF-WS | DOCKET 970028-WS |
| ORDER                    | DOCKET           |
| ORDER                    | DOCKET           |
| ORDER                    | DOCKET           |

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
124 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

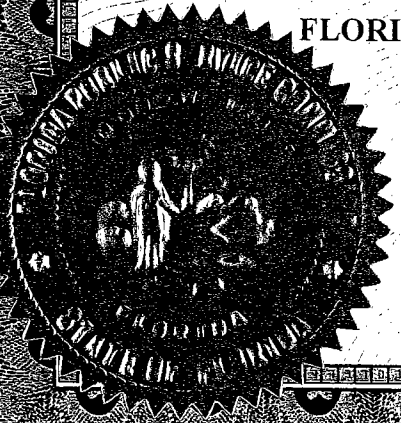
1000 Color Place  
Apopka, FL 32703 (Duval County)

to provide wastewater service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

- |                          |                  |
|--------------------------|------------------|
| ORDER 6213               | DOCKET 74398-S   |
| ORDER 9909               | DOCKET 810029-WS |
| ORDER 10836              | DOCKET 810469-WS |
| ORDER 18512              | DOCKET 851092-WS |
| ORDER 16377              | DOCKET 860404-WS |
| ORDER PSC-97-0427-FOF-WS | DOCKET 970028-WS |
| ORDER                    | DOCKET           |
| ORDER                    | DOCKET           |
| ORDER                    | DOCKET           |

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
422 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

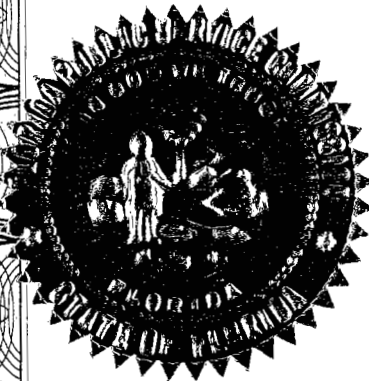
1000 Color Place  
Apopka, Florida 32703 (Highlands County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	22916	DOCKET	891250-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Denise S. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
359 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

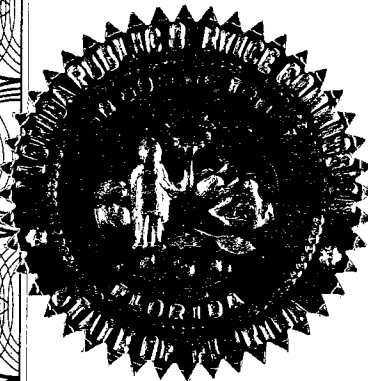
1000 Color Place  
Apopka, Florida 32703 (Highlands County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	22916	DOCKET	891250-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



-----  
*Dennis S. Bayo*  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
106 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

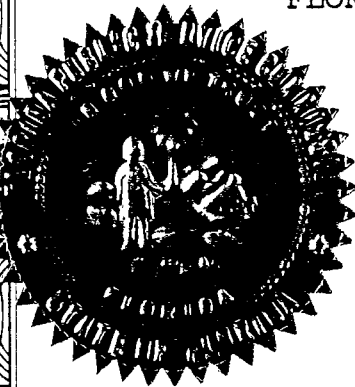
1000 Color Place  
Apopka, Florida 32703 (Lake County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	5595	DOCKET	C-72505-W
ORDER	8075	DOCKET	770578-W
ORDER	8076	DOCKET	770577-W
ORDER	8144	DOCKET	770579-W
ORDER	8299	DOCKET	780057-W
ORDER	9483	DOCKET	791043-W
ORDER	9688	DOCKET	791043-W
ORDER	9988	DOCKET	780278-W
ORDER	10154	DOCKET	810012-W
ORDER	10109-A	DOCKET	800636-W

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Dennis S. Davis*  
-----  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

106 - W

(Page No. 2)

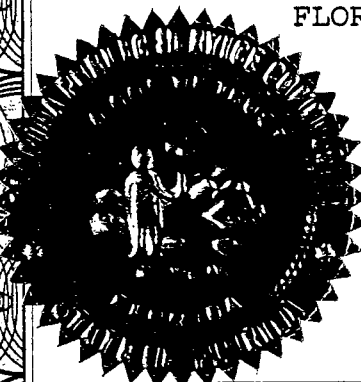
FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Lake County)

ORDER	15295	DOCKET	850695-W
ORDER	17180	DOCKET	861177-WS
ORDER	17223	DOCKET	861591-WS
ORDER	20647	DOCKET	881011-WU
ORDER	20869	DOCKET	880605-WS
ORDER	21636	DOCKET	890348-WU
ORDER	23459	DOCKET	900227-WU
ORDER	23852	DOCKET	900556-WU
ORDER	23656	DOCKET	891320-WU
ORDER	24230	DOCKET	900702-WU
ORDER	24792	DOCKET	910394-WU
ORDER	PSC-93-0754-FOF-WU	DOCKET	921044-WU
ORDER	PSC-93-0754A-FOF-WU	DOCKET	921044-WU
ORDER	PSC-93-1150-FOF-WU	DOCKET	930129-WU
ORDER	PSC-93-1306-FOF-WU	DOCKET	930129-WU
ORDER	PSC-95-0268-FOF-WS	DOCKET	940091-WS
ORDER	PSC-95-0569-FOF-WS	DOCKET	950163-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-02-1427-FOF-WU	DOCKET	990054-WU
ORDER	PSC-01-2501-FOF-WU	DOCKET	991666-WU
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Benjamin S. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
120 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

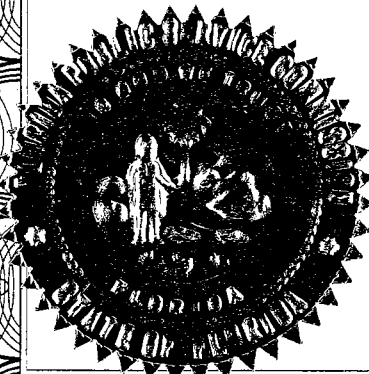
1000 Color Place  
Apopka, Florida 32703 (Lake County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	8299	DOCKET	780057-WS
ORDER	10109-A	DOCKET	800636-WS
ORDER	20869	DOCKET	880605-WS
ORDER	PSC-95-0268-FOF-WS	DOCKET	940091-WS
ORDER	PSC-95-0569-FOF-WS	DOCKET	950163-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



-----*Dean S. Bayo*-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

306 - W

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

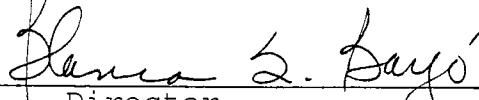
1000 Color Place  
Apopka, FL 32703  
(Lee & Charlotte Counties)

to provide water service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

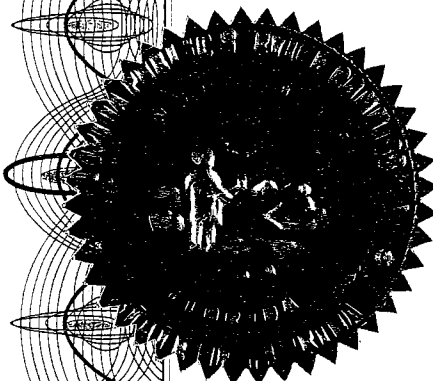
ORDER	8334	DOCKET	770391-W
ORDER	21632	DOCKET	881340-WS
ORDER	24411	DOCKET	900969-WS
ORDER	PSC-93-0500-FOF-WS	DOCKET	930086-WS
ORDER	PSC-97-0932-S-WS	DOCKET	960907-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0279-FOF-WS	DOCKET	990945-WS

FLORIDA PUBLIC SERVICE COMMISSION



Director

Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

255 - S

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703  
(Lee & Charlotte Counties)

to provide wastewater service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

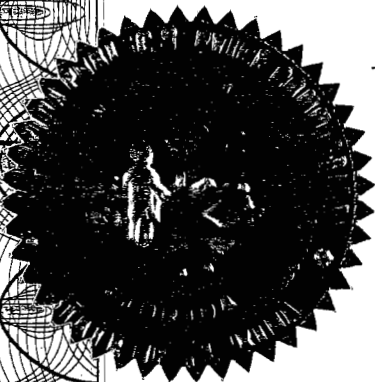
ORDER	8334	DOCKET	770392-S
ORDER	21632	DOCKET	881340-WS
ORDER	24411	DOCKET	900969-WS
ORDER	PSC-93-0500-FOF-WS	DOCKET	930086-WS
ORDER	PSC-97-0932-S-WS	DOCKET	960907-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0279-FOF-WS	DOCKET	990945-WS

FLORIDA PUBLIC SERVICE COMMISSION

*Glenn L. Bayó*

Director

Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

373 - W

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Marion and Sumter Counties)

to provide water service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

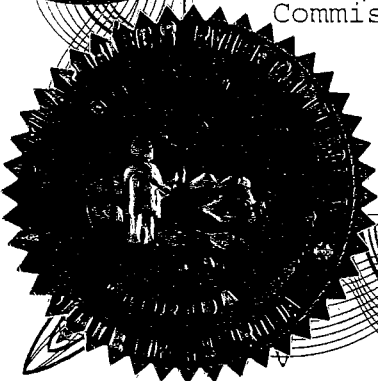
This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

ORDER	16108	DOCKET	850976-WS
ORDER	22968	DOCKET	891318-WU
ORDER	25575	DOCKET	910662-WS
ORDER	PSC-93-1314-FOF-WS	DOCKET	930412-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-99-1915-FOF-WS	DOCKET	980467-WS
ORDER	PSC-99-2191-FOF-WS	DOCKET	980467-WS
ORDER	PSC-01-2311-PAA-WS	DOCKET	001122-WS
ORDER	PSC-02-0485-PAA-WS	DOCKET	010119-WS

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Blanca S. Davis*

Commission Clerk and Administrative Services Director





FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

322 - S

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Marion and Sumter Counties)

to provide wastewater service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

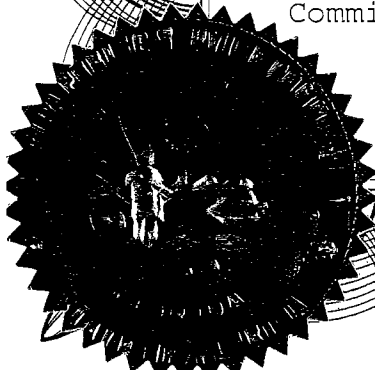
This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

ORDER	16108	DOCKET	850976-WS
ORDER	25575	DOCKET	910662-WS
ORDER	PSC-93-1314-FOF-WS	DOCKET	930412-WS
ORDER	PSC-97-0186-FOF-SU	DOCKET	961183-SU
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-99-1915-FOF-WS	DOCKET	980467-WS
ORDER	PSC-99-2191-FOF-WS	DOCKET	980467-WS
ORDER	PSC-01-2311-PAA-WS	DOCKET	001122-WS
ORDER	PSC-02-0485-PAA-WS	DOCKET	010119-WS

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Blanca L. Lugo*

Commission Clerk and Administrative Services Director



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
368 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

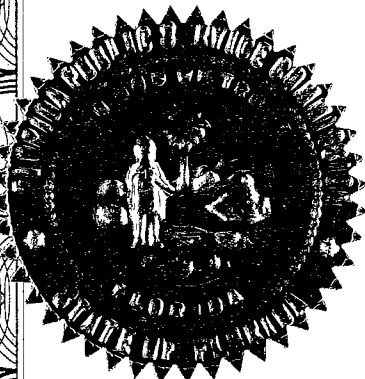
1000 Color Place  
Apopka, Florida 32703 (Martin County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	11246	DOCKET	810064-WS
ORDER	16482	DOCKET	850572-WS
ORDER	19860-A	DOCKET	880294-WS
ORDER	21758	DOCKET	881502-WS
ORDER	PSC-94-0992-FOF-WU	DOCKET	930699-WS
ORDER	PSC-94-0992A-FOF-WS	DOCKET	930699-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-99-0430-FOF-WS	DOCKET	990086-WS
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Gene S. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
319 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

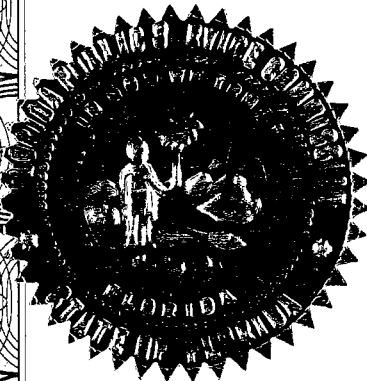
1000 Color Place  
Apopka, Florida 32703 (Martin County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	11246	DOCKET	810064-WS
ORDER	15942	DOCKET	860378-SU
ORDER	16482	DOCKET	850572-WS
ORDER	19860-A	DOCKET	880294-WS
ORDER	21758	DOCKET	881502-WS
ORDER	PSC-94-0992-FOF-WU	DOCKET	930699-WS
ORDER	PSC-94-0992A-FOF-WS	DOCKET	930699-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-99-0430-FOF-WS	DOCKET	990086-WS
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



-----  
*Thomas S. Bayo*  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
171 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Nassau County)

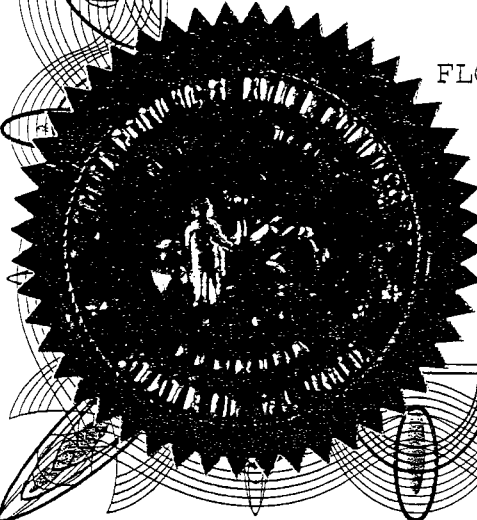
to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	19393	DOCKET	870571-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Blanche S. Davis*  
\_\_\_\_\_  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
122 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Nassau County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	19393	DOCKET	870571-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Denise S. Davis*

Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
84 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Orange County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	PSC-95-0567-FOF-WS	DOCKET	930439-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-98-0688-FOF-WS	DOCKET	971667-WS
ORDER	PSC-00-1515-PAA-WU	DOCKET	000333-WU
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Blanca S. Bayo*  
\_\_\_\_\_  
Director

Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
66 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

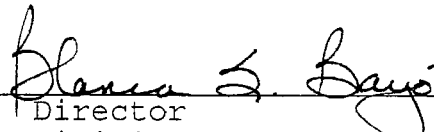
1000 Color Place  
Apopka, Florida 32703 (Osceola County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

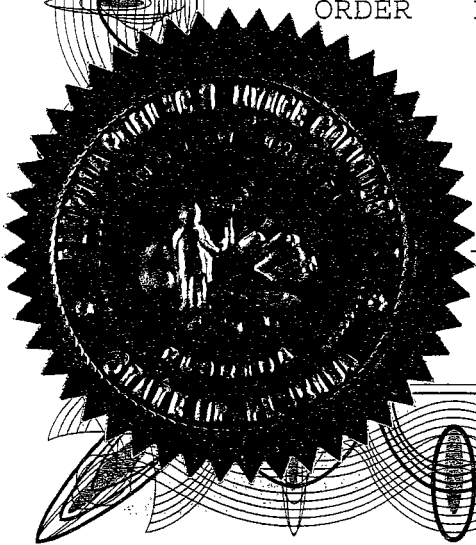
This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	5348	DOCKET	C-71465-W
ORDER	7512	DOCKET	760628-W
ORDER	9883	DOCKET	790097-W(TC)
ORDER	17031	DOCKET	860043-WU
ORDER	19192	DOCKET	871139-WU
ORDER	21200	DOCKET	881200-WU
ORDER	PSC-92-0004-FOF-WU	DOCKET	910831-WU
ORDER	PSC-92-0458-FOF-WU	DOCKET	911212-WU
ORDER	PSC-94-1427-FOF-WU	DOCKET	930437-WU
ORDER	PSC-95-1325-FOF-WS	DOCKET	941151-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-98-0485-FOF-WS	DOCKET	971589-WS

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

  
Director

Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
289 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

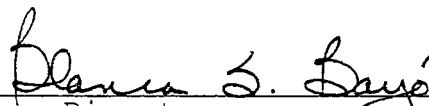
1000 Color Place  
Apopka, Florida 32703 (Osceola County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	9702	DOCKET	770714-WS (AP)
ORDER	21418	DOCKET	890726-WS
ORDER	21782	DOCKET	890976-WS
ORDER	24586	DOCKET	910246-WS
ORDER	PSC-93-1109-FOF-WS	DOCKET	930210-WS
ORDER	PSC-95-1325-FOF-WS	DOCKET	941151-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-98-0485-FOF-WS	DOCKET	971589-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
209 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Pasco County)

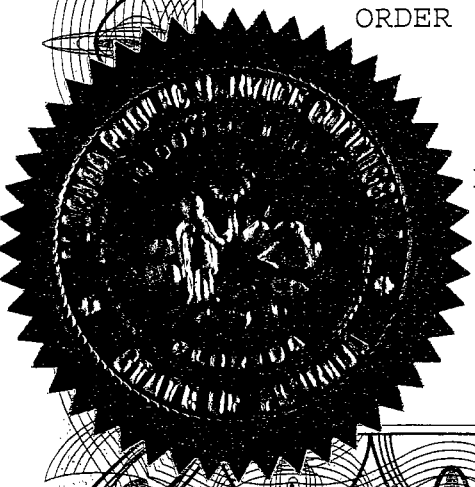
to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	18243	DOCKET	870572-WS
ORDER	20140	DOCKET	880472-WS
ORDER	21146	DOCKET	890202-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

*Diana S. Lajoie*  
\_\_\_\_\_  
Director  
Division of Records and Reporting





FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
154 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

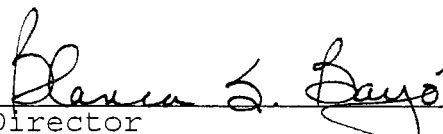
1000 Color Place  
Apopka, Florida 32703 (Pasco County)

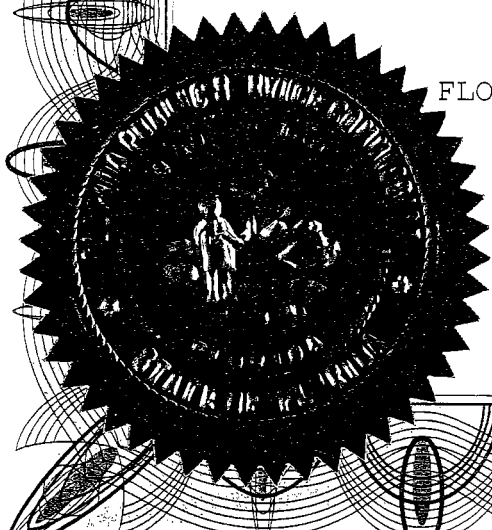
to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	18243	DOCKET	870572-WS
ORDER	20140	DOCKET	880472-WS
ORDER	21146	DOCKET	890202-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Director  
Division of Records and Reporting



**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number  
587 - W**

Upon consideration of the record it is hereby **ORDERED**  
that authority be and is hereby granted to:

**FLORIDA WATER SERVICES CORPORATION**

Whose principal address is:

1000 Color Place  
Apopka, FL 32703 (Polk County)

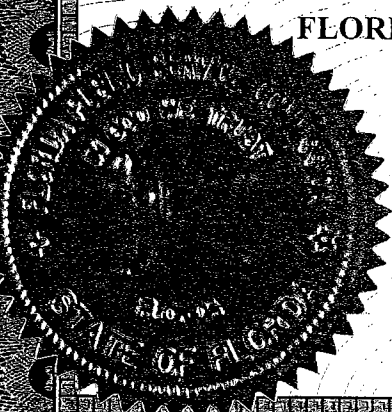
to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.

ORDER	PSC-97-0376-FOF-WS	DOCKET	960909-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**

*Dorcas S. Bayo*  
Director  
Division of Records and Reporting





**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number  
506 - S**

**Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:**

**FLORIDA WATER SERVICES CORPORATION**

**Whose principal address is:**

**1000 Color Place  
Apopka, FL 32703 (Polk County)**

**to provide wastewater service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.**

**This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.**

ORDER	PSC-97-0376-FOF-WS	DOCKET	960909-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**

*Blanes S. Bayo*  
\_\_\_\_\_  
**Director  
Division of Records and Reporting**



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
76 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

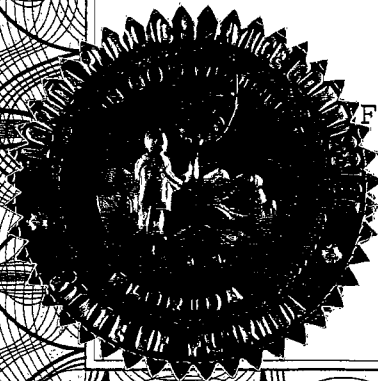
1000 Color Place  
Apopka, Florida 32703 (Putnam County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	5376	DOCKET	C71587-W
ORDER	5499	DOCKET	C71611-W
ORDER	6975	DOCKET	750206-W
ORDER	7078	DOCKET	750436-W
ORDER	7895	DOCKET	760711-W
ORDER	9389	DOCKET	791040-W
ORDER	9845	DOCKET	800368-WS
ORDER	9907	DOCKET	800638-W
ORDER	13519	DOCKET	840023-WU
ORDER	13844	DOCKET	840395-WU
ORDER	14059	DOCKET	840359-WS
ORDER	20469	DOCKET	880292-WS
ORDER	23397	DOCKET	891187-WS
ORDER	PSC-93-1293-FOF-WS	DOCKET	930443-WS
ORDER	PSC-95-1451-FOF-WU	DOCKET	950687-WU
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Helen S. Bayo*

Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
284 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

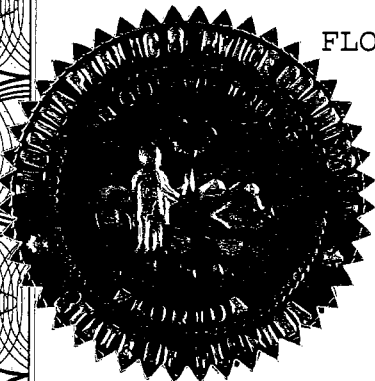
1000 Color Place  
Apopka, Florida 32703 (Putnam County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	7078	DOCKET	750437-S
ORDER	9845-A	DOCKET	800368-WS
ORDER	20469	DOCKET	880292-WS
ORDER	23397	DOCKET	891187-WS
ORDER	PSC-93-1293-FOF-WS	DOCKET	930443-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Dorena S. Gayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
279 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Seminole County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	7588	DOCKET	750760-W
ORDER	7713	DOCKET	760768-WS
ORDER	7891	DOCKET	770434-W
ORDER	9843	DOCKET	780727-W(EX)
			780813-WS
			780952-W
ORDER	9988	DOCKET	780278-WS
ORDER	16162	DOCKET	860585-WS
ORDER	16593	DOCKET	861149-WU
ORDER	PSC-95-0414-FOF-WS	DOCKET	930130-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0734-FOF-WS	DOCKET	980657-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Laura S. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
226 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

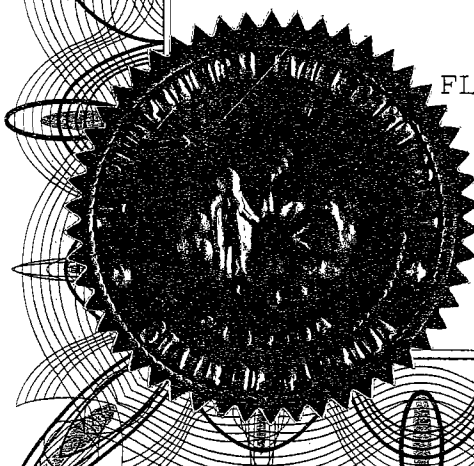
1000 Color Place  
Apopka, Florida 32703 (Seminole County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	7588	DOCKET	750761-S
ORDER	7713	DOCKET	760768-WS
ORDER	9254	DOCKET	790816-S(EX)
ORDER	9843	DOCKET	780727-W(EX)
			780813-WS
			780952-W
ORDER	9988	DOCKET	780278-WS
ORDER	16162	DOCKET	860585-WS
ORDER	21913	DOCKET	881573-SU
ORDER	PSC-95-0414-FOF-WS	DOCKET	930130-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0734-FOF-WS	DOCKET	980657-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

  
*Glenn S. Day*

Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
562 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

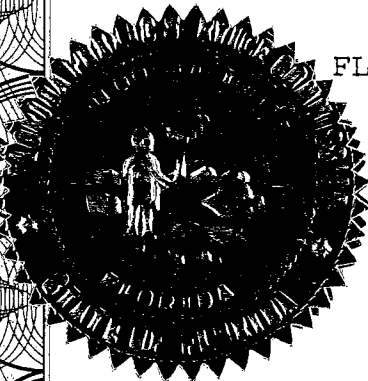
1000 Color Place  
Apopka, Florida 32703  
(Duval and St. Johns Counties)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	PSC-93-1162-FOF-WU	DOCKET	930108-WU
ORDER	PSC-94-0519-FOF-WU	DOCKET	931113-WU
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
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ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Hansen L. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
238 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

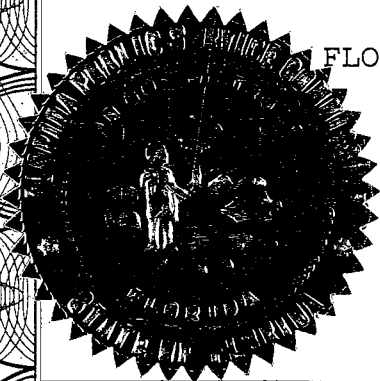
1000 Color Place  
Apopka, Florida 32703 (Volusia County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	19841	DOCKET	870936-WS
ORDER	20869	DOCKET	880605-WS
ORDER	25575	DOCKET	910662-WS
ORDER	PSC-93-1449-FOF-WS	DOCKET	930153-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-98-1560-FOF-WS	DOCKET	980750-WS
ORDER	PSC-00-1659-PAA-WU	DOCKET	000334-WU
ORDER	PSC-02-0802-FOF-WS	DOCKET	020354-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca L. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
182 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

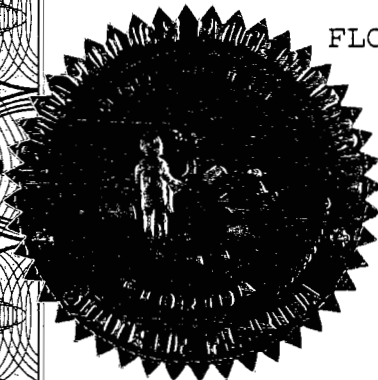
1000 Color Place  
Apopka, Florida 32703 (Volusia County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	19841	DOCKET	870936-WS
ORDER	20869	DOCKET	880605-WS
ORDER	25575	DOCKET	910662-WS
ORDER	PSC-93-1449-FOF-WS	DOCKET	930153-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-98-1560-FOF-WS	DOCKET	980750-WS
ORDER	PSC-02-0802-FOF-WS	DOCKET	020354-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
-----  
Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
501 - W

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Washington County)

to provide water service in accordance with the provision  
of Chapter 367, Florida Statutes, the Rules, Regulations  
and Orders of this Commission in the territory described  
by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	25575	DOCKET	910662-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
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ORDER		DOCKET	

BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION



*Blanca S. Bayo*  
-----  
Director  
Division of Records and Reporting

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number  
435 - S

Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

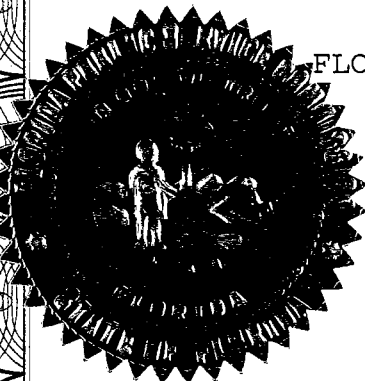
Whose principal address is:

1000 Color Place  
Apopka, Florida 32703 (Washington County)

to provide wastewater service in accordance with the  
provision of Chapter 367, Florida Statutes, the Rules,  
Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until  
suspended, cancelled or revoked by Orders of this  
Commission.

ORDER	25575	DOCKET	910662-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	
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ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	



BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

-----  
*Hansen S. Bayo*  
-----  
Director  
Division of Records and Reporting

**AMENDMENT AND RESTATEMENT  
OF**

**ASSET PURCHASE AGREEMENT**

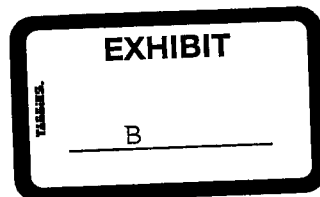
**by and between**

**FLORIDA WATER SERVICES CORPORATION**

**and**

**FLORIDA WATER SERVICES AUTHORITY**

**Dated as of December 20, 2002**



## AMENDMENT AND RESTATEMENT OF ASSET PURCHASE AGREEMENT

This Amendment and Restatement of Asset Purchase Agreement is dated as of December 20, 2002, by and between Florida Water Services Authority, a public entity of the State of Florida (“Buyer”), and Florida Water Services Corporation, a Florida corporation (“Seller”).

### RECITALS

**WHEREAS**, Seller and Buyer did enter into a certain Asset Purchase Agreement dated as of September 19, 2002 (the “Original Agreement”) and wish to amend and restate it in its entirety (other than the Preambles thereto) (the Original Agreement as amended and restated hereby, the “Agreement”);

**WHEREAS**, Seller owns potable water production, supply, treatment, and distribution systems, alternative water systems, wastewater collection, transmission, treatment and disposal systems, and reclaimed water facilities in various incorporated and unincorporated areas in Florida (the “System,” as hereinafter defined); and

**WHEREAS**, Buyer, pursuant to Chapter 163, Florida Statutes, and the Interlocal Agreement dated as of September 16, 2002, creating Buyer (the “Interlocal Agreement”) and other applicable laws, has the power and authority to acquire and provide potable water, wastewater, and reclaimed water facilities and to provide service outside of the boundaries of its participating members; and

**WHEREAS**, various governmental entities have threatened to condemn portions of System of the Seller, including portions of the water, wastewater and reclaimed water utility Facilities of the Seller, and in lieu of condemnation, Buyer desires to acquire all or substantially all of the assets which are used by Seller in providing services through the water, wastewater and reclaimed water Facilities throughout the State of Florida, and to avoid condemnation, Seller has consented to sell those assets to Buyer; and

**WHEREAS**, Seller desires to sell, and Buyer desires to purchase, the Assets (as herein defined) of Seller for the consideration and on the terms and subject to the conditions set forth in this Agreement;

**Now therefore**, the parties, intending to be legally bound, do hereby amend and restate the Original Agreement so that it shall read in its entirety as follows:

## 1. Definitions and Usage{tc ""}{tc ""}

### 1.1 Definitions{tc ""}{tc ""}

For purposes of this Asset Purchase Agreement as amended and restated (the “Agreement”), the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

“Accounts Receivable”-- (a) all customer accounts receivable and other rights to payment from customers of Seller and the full benefit of all security for such accounts or rights to payment; (b) all other accounts or notes receivable of Seller and the full benefit of all security for such accounts or notes; and (c) any claim, remedy or other right related to any of the foregoing.

“Acquisition Bonds”-- means Bonds issued by the Buyer primarily for the purpose of paying the Purchase Price or installments thereof and anticipated to be in an aggregate amount sufficient to produce Acquisition Bond Net Proceeds in an amount equal to the Purchase Price.

“Acquisition Bonds Net Proceeds’ -- means the amount received from the sale of Acquisition Bonds pursuant to subsection 2.3(E), less the costs of issuing the Bonds, less the amount required to fund the debt service reserve, and less \$51,000,000 for the purpose of funding capital and renewal and replacement reserves (although it is not required to be so used). Installment 1 of the Purchase Price as set forth in subsection 2.3(A) will be automatically adjusted to equal the Acquisition Bonds Net Proceeds.

“AFPI” means allowance for funds prudently invested as such term is used by the Florida Public Service Commission.

“Appurtenances”-- all privileges, rights, easements, hereditaments and appurtenances belonging to or for the benefit of the Land, including all easements appurtenant to and for the benefit of any Land (a “Dominant Parcel”) for, and as the primary means of access between, the Dominant Parcel and a public way, or for any other use upon which lawful use of the Dominant Parcel for the purposes for which it is presently being used is dependent, and all rights existing in and to any streets, alleys, passages and other rights-of-way included thereon or adjacent thereto (before or after vacation thereof) and vaults beneath any such streets.

“Assets” or “Assets to Be Sold”-- as defined in Section 2.1.

“Assignment and Assumption Agreement”-- as defined in Section 2.7(a)(ii).

“Assumed Liabilities”-- as defined in Section 2.4(a).

“Beck Reserve” – means the sum of \$17,800,000 which the Buyer will be funding as a capital reserve in accordance with the Beck Schedule to provide funding for currently unidentified capital projects for the small utility systems as identified in the R.W. Beck Report dated as of December 18, 2002, as all systems not including the 14 largest systems as identified on Table 1 “14 Largest Systems” (the Small Systems”) which capital projects may be identified by the Buyer from the date of Closing until September 30, 2007. Buyer shall notify Seller in writing of each Small System Project identified by Buyer and estimated cost for each such Small System Project. Disputes, if any, as to necessity, reasonableness and cost shall be resolved in accordance with Section 13.5. The Beck Reserve shall be invested by Buyer and interest earned on the Beck Reserve shall be credited to the Beck Reserve.

“Beck Schedule” – means the following maximum amounts per fiscal year for capital improvement to the Small Systems as contemplated by the R.W. Beck Report dated as of December 20, 2002: \$3,162,000 for year ended 9/30/03 plus any additional money actually spent during that time period, \$3,527,000 for year ended 9/30/04 plus any additional money actually spent during that time period, \$3,555,000 for year ended 9/30/05 plus any additional money actually spent during that time period, \$2,758,000 for year ended 9/30/06 plus any additional money actually spent during that time period, and \$4,797,000 for fiscal year ended 9/30/07 plus any additional money actually spent during that time period.

“Best Efforts”-- the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible, provided, however, that a Person required to use Best Efforts under this Agreement will not be thereby required to take actions that would result in a material adverse change in the benefits to such Person of this Agreement and the Contemplated Transactions or to dispose of or make any change to its business, expend any material funds or incur any other material burden.

“Bill of Sale”-- as defined in Section 2.7(a)(i).

“Bonds” shall mean revenue bonds, the interest on which (i) accrues at fixed rates and (ii) is excluded from gross income of the holder thereof for federal income tax purposes, to be issued by the Buyer and payable solely from and secured solely by the Net Revenues of the System and, if consented to by Buyer, other assets of the Buyer.

“Breach”-- any breach of, or any inaccuracy in, any representation or warranty or any breach of, or a failure to perform or comply with, any covenant or obligation, in or of this Agreement.

“Business Day”-- any day other than: (a) Saturday or Sunday; or (b) any other day on which banks in Florida are permitted or required to be closed.

“Buyer”-- as defined in the first paragraph of this Agreement.

“Buyer Indemnified Persons”-- as defined in Section 11.2.

"Capital Charges"- revenues, exclusive of Special Assessments, derived by the Buyer from impact fees, guaranteed revenues, service availability fees, or other such fees or charges, imposed upon landowners, builders or developers in connection with the Buyer improvement of property within the services areas of the System, to defray the costs of capital facilities.

“Capital Improvement Plan”---as defined in Section 2.3(c).

“Capital Improvement Plan Requirement”— an annual amount of \$25,000,000 for the purpose of providing extraordinary maintenance, rehabilitation, upgrades to equipment or facilities, increased plant capacity, and extensions and enlargements to the System, and excluding well and septic tank conversions.

“Closing”-- as defined in Section 2.6.

“Closing Bonds” – as defined in Section 2.3(E).

“Closing Date”-- the date on which the Closing actually takes place.

“COBRA”-- as defined under Federal Employment Law.

“Code”-- the Internal Revenue Code of 1986.

“Confidential Information”-- as defined in Section 12.1.

“Contemplated Transactions”-- all of the transactions contemplated by this Agreement.

“Cost of Operation and Maintenance”-- all current expenses, paid or accrued, for the operation, maintenance and repair of all Facilities of the System, as calculated in accordance with generally accepted accounting principles for units of local government and on a consistent basis with the operation and maintenance and repair of the Facilities of the System under Seller’s ownership, and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the Buyer related solely to the System, labor, cost of materials, consumables and supplies used for current operation, but excluding any reserve for renewals or replacements, any extraordinary or emergency repairs, any replacements, any capital expenditures, any allowance for interest or depreciation or amortization, any other non-cash item, any profit, any franchise fees, any payments in lieu of taxes, and any voluntary payments to other governmental entities not required by law.

“Customer Deposits”—any amounts deposited with or held by the Seller as customer deposits.

“Damages”-- as defined in Section 11.2.

“Debt Service” – as defined in Section 2.3(E).

“Debt Service Base Amount” – as defined in Section 2.3(E)

“Due Diligence Expenses”— in addition to such sums already funded by Seller, a sum up to \$200,000 or such greater amount as the Seller may in the future approve in writing, to reimburse the costs incurred by the Buyer for its due diligence expenses in making the decision to acquire the System and issue the Acquisition Bonds for the Purchase Price.

“Effective Time”-- 12:01 am. on the Closing Date.

“Employee Plans”-- as defined in Section 3.13.

“Employment Agreement”-- as defined in Section 2.7(a)(vi).

“Encumbrance”-- any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

“Environment”-- soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), ground waters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

“Environmental, Health and Safety Liabilities”-- any cost, damages, expense, liability, obligation or other responsibility arising from or under any Environmental Law or Occupational Safety and Health Law, including those consisting of or relating to:

(a) any environmental, health or safety matter or condition (including on-site or off-site contamination, occupational safety and health and regulation of any chemical substance or product);

(b) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand or response, remedial or inspection cost or expense arising under any Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under any Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action,



including any cleanup, removal, containment or other remediation or response actions (“Cleanup”) required by any Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective or remedial measure required under any Environmental Law or Occupational Safety and Health Law.

The terms “removal,” “remedial” and “response action” include the types of activities covered by the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA).

“Environmental Law”-- any Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees or the public of intended or actual Releases of pollutants or hazardous substances or materials, violations of discharge limits or other prohibitions and the commencement of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the Release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the Release or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil or other potentially harmful substances;

(g) cleaning up pollutants that have been Released, preventing the Threat of Release or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

“ERISA”-- the Employee Retirement Income Security Act of 1974.

“Exchange Act”-- the Securities Exchange Act of 1934.

“Excluded Assets”-- as defined in Section 2.2.

“Facilities”-- the Land, leasehold, license, easement, right-of-way, prescriptive claim or other interest in real property currently owned or operated by Seller or used by the Seller in the operation of the System, including the Tangible Personal Property used or operated by Seller at the respective locations of the Land, and excluding the Excluded Assets.

“Future Transfer Adjustment Process” – in the event that Buyer elects to transfer any part or parts of the System from time to time after Closing, to the extent that such transfer or transfers reduce the Buyer’s collection of Gross Revenues and the Capital Charges collected by the Buyer (“Transfer Impact”), the provisions of this Agreement related to Seller’s revenue guarantee amount of Gross Revenues and the applicable Maximum Annual Retainage threshold amount which must be met before payment of Capital Charges to Seller shall be adjusted by Buyer and Seller to reflect the Transfer Impact. In the event Buyer and Seller cannot agree on the Transfer Impact, disagreements shall be submitted to the dispute resolution process in Section 13.5.

“GAAP”-- generally accepted accounting principles applicable to the Seller for financial reporting in the United States, applied on a basis consistent with the basis on which the balance sheets and the other financial statements referred to in Section 3.3 were prepared.

“Governing Documents”-- the articles or certificate of incorporation and the bylaws of Sellers.

“Governmental Authorization”-- any consent, license, registration or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

“Governmental Body”-- any:

- (a) federal, state, local, municipal, or other government;
- (b) governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental powers ); or
- (c) body exercising any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power.

"Gross Revenues" or "Revenues" shall mean all moneys, received or receivable by the Buyer, or accruing to it in the operation of the System, from rates, fees, rentals, or

other charges for the services or Facilities of the System, excluding state and federal grants and grants in aid of construction, unless otherwise provided herein, all calculated in accordance with generally accepted accounting practice applicable to a local government. "Gross Revenues" or "Revenues" shall also be deemed to include any amounts (exclusive of Capital Charges retained by Seller) received by the Buyer as Capital Charges for any facilities acquired from the Seller, but shall not include Special Assessments or Capital Charges for any facilities not purchased from the Seller.

"Guarantee" -- as defined in Section 2.3(E).

"Hazardous Activity"-- the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of Hazardous Material in, on, under, about or from any of the Facilities or any part thereof into the Environment and any other act, business, operation or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm, to persons or property on or off the Facilities.

"Hazardous Material"-- any substance, material or waste which is or will foreseeably be regulated by any Governmental Body, including any material, substance or waste which is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "contaminant," "toxic waste" or "toxic substance" under any provision of Environmental Law, and including petroleum, petroleum products, asbestos, presumed asbestos-containing material or asbestos-containing material, urea formaldehyde and polychlorinated biphenyls.

"Improvements"-- all buildings, structures, fixtures and improvements located on the Land or included in the Assets, including those under construction.

"Indemnified Person"-- as defined in Section 11.9.

"Indemnifying Person"-- as defined in Section 11.9.

"Insurance Policy" -- as defined in Section 2.3(F).

"Intellectual Property Assets"-- as defined in Section 3.14.

"Interest Rate Adjustment" -- as defined in Section 2.3(E).

"Inventories"-- all inventories of Seller, wherever located, including without limitation, all pumps, pipes, valves, plumbing fixtures, chemicals, stored water, spare parts and all other materials and supplies to be used by Seller in the operation of its business.



<u>Period 4:</u> <u>Each fiscal year of</u> <u>Buyer starting</u> <u>10/01/05, until</u> <u>Seller has received</u> <u>the Maximum</u> <u>Cumulative</u> <u>Retainage</u>	<u>All Capital Charges collected by Buyer in excess of</u> <u>\$8,500,000 per fiscal year, not to exceed \$8,500,000 and not to</u> <u>exceed Maximum Cumulative Retainage</u>
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“Maximum Cumulative Retainage”-- the aggregate sum of \$36 Million, as adjusted by Section 2.2(b), below.

“Monthly Fees” -- as defined in Section 2.3(D).

"Net Revenues" shall mean Gross Revenues less the Cost of Operation and Maintenance.

“Occupational Safety and Health Law”-- any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards under the Occupational Safety and Health Act.

“One Year Call Bonds” -- as defined in Section 2.3(E).

“Order”-- any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.

“Ordinary Course of Business”-- an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person.

“Permitted Encumbrances”-- as defined in Section 3.7.

“Person”-- an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Body.

“Proceeding”-- any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

“Purchase Price”-- as defined in Section 2.3.

“Real Property”-- the Land and Improvements.

“Real Property Lease”-- any ground lease or space lease.

“Record”-- information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Related Person”-- (a) any Person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material Interest;  
and

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) “control” (including “controlling,” “controlled by,” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall be construed as such term is used in the rules promulgated under the Securities Act; (b) the “Family” of an individual includes (i) the individual, (ii) the individual’s spouse, (iii) any other natural person who is related to the individual or the individual’s spouse within the second degree and (iv) any other natural person who resides with such individual; and (c) “Material Interest” means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of voting securities, or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

“Release”-- any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the Environment or into or out of any property.

“Remedial Action”-- all actions, including any capital expenditures, required: (a) to clean up, remove, treat or in any other way address any Hazardous Material or other substance; (b) to prevent the Release or Threat of Release or to minimize the further Release of any Hazardous Material or other substance so it does not migrate or endanger or threaten to endanger public health or welfare or the Environment; (c) to perform pre-

remedial studies and investigations or post-remedial monitoring and care; or (d) to bring all Facilities and the operations conducted thereon into compliance with Environmental Laws and environmental Governmental Authorizations.

“Remedial Capital Projects”— capital projects needed to serve existing customers as of the date of Closing that are necessary (i) to repair or replace Facilities that are defective, inoperative, or failing, (ii) to improve or repair the Facilities to the extent that the Facilities are not performing their intended functions in a commercially reasonable and efficient manner, (iii) to replace or improve the Facilities in order to cure any violations of any Governmental Authorizations; and (iv) to perform extraordinary maintenance or deferred maintenance that is necessary to enable the Facilities to perform their intended functions. Remedial Capital Projects shall not include any expansion related capital improvements, normal maintenance, renewal and replacement items normally incurred in the Ordinary Course of Business, or any Beck Reserve project. Buyer shall have twelve (12) months from the date of Closing to investigate and determine the extent of Remedial Capital Projects existing as of the date of Closing, if any, which determination shall be consistent with prevailing utility industry maintenance practices. On or before the first anniversary of execution of this Agreement, Buyer shall notify Seller in writing of the specific projects and estimated cost for each Remedial Capital Project. Disputes, if any shall be resolved in accordance with Section 13.5.

“Remedial Capital Projects Amount”— an amount sufficient to enable the Buyer to fund all required Remedial Capital Projects for the System as it existed as of the date of the Closing, which amount shall be in excess of the aggregate amount of \$29 Million funded for capital improvements as part of the Acquisition Bonds plus the Capital Improvement Plan Requirement for five years and the Renewal and Replacement Requirement for five years.

“Renewal and Replacement Requirement” -- an annual amount equal to \$5,000,000 to be used for the purpose of paying the cost of renewals, upgrades, enhancements, or the replacement of capital assets of the System and extraordinary and emergency repairs thereto.

“Representative”— with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of that Person.

“Retained Liabilities”— as defined in Section 2.4(b).

“Seller”— as defined in the first paragraph of this Agreement.

“Seller Contract”— any contract, promise, or undertaking: (a) under which Seller has or may acquire any rights or benefits; (b) under which Seller has or may become



subject to any obligation or liability; or (c) by which Seller or any of the assets owned or used by Seller is or may become bound or are encumbered.

“Small Systems” – is defined in the Beck Reserve definition above.

"Special Assessments" -- shall mean revenues derived by the Buyer from special assessments imposed upon benefited property in connection with post-Closing acquisition or construction of additions, extensions or improvements to the System.

“Subsidiary”-- with respect to any Person (the “Owner”), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation’s or other Person’s board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred), are held by the Owner or one or more of its Subsidiaries.

“System” -- shall mean the complete combined and consolidated water, sewer and reclaimed water utility systems of the Seller together with any and all assets, improvements, extensions and additions thereto hereafter constructed or acquired, but not including the Excluded Assets.

“Tangible Personal Property”-- all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies, materials, vehicles and other items of tangible personal property (other than Inventories) of every kind owned or leased by Seller (wherever located and whether or not carried on Seller’s books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

“Tax” -- any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees’ income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body or payable under any tax-sharing agreement or any other contract.

“Tax Return”-- any return (including any information return), report, statement, schedule, notice, form, declaration, claim for refund or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax

or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

“Ten Year Call Bonds” -- as defined in Section 2.3(E).

“Third Party”-- a Person that is not a party to this Agreement.

“Third-Party Claim”-- any claim against any Indemnified Person by a Third Party, whether or not involving a Proceeding.

“Threat of Release”-- a reasonable likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

“Unbilled Customer Revenue” -- revenue for services provided to customers prior to the Effective Time that have not yet been billed as of the date of Closing, calculated on a basis consistent with Seller’s current billing practices.

## 1.2 Usage{tc ""}{tc ""}

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(vi) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term;

(vii) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding”; and

(viii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto

(ix) the phrase “the date hereof”, the “date of this Agreement” or similar phrases means December 21, 2002.

(b) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP, as the same applies to the Seller, and in accordance with generally accepted accounting principles applicable to units of local government, as the same applies to the Buyer.

(c) Legal Representation of the Parties. This Agreement was negotiated by the parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

## 2. Sale and Transfer of Assets; Closing{tc ""}{tc ""}

### 2.1 Assets To Be Sold{tc ""}{tc ""}

Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, but effective as of the Effective Time, Seller shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase and acquire from Seller, free and clear of any Encumbrances (except as to Appurtenances to the extent provided for elsewhere herein) other than Permitted Encumbrances, all of Seller’s right, title and interest in and to all of Seller’s property and assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, including the following (but excluding the Excluded Assets):

- (a) all Real Property and all Appurtenances;
- (b) all Tangible Personal Property;
- (c) all Inventories;
- (d) all Accounts Receivable and Unbilled Customer Revenue;

(e) all Seller Contracts (other than those constituting Excluded Assets) and all outstanding offers or solicitations made by or to Seller to enter into any Seller Contract;

(f) all Governmental Authorizations and all pending applications therefor or renewals thereof, in each case to the extent transferable to Buyer;

(g) all data and Records related to the operations of Seller, including client and customer lists and Records, all personnel records (provided that Seller shall have reasonable access thereto) referral sources, research and development reports and Records, production reports and Records, service and warranty Records, equipment logs, operating guides and manuals, financial and accounting Records, creative materials, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and Records, subject to Legal Requirements;

(h) all of the intangible rights and property of Seller, including Intellectual Property assets, the trade name, "Florida Water Services", going concern value, goodwill, telephone, telecopy and e-mail addresses and listings;

(i) all claims of Seller against third parties relating to the Assets, whether choate or inchoate, known or unknown, contingent or non-contingent; and

(j) all rights of Seller relating to deposits and prepaid expenses, claims for refunds and rights to offset in respect thereof and that are not excluded under Section 2.2, and not including Seller letters of credit for which the Seller is an applicant.

All of the property and assets to be transferred to Buyer hereunder are herein referred to collectively as the "Assets" or "Assets to be Sold".

## 2.2 Excluded Assets{tc ""}{tc ""}

Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the "Excluded Assets") are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of Seller after the Closing:

(a) all cash, cash equivalents and short-term investments; all payments (other than Customer Deposits) received by Seller prior to Closing (other than as set forth in Section 2.1(k) above);

(b) Capital Charges received after the Closing by Buyer which shall be remitted to Seller in each one-year period following the date of the Closing, provided that (i) the total amount of Capital Charges retained by and belonging to Seller for any one such year shall not exceed the Maximum Annual Retainage (and at such time as the total amount of Capital Charges remitted to Seller for any such one year period equals the

Maximum Annual Retainage, all further Capital Charges received by the System in such year shall be retained by and belong to the Buyer), and (ii) the aggregate amount retained by the Seller as Excluded Assets pursuant to this subsection 2.2(b) shall be the Maximum Cumulative Retainage and at such time as the total cumulative amount of Capital Charges remitted to Seller under this Section 2.2(b) equals the Maximum Cumulative Retainage, no further Capital Charges shall be remitted to the Seller but all such Capital Charges received by the System thereafter be retained by and shall belong to the Buyer. The foregoing Capital Charges retained by Seller are to compensate Seller for the excess capacity existing in the System as of the Effective Date. The amount to be remitted to Seller hereunder by Buyer shall be paid to Seller once a year, commencing 13 months after the Effective Date, for all amount collected during the 12 month period then ended. Seller authorizes Buyer to collect the Capital Charges on behalf of Seller. Seller agrees that as to all amounts which the Buyer is required to remit to the Seller under this Section 2.2(b), the Buyer may withhold therefrom such amount as the Buyer would have the right to setoff against indebtedness owed to Buyer by Seller, it being the intention that for the purposes solely of this sentence that the Capital Charges to be remitted to the Seller by Buyer under this Section 2.2(b) be treated as if it were indebtedness owing the Seller by the Buyer. Seller further agrees that Buyer may setoff against amounts which the Buyer is required to remit to the Seller under this section, such portions of the Beck Reserve that Buyer has expended or encumbered for identified projects prior to September 30, 2007. Buyer's set off right is subject to the provisions of Section 11.8. Buyer agrees that any of the Beck Reserve monies not expended or encumbered for identified projects prior to September 30, 2007, shall be applied by Buyer to pay any Capital Charges not yet received by Seller up to the Maximum Cumulative Retainage (notwithstanding the schedule of payments as set forth in the definition of Maximum Annual Retainage), and any outstanding balance due to Seller for Purchase Price Installment 2.

The Capital Charges remitted to and retained by Seller shall include the portion thereof representing AFPI, to the extent of the following:

<u>Period</u>	<u>Percentage of AFPI</u>
for Capital Charges received until 9/30/03	100%
for Capital Charges received until 9/30/04	80%
for Capital Charges received until 9/30/05	60%
for Capital Charges received until 9/30/06	40%

for Capital Charges received until 20%  
9/30/07

and thereafter 0%

- (c) all minute books, stock Records and corporate seals;
- (d) any shares of capital stock of Seller held in treasury;
- (e) Seller's letters of credit outstanding at the date of Closing.;
- (f) all insurance policies and rights thereunder (except to the extent specified in Section 2.1(i) and (j));
- (g) all of the contracts listed in Exhibit 2.2;
- (h) Records that Seller is required by law to retain in its possession;
- (i) all claims for refund of Taxes and other governmental charges of whatever nature;
- (j) all rights in connection with and assets of any Employee Plans; and
- (k) all rights of Seller under this Agreement, the Bill of Sale, the Assignment and Assumption Agreement; and
- (l) the property and assets expressly designated in Exhibit 2.2.

### 2.3 Consideration{tc ""}{tc ""}

(A) Installment Payments. The consideration for the Assets will be four hundred fifty-six million five hundred thousand (\$456,500,000 , as may be adjusted as provided below in subsection 2.3(B) (the "Purchase Price")), and as further may be adjusted as provided in the definition of "Acquisition Bonds Net Proceeds". Subject to the provisions of subsection 2.3(E), subsection 2.3(F) and the definition of "Acquisition Bonds Net Proceeds, the Purchase Price will be payable in Installments delivered by wire transfer from Buyer to Seller as follows:

<b>Date Payable</b>	<b>Installment</b>	<b>Amount Due</b>
At the Closing	Installment 1	\$420,000,000
On the third anniversary date of the closing	Installment 2	\$36,500,000

(B) Purchase Price Adjustments. Installment 2 of the Purchase Price may be reduced under the following circumstances:

(i) the amount necessary to fund any indemnity amounts owed by Seller under Article 11 hereunder, and

(ii) for all Remedial Capital Projects Amounts.

Seller has provided Buyer with its' current five year capital improvement program (the "Capital Improvement Plan") which totals \$176,667,000. Buyer shall identify the projects and estimated costs that comprise the Remedial Capital Projects Amount which are not included on Seller's five year capital improvement program. If Seller does not concur that a project is a Remedial Capital Project or part of the Capital Improvement Plan Requirement during the initial five year post Closing time period the matter shall be submitted to the dispute resolution process set forth in 13.5.

(C) Dispute Resolution. Prior to implementing any reduction or offset or withholding any moneys from the Capital Charges otherwise to be remitted to Seller hereunder, the Buyer shall provide written notice to Seller of any proposed reduction or offset. Seller shall have twenty (20) days to provide Buyer written notice of objection to any such reductions or offset (and if Seller fails to so object, it will be deemed to have agreed with such reduction or offset). Buyer and Seller shall have sixty (60) days following written notice of objection from Seller to amicably resolve Seller's objections. To the extent any objections cannot be reconciled, either party may submit such objection to the Dispute Resolution Process. Buyer may at any time deposit any reduction amount with an escrow agent pending a final resolution under the Dispute Resolution Process, pursuant to an escrow agreement reasonably satisfactory to the parties and to the extent Buyer has done so Buyer shall not be deemed in default hereunder.

(D) Guarantee. Seller shall provide at the Closing a guarantee ("Guarantee") in a form reasonably acceptable to the Buyer and the Seller that will provide that Buyer will receive Gross Revenues constituting monthly water and sewer charges ("Monthly Fees") for the first twelve months after Closing of \$95,318,000; for the second twelve months of \$97,701,000; and for the third twelve months of \$100,143,000. If the Buyer lowers any Monthly Fees during the forgoing time periods, the amount guaranteed will be reduced by the amount the Monthly Fees would have been if such reduction had not occurred. The Guarantee Monthly Fees shall be adjusted in accordance with the Future Transfer Adjustment Process.

(E) Bond Issuance. The Buyer agrees to use all reasonable commercial efforts to issue on or before the Closing, the maximum amount of Acquisition Bonds that can be issued at the Closing ("Closing Bonds") which have the following characteristics: (1) serial and term maturities between 2003 and 2032; (2) one year call on \$75,000,000 of the issue ("One Year Call Bonds"); (3) ten year call on the balance of the issue ("Ten Year Call Bonds"); (4) investment grade, and (5) level debt service of \$36,461,000 per



year (the “Base Debt Service Amount”) plus the Interest Rate Adjustment (the combined Base Debt Service and the Interest Rate Adjustment referred to as “Debt Service”). Seller shall assume responsibility for structuring the Acquisition Bonds to achieve the purpose of meeting the criteria in the sentence above. Seller shall pay to Buyer at Closing the sum that represents the first year difference in interest rate based upon the issuance of the One Year Call Bonds versus the issuance of the Ten Year Call Bonds (the “Interest Rate Adjustment”). In the event the Buyer, after consultation with the Buyer’s financial advisor(s), underwriter(s), legal advisors, and with Seller, in good faith, determines that such Closing Bonds cannot be sold on a date that permits the Closing to occur on or prior to February 14, 2003, then the Buyer shall immediately notify Seller in writing of such determination, with such notice setting forth in reasonable detail the bases upon which such determination was made, and the requirements, if reasonably ascertainable to Buyer, for ultimate issuance of the Closing Bonds. Upon receipt of such notice Seller shall have the option of (1) postponing the Closing until such time as Closing Bonds can reasonably be issued in accordance with this Agreement; or (2) canceling this Agreement, and, if cancelled, thereupon the Buyer and Seller shall have no liabilities and no further obligations to each other under this Agreement, except that Seller shall pay to Buyer the Due Diligence Expenses.

(F) Condition Precedent to Payment of Purchase Price Installment 2. The following shall be a condition precedent to Buyer’s obligation to pay Seller Purchase Price Installment 2: release of the Bond Debt Service Reserve (with any partial releases of the Bond Debt Service Reserve to be applied to payment of Purchase Price Installment 2) or substitution of the Bond Debt Service Reserve with a bond insurance product, including, but not limited to, letters of credit, bank guarantees, and surety policies, that will allow the release of the Bond Debt Service Reserve, provided that such product substitution does not result in a reduction to the ratings of the Closing Bonds below the ratings level at Closing (the “Insurance Policy”). Seller has the option, without expiration, to (1) provide the Insurance Policy to the Buyer and/or (2) require the Buyer to issue refunding bonds, provided the combined debt service on the Refunding Bonds and any un-refunded portion of the Acquisition Bonds remains at or below the level of the Debt Service for each subsequent year. Seller retains the right and responsibility of structuring the refunding transaction. Buyer will cooperate with Seller in exercising and implementing its option as set forth above.

#### 2.4 Liabilities{tc ""}{tc ""}

(a) Assumed Liabilities. On the Closing Date, but effective as of the Effective Time, the Buyer shall assume and agree to discharge only the following Liabilities of Seller (the “Assumed Liabilities”):

(i) any account payable (other than an account payable to any Related Person of Seller) arising with respect to the System, that remains unpaid at and is

not delinquent as of the Effective Time but only to extent it is included to determine the Final True Up as set forth in Section 2.7(c);

(ii) any account payable arising with respect to the System, (other than a account payable to any Related Person of Seller ) incurred by Seller in the Ordinary Course of Business between September 19, 2002 and the Effective Time that remains unpaid at and is not delinquent as of the Effective Time but only to extent it is included to determine the Final True Up as set forth in Section 2.7(c);

(iii) any Liability to Seller's customers (other than an account payable) incurred by Seller in the Ordinary Course of Business outstanding as of the Effective Time, including, but not limited to Customer Deposits (but only to the extent that an amount of cash equal thereto is sold to Buyer hereunder and transferred (whether by transference in cash or by credit against the Purchase Price) to the Buyer at the Closing) (other than any Liability arising out of or relating to a breach that occurred prior to the Effective Time);

(iv) any Liability arising after the Effective Time under the Seller Contracts (other than any Liability arising under the contracts described on Exhibit 2.2 or arising out of or relating to a breach that occurred prior to the Effective Time); any Liability of Seller arising after the Effective Time under any Seller Contract included in the Assets that is entered into by Seller after the date hereof in the Ordinary Course of Business or in accordance with the provisions of this Agreement (other than any Liability arising out of or relating to a breach that occurred prior to the Effective Time), and

(v) any Liability of Buyer under this Agreement or any other document executed in connection with the Contemplated Transactions,

(vi) any Liability of Buyer based upon Buyer's acts or omissions occurring after the Effective Time provided, however, that such Liability does not arise as a result of Seller's Breach hereunder or is a Liability for which the Seller has an obligation to indemnify the Buyer in accordance herewith,

(vii) any Liability arising after Closing from operation of the System after the Closing, provided, however, that such Liability does not result as a result of Seller's Breach hereunder or is a Liability for which the Seller has an obligation to indemnify the Buyer in accordance herewith.

Notwithstanding the foregoing, even if included in the foregoing, the following shall not constitute Liabilities assumed by the Buyer and, therefor, not be included in the term "Assumed Liabilities": (i) a Liability set forth on Exhibit 2.2 hereof, (ii) any Liability arising out of or relating to any employee grievance whether or not the affected employees are hired by Buyer based on actual or alleged acts or omissions of the Seller

prior to the Effective Time, (iii) any Liability of Seller arising out of or resulting from any Proceeding pending as of the Effective Time, (iv) any Liability of Seller arising out of any Proceeding commenced after the Effective Time and arising out of or relating to any occurrence or event happening prior to the Effective Time to the extent that the such Proceeding relates to Seller's actions or inactions prior thereto, (v) any Liability for Seller's performance of its obligations hereunder, and (vi) any Liability of Seller based upon Seller's acts or omissions occurring after the Effective Time)

(b) Retained Liabilities. The Retained Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. "Retained Liabilities" shall mean all Liabilities other than Assumed Liabilities.

## 2.5 Allocation{tc ""}{tc ""}

Seller shall prepare and deliver IRS Form 8594 to Buyer within forty-five (45) days after the Closing Date to be filed with the IRS. In any Proceeding related to the determination of any Tax, neither Buyer nor Seller shall contend or represent that such allocation is not a correct allocation.

## 2.6 Closing{tc ""}{tc ""}

The purchase and sale provided for in this Agreement (the "Closing") will take place at the offices of Buyer's counsel commencing at 10:00 a.m. (local time) on or before February 14, 2003, unless Buyer and Seller otherwise agree. Subject to the provisions of Section 9, failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place determined pursuant to this Section 2.6 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement. In such a situation, the Closing will occur as soon as practicable, subject to Section 9.

## 2.7 Closing Obligations{tc ""}{tc ""}

In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing:

(a) Seller shall deliver to Buyer, together with funds sufficient to pay all Taxes necessary for the transfer, filing or recording thereof:

(i) a bill of sale for all of the Assets that are Tangible Personal Property in the form to be agreed upon by the parties prior to Closing (the "Bill of Sale") executed by Seller and the guaranty;

(ii) an assignment of all of the Assets that are intangible personal property in the form to be agreed upon by the parties prior to Closing, which

assignment shall also contain Buyer's undertaking and assumption of the Assumed Liabilities (the "Assignment and Assumption Agreement") executed by Seller;

(iii) for each interest in Real Property identified on Exhibit 3.7(a) and (b), a recordable special warranty deed; for all easement interests, an assignment of easements without warranty; for each leasehold interest, an assignment of lease, or such other appropriate document or instrument of transfer, as the case may require, together with a general assignment by the Seller of any and all rights or interests Seller may otherwise have or hold (whether by license, permit, prescriptive right, or otherwise) in respect of its operation of the System, to occupy, use, traverse, spray, percolate through, burrow under, each in form and substance satisfactory to Buyer and its counsel and executed by Seller;

(iv) assignments of all Intellectual Property Assets executed by Seller in form reasonably satisfactory to Buyer;

(v) such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by Buyer, each in form and substance agreed upon by the parties prior to Closing, executed by Seller;

(vi) employment agreements in the form to be prepared by Buyer in accordance with the provisions of this Agreement, executed by such members of Seller's senior management team as identified by Buyer in writing within ten business days after execution of this Agreement (the "Employment Agreements");

(vii) assignments of all construction work in progress in form reasonably acceptable to Buyer which have not yet been placed in service as of the date of the Closing (such capital improvements which have been placed in service being part of the Facilities which are otherwise conveyed by Seller hereunder);

(viii) a certificate executed by Seller as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 7.1 and as to its compliance with and performance of their covenants and obligations to be performed or complied with at or before the Closing in accordance with Section 7.2;

(ix) a certificate of the Secretary of Seller certifying, as complete and accurate as of the Closing, attached copies of the Governing Documents of Seller, certifying and attaching all requisite resolutions or actions of Seller's board of directors and shareholders approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and certifying to the incumbency and signatures of the officers of Seller executing this Agreement and any other document relating to the Contemplated Transactions; and

(x) the sum of \$200,000.00 which will be delivered to Buyer in accordance with Buyer's wire transfer instructions. Buyer agrees to hold this sum in trust for the sole purpose of using such amount only to satisfy the obligations that the Seller owes to the Buyer to pay for the items set forth in Section 10.9 hereof. Buyer may remove portions of such amount from the foregoing trust at such time as Buyer incurs expenses under said section for which the Seller is liable. In the event that said amount is not utilized as set forth above within the time frames set forth within such section, then the Buyer shall return to Seller the amount thereof as is not so used.

(b) Buyer shall deliver to Seller:

(i) Installment 1 of the Purchase Price plus or minus such other funds as set forth on a closing statement to be agreed upon between Buyer and Seller pursuant to the terms of this Agreement by wire transfer to a domestic account of a United States bank specified by the Seller in a writing delivered to Buyer on or before the Closing Date;

(ii) the Assignment and Assumption Agreement executed by Buyer;

(iii) the executed Employment Agreements ;

(iv) a certificate executed by Buyer as to the accuracy of its representations and warranties as of the date of this Agreement and as of the Closing in accordance with Section 8.1 and as to its compliance with and performance of its covenants and obligations to be performed or complied with at or before the Closing in accordance with Section 8.2; and

(v) a certificate of the Secretary of Buyer certifying, as complete and accurate as of the Closing, attached copies of the Governing Documents of Buyer and certifying and attaching all requisite resolutions or actions of Buyer's governing board approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and certifying to the incumbency and signatures of the officers of Buyer executing this Agreement and any other document relating to the Contemplated Transactions.

(c) As additional consideration for the transaction the determination of the following (the "Final True Up") will take place between 120 and 140 days after the Closing and, in the event that the parties cannot agree on the foregoing, then either party may submit such dispute to the Dispute Resolution Process. To the extent that Eligible Accounts (as hereinafter defined) and Eligible Unbilled Revenues (as hereinafter defined) sold to the Buyer hereunder as of the Effective Time minus accounts payable assumed by the Buyer hereunder as of the Effective Time ("Final Computed Amount") is in an amount greater than zero (\$0) Dollars, then the Buyer shall immediately pay to the Seller

the difference and to the extent that the Final Computed Amount is less than zero (\$0) Dollars, then the Seller shall immediately pay to the Buyer the difference. “Eligible Accounts” means Accounts Receivable outstanding as of the Effective Time that are actually collected by the Buyer within 90 days after the Effective Time and “Eligible Unbilled Revenues” means Unbilled Customer Revenue outstanding as of the Effective Time that are actually collected by the Buyer within 120 days after the Effective Time.

(d) At the Closing, the Buyer shall have received (i) an opinion of counsel acceptable to the Buyer stating that neither the City of Gulf Breeze nor the City of Milton will be held liable, as a matter of law, for the liabilities of the Buyer and (ii) an opinion of counsel acceptable to the Buyer stating that upon the acquisition of the System by the Buyer, the rates, fees and charges for the services and facilities of the System are not subject to regulation by the Florida Public Service Commission or any local regulatory authority.

## 2.8 Consents{tc ""}{tc ""}

(a) If there are any Material Consents that have not yet been obtained (or otherwise are not in full force and effect) as of the Closing, in the case of each Seller Contract as to which such Material Consents were not obtained (or otherwise are not in full force and effect) (the “Restricted Material Contracts”), Buyer may waive the closing conditions as to any such Material Consent and either:

(i) elect to have Seller continue its efforts to obtain the Material Consents; or

(ii) elect to have Seller retain that Restricted Material Contract and all Liabilities arising therefrom or relating thereto; or

(iii) elect to have Seller require any other obligations under such contract to perform their obligations under such contract and remit to Seller the amounts due to such obligations, for payment by the Seller to such obligations.

If Buyer elects to have Seller continue its efforts to obtain any Material Consents and the Closing occurs, notwithstanding Sections 2.1 and 2.4, neither this Agreement nor the Assignment and Assumption Agreement nor any other document related to the consummation of the Contemplated Transactions shall constitute a sale, assignment, assumption, transfer, conveyance or delivery or an attempted sale, assignment, assumption, transfer, conveyance or delivery of the Restricted Material Contracts, and following the Closing, the parties shall use Best Efforts, and cooperate with each other, to obtain the Material Consent relating to each Restricted Material Contract as quickly as practicable. Pending the obtaining of such Material Consents relating to any Restricted Material Contract, the parties shall cooperate with each other in any reasonable and lawful arrangements designed to provide to Buyer the benefits of use of the Restricted

Material Contract for its term (or any right or benefit arising thereunder, including the enforcement for the benefit of Buyer of any and all rights of Seller against a third party thereunder). Once a Material Consent for the sale, assignment, assumption, transfer, conveyance and delivery of a Restricted Material Contract is obtained, Seller shall promptly assign, transfer, convey and deliver such Restricted Material Contract to Buyer, and Buyer shall assume the obligations under such Restricted Material Contract assigned to Buyer from and after the date of assignment to Buyer pursuant to a special-purpose assignment and assumption agreement substantially similar in terms to those of the Assignment and Assumption Agreement (which special-purpose agreement the parties shall prepare, execute and deliver in good faith at the time of such transfer, all at no additional cost to Buyer).

(b) If there are any Consents not listed on Exhibit 7.3 necessary for the assignment and transfer of any Seller Contracts to Buyer (the “Nonmaterial Consents”) which have not yet been obtained (or otherwise are not in full force and effect) as of the Closing, Buyer shall elect at the Closing, in the case of each of the Seller Contracts as to which such Nonmaterial Consents were not obtained (or otherwise are not in full force and effect) (the “Restricted Nonmaterial Contracts”), whether to:

(i) accept the assignment of such Restricted Nonmaterial Contract, in which case, as between Buyer and Seller, such Restricted Nonmaterial Contract shall, to the maximum extent practicable and notwithstanding the failure to obtain the applicable Nonmaterial Consent, be transferred at the Closing pursuant to the Assignment and Assumption Agreement as elsewhere provided under this Agreement; or

(ii) reject the assignment of such Restricted Nonmaterial Contract, in which case, notwithstanding Sections 2.1 and 2.4, (A) neither this Agreement nor the Assignment and Assumption Agreement nor any other document related to the consummation of the Contemplated Transactions shall constitute a sale, assignment, assumption, conveyance or delivery or an attempted sale, assignment, assumption, transfer, conveyance or delivery of such Restricted Nonmaterial Contract, and (B) Seller shall retain such Restricted Nonmaterial Contract and all Liabilities arising therefrom or relating thereto.

### 3. Representations and Warranties of Seller{tc ""}{tc ""}

Seller represents and warrants to Buyer as of date of this Agreement as follows:

#### 3.1 Organization And Good Standing{tc ""}{tc ""}

(a) Seller is qualified to do business in the State of Florida. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with full corporate power and authority to conduct its business as it is

now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under the Agreement. Complete and accurate copies of the Governing Documents of Seller, as currently in effect, will be provided to Buyer prior to Closing. .

(b) Seller has no Subsidiary and, except as disclosed to Buyer in writing prior to Closing, does not own any shares of capital stock or other securities of any other Person.

### 3.2 Enforceability; Authority; No Conflict{tc ""}{tc ""}

(a) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against it in accordance with its terms and each of Seller's Closing Documents will constitute the legal, valid, and binding obligation of Seller, enforceable against Sellers. Seller has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and, except as disclosed in Exhibit 3.2(c), to perform its obligations under this Agreement, and such action has been duly authorized by all necessary action by Seller's shareholders and board of directors.

(b) Neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) Breach (A) any provision of any of the Governing Documents of Seller or (B) any resolution adopted by the board of directors or the shareholders of Seller;

(ii) except as disclosed in Exhibit 7.3, breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract; or

(iii) except as disclosed in Exhibit 3.2(c), result in the imposition or creation of any Encumbrance upon or with respect to any of the Assets.

(c) Except as provided under Section 367.071, Florida Statutes, and applicable equivalent county regulatory provisions, Seller is not required to give any notice to or obtain any material consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions, except as set forth in Exhibit 3.2(c), and all of obligations, representations and warranties of the parties hereto under this Agreement are qualified and limited by such requirements as may be imposed pursuant to said Section 367.071, Florida Statutes, and equivalent county regulatory provisions, if applicable.



### 3.3 Financial Statements{tc ""}{tc ""}

Seller has delivered or made available to Buyer: (a) an audited balance sheet of Seller as at December 31, 2001, 2000 and 1999 (including the notes thereto, the "Balance Sheet"), and the related audited statements of income, changes in shareholders' equity and cash flows for the fiscal year then ended, including in each case the notes thereto, together with the report thereon of Price Waterhouse Coopers, independent certified public accountants; and (b) an unaudited balance sheet of Seller as at July 31, 2002 (the "Interim Balance Sheet") and the related unaudited statement of income. Such financial statements fairly present the financial condition and the results of operations, changes in shareholders' equity and cash flows of Seller as of the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP.

### 3.4 Sufficiency of Assets{tc ""}{tc ""}

The Assets (a) constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate Seller's business in the manner operated by the Seller as of September 19, 2002 and as presently operated by Seller and (b) include all of the operating assets of Seller and the Real Property, all Appurtenances, all real estate privileges, rights, easements, hereditaments, and other appurtenances being transferred to the Buyer at the Closing constitute all or the foregoing.

### 3.5 Description of Land {tc ""}{tc ""}

Exhibit 3.5 contains a description of the Land.

### 3.6 Description of Leased Real Property{tc ""}{tc ""}

Exhibit 3.6 contains a description of the Leased Real Property.

### 3.7 Title to Assets; Encumbrances{tc ""}{tc ""}

(a) Seller owns good and marketable title to its respective estates in the Land, free and clear of any Encumbrances, other than:

(i) liens for Taxes for the current tax year which are not yet due and payable; and

(ii) those described in that certain Title Commitment delivered to Buyer ("Real Estate Encumbrances").

To the extent in Seller's possession, true and complete copies of (A) all deeds, existing title insurance policies and surveys of or pertaining to the Real Property and (B) all instruments, agreements and other documents evidencing, creating or constituting any Real Estate Encumbrances have been made available to Buyer. Seller warrants to Buyer

that, at the time of Closing, the Land shall be free and clear of all Real Estate Encumbrances identified on Schedule B-2 to the Title Commitment. (Real Estate Encumbrances other than those identified on Exhibit 3.7(A), the “Permitted Real Estate Encumbrances”) Seller owns good and transferable title to all of the other Assets free and clear of any Encumbrances other than those described in Exhibit 3.7(B) (“Non-Real Estate Encumbrances”). Seller warrants to Buyer that, at the time of Closing, all Assets other than the Real Property shall be free and clear of Non-Real Estate Encumbrances other than those marked on Exhibit 3.7 with three asterisks to the left of such item (those so marked, the “Permitted Non-Real Estate Encumbrances” and, together with the Permitted Real Estate Encumbrances “Permitted Encumbrances”).

Seller makes no representations in this Section 3.7 regarding title to or the sufficiency of Appurtenances to the Real Property.

### 3.8 Taxes{tc ""}{tc ""}

(a) Tax Returns Filed and Taxes Paid. Seller has filed or caused to be filed on a timely basis all Tax Returns and all reports with respect to Taxes that are or were required to be filed pursuant to applicable Legal Requirements. All Tax Returns and reports filed by Seller are true, correct and complete. Seller has paid, or made provision for the payment of all Taxes that have or may have become due for all periods covered by the Tax Returns or otherwise, or pursuant to any assessment received by Seller, except such Taxes, if any, as are listed in Part 3.14(a) and are being contested in good faith. No claim has been made or is expected to be made by any Governmental Body in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the Assets that arose in connection with any failure (or alleged failure) to pay any Tax, and Seller has no knowledge of any basis for assertion of any claims attributable to Taxes which, if adversely determined, would result in any such Encumbrance.

(b) Buyer agrees to comply with the requirements of Section 196.295, Florida Statutes, Ad Valorem and Personal Property Taxes.

(c) Specific Potential Tax Liabilities and Tax Situations.

(i) Withholding. All Taxes that Seller is or was required by Legal Requirements to withhold, deduct or collect have been or will be duly withheld, deducted and collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

3.9 Compliance With Legal Requirements; Governmental Authorizations{tc ""}{tc ""}

(a) Except as set forth in Exhibit 3.11, without representation that items on Exhibit 3.11 are material:

(i) To Seller's knowledge, Seller is in compliance with each Legal Requirement that is applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

(ii) No event has occurred or circumstance exists that (A) may constitute or result in a violation by Seller of, or a failure on the part of Seller to comply with, any Legal Requirement or (B) may give rise to any obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of, or failure to comply with, any Legal Requirement or (B) any actual, alleged, possible or potential obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Exhibit 3.11(b) contains a complete and accurate list of each Governmental Authorizations that are held by Seller or that otherwise relates to Seller's business or the Assets. To Seller's knowledge, the Governmental Authorizations listed are valid and in full force and effect. Except as disclosed in Exhibit 3.11(b):

(i) Seller is in material compliance with all of the material terms and requirements of the Governmental Authorizations;

(ii) No event has occurred or circumstance exists that may (A) constitute or result directly or indirectly in a material violation of or a material failure to comply with any material term or requirement of any Governmental Authorization or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any material Governmental Authorization;

(iii) Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization or (B) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modification to any Governmental Authorization, *other than*

such violations, failures, revocations, withdrawals, suspensions, cancellations, terminations or modifications as have either been resolved with such Governmental Body or Person, or are not material to the successful operation of the System or to the results of such operations; and

(iv) To the best of Seller's knowledge, all applications required to have been filed for the renewal of the material Governmental Authorizations have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other material filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

The Governmental Authorizations collectively constitute the Governmental Authorizations necessary to permit Seller to lawfully conduct and operate its business in the manner in which it currently conducts and operates such business and to permit Seller to own and use its assets in the manner in which it currently owns and uses such assets.

### 3.10 Legal Proceedings; Orders{tc ""}{tc ""}

(a) Except as set forth in Exhibit 3.12, there is no pending or, to Seller's knowledge, threatened Proceeding:

(i) by or against Seller or that otherwise relates to or may affect the business of, or any of the assets owned or used by, Seller; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions.

To the knowledge of Seller, no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding. Seller will promptly deliver or provided access to Buyer copies of all pleadings, correspondence and other documents relating to each Proceeding listed in Exhibit 3.12. There are no Proceedings listed or required to be listed in Exhibit 3.12 that could have a material adverse effect on the business, operations, assets, condition or prospects of Seller or upon the Assets.

(b) Except as set forth in Exhibit 3.12; to the knowledge of Seller, no officer, director, agent or employee of Seller is subject to any Order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the business of Seller.

(c) Except as set forth in Exhibit 3.12:

(i) To Seller's knowledge, Seller is in material compliance with all of the terms and requirements of each Order to which it or any of the Assets is or has been subject;

(ii) To Seller's knowledge, no event has occurred or circumstance exists that is reasonably likely to constitute or result in a violation of or failure to comply with any term or requirement of any Order to which Seller or any of the Assets is subject material to the operation of the System or a portion thereof; and

(iii) Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any term or requirement of any Order to which Seller or any of the Assets is or has been subject, that has not already been resolved.

### 3.10(A) Absence of Certain Changes and Events.

(a) Except as set forth in Exhibit 3.10(A), since July 1, 2002, Seller has conducted its business only in the Ordinary Course of Business, there has not been any material adverse change in its business and in the operation of the System, and there has not been:

(i) Any damage to or destruction or loss of any Asset, whether or not covered by insurance that has not been replaced or which will not be replaced prior to the Effective Time; or

(ii) (to the extent the same might be material to the results of operations of the System or a portion thereof) a sale (other than sales of Inventories in the Ordinary Course of Business), lease or other disposition of any Asset or property of Seller (including the Intellectual Property Assets);

### 3.11 Contracts; No Defaults{tc ""}{tc ""}

(a) To the best of Seller's knowledge, Seller has delivered or made available to Buyer accurate and complete copies, of:

(i) each Seller Contract that involves performance of services or delivery of goods or materials by Seller of an amount or value in excess of \$10,000;

(ii) each Seller Contract that involves performance of services or delivery of goods or materials to Seller of an amount or value in excess of \$10,000;

(iii) each Seller Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of Seller in excess of \$10,000;

(iv) each Seller Contract affecting the ownership of, leasing of, title to, use of or any leasehold or other interest in any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than \$10,000 and with a term of less than one year);

(v) each Seller Contract with any labor union or other employee representative of a group of employees relating to wages, hours and other conditions of employment; each Seller Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by Seller to be responsible for consequential damages;

(vi) each Seller Contract for capital expenditures in excess of \$10,000;

(vii) each Seller Contract not denominated in U.S. dollars;

(viii) each Seller Contract containing covenants that in any way purport to restrict Seller's business activity or limit the freedom of Seller to engage in any line of business or to compete with any Person;

(ix) each power of attorney of Seller that is currently effective and outstanding;

(x) each written warranty, guaranty, and/or similar undertaking with respect to contractual performance extended by Seller other than in the Ordinary Course of Business; and

(xi) each amendment, supplement and modification (whether oral or written) in respect of any of the foregoing.

(b) Except as set forth in Exhibit 7.3:

(i) each Contract which is to be assigned to or assumed by Buyer under this Agreement is in full force and effect and is valid and enforceable in accordance with its terms;

(ii) each Contract which is being assigned to or assumed by Buyer is assignable by Seller to Buyer without the consent of any other Person;

(c) Except as set forth in Exhibit 3.13 or 3.12:

(i) Seller is in compliance with all applicable terms and requirements of each Seller Contract which is being assumed by Buyer;

(ii) To Seller's knowledge, no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a Breach of, or give Seller or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract that is being assigned to or assumed by Buyer;

(iii) To Seller's knowledge, no event has occurred or circumstance exists under or by virtue of any Contract that (with or without notice or lapse of time) would cause the creation of any Encumbrance affecting any of the Assets; and

(iv) Seller has not given to or received from any other Person any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or Breach of, or default under, any Contract which is being assigned to or assumed by Buyer.

(d) There are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate any material amounts paid or payable to Seller under current or completed Contracts with any Person having the contractual or statutory right to demand or require such renegotiation and no such Person has made written demand for such renegotiation.

### 3.12 Environmental Matters

(a) Except as disclosed in Exhibit 3.13(a), Seller is in material compliance with and is not in material violation of or liable under, any Environmental Law. Seller has no basis to expect any actual or threatened order, notice or other communication from (i) any Governmental Body or private citizen acting in the public interest or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to materially comply with any Environmental Law, or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or other property or asset (whether real, personal or mixed) in which Seller has or had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used or processed by Seller.

(b) Except as disclosed in Exhibit 3.13(b), there are no pending or, to the knowledge of Seller, threatened claims, Encumbrances, or other restrictions of any material nature resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law with respect to or affecting any Facility or



any other property or asset (whether real, personal or mixed) in which Seller has or had an interest.

(c) Except as disclosed in Exhibit 3.13(c), Seller has no knowledge of or any basis to expect nor has received, any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to materially comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or property or asset (whether real, personal or mixed) in which Seller has or had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used or processed by Seller have been transported, treated, stored, handled, transferred, disposed, recycled or received.

(d) Except as disclosed in Exhibit 3.13(d), Seller has no material Environmental, Health and Safety Liabilities with respect to any Facility or, to the knowledge of Seller, with respect to any other property or asset (whether real, personal or mixed) in which Seller (or any predecessor) has or had an interest or at any property geologically or hydrologically adjoining any Facility or any such other property or asset.

(e) Except as disclosed in Exhibit 3.13(e), there are no Hazardous Materials present on or in the Environment at any Facility or at any geologically or hydrologically adjoining property, that are not in material compliance with Environmental Laws, including any Hazardous Materials contained in barrels, aboveground or underground storage tanks, landfills, land deposits, dumps, equipment (whether movable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facility or such adjoining property, or incorporated into any structure therein or thereon. Seller has not permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to any Facility or any other property or assets (whether real, personal or mixed) in which Seller has or had an interest except in full compliance with all applicable Environmental Laws.

(f) Except as disclosed in Exhibit 3.13(f), there has been no Release or, to the knowledge of Seller, Threat of Release, of any Hazardous Materials at or from any Facility or at any other location where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by any Facility, or from any other property or asset (whether real, personal or mixed) in which Seller has or had an interest, or to the knowledge of Seller any geologically or hydrologically adjoining property violation of any Environmental Law.

(g) Except as disclosed in Exhibit 3.13(g), Seller has delivered or made available to Buyer true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Seller pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance, by Seller

with Environmental Laws including, but not limited to the environmental assessments listed in Exhibit 3.13

(h) Notwithstanding any provision contained herein to the contrary:

(i) Seller shall not be responsible for any costs associated with contamination which has come to be located on or below the Real Property solely as the result of subsurface migration from a contaminated aquifer from a source or sources outside the Real Property, provided that (a) the Seller did not cause, contribute to, or exacerbate the Release or threat of Release of the contaminants through an act or omission; (b) the person that caused the Release is not an agent or employee of the Seller, and was not in a direct or indirect contractual relationship with the Seller; and (c) there is no alternative basis for the Seller's liability for the contaminated aquifer, such as liability as a generator or transporter of hazardous substances under Section 107(a) (3) and (4) of the Federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or liability as an owner by reason of the existence of a source of contamination on the Seller's property other than the contamination that migrated in an aquifer from a source outside the Real Property.

(ii) Seller shall not be required to pay for the costs of rehabilitation of environmental contamination resulting from a discharge of petroleum products that is eligible for restoration funding from the Inland Protection Trust Fund pursuant to Chapter 376, Florida Statutes, in advance of commitment of restoration funding in accordance with the sites priority ranking pursuant to Section 376.3071(5)(a), Florida Statutes. In the event that Buyer determines that rehabilitation of petroleum contamination must occur earlier than the priority ranking established by the Florida Department of Environmental Protection, Buyer may request an assignment by Seller of all rights to reimbursement from the Inland Protection Trust Fund for such site and proceed with rehabilitation. Seller shall provide an assignment of all rights to reimbursement within ten (10) days of receipt of a request from a Buyer.

### 3.13 Employee Benefits

(a) Exhibit 3.131(a) contains and lists the following in connection with the current employees of the System: (i) any collective bargaining agreement not otherwise referenced in this Agreement or any employment agreement not terminable on thirty (30) days notice, (ii) each defined benefit plan and defined contribution plan, stock option or ownership plan, executive compensation, bonus, incentive compensation or deferred compensation plan, (iii) vacation pay, medical, dental, disability or death benefit plan, and (iv) any other employee benefit plan, program, arrangement, agreement or policy, including without limitation each "employee benefit plan" within the meaning of Section 3(3) of ERISA, in each case which is maintained or contributed to or by Seller, (collectively the "Employee Plans"). Seller will promptly deliver to Buyer true, accurate

and complete copies of the documents comprising each Employee plan or, with respect to any Employee Plan which is unwritten, a detailed written description of eligibility, participation, benefits, funding arrangements, assets and any other matters which relate to the obligations of Seller.

(b) Except as shown on Exhibit 3.131(b), to the best of the Seller's knowledge and belief, neither Seller nor any fiduciary of an Employee Plan has engaged in a transaction with respect to any Employee Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject Seller or Buyer to a Tax or penalty imposed by either Section 4975 of the Code or Section 502(1) of ERISA or a violation of Section 406 of ERISA.

(c) Except as shown on Exhibit 3.131(c), the Seller has not incurred nor will incur with respect to any "employee benefit plan" as defined in Section 3(3) of ERISA any actual or contingent material liability, including, but not limited to, liability under Sections 601 through 608 of ERISA and Section 4980B of the Code, any withdrawal liability from any multiemployer pension plan, any termination or withdrawal liability under Section 4062, 4063 or 4064 of ERISA, any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived), any requirement to make any contributions to any multiemployer plan, solely as a result of Seller being a member of a "controlled group" of corporations, or treated as a single employer with any other corporation, trade or business (whether or not incorporated) within the meaning of Section 414(b), 414(c) or 414(m) of the Code arising from or incurred with respect to any period prior to the Closing date.

(d) Except as shown on Exhibit 3.131(d), Seller has, at all times, complied, and currently complies, in all material respects with the applicable continuation requirements for its welfare plans, including (i) Section 4980B of the Code (as well as its predecessor provision, Section 162(k) of the Code) and Section 601 through 608, inclusive, of ERISA (collectively "COBRA") and (ii) any applicable state statutes mandating health insurance continuation coverage for employees.

(e) Except for the continuation coverage requirements of COBRA, and except as shown on Exhibit 3.131(e), Seller has no obligations or potential liability for benefits to employees, former employees or their respective dependents following termination of employment or retirement under any of the Employee Plans that are welfare benefit plans as defined in Section 3(1) of ERISA.

(f) Seller's 401(k) plan, entitled Florida Water Services Corporation Contributory Profit Sharing Plan ("Seller's 401(k) Plan") is intended to be qualified under Section 401(a) of the Code and the trust maintained pursuant thereto is intended to be exempt from federal income taxation under Section 501(a) of the Code and Seller is not aware of any Seller's 401(k) Plan provision or operation that would result in the disqualification of Seller's 401(k) Plan.

### 3.14 Intellectual Property Assets{tc ""}{tc ""}

(a) The term “Intellectual Property Assets” means all intellectual property owned or licensed (as licensor or licensee) by Seller in which Seller has a proprietary interest, including:

(iii) Seller’s name, all assumed fictional business names, trade names, registered and unregistered trademarks, service marks and applications (collectively, “Marks”);

(iv) all patents, patent applications and inventions and discoveries that may be patentable (collectively, “Patents”);

(v) all registered and unregistered copyrights in both published works and unpublished works (collectively, “Copyrights”);

(vi) all rights in mask works;

(vii) all know-how, trade secrets, confidential or proprietary information, customer lists, Software, technical information, data, process technology, plans, drawings and blue prints (collectively, “Trade Secrets”); and

(viii) all rights in internet web sites and internet domain names presently used by Seller (collectively “Net Names”).

(b) Exhibit 3.14 contains a complete and accurate list and summary description and Seller has delivered to Buyer accurate and complete copies, of all Intellectual Property Assets, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available Software programs with a value of less than \$500 under which Seller is the licensee except as otherwise indicated on the foregoing exhibit. Except as set forth in Exhibit 3.14, the Intellectual Property Assets are all those necessary for the operation of Seller's business as it is currently conducted. Seller is the owner or licensee of all right, title and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances, and has the right to use and transfer without payment to a Third Party all of the Intellectual Property Assets, other than in respect of licenses listed in Exhibit 3.14. To Seller's knowledge, no Intellectual Property Asset is infringed, or to Seller's knowledge, has been challenged or threatened in any way and does not infringe the intellectual property rights of any Third Party.

### 3.15 Brokers Or Finders{tc ""}{tc ""}

Neither Seller nor any of its Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders’ fees or agents’ commissions

or other similar payments in connection with the sale of Seller's business or the Assets or the Contemplated Transactions.

### 3.16 Disclosure{tc ""}{tc ""}

(e) No material representation or warranty made by Seller in this Agreement contains any material untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading.

### 3.17 Employees

Exhibit 3.17(a) contains a complete and accurate list of the following information for each employee of Seller, including each employee on leave of absence or layoff status: name; job title; date of hiring or engagement; date of commencement of employment or engagement; current compensation paid or payable and any change in compensation since July 1, 2002; sick and vacation leave that is accrued but unused; and service credited for purposes of vesting and eligibility to participate under any Employee Plan, or any other employee plan, except as otherwise indicated on said exhibit.

### 3.18 Labor Disputes; Compliance

(a) Except as shown on Exhibit 3.18, Seller has complied in all material respects with all Legal Requirements relating to employment practices, terms and conditions of employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining and other requirements under state or federal law, the payment of social security and similar Taxes and occupational safety and health. Seller is not liable for the payment of any Taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements.

(b) Except as shown on Exhibit 3.18, (i) Seller has not been, and is not now, a party to any collective bargaining agreement or other labor contract; (ii) there has not been, there is not presently pending or existing, and to Seller's knowledge there is not threatened, any strike, slowdown, picketing, work stoppage or employee grievance process involving Seller; (iii) to Seller's knowledge no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute; (iv) there is not pending or, to Seller's knowledge, threatened against or affecting Seller any Proceeding relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed with the National Labor Relations Board or any comparable Governmental Body, and there is no organizational activity or other labor dispute against or affecting Seller or the Facilities; (v) no application or petition for an election of or for certification of a collective bargaining agent is pending; (vi) no grievance or arbitration Proceeding exists that might have an adverse effect upon Seller or the conduct of its business; (vii) there is

no lockout of any employees by Seller, and no such action is contemplated by Seller; and (viii) to Seller's knowledge there has been no pending charge of discrimination filed against or threatened against Seller with the Equal Employment Opportunity Commission or similar Governmental Body or any pending employment discrimination, wrongful discharge, retaliation lawsuits or lawsuits alleging whistle blowing.

### 3.19 Capital Program.

The Capital Improvement Plan Requirement includes sufficient moneys to satisfy all obligations owed by the Seller under developer agreements assumed by the Buyer.

3.20 Real Property Additional Representation and Warranty. That the Real Property is not subject to any Encumbrance (including Permitted Encumbrances) and no Survey Matter (as hereinafter defined) exists which (a) materially adversely affects the operation of the System or a portion thereof as operated on September 19, 2002 and the date hereof, as it will be operated on the date of Closing or (b) materially adversely affects the use of the improvements on such Real Property as used on September 19, 2002, on the date hereof and as it will be used on the date of Closing. "Survey Matter" means any item shown on a survey obtained pursuant to Section 10.9 hereof. "Increased Cost" means costs that the Buyer incurs in constructing improvements on, above, or under the Real Property which it would not have incurred if the Encumbrances or Survey Matter did not exist.

To the best of Seller's knowledge, (a) no part of any material improvement on the Real Property encroaches on any real property not included in the Real Property, and there are no buildings, structures, fixtures or other Improvements primarily situated on adjoining property which materially encroach on any part of the Real Property, and (b) the Real Property on which there is a material plant or other facility abuts on and has direct vehicular access to a public road or has access to a public road via an appurtenant easement benefiting such Land, and is supplied with public or quasi-public utilities and other services appropriate for the operation of the Facilities located thereon.

3.21 Tie In and Deposits. Schedule 3.21 is a true and accurate statement of the matters set forth therein, and, in addition, is a true and accurate statement (a) of all credits that the Seller is obligated to give to persons (as described in Section 10.10 hereof) against Tie In Charges (as hereinafter defined) and (b) all Tie In Charges that are subject to an agreement pursuant to which the Seller has agreed to provide a Tie In at either no charge or for a fixed charge ("Fixed Charge Tie In's").

4. Representations and Warranties of Buyer{tc ""}{tc ""}

Buyer represents and warrants to Seller as follows:

4.1 Organization and Good Standing{tc ""}{tc ""}

Buyer is a governmental entity duly organized, validly existing and in good standing under the laws of the State of Florida, with full governmental power and authority to conduct its business as it is now conducted and to complete the transactions contemplated by this Agreement.

4.2 Authority; No Conflict{tc ""}{tc ""}

(a) This Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms. Upon the execution and delivery by Buyer of the agreements to be executed or delivered by Buyer at Closing (collectively, the “Buyer’s Closing Documents”), each of the Buyer’s Closing Documents will constitute the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its respective terms. Buyer has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the Buyer’s Closing Documents and to perform its obligations under this Agreement and the Buyer’s Closing Documents, and such action has been duly authorized by all necessary corporate action.

(b) Neither the execution and delivery of this Agreement by Buyer nor the consummation or performance of any of the Contemplated Transactions by Buyer will give any Person the right to prevent, delay or otherwise interfere with any of the Contemplated Transactions pursuant to:

- (i) any provision of Buyer’s Governing Documents;
- (ii) any resolution adopted by the board of directors or the shareholders of Buyer;
- (iii) any Legal Requirement or Order to which Buyer may be subject; or
- (iv) any Contract to which Buyer is a party or by which Buyer may be bound.

Buyer is not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.



#### 4.3 Certain Proceedings{tc ""}{tc ""}

Except as shown on Exhibit 4.3 hereto, there is no pending Proceeding that has been commenced against Buyer and that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions. To Buyer's knowledge, except as set forth on Exhibit 4.3, no such Proceeding has been threatened.

#### 4.4 Brokers Or Finders{tc ""}{tc ""}

Neither Buyer nor any of its Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Contemplated Transactions.

4.5 Original Representations and Warranties. The representations and warranties of the Buyer contained in the Original Agreement were true and accurate when made and Seller is in compliance with its duties and obligations set forth in the Original Agreement as of the date hereof.

#### 5. Covenants of Seller Prior to Closing{tc ""}{tc ""}

##### 5.1 Access and Investigation{tc ""}{tc ""}

Between the date of this Agreement and the Closing Date, and upon reasonable advance notice received from Buyer and subject to any applicable confidentiality obligations, Seller shall (a) afford Buyer and its Representatives and prospective lenders, underwriters, and their Representatives (collectively, "Buyer Group") full and free access, during regular business hours, to Seller's personnel, properties (including subsurface testing), contracts, Governmental Authorizations, books and Records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Seller; (b) furnish Buyer Group with copies of all such contracts, Governmental Authorizations, books and Records and other existing documents and data as Buyer may reasonably request; (c) furnish Buyer Group with such additional financial, operating and other relevant data and information as Buyer may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Buyer, with Buyer's investigation of the properties, assets and financial condition related to Seller. In addition, Buyer shall have the right to have the Real Property and Tangible Personal Property inspected by Buyer Group, at Buyer's sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Real Property and Tangible Personal Property. In the event subsurface or other destructive testing is recommended by any of Buyer Group, Buyer shall be permitted to have the same performed with the prior consent of Seller, which shall not be unreasonably withheld.

## 5.2 Operation of the Business of Seller{tc ""}{tc ""}

Between September 19, 2002 and the Closing, Seller:

(a) shall conduct and shall have conducted its business in the Ordinary Course of Business;

(b) except as otherwise directed by Buyer in writing, and without making any commitment on Buyer's behalf, shall use and shall have used its Best Efforts to preserve intact its current business organization, keep available the services of its officers, employees and agents and maintain its relations and good will with suppliers, customers, landlords, creditors, employees, agents and others having business relationships with it;

(c) shall have conferred and shall confer with Buyer prior to implementing operational decisions of a material nature;

(d) otherwise shall have reported and shall report periodically to Buyer concerning the status of its business, operations and finances;

(e) shall not make and not make any material changes in senior management personnel identified by Buyer in Section 2.7, without prior consultation with Buyer;

(f) shall have maintained and shall maintain the Assets in a state of repair and condition that complies with Legal Requirements and is consistent with the requirements and normal conduct of Seller's business;

(g) shall have kept and shall keep in full force and effect, without amendment, all rights relating to Seller's business;

(h) shall have complied and shall comply with all Legal Requirements and contractual obligations applicable to the operations of Seller's business;

(i) shall have cooperated and shall cooperate with Buyer and shall have assisted and shall assist Buyer in identifying the Governmental Authorizations required by Buyer to operate the business from and after the Closing Date and either transferring existing Governmental Authorizations of Seller to Buyer, where permissible, or obtaining new Governmental Authorizations for Buyer;

(j) upon request from time to time, shall have executed and delivered and shall execute and deliver all documents, shall have made and shall make all truthful oaths, testify in any Proceedings and do all other acts that may be reasonably necessary to consummate the Contemplated Transactions, all without further consideration; and

(k) shall have maintained and shall maintain all books and Records of Seller relating to Seller's business in the Ordinary Course of Business.

### 5.3 Negative Covenant{tc ""}{tc ""}

Except as otherwise expressly permitted herein, between the date of this Agreement and the Closing Date, Seller shall not without the prior written consent of Buyer which shall not be unreasonably withheld and which shall be promptly acted upon by Buyer, (a) make any modification to any material Seller Contract or Governmental Authorization; or (b) allow the levels of raw materials, supplies or other materials included in the Inventories to vary materially from the levels customarily maintained.

### 5.4 Required Approvals{tc ""}{tc ""}

Seller has made and shall continue to make the reasonably required filings necessary to be made by it in order to consummate the Contemplated Transactions. Seller also shall cooperate with Buyer and its Representatives with respect to all filings that Buyer elects to make or, pursuant to Legal Requirements, shall be required to make in connection with the Contemplated Transactions. Seller also shall cooperate with Buyer and its Representatives in obtaining all Material Consents.

### 5.5 Notification{tc ""}{tc ""}

Between the date of this Agreement and the Closing, Seller shall promptly notify Buyer in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a Breach of any of Seller's representations and warranties herein as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Seller's discovery of, such fact or condition. During the same period, Seller also shall promptly notify Buyer of the occurrence of any Breach of any covenant of Seller in this Article 5 or of the occurrence of any event that may make the satisfaction of the conditions in Article 7 impossible or unlikely.

### 5.6 No Negotiation{tc ""}{tc ""}

Until such time as this Agreement shall be terminated pursuant to Section 9.1, Seller shall not directly or indirectly solicit, initiate, encourage or entertain any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to or consider the merits of any inquiries or proposals from any Person (other than Buyer) relating to any business combination transaction involving Seller or the System (other than in the Ordinary Course of Business).

### 5.7 Best Efforts{tc ""}{tc ""}

Seller shall use their Best Efforts to cause the conditions in the Agreement to be satisfied and on or before the Closing. Seller shall further as soon as practical after the Closing (a)

amend its Governing Documents and take all other actions necessary to change its name to one sufficiently dissimilar to Seller's present name, in Buyer's judgment, to avoid confusion and (b) take all actions requested by the Buyer so that Buyer can either assume such name as an assumed name or to change its name to Seller's present name.

5.8 Payment Of Liabilities{tc ""}{tc ""}

Seller shall pay or otherwise satisfy in the Ordinary Course of Business all of its Liabilities and obligations as they come due.

5.9 Current Evidence of Title{tc ""}{tc ""}

(a) Seller has furnished to Buyer, at Seller's expense,

(i) from Commonwealth Land Title Insurance Company (the "Title Policy") (the "Title Insurer"):

(1) a title commitment or title commitments issued by the Title Insurer to insure title to each parcel listed therein (which Seller warrants is all real property that Seller owns or owned as of September 19, 2002 in fee simple other than such real property that is an Excluded Asset), in the aggregate amount of \$466,500,000, subject to adjustment as provided in Section 2.3(B), naming Buyer as the proposed insured and having the effective dates as set forth therein, wherein the Title Insurer has agreed to issue an ALTA form owner's title insurance policy 1992 (10-17-92) with Florida modifications (collectively the "Title Commitment"); and

(2) copies of all recorded documents listed as Schedule B-1 matters to be terminated or satisfied in order to issue the policy described in the Title Commitment or as special Schedule B-2 exceptions thereunder (the "Recorded Documents").

(b) The Title Commitment includes the Title Insurer's requirements for issuing its title policy, which requirements shall be met by Seller on or before the Closing Date (including those requirements that must be met by releasing or satisfying monetary Encumbrances, but excluding Encumbrances that will remain after Closing as agreed to by the Buyer and those requirements that are to be met solely by Buyer).

(c) If any of the following shall occur (collectively, a "Title Objection"):

(i) The Title Commitment or other evidence of title or search of the appropriate real estate records discloses that any party other than Seller has title to the insured estate covered by the Title Commitment;

(ii) any title exception is disclosed in Schedule B to any Title Commitment that is not one of the Permitted Real Estate Encumbrances or one that Seller specifies when delivering the Title Commitment to Buyer as one that Seller will cause to be deleted from the Title Commitment concurrently with the Closing, including (A) any exceptions that pertain to Encumbrances securing any loans and (B) any exceptions that Buyer reasonably believes could materially and adversely affect Buyer's use and enjoyment of the Land described therein; or

(iii) any survey discloses any matter that Buyer reasonably believes could materially and adversely affect Buyer's use and enjoyment of the Land described therein;

then Buyer shall notify Seller in writing ("Buyer's Notice") of such matters by December 31, 2002. Notwithstanding the foregoing, the surveys referenced in (iii) of the previous sentence will be obtained after the Closing pursuant to Section 10.9 and the Buyer shall, upon obtaining such survey and for a reasonable time thereafter, have the right to object to any matter to which it could have objected to under said part (iii) by delivering a written notice to the Seller and such matter shall be a Title Objection as set forth above.

(d) Seller shall use its Best Efforts to cure each Title Objection and take all steps required by the Title Insurer to eliminate each Title Objection as an exception to the Title Commitment. In the event that the Title Objection arises after the Closing, then the Seller shall use its Best Efforts to cure such Title Objection and take all steps required by the Title Insurer to amend the title policy previously issued as required herein to eliminate such Title Objection. Any Title Objection that the Title Company is willing to insure over on terms acceptable to Seller and Buyer is herein referred to as an "Insured Exception." The Insured Exceptions, together with any title exception or matters disclosed by the Survey not objected to by Buyer in the manner aforesaid shall be deemed to be acceptable to Buyer.

(e) Nothing herein waives Buyer's right to claim a breach of Section 3.9(a) or to claim a right to indemnification as provided in Section 11.2 if Buyer suffers material Damages as a result of a misrepresentation with respect to the condition of title to the Land.

(f) Seller shall use its best efforts to comply with the requirements of Schedule B Section 1 of the Title Commitment. At the Closing, Seller shall identify any Schedule B Section 1 requirements that cannot be satisfied as of the Closing. Seller and Buyer shall agree on a post-Closing process to satisfy these requirements (the "Post-Closing Schedule B Requirements"). Seller shall indemnify the Buyer as to all Post-Closing Schedule B requirements that are not satisfied in accordance with the agreed upon post-Closing process.

6. Covenants of Buyer Prior to Closing{tc ""}{tc ""}

6.1 Required Approvals{tc ""}{tc ""}

As promptly as practicable after the date of this Agreement, Buyer shall make, or cause to be made, all filings required by Legal Requirements to be made by it to consummate the Contemplated Transactions. Buyer also shall cooperate, and cause its Related Persons to cooperate, with Seller (a) with respect to all filings Seller shall be required by Legal Requirements to make and (b) in obtaining all Consents identified in Exhibit 7.3, provided, however, that Buyer shall not be required to dispose of or make any change to its business, expend any material funds or incur any other material burden in order to comply with this Section 6.1.

6.2 Best Efforts{tc ""}{tc ""}

Buyer shall use its Best Efforts to cause the conditions in this Agreement to be satisfied.

7. Conditions Precedent to Buyer's Obligation to Close{tc ""}{tc ""}

Buyer's obligation to purchase the Assets and to take the other actions required to be taken by Buyer at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Buyer, in whole or in part):

7.1 Accuracy of Representations{tc ""}{tc ""}

(a) All of Seller's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate as of the Exhibit Delivery Date, and shall be accurate in all material respects as of the time of the Closing as if then made.

(b) Each of the representations and warranties in Sections 3.2(a) and 3.4, and each of the representations and warranties in this Agreement that contains an express materiality qualification, shall be accurate in all respects as of the time of the Closing as if then made.

7.2 Seller's Performance{tc ""}{tc ""}

All of the covenants and obligations that Seller are required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been duly performed and complied with in all material respects.

### 7.3 Consents{tc ""}{tc ""}

Each of the Material Consents to be identified by Buyer and agreed to by Seller in Exhibit 7.3 prior to Closing (the “Material Consents”) shall have been obtained and shall be in full force and effect.

### 7.4 Additional Documents{tc ""}{tc ""}

Seller shall have caused the documents and instruments required by Section 2.7(a) and the following documents to be delivered (or made available ) to Buyer:

(a) The articles of incorporation and all amendments thereto of Seller, duly certified as of a recent date by the Secretary of State;

(b) A legal opinion reasonably satisfactory to Buyer; and

(c) Such other documents as Buyer may reasonably request for the purpose of:

(i) evidencing the accuracy of any of Seller’s representations and warranties;

(ii) evidencing the performance by Seller of, or the compliance by Seller with, any covenant or obligation required to be performed or complied with by Seller;

(iii) evidencing the satisfaction of any condition referred to in this Article 7;

(iv) otherwise facilitating the consummation or performance of any of the Contemplated Transactions; or

(v) evidence showing the release of all liens, security interests, and other encumbrances other than Permitted Encumbrances (but excluding any Permitted Encumbrances that encumber the Assets held by any entity which has provided or may provide financing to the Seller)

### 7.5 No Conflict{tc ""}{tc ""}

Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly, materially contravene or conflict with or result in a material violation of or cause Buyer or any Related Person of Buyer to suffer any material adverse consequence under (a) any applicable Legal Requirement or Order or (b) any valid Legal Requirement or Order that has been entered by any Governmental Body.

7.6 Line of Credit. Seller shall have caused ALLETE, Inc., to execute and deliver to the Buyer an agreement in the form and substance of Exhibit 7.6 hereto.



## 8. Conditions Precedent to Seller's Obligation to Close{tc ""}{tc ""}

Seller's obligation to sell the Assets and to take the other actions required to be taken by Seller at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller in whole or in part):

### 8.1 Accuracy of Representations{tc ""}{tc ""}

All of Buyer's representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the time of the Closing as if then made.

### 8.2 Buyer's Performance{tc ""}{tc ""}

All of the covenants and obligations that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been performed and complied with in all material respects.

### 8.3 Additional Documents{tc ""}{tc ""}

Buyer shall have caused a legal opinion satisfactory to Seller to be supplied and the documents and instruments required by Section 2.7(b) and the following documents to be delivered or made available to Seller:

- (a) such other documents as Seller may reasonably request for the purpose of:
  - (i) evidencing the accuracy of any representation or warranty of Buyer,
  - (ii) evidencing the performance by Buyer of, or the compliance by Buyer with, any covenant or obligation required to be performed or complied with by Buyer or
  - (iii) evidencing the satisfaction of any condition referred to in this Article

### 8.4 No Injunction{tc ""}{tc ""}

There shall not be in effect any Legal Requirement or any injunction or other Order that (a) prohibits the consummation of the Contemplated Transactions and (b) has been adopted or issued, or has otherwise become effective, since the date of this Agreement.

## 9. Termination{tc ""}{tc ""}

### 9.1 Termination Events{tc ""}{tc ""}

By notice given prior to or at the Closing, subject to Section 9.2, this Agreement may be terminated as follows:

(a) by Buyer if a material Breach of any provision of this Agreement has been committed by Seller and such Breach has not been waived by Buyer;

(b) by Seller if a material Breach of any provision of this Agreement has been committed by Buyer and such Breach has not been waived by Seller;

(c) by Buyer if any condition in Article 7 has not been satisfied as of the date specified for Closing in the first sentence of Section 2.6 or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement), and Buyer has not waived such condition on or before such date;

(d) by Seller if any condition in Article 8 has not been satisfied as of the date specified for Closing in the first sentence of Section 2.6 or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of Seller to comply with its obligations under this Agreement), and Seller has not waived such condition on or before such date;

(e) by mutual consent of Buyer and Seller;

(f) by Buyer if the Closing has not occurred on or before February 14, 2003 or such later date as the parties may agree upon, unless the Buyer is in material Breach of this Agreement; or

(g) by Seller if the Closing has not occurred on or before February 14, 2003 or such later date as the parties may agree upon, unless the Seller is in material Breach of this Agreement.

(h) by Seller if the amount of Purchase Price Installment 1 is less than \$400,000,000 as of the date of pricing of the Closing Bonds.

### 9.2 Effect Of Termination{tc ""}{tc ""}

Each party's right of termination under Section 9.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 9.1, all obligations of the parties under this Agreement will terminate, except that the obligations of the parties in this Section 9.2 and Articles 12 and 13 (except for

those in Section 13.5) will survive, provided, however, that, if this Agreement is terminated because of a Breach of this Agreement by the non-terminating party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired. Furthermore, notwithstanding any such termination, the Seller shall immediately upon termination pay to the Buyer the Due Diligence Amount.

Neither Buyer nor Seller shall be liable to the other in the event that after the execution of this Agreement there occurs (i) a change of law that prevents the Closing, (ii) any action by a third party that prevents the Closing or (iii) any order by a Governmental Agency or court that prevents the Closing. Both parties agree to diligently defend against a third party attempt to prevent a Closing.

## 10. Additional Covenants{tc ""}{tc ""}

### 10.1 Employees and Employee Benefits{tc ""}{tc ""}

(a) Information on Active Employees. For the purpose of this Agreement, the term "Active Employees" shall mean all individuals employed by Seller on the Closing Date by , including employees on temporary leave of absence, including family medical leave, military leave, temporary disability or sick leave, but excluding employees on long-term disability leave.

#### (b) Employment of Active Employees by Buyer.

(i) Buyer will make offers of employment to all employees are legally eligible for employment in the United States . Buyer will provide Seller with a list of Active Employees to whom Buyer has made an offer of employment that has been accepted to be effective on the Closing Date (the "Hired Active Employees"). Subject to Legal Requirements, Buyer will have reasonable access to the Facilities and personnel Records (including performance appraisals, disciplinary actions, grievances and medical Records) of Seller for the purpose of preparing for and conducting employment interviews with all Active Employees and will conduct the interviews as expeditiously as possible prior to the Closing Date. Access will be provided by Seller upon reasonable prior notice during normal business hours. Effective immediately before the Closing, Seller will terminate the employment of all Hired Active Employees.

(ii) Neither Seller nor its Related Persons shall solicit the continued employment of any Active Employee (unless and until Buyer has informed Seller in writing that the particular Active Employee will not receive any employment offer from Buyer) or the employment of any Hired Active Employee after the Closing who are still employed by Buyer. Buyer shall inform Seller promptly of

the identities of those Active Employees to whom it will not make employment offers, and Seller shall comply with the WARN Act as to those Active Employees. Buyer consents to the Seller giving WARN Act notice, if it elects to do so, as provided under law.

(iii) It is understood and agreed that (A) Buyer's expressed intention to extend offers of employment as set forth in this section shall not constitute any commitment, Contract or understanding (expressed or implied) of any obligation on the part of Buyer to a post-Closing employment relationship of any fixed term or duration or upon any terms or conditions other than those set forth herein that Buyer may establish pursuant to individual offers of employment, and (B) employment offered by Buyer will be "at will" and may be terminated by Buyer or by an employee at any time for any reason (subject to any written commitments to the contrary made by Buyer or an employee and Legal Requirements). Nothing in this Agreement shall be deemed to prevent or restrict in any way the right of Buyer to terminate, reassign, promote or demote any of the Hired Active Employees after the Closing or to change adversely or favorably the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such employees.

(c) Salaries and Benefits.

(i) Seller shall be responsible for (A) the payment of all wages and other remuneration due to Active Employees with respect to their services as employees of Seller through the close of business on the Closing Date, ; (B) the payment of any termination or severance payments and the provision of health plan continuation coverage in accordance with the requirements of COBRA and Sections 601 through 608 of ERISA, or may be required by Seller by law or contract; and (C) any and all payments to employees required under the WARN Act as a result of the contemplated transactions. Notwithstanding the foregoing provisions, and solely for the purpose of ensuring the payment of wages to Active Employees only on the actual date of Closing, the Seller shall be responsible for the payment of wages with respect to Active Employees for any workshift beginning prior to 12:00 a.m. on the date of Closing and which workshifts end after 12:01 a.m. on the date of Closing.

(ii) Seller shall be liable for any claims made or incurred by Active Employees and their beneficiaries through the Closing Date under the Employee Plans. For purposes of the immediately preceding sentence, a claim will be deemed incurred, in the case of hospital, medical or dental benefits, when the services that are the subject of the charge are performed and, in the case of other benefits (such as disability or life insurance), when an event has occurred or when a condition has been diagnosed that entitles the employee to the benefit.

(d) Terms of Employment. Buyer will set its own initial terms and conditions

of employment for the Hired Active Employees and others it may hire, including work rules, benefits and salary and wage structure, all as permitted by law, provided such terms and conditions shall be in the aggregate substantially similar in value to the terms and conditions of such Hired Active Employees under the Seller's employ as disclosed to Buyer herein. Buyer is not obligated to assume any collective bargaining agreements under this Agreement. Seller shall be solely liable for any severance payment required to be made to its employees due to the Contemplated Transactions. Any bargaining obligations of Buyer with any union with respect to bargaining unit employees subsequent to the Closing, whether such obligations arise before or after the Closing, shall be the sole responsibility of Buyer.

(f) General Employee Provisions.

(i) Seller and Buyer shall give any notices required by Legal Requirements and take whatever other actions with respect to the plans, programs and policies described in this Section 10.1 as may be necessary to carry out the arrangements described in this Section 10.1.

(ii) Seller and Buyer shall provide each other with such plan documents and summary plan descriptions, employee data or other information as may be reasonably required to carry out the arrangements described in this Section 10.1.

(iii) If any of the arrangements described in this Section 10.1 are determined by the IRS or other Governmental Body to be prohibited by law, Seller and Buyer shall modify such arrangements to as closely as possible reflect their expressed intent and retain the allocation of economic benefits and burdens to the parties contemplated herein in a manner that is not prohibited by law.

(iv) Seller shall provide Buyer with completed 1-9 forms and attachments with respect to all Hired Active Employees, except for such employees as Seller certifies in writing to Buyer are exempt from such requirement.

(v) Buyer shall not have any responsibility, liability or obligation, whether to Active Employees, former employees, their beneficiaries or to any other Person, with respect to any employee benefit plans, practices, programs or arrangements (including the establishment, operation or termination thereof and the notification and provision of COBRA coverage extension) maintained by Seller.

(vi) Seller will require certain assistance from certain Hired Active Employees to process post-Closing obligations of Seller, including, but not limited to, filings with the Florida Public Service Commission and other regulatory agencies and federal wage and tax filings (collectively the "Post-Closing Obligations"), and Buyer agrees to provide the services of such necessary

employees to assist Seller with its Post-Closing Obligations. Such assistance shall not unreasonably interfere with the necessary employees' regular duties for Buyer. As consideration to Buyer for assistance with Seller's Post-Closing Obligations, Seller shall pay Buyer the sum of Fifty Thousand Dollars (\$50,000.00), which sum shall be credited to Buyer at the Closing.

#### 10.2 Payment of all Taxes Resulting From Sale of Assets by Seller{tc ""}{tc ""}

Seller shall pay in a timely manner all Taxes resulting from or payable in connection with the sale of the Assets pursuant to this Agreement, regardless of the Person on whom such Taxes are imposed by Legal Requirements.

#### 10.3 Payment of Other Retained Liabilities{tc ""}{tc ""}

In addition to payment of Taxes pursuant to Section 10.2, Seller shall pay, or make adequate provision for the payment, in full all of the Retained Liabilities and other Liabilities of Seller under this Agreement. If any such Liabilities are not so paid or provided for, or if Buyer reasonably determines that failure to make any payments will impair Buyer's use or enjoyment of the Assets or conduct of the business previously conducted by Seller with the Assets, Buyer may, upon ten (10) days notice, at any time after the Closing Date, elect to make all such payments directly (but shall have no obligation to do so) and set off and deduct the full amount of all such payments from the maturing payments due from Buyer to Seller or as provided for from the Capital Charges owing to Seller.

#### 10.4 Removing Excluded Assets{tc ""}{tc ""}

Within sixty (60) days after the Closing Date, Seller shall remove all Excluded Assets (other than the Capital Charges provided for in Section 2.2 hereof) from all Facilities and other Land to be occupied by Buyer. Such removal shall be done in such manner as to avoid any damage to the Facilities and other properties to be occupied by Buyer and any disruption of the business operations to be conducted by Buyer after the Closing. Any damage to the Assets or to the Facilities resulting from such removal shall be paid by Seller. Should Seller fail to remove the Excluded Assets as required by this Section, Buyer shall have the right, but not the obligation, (a) to remove the Excluded Assets at Seller's sole cost and expense; (b) to store the Excluded Assets and to charge Seller all storage costs associated therewith; (c) to treat the Excluded Assets as unclaimed and to proceed to dispose of the same under the laws governing unclaimed property; or (d) to exercise any other right or remedy conferred by this Agreement or otherwise available at law or in equity. Seller shall promptly reimburse Buyer for all costs and expenses incurred by Buyer in connection with any Excluded Assets not removed by Seller on or before the Closing Date.

#### 10.5 Reports and Returns{tc ""}{tc ""}

Seller shall promptly after the Closing prepare and file all reports and returns required by Legal Requirements relating to the business of Seller as conducted using the Assets, to and including the Effective Time.

#### 10.6 Assistance in Proceedings{tc ""}{tc ""}

Seller will cooperate with Buyer and its counsel in the contest or defense of, and make available its personnel and provide any testimony and access to its books and Records in connection with, any Proceeding involving or relating to (a) any Contemplated Transaction or (b) any action, activity, circumstance, condition, conduct, event, fact, failure to act, incident, occurrence, plan, practice, situation, status or transaction on or before the Closing Date involving Seller or its business.

#### 10.7 Retention of and Access to Records{tc ""}{tc ""}

After the Closing Date, Buyer shall retain for a period consistent with Buyer's record-retention policies and practices those Records of Seller delivered to Buyer. Buyer also shall provide Seller and their Representatives reasonable access thereto, during normal business hours to enable them to prepare financial statements or tax returns or deal with tax audits. After the Closing Date, Seller shall provide Buyer and its Representatives reasonable access to Records that are Excluded Assets, during normal business hours for any reasonable business purpose specified by Buyer in such notice.

#### 10.8 Further Assurances{tc ""}{tc ""}

Subject to the proviso in Section 6.1, the parties shall cooperate reasonably with each other and with their respective Representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the Contemplated Transactions.

10.9 Environmental and Real Estate Matters. The Buyer shall have the right at Seller's expense, but not the obligation, to do Phase 1 environmental site assessments and studies and regulatory compliance audits on the Real Property and other assets of the Seller (whether or not located on the Real Property) (collectively, "Environmental Property") as Buyer may determine. The foregoing pursuant to this Section shall be accomplished within nine (9) months after the Closing. For 90 days after the Buyer has received all the foregoing it desires to obtain pursuant to the first sentence of this Section, the Buyer shall have the right at Seller's expense, but not the obligation, to do such further environmental studies and assessments (including soil and surface water and

ground water testing) and regulatory compliance audits on the Environmental Property based on the recommendations contained in such Phase 1's or in subsequent reports issued by the environmental consultant(s) on the Environmental Property which reports were obtained pursuant to this Section. The foregoing 90 day period set forth in the previous sentence shall be extended to a time period within which the environmental assessments, studies and audits can reasonably be completed if such environmental studies cannot be completed within such time period because of extraordinary circumstances (such as a Phase 2 assessment recommending a Phase 3 assessment being done, test results not being promptly available, test results only being obtainable if higher than normal fees are paid, or testing being of such a nature that such testing takes more time than testing usually takes as a general matter).

The Buyer shall have the right at Seller's expense, but not the obligation, to do such surveys on the Real Property as Buyer reasonably determines have situated on it valuable improvements or has on it improvements that are significant to the operation of the System and excluding the following property: (1) lift station property with an assessed value less than \$150,000, and (2) unimproved parcels in excess of a 1/4 acre. Buyer will not cause any surveys to be paid for by the Seller if the individual cost of such survey is in excess of \$10,000, unless either (1) the buyer has reasonable cause to believe the survey will show a material encroachment or excroachment or (2) such property does in fact bear a material encroachment or excroachment. Prior to undertaking any such surveys, Buyer shall notify Seller in writing and Seller shall have the right to object in writing to Buyer's determination if Seller concludes that Buyer's determination was not reasonable, for ten (10) days after receipt thereof (and if Seller fails to so object, Seller will be deemed to have agreed to Buyer's determination). If Seller and Buyer cannot resolve such dispute, then whether such determination is reasonable shall be determined in accordance with the dispute resolution provisions hereof. Buyer's right to do surveys under this paragraph shall expire three (3) years after the Closing.

All such environmental studies and assessments and regulatory compliance audits and surveys done pursuant to this Section shall be at the sole cost and expense of the Seller and Seller agrees to reimburse Buyer for the costs and expenses incurred by Buyer under this Section. As provided above, Seller will deposit with Buyer \$200,000.00 to be held by Buyer for the purposes of reimbursing the Buyer for costs and expenses incurred pursuant to this Section. Buyer agrees to first utilize such money before requesting Seller to directly reimburse it for such costs and expenses.

10.10 Fixed Tie-In's and Tie-In Deposits. Seller has supplied to Buyer documents pursuant to this Agreement relating to obligations that the Seller has to provide a Fixed Charge Tie In (as defined in Section 3.21) (the "Tie In Documents") and the amount which the Buyer would receive under a Fixed Charge Tie In may be less than the Buyer would, but for this section charge, for such Individual Tie-In (as defined in Section 3.21). Although Buyer is not under this Agreement assuming such obligations,



Buyer does hereby agree to provide utility service to persons who would otherwise have received service from Seller under the Tie In Documents, and to further provide Individual Tie In's at the Fixed Charge Tie In to the Person entitled to receive such Fixed Charge Tie In from the Seller, provided that the representations and warranties of the Seller set forth in Section 3.21 are true and accurate.

Furthermore, Seller has supplied to Buyer documents pursuant to this Agreement relating to deposits ("Vendee Deposit") made by land contract vendees ("Deposit Vendee") pursuant to land contracts for which deposits the Seller has agreed to give the relevant Deposit Vendee a credit equal to such deposits made by such Deposit Vendee against Tie In Charges which such Deposit Vendee would have to pay at the time it obtains water and/or sewage service from the System. After Closing, some of such Deposit Vendees will continue to make such deposits and Seller agrees to promptly after Closing take such action to cause all such future deposits to be paid to the Buyer and shall supply the Buyer with evidence that it has done so. Although Buyer is not under this Agreement assuming such obligations, Buyer does hereby agree that it will provide utility service to such Deposit Vendees and shall give the relevant Deposit Vendee a credit against Tie In Charges at the time it supplies such Deposit Vendee an Individual Tie In, which credit will be in an amount equal to that which the Seller is, at the Effective Time obligated to give the relevant Deposit Vendee plus the amount of deposits that the Buyer receives after the Effective Time from such Deposit Vendee pursuant to this paragraph, provided that the representation and warranty set forth in Section 3.21 hereof is true and accurate.

#### 10.11 Customer Deposits.

At Closing, Seller shall transfer to the Buyer by electronic fund transfer all funds in customer deposit accounts ("Customer Deposits"), including any interest earned, accrued or due thereon through the Closing Date. Upon receipt of the Customer Deposits, Buyer will assume responsibility for maintaining accurate books and records of the funds and for repaying the Deposits in accordance with the standards and procedures adopted by the Buyer.

#### 10.12 Regulatory Transfer Contingency.

The sale and transfer of the Assets pursuant to this Agreement is contingent upon approval by the Florida Public Service Commission and the other applicable County Regulatory Agencies. Pursuant to Section 163.01(7)(g), Florida Statutes, Section 367.071(4)(a), Florida Statutes, and prior legal precedent, such approvals may be obtained after Closing and must be granted as a matter of right.

## 11. Indemnification; Remedies{tc ""}{tc ""}

### 11.1 Survival{tc ""}{tc ""}

All representations, warranties, covenants and obligations in this Agreement, the certificates delivered pursuant to Section 2.7 and any other certificate or document delivered pursuant to this Agreement shall survive the Closing and the consummation of the Contemplated Transactions, subject to Section 11.7. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any knowledge acquired at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations. For purposes of this Article 11, whenever the phrases “to Seller’s knowledge”, “to the best of Seller’s knowledge”, “to the knowledge of Seller”, or any similar phrase, or whenever the words “material” or “materially” are used in this Agreement (other than in this Article 11), such words and phrases shall be disregarded for purposes of this Article 11 and indemnification hereunder as if such words or phrases were stricken from this Agreement.

### 11.2 Indemnification and Reimbursement by Seller

Seller will indemnify and hold harmless Buyer, and its Representatives, shareholders, subsidiaries and Related Persons (collectively, the “Buyer Indemnified Persons”), and will reimburse the Buyer Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys’ fees and expenses) or diminution of value, whether or not involving a Third-Party Claim (collectively, “Damages”) (but not including any Damages recovered by the offsets for the Remedial Capital Project Amount), arising from or in connection with:

(a) any Breach of any representation or warranty made by Seller in (i) this Agreement (without giving effect to any supplement thereto), (ii) the certificates delivered pursuant to Section 2.7 (for this purpose, each such certificate will be deemed to have stated that Seller’s representations and warranties in this Agreement fulfill the requirements of Section 7.1 as of the Closing Date as if made on the Closing Date without giving effect to any supplement thereto, unless the certificate expressly states that the matters disclosed in a supplement have caused a condition specified in Section 7.1 not to be satisfied), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Seller pursuant to this Agreement;

(b) any Breach of any covenant or obligation of Seller in this Agreement or in any other certificate, document, writing or instrument delivered by Seller pursuant to this Agreement;

(c) (1) Any Liability arising out of the ownership or operation of the Assets prior to the Effective Time other than the Assumed Liabilities, including, but not limited to, any litigation existing on the date of Closing or subsequently filed against the Buyer challenging the transaction, and (2) litigation expenses for eminent domain actions filed against the Buyer subject to reimbursement of those expenses to the Seller by the condemning authority.

(d) any brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any Person with Seller (or any Person acting on its behalf) in connection with any of the Contemplated Transactions;

(e) any liability under the WARN Act or any similar state or local Legal Requirement that may result from an "Employment Loss", as defined by 29 U.S.C. sect. 2101(a)(6), caused by any action of Seller prior to the Closing or by Buyer's decision not to hire previous employees of Seller;

(f) any Employee Plan established or maintained by Seller; or

(g) any Retained Liabilities.

Notwithstanding anything contained in this Agreement to the contrary, the Buyer will not have the right to sue the Seller for Damages which result from a defect in the title to the Real Property obtained by the Buyer pursuant to this Agreement for which there is applicable title insurance pursuant to Section 5.9 hereof and on which a claim may be made by the Buyer for the relevant Damages unless (a) the Buyer has filed a claim under the relevant title insurance policy and the claim has not been allowed within 90 days of the date the claim was filed or (b) the Buyer has filed a claim under the relevant title insurance policy, the claim was allowed within 90 days after the filing of the claim but the processing or defending (or the taking of other relevant action in accordance with the claim by the Title Insurer) is not proceeding in a satisfactory manner as determined by the Buyer in the exercise of its reasonable judgment.

### 11.3 Indemnification and Reimbursement by Seller – Environmental and Real Estate Matter

In addition to the other indemnification provisions in this Article 11, Seller will indemnify and hold harmless Buyer and the other Buyer indemnified Persons, and will reimburse Buyer and the other Buyer Indemnified Persons, for any Damages (including

costs of cleanup, containment or other remediation) arising from or in connection with:

(a) any Environmental, Health and Safety Liabilities arising out of or relating to: (i) the ownership or operation by any Person at any time on or prior to the Closing Date of any of the Facilities, assets or the business of Seller, or (ii) any Hazardous Materials or other contaminants that were present on the Facilities or Assets at any time on or prior to the Closing Date; or

(b) any bodily injury (including illness, disability and death, regardless of when any such bodily injury occurred, was incurred or manifested itself), personal injury, property damage (including trespass, nuisance, wrongful eviction and deprivation of the use of real property) or other damage of or to any Person or any Assets in any way arising from or allegedly arising from any Hazardous Activity conducted by any Person with respect to the business of Seller or the Assets prior to the Closing Date or from any Hazardous Material that was (i) present on or before the Closing Date on or at the Facilities (or present on any other property, if such Hazardous Material emanated or allegedly emanated from any Facility and was present on any Facility, on or prior to the Closing Date) or (ii) Released or allegedly Released by any Person on or at any Facilities or Assets at any time on or prior to the Closing Date.

(c) any assertion of, or the existence of, any right by any Person to obtain the ownership of, or right to negotiate to obtain the ownership of, any of the Assets other than any such right granted by or purported to have been granted by the Buyer, including without limitation rights of first refusal or rights to have Seller negotiate with such Person prior to sale of any of the Assets to another Person (and including therein without limitation any of the foregoing which have been asserted by Volusia County and which may be asserted by Altamonte Springs).

Buyer, with Seller's consent and approval which shall not be unreasonably withheld, will be entitled to control any Remedial Action, any Proceeding relating to an Environmental Claim and, except as provided in the following sentence, any other Proceeding with respect to which indemnity may be sought under this Section 11.3. The procedure described in Section 11.9 will apply to any claim solely for monetary damages relating to a matter covered by this Section 11.3.

No claim for environmental indemnification or reimbursement may be asserted unless (i) the underlying environmental condition is specifically identified in Exhibit 3.13 or (ii) the party asserting the claim establishes that the conditions, Release, disposal or actions giving rise to the liability or claim were present at or prior to Closing and that the party asserting the claim did not materially cause or contribute to such conditions after Closing. For purposes of this section 11.3, all environmental conditions and compliance issues arising out of, related to, or caused by any facts or circumstances as described in the environmental reports listed in Exhibit 3.13 or obtained pursuant to Section 3.12

hereof are deemed to have been specifically identified in Exhibit 3.13.

#### 11.4 Indemnification and Reimbursement by Buyer

Buyer will indemnify and hold harmless Seller, and will reimburse Seller, for any Damages arising from or in connection with:

(a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;

(b) any Breach of any covenant or obligation of Buyer in this Agreement or in any other certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Buyer (or any Person acting on Buyer's behalf) in connection with any of the Contemplated Transactions; or

(d) any Assumed Liabilities.

#### 11.5 Limitations on Amount--Seller

Seller shall have no liability (for indemnification or otherwise) with respect to claims under Section 11.2(a) until the total of all Damages with respect to such matters exceeds \$500,000 and then only for the amount by which such Damages exceed \$500,000. However, this Section 11.5 will not apply to claims under (the following, each an "Exempted Breach") Section 11.2(b) through (g) or to matters arising in respect of Sections 3.7, 3.13, or 3.15, to any Breach of any of Seller's representations and warranties of which the Seller had knowledge at any time prior to the date on which such representation and warranty is made or any Breach by Seller of any covenant or obligation. Notwithstanding the foregoing, the Seller shall not be liable for Minor Claims (as hereinafter defined) until such Minor Claims aggregate more than \$500,000 in which case, Seller shall be liable for all Minor Claims to the extent that in the aggregate they exceed \$500,000 provided that Damages in aggregate exceed \$500,000. "Minor Claim" means Damages resulting from a Breach hereof covered by Section 11.2(a) (other than an Exempted Breach) that do not exceed \$20,000.00.

#### 11.6 Limitations on Amount--Buyer

Buyer will have no liability (for indemnification or otherwise) with respect to claims under Section 11.4(a) until the total of all Damages with respect to such matters

exceeds \$500,000 and then only for the amount by which such Damages exceed \$500,000. However, this Section 11.6 will not apply to claims under Section 11.4(b) through (d) or matters arising in respect of Section 4.4 or to any Breach of any of Buyer's representations and warranties of which Buyer had knowledge at any time prior to the date on which such representation and warranty is made or any Breach by Buyer of any covenant or obligation, and Buyer will be liable for all Damages with respect to such Breaches.

#### 11.7 Time Limitations

(a) If the Closing occurs, Seller will have liability (for indemnification or otherwise) with respect to any Breach of (i) a covenant or obligation to be performed or complied with prior to the Closing Date (other than those in Sections 2.1 and 2.4(b) and Articles 10 and 12, as to which a claim may be made at any time), or (ii) a representation or warranty (other than one contained in Section 3.12 or 3.13 hereof) only if on or before three years after the Closing Date, Buyer notifies Seller of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by Buyer. If the Closing occurs, Seller will have liability (for indemnification or otherwise) with respect to any Breach of the representations and warranties contained in Section 3.12 or 3.13 hereof only if on or before five years after the Closing Date, the Buyer notifies Seller of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by Buyer.

(b) If the Closing occurs, Buyer will have liability (for indemnification or otherwise) with respect to any Breach of (i) a covenant or obligation to be performed or complied with prior to the Closing Date (other than those in Article 12, as to which a claim may be made at any time) or (ii) a representation or warranty (other than that set forth in Section 4.4, as to which a claim may be made at any time), only if on or before three years after the Closing Date, Seller notifies Buyer of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by Seller.

#### 11.8 Right Of Setoff{tc ""}{tc ""}

Upon notice to Seller specifying in reasonable detail the basis therefor, Buyer may set off any amount to which it may be entitled under this Article 11 against amounts otherwise payable to Seller, subject to Seller's right to object under the Dispute Resolution Process. The exercise of such right of setoff by Buyer in good faith, whether or not ultimately determined to be justified, will not constitute an event of default. Neither the exercise of nor the failure to exercise such right of setoff will constitute an election of remedies or limit Buyer in any manner in the enforcement of any other remedies that may be available to it.

## 11.9 Third-Party Claims{tc ""}{tc ""}

(a) Promptly after receipt by a Person entitled to indemnity under Section 11.2, 11.3 (to the extent provided in the last sentence of Section 11.3) or 11.4 (an “Indemnified Person”) of notice of the assertion of a Third-Party Claim against it, such Indemnified Person shall give notice to the Person obligated to indemnify under such Section (an “Indemnifying Person”) of the assertion of such Third-Party Claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such Third-Party Claim is prejudiced by the Indemnified Person’s failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 11.9(a) of the assertion of a Third-Party Claim, the Indemnifying Person shall be entitled to participate in the defense of such Third-Party Claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the Third-Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such Third-Party Claim and provide indemnification with respect to such Third-Party Claim), to assume the defense of such Third-Party Claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Article 11 for any fees of other counsel or any other expenses with respect to the defense of such Third-Party Claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such Third-Party Claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a Third-Party Claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that Third-Party Claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such Third-Party Claims may be effected by the Indemnifying Person without the Indemnified Person’s Consent unless (A) there is no finding or admission of any violation of Legal Requirement or any violation of the rights of any Person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such Third-Party Claims effected without its Consent. If notice is given to an Indemnifying Person of the assertion of any Third-Party Claim and the Indemnifying Person does not, within ten (10) days after the Indemnified Person’s notice is given, give notice to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person will be bound by any determination made in such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a Third-Party Claim may adversely affect it or its Related Persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle such Third-Party Claim, but the Indemnifying Person will not be bound by any determination of any Third-Party Claim so defended for the purposes of this Agreement or any compromise or settlement effected without its Consent (which may not be unreasonably withheld).

(d) Notwithstanding the provisions of Section 13.4, Seller hereby consents to the nonexclusive jurisdiction of any court in which a Proceeding in respect of a Third-Party Claim is brought against any Buyer Indemnified Person for purposes of any claim that a Buyer Indemnified Person may have under this Agreement with respect to such Proceeding or the matters alleged therein and agree that process may be served on Seller and Shareholders with respect to such a claim anywhere in the world.

(e) With respect to any Third-Party Claim subject to indemnification under this Article 11: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other Person fully informed of the status of such Third-Party Claim and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

(f) With respect to any Third-Party Claim subject to indemnification under this Article 11, the parties agree to cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all Confidential Information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its Best Efforts, in respect of any Third-Party Claim in which it has assumed or participated in the defense, to avoid production of Confidential Information (consistent with applicable law and rules of procedure), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any Third-Party Claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

#### 11.10 Other Claims{tc ""}{tc ""}

A claim for indemnification for any matter not involving a Third-Party Claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice, subject to filing an objection under the Dispute Resolution Process.



### 11.11 Buyer Benefit

Upon any termination of this Agreement that would entitle the Buyer to recover the benefit of its bargain with the Seller, the Buyer and Seller agree that the value of the benefit of the bargain is speculative, is not readily subject to determination objectively and agree that the value of the benefit of the bargain to the Buyer is \$5 Million, plus an amount equal to all transaction costs which the Buyer would have paid if the Closing and issuance of the Acquisition Bonds had taken place.

## 12. Confidentiality{tc ""}{tc ""}

### 12.1 Definition of Confidential Information{tc ""}{tc ""}

(a) As used in this Article 12, the term “Confidential Information” includes any and all of the following information of Seller or Buyer that has been or may hereafter be disclosed in any form, whether in writing, orally, electronically or otherwise, or otherwise made available by observation, inspection or otherwise by either party (Buyer on the one hand or Seller, on the other hand) or its Representatives (collectively, a “Disclosing Party”) to the other party or its Representatives (collectively, a “Receiving Party”):

(i) all information that is a trade secret under applicable trade secret or other law;

(ii) all information concerning product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer hardware, Software and computer software and database technologies, systems, structures and architectures;

(iii) all information concerning the business and affairs of the Disclosing Party (which includes historical and current financial statements, financial projections and budgets, tax returns and accountants’ materials, historical, current and projected sales, capital spending budgets and plans, business plans, strategic plans, marketing and advertising plans, publications, client and customer lists and files, contracts, the names and backgrounds of key personnel and personnel training techniques and materials, however documented), and all information obtained from review of the Disclosing Party’s documents or property or discussions with the Disclosing Party regardless of the form of the communication; and

(iv) all notes, analyses, compilations, studies, summaries and other material prepared by the Receiving Party to the extent containing or based, in whole or in part, upon any information included in the foregoing.

(b) Any trade secrets of a Disclosing Party shall also be entitled to all of the protections and benefits under applicable trade secret law and any other applicable law. If any information that a Disclosing Party deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Article 12, such information shall still be considered Confidential Information of that Disclosing Party for purposes of this Article 12 to the extent included within the definition. In the case of trade secrets, each of Buyer and Seller hereby waives any requirement that the other party submit proof of the economic value of any trade secret or post a bond or other security.

## 12.2 Restricted Use of Confidential Information{tc ""}{tc ""}

(a) Each Receiving Party acknowledges the confidential and proprietary nature of the Confidential Information of the Disclosing Party and agrees that such Confidential Information (i) shall be kept confidential by the Receiving Party; (ii) shall not be used for any reason or purpose other than to evaluate and consummate the Contemplated Transactions; and (iii) without limiting the foregoing, shall not be disclosed by the Receiving Party to any Person, except in each case as otherwise expressly permitted by the terms of this Agreement or with the prior written consent of an authorized representative of Seller with respect to Confidential Information of Seller (each, a “Seller Contact”) or an authorized representative of Buyer with respect to Confidential Information of Buyer (each, a “Buyer Contact”). Each of Buyer and Seller shall disclose the Confidential Information of the other party only to its Representatives who require such material for the purpose of evaluating the Contemplated Transactions and are informed by Buyer or Seller as the case may be, of the obligations of this Article 12 with respect to such information. Each of Buyer and Seller shall (iv) enforce the terms of this Article 12 as to its respective Representatives; (v) take such action to the extent necessary to cause its Representatives to comply with the terms and conditions of this Article 12; and (vi) be responsible and liable for any breach of the provisions of this Article 12 by it or its Representatives.

(b) Unless and until this Agreement is terminated, Seller shall maintain as confidential any Confidential Information (including for this purpose any information of Seller of the type referred to in Sections 12.1(a)(i), (ii) and (iii), whether or not disclosed to Buyer) of the Seller relating to any of the Assets or the Assumed Liabilities. Notwithstanding the preceding sentence, Seller may use any Confidential Information of Seller before the Closing in the Ordinary Course of Business in connection with the transactions permitted by Section 5.2.

(c) From and after the Closing, the provisions of Section 12.2(a) above shall not apply to or restrict in any manner Buyer's use of any Confidential Information of the Seller relating to any of the Assets or the Assumed Liabilities.

### 12.3 Exceptions{tc ""}{tc ""}

Sections 12.2(a) and (b) do not apply to that part of the Confidential Information of a Disclosing Party that a Receiving Party demonstrates (a) was, is or becomes generally available to the public other than as a result of a breach of this Article 12 or the Confidentiality Agreement by the Receiving Party or its Representatives; (b) was or is developed by the Receiving Party independently of and without reference to any Confidential Information of the Disclosing Party; or (c) was, is or becomes available to the Receiving Party on a nonconfidential basis from a Third Party not bound by a confidentiality agreement or any legal, fiduciary or other obligation restricting disclosure. Seller shall not disclose any Confidential Information of Seller relating to any of the Assets or the Assumed Liabilities in reliance on the exceptions in clauses (b) or (c) above.

### 12.4 Legal Proceedings{tc ""}{tc ""}

If a Receiving Party becomes compelled in any Proceeding or is requested by a Governmental Body having regulatory jurisdiction over the Contemplated Transactions to make any disclosure that is prohibited or otherwise constrained by this Article 12, that Receiving Party shall provide the Disclosing Party with prompt notice of such compulsion or request so that it may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions of this Article 12. In the absence of a protective order or other remedy, the Receiving Party may disclose that portion (and only that portion) of the Confidential Information of the Disclosing Party that, based upon advice of the Receiving Party's counsel, the Receiving Party is legally compelled to disclose or that has been requested by such Governmental Body, provided, however, that the Receiving Party shall use reasonable efforts to obtain reliable assurance that confidential treatment will be accorded by any Person to whom any Confidential Information is so disclosed. The provisions of this Section 12.4 do not apply to any Proceedings between the parties to this Agreement.

### 12.5 Return or Destruction of Confidential Information{tc ""}{tc ""}

If this Agreement is terminated, each Receiving Party shall (a) destroy all Confidential Information of the Disclosing Party prepared or generated by the Receiving Party without retaining a copy of any such material; (b) promptly deliver to the Disclosing Party all other Confidential Information of the Disclosing Party, together with all copies thereof, in the possession, custody or control of the Receiving Party or, alternatively, with the written consent of a Seller Contact or a Buyer Contact (whichever represents the Disclosing Party) destroy all such Confidential Information; and (c) certify

all such destruction in writing to the Disclosing Party, provided, however, that the Receiving Party may retain a list that contains general descriptions of the information it has returned or destroyed to facilitate the resolution of any controversies after the Disclosing Party's Confidential Information is returned.

12.6 Attorney-Client Privilege{tc ""}{tc ""}

The Disclosing Party is not waiving, and will not be deemed to have waived or diminished, any of its attorney work product protections, attorney-client privileges or similar protections and privileges as a result of disclosing its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party, regardless of whether the Disclosing Party has asserted, or is or may be entitled to assert, such privileges and protections. The parties (a) share a common legal and commercial interest in all of the Disclosing Party's Confidential Information that is subject to such privileges and protections; (b) are or may become joint defendants in Proceedings to which the Disclosing Party's Confidential Information covered by such protections and privileges relates; (c) intend that such privileges and protections remain intact should either party become subject to any actual or threatened Proceeding to which the Disclosing Party's Confidential Information covered by such protections and privileges relates; and (d) intend that after the Closing the Receiving Party shall have the right to assert such protections and privileges. No Receiving Party shall admit, claim or contend, in Proceedings involving either party or otherwise, that any Disclosing Party waived any of its attorney work-product protections, attorney-client privileges or similar protections and privileges with respect to any information, documents or other material not disclosed to a Receiving Party due to the Disclosing Party disclosing its Confidential Information (including Confidential Information related to pending or threatened litigation) to the Receiving Party.

13. General Provisions{tc ""}{tc ""}

13.1 Expenses{tc ""}{tc ""}

Except as otherwise provided in this Agreement, each party to this Agreement will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expense of its Representatives. Seller will pay all amounts payable to the Title Insurer in respect of the Title Commitments, copies of exceptions and the Title Policy, including premiums (including premiums for endorsements) and search fees. If this Agreement is terminated, the obligation of each party to pay its own fees and expenses will be subject to any rights of such party arising from a Breach of this Agreement by another party.

### 13.2 Public Announcements{tc ""}{tc ""}

Any public announcement, press release or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Seller determines. Except with the prior consent of Seller or as permitted by this Agreement, Buyer nor any of its Representatives shall disclose to any Person (a) the fact that any Confidential Information of Seller has been disclosed to Buyer or its Representatives, that Buyer or its Representatives have inspected any portion of the Confidential Information of Seller, that any Confidential Information of Buyer has been disclosed to Seller or their Representatives or that Seller or its Representatives have inspected any portion of the Confidential Information of Buyer or (b) any information about the Contemplated Transactions, including the status of such discussions or negotiations, the execution of any documents (including this Agreement) or any of the terms of the Contemplated Transactions or the related documents (including this Agreement). Seller and Buyer will consult with each other concerning the means by which Seller's employees, customers, suppliers and others having dealings with Seller will be informed of the Contemplated Transactions, and Buyer will have the right to be present for any such communication.

### 13.3 Notices{tc ""}{tc ""}

All notices, Consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, e-mail address or person as a party may designate by notice to the other parties):

Seller (before the Closing):	1000 Color Place Apopka, FL 32703 Attention: Donnie Crandall, CEO Fax: (407) 598-4219
with a mandatory copy to:	Florida Water Services Corporation 1000 Color Place Apopka, FL 32703 Attention: Carlyn Kowalsky, General Counsel Fax: (407) 598-4241 E-mail: carlynk@florida-water.com

Greenberg Traurig, P.A.  
777 South Flagler Drive, Suite 300 East  
West Palm Beach, Florida 33401  
Attention: Phillip C. Gildan  
Fax: (561) 838-8867  
E-mail: gildanp@gtlaw.com

Seller (after the Closing): Philip R. Halverson  
VP/General Counsel  
30 West Superior Street  
Duluth, MN 55802  
Fax: (218) 723-3960  
E-mail: phalverson@allete.com

Buyer: J. Lance Reese, Chairman  
Florida Water Services Authority  
E-mail: cacagms@aol.com

with a mandatory copy to: Miller, Canfield, Paddock and Stone, PLC  
Attention: Richard I. Lott  
Fax: (850) 469-1088  
E-mail: rilott@prodigy.net

13.4 Agreements as to Attorneys. After full disclosure of potential conflicts of interest, Seller and Buyer agree that, in the event Buyer employs after the Closing as its attorney (whether as inside or outside counsel) or a law firm to act as its attorney or attorneys and any of the foregoing was employed by Seller prior to the Closing ("Common Attorneys"), Seller and Buyer do hereby waive any conflict of interest that might exist as a result of the foregoing and does also waive any requirement that such Common Attorneys maintain in confidence information which, but for this section, such Common Attorneys would have to maintain in confidence as a result of their employment as attorneys by the Seller, provided, however, the foregoing waiver is only as to Buyer and it does not apply to information which such Common Attorneys may have relating to this Agreement and the documents to be executed and delivered at the Closing (including the negotiating thereof) and the consummation of the Contemplated Transactions. Furthermore, the foregoing waiver of conflict of interest does not apply to the Common Attorney representing the Buyer in connection with a dispute under this Agreement or a document to be executed and delivered at the Closing. Common Attorneys will include without limitation, if employed as attorneys for Buyer after Closing, Carlyn Kowalsky, Lewis, Longman, & Walker, P.A. Mason and McGee, P.A., Brigham Moore, P.A., Farr, Farr & Emerich, P.A., Lowndes, Drosdick, Doster, Kantor & Reed, P.A., Rutledge, Ecenia, Purnell & Hoffman, P.A., and Greenberg Traurig. For purposes of this section, a

person acting as an attorney within a law firm that constitutes a Common Attorney is considered to be a Common Attorney in his individual capacity. The Seller agrees that the Buyer may employ the same lobbying services currently being utilized by the Seller. Seller shall pay to Buyer at Closing the sum of \$200,000 which Buyer shall utilize for lobbying expenses.

### 13.5 Jurisdiction; Service of Process{tc ""}{tc ""}

Any Proceeding arising out of or relating to this Agreement or any Contemplated Transaction may be brought in the courts of the State of Florida, County of Santa Rosa, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of Florida, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such Proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the Proceeding shall be heard and determined only in any such court and agrees not to bring any Proceeding arising out of or relating to this Agreement or any Contemplated Transaction in any other court. The parties agree that either or both of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any Proceeding referred to in the first sentence of this section may be served on any party anywhere in the world.

### 13.6 Enforcement of Agreement{tc ""}{tc ""}

(a) Notwithstanding any other provision in this Agreement, any dispute among the parties which arises from the Agreement shall be resolved by binding arbitration conducted in accordance with this Section 13.5. (the “Dispute Resolution Process”) Either party may initiate the Dispute Resolution Process by providing written notice to the other party.

(b) After transmittal and receipt of a written notice specifying the area or areas of disagreement or dispute, the parties agree to meet at reasonable times and places, as mutually agreed upon, to discuss the issues.

(c) If discussions between the parties fail to resolve the dispute within fifteen (15) business days of the receipt by each party of the notice described in subsection (a) of this Section 13.5, a binding arbitration may then be initiated by either party by written notification to the other party of the existence of a dispute. Any and all issues related to the matter addressed by the written notice provided in subsection (a) of Section 13.5 or any response by the other party shall be raised and resolved in a single proceeding.

(d) The arbitrators shall be appointed and act as follows: (1) Each party shall appoint a person as arbitrator within ten (10) business days of the date one of the

parties has notified the other of the existence of a dispute; (2) Each appointment shall be signified in writing to the counter party and the arbitrators so appointed, within ten (10) days of their acceptance of appointment, shall appoint a third arbitrator, who shall chair the panel. If the arbitrators appointed by the parties are unable to agree upon a third arbitrator, the same shall be appointed by the American Arbitration Association from its qualified panel of arbitrators. Each party shall have the right to veto up to two appointments proposed by the American Arbitration Association. If either party fails to appoint an arbitrator within ten (10) business days from the date one of the parties has notified the other of the existence of a dispute, then an arbitrator shall be appointed by the American Arbitration Association from its qualified panel of arbitrators as the appointment of the party failing to timely appoint and the two so appointed shall appoint a third arbitrator to chair the panel. The party on whose behalf an arbitrator is appointed shall have the right to veto up to two of the arbitrators appointed by the American Arbitration Association; (3) Nothing in this Section 13.6 shall preclude the parties from mutually agreeing to a single arbitrator to resolve the dispute; (4) No arbitrator shall have a business or other pecuniary relationship with either party, except for payment of arbitrator's fees and expenses without the written consent of both parties.

(e) Arbitrators shall be sworn to perform their duties with impartiality and fidelity. In rendering any decision, the arbitrator shall proceed to consider the Agreement, the dispute identified in the notice and any response and the actions taken and the documentation thereof, conduct, and relative position, knowledge, and the ability of the parties in relation to the dispute.

(f) The arbitration hearing shall convene not earlier than sixty (60) days and not later than ninety (90) days of the acceptance of appointment of all of the arbitrators chosen by the parties unless the parties mutually agree to an earlier date. The arbitrators shall render a decision within ten (10) business days of the date on which the arbitration hearing concludes, and such decisions shall be in writing and in duplicate, one counterpart thereof to be delivered simultaneously to each of the parties. The decision shall contain findings of fact and conclusions of law and shall be final and binding upon the parties.

(g) The parties shall be entitled to discovery pursuant to the Florida Rules of Civil Procedure. All discovery requests by a party shall be enforced by the arbitrators. The arbitration hearing shall not proceed until all outstanding discovery requests have been fulfilled.

(h) The fees, charges and expenses of the arbitrators, any experts engaged by the arbitrators, the respective counsel engaged by the parties, and any witnesses called by the parties shall be paid as follows: the arbitrators shall order each party to pay their own fees, charges and expenses and assess the fees, charges and expenses of the arbitrators equally between the parties.



(i) The provisions of the Florida Arbitration Code, Chapter 682, Florida Statutes, and the Florida Evidence Code, Chapter 90, Florida Statutes, except to the extent inconsistent with the provisions of this Agreement, shall specifically be deemed to apply to any arbitration proceeding conducted hereunder. Unless the venue is mutually agreed upon otherwise by the parties, the venue for any arbitration commenced pursuant to this Section shall be in Pensacola, Florida.

### 13.7 Waiver; Remedies Cumulative{tc ""}{tc ""}

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

### 13.8 Entire Agreement and Modification{tc ""}{tc ""}

This Agreement supersedes all prior agreements, whether written or oral, between the parties with respect to its subject matter (including any letter of intent and any confidentiality agreement between Buyer and Seller) and constitutes (along with the Disclosure Letter, Exhibits and other documents delivered pursuant to this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to its subject matter. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by the party to be charged with the amendment.

### 13.9 Assignments, Successors and no Third-Party Rights{tc ""}{tc ""}

No party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other parties, except that Buyer may collaterally assign its rights hereunder to any financial institution providing financing in connection with the Contemplated Transactions. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement

any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 13.8.

#### 13.10 Severability{tc ""}{tc ""}

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

#### 13.11 Construction{tc ""}{tc ""}

The headings of Articles and Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to “Articles,” and “Sections” refer to the corresponding Articles and Sections of this Agreement.

#### 13.12 Time of Essence{tc ""}{tc ""}

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

#### 13.13 Governing Law{tc ""}{tc ""}

This Agreement will be governed by and construed under the laws of the State of Florida without regard to conflicts-of-laws principles that would require the application of any other law.

#### 13.14 Execution of Agreement{tc ""}{tc ""}

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

#### 13.15 Radon Gas.

**(a) RADON IS NATURALLY OCCURRING RADIOACTIVE GAS THAT, WHEN IT HAS ACCUMULATED IN A BUILDING IN SUFFICIENT QUANTITIES, MAY PRESENT HEALTH RISKS TO PERSONS WHO ARE EXPOSED TO IT OVER TIME. LEVELS OF RADON THAT EXCEED**

**FEDERAL AND STATE GUIDELINES HAVE BEEN FOUND IN BUILDINGS IN FLORIDA. ADDITIONAL INFORMATION REGARDING RADON TESTING MAY BE OBTAINED FROM THE COUNTY PUBLIC HEALTH UNIT.**

13.16 Limited Liability.

Neither the State of Florida nor any political subdivision or municipality thereof, nor the Buyer, shall be obligated (1) to exercise its ad valorem taxing power or any other taxing power in any form on any real or personal property to pay any liability arising out of, or in any connection whatsoever with, this Agreement, or to pay the principal of the Acquisition Bonds, the interest thereon or other costs incident thereto or (2) to pay the same from any other funds, except from the Net Revenues realized by the Buyer from its ownership or operation of the System or from the Acquisition Bonds Net Proceeds, junior and subordinate to the payment of any Bonds or other indebtedness payable from such source. It is further agreed between the Buyer and the Seller that this Agreement and any obligations arising in connection therewith, whether for payment of the Purchase Price, or for any claim of liability, remedy for breach, or otherwise, shall not constitute a lien on the System or any other property of the Authority, or any municipality.

Notwithstanding anything to the contrary contained herein or in any other instrument or document executed by or on behalf of the Buyer in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement, or obligation of any present or future member, officer, employee or agent of the Buyer, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Buyer, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the principal of, premium, if any, or interest on any of the Bonds or the Purchase Price or for any claim based hereon or thereon or on any such stipulation, covenant, agreement, or obligation, against any such person, in his individual capacity, either directly or through the Buyer or any successor to the Buyer, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released. All references to the Buyer in this paragraph shall be deemed to include the Buyer, the City of Gulf Breeze, the City of Milton, their respective Mayors, Council Members, officers, employees, and agents.

The Buyer shall not be obligated to pay any liability, claim or obligation arising from or in connection with this Agreement or the transactions contemplated thereby, or the Purchase Price from any funds of the Buyer derived from any source other than the Pledged Revenues, (as it shall be defined in the Indenture pursuant to which the Bonds

are issued) which right of payment from the Buyer to the Seller shall be junior and subordinate to the payment of the Bonds secured by such Pledged Revenues. The Seller hereby agrees to indemnify and defend the Buyer and hold the Buyer harmless against any and all claims, losses liabilities or damages in any way growing out of or resulting from challenges to this Agreement or objections to the Buyer completing the Contemplated Transactions prior to closing, including, without limitation, all costs and expenses of the Buyer, including reasonable attorney's fees, incurred in the performance of any activities of the Buyer in connection with the foregoing. All references to the Buyer in this paragraph shall be deemed to include the Buyer, the City of Gulf Breeze, the City of Milton, their respective Mayors, Council Members, officers, employees, and agents.

Nothing herein shall be deemed to authorize, create or impose upon the City of Gulf Breeze or the City of Milton any obligation, duty, liability or responsibility for the taking of or refraining from any action, or for the payment of any sums for any reason whatsoever. The Seller hereby acknowledges that the City of Gulf Breeze and the City of Milton shall have no liability whatsoever on account of this Agreement or the transactions contemplated hereby, including, without limitation, any claims or liabilities arising on account of any breach, misrepresentation or other action or failure to act on the part of the Buyer. The Seller hereby covenants and agrees that it will never seek remedy or recourse against, or seek to impose any liability upon, the City of Gulf Breeze or City of Milton, for any liability or claim arising in connection with or relating to this Agreement or the transactions contemplated thereby, whether against the Buyer, the Cities of Gulf Breeze or Milton directly, or otherwise, under any rule of law or equity, statute or constitution or by the enforcement of any provision of this Agreement, or by way of assessment or penalty or otherwise; and all such liability, if any, of the City of Milton and the City of Gulf Breeze is hereby expressly waived and released.

If, prior to closing, the Seller shall determine that, because of its indemnity obligations contained in the penultimate paragraph hereto, it is no longer economically feasible to proceed to the Closing or to pursue the transaction contemplated hereby, Seller may elect to give written notice to the Buyer that it no longer wishes to complete the Contemplated Transaction. Upon receipt of such notice, Buyer may elect to proceed with the Closing without such indemnity under the penultimate paragraph (in which case the Seller shall be excused from any further indemnity obligation under said indemnity but not from obligations accrued therefrom prior thereto), or to terminate its obligations hereunder (in which case the Seller shall remain liable for and pay the Due Diligence Expense).

The provisions of this Section shall survive the termination of this Agreement.

may elect to give written notice to the Buyer that it no longer wishes to complete the Contemplated Transaction. Upon receipt of such notice, Buyer may elect to proceed with the Closing without such indemnity under the penultimate paragraph (in which case the Seller shall be excused from any further indemnity obligation under said indemnity but not from obligations accrued therefrom prior thereto), or to terminate its obligations hereunder (in which case the Seller shall remain liable for and pay the Due Diligence Expense).

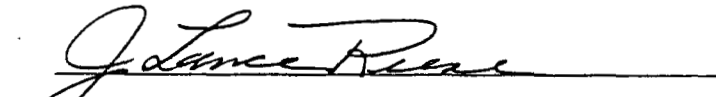
The provisions of this Section shall survive the termination of this Agreement.

13.17 Obligations Subordinate.

All obligations of the Buyer hereunder or arising in connection therewith (the "Utility Acquisition Liabilities" or "UA Liabilities") shall be limited and special obligations of the Buyer, payable solely from the Net Revenues, junior and subordinate to the outstanding Bonds of the Authority. The UA Liabilities shall not be or constitute a general indebtedness, liability, general or moral obligation, or a pledge of the faith, credit or taxing power of the Buyer, the State of Florida, or any political subdivision or municipal corporation thereof, within the meaning of any constitutional or statutory provision or limitation. Neither the State of Florida nor any political subdivision or municipal corporation thereof, nor the Buyer shall be obligated (1) to levy ad valorem taxes on any property to pay the UA Liabilities or other costs incident thereto or (2) to pay the same from any other funds of the Buyer, except from the Net Revenues, junior and subordinate to the outstanding Bonds of the Buyer. It is further agreed between the Buyer and the Seller that the UA Liabilities shall not constitute a lien upon the System or facilities, or any part thereof, or on any other property of the Buyer.

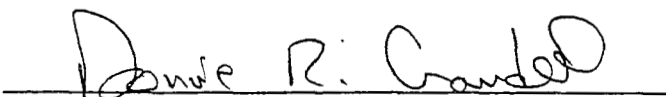
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Buyer:

  
By: J. LANCE REESE

Its: CHAIRMAN

Seller:



By: DONNIE R. CRANDELL

Its: PRESIDENT

**Exhibit 2.2 – I**  
**Excluded Assets & Retained Liabilities – Contracts**

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The following matters are provided in accordance with § 2.2 (g) which states:

**2.2 Excluded Assets**

Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the “Excluded Assets”) are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of Seller after the Closing:

(a) ... (f)

(g) all of the contracts listed in Exhibit 2.2;

1. Intercompany and Intracompany accounts payable up to date of Closing
2. Palm Coast (ITT) Acquisition Payoff
3. Letters of Credit

<u>Beneficiary</u>	<u>Renew Date</u>
a. Liberty Mutual Insurance	1/3/01
b. Florida Power	1/31/01
c. Florida Department of Env. Protection – Marco	3/5/01
d. Polk County	5/31/01
e. Lakeland Electric	7/12/01
f. Florida Dept. of Env. Protection – Burnt Store	7/13/01
g. Jacksonville Electric Authority	7/31/01
h. Board of County Com. – Collier	8/22/01
i. Florida Power and Light	9/20/01
j. Withlacoochee River Electric	

**Exhibit 2.2 – I**  
**Excluded Assets & Retained Liabilities – Contracts**  
**(continued)**

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4. Developer's Agreement between Lehigh Corporation, Cliffside Properties, Inc. ("Developer") and Lehigh Utilities, Inc. made July 6, 1992 effective July 1, 1991. and Modification to Developer's Agreement between Lehigh Corporation, Cliffside Properties, Inc. ("Developer") and SSU dated March 31, 1994.
5. Sections 2.81, 2.8.2, 2.8.3, & 2.9 (related to Futures & "Participation Amount") of the Asset Purchase Agreement By and Between Palm Coast Utility Corporation & Florida Water Services Corporation dated May 11, 1998.
6. Section 2(c) (ii) (regarding Futures Payments) of the Asset Purchase Agreement Between Florida Water Services Corporation and Spruce Creek South Utilities, Inc. and Del Webb's Spruce Creek Communities, Inc. dated June 29, 2000.
7. Futures Agreement Between Del Webb's Spruce Creek Communities, Inc. and Florida Water Services Corporation dated June 29, 2000.

**Exhibit 2.2 – II**  
**Excluded Assets – Real Property**

The following matters are provided in accordance with § 2.2(l) which states:

**2.2 Excluded Assets**

Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the “Excluded Assets”) are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of Seller after the Closing:

(a) ... (k)

(l) the property and assets expressly designated in Exhibit 2.2.

	Internal Parcel/Tax I.D.#	Plant	Legal Description	Acres
<b>Citrus</b>				
1.	<b>Parcel 4</b> 17E19S10 23313  Former Water Plant Site  We now have Interconnect	Crystal River	Commence from the Southeast corner of the SW1/4 of the SW1/4 of the SE1/4 of Section 10, Township 19 South, Range 17 East, Citrus County, Florida, S.89_13=17@W. along the South line of said Section 10 a distance of 452.19 feet to the Point of Beginning. Thence continue S.89_13'27"W. along the South line of Section 10, a distance of 100.0 feet to the East right of Way of Old U. S. Highway No. 19, thence N.01_50=50"W. along the East right of way of Old U. S. Highway No. 19, a distance of 119.17 feet, thence N.89_13'27"E. 100.0 feet, thence S.01_50'50"E. 119.17 feet to the Point of Beginning.	
<b>Collier</b>				
2.	<b>Parcel 13</b> 59430600005  Residual of Marco Shores Land Swap (Airport)	Marco Shores	Tract Q, MARCO SHORES UNIT ONE, a Subdivision according to the Plat thereof as recorded in Plat Book 14, Pages 33 through 38, Public Records of Collier County, Florida.	0.90



**Exhibit 2.2 – II  
Excluded Assets – Real Property**

	<b>Internal Parcel/Tax I.D.#</b>	<b>Plant</b>	<b>Legal Description</b>	<b>Acres</b>
<b>Flagler</b>				
3.	<b>Parcel RP0011</b> 07-11-31-7013-RP-E-0000  Alternate Well Site	Palm Coast	All of Reserved Parcel AE@, Belle Terre - Section 13 of Palm Coast, as recorded in Map Book 7, Page 4, Public Records of Flagler County, Florida.	1.09
4.	<b>Parcel RP0012</b> 07-11-31-7013-RP-G-0000  Alternate Well Site	Palm Coast	All of Reserved Parcel AG@, Belle Terre - Section 13 of Palm Coast, as recorded in Map Book 7, Page 5, Public Records of Flagler County, Florida.	1.09
<b>Pasco</b>				
5.	<b>Parcel 14</b> 17-26-21-0010-03800-0000  Abandoned Plant Site	Zephyr Shores	Commence at the NW corner of Section 17, Township 26 South, Range 21 East, Pasco County, Florida, and run S 00°28'22" E, along the West boundary of said Section 1343.46 feet to the SW corner of AMERICAN CONDIMINUM PARKS ZEPHYRHILLS PHASE II, as recorded in Plat Book 24, Pages 57-60, Public Records of Pasco County, Florida, thence run S 89°35'49" E, along the South boundary of said Subdivision 1290.53 feet for a Point of Beginning; thence continue S 89°35'49" E, 15.00 feet; thence S 00°21'19" W, along said boundary 68.23 feet; thence along same boundary N 54°33'44" E, 371.79 feet; thence S 35°26'16" E, 109.85 feet; thence S 54°33'44" W, 469.51 feet; thence N 00°21'19" E, 214.50 feet to the Point of Beginning. Also know as Sewer Plant "C".	

**Exhibit 2.2 – II  
Excluded Assets – Real Property**

	<b>Internal Parcel/Tax I.D.#</b>	<b>Plant</b>	<b>Legal Description</b>	<b>Acres</b>
6.	<b>Parcel 16</b> 17-26-21-0020-00D0-0000  Abandoned Plant Site	Zephyr Shores	Commence at the NW corner of Section 17, Township 26 South, range 21 East, Pasco County, Florida, and run S 00°28'22" E, along the West boundary of said Section 1343.46 feet to the SW corner of AMERICAN CONDOMINIUM PARKS ZEPHYRHILLS PHASE II, as recorded in Plat Book 24, Pages 57-60, Public Records of Pasco County, Florida, thence run S 89°35'49" E, along the South boundary of said Subdivision 229.76 feet to a Point of Beginning; thence continue along said boundary S 89°35'49" E, 307.74 feet; thence S 00°28'22" E, 100.10 feet; thence N 89°35'49" W, 307.74 feet; thence N 00°28'22" W, 100.53 feet to the Point of Beginning. Subject to an easement for ingress and egress over and across the East 17.5 feet and West 17.5 feet thereof. Also known as Sewer Plat "D"	2.0
<b>Polk</b>				
7.	<b>Parcel 11</b> 232724008300001012	Lake Gibson	The East 400.00 feet of Block "A", LAKE GIBSON ESTATES, according to the Plat thereof as recorded in Plat Book 44, Page 25, Public Records of Polk County, Florida.	*
<b>Washington</b>				
8.	<b>Parcel 1</b> 09-0565-0000	Sunny Hills	Tract AC@ of SUNNY HILLS UNIT NINE, according to the plat thereof recorded in Plat Book 2, Pages 103 through 107 inclusive of the Public Records of Washington County, Florida.	7.74
9.	<b>Parcel 2</b> 13-1308-0000	Sunny Hills	Tract AA@ of SUNNY HILLS UNIT THIRTEEN, according to the plat thereof recorded in Plat Book 3, Pages 1 through 9 inclusive of the Public Records of Washington County, Florida.	7.73

**Exhibit 2.2 – II**  
**Excluded Assets – Real Property**

	<b>Internal Parcel/Tax I.D.#</b>	<b>Plant</b>	<b>Legal Description</b>	<b>Acres</b>
10.	<b>Parcel 3</b> 14-1302-0000	Sunny Hills	Tract AY@ of SUNNY HILLS UNIT FOURTEEN, according to the plat thereof recorded in Plat Book 3, Pages 10 through 25 inclusive of the Public Records of Washington County, Florida.	10.2

**Exhibit 2.2 – III**  
**Excluded Assets & Retained Liabilities – Other Property**

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The following matters are provided in accordance with § 2.2(l) which states:

**2.2 Excluded Assets**

Notwithstanding anything to the contrary contained in Section 2.1 or elsewhere in this Agreement, the following assets of Seller (collectively, the “Excluded Assets”) are not part of the sale and purchase contemplated hereunder, are excluded from the Assets and shall remain the property of Seller after the Closing:

(a) ... (k)

(l) the property and assets expressly designated in Exhibit 2.2.

**A. Assets listed in Florida Water’s accounting records**

1. Net acquisition adjustment
2. CoBank Investment—Patronage
3. Investment in Non-Regulated Companies (affiliates of Allete Water)
4. Cash
5. Restricted Cash—SWAP and CD in Lieu of deposits
6. Utility deposits
7. Lease deposits
8. Working funds
9. Temporary cash investments
10. All “other accounts receivables”
  - Employee computer loans
11. Harbor Branch notes receivable
12. Marco Island reuse promissory notes receivable
13. Prepaid expenses
14. Interest receivable, except that related to Deltona service deposits
15. Unamortized debt issue costs
16. Extraordinary abandonments
17. Regulatory assets (additional rate base related to non-used and useful plant which would be used in our next rate filing—of no value to Buyer)

**Exhibit 2.2 – III**  
**Excluded Assets & Retained Liabilities – Other Property**

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**A. Assets listed in Florida Water’s accounting records (continued)**

18. Temporary clearing accounts
19. Deferred rate case costs
20. All “other” deferred debits  
(all deferred debits currently being amortized that don’t have value to Buyer)
21. Deferred federal income taxes
22. Deferred state income taxes
23. Equity and debt securities of any nature
24. Intracompany & intercompany accounts receivable

**B. Employee Benefits**

The following assets are excluded unless Seller elects to roll them into new comparable plans sponsored by Buyer.

1. CBIZ Retirement Services Account for Executive Non-Qualified Deferred Compensation Plan
2. 401K Assets
3. 401K Loan Repayments due from Employees
4. Medical and Dependent Care Flexible Benefits Account
5. Insurance Reimbursement Account for Great West

**Exhibit 2.2 – III**  
**Excluded Assets & Retained Liabilities – Other Property**

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**C. Other Excluded Assets**

1. The Florida corporation known as Florida Water Services Corporation and the Minnesota corporation known as Allete Water Services, Inc.
2. Corporate records of Florida Water and ALLETE Water and their affiliates
3. Personnel files for past employees of Florida Water and ALLETE Water Services employees and their affiliates and current employees not hired by Buyer.
4. Records required to be retained by Florida Water for Federal and State tax purposes.
5. Proceeds from Insurance claims filed prior to Closing
6. Proceeds from Warranty claims filed prior to Closing
7. Pre-paid subscriptions, dues, etc.
8. VGU/Seminole Utility payment
9. Any condemnation settlement or litigation proceeds for property not sold to Buyer
10. Proceeds from November 1, 1995 Final Judgment and related matters arising out of 9th Circuit Court, (Orange County) Case # CI 93-1329, Division 39, Southern States Utilities, Inc. v. Southfield Farms, Ltd. V, et al.
11. Hypochlorination and Polyphosphate feed equipment owned by vendors that supply the chemical feed solution.
12. Laboratory Equipment owned by Harbor Branch Oceanographic Institute, a tenant of Florida Water at Amelia Island, Lehigh Acres, Deltona and Spring Hill.
13. Membrane Pilot Plants located in Deltona and Marco Island (not currently used).

**Exhibit 2.2 – III**  
**Excluded Assets & Retained Liabilities – Other Property**

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**D. Trust Indenture**

1. File No. 970000074639 - on April 9, 1997 - Secured Party: Suntrust Bank;  
Collateral: All business assets other than real property for the Bond Issue \*\*Some  
parcels have been released as required during transfers of ownership for certain  
real property
  
2. File No. 930000068058 - on March 31, 1993 - Secured Party: Suntrust Bank;  
Collateral: All business assets other than real property for the Bond Issue  
\*\*Some parcels have been released as required during transfers of ownership for  
certain real property

**Exhibit 3.10(A)**  
**Certain Changes and Events**

The following matters are provided in accordance with § 3.10(A) which states:

(a) Except as set forth in Exhibit 3.10(A), since July 1, 2002, Seller has conducted its business only in the Ordinary Course of Business, there has not been any material adverse change in its business and in the operation of the System, and there has not been:

(b) There has not been any damage to or destruction or loss of any Asset, whether or not covered by insurance that has not been replaced or which will not be replaced prior to the Effective Time;

(c) There has not been (to the extent the same might be material to the results of operations of the System or a portion thereof) a sale (other than sales of Inventories in the Ordinary Course of Business), lease or other disposition of any Asset or property of Seller (including the Intellectual Property Assets);

None



Exhibit 3.11(b)  
Governmental Authorizations

The following matters are provided in accordance with § 3.9(b) which states:

(b) Exhibit 3.11(b) contains a complete and accurate list of each Governmental Authorizations that are held by Seller or that otherwise relates to Seller's business or the Assets. To Seller's knowledge, the Governmental Authorizations listed are valid and in full force and effect.

(i) Seller is in material compliance with all of the Material terms and requirements of the Governmental Authorizations;

(ii) No event has occurred or circumstance exists that may (A) constitute or result directly or indirectly in a material violation of or a material failure to comply with any material term or requirement of any Governmental Authorization or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any material Governmental Authorization;

(iii) Seller has not received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization or (B) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modification to any Governmental Authorization, *other than* such violations, failures, revocations, withdrawals, suspensions, cancellations, terminations or modifications as have either been resolved with such Governmental Body or Person, or are not material to the successful operation of the System or to the results of such operations; and

(iv) To the best of Seller's knowledge, all applications required to have been filed for the renewal of the material Governmental Authorizations have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other Material filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

The Governmental Authorizations collectively constitute the Governmental Authorizations necessary to permit Seller to lawfully conduct and operate its business in the manner in which it currently conducts and operates such business and to permit Seller to own and use its assets in the manner in which it currently owns and uses such assets.

**Exhibit 3.11(b)**  
**Governmental Authorizations**

The representations set forth in Section 3.9(b) above are true except for those matters set forth in Exhibits 3.11, 3.12, and 3.13.

Permits and other Authorizations

- I. Operating Permits.
- II. Construction Permits.
- III. Occupational Licenses.
- IV. FCC Licenses.
- V. Storage Tank Registrations.
- VI. Other.
- VII. Public Service Commission certificates and authorizations from the regulatory counties.
- VIII. PWS numbers from the Department of Environmental Protection.

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
1518	Nassau	Amelia Island	SJRWMD CUP 50087	12/31/21	DEP FLA011688	02/18/04
990	Citrus	Apache Shores	Interconnected		DEP FLA011871	6/16/07
990	Citrus	Apache Shores			DOH Citrus 6202	4/30/03
332	Seminole	Apple Valley	SJRWMD CUP 50281	09/13/04	Interconnected	
784	Osceola	Bay Lake Estates	SFWMD WUP 49-00959-W	03/23/19		
886	Duval	Beacon Hills/Cobblestone	SJRWMD TEMP CUP 2-031-0065ANMRT	03/14/96 Active renewal application	DEP FLA0026778	5/1/02 Active renewal application
886	Duval	Beacon Hills/Cobblestone			DEP Multi-Sector Generic Permit for Stormwater Discharge (No number)	05/08/07
472	Putnam	Beechers Point	Interconnected		DEP FLA011732 – 001-DW3P (Interconnected March 2002)	06/25/03
785	Osceola	Buenaventura Lakes	SFWMD WUP 49-00002-W	01/12/05	DEP FL0039446	03/10/06
785	Osceola	Buenaventura Lakes			Permit for Aquatic Plant Possession 1594 [DEP]	07/31/03
2202	Charlotte	Burnt Store	SFWMD WUP 203522.05	11/28/05	DEP FLA014083	04/16/07

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
2202	Charlotte	Burnt Store	DEP Injection Well Permit [Concentrate] 44562-001-UC ( Modifying UO )	04/17/07		
2202	Charlotte	Burnt Store	DEP Industrial Wastewater Facility Permit [Concentrate] FL0034967	01/27/07		
555	Lake	Carlton Village	SJRWMD CUP 2605	12/08/20		
335	Seminole	Chuluota	SJRWMD CUP 8362	08/18/18	DEP FLA011076	7/4/02 Active renewal application
1117	Marion	Citrus Park	SJRWMD CUP 20-083-0015R	04/28/07	DEP FLA010767	05/16/05
906	Citrus	Citrus Springs	SWFWMD WUP 202842.05	11/18/07	DEP FLA011877	08/09/04
906	Citrus	Citrus Springs	DOH Citrus 6090312	04/30/03		
906	Citrus	Citrus Springs	SWFWMD ERP 4613984.00	(Transferred to Operation Phase) 1/31/01	DOH Citrus 6214	04/30/03
2201	Charlotte	Deep Creek	Interconnected		Interconnected	
1806	Volusia	Deltona Lakes	SJRWMD CUP APPL/21270093UNM	05/08/00 Active renewal application	DEP FLA111724	05/14/03
336	Seminole	Dol Ray Manor	SJRWMD CUP 3769	04/04/04		
334	Seminole	Druid Hills	SJRWMD CUP 201170019RM	09/16/12		

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
			<b>Water</b>		<b>Wastewater</b>	
No	County	Name	Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
557	Lake	East Lake Harris	SJRWMD CUP 2607	03/07/20		
324	Seminole	Fern Park	Interconnected			
552	Lake	Fern Terrace	SJRWMD CUP 2611	02/18/20		
673	Martin	Fisherman's Haven	SFWMD WUP 43-00804-W	03/10/04	DEP FLA013858	02/15/05
340	Seminole	FL Central Commerce Park			DEP FLA011078	8/25/02 Active renewal application
772	Osceola	Fountains	SFWMD WUP 49-00977-W	07/15/09		
679	Martin	Fox Run	SFWMD WUP 43-00602-W	08/05/22	Interconnected	
556	Lake	Friendly Center	n/a (well size)			
1298	Bradford	Geneva Lake Estates	SJRWMD WUP 2-91-00037	09/25/11		
215	Polk	Gibsonia Estates	SWFWMD WUP 209336.01	01/14/09		
992	Citrus	Golden Terrace	Interconnected			
992	Citrus	Golden Terrace	DOH Citrus 6090674	04/30/03		
986	Citrus	Gospel Island	n/a (well size)			

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
986	Citrus	Gospel Island	DOH Citrus 6094953	04/30/03		
575	Lake	Grand Terrace	SJRWMD CUP 2488	02/08/22		
326	Seminole	Harmony Homes	SJRWMD CUP 8357	01/18/20		
438	Putnam	Hermits Cove	n/a (well size)			
1902	Hillsborough	Hershel Heights	Interconnected			
558	Lake	Hobby Hills	SJRWMD CUP 2613	12/07/19		
573	Lake	Holiday Haven	Interconnected		DEP FLA010655	08/05/06
570	Lake	Imperial Mobile Terrace	SJRWMD CUP 4493	06/30/06		
780	Osceola	Intercession City	SFWMD WUP 49-00970-W	06/10/09		
470	Putnam	Interlachen Lake	SJRWMD CUP 7986	09/30/19		
1802	Volusia	Jungle Den	Interconnected		DEP FLA011261	07/20/05
1279	Bradford	Keystone Club Estates	SJRWMD CUP 4 31	9/10/22		
1094	Clay	Keystone Heights	SJRWMD CUP 4 31	9/10/22		

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
1701	Brevard	Kingswood	Interconnected			
773	Osceola	Lake Ajay	SFWMD WUP 4900415W	05/15/21		
325	Seminole	Lake Brantley	SJRWMD CUP 8361	07/19/19		
210	Polk	Lake Gibson	SFWMD WUP 207878.02	08/08/12	Interconnected	
323	Seminole	Lake Harriet Estates	SJRWMD CUP 8356	04/16/22		
995	Citrus	Lakeside	SFWMD WUP 20011696.001	03/02/08		
995	Citrus	Lakeside	DOH Citrus 6092197	04/30/03		
1054	Clay	Lakeview Villas	n/a (well size)			
2901	Lee	Lehigh	SFWMD CUP 36-00166-W	11/14/06	DEP FLA014565	12/17/03
2901	Lee	Lehigh	DEP WTP Lime silo permit 0710081-003-AO	06/19/06		
675	Martin	Leilani Heights	SFWMD WUP 43-00070-W	09/09/09	DEP FLA013866	03/22/05
2401	Highlands	Leisure Lakes	SFWMD WUP MOD/206456.003	08/02/18	DEP FLA014388	05/06/04
2601	Collier	Marco Island	SFWMD WUP 11-01388-W (RO Plant)	04/11/16	DEP FLA014167	06/06/04

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
2601	Collier	Marco Island	SFWMD WUP 11-00080-W Lime Plant and Marco Lakes	3/9/05		
2601	Collier	Marco Island	SFWMD ROW permit 11162		DEP Injection Well Permit [concentrate & ww] 143383-002-UO	08/11/07
2601	Collier	Marco Island	SFWMD ERP 11-01921-P Surface Water Mgmt System serving 75 Acres - Marco Lakes	04/04/06	DEP Industrial Waste Disposal Permit [concentrate & ww] FLA014227	04/14/07
2601	Collier	Marco Island	SFWMD ERP 11-01921-P Modification of SWMS serving .8 Acres Marco Lakes Interconnect & Discharge Pipeline	05/31/06		
2601	Collier	Marco Island	DEP Lime Silo Permit 0210030-001-AO	03/22/04		
2601	Collier	Marco Island	DEP ASR Well operating permits [raw] 141218-010-UO	10/01/06		
2601	Collier	Marco Island	ROW Permit – Henderson Creek Interconnect SFWMD WUP 11-01938-W	11/16/01 Renewal not required		
2602	Collier	Marco Shores	SFWMD WUP 11-01388-W	04/11/16	DEP FLA014174	09/13/04
2602	Collier	Marco Shores	SFWMD WUP 11-00080-W	03/9/05		
2602	Collier	Marco Shores	DEP 0210030-001-AO Lime Silo Permit	03/22/04		
1106	Marion	Marion Oaks	SWFWMD WUP 20002841.008	07/24/11	DEP FLA012669	08/14/06



**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
330	Seminole	Meredith Manor	SJRWMD CUP 8359	05/08/22	Interconnected	
562	Lake	Morningview	SJRWMD CUP 2610	11/17/19	DEP FLA010610	03/27/06
993	Citrus	Oak Forest	SWFWMD WUP 207879.02	06/16/07		
993	Citrus	Oak Forest	DOH Citrus 6091274	04/30/03		
1702	Brevard	Oakwood	Interconnected			
214	Polk	Orange Hill /Sugar Creek	SWFWMD WUP 207653.02	08/08/10		
579	Lake	Palisades Cnty Club	SJRWMD CUP 20-069-0059R	03/18/07		
3001	Flagler	Palm Coast	SJRWMD CUP 2-035-0011NM	4/7/99 Active renewal application	DEP FL0116009	1/2/2007
3001	Flagler	Palm Coast	DEP Industrial Waste Disposal Permit [concentrate] FL0042838	11/04/06		
3001	Flagler	Palm Coast			Consent to Easement Stormwater Outfall Structure - Corps of Engineers DACW17- 9-99-0034	N/A
440	Putnam	Palm Port	SJRWMD CUP 8127	05/02/21	DEP FLA011742	02/17/04
1429	Pasco	Palm Terrace	SWFWMD WUP 20003759.003	08/14/12	DEP FLA012773	03/22/04

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**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
2301	St. Johns	Palm Valley	Interconnected			
559	Lake	Palms Mobile	SJRWMD CUP 2612	11/17/19		
444	Putnam	Park Manor	SJRWMD CUP 7986	09/30/19	DEP FLA011706	04/30/03
564	Lake	Picciola Island	SJRWMD CUP 2609	12/07/19		
907	Citrus	Pine Ridge	SWFWMD WUP 202842.05	11/18/07		
907	Citrus	Pine Ridge	DOH Citrus 6091399	04/30/03		
782	Osceola	Pine Ridge Estates	SFWMD WUP 49-00946-W	01/14/09		
553	Lake	Piney Woods	SJRWMD CUP 2604	05/17/21		
987	Citrus	Point O' Woods	SWFWMD WUP 200729.03	05/21/14	DEP FLA011893	06/04/05
987	Citrus	Point O' Woods	DOH Citrus 6091422	04/30/03	DOH Citrus 6259	04/30/03
443	Putnam	Pomona Park	n/a (well size)			
1095	Clay	Postmaster Village	SJRWMD CUP 519	04/20/20		
578	Lake	Quail Ridge Estates	SJRWMD CUP 20-069-0080R	11/05/06		

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
2302	St. Johns	Remington Forest	n/a (well size)			
2302	St. Johns	Remington Forest	DOH St. Johns 55-58-00098	09/30/01		
442	Putnam	River Grove	n/a (well size)			
985	Citrus	Rolling Green	SWFWMD WUP 206291.02	07/15/07		
988	Citrus	Rosemont/Rolling Green	SWFWMD WUP 206291.02	07/15/07		
988	Citrus	Rosemont	DOH Citrus 6094905	04/30/03		
1115	Marion	Salt Springs	SJRWMD CUP 108	04/23/19	DEP FLA010686	11/30/03
1115	Marion	Salt Springs	USDA LAK11	12/31/19		
1118	Marion	Samira Villas	n/a (well size)			
448	Putnam	Saratoga Harbour	n/a (well size)			
1906	Hillsborough	Seaboard	SWFWMD WUP 202840.03	11/26/13	Interconnected	
574	Lake	Silver Lake Estates	SJRWMD CUP 2644	5/9/2005		
473	Putnam	Silver Lake Oaks	n/a (well size)		DEP FLA011715	12/11/05

**Exhibit 3.11(b)  
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<b>I. Operating Permits</b>						
			<b>Water</b>		<b>Wastewater</b>	
No	County	Name	Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
551	Lake	Skycrest	SJRWMD CUP 2614	02/23/20		
1113	Marion	South Forty			DEP FLA010720	05/20/05
994	Citrus	Spring Gardens	n/a (well size)		DEP FLA011858	04/05/06
994	Citrus	Spring Gardens	DOH Citrus 6092199	04/30/03	DOH Citrus 6272	4/30/03
2701	Hernando	Spring Hill	SWFWMD WUP 204842.012	9/24/08	DEP FLA012043	10/20/02 Active renewal application
2701	Hernando	Spring Hill			DEP 169197-001-SO (GW) Landfill, Water Quality Monitoring Permit	10/15/05
2701	Hernando	Spring Hill			Hydrated-Lime Storage Silo DEP 0530043-003-AO	12/22/05
1120	Marion	Spruce Creek Golf and Country Club	SJRWMD CUP 82064	01/11/06	DEP FLA016971	09/10/06
1121	Marion	Spruce Creek Preserve	SWFWMD WUP 20012218.000	06/25/12	DEP FLA016867	08/29/06
1122	Marion	Spruce Creek South	SJRWMD CUP 82827	07/07/08	DEP FLA010769	11/30/04
471	Putnam	St. Johns Highlands	Interconnected			
565	Lake	Stone Mountain	SJRWMD CUP 2606	07/24/22		

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>I. Operating Permits</b>						
			<b>Water</b>		<b>Wastewater</b>	
No	County	Name	Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
1130	Marion	Stonecrest	SJRWMD CUP 71676	09/09/02 Active renewal application	DEP FLA010741	06/05/04
1130	Marion	Stonecrest			ERP-DEP42- 0195487-001-SI	06/27/07
212	Polk	Sugar Creek /Orange Hill	SWFWMD WUP 207653.02	08/08/10		
989	Citrus	Sugarmill Woods	SWFWMD WUP 20009791.005	06/25/08	DEP FLA011903	06/20/07
989	Citrus	Sugarmill Woods	DOH Citrus 6091735	04/30/03	DOH Citrus 6276	04/30/03
2801	Washington	Sunny Hills	NWFWMD WUP S842730	04/23/03	DEP FLA010258	6/6/2001 Active renewal application
560	Lake	Sunshine Parkway	SJRWMD CUP 2-069-0338NRM (2550)	04/09/03	DEP FLA010656	07/20/03
130	Orange	Tangerine	SJRWMD CUP 51073	09/30/09		
1808	Volusia	Tomoka	VCHD WUP 0190368-001-WC/M2	10/17/06		
781	Osceola	Tropical Park	SFWMD WUP 49-00290-W	10/12/05		
1809	Volusia	Twin Rivers	n/a (well size)			
554	Lake	Valencia Terrace	SJRWMD CUP 2632	08/11/20	DEP FLA010599	10/30/06

**Exhibit 3.11(b)  
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<b>I. Operating Permits</b>						
No	County	Name	Water		Wastewater	
			Permit No.	Permit Expir.	DEP Permit No.	Permit Expir.
1901	Hillsborough	Valrico Hills	SWFWMD WUP 203704.02	06/08/18	EPC FLA012256 (Hillsborough County)	05/20/06
567	Lake	Venetian Village	SJRWMD CUP 2608	02/18/20	DEP FLA010567	10/20/04
447	Putnam	Welaka	n/a (well size)			
566	Lake	Western Shores	SJRWMD CUP 2644	05/09/05		
783	Osceola	Windsong	SFWMD WUP 84-199W	11/19/04		
888	Duval	Woodmere	SJRWMD CUP 47	06/20/20	DEP FL0026786	04/11/07
446	Putnam	Wootens	n/a (well size)			
1427	Pasco	Zephyr Shores	SWFWMD WUP 2011082	04/11/17	Interconnected	

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Amelia Island	Sewage collection /transmission system - upgrade to pump station #3	0003198-012-DWC	5/12/2000	5/11/2005
Burnt Store	Utility Injection Well IW-1	44562-001-UO	1/27/98	1/27/03
Burnt Store	Sewage collection / transmission system	44561-011-DWC	2/5/02	No Expiration Date
Cobblestone	High Service Pump Piping Improvements	0114963-004-WC	11/20/01	11/20/06
Deltona	Saxon Blvd-Utility Relocation, Phase 1 & 2	0129432-019-DS	03/22/00	3/22/03
Deltona	Whitewood Drive – Connected to Deltona Lakes WWTF	CS64-0117427-002	3/1/01	2/28/03
Deltona	Normandy WTP – Well # 36	0124932-012-WC	10/6/99	10/6/02
Deltona	Chlorine Conversion – Plant 1806-1	0124932-039 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-2	0124932-040 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-3	0124932-041 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-4	0124932-042 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-5	0124932-043 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-6	0124932-044 WC/M1	6/26/02	6/26/07

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<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Deltona	Chlorine Conversion – Plant 1806-7	0124932-045 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-9	0124932-046 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-10	0124932-047 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-11	0124932-048 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-12	0124932-049 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-13	0124932-050 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-14	0124932-051 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-15	0124932-052 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-16	0124932-053 WC/M1	6/26/02	6/26/07
Deltona	Chlorine Conversion – Plant 1806-17	0124932-054 WC/M1	6/26/02	6/26/07
Deltona	Normandy Blvd. Parallel Water Extension	0124932-056 DSGP	9/5/02	9/5/07
Deltona	Deltona Lakes WTP 1806-17 Well 38	0124932-055 WC/13	9/10/02	9/10/07
Fisherman's Haven	Back-up Well	800992-002-WC	8/2/02	8/1/07
Hermits Cove	Replacement Well	0080331-001-WC	5/31/02	5/30/07



**Exhibit 3.11(b)**  
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<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Intercession City	Intercession City Water Main Replacement Improvement	WD49-0080805-004	4/15/02	4/05/05
Lake Gibson Estates	Daughtery Road Water Main Relocation	5302-2347-A9	3/12/02	No Expiration Date
Lake Harriet Estates	Water Distribution Extension	WD59-0080868-004	07/05/01	07/02/04
Lakeview Villa	Lakeview Villa WTP Sequestrant for Iron Treatment	0182422-001-WCGP	04/17/01	4/16/06
Lehigh	Lehigh Acres Reclaimed Water Class V ASR Injection Wells	163438-001-UC, 163438-002-UC, 163438-003-UC, 163438-004-UC	3/27/01	3/26/06
Lehigh	Woodridge Utility Extensions, Phase 2 A (Dry line)	48064-029-DWC	12/19/01	12/18/06
Lehigh	Lee Blvd Phase IV Central Utility Adjustments	48064-033-DWC	6/14/02	6/13/07
Lehigh	Lee Blvd Phase IV North Utility Adjustments	48064-034-DWC	6/14/02	6/13/07
Lehigh	Lee Blvd Phase IV South Utility Adjustments	48064-035-DWC	6/14/02	6/13/07
Lehigh	Woodridge Utility Extension Phase 2A	0133492-038DS	11/5/01	11/5/06
Lehigh	Lehigh Acres -- Parksdale Booster Pump Station	0133492-042DS	5/29/02	5/29/07
Lehigh	Lehigh Water Treatment Plant Electrical System Upgrade	0133492-041WC	1/7/02	1/7/07
Lehigh	Lee Blvd Phase IV North Utility Adjustments	0133492-045DSGP	4/2/02	No Expiration Date
Lehigh	Lee Blvd Phase IV South Utility Adjustments	0133492-046DSGP	4/2/02	No Expiration Date

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<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Lehigh	Lee Blvd Phase IV Central Utility Adjustments	0133492-047DSGP	4/2/02	No Expiration Date
Lehigh	WTP Filter Addition and Capacity Modification	0133492-053DS	8/16/02	8/16/07
Leilani Heights	Leilani Heights WTP No1 Gas Chlorination System Replacement	0081000-001-WC	11/3/00	11/2/05
Marco Island	Marco Island-State Road 951 Utility Relocation	16553-001-DWC	11/24/98	11/23/03
Marco Island	Marco Island Lime Softening Plant-R.O. Blend Line	136078-001-WC	6/24/98	6/24/03
Marco Island	Marco Lakes Aquifer Storage and Recovery (ASR) Class V Injection Wells	141218-001 – 141218-008	4/22/99	4/21/04
Marco Island	Collier Blvd Force main Relocation Connected to Marco Island WWTP – Southwest Coast EMA	54704-014-DWC-CM	11/12/99	11/11/04
Marco Island	Marco Shores- Mainsail Drive	16553-003-DWC/CM	6/21/01	6/20/06
Marco Island	Marco Island Mulberry Court Force Main	54704-019-DWC	4/29/02	No Expiration Date
Marco Island	Marco Shores Wastewater Treatment Plant	2001040102	7/15/02	7/15/04
Marion Oaks	Marion Oaks WM Extension for Units 11 and 12	0112239-004-DSC	5/29/01	5/29/03
Palm Coast	Flagler Holiday Inn Express – Sewage Collection/Transmission Systems	0018380-048-DWC	7/30/01	7/29/06
Palm Coast	Belle Terre Boulevard Water Transmission Improvement Project	0080282-078-DS	11/6/02	11/6/06

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<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Palm Coast	A1A Elevated Water Tank – Conversion to Sodium Hypochlorite	0080282-094-WC	8/23/02	8/22/07
Palm Coast	Membrane Softening Plant Expansion (WTP # 2) – Phase I Re-rating from 2.00 MGD to 3.192 MGD	0080282-098-WC	9/25/02	9/24/07
Pine Ridge (Citrus)	Water Distribution System	81194-001-DSC	1/12/99	1/12/04
Pine Ridge Estates (Osceola)	High Service Pump # 3	WC49-0139097-007	1/28/02	1/22/05
Seaboard	Windermere/Reindeer Road Water Main Relocation	6290333-011-DS/C	3/11/02	3/11/05
Spring Hill	Well # 22 Extension	0125494-034-DSGP		No Expiration Date
Spring Hill	LS #2 & LS #11	CS27-081268-032	7/8/02	6/15/03
Spruce Creek Golf & Country Club	Chlorine Conversion	WD42-0129254-019	10/9/01	10/05/06
Spruce Creek Preserve	Spruce Creek Corrosion Control Installation	0081363-007-WCGP/02	2/26/02	
Spruce Creek Preserve	Chlorine Conversion	081363-006-WC-MI	06/27/01	06/27/03
Spruce Creek South	Chlorine Conversion	WD42-0080705-008	10/9/01	10/05/06
Spruce Creek South	Water Treatment Plant # 2 Modification	WC42-0080705-007	9/7/01	6/22/06
Stonecrest	Expansion of WWTP – Stormwater Management	ERP42-0195487-001-SI	6/28/02	6/27/02

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<b>II. Construction Permits</b>				
<b>Name</b>	<b>Description</b>	<b>Permit</b>	<b>Issued Date</b>	<b>Expiration Date</b>
Wootens	Corrosion Control	0080347-001-WCGP	07/24/00	07/24/05

**Exhibit 3.11(b)**  
**Governmental Authorizations**

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<b>III. Occupational Licenses</b>
Brevard County (Kingswood) Occupational License
Brevard County (Oakwood) Occupational License
Charlotte County Occupational License
Citrus County (Citrus Springs ) Occupational License
Citrus County (Golden Terrace) Occupational License
Citrus County (Apache Shores) Occupational License
Citrus County (Oak Forest) Occupational License
Citrus County (Sugarmill Woods) Occupational License
Citrus County (Gospel Island Estates) Occupational License
Citrus County (Rolling Green) Occupational License
Citrus County (Point O'Woods) Occupational License
Citrus County (Rosemont ) Occupational License

**Exhibit 3.11(b)**  
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<b>III. Occupational Licenses</b>
Citrus County (Lakeside G&CC) Occupational License
Citrus County (Pine Ridge) Occupational License
Citrus County (Spring Gardens) Occupational License
Collier County Occupational License
Duval (Beacon Hills) County Occupational License
Duval (Woodmere) County Occupational License
Flagler County Occupational License
Hernando County Occupational License
Highlands County Occupational License
Hillsborough County Occupational License
Lake County (Skycrest) Occupational License
Lake County (Fern Terrace) Occupational License
Lake County (Piney Woods) Occupational License

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<b>III. Occupational Licenses</b>
Lake County (Valencia Terrace) Occupational License
Lake County (Carlton Village) Occupational License
Lake County (Friendly Center) Occupational License
Lake County (Lake Harris Estates) Occupational License
Lake County (Hobby Hills) Occupational License
Lake County (Palms MHP) Occupational License
Lake County (Sunshine Parkway) Occupational License
Lake County (Morningview) Occupational License
Lake County (Picciola Island) Occupational License
Lake County (Stone Mountain) Occupational License
Lake County (Western Shores) Occupational License
Lake County (Venetian Village) Occupational License
Lake County (Imperial Terrace) Occupational License

**Exhibit 3.11(b)**  
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<b>III. Occupational Licenses</b>
Lake County (Holiday Haven) Occupational License
Lake County (Silver Lake) Occupational License
Lake County (Grand Terrace) Occupational License
Lake County (Quail Ridge) Occupational License
Lake County (Palisades) Occupational License
Lee County Occupational License
Marion County (Marion Oaks) Occupational License
Marion County (Stonecrest) Occupational License
Marion County (South Forty) Occupational License
Marion County (Salt Springs) Occupational License
Marion County (Citrus Park) Occupational License
Marion County (Samira Villas) Occupational License
Marion County (Spruce Creek) Occupational License



**Exhibit 3.11(b)**  
**Governmental Authorizations**

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<b>III. Occupational Licenses</b>
Martin County Occupational License
Nassau County (Amelia Island) Occupational License
Nassau County (Amelia Island) Occupational License
Orange County Occupational License
Osceola County Occupational License
Pasco County (116 Arbordale Drive) Occupational License
Pasco County (2730 Hwy 54 West) Occupational License
Polk County (Lake Gibson) Occupational License
Polk County (Lake Gibson) Occupational License
Putnam County Occupational License
Seminole County Occupational License
St. Johns County (Remington Forest) Occupational License
St. Johns County (Palm Valley) Occupational License

**Exhibit 3.11(b)**  
**Governmental Authorizations**

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<b>III. Occupational Licenses</b>
Volusia County (Jungle Den) Occupational License
Volusia County (255 Enterprise Road) Occupational License
City of Apopka Occupational License
City of Keystone Occupational License
City of Leesburg Occupational License
City of Palm Coast Occupational License
City of Pomona Park Occupational License

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>IV. FCC Licenses</b>			
	<b>Type</b>	<b>Description</b>	<b>Notes/Other</b>
1	Non-Exclusive License Agreement with Tower Technology Corporation of Tampa Bay (Lakeland	Lakeland (Lake Gibson 1-VHF Sation 1-VHF Antenna 200' 7/8" Helix	
2	FCC Radio Station	FCC License Number	
3		WPLY900	Voice BURNT STORE
4		WPJZ928	Scada CITRUS SPRINGS
5		WPGC850	Scada DELTONA
6		WNDY240	Scada DELTONA
7		KNNU466	Scada DELTONA
8		KNNU467	Scada DELTONA
9		KNNU468	Scada DELTONA
10		WNMR783	Test-voice DELTONA

**Exhibit 3.11(b)  
Governmental Authorizations**

<b>IV. FCC Licenses</b>			
	<b>Type</b>	<b>Description</b>	<b>Notes/Other</b>
11		WPJR918	Voice LAKE, MARION, POLK, DELTONA, PUTNAM, JACKSONVILLE
12		WPOE448	Scada LEHIGH
13		WPBD231	Voice LEHIGH
14		WPKA309	Voice LEHIGH
15		WNIM745	Voice MARCO
16		WPLP669	Voice MARCO & SPRINGHILL
17		WPMQ966	Scada MARCO-LIME
18		WPMQ959	Scada MARCO-LIME
19		WPGQ589	Voice MARCO-LIME
20		WPOB282	Scada MARCO-RO
21		WNHU752	Voice MARION OAKS
22		KDQ427	Voice ORLANDO

**Exhibit 3.11(b)**  
**Governmental Authorizations**

<b>IV. FCC Licenses</b>			
	<b>Type</b>	<b>Description</b>	<b>Notes/Other</b>
23		WPNR614	Scada PALM COAST
24		WNZK987	Scada PALM COAST
25		WPKR470	Scada PALM COAST
26		WPKR472	Scada PALM COAST
27		WPKR473	Scada PALM COAST
28		WPKR474	Scada PALM COAST
29		WPKR476	Scada PALM COAST
30		WPKR477	Scada PALM COAST
31		WPKR479	Scada PALM COAST
32		WPKR480	Scada PALM COAST
33		WPKR481	Scada PALM COAST
34		WPKR482	Scada PALM COAST
35		WPMJ268	Scada PALM COAST
36		WPMJ272	Scada PALM COAST

**Exhibit 3.11(b)**  
**Governmental Authorizations**

<b>IV. FCC Licenses</b>			
	<b>Type</b>	<b>Description</b>	<b>Notes/Other</b>
37		WPMY257	Scada PALM COAST
38		WNYH796	Scada PALM COAST
39		WPNZ305	Voice PALM COAST
40		WPRX973	Scada PALM COAST
41		WPTR854	Voice PALM COAST
42		WPRV582	Scada SEMINOLE COUNTY
43		WPRV731	Scada SEMINOLE COUNTY
44		WPKG673	Voice SPRING HILL
45		WPKZ642	Voice TAMPA

**Exhibit 3.11(b)**  
**Governmental Authorizations**

**V. Storage Tank Registrations. See Disclosure Binder 4(b).**

Location	ID No.	Type	Capacity (gal.)	Contents	Installation Date
Amelia Island	2902728	AST	2,800	Emergency generator fuel	12-1-90
Amelia Island 6d 27 Villa Partial	9300699	AST	2,000	Emergency generator fuel	10-1-92
Amelia Island WWTP 5390 First Coast Highway	9100737	AST	2,000	Emergency generator fuel	10-1-92
Beacon Hills 11476 Sweet Cherry Lane	9100732	AST	1,000	Emergency generator fuel	12-1-90
Beacon Hills 12303 McCormick Rd.	9501639	AST	1,000	Emergency generator fuel	12-1-90
Beacon Hills 4865 Ashley Way	9401073	AST	1,000	Emergency generator fuel	5-1-94
BVL WTP 421 BVL Blvd.	9803379	AST	1,000	Emergency generator fuel	10-1-00
BVL WWTP 6890 Birchwood Cir.	9202907	AST	2,000	Emergency generator fuel	10-1-92
Burnt Store 17430 Burnt Store Rd.	9601764	AST	150	Mineral Acid	12/1994
Deltona WTP 420 Sagamore	9800869	AST	1,000	Emergency generator fuel	11-21-95
Deltona WTP 1240 Saxon	9601666	AST	1,000	Emergency generator fuel	1-1-96
Deltona WTP 660 Wellington	9800868	AST	1,000	Emergency generator fuel	11-21-95
Deltona WWTP 401 Fischer Rd.	9200336	AST	4,000	Emergency generator fuel	11-1-90

**Exhibit 3.11(b)  
Governmental Authorizations**

**V. Storage Tank Registrations (Cont.)**

Location	ID No.	Type	Capacity (gal.)	Contents	Installation Date
Lehigh WTP 305 Coolidge	9400903	AST	1,000 (2 tanks)	Mineral Acid	12-1-00
Marco Island RO Plant 415 Lily CT	9400656	AST	5,000 (2 tanks)	Mineral acid	12-1-00
Marco Island WWTP-100 Windward Dr.	8838643	AST	10,000	Emergency generator fuel	2-1-91
Palm Coast Lime Softening Plant 4 Corporate Dr.	9102730	UST	6,000	Emergency generator fuel	5-1-98
Palm Coast Lime Softening Plant 4 Corporate Dr.	9102730	AST	1,000	Emergency generator fuel	5-1-98
Palm Coast Membrane Plant 50 Citation Blvd.	9102054	UST	8,000	Emergency generator fuel	5-1-91
Palm Coast Membrane Plant 50 Citation Blvd.	9102054	AST	7,500 (2 tanks)	Mineral acid	10-1-01
Palm Coast 2 Utility Dr.	8628131	UST	10,000	Unleaded gasoline	3-1-88
Palm Coast 2 Utility Dr.	8628131	UST	2,500	Vehicular diesel	3-1-88
Palm Coast WWTP 26 Utility Dr.	9046566	UST	6,000	Emergency generator fuel	5-1-90
Spring Hill 9500 Eldridge Rd	8736818	AST	600	Vehicular diesel	4-1-89
Woodmere WWTP	9200050	AST	2,000	Emergency generator fuel	7-1-92



**Exhibit 3.11(b)**  
**Governmental Authorizations**

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**VI. Other**

1. Special Use Permit from U.S. Department of Agriculture, Forrest Service for well site. \*

\* This permit is not transferable to any new owner. Buyer will have to make application for a new permit.

**Exhibit 3.11(b)**  
**Governmental Authorizations**

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**VII. Public Service Commission certificates and authorizations from the regulatory counties.**

See Disclosure Binder No. 5(d).

Exhibit 3.11(b)  
Governmental Authorizations

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VIII. PWS numbers from the Department of Environmental Protection.

AMELIA ISLAND 2450022

APACHE SHORES 6090076

APPLE VALLEY  
3590039

BAY LAKE  
3490090

BEACON HILLS/COBBLESTONE  
2160064

BEECHERS POINT  
2540700

BVL  
3490184

BURNT STORE  
5080318

CARLTON VILLAGE  
3350152

CHULUOTA  
3590186

CITRUS PARK  
3420199

CITRUS SPRINGS  
6090312

CRYSTAL RIVER  
6092342

DEEP CREEK  
5080072

DELTONA LAKES  
3640287

DOL RAY  
3590297

DRUID HILLS/BRETTON WD  
350111

E. LAKE HARRIS EST  
3350322

FERN PARK  
3590368

FERN TERRACE  
3350370

FISHERMAN'S HAVEN  
4430442

FOUNTAINS  
3494328

FOX RUN  
4431700

FRIENDLY CENTER  
3350426

GENEVA LAKE EST  
2041320

GIBSONIA EST  
6530079

GOLDEN TERRACE  
6090674

GOSPEL ISLAND  
6094953

GRAND TERRACE  
3354697

HARMONY HOMES  
3590497

HERMIT'S COVE  
2540482

Exhibit 3.11(b)  
Governmental Authorizations

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VIII. PWS numbers from the Department of Environmental Protection.

HERSHEL HEIGHTS  
6292081

HOBBY HILLS  
3350544

HOLIDAY HAVEN  
3354886

IMPERIAL TERRACE  
3350584

INTERCESSION CITY  
3490673

INTERLACHEN/PK.  
MANOR 2450545

JUNGLE DEN  
3644127

KEYSTONE CLUB EST  
2040412

KEYSTONE HEIGHTS  
2100610

KINGSWOOD  
3054101

LAKE AJAY  
3491956

LAKE BRANTLEY  
3590685

LAKE GIBSON  
6532347

LAKE HARRIET  
3590699

LAKESIDE GOLF & CC  
6092197

LAKEVIEW VILLAS  
2104350

LEHIGH ACRES  
5360172

LEILANI HEIGHTS  
4430790

LEISURE LAKES  
5280064

MARCO ISLAND  
5110183

MARCO SHORES  
5110182

MARION OAKS  
6421144

MEREDITH MANOR  
3590823

MORNINGVIEW  
3350852

OAK FOREST  
6091274

OAKWOOD  
3054100

ORANGE HILL-SC  
6531305

PALISADES  
3354877

PALM COAST  
2180863/

PALM PORT  
2540865

PALM TERRACE  
6511331

CL SMITH  
6511330

Exhibit 3.11(b)  
Governmental Authorizations

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VIII. PWS numbers from the Department of Environmental Protection.

PALM VALLEY  
2550866

PALMS MOBILE H-P  
3350981

PICCIOLA ISLAND  
3351009

PINE RIDGE  
6091399

PINE RIDGE EST  
3494292

PINEY WOODS  
SPRING LAKES  
3351021

POINT O' WOODS  
6091422

POMONA PARK  
2540905

POSTMASTER  
2100912

QUAIL RIDGE  
3354867

REMINGTON FOREST  
2554361

RIVER GROVE  
2540959

ROSEMONT/ROLLING GREEN  
6094905

SALT SPRINGS  
3420408

SAMIRA VILLAS  
6424651

SARATOGA HARBOR  
2541008

SEABOARD  
6290333

SILVER LAKE EST  
3351182

WESTERN SHORES  
3351464

SILVER LAKE OAKS  
2544258

SKYCREST  
3351205

SPRING GARDENS  
6092199/pop. 297

SPRING HILL  
6271696

SPRUCE CREEK-PRES  
6424749

SPRUCE CREEK-S  
3424826

SPRUCE CREEK-G/CC  
3425020

ST. JOHNS HIGHLAND  
2540489

STONE MOUNTAIN  
3351282

SUGAR MILL WDS.  
6091735

Exhibit 3.11(b)  
Governmental Authorizations

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SUNNY HILS  
1670647

SUNSHINE PARKWAY  
3350691

TANGERINE  
3481329

TIMBERWALK  
6424762

TOMOKA VIEW  
3641373

TROPICAL PARK I&II  
3491498

TWIN RIVERS  
3641399

VALENCIA TERRACE  
3351421

VALRICO HILLS  
6291891

VENETIAN VILLAGE  
3351426

WELAKA MOBILE PK  
2541242

WINDSONG  
3494291

WOODMERE  
2161278

WOOTEN  
2541280

ZEPHYR SHORES  
6512018  
AMERICAN CONDO  
6515213

STONECREST  
3424897

**Exhibit 3.12 - I**  
**Pending and Threatened Proceedings Affecting Assets**

The following matters are provided in accordance with § 3.10(a)(i) which states:

(a) Except as set forth in Exhibit 3.12, there is no pending or, to Seller's knowledge, threatened Proceeding:

(i) by or against Seller or that otherwise relates to or may affect the business of, or any of the assets owned or used by, Seller; or

**A. Pending Litigation**

<b>Tab</b>	<b>Name</b>	<b>Venue</b>	<b>Plant</b>
1.	Florida Water Services vs. Charlotte County, Florida	Circuit Court of the 20 <sup>th</sup> Judicial Circuit in and for Charlotte County, FL, Civil Division 99-502CA	Deep Creek
2.	Florida Water Services vs. Southfield Farms, LTD., V., Southfield Farms Corp. and Harald Dude	Circuit Court of the 9 <sup>th</sup> Judicial Circuit, in and for Orange County, FL CI 93-1329	n/a judgment collection
3.	In Re: Receivership of Enterprise Utilities, Inc.	Circuit Court of the 7 <sup>th</sup> Judicial Circuit, in and for Volusia County, FL 81-5258-CA-01	Enterprise
4.	Hillsborough County v. Florida Water Services, et al	Circuit Court, 13 <sup>th</sup> Judicial Circuit in and for Hillsborough County, FL 02-03153 F. <i>Case is closed but attorneys' fees must be paid to Florida Water Services</i>	Condemnation for portion of parcel 859R
5.	Florida Water Services, Corporation v. Hannah Robinson as Chair of the Board of County Commissioners of Hernando County, Florida, et al	5th District Court of Appeal 5D02-2071 (Appeal of H27-CA-2002-1004-RT)	Spring Hill (appeal of denial of writ of prohibition)
6.	Florida Water Services, Corporation v. Hernando County, and Hernando County Board of Commissioners	Circuit Court of the 5th Judicial Circuit in and for Hernando County, FL H-27—CA-2002-1996- JWS.	Spring Hill (Petition for Writ of Cert. re: zoning denial)

**Exhibit 3.12 - I**  
**Pending and Threatened Proceedings Affecting Assets**

<b>Tab</b>	<b>Name</b>	<b>Venue</b>	<b>Plant</b>
7.	Florida Water Services Corporation v. City of Marco Island Florida	2nd District Court of Appeal 2D02-3912 (LT: 02-1019-CA) Appeal of dismissal, with prejudice, of FI Water's Complaint for Declaratory Judgment	Marco Island Resolution re: condemnation
8.	Clay County Utility Authority v. Florida Water Services Corporation	Fourth Judicial Circuit (02-1051 CA-E)	Condemnation of utility assets
9.	Florida Water Services Corporation v. Citrus County	Middle District Court of Florida	Civil rights and injunctive relief
10.	Florida Water Services Corporation v. Hernando County	Middle District Court of Florida (8:02-CV-I982-T-27-MSS)	Civil rights and injunctive relief
11.	Hillsborough County v. Florida Water Services Authority	13 <sup>th</sup> Circuit, Hillsborough County (02-11423)	



**Exhibit 3.12 - I**  
**Pending and Threatened Proceedings Affecting Assets**

**B. Threatened Litigation**

<b>Tab</b>	<b>Name</b>	<b>Description</b>	<b>Plant</b>
1.	Florida Groundworks, Inc.	Claim for costs associated with water main damaged during construction project	Amelia Island
2.	Atlantic Civil and Gimrock Inc. claim against FDOT	Threatened construction litigation Potential claim against FL Water	Marco Island
3.	Seven Hills, Inc.	Notice of intent to declare default to the May 19, 1987, Tri-Party Water Agreement between Seven Hills, Inc., Hernando County Water and Sewer District and Deltona Utilities, Inc., as amended by written amendment dated June 1, 1988, and to make a demand for cure.	Spring Hill
4.	Charlotte County	Threatened condemnation	
5.	City of Palm Coast	Threatened condemnation	
6.	City of Deltona	Threatened condemnation	
7.	Flagler County	Threatened condemnation	
8.	Hillsborough County	Threatened condemnation	

**Exhibit 3.12 - I**  
**Pending and Threatened Proceedings Affecting Assets**

**C. Pending Dispute**

<b>Tab</b>	<b>Name</b>	<b>Description</b>	<b>Plant</b>
1.	Deltona Corp.	Main line extension policies pursuant to Developer's Agreement	Marion Oaks
2.	Tampa Bay Water	Policies regarding expansion of franchise of private water utilities	
3.	Altamonte Springs	Right of first refusal claims	Apple Valley, Dolray Manor, Meredith Manor

**Exhibit 3.12 - I**  
**Pending and Threatened Proceedings Affecting Assets**

**D. Regulatory Matters**

<b>Tab</b>	<b>Venue</b>	<b>Description</b>	<b>Plant</b>
1.	(FPSC) 991666-WU	Certificate Amendment to add territory	Palisades
2.	(FPSC) 000242-WU	Transfer of Receivership of Enterprise to Volusia Co.	Enterprise
3.	(FPSC) 990817-WU	Certificate Amendment to add territory	Amelia Island
4.	(FPSC)021137-WU	Certificate Amendment to add territory	Silver Lake Estates / Western Shores
5.	(FPSC) 980744-WS	Investigation into gain on sale of facilities	Facilities previously Sold to Orange County
6.	(FPSC) 020009-WU	Georgiana Giallanza – Service Complaint	Holiday Haven
7.	(FPSC) 020554-WS	Petition for Determination of Exclusive PSC Jurisdiction in Hernando Co.	Spring Hill
8.	(FPSC) 020006-WS	2002 Leverage Graph Proceeding	N/A
9.	(FPSC) 020761-WU	Individual Metering Tariff	All PSC
10.	(FPSC) 020831-WS; (FPSC) 011344-WS	One pending issue: whether regulatory assessment fees for the last quarter of 2001 are owed to the PSC or Nassau County (\$32,000.00)	
11.	FPSC	Settlement of Overlapping Territories with Sanlando Utilities.	Chuluota, Meredith Manor
12.	Flagler County	Earnings Investigation	Palm Coast
13.	Collier County	Potential Appeal of Individual metering Tariff in Collier	Marco Island & Marco Shores
14.	City of Jacksonville	City of Jacksonville Franchise Agreement	Beacon Hills / Woodmere
15.	Hernando County	In re: Special Report to Determine the Causes of and Possible Actions to Alleviate and Prevent Low Water Pressure Problems, including an Order to Show Cause	Spring Hill
16.	Citrus County	Show Cause Notice as to Why FWS Should Not Be Compelled to Commit to Implementing Certain Capital Projects on their Systems Citrus County	All Citrus Co. Plants

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

The following matters are provided in accordance with § 3.10(a)(ii) which states:

(a) Except as set forth in Exhibit 3.12, there is no pending or, to Seller's knowledge, threatened Proceeding:

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions.

To the knowledge of Seller, no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding. Seller will promptly deliver or provided access to Buyer copies of all pleadings, correspondence and other documents relating to each Proceeding listed in Exhibit 3.12. There are no Proceedings listed or required to be listed in Exhibit 3.12 that could have a Material adverse effect on the business, operations, assets, condition or prospects of Seller or upon the Assets.

**A. Pending Proceedings**

	<u>Case</u>	<u>Filed In</u>	<u>Date Filed /Served</u>
1.	Florida Water Services Corporation v. Charlotte County, Florida– <u>County's Emergency Verified Motion for Temporary Injunction and Other Relief</u>	Circuit Court 20 <sup>th</sup> Circuit Charlotte Co.	Oct. 17, 2002
2.	City of Palm Coast v. J. Lance Reese, Brenda Pollak, Robert Smith – <u>Petition for Writ of Quo Warranto</u>	Circuit Court Seventh Circuit Flagler Co.	Oct. 17, 2002
3.	City of Palm Coast v. City of Gulf Breeze, City of Milton Florida Water Services Authority – <u>Complaint</u>	Circuit Court Seventh Circuit Flagler Co.	Oct. 17, 2002
4.	Hernando County v. The Florida Water Services Authority and Florida Water Services Corporation – <u>Complaint</u>	Circuit Court Fifth Circuit Hernando Co.	Oct. 21, 2002
5.	Collier Co., Palm Coast & Sugar Mill Woods Civic Assoc. v. FWSA & FWSC – <u>Petition for Writs of Certiorari &amp; Prohibition</u>	Circuit Court First Circuit Santa Rosa Co	Oct. 21, 2002
6.	Marco Island v. FWSA-- <u>Complaint</u>	Circuit Court 20th Circuit Collier County	Oct. 18, 2002

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

	<u>Case</u>	<u>Filed In</u>	<u>Date Filed /Served</u>
7.	County of Volusia v. Florida Water Services Corp. – <u>Complaint &amp; Motion for Temporary Injunction</u>	Circuit Court 7 <sup>th</sup> Circuit Volusia County	Oct. 24, 2002/ Oct. 25, 2002
8.	Amelia Island Plantation Community Association, Inc. v. City of Milton and City of Gulf Breeze, Florida - <u>Complaint</u>	Circuit Court 1 <sup>st</sup> Circuit Santa Rosa Co.	Oct. 25, 2002
9.	City of Marco Island v. Florida Water Services Authority and City of Gulf Breeze - <u>Complaint</u>	Circuit Court 1 <sup>st</sup> Circuit Santa Rosa Co.	Dated-11/21/02, Filed-

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

**B. Local Government Actions After September 19, 2002**

<b>CITY OF DELTONA</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 7, 2002	Meeting	The City Commission unanimously granted its staff and lawyer broad authority to do whatever is necessary to either stop the sale or secure the City's right to buy the system that serves water to Deltona customers.

<b>CITY OF MARCO ISLAND</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 20, 2002	Letter	From Councilman John Arceri to Allete Chairman David Gartzke, stating FWSA deal serves no public purpose...is not in the public good...strongly support the arrangement with the FGUA.
Sept. 23, 2002	Letter	From Councilman Glen Tucker to Gulf Breeze City Manager RE: request to reconsider decision to acquire FWS assets.
Sept. 30, 2002	Resolution #02-29	Creation of FWSA is contrary to good public policy; Marco City Council does not consent to the transaction; Neither Gulf Breeze, Milton, nor FWSA has any power to own water or wastewater utilities in Marco Island; City Mgr & City Attorney are directed to take action necessary to prosecute & defend lawsuits in concert with other governing bodies with similar interests.
Oct. 1, 2002	Letter	From Councilman Glenn Tucker to Attorney General Bob Butterworth RE: statute examination
Oct. 1, 2002	Resolution# 02-02	Authorizing the acquisition through the initiation of eminent domain (dated February 19,2002)
Oct. 21, 2002	Resolution #02-32	Significant legal rights of Marco Island will be compromised if a court proceeding does not take place before provisions of conflict resolution are not in compliance.
Oct. 29, 2002	Letter	Letter Sent From John Jenkins to Matt Dannheisser, P.A., re: Acquisition of FWS.

**Exhibit 3.12 - II  
Pending and Threatened Proceedings Affecting Sale**

<b>CITY OF PALM COAST</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 25, 2002 DRAFT Date Approved by Commission on Oct. 1, 2002	Letter	From Mayor Canfield to Attorney General Butterworth and State Attorney John Tanner requesting AG & State Attorney to investigate legal and financial ability of FWSA to acquire FWSC
Oct. 1, 2002	City Authorization	At is public meeting the City authorized the Mayor to transmit the letter to the AG and State Attorney and to take all steps necessary
Oct. 15, 2002	Resolution #2002-43	Initiating Conflict resolution procedures pursuant to Chapter 164, F.S.

<b>CHARLOTTE COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 23, 2002	Public Records Request	From David Caldevilla (Attny for Charlotte Co.) to City of Gulf Breeze, Buz Eddy
Oct. 22, 2002	Circuit Court Case 99-502CA	County's Emergency Verified Motion for Temporary Injunction and Other Relief

<b>CITRUS COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 23, 2002	Letter	From County Administrator R. Wesch, Esq. to D. Gartzke stating support for the FGUA plan to acquire FWS and stating, "we intend to do whatever is legally necessary to stop the proposed transaction"
Sept. 24, 2002	Resolution # 2002-199	Acquisition by FWSA is not in the public interest of the County and ratepayers of Citrus systems Authorizes County Administrator & Attorney to initiate investigations and proceedings to annul agreement between FWS & FWSA and to initiate investigations into acquisition through eminent domain – report back to commission w/in 2 months

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

<b>CITRUS COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 8, 2002	Resolution # 2002-217	<ul style="list-style-type: none"> <li>• PBS&amp;J study shows the need for millions of dollars of capital projects in the immediate future to keep systems in compliance</li> <li>• W &amp; WW Authority of Citrus Co. is authorized to compel improvements if necessary</li> <li>• Co. Administrator through the Utilities Regulatory Director shall initiate a "Show Cause" hearing to compel FL Water to make identified repairs</li> </ul>
Oct. 11, 2002	Resolution # 2002-216	Authorizing conflict resolution pursuant to Chapter 164, F.S.
Oct. 22, 2002	Ordinance No. 2002-A29	Amending County rate ordinance to remove exemption for systems owned by a gov. agency

<b>CLAY COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Nov. 6, 2002	Resolution # 2002-2003-5	Directing law firm to pursue eminent domain proceedings

<b>COLLIER COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 8, 2002	Public Records Request	From Michael Twomey (Attny, for Collier Co.) to FWSA
Oct. 8, 2002	Resolution # 02-428	Directs that notice be given to FWSA, FWS, PSC etc. that Collier Co. has concerns regarding the proposed sale to FWSA

<b>DUVAL COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 17, 2002	Resolution No. 2002-1141	Authorizes the general counsel to take whatever steps are necessary to oppose FWSA acquiring rights to serve Florida Water customers in Duval County



**Exhibit 3.12 - II  
Pending and Threatened Proceedings Affecting Sale**

<b>FLAGLER COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Dec. 17, 2001	Ordinance No. 2001-23	Provides that a utility may not sell or transfer its franchise certificate or facility without County approval.
May 6, 2002	Ordinance No. 2002-10	Flagler County Water, Wastewater and Effluent Reuse Utilities Regulatory Ordinance

<b>HERNANDO COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 23, 2002	Letter	From County Administrator Richard Radacky, to Allete President David Gartzke stating that the County endorses acquiring ownership of Spring Hill facilities and requesting Allete to reconsider its decision to sell to FWSA.
Sept. 24, 2002	Resolution No. 2002-229	Requesting FWSA to reconsider their acquisition of Spring Hill Water and Wastewater Utility and stating that the purchase is not in the public interest.
Sept. 30, 2002	Ordinance No. 2002-20	Revising the County's utility regulatory authority to provide that only agencies governed by elected officials in Hernando County are exempt from regulation.

<b>HILLSBOROUGH COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Sept. 24, 2002	Resolution No. R02-205	Demanding that Gulf Breeze, Milton, and the Gulf Breeze Authority cease and desist in attempting to provide services or effecting any transaction concerning the sale and directing the staff to initiate conflict resolution.
Sept. 26, 2002	Letter	from Asst. Co. Attny Don Odom to Allete President David Gartzke re: Hillsborough County Resolution No.R02-205

<b>MARION COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 1, 2002	Resolution No. 02-R-304	Resolution opposing the operation of utilities by an entity not regulated by the FPSC or a governmental body; urging the legislature to change state law.

**Exhibit 3.12 - II  
Pending and Threatened Proceedings Affecting Sale**

<b>MARTIN COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 1, 2002	<u>Resolution</u> 02-10.1	Requesting that the Cities of Milton and Gulf Breeze reconsider their actions to establish FWSA upon a determination that the acquisition of utility systems in Martin County is not in the public interest.
Dec. 10, 2002	<u>Resolution</u> 02-12.10	The acquisition of the water and wastewater assets of FWSC in the public interest. Authorizing the initiation of a proceeding in eminent domain.

<b>NASSAU COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 9, 2002	Resolution 2002-165	Requesting FWSA to reconsider their actions and stating that the purchase is not in the public interest.
Oct. 15, 2002	Resolution 2002-182	Provides that the creation of FWSA is contrary to public policy & directing staff to initiate the conflict resolution procedure pursuant to Chapter 164.1052, Florida Statutes.

<b>OSCEOLA COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Nov. 18, 2002	Commission Meeting	Commission gave the county attorney's office the authority to file suit against FWSA and/or FWS

<b>PASCO COUNTY</b>		
<b>Date</b>	<b>Item</b>	<b>Summary</b>
Oct. 15, 2002	Resolution No. 03-12	Requests Gulf Breeze and Milton Counties to reconsider their actions and directs staff to investigate all avenues of legal action.
Oct. 23, 2002	Letters	From County Chairman Ann Hildebrand to Florida House Representatives and Senators stating that the purchase by FWSA is contrary to the intent of the Florida Interlocal Cooperation Act

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

Date	Item	Summary
Oct. 24, 2002	Lawsuit in 7 <sup>th</sup> Circuit	See Pending Proceedings Affecting Sale

**C. Regulatory Transfers & Other Regulatory Matters**

**Citrus County**

<b><u>Correspondence &amp; Pleadings</u></b>			
Date	From	To	Contents
Sept. 24, 2002	Ken Hoffman <i>Florida Water</i>	Bob Knight <i>Citrus County</i>	Florida Water is selling to FWSA. According to the Citrus County Regulatory Ordinance, Florida Water's sale of its facilities to a governmental agency such as the Authority "shall be approved as a matter of right"
Sept. 25, 2002	Bob Knight <i>Citrus County</i>	Ken Hoffman <i>Florida Water</i>	<b><u>Docket No. 02-01 WS/SS</u></b> <b><u>First Request for Production of Documents</u></b> Citrus County has opened a formal inquiry into the reported sale of Florida Water Services to FWSA. Transmitting first set of Request for Production of Documents
Oct. 3, 2002	M. Elsberry <i>Florida Water</i>	Robert Batista <i>Citrus County</i>	Florida Water is concerned with recent remarks made by Citrus County officials and representatives concerning its contract with FWSA. It appears that the County may be intending to abuse its claimed regulatory authority and arbitrarily act to obstruct or interfere with FWSC's contract with FWSA.
Oct. 16, 2002	Ken Hoffman <i>Florida Water</i>	Bob Knight <i>Citrus County</i>	Sale of private utility assets to a governmental entity is approved as a matter of right. Florida Water will be filing appropriate responses and objections to the request of production of documents. Florida Water will submit a post-closing notice for approval, to be effective upon transfer.
Oct. 24, 2002	Ken Hoffman <i>Florida Water</i>	Bob Knight <i>Citrus County</i>	<b><u>FL Water's Response and Objection to Citrus County's First Request for Production of Documents.</u></b>

December 20, 2002

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

<b>Correspondence &amp; Pleadings</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Oct. 31, 2002	Bob Knight <i>Citrus County</i>	Chairman, Citrus Co. Water and WW Authority	Memo re: Request for Production of Documents Request Motion: If FL Water does not willfully comply with the Notice of Deficiency in Production of Requested Documents and Demand for Compliance - Co. will hold a hearing on Nov. 22, 2002
Oct. 31, 2002	Bob Knight <i>Citrus County</i>	Chairman, Citrus Co. Water and WW Authority	Memo re: Request to Issue a "Show Cause" Notice in the Matter of Capital Project Required for Regulatory Compliance and End-of-Life Proposed Hearing on Dec. 2, 2002
Oct. 20, 2002	Ken Hoffman Florida Water	Bob Knight <i>Citrus County</i>	<u>Application for Acknowledgment of Sale of Facilities to FWSA</u>
Oct. 31, 2002	Robert Batista <i>Citrus County</i>	Ken Hoffman <i>Florida Water</i>	<b>Notice of Deficiency in Production of Requested Documents and Demand for Compliance</b>
Nov. 8, 2002	Robert Knight <i>Citrus County</i>	Tony Isaacs <i>Florida Water</i>	<b>Show Cause Notice</b> as to why Florida Water <b>Services should not</b> be compelled to commit to implementing certain capital projects on their systems in Citrus County in a timely fashion.
Nov. 8, 2002	Robert Knight <i>Citrus County</i>	Tony Isaacs <i>Florida Water</i>	Final Order 2-10 Directing Production of Documents (Order attached)
Dec. 6, 2002	Robert Knight <i>Citrus County</i>	Ken Hoffman Florida Water	Application for Acknowledgement is premature. Citrus County will have to determine the sale is in the public interest before the transfer occurs.

**Collier County**

<b>Correspondence &amp; Pleadings</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Sept. 24, 2002	<i>Ken Hoffman</i> Florida Water	D.E. Wallace Collier County	Florida Water entered into an Agreement of sale to FWSA. Florida law provides for approval as a matter of right mindful of provisions of Collier County Ordinance 96-6.
Oct. 3, 2002	M. Elsberry Florida Water	Ken Cuyler <i>City Attorney,</i> <i>Marco Island</i>	FWS is concerned of remarks made by City of Marco Island Officials re: contract with FWSA. The expressed and implied threats contained in the rhetoric of Marco Island Officials is to obtain something to which no entitlement exists.
Oct. 8, 2002	<i>D.E. Wallace</i> Collier County	<i>Ken Hoffman</i> <i>Florida Water</i>	Proposed Sale of FWS to FWSA governed by Dec. 134-369 of Collier County Code with regard

**Exhibit 3.12 - II  
Pending and Threatened Proceedings Affecting Sale**

<b>Correspondence &amp; Pleadings</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
			to systems located in Collier, is not a matter of right, but can be denied, based upon compelling reasons.
Oct. 18, 2002			Request to Establish Docket 021066-WS Documentation attached: Resolution No. 200-229 and Resolution No. 02-428
Oct. 30, 2002	Ken Hoffman Florida Water	D.E. Wallace Collier County	FWS Application for Acknowledgement of Sale to FWSA. Attachments: <ul style="list-style-type: none"> <li>• Interlocal Agreement</li> <li>• In Re: Application by FWS for acknowledgement of sale of facilities to FWSA and cancellation of Certificates Nos. 03-W, 04-W, 07-S and 08-S.</li> <li>• Asset Purchase Agreement</li> <li>• Resolution No. 1040-02 (approving interlocal agreement creating FWSA)</li> </ul>

**Flagler County Regulatory**

<b>Correspondence &amp; Pleadings</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Sept. 24, 2002	<i>Ken Hoffman</i> Florida Water	<i>Art Sirkin</i> Flagler County	Notification of Agreement of Sale, assurance of a seamless transition, reminder that Florida law provides for the transfer as a matter of right.
Oct. 30, 2002	<i>Ken Hoffman</i> Florida Water	<i>Art Sirkin</i> Flagler County	<u>Application for Acknowledgment of Sale of Facilities to FWSA</u>
Dec 10, 2002	<i>John LaVia</i> Flagler County	J. Lane Reece FWSA	Flagler County must approve of the sale prior to the transfer of FWS's assets.

**Exhibit 3.12 - II  
Pending and Threatened Proceedings Affecting Sale**

**Hernando County Regulatory**

<b>Correspondence &amp; Pleadings</b>			
<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Sept. 24, 2002	<i>Ken Hoffman</i> Florida Water	<i>Chuck Lewis</i> Hernando County	Florida Water is selling to FWSA. Florida law provides for approval as "a matter of right." Florida Water will work with the buyer to facilitate a smooth transition.
Oct. 3, 2002	<i>Michael Elsberry</i> Florida Water	Garth Coller Hernando County	Florida Water is concerned with recent remarks attributed to Hernando County officials and representatives concerning its contract with FWSA.  The County may be intending to abuse its claimed regulatory authority, and arbitrarily act to obstruct or interfere with FWSC's contract with FWSA.
Oct. 7, 2002	<i>Ken Hoffman</i> Florida Water	Chuck Lewis Hernando County	Under Florida law, the sale of private utility assets to a governmental entity is approved as "a matter of right." The existing statutory scheme presumes the conversion of privately owned utility assets to public ownership is in the public interest.
Oct. 18, 2002			Request to Establish Docket 021066-WS Documentation attached: Resolution No. 200-229 and Resolution No. 02-428
Oct. 21, 2002	<i>Kent Weissinger</i> Hernando County	<i>Ken Hoffman</i> Florida Water	Hernando County does not agree that the transfer will be approved as a matter of right until an application for transfer is complete according to Ordinance 2002-20.
Oct. 30, 2002	<i>Ken Hoffman</i> Florida Water	<u>Chuck Lewis</u> Hernando County	<u>Application for Acknowledgment of Sale of Facilities to FWSA</u>
Nov. 13, 2002	<i>Kent Weissinger</i> Hernando County	<u>Ken Hoffman</u> Florida Water	Hernando County Utility Regulatory Authority had opened Docket No. 02-06-WS regarding Application for Acknowledgement of Sale of Facilities to Florida Water Services Authority. Ordinance 2002-20 does not provide for exemption from transfer requirements for a governmental entity acting extra-territorially within Hernando County.

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

	Dec.6, 2002	<i>Kent Weissinger</i> Hernando County	<u>Ken Hoffman</u> Florida Water	Hernando County continues to see press reports indicating intent on the part of Florida Water to move forward with closing of the transaction in advance of the required transfer approval as to the Spring Hill System. Both former and current regulatory ordinances require approval of a transfer in advance and that neither ordinance provides an exception for a non-Hernando County governmental entity.
	Dec. 9, 2002	<i>Ken Hoffman</i> Florida Water	<u>Kent Weissinger</u> Hernando County	Florida law establishes that consummation of the sale to a governmental entity created by Chapter 163 will accomplish a public purpose. The County cannot exercise its regulatory power in a manner that contravenes or circumvents the statute.
	Dec. 10, 2002			Emergency Order preventing the Corporation from transferring its franchise certificate and utility assets in Hernando County until such time as a completed application for transfer is acted upon pursuant to the terms of Ordinance 2002-20.

**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

**Hillsborough County Regulatory**

<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Sept. 24, 2002	<i>Steve Menton</i> Florida Water	<i>Michael McWeeny</i> Hillsborough County	Advising that Florida Water has entered into an agreement for the sale of all of its water and wastewater facilities in Florida.
Sept. 26, 2002	<i>Don Odom</i> <i>Hillsborough County</i>	<i>David Gartzke</i> Florida Water	Regarding Resolution No. R02-205. Hillsborough County does not consent to the transfer of any power to provide water or wastewater services or facilities by the FWSA.
Oct. 11, 2002	<i>Don Odom</i> Hillsborough County	<i>Ken Hoffman</i> Florida Water	Hillsborough County does not concur with conclusion that transfer shall be approved as a matter of right. Hillsborough County franchise ordinance requires written consent by the County prior to any transfer of assets.
Nov. 8, 2002	<i>Don Odom</i> Hillsborough County	<i>Ken Hoffman</i> Florida Water	Agenda item relating to the Application by FWS for the transfer of assets. Staff recommendation will be to schedule a Public Hearing on December 5, 2002.
Nov. 15, 2002	<i>Daniel Kleman</i> Hillsborough County	<i>Donnie Crandell</i> Florida Water	County is in receipt of Application for Acknowledgement of Sale of Facilities.... County is requesting additional information regarding its utility operations in Florida and supporting documentation of regulatory deficiencies.



**Exhibit 3.12 - II**  
**Pending and Threatened Proceedings Affecting Sale**

**PSC Regulatory**

<b>Date</b>	<b>From</b>	<b>To</b>	<b>Contents</b>
Sept. 24, 2002	<i>Tim Devlin</i> PSC	<i>Ken Hoffman</i> Florida Water	The Commission is reviewing the proposed sale and must have assurance that the proposed purchaser is in fact a governmental authority. Information request attached.
Oct. 4, 2002	<i>Ken Hoffman</i> Florida Water	Tim Devlin PSC	Florida Water is concerned that Staff's information requests do not seem to relate to your stated purpose of confirming that the purchaser is a governmental authority. Florida Water is also concerned that many of the information requests address matters that are not within Florida Water's knowledge and may be resolved by the FWSA. Florida Water is requesting an extension of time, providing a response by November 12, 2002.
Oct. 18, 2002			Request to Establish Docket 021066-WS Documentation attached: Resolution No. 200-229 and Resolution No. 02-428
Nov. 8, 2002	<i>Charles Beck</i> PSC		Notice of Intervention
Nov. 12, 2002	<i>Ken Hoffman</i> Florida Water	<i>Blanca Bayo</i> PSC	Enclosing the original and fifteen copies of Florida Water's Notice of Service of Responses to Staff's Information Request.
Nov. 13, 2002	<i>Blanca Bayo</i> PSC		Order Acknowledging Intervention
Nov. 22, 2002			City of Palm Coast Petition for Rulemaking II Docket 021188-WS
Nov. 22, 2002			City of Palm Coast's First Petition to Initiate Rulemaking (seeking a rule that would require a public interest determination, among other things, for a sale of facilities to a Chapter 163 governmental utility authority) and FWSC's Motion to Dismiss.
Dec. 16, 2002			Florida Water Services Corporation's Motion to Dismiss City of Palm Coast's Petition to Initiate Rulemaking.

**Exhibit 3.13 (a)**  
**Employee Benefits Plans**

The following matters are provided in accordance with § 3.13(a) which states:

(a) Exhibit 3.13(a) contains and lists the following in connection with the current employees of the System: (i) any collective bargaining agreement not otherwise referenced in this Agreement or any employment agreement not terminable on thirty (30) days notice, (ii) each defined benefit plan and defined contribution plan, stock option or ownership plan, executive compensation, bonus, incentive compensation or deferred compensation plan, (iii) vacation pay, medical, dental, disability or death benefit plan, and (iv) any other employee benefit plan, program, arrangement, agreement or policy, including without limitation each “employee benefit plan” within the meaning of Section 3(3) of ERISA, in each case which is maintained or contributed to or by Seller, (collectively the “Employee Plans”). Seller will promptly deliver to Buyer true, accurate and complete copies of the documents comprising each Employee plan (or, with respect to any Employee Plan which is unwritten, a detailed written description of eligibility, participation, benefits, funding arrangements, assets and any other matters which relate to the obligations of Seller.

- (i) There are no current employees under a collective bargaining agreement. There are no current employees with employment agreements.
- (ii) Florida Water Services had a non-contributory defined benefit plan which was terminated in 1999.

The stock option plan and the stock purchase plans are administered by ALLETE, Inc.

(ii), (iii) and (iv) Disclosure Binder #21 has been provided to Buyer which contains copies of all the items in Section 3.13(a) of this Agreement.

**Exhibit 3.13 (b)**  
**Employee Benefits Plans**

The following matters are provided in accordance with § 3.13(b) which states:

(b) Except as shown on Exhibit 3.13(b), to the best of the Seller's knowledge and belief, neither Seller nor any fiduciary of an Employee Plan has engaged in a transaction with respect to any Employee Plan that, assuming the taxable period of such transaction expired as of the date hereof, could subject Seller or Buyer to a Tax or penalty imposed by either Section 4975 of the Code or Section 502(1) of ERISA or a violation of Section 406 of ERISA.

None.

**Exhibit 3.13 (c)**  
**Employee Benefits Plans**

The following matters are disclosed in accordance with § 3.13(c) which provides:

(c) Except as shown on Exhibit 3.13(c), the Seller has not incurred nor will incur with respect to any “employee benefit plan” as defined in Section 3(3) of ERISA any actual or material contingent liability, including, but not limited to, liability under Sections 601 through 608 of ERISA and Section 4980B of the Code, any withdrawal liability from any multiemployer pension plan, any termination or withdrawal liability under Section 4062, 4063 or 4064 of ERISA, any “accumulated funding deficiency” as such term is defined in Section 302 of ERISA and Section 412 of the Code (whether or not waived), any requirement to make any contributions to any multiemployer plan, solely as a result of Seller being a member of a “controlled group” of corporations, or treated as a single employer with any other corporation, trade or business (whether or not incorporated) within the meaning of Section 414(b), 414(c) or 414(m) of the Code arising from or incurred with respect to any period prior to the Closing date.

None.

Exhibit 3.13 (d)  
Employee Benefits Plans

The following matters are disclosed in accordance with § 3.13(d) which provides:

(d) Except as shown on Exhibit 3.13(d), Seller has, at all times, complied, and currently complies, in all material respects with the applicable continuation requirements for its welfare plans, including (i) Section 4980B of the Code (as well as its predecessor provision, Section 162(k) of the Code) and Section 601 through 608, inclusive, of ERISA (collectively "COBRA") and (ii) any applicable state statutes mandating health insurance continuation coverage for employees.

None.

**Exhibit 3.13 (e)**  
**Employee Benefits Plans**

The following matters are provided in accordance with § 3.13(e) which states:

(e) Except for the continuation coverage requirements of COBRA, and except as shown on Exhibit 3.13(e), Seller has no obligations or potential liability for benefits to employees, former employees or their respective dependents following termination of employment or retirement under any of the Employee Plans that are welfare benefit plans as defined in Section 3(1) of ERISA.

Florida Water Services, Inc. sponsors the Florida Water Services Retiree Health and Welfare Plan (the "Retiree Plan"). This Retiree Plan is a voluntary employee beneficiary association and was frozen on January 1, 1996. Currently, there are approximately fifty (50) participants in this Retiree Plan.

**Exhibit 3.131 – I (a)**  
**Environmental Matters**

The following matters are disclosed in accordance with § 3.12(a) which provides:

Except as disclosed in Exhibit 3.131:

(a) Seller is in material compliance with and is not in material violation of or liable under, any Environmental Law. Seller has no basis to expect any actual or threatened order, notice or other communication from (i) any Governmental Body or private citizen acting in the public interest or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to Materially comply with any Environmental Law, or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or other property or asset (whether real, personal or mixed) in which Seller has or had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used or processed by Seller.

1. Spruce Creek South Consumptive Use Permit – The Consumptive Use Permit was transferred to FWS in March 2002. The current water demand exceeds the permitted allocation. FWS has made operational improvements and has implemented numerous conservation initiatives to reduce systems demands. FWS plans to request an increase in the permitted allocation from St. Johns Water Management District. A letter was sent to the District on October 16, 2002, indicating the intent to submit a permit modification application.
2. Spruce Creek Preserve Water Use Permit – The Water Use Permit was recently transferred to FWS. The current water demand exceeds the permitted allocation. FWS has made operational improvements and has implemented numerous conservation initiatives to reduce systems demands. FWS requested an increase in the permitted allocation on October 24, 2002, from the Southwest Florida Water Management District.
3. Silver Lakes Estates/Western Shores Consumptive Use Permit – The St. Johns Water Management District permit condition number 21 provides that “The permittee shall submit, to the District, a proposed water conservation rate structure for approval, within 2 years of issuance of this permit. The permittee shall propose adoption of the approved rate structure at the next rate related Public Service Commission hearing.” FWS has not submitted a conservation rate structure for this system.
4. Fisherman’s Haven Water Treatment Plant – There is an issue concerning chlorine contact time in the storage tank. This is addressed in the 2002 Capital Improvement Plan.

**Exhibit 3.131 – I (a)**  
Environmental Matters

5. Lehigh, Palm Coast, Spring Hill Water Treatment Plants – These plants have issues related to plant capacity which are addressed in the 2002 Capital Improvement Plan.
6. Six Wastewater Treatment Plants that are greater than 1 MGD (Marco Island; Spring Hill; BVL; Lehigh; Palm Coast; and, Deltona) are scheduled to submit Stormwater permit applications.
7. Palm Coast – a brine disposal study is currently being conducted. The study will proceed until May 2003 and a report will be submitted to the Department of Environmental Protection.
8. Spring Hill Water Use Permit issued September 24, 2002 – Permit provisions limiting water volumes that can be pumped from each well were reduced from those listed in the previous permit. Water demands in certain sections of Spring Hill have resulted in exceedences of the new pumping limits during periods of high demand. FWS plans to request an increase in the permitted allocation and implement numerous conservation initiatives to reduce systems demands.
9. Spruce Creek Golf and Country Club – The Water Management District has scheduled an inspection to determine the extent of illegal connections to the water distribution system. Depending on the results of the inspection, the District may deem FWS out of compliance with the Consumptive use permit because contractors may be operating with illegal connections. Florida Water continues to sever illegal tap-ins as they are located and meet with the contractors and developers to halt this activity. In the event new illegal tap-ins are located, Florida Water staff has been instructed to pursue enforcement of criminal charges against the responsible parties.
10. Spring Hill Potable Water Distribution System – Low water pressures have been recorded in certain areas of Spring Hill during the spring time, high water demand periods. DEP has recently denied clearances for connections to the distribution system. Florida Water is currently examining ways to implement water supply and distribution improvements.
11. Leisure Lakes Water Treatment Plant – Department of Environmental Protection notice received November 22, 2002 regarding late notification of plant malfunctions. This issue was discussed with the Department on November 26, 2002. Florida Water expects the Department to issue a short form consent order that includes a monetary penalty of \$1000.
12. See items listed in Exhibit 3.11.



**Exhibit 3.131 – I (a)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(b) which provides:

Except as disclosed in Exhibit 3.131:

(b) There are no pending or, to the knowledge of Seller, threatened claims, Encumbrances, or other restrictions of any Material nature resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law with respect to or affecting any Facility or any other property or asset (whether real, personal or mixed) in which Seller has or had an interest.

1. Citrus Springs – Pine Ridge Water Use Permit – Southwest Florida Water Management District notice received August 15, 2002, regarding overpumping. An application to increase the permit allocation was submitted on November 13, 2002..
2. Marco Island Reverse Osmosis Water Use Permit – South Florida Water Management District notice dated July 31, 2002 regarding copies of reports required pursuant to the permit. A response and the requested reports were forwarded to the District on November 1, 2002.
3. Spruce Creek Wastewater Treatment Plant – Department of Environmental Protection notice received September 23, 2002, regarding Total Suspended Solids in effluent. Report sent to DEP on October 29, 2002.
4. Palm Terrace Water Treatment Plant (interconnected with Pasco County) – Department of Environmental Protection notice received September 23, 2002, regarding customer tap lead/copper samples.
5. Twin Rivers Water Treatment Plant – Regarding trihalomethanes. See 2003 Capital Improvement Plan.
6. Tomoka View, Twin Rivers – Volusia County Health Department notice received August 21, 2002, regarding customer tap lead/copper samples.
7. Fox Run Water Treatment Plant – Regarding customer tap lead/copper samples. Interconnect to be complete in 2002.
8. Intercession City Water Treatment Plant – Department of Environmental Protection notice received February 25, 2002, regarding letter of clearance subsequent to hypochlorite conversion. Request for clearance sent to the Department on November 26, 2002.

**Exhibit 3.131 – I (b)**  
Environmental Matters

9. Spring Hill Water Plant – Department of Environmental Protection notice dated August 13, 2002 regarding water pressure issues. On November 9, 2002, Florida Water met with the Department to discuss these issues. Florida Water submitted a formal response that addressed the necessary improvements.
10. See Disclosure Binder No. 6 for copies of these documents.

**Exhibit 3.131 – I (c)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(c) which provides:

Except as disclosed in Exhibit 3.131:

(c) Seller has no knowledge of or any basis to expect nor has received, any citation, directive, inquiry, notice, Order, summons, warning or other communication that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to materially comply with any Environmental Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any Facility or property or asset (whether real, personal or mixed) in which Seller has or had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used or processed by Seller.

None other than as disclosed in the Exhibits to this Agreement.

**Exhibit 3.131 – I (d)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(d) which provides:

Except as disclosed in Exhibit 3.131:

(d) Seller has no material Environmental, Health and Safety Liabilities with respect to any Facility or, to the knowledge of Seller, with respect to any other property or asset (whether real, personal or mixed) in which Seller (or any predecessor) has or had an interest or at any property geologically or hydrologically adjoining any Facility or any such other property or asset.

1. Spring Hill – Florida Water Services acquired property at the Wastewater Treatment Plant site that was once used as a landfill. When it was discovered several years ago, a Department of Environmental Protection permit was obtained. The property is located adjacent to the existing reclaimed water storage pond. Permit conditions limit certain activities on the property. See Disclosure Binder No. 6.

**Exhibit 3.131 – I (e)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(e) which provides:

Except as disclosed in Exhibit 3.131:

(e) There are no Hazardous Materials present on or in the Environment at any Facility or at any geologically or hydrologically adjoining property, that are not in material compliance with Environmental Laws, including any Hazardous Materials contained in barrels, aboveground or underground storage tanks, landfills, land deposits, dumps, equipment (whether movable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of the Facility or such adjoining property, or incorporated into any structure therein or thereon. Seller has not permitted or conducted, or is aware of, any Hazardous Activity conducted with respect to any Facility or any other property or assets (whether real, personal or mixed) in which Seller has or had an interest except in full compliance with all applicable Environmental Laws.

1. See Disclosure Binder No. 4(b) for the Registered Storage Tank information.
2. Currently, all tanks are in compliance with applicable laws and regulations, with the exception of the following:
  - a. FWS responded to an inspection report received October 10, 2002, issued by the Department of Environmental Protection regarding three tanks located at the Burnt Store Water Treatment Plant site. Registration applications were subsequently submitted to the DEP. The Department of Environmental Protection sent a warning letter regarding the lack of registration for the chemical storage tanks located at Burnt Store. Florida Water scheduled a meeting with the DEP to discuss this matter and expects the DEP to issue a short form consent order. The tanks are now fully registered. Spruce Creek Golf and County Club tank registrations were submitted to the Department of Environmental Protection on October 10, 2002. FWS registered the tanks located at the Marco Island Lime Plant. The placards have been received for all tanks and the registration process completed.

**Exhibit 3.131 – I (f)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(f) which provides:

Except as disclosed in Exhibit 3.131:

(f) There has been no material Release or, to the knowledge of Seller, Threat of Release, of any Hazardous Materials at or from any Facility or at any other location where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by any Facility, or from any other property or asset (whether real, personal or mixed) in which Seller has or had an interest, or to the knowledge of Seller any geologically or hydrologically adjoining property.

1. Woodmere Wastewater Treatment Plant – In 1992, an underground storage tank was removed and soils were remediated. The Department of Environmental Protection's correspondence received September 10, 2002, indicated that additional action may be necessary in order to close the file. On October 7, 2002, FWS retained a consultant to review records and complete the remaining requirements.
2. Keystone Heights Water Treatment Plant -- Well #2 (not currently used) is located near a gasoline station where remediation activities are occurring.

**Exhibit 3.131 – I (g)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(g) which provides:

Except as disclosed in Exhibit 3.131:

(g) Seller has delivered or made available to Buyer true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Seller pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance, by Seller with Environmental Laws including, but not limited to the environmental assessments listed in Exhibit 3.13

The following environmental reports and studies have been made available to the Buyer:

1. Environmental Reports prepared for the FGUA.
2. Environmental Assessments for Palm Coast, Spruce Creek, Stone Crest, Twin Rivers and Tomoka.

**Exhibit 3.131 – I (h)**  
Environmental Matters

The following matters are disclosed in accordance with § 3.12(h) which provides:

Except as disclosed in Exhibit 3.131:

(h) Notwithstanding any provision contained herein to the contrary:

(i) Seller shall not be responsible for any costs associated with contamination which has come to be located on or below the Property solely as the result of subsurface migration in an aquifer from a source or sources outside the Property, provided that (a) the Seller did not cause, contribute to, or exacerbate the release or threat of release of the contaminants through an act or omission; (b) the person that caused the release is not an agent or employee of the Seller, and was not in a direct or indirect contractual relationship with the Seller; and (c) there is no alternative basis for the Seller's liability for the contaminated aquifer, such as liability as a generator or transporter of hazardous substances under Section 107(a) (3) and (4) of the Federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA) or liability as an owner by reason of the existence of a source of contamination on the Seller's property other than the contamination that migrated in an aquifer from a source outside the Property.

(ii) Seller shall not be required to pay for the costs of rehabilitation of environmental contamination resulting from a discharge of petroleum products that is eligible for restoration funding from the Inland Protection Trust Fund pursuant to Chapter 376, Florida Statutes, in advance of commitment of restoration funding in accordance with the sites priority ranking pursuant to Section 376.3071(5)(a), Florida Statutes. In the event that Buyer determines that rehabilitation of petroleum contamination must occur earlier than the priority ranking established by the Florida Department of Environmental Protection, Buyer may request an assignment by Seller of all rights to reimbursement from the Inland Protection Trust Fund for such site and proceed with rehabilitation. Seller shall provide an assignment of all rights to reimbursement within ten (10) days of receipt of a request from a Buyer.

None other than as disclosed in the Exhibits to this Agreement.



**Exhibit 3.14**  
**Intellectual Property**

The following matters are provided in accordance with § 3.14(b) which states:

Exhibit 3.14 contains a complete and accurate list and summary description and Seller has delivered to Buyer accurate and complete copies, of all Intellectual Property Assets, except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly available Software programs with a value of less than \$500 under which Seller is the licensee except as otherwise indicated on the foregoing exhibit. Except as set forth in Exhibit 3.14, the Intellectual Property Assets are all those necessary for the operation of Seller's business as it is currently conducted. Seller is the owner or licensee of all right, title and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances, and has the right to use and transfer without payment to a Third Party all of the Intellectual Property Assets, other than in respect of licenses listed in Exhibit 3.14. To Seller's knowledge, no Intellectual Property Asset is infringed, or to Seller's knowledge, has been challenged or threatened in any way and does not infringe the intellectual property rights of any Third Party.

1. See Disclosure Binder 5(b), Computer Software Licenses.
2. Seller's name, Florida Water Services Corporation.
3. Two registered marks, "Florida Water Services & Design" (one (1) color and one (1) black and white).
4. Net Names: internet web site ([www.florida-water.com](http://www.florida-water.com)) and internet domain names (florida-water.com) are presently used by Seller. The record expires September 26, 2004.

**Exhibit 3.17**  
**Employee Information**

**The following matters are provided in accordance with § 3.17 which states:**

Exhibit 3.17(a) contains a complete and accurate list of the following information for each employee of Seller, including each employee on leave of absence or layoff status: name; job title; date of hiring or engagement; date of commencement of employment or engagement; current compensation paid or payable and any change in compensation since July 1, 2002; sick and vacation leave that is accrued but unused; and service credited for purposes of vesting and eligibility to participate under any Employee Plan, or any other employee plan, except as otherwise indicated on said exhibit.

**Information on file with the Human Resources Department of Florida Water Services Corporation.**

**Exhibit 3.18  
Labor Disputes**

The following matters are provided in accordance with § 3.18(a) which states:

(a) Except as shown on Exhibit 3.18, Seller has complied in all material respects with all Legal Requirements relating to employment practices, terms and conditions of employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining and other requirements under state or federal law, the payment of social security and similar Taxes and occupational safety and health. Seller is not liable for the payment of any Taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements.

To the best of Seller's knowledge, Seller has complied with all of the above-mentioned Legal Requirements.

The following matters are provided in accordance with § 3.18(b) which states:

(b) Except as shown on Exhibit 3.18, (i) Seller has not been, and is not now, a party to any collective bargaining agreement or other labor contract; (ii) there has not been, there is not presently pending or existing, and to Seller's knowledge there is not threatened, any strike, slowdown, picketing, work stoppage or employee grievance process involving Seller; (iii) to Seller's knowledge no event has occurred or circumstance exists that could provide the basis for any work stoppage or other labor dispute; (iv) there is not pending or, to Seller's knowledge, threatened against or affecting Seller any Proceeding relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed with the National Labor Relations Board or any comparable Governmental Body, and there is no organizational activity or other labor dispute against or affecting Seller or the Facilities; (v) no application or petition for an election of or for certification of a collective bargaining agent is pending; (vi) no grievance or arbitration Proceeding exists that might have an adverse effect upon Seller or the conduct of its business; (vii) there is no lockout of any employees by Seller, and no such action is contemplated by Seller; and (viii) to Seller's knowledge there has been no pending charge of discrimination filed against or threatened against Seller with the Equal Employment Opportunity Commission or similar Governmental Body or any pending employment discrimination, wrongful discharge, retaliation lawsuits or lawsuits alleging whistleblowing.

Florida Water Services had a bargaining unit named the Operating Engineers Deltona Union Local, which was decertified by election of the members on December 15, 1993.

**Exhibit 3.2(c)**  
**Notice and Material Consents**

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The following matters are provided in accordance with § 3.2(c) which states:

Except as provided under Section 367.071, Florida Statutes, and applicable equivalent County Regulatory provisions, Seller is not required to give any notice to or obtain any material consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions except as set forth in Exhibit 3.2(c).

Exhibit 7.3 contains a list of consents required for assignment  
of contracts from Seller to Buyer

**Exhibit 3.5**  
**Description of the Land**

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The following matters are provided in accordance with § 3.5 which states:

Exhibit 3.5 contains a description of the Land.

“Land” is defined in Section 1 to mean: “all parcels and tracts of land in which Seller has a fee ownership interest, except for the parcels and tracts of land set forth in Exhibit 2.2.”

Commonwealth Land Title Insurance Company Commitment No. 864-630427, Schedule A contains a list of all parcels and tracts of land to be conveyed from Seller to Buyer

**Exhibit 3.6 - Part I**  
**Description of Leased Property**  
**Florida Water Services is Tenant**

The following matters are provided in accordance with § 3.6 which states:

Exhibit 3.6 contains a description of the Leased Real Property.

Florida Water is Tenant				
	County	System – Location	Landlord – Purpose – Leased Premises	Term Start/Finish
	<b>Charlotte</b>			
1		Deep Creek	Lock & Key Storage storage unit, 1231 Kings Highway Pt Charlotte	Monthly since 10/12/90
2		Deep Creek	ICS Cremation Society office, 2620 #A Highlands Road Harbour Heights	Month to Month
	<b>Clay</b>			
3		Keystone Heights	Hale Agency, Inc. office lease, 100 SE Nightingale Street	1 Year starting 3/15/02
	<b>Collier</b>			
4		Marco Island	M&L Properties office, 960 North Collier Blvd	5 Years 1/1/98
5		Marco Island	951 Storage Records Storage Unit #314 Naples	monthly 6 month term
	<b>Hernando</b>			
6		Spring Hill	Spring Hill Associates, Ltd office, 7429 Spring Hill Drive	5 Years starting 12/1/99
	<b>Hillsborough</b>			
7		Serves plants in Hillsborough, Polk and Pasco Counties located in Tampa	Interstate Business Park Regional Office, 8402 Laurel Fair Circle #4 Tampa	1/10/1997

**Exhibit 3.6 - Part I**  
**Description of Leased Property**  
**Florida Water Services is Tenant**

Florida Water is Tenant				
	County	System – Location	Landlord – Purpose – Leased Premises	Term Start/Finish
	<b>Lake</b>			
8		Serves plants in Lake and Marion Counties located in Leesburg	Debar Properties Regional office, 2315 Griffin Road #4 Leesburg	1 Year starting 7/5/02
	<b>Lee</b>			
9		Ft Myers	Jones, Lang, et al Office, 4110 Center Point Dr	72 month starting March 1, 1999
10		Lehigh Acres	Zimmerman maint/workshop/storage, 530 Construction Lane #5	1 Year starting 8/1/01
11		Lehigh Acres	Homestead Plaza office, 1320 Homestead Road #14	5 Years starting 12/1/98
	<b>Martin</b>			
12		Fox Run	Madcem of Florida, Inc. dba Forest Hills Memorial Park well site Portion of Forest Hills Memorial Park	30 years starting 4/6/90
	<b>Orange</b>			
13		Apopka	Wise & Wise Storage, 6120 Edgewater #G	Monthly starting 8/15/00
14		Apopka	Assured Document & Data Records storage	3 Years starting 3/21/00
	<b>Putnam</b>			
15		Palatka	John/Jennifer Spillers office, 903 Highway 19 #C Palatka	1 year starting 9/1/02
16		Wootens	Charles & Dena Pitts Lease Agreement for Utility Site wtp, as Recorded at Book 727, Page 1074 of the Public Records of Putnam County	99 Years starting 3/28/97

**Exhibit 3.6 - Part II**  
**Description of Leased Property**  
**Florida Water Services is Landlord**

The following matters are provided in accordance with § 3.6 which states:

Exhibit 3.6 contains a description of the Leased Real Property.

*These leases shall constitute  
Permitted Encumbrances under the Asset Purchase Agreement:*

<b>Florida Water is Landlord</b>				
	<b>County</b>	<b>System</b>	<b>Lessee/Purpose</b>	<b>Term</b>
	<b>Flagler</b>			
1		Palm Coast	SprintCom, Inc. Tower/ Equipment Base Station	4/24/2001-4/24/2006 Auto Renewal for 5 yr terms
2		Palm Coast	Grand Haven Community Development District/ Pump station for reuse to Grand Haven	7/7/1998-7/6/2028 Renewal for 2 add'l 10 yr terms
3		Palm Coast	Flagler County Department of Emergency Management/ Radio antenna for radio repeater	Effective 6/17/1998 Auto Renewal for 1 yr term
4		Palm Coast	The Sheriff of Flagler County/ Radio antenna for radio repeater	Effective 11/1/1994 Auto Renewal for 1 yr term
	<b>Hernando</b>			
5		Spring Hill	Harbor Branch Oceanographic Institution, Inc./ Office & Lab Space	12/3/1997-12/31/2002 w/option to renew
	<b>Lee</b>			
6		Lehigh	Peoples Gas Company/ Space for the operation of Lessee's business	7/17/1998 – 7/17/2008 May extend up to 5 consecutive 1 yr terms



**Exhibit 3.6 - Part II**  
**Description of Leased Property**  
**Florida Water Services is Landlord**

Florida Water is Landlord				
	County	System	Lessee/Purpose	Term
7		Lehigh	Harbor Branch Oceanographic Institution, Inc./ Office & Lab Space Lease	12/3/1997-12/31/2002 w/option to renew
	<b>Marion</b>			
8		Spruce Creek Preserve	Del Webb's Spruce Creek Communities, Inc./ Sod Field Lease	7/1/2000-7/1/2003 Auto Renewal annually
9		Marion Oaks	SprintCom, Inc. Equipment/ Antenna Structure Lease	6-/26/1998-6/26/2003 Auto Renewal for 5 yr terms
	<b>Nassau</b>			
10		Amelia Island	TowerCom Florida/ Cellular Tower Lease	6/30/1998-6/30/2003 Auto Renewal for 5 yr terms
11		Amelia Island	Harbor Branch Oceanographic Institution, Inc./ Lab Facility	12/3/1997-12/31/2002 w/option to renew
	<b>Pasco</b>			
12		Zephyr Shores	Six Mile Pond Investments, LC/ Any Permitted Use	1/23/2001-1/23/2016
	<b>Volusia</b>			
13		Deltona	Harbor Branch Oceanographic Institution, Inc./ Lab Facilities	12/3/1997-12/31/2002 w/option to renew

**Exhibit 3.7(a)**  
**Permitted Real Estate Encumbrances**

The following matters are provided in accordance with § 3.7(a) which states:

... Seller warrants to Buyer that, at the time of Closing, the Land shall be free and clear of all Real Estate Encumbrances identified on Schedule B-2 to the Title Commitment. (Real Estate Encumbrances other than those identified on Exhibit 3.7(A), the “Permitted Real Estate Encumbrances”) Seller owns good and transferable title to all of the other Assets free and clear of any Encumbrances other than those described in Exhibit 3.7(B) (“Non-Real Estate Encumbrances”).

The Schedule B, II Exceptions shown on the Commonwealth Land Title Insurance Company Commitment No. 864-630427, as endorsed, less the list of Buyer’s “Title Objections” that are attached hereto on pages 2 through 8a.

**LIST OF "TITLE OBJECTIONS" (WHICH ARE NOT "PERMITTED  
REAL ESTATE ENCUMBRANCES" OR NOT TITLE COMMITMENT  
SCHEDULE B SECTION ONE PART 1 OR PART 2 REQUIREMENTS)**

<b>County</b>	<b>Parcel No.</b>	<b>Site Use or Site References (if identified)</b>	<b>B-Section 2 Item No.</b>	<b>Comment</b>
Citrus	8		6. Easement for Ingress and Egress as contained in instrument recorded in Official Records Book 1019, page 1627; and Assignment recorded in Official Records Book 1072, page 680.	This easement benefits the insured parcel, and does not appear to <u>burden</u> the insured parcel. It may be retained as an informational item or added to the insured premises description for Parcel 8.
Citrus	14		7. Restrictions as contained in Official Records Book 543, page 1394.	These 1979 Restrictions pertain to lots in a "Lake Park", and make no reference to Apache Shores. There is no legal description attached to these Restrictions.
Citrus		Water Plant Abandoned	6. Restrictions as contained in Warranty Deed recorded in Official Records Book 283, page 501.  7. Restrictions as contained in Warranty Deed recorded in Official Records Book 521, page 566.	Each of these deeds contains "residential purposes only" use restrictions. If the abandoned water plant is brought back to operation, the "residential purposes only" restriction may be a problem.
Collier	7	Waste Water Plant	13. Restrictions recorded in Official Records Book 636, page 1633 and amended in Official Records Book 2474, page 617.	Delete as exception since this pertains to Tract F, not Tract D.

County	Parcel No.	Site Use or Site References (if identified)	B-Section 2 Item No.	Comment
Collier	8	Waste Water Plan	17. The Public Records do not show any means of ingress and egress to or from the land, and by reason thereof, this Commitment does not in any policy to be issued will not insure any right of access to and from the land.	It is possible that this Parcel 8 is contiguous to other properties that do have legal and practical means of access, but without a survey we cannot know for sure. A primary reason for obtaining owner's title insurance is to receive insurance of a legal right of access. Perhaps Seller could demonstrate that Parcel 8 is contiguous to other parcels that do have a means of ingress and egress.
Flagler	RP01 82		702. Agreement by Florida Power & Light Company recorded in Official Records Book 713, page 887.	This Agreement is dated October 20, 2000 and was signed by the Director of Corporate Real Estate, John M. Chism. It appears to be an <u>affidavit of claim of interest of ownership</u> .
Hillsborough	1	Well #7, SSU Well #7	9. Notice of Lis Pendens by and between Tampa Bay Water, a regional water supply authority and Florida Water Services Corporation, a Florida corporation, et al., recorded in Official Records Book 11697, page 1156. (Note: In association with the lis pendens we find a Notice of Commencement recorded March 6, 2002, in Official Records Book 11468, page 1395.)	This is a condemnation for a 42 inch diameter pipeline for desalination purposes. Unless we can be provided evidence that the proposed pipeline will not interfere with the wellhead or well operations, this condemnation action should be considered a "Title Objection".

County	Parcel No.	Site Use or Site References (if identified)	B-Section 2 Item No.	Comment
Hillsborough	2 3 4 6 7		Notice of Lis Pendens by and between Tampa Bay Water, a regional water supply authority and Florida Water Services Corporation, a Florida corporation, et al., recorded in Official Records Book 11697, page 1156. (Note: In association with the lis pendens we find a Notice of Commencement recorded March 6, 2002, in Official Records Book 11468, page 1395.)	This is a condemnation for a 42 inch diameter pipeline for desalination purposes. Unless we can be provided evidence that the proposed pipeline will not interfere with the wellhead or well operations, this condemnation action should be considered a "Title Objection".
Lake	1	Water Plant	6. Restriction as set forth in Warranty Deed recorded in Official Records Book 956, page 2485.	This restrictive covenant provides that the grantee and successors are to "refrain from building a water tower on the property or a water storage stack or any facility which detracts from its "house" appearance. Since we should interpret the "refrain from" reference as a prohibition, this should be a "Title Objection", unless client is satisfied it can accept this prohibition.

County	Parcel No.	Site Use or Site References (if identified)	B-Section 2 Item No.	Comment
Lake	17		6. Declaration of Restrictions recorded in Official Records Book 1011, page 66, and Amendment recorded in Official Records Book 1507, page 1720.	These restrictions indicate that no lots shall be used for business purposes and there shall be no business buildings on the lots. I cannot tell from information provided what the current use of this Parcel 17 is, and how the business purpose and business building prohibition impacts future use and future marketability.
Lake	22	W.W.T.P./Percolation Ponds	6. Deed of Trust recorded in Official Records Book 162, page 354.	This mortgage/deed of trust of a water supply system by its provisions was to cease and terminate once the water system was taken over by a regulated public entity. Presuming seller can prove this has now occurred, this Deed of Trust should be deleted as an exception to title coverage.
Lee	6		7. Restrictions recorded in Official Records Book 527, page 29 and Official Records Book 724, page 720, as amended in Official Records Book 2536, page 3212 and Official Records Book 2536, page 3215.	The Amendment removed Tract C from the force and effect of the restrictions, so this item should be removed as a title exception as to Parcel 6, which is Tract C.
Lee	9	Sewage Treatment Extension	17. Sub-surface interest of Consolidated Naval Stores Company as recorded in Miscellaneous Book 23, page 317.	This 1945 document is illegible and we cannot determine what the nature of the sub-surface interests are.

County	Parcel No.	Site Use or Site References (if identified)	B-Section 2 Item No.	Comment
Lee	12	Church Site.	7. Matters as shown and noted on the Plat of Leeland Heights Unit 5, according to the plat thereof as recorded in Plat Book 12, page 51.	The recorded plat clearly shows this lot marked as the "Church Site". Unless Commonwealth Title is willing to insure over this exception, this should be a "Title Objection" since we should presume that water supply or waste water uses would be prohibited.
Lee	9	Sewage Treatment Extension & Sewage Treatment Plant	15. Lack of a right of access to and from the land.	This shall remain a "Title Objection", unless it can be demonstrated that contiguous parcels provide a right of access.
Marion	7		6. This Commitment and/or the Policy to be issued hereunder does not insure access to the insured land.	Unless it is demonstrated that this is contiguous to other property that does have a legal means of access, this should remain a "Title Objection".
Marion	11		9. Improvement Agreement recorded in Official Records Book 2247, page 117.	Tract 11 consists of a Parcel 1 and Parcel 2, which are each in Section 9. The May 7, 1996 agreement between Spruce Creek Golf & Country Club, Inc., and Marion County, pertains to Section 35 property, and thus this item should be deleted as an exception.
Marion	12		8. Improvement Agreement recorded in Official Records Book 1631, page 572.	This January 23, 1990 agreement provided that it would remain in effect until December 29, 1991, without provisions for extension of effective date.

County	Parcel No.	Site Use or Site References (if identified)	B-Section 2 Item No.	Comment
Marion	12		14. Unrecorded Lease Agreement recited in Official Records Book 2087, page 606.	This Notice of Commencement recorded in 1994 indicated that the party contracting for the improvements of the well, pump house and related improvements was Steeplechase Utility Company, Inc. and their interest was that of a leasehold. An "Affidavit by Owner" should enable the title company to delete this potential leasehold interest as an exception to title. I presume that Steeplechase Utility Company, Inc. at some point in time obtained fee title to the property or in some other way their leasehold interest was extinguished.
Volusia	28		21. Any lien, or right of a lien, for service, labor or material hereafter furnished, imposed by law, and not shown by public records, which may take priority over the estate or interest insured by reason of the Notice of Commencement recorded in Official Records Book 4149, page 4480.	We have not been supplied a copy of the Notice of Commencement, and thus do not know if the one year time period has expired, or what the nature of the construction activities might be. Unless and until Commonwealth Title is provided information that permits them to delete this as a title coverage exception, this Notice of Commencement should be a "Title Objection".

12/20/02 3:51 PM



**Exhibit 3.7(b)**  
**Non Real Estate Encumbrances**

The following matters are provided in accordance with § 3.7(b) which states:

(b) Seller owns good and transferable title to all of the other Assets free and clear of any Encumbrances other than those described in Exhibit 3.7 (“Non-Real Estate Encumbrances”). Seller warrants to Buyer that, at the time of Closing, all other Assets shall be free and clear of all Non-Real Estate Encumbrances other than those identified on Exhibit 3.7 and which are reasonably acceptable to Buyer (“Permitted Non-Real Estate Encumbrances” and, together with the Permitted Real Estate Encumbrances “Permitted Encumbrances”).

	State UCC File No.	Date Filed	Secured Party	Collateral
<b>Rolling Stock</b>				
1.	200100005546	January 8, 2001	Fleet Capital Corporation	One Flat Dump and One Tandem Dump per Lease No. 32615-00008
2.	200100174612	August 10, 2001	Fleet Capital Corporation	One Sewer Cleaner per Lease No. 32615-00009
3.	200190516427	December 10, 2001	Fleet Capital Corporation	Various Trucks and Cranes per Lease No. 32615-00010
4.	200000207229	September 5, 2000	Fleet Capital Corporation	One Chevrolet Truck w/Crane per Lease No. 32615-00007
5.	990000045568	March 1, 1999	Newcourt Communications Finance Corporation	Equipment per Lease No. S517372
6.	990000177747	August 2, 1999	Fleet Capital Corporation	One New Holland Backhoe per Lease No. 32615-00004
7.	980000233942	October 15, 1998	Fleet Capital Corporation	Two 98' Ford Trucks w/Dump Bodies per Lease No. 32615-00002
8.	980000178463	August 10, 1998	Fleet Capital Corporation	Tractor Load w/Cab & Extend-A-Hoe and Interstate 20 Ton Trailers per Lease No. 32615-00001

**Exhibit 3.7(b)**  
**Non Real Estate Encumbrances**

	State UCC File No.	Date Filed	Secured Party	Collateral
<b>Office Equipment</b>				
9.	20020249 1178	October 25, 2002	IBM Credit Corporation	Computer equipment fully described on IBM Credit Supplement #106521
10.	99000026 6172	November 24, 1999	IBM Credit Corporation	All computer information processing and other peripheral equipment and goods wherever located referenced on IBM supplement #753932 dated 11/03/99
11.	98000026 4639	November 30, 1998	Pitney Bowes Credit Corporation	All equipment by Pitney Bowes et al pursuant to Lease dated 7/3/98
<b>System Equipment</b>				
12.	98000023 4037	October 19, 1998	Fleet Capital Corporation	Zenon 500,000 gallon per day PIF ZenoGem Membrane Waste Treatment System and as Amended per File No. 990000260035 – on November 16, 1999 – Collateral: Amended to add more particulars pertaining to the “System.”

December 20, 2002

K. Martin

Page 2 of 2

The following matters are provided in accordance with § 7.3 which states:

Each of the Material Consents to be identified by Buyer and agreed to by Seller in Exhibit 7.3 prior to Closing (the “Material Consents”) shall have been obtained and shall be in full force and effect which Exhibit shall be attached hereto on or before the time the Due Diligence set forth in Section 13.15 is completed.

CONTRACTS OR LEASES THAT REQUIRE CONSENT  
AND/OR PAYMENT OF A FEE FOR SUCH ASSIGNMENT

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Marco Island Landlord: M&L Properties Office Lease (1997)	Lease FWS is Tenant	0.00		Lessee may not assign or sublease without written consent [12, p. 3]		
Spring Hill Landlord: Spring Hill Associates, Ltd. (8-18-99)	Lease FWS is Tenant	0.00	Requires prior written consent [11.01, p. 10]			May be refused without cause
Tampa Landlord: Interstate Business Park	Lease FWS is Tenant	0.00	Requires prior written consent [15, p. 14]			New tenant must have similar net worth as existing tenant.
Leesburg Landlord: Debar Properties. Dale E. Bartch.	Lease FWS is Tenant	0.00	Requires prior written consent [p. 1]			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Ft. Myers Landlord: Jones, Lang, et al. FBEC-Metro Center, L.P.	Lease FWS is Tenant	Fee equal to Landlord's reasonable actual out-of-pocket administrative, legal and other costs and expenses incurred in processing assignment request. No fee required if transfer is in connection with sale of assets.			Request for consent must be sent at least 60 days before effective date of assignment. Paragraph 13 of Lease states no consent is required if substantially all of Tenant's assets are transferred. Transfer of ownership will be deemed an assignment.	
Lehigh Acres Landlord: Homestead Plaza	Lease FWS is Tenant	0.00	Requires prior written consent [11.01, p. 15]			Guaranty of current tenant not affected by Assignment.
Apopka Landlord: Wise & Wise (storage) (8-15-00)	Lease FWS is Tenant	0.00	Requires prior written consent [p. 1]			
Apopka Assured Document & Data (3-21-00) Contract (records storage)	Lease FWS is Tenant	0.00		Requires consent of Company [11, p. 3]		
Palatka Landlord: John/Jennifer Spillers Premises Lease (office)	Lease FWS is Tenant	0.00	Requires prior written consent [13, p. 5]			
Maintenance Agreement with Allied Computer Solutions  Maintenance agmt for AS/400 Controllers	Information Technology	0.00	Requires prior written consent [IX, p. 1]			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Xerox Systems Services Agreement  Maintenance of copier equipment	Information Technology	0.00	Requires prior written consent [12, p.3]			
IBM Agreement for Services Acquired from an IBM Business Partner  Support for IBM Web Server Computer	Information Technology	0.00	Requires prior written consent [1.7, p. 2]			
Customer Agreement between Aspect Communication Corporation and Florida Water Services  Agreement covers telephone system sales, support and equipment	Information Technology	0.00			Requires prior written notification in the event of an acquisition [13.9]	
Professional Services Agreement between Aspect Communication Corporation and Florida Water Services  Agreement covers consulting and professional services regarding telephone system	Information Technology	0.00			Requires prior written notification in the event of an acquisition [8.9]	
CarePaq Warranty Certificates carried under Nos: FM-L0724-36; FM-L0724-12; FM-M1724-36  3-year service warranty on Compaq computer equipment	Information Technology	0.00		Requires written consent [9, p. 1]		

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
<p>Purchase/Service Agreement between Lucent Technologies and Florida Water</p> <p>Purchase and service of Merlin Legend Mail two-port telephone systems</p>	Information Technology	0.00	Requires prior written consent [20]			
<p>Maintenance Agreement between Vanguard Managed Solutions and Florida Water Services</p> <p>Maintenance agreement for Motorola Wide Area Network, Routers and Services</p>	Information Technology	0.00	Requires prior written consent			
<p>Agreement between Sprint – Florida Incorporated and Florida Water Services</p> <p>Frame Relay Agreement for Frame Relay services in connection with Citrus Springs</p>	Information Technology	0.00		Requires written consent [XIV]		
<p>Agreement between Sprint – Florida Incorporated and Florida Water Services</p> <p>Frame Relay Agreement for Frame Relay services in connection with Commerce Park</p>	Information Technology	0.00		Requires written consent [XIV]		

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Agreement between BellSouth Telecommunications, Inc. and Florida Water Services  Frame Relay circuit located at Deltona Plant	Information Technology	0.00	Requires prior written concurrence [10]			
Agreement between Sprint and Florida Water Services  Frame Relay Circuits located in Ft. Myers	Information Technology	0.00		Requires written consent [XIV]		
Service Agreement between Intermedia Communications Inc. and Florida Water Services  Contract for provision of Enhanced Network Services Frame Relay Services in Apopka to establish host	Information Technology	0.00	Requires prior written consent [14, p. 5]			
Service Agreement between Intermedia Communications Inc. and Florida Water Services  Contract for provision of Enhanced Network Services Frame Relay Services in N.C.	Information Technology	0.00	Requires prior written consent [12, p. 5]			
Agreement between BellSouth Telecommunications, Inc. and Florida Water Services  Frame Relay Circuit located in N.C.	Information Technology	0.00	Requires prior written concurrence [10]			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Agreement between Sprint – Florida Incorporated and Florida Water Services  Frame Relay Agreement for Frame Relay services in connection with Marco	Information Technology	0.00		Requires written consent [XIV]		
Agreement between BellSouth Telecommunications, Inc. and Florida Water Services  Frame Relay in Palm Coast	Information Technology	0.00	Requires prior written concurrence [10]			
Service Agreement between Intermedia Communications Inc. and Florida Water Services  Frame Relay in Palm Coast	Information Technology	0.00	Requires prior written consent [12, p. 5]			
Agreement between BellSouth Telecommunications, Inc. and Florida Water Services  Frame Relay Circuit located on Osowaw Blvd. in Spring Hill, FL	Information Technology	0.00	Requires prior written concurrence [10]			
Recovery Services Agreement between Sungard Recovery Services, Inc. and Southern States Utility  Recovery assistance services in event of disaster	Information Technology	0.00	Requires prior written consent [9, p. 4]			



Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Metro Connect Customer Service Agreement between US LEC of Florida, Inc. and Florida Water Services  Provision of Local and Long Distance phone service	Information Technology	0.00		Requires written consent		
Letter of Election between BellSouth Telecommunications, Inc. and Florida Water Services  Provide 256k Frame Relay at Deltona	Information Technology	0.00	Requires prior written concurrence [6]			
Letter of Election between BellSouth Telecommunications, Inc. and Florida Water Services  Provide 256k Frame Relay at Palm Coast	Information Technology	0.00	Requires prior written concurrence [6]			
Service Agreement between Intermedia Communications Inc. and Florida Water Services  Contract for provision of additional 256k line for Palm Coast, FL	Information Technology	0.00	Requires prior written consent [14, p. 5]			
Check Point End User License Agreement	Computer Software License		Requires prior written consent [9, p. 4]			
AutoDesk Software License Agreement between AutoDesk and Florida Water Services License for use of AutoCAD 2000i	Computer Software License	0.00	Requires prior written consent [2, p. 4]			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
AutoDesk Software License Agreement between AutoDesk and Florida Water Services License for use of AutoCAD LT 2002	Computer Software License	0.00	Requires prior written consent [2, p. 4]			
AutoDesk Software License Agreement for Autodesk View	Computer Software License		Requires prior written consent			
AutoDesk Software License Agreement for AutoCad Map Land Development 2 i	Computer Software License		Requires prior written consent			
Software License Agreement between Symantec Corporation and Florida Water Services/ License for use of Symantec Ghost 2002 software	Computer Software License	0.00			No consent required; however written notice of transfer must be made to Symantec.	
Symantec License and Warranty for Winfax Pro 10.0					No consent required; however written notice of transfer must be made to Symantec.	
Software License Agreement between Symantec Corporation and Florida Water Services/ License for use of ProComm ver. 4.8	Computer Software License	0.00			No consent required; however written notice of transfer must be made to Symantec.	
Wonderware Corporation License Agreement	Computer Software License		Requires prior written consent			
Itron, Inc. End User License and Warranty Agreement for Enterprise 5000	Computer Software License			Requires written consent		
Itron, Inc. End User License and Warranty Agreement for MV-RS	Computer Software License			Requires written consent		
Storage Central SRM 5.0 End User Produce License and Support Agreement	Computer Software License		Requires Prior written consent			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Agreement for the Treatment and Disposal of Sanitary Sewage between Jacksonville suburban Utilities Corporation and Southern States Utilities, Inc.	Agreement for Bulk Water and Wastewater Service	0.00	Requires prior written consent but the agreement states that it will be granted to any Purchaser or Transferee of the system.			
Sewer Agreement for Sanitary Sewer Collection and Treatment between City of Tampa and Southern States Utilities, Inc.	Agreement for Bulk Water and Wastewater Service	0.00		Assignment may not be made unless it is in conjunction with the sale or transfer of SSU's wastewater system which serves the area described in Ex. A to the Agreement and the approval of the City of Tampa.		
Agreement for Use of Tampa/Brandon Interconnect between Hillsborough County and Southern States Utilities, Inc.	Agreement for Bulk Water and Wastewater Service	0.00		Any transfer must be approved in writing; consent does not have to be prior.		
Bulk Water and Wastewater Service Agreement with Martin County	Agreement for Bulk Water and Wastewater Service	0.00		Requires written consent		
Bulk Wastewater Treatment Agreement between Southern States Utilities, Inc. and Pasco County	Agreement for Bulk Water and Wastewater Service	0.00		Assignment requires express permission by the County		
Wastewater Interconnect and Refundable Advance Agreement between Florida Water Services and Town of Welaka and Amendment to Wastewater Interconnect and Refundable Advance Agreement	Agreement for Bulk Water and Wastewater Service	0.00			Actual consent not required, but must provide written notice to the other party not less than 60 days before the assignment becomes effective.	

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Agreement between Southern States Utilities and City of Altamonte Springs and Amendment to Agreement between Florida Water Services Corporation and City of Altamonte Springs	Agreement for Bulk Water and Wastewater Service	0.00	Requires prior written consent			
Agreement For Purchase and Sale of Bulk Water and Wastewater Service between Florida Water Services and Citrus County/ Bulk Interconnect Agreement (Point O'Woods Territory)	Agreement for Bulk Water and Wastewater Service	0.00			Actual consent not required, but must provide written notice to the other party not less than 30 days before the assignment becomes effective.	
Agreement between City of Inverness and Southern States Utilities	Agreement for Bulk Water and Wastewater Service	0.00	Prior written consent required.			
Agreement for Purchase and Sale of Bulk Water between Citrus County and Southern States Utilities	Agreement for Bulk Water and Wastewater Service (Apache Shores Service Territory)	0.00			Actual consent not required, but must provide written notice to the other party not less than 60 days before the assignment becomes effective.	
Water Service Interconnect agreement between Southern States Utilities and Intercoastal Utilities, Inc.	Agreement for Bulk Water and Wastewater Service	0.00			Actual consent not required, but must provide written notice to the other party not less than 30 days before the assignment becomes effective.	
Wholesale Water Agreement between City of Altamonte Springs and Florida Water Services (7-27-88)	Agreement for Bulk Water and Wastewater Service	0.00	Required to first obtain the written approval of the City			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Bulk Wastewater Treatment Agreement between Hernando County, Spring Hill Utilities and Deltona Utilities	Agreement for Bulk Water and Wastewater Service	0.00		Written consent required [p. 16]		
Settlement Agreement and Bulk Wastewater and Reuse Service Agreement	Agreement for Bulk Water and Wastewater Service				Actual consent not required, but must provide written notice to the other party not less than 60 days before the assignment becomes effective [18, p. 7]	
Agreement for Treatment and Disposal of Raw or Treated Leachate for the Citrus County Central Landfill	Customers with Special Agreements	0.00	Requires prior written consent of the County			
Sewer Extension Agreement between Collier County, FL and Marco Island Utilities, a division of Deltona Utilities	Customers with Special Agreements	0.00		Assignment must be agreed to in writing.		
Agreement for Purchase and Sale between Ell-Nar Utilities and Southern States Utilities, Inc.	Customers with Special Agreements		Requires prior written consent [18, p. 60].			
Asset Purchase Agreement between Palm Coast Utility Corporation and Florida Water Services Corporation	Developers Agreement	0.00	<u>SECTION 2.8 AND 2.9 EXCLUDED</u> Requires prior written consent [13.13, p. 51]			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Asset Purchase Agreement among Florida Water Services Corporation, Spruce Creek South Utilities, Inc. and Del Webb's Spruce Creek Communities, Inc.	Developers Agreement	0.00	<b><u>SECTION 2(C)(ii) EXCLUDED ASSET</u></b>  Requires prior written approval [10, p. 23]			
Developer's Agreement between Florida Water Services and Del Webb's Spruce Creek Communities	Developers Agreement	0.00			Actual consent not required, but must provide written notice to the other party not less than 30 days before the assignment becomes effective.	
Futures Agreement between Del Webb's Spruce Creek Communities, Inc. and Florida Water Services Corporation	Developers Agreement	0.00	<b><u>EXCLUDED ASSET</u></b>  Requires prior written consent			
Agreement for Purchase and Sale between Steeplechase Utility company, Stonecrest of Marion County, Ltd and Florida Water Services	Asset Purchase Contract	0.00	Required to obtain consent 10 days before the assignment becomes effective.			
Agreement for Purchase and Sale between Tangerine Water Company and Florida Water Services	Asset Purchase Contract	0.00			Actual consent not required, but must provide written notice to the other party not less than 30 days before the assignment becomes effective.	

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Agreement for Purchase and Sale between Tomoka Water Works, Inc. and Florida Water Services and Amendment to Agreement for Purchase and Sale between Tomoka Water Works, Inc. and Florida Water Services	Asset Purchase Contract	0.00				Actual consent not required, but must provide written notice to the other party not less than 30 days before the assignment becomes effective.
Volusia County/Deltona Utilities, Inc. Water and Wastewater Service Agreement (June 27, 1991):	Agreement for Bulk Water and Wastewater Service		<b>Right of First Refusal</b> [9.1, p. 14].  Assignment: Actual consent not required. [9.2, p. 16]			
Southern States Utilities and City of Altamonte Springs concerning Service Areas (10-4-93)  Concerning SSU's proposed amendments to its existing service area filed with PSC and CU permits			<b>Right of First Refusal:</b> [§6, p.4]			
Equipment Lease Agreement with Tanner Industries, Inc.  Utility Operations/storage tanks for NH	Lease		Requires Lessor's prior written consent			
License Agreement with CSX Transportation  License (requires rent)	Other			Requires written consent		

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
ADT Commercial Alarm Services Agreement	Utility Operations/Alarm Services for Kissimmee; Palm Coast; Marco Island; Lehigh Acres; Deltona		Requires prior written consent			
ADT Lease Agreement	Utility Operations/Security Equipment for Kissimmee; Palm Coast; Spring Hill; Marco Island		Requires prior written consent			
Limited License Agreement for Use of Transmission Line  License Agreement	Other				Assignable upon written notice (sale/transfer of all or substantially all of the assets) [8]	
Peak Generation Agreement with Lee County Electric Cooperative, Inc.	Operating Agreement for Lehigh (generator at WWTP)			Requires written consent		
Peak Generation Agreement with Lee County Electric Cooperative, Inc.	Operating Agreement for Marco Island (generator at WWTP)			Requires written consent		
Lease Agreement with Peoples Gas Company  Lease of property in Lehigh Acres	Lease		<b>Right of First Refusal</b> [16, p. 8]			
Bulk Wastewater Treatment Agreement with Hernando County	Bulk Wastewater Treatment in Spring Hill			Requires written consent		
InTuition Systems, Inc. Remittance Processing Agreement	Remittance Processing				Requires Written Notice [5]	
IOS Capital Lease Agreement for Copiers	Operating Agreement		Requires prior written consent			
IOS Image Management Agreement for Copiers	Operating Agreement		Requires prior written consent			
Donlen Corporation Motor Vehicle Lease Agreement	Operating Agreement		Requires prior written consent			



Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Fleet Capital Leasing	Operating Agreement		Requires prior written consent			
Supply Agreement with Hach Company	Operating Agreement		Requires prior written consent			
First USA Purchasing Card Master Agreement	Operating Agreement		Requires prior written consent			
PCA Anywhere 8.0 Agreement	Computer Software License				Requires written notice	
PCA Anywhere 9.0 Agreement	Computer Software License				Requires written notice	
Laboratory Lease Agreement for Spring Hill	Lease FWS as Landlord		Requires prior written consent			
Laboratory Lease Agreement for Lehigh Acres	Lease FWS as Landlord		Requires prior written consent			
Laboratory Lease Agreement for Amelia Island	Lease FWS as Landlord		Requires prior written consent			
Lease Agreement with Option to Purchase with Six Mile Pond Investments, L.C.	Lease FWS as Landlord					Contains an Option to Purchase
Laboratory Lease Agreement for Deltona	Lease FWS as Landlord		Requires prior written consent			
US Filter Additional Filters for Lehigh Acres WTP	Construction Work in Progress		Requires prior written consent			
SnagIt Software Multi-User License Agreement	Computer Software License				Requires written notice.	Transferee must sign a registration form.
Itron, Inc. End User License and Warranty Agreement	Information Technology				Requires written consent	
Itron Inc. Service Agreement	Information Technology				Requires Written Consent	
Master Antenna Site Lease for leasing spaces on Tower	Other Licenses			Requires written approval		
Optistorm End User License Agreement with KOM	Computer Software License				Requires Notice so that Buyer can agree in writing to be bound by contract	
Itrezzo End User Agreement	Computer Software License		Requires prior written consent			

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Docupact License Agreement	Computer Software License		Requires prior written consent			

REUSE CONTRACTS THAT REQUIRE CONSENT  
AND/OR PAYMENT OF A FEE FOR SUCH ASSIGNMENT

Contract	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Effluent Disposal and Easement Agreement Buenaventura Lakes	Reuse	0.00			Written Notice [Section 19]	
Right of Way Consent Agreement with FPL Deltona	Reuse License		Requires prior written consent [17]			
Sewer Service Agreement Florida Central Commerce Park	Reuse		Requires prior written consent [18]			
Deed of Utility Easement and Water Purchase Agreement Marco	Reuse			Requires consent [8]		
Deed of Utility Easement and Water Purchase Agreement Marco	Reuse			Requires consent [8]		
DCDD-PCUC Effluent Agreement with Dunes Community Development District Palm Coast	Reuse		Requires prior written consent [H]			
Reclaimed Water Agreement with Del Webb's Spruce Creek Communities, Inc.			Requires Prior written consent			

CONTRACTS/LEASES WHICH EITHER MAY NOT BE ASSIGNED OR  
WHICH TERMINATE UPON TRANSFER OR ASSIGNMENT

Contract/Lease	Type of Contract	Comment
Lock & Key Storage, Pt. Charlotte, FL (10-12-90)	Lease FWS is Tenant	May not be assigned
Special Use Permit with U.S. Department of Agriculture, Forest Service, Permit to operate and use Salt Springs well and distribution lines	Other Permit	Permit is not transferable or assignable. It terminated if the holder ceases to be the owner of the improvements.
Master Software License Agreement between SSU Services and Software 2000. Software License Agreement for Infinium 2000	Computer Software License	License may not be assigned except to any successor of Customer by means of merger or corporate reorganization with any of Customer's wholly owned subsidiaries located in the State of Florida and/or any wholly owned subsidiaries of Topeka Group, Inc. which are located in the state of Florida.
Agreement between Research In Motion Limited and Florida Water Services. Provision of 10 licenses and Blackberry Service 2.1	Computer Software License	License Rights are non-transferable.
IBM Credit Corporation QuickLease Agreement No. QL0753932. Financing Lease covering AS/400-model 720 production computer [11, p. 2]	Operating Agreement	This agreement may be subleased, it may not be assigned.
IBM Credit Corporation ValuePlan Lease Agreement No. VP0106521. Financing Lease covering Series 820 IBM Software and Equipment	Operating Agreement	This agreement may be subleased, it may not be assigned
Asset Purchase Agreement among Orange Osceola Utilities, Inc., Real Estate Corporation of Florida, Inc. and Southern States Utilities, Inc.	Asset Purchase Contract	SSU will only assign to an entity which is a member of the affiliated group of which Minnesota Power and Light Co is the parent [11.28, p. 47]
West Region Twelve Month Blanket Contract Water Main Extension	Construction Project	Contract expired Feb. 28, 2001
Airtouch Paging	Vendor Agreement	May not be assigned
IKON Maintenance Agreement for Copiers	Operating Agreement	Non-Transferable
Avaya Intuity Message Manager Software License Agreement	Computer Software License	Non-Transferable
OPS Systems License Agreement	Computer Software License	May not be assigned
Seagate Software License Agreement	Computer Software License	May not be assigned

ENGINEERING AND ENVIRONMENTAL CONSULTING CONTRACTS, WHICH REQUIRE CONSENT  
AND/OR PAYMENT OF A FEE FOR SUCH ASSIGNMENT

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
Site Engineering & Planning Apopka Second Entrance to office	Engineering Consulting Contract	0.00				If during the course of the Agreement there is a transfer of property ownership, SEP shall be notified immediately and provided with updated info. [10, p. 9]
Zook Moore Engineering & permitting services re: WTP Impr. Stormwater drainage Apple Valley	Engineering Consulting Contract	0.00		Requires written consent [16, p. 4]		
Biological Consulting Services Biological consulting re: endangered and threatened species Deltona Well 38	Engineering Consulting Contract		Requires prior written agreement [16, p. 3]			Contract Completed January 2002.
Letter Agreement Focus Engineering Professional Services for the Homestead Force Main	Engineering Consulting Contract		Requires prior written consent [p.4]			
Letter Agreement Focus Engineering Hydraulic Model of Lehigh Force Main	Engineering Consulting Contract		Requires prior written consent [p.4]			
Letter Agreement Focus Engineering Professional Services for Woodridge Phase 2A	Engineering Consulting Contract		Requires prior written consent [p.4]			
Letter Agreement Focus Engineering Professional Services for Lehigh Oaks	Engineering Consulting Contract		Requires prior written consent [p.4]			
Jeffrey J. Jewitt, P.E., Inc. Parkdale Booster Pump Station Project	Engineering Consulting Contract		Requires prior written consent			
Virogroup, Inc. Professional Engineering Services	Engineering Consulting Contract			Requires written consent		

Contract/Lease	Type of Contract	Fee Required for Assignment or Transfer	Consents Required Before Transfer	Consents Required After Transfer	Notice Only	Comment
HDR Engineering	Palm Coast-Belle Terre Parkway			Requires consultant approval		Reassignment without approval results in contract being null and void
Master Agreement with Parsons Engineering Science, Inc.	Professional Engineering			Requires written consent [24]		
Master Agreement with Connect Consulting, Inc.				Requires written consent [23]		
Laboratory Services Agreement between Harbor branch Oceanographic Institution, Inc. and Florida Water Services Corporation	Environmental Consulting Contract	0.00	Requires prior written consent [8.2, p. 13]			
Agreement for Professional Services between Berryman & Henigar, Inc. and Florida Water Services, Provision of environmental consulting services in connection with Project: 2002 WUP Application, Wetland Impact Assessment and Environmental Management Plan	Environmental Consulting Contract	0.00	Requires prior written consent [7(E), p. 4]			
Letter Agreement between E.W. Consultants, Inc. and Florida Water Services. Provision of environmental consulting services in connection with Palm Coast Water Treatment Plan; concentrate Permit Compliance Assistance	Environmental Consulting Contract	0.00		Requires consent of the other party [8, p. 2]		

**\*\*Note:** Governmental Authorizations listed on Exhibit 3.11 (Operating Permits, Construction Permits, Occupational Licenses, FCC licenses, Storage Tank Registrations, Other, Public Service Commission certificates and authorizations from the regulatory counties and PWS numbers) are not included in this list of Seller Contracts.

## LINE OF CREDIT

For good and valuable consideration, receipt of which is hereby expressly acknowledged, and to induce the Florida Water Services Authority (“Borrower”) to consummate the transactions provided for in that certain Asset Purchase Agreement dated as of September 19, 2002, as amended and restated (“Agreement”), by and among the Borrower and Florida Water Services Corporation, a wholly owned indirect subsidiary of ALLETE, Inc., a Minnesota corporation (“Lender”), the Lender does hereby agree with the Borrower as follows:

1. The Lender agrees that it shall make revolving credit loans to the Borrower in an aggregate principal amount outstanding at any time not to exceed five million dollars (\$5,000,000) (the “Maximum Principal Amount”). Until the Due Date (as hereinafter defined), the Borrower shall have the right hereunder to borrow and re-borrow from the Lender on any business day on which the Lender is generally open for business (“Business Day”) such principal amounts in increments of \$500,000 as Borrower may determine it needs to fund its working capital needs, provided that the amount Borrower requests to borrow hereunder together with all other principal amounts of loans outstanding hereunder at such time do not exceed the Maximum Principal Amount. The Borrower shall have the right to prepay in increments of \$500,000 principal indebtedness outstanding hereunder on any Business Day, provided however that it simultaneously therewith prepays any accrued interest then outstanding.

2. Until the Due Date, the Borrower shall pay interest on the principal amount of all loans outstanding hereunder at a rate equal to the Prime Rate (as hereinafter defined) until and including the Due Date and, after the Due Date, at rate equal to the Prime Rate plus three percent (3% ) per annum. “Prime Rate” means , for each calendar month that indebtedness is owing the Lender hereunder, that rate of interest designated by \_\_\_\_\_ Bank as being its prime rate on the first day of such month. Accrued interest for each month shall be due and payable on the fifth (5<sup>th</sup>) day of the following month, commencing with the first month following the closing of the transaction contemplated in the Agreement. If any required payment hereunder shall fall on a day other than a Business Day, the date such payment is required shall be extended to the next following Business Day. All payments made hereunder shall be applied first to the payment of interest and then to the reduction of principal.

3. Notwithstanding anything contained herein to the contrary, all amounts outstanding hereunder, whether principal or interest, shall be due and payable 140 days after the closing of the transaction provided for in the Agreement (the “Due Date”).

4. All requested borrowings by the Borrower hereunder shall be done in accordance with reasonable procedures established by the Lender and acceptable to the Borrower. A borrowing requested prior to 10 A.M. Eastern time on a Business Day will be funded by the Lender on the same day by wire transfer in accordance with Borrower’s instructions or if requested after 10 A.M. on a Business Day it will be funded by the Lender by no later than the following Business Day by wire transfer in accordance with Borrower’s instructions. All repayments by the Borrower shall be made by wire transfer in accordance with Lender’s instructions.

5. If Borrower defaults in its payments hereunder or fails to perform any of the other agreements contained herein, Lender may declare immediately due and payable all unpaid principal of and accrued interest hereunder, together with all other sums payable hereunder, and the same shall thereupon be immediately due and payable without presentment or other demand, protest, notice of dishonor or any other notice of any kind, all of which are hereby expressly waived by Borrower. The foregoing remedy shall be in addition to any other remedy available to Lender at law.

6. Each party hereby represents and warrants to the other that its obligations set forth herein are binding and enforceable obligations of such party.

7. In the event that the Borrower defaults in the performance of its obligations hereunder, the Borrower shall pay to the Lender all reasonable costs incurred by the Lender in enforcing the Borrower's obligations hereunder, including without limitation, attorneys fees and disbursements.

8. This agreement shall be governed by the laws of the State of Florida without regard to its conflict of law principles.

Please sign below to set forth your agreement to the foregoing.

Executed and delivered as of the \_\_\_\_ day of [Closing Date of Agreement].

ALLETE, Inc.

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

The undersigned accepts and agrees to the foregoing as of the \_\_\_\_ day of [Closing date of Agreement]. The undersigned furthermore, represents and warrants to ALLETE, Inc. that the obligations of the undersigned set forth above are binding and enforceable obligations of the undersigned.

Florida Water Services Authority

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





FLORIDA DEPARTMENT OF STATE  
Ken Detzner  
Secretary of State

February 4, 2003

AKERMAN SENTERFITT  
301 S. BRONOUGH STREET  
SUITE 200  
TALLAHASSEE, FL

The Articles of Incorporation for FLORIDA WATER SERVICES AUTHORITY, INC. were filed on February 4, 2003, effective January 31, 2003 and assigned document number N0300000895. Please refer to this number whenever corresponding with this office regarding the above corporation. The certification you requested is enclosed.

**PLEASE NOTE: COMPLIANCE WITH THE FOLLOWING PROCEDURES IS ESSENTIAL TO MAINTAINING YOUR CORPORATE STATUS. FAILURE TO DO SO MAY RESULT IN DISSOLUTION OF YOUR CORPORATION.**

A CORPORATION ANNUAL REPORT/UNIFORM BUSINESS REPORT MUST BE FILED WITH THIS OFFICE BETWEEN JANUARY 1 AND MAY 1 OF EACH YEAR BEGINNING WITH THE CALENDAR YEAR FOLLOWING THE YEAR OF THE FILING DATE NOTED ABOVE AND EACH YEAR THEREAFTER. FAILURE TO FILE THE ANNUAL REPORT/UNIFORM BUSINESS REPORT ON TIME MAY RESULT IN ADMINISTRATIVE DISSOLUTION OF YOUR CORPORATION.

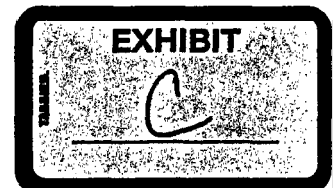
A FEDERAL EMPLOYER IDENTIFICATION (FEI) NUMBER MUST BE SHOWN ON THE ANNUAL REPORT/UNIFORM BUSINESS REPORT FORM PRIOR TO ITS FILING WITH THIS OFFICE. CONTACT THE INTERNAL REVENUE SERVICE TO RECEIVE THE FEI NUMBER IN TIME TO FILE THE ANNUAL REPORT/UNIFORM BUSINESS REPORT AT 1-800-829-3676 AND REQUEST FORM SS-4.

SHOULD YOUR CORPORATE MAILING ADDRESS CHANGE, YOU MUST NOTIFY THIS OFFICE IN WRITING, TO INSURE IMPORTANT MAILINGS SUCH AS THE ANNUAL REPORT/UNIFORM BUSINESS REPORT NOTICES REACH YOU.

Should you have any questions regarding corporations, please contact this office at the address given below.

Claretha Golden, Document Specialist  
New Filings Section

Letter Number: 303A00007420



# State of Florida



## Department of State

I certify from the records of this office that FLORIDA WATER SERVICES AUTHORITY, INC. is a corporation organized under the laws of the State of Florida, filed on February 4, 2003, effective January 31, 2003.

The document number of this corporation is N03000000895.

I further certify that said corporation has paid all fees due this office through December 31, 2003, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capitol, this the  
Fourth day of February, 2003



CR2EO22 (1-03)

*Ken Detzner*

Ken Detzner  
Secretary of State

# State of Florida



## Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation of FLORIDA WATER SERVICES AUTHORITY, INC., a Florida corporation, filed on February 4, 2003 effective January 31, 2003, as shown by the records of this office.

The document number of this corporation is N03000000895.

Given under my hand and the  
Great Seal of the State of Florida  
at Tallahassee, the Capitol, this the  
Fourth day of February, 2003



CR2EO22 (1-03)

*Ken Detzner*

Ken Detzner  
Secretary of State

01/31/03

2013 FEB 11 10:10:00

**ARTICLES OF INCORPORATION**

**OF**

**FLORIDA WATER SERVICES AUTHORITY, INC.  
(a Florida corporation not-for-profit)**

**ARTICLE I: NAME.**

The name of the Corporation shall be FLORIDA WATER SERVICES AUTHORITY, INC.

**ARTICLE II: PRINCIPAL PLACE OF BUSINESS.**

The principal place of business and mailing address of the corporation shall be 315 Fairpoint Drive, Gulf Breeze, Florida 32561.

**ARTICLE III: CORPORATE PURPOSES AND POWERS.**

The Corporation is organized exclusively for the charitable, non-profit purposes of (i) promoting, planning, establishing, financing, acquiring, constructing, equipping, operating, maintaining, owning, expanding, improving, consolidating, furnishing, managing, diversifying, developing, conserving, and leasing, contracting and disposing, of public utilities, including without limitation, water, wastewater, sewerage, alternative water source, and water reuse utilities; (ii) relieving the burdens of government in developing and managing water resources, providing utility services to the public, and exploring, developing and producing natural resources and their by-products for such purposes; (iii) to assist, cooperate, joint venture or otherwise collaborate with governmental officials and public agencies in connection with public utilities, including, without limitation, water wastewater, sewerage, alternative water source, and water reuse utilities; (iv)

promoting, planning, establishing, financing, acquiring, constructing, equipping, operating, maintaining, owning, expanding, improving, consolidating, furnishing, managing, diversifying, developing, conserving, and leasing, contracting and disposing, of plants, facilities, and resources for production, storage, transmission, distribution, treatment, collection, disposal, reuse, recycling, and environmental management of water and wastewater.

In order to assist in carrying out its purposes, the Corporation shall have the power to borrow the necessary funds to pay for acquisition, construction, renovation and/or other improvements of capital projects, the indebtedness for which borrowed money may be evidenced by securities or obligations of the Corporation of any kind or character issued from time to time, which may either be unsecured or secured by any mortgage, deed of trust, or other lien upon any part or all of the funds, properties and assets, at any time then or thereafter acquired by the Corporation, and to provide (or arrange for the provision of) services necessary for acquisition, construction, renovation, other improvement, operation, management, and maintenance of such affordable housing projects.

Subject to the limitations otherwise set forth in these Articles of Incorporation, the Corporation shall have all of the powers, privileges and rights necessary or convenient for carrying out the purposes for which the Corporation is formed and all the benefits, privileges, rights and powers created, given, extended or conferred by the provisions of all applicable laws of the State of Florida pertaining to not-for-profit corporations and any additions or amendments thereto.

#### **ARTICLE IV: MEMBERSHIP.**

The Corporation shall have no members.

**ARTICLE V: INITIAL REGISTERED AGENT.**

The name and street address of the initial registered agent is Bruce Culpepper, Akerman, Senterfitt & Eidson, P.A., 301 South Bronough, Suite 200, Tallahassee, Florida 32301-1707.

**ARTICLE VI: DIRECTORS.**

The directors of the Corporation shall be appointed by the Cities of Gulf Breeze, Florida and Milton, Florida, as more particularly described herein. The Corporation shall initially have three (3) directors, two (2) appointed by Gulf Breeze and one (1) appointed by Milton. The number of directors which the Corporation may have shall thereafter be determined by Gulf Breeze, provided (i) there shall never be less than three (3) nor more than seven (7) director positions, and (ii) at least twenty percent (20%) of the director positions shall be appointed by Milton. Directors shall be appointed for such terms as the Gulf Breeze or Milton (whichever appointed the particular director) may determine, and shall be subject to removal by Gulf Breeze.

The names and addresses of the initial directors of the Corporation, who shall hold offices as provided above, are as follows:

<u>Name</u>	<u>Address</u>
Lance Reese	119 Eufaula Avenue Gulf Breeze, Florida 32561
Brenda Pollak	6730 Epping Forest Way North Apartment 107 Jacksonville, Florida 32217
Robert Smith	5579 Stewart Street Milton, Florida 32570

## **ARTICLE VII: BYLAWS.**

Bylaws of the Corporation shall be adopted by the Directors and may be altered, amended or rescinded by the Directors in the manner provided in the Bylaws.

## **ARTICLE VIII: AMENDMENTS.**

These Articles of Incorporation may be amended or repealed, in full or in part, by a majority vote at any duly organized meeting of the Board of Directors; provided, however, to the extent permitted by applicable law, after the issuance of any securities or obligations of the Corporation and while any such securities or obligations may be outstanding, the powers, restrictions and limitations set forth herein may not be amended or rescinded unless necessary to comply with the requirements of applicable law.

## **ARTICLE IX: RESTRICTIONS AND LIMITATIONS.**

1. No dividends shall be paid by the Corporation and no part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the provisions set forth in Article III hereof. The Corporation is authorized to make payments to Gulf Breeze and Milton as contemplated in that certain Interlocal Agreement made and entered into by and between Gulf Breeze and Milton as of September 16, 2002, a true and correct copy of which is recorded in Official Records Book 2053, at Page 499, of the Public Records of Santa Rosa County (the "Interlocal Agreement").

2. The Corporation shall be authorize and empowered to reimburse an officer or director for actual, reasonable out-of-pocket expenses incurred by an officer or director while acting in his official capacity on behalf of the Corporation. The Corporation shall be authorized to compensate its officers and directors in the manner contemplated in the Interlocal Agreement.

3. In the event of dissolution, the residual assets of the Corporation shall be distributed to the Cities of Gulf Breeze and Milton, Florida, for public purposes, and none of the assets shall be distributed to any officer or director of the corporation.

4. The Corporation shall not, without the affirmative vote of 100% of the members of its Board of Directors and the prior written consent of Gulf Breeze:

- (a) Institute a proceeding to be adjudicated insolvent, or consent to the institution of any bankruptcy or insolvency case or proceeding against it, or file or consent to a petition under any applicable federal or state law relating to bankruptcy, seeking the Corporation's liquidation or reorganization or any other relief for the corporation as debtor, or consent to the appointment of a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the corporation or a substantial part of its property, or make any assignment for the benefit of creditors, or admit in writing its inability to pay its debts generally as they become due, or take any corporate action in furtherance of any such action;
- (b) Amend, alter, change or repeal Article III hereof or this Article IX;
- (c) Engage in any business or activity other than as authorized by Article III hereof; or
- (d) Consolidate with or merge into any other entity or convey, transfer or lease its properties or assets substantially as an entirety to another entity, or permit any entity to merge into the Corporation or convey, transfer or lease its properties and assets substantially as an entirety to the Corporation.



**ARTICLE X: CORPORATE EXISTENCE**

As contemplated in Florida Statutes Section 617.0203, the Corporation's existence shall be deemed to have begun on January 31, 2003.

**ARTICLE XI: INCORPORATOR.**

The incorporator of the Corporation is Bruce Culpepper, Akerman, Senterfitt & Eidson, P.A., 301 South Bronough, Suite 200, Tallahassee, Florida 32301-1707.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation on this 4 day of February, 2003.

  
BRUCE CULPEPPER

STATE OF FLORIDA :  
COUNTY OF LEON :

SWORN TO AND SUBSCRIBED before me this 4 day of February 2003, by BRUCE CULPEPPER, is personally known to me.

  
NOTARY PUBLIC

\_\_\_\_\_  
(Name of officer typed, printed or stamped)

My Commission Expires:

\_\_\_\_\_  
Commission/serial number



Phyllis L. Dunaway  
MY COMMISSION # CC816593 EXPIRES  
March 11, 2003  
BONDED THRU TROY FAJN INSURANCE, INC.

**CERTIFICATE OF DESIGNATION OF REGISTERED AGENT/REGISTERED OFFICE  
FOR  
FLORIDA WATER SERVICES AUTHORITY, INC.**

Pursuant to the provisions of Section 617.0501, Florida Statutes, FLORIDA WATER SERVICES AUTHORITY, INC., a corporation not-for-profit organized under the laws of the State of Florida, submits the following statement in designating the registered agent/registered office in the State of Florida.

1. The name of the corporation is FLORIDA WATER SERVICES AUTHORITY, INC.
2. The name and address of the registered agent and office is:

Bruce Culpepper  
Akerman, Senterfitt & Eidson, P.A.  
301 South Bronough, Suite 200  
Tallahassee, Florida 32301-1707

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this certificate, I hereby certify the appointment as the registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

Dated this 4 day of February, 2003.

AKERMAN, SENTERFITT & EIDSON, P.A.  
a Florida corporation

By: Bruce Culpepper  
Bruce Culpepper  
Its: Attorney / registered agent

RECEIVED  
FEBRUARY 11 2003  
STATE OF FLORIDA  
SECRETARY OF STATE