

TAX ALLOCATION AGREEMENT

The parties to this agreement, effective as of August 1, 2006, are Hydro Star, LLC, a Delaware limited liability company ("Hydro Star"), Hydro Star Holdings Corporation, a Delaware corporation ("Holdings"), and Utilities, Inc., an Illinois corporation ("UI").

Hydro Star, Holdings, UI and each of the corporations listed on Schedule 1 attached hereto (those corporations, collectively, the "Subsidiaries", and, along with Hydro Star, Holdings and UI, the "Members") are members of an affiliated group of corporations, as defined in Section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of which Hydro Star is the common parent (the "Hydro Star Affiliated Group"). Hydro Star, Holdings and UI desire to agree upon an equitable method for determining certain matters, including the financial consequences of Holdings, UI and the Subsidiaries filing consolidated federal income tax returns (and any analogous combined, consolidated, or unitary state, local, or foreign income tax returns) with Hydro Star.

The parties accordingly agree as follows:

1. Filing of Consolidated Federal Income Tax Returns and Payment of Taxes.

(a) Filing by Hydro Star. Hydro Star will file consolidated federal income tax returns (including estimated tax returns) on behalf of the Hydro Star Affiliated Group for each taxable year ending after the date hereof during which Hydro Star, Holdings, UI and/or any one or more of the Subsidiaries are members of the Hydro Star Affiliated Group, and Hydro Star will pay all taxes shown to be due thereon.

(b) Obligation to Make Tax Sharing Payments. For each taxable year during which Hydro Star, Holdings, UI and/or any one or more of the Subsidiaries are members of the Hydro Star Affiliated Group, (i) Holdings will pay to Hydro Star its Separate Return Tax Amount for that taxable year in accordance with this Section 1, and (ii) UI will pay to Hydro Star the Separate Return Tax Amount for UI and for each of the Subsidiaries included in the Hydro Star Affiliated Group consolidated federal income tax return for that taxable year in accordance with this Section 1. For these purposes, a Member's "Separate Return Tax Amount" for a taxable year means an amount, not less than zero, equal to the federal income tax liability of that Member for that year if (a) that Member did not join (and had never joined) in the filing of a consolidated federal income tax return with the Hydro Star Affiliated Group (but taking into account all other relevant facts, including, without limitation, any limitations under Section 382 of the Code and any separate return year limitation restrictions), and (b) such federal income tax liability were computed on a separate return for that Member (the assumptions in the foregoing clauses (a) and (b) are referred to below as the "Separate Return Assumptions").

(c) Estimated and Final Tax Sharing Payments. On any date on which Hydro Star is required to make an estimated payment of the consolidated federal income tax liability of the Hydro Star Affiliated Group under Code Section 6655, (i) Holdings will

make a payment to Hydro Star in an amount equal to the estimated payment of federal income tax liability (but not less than zero) that it would be required to make under Code Section 6655 and the Separate Return Assumptions, determined in a manner consistent with subsection (b) above, and (ii) UI will make a payment to Hydro Star in an amount equal to the sum of the estimated payments of federal income tax liability (but not less than zero in any case) that UI and each other Subsidiary included in the Hydro Star Affiliated Group consolidated federal income tax return would be required to make under Code Section 6655 and the Separate Return Assumptions, determined in a manner consistent with subsection (b) above. If the total of such estimated payments made by Holdings or UI, as applicable, with respect to a taxable year is less than its liability ultimately determined under subsection (b) above with respect to that taxable year, Holdings or UI, as applicable, will pay any remaining amount to Hydro Star on the unextended due date on which Hydro Star is required to file the Hydro Star Affiliated Group's consolidated federal income tax return for the taxable year along with its share of any applicable interest and/or additions to tax resulting from any underpayment of estimated taxes by the Hydro Star Affiliated Group for the taxable year. If the total of such estimated payments made by Holdings or UI, as applicable, with respect to a taxable year is in excess of its liability ultimately determined under subsection (b) above with respect to that taxable year, Hydro Star will pay the amount of the excess to Holdings or UI, as applicable, at such time as Hydro Star files the Hydro Star Affiliated Group's consolidated federal income tax return for the taxable year; provided, that if such tax return shows that Hydro Star is entitled to (and if Hydro Star so requests) a refund of federal income taxes, Hydro Star may, in its sole discretion, delay such payment until its actual receipt of such refund.

(d) Indemnity. Except for the payments required to be made by Holdings and UI hereunder, Hydro Star will indemnify and hold harmless each other Member from and against any and all liabilities for federal income taxes (including estimated taxes, interest, and penalties thereon) with respect to any taxable year of the applicable Member to which this agreement applies.

(e) Refunds. All refunds of federal income taxes due to the Hydro Star Affiliated Group shall be paid to Hydro Star, and no other Member may receive any refunds of such federal income taxes directly from the Internal Revenue Service (and Holdings shall, and UI shall, and shall cause each other Subsidiary to, pay over any refunds so received by it to Hydro Star, without regard to whether the recipient Member is then a party to this agreement taking into account the application of Section 6(f) hereof).

2. Agency and Information. Holdings and UI, on behalf of itself and each other Subsidiary, hereby designates Hydro Star as its exclusive agent for the purpose of taking any and all actions necessary, appropriate, or incidental to the filing of the tax returns contemplated by Section 1 and to Hydro Star's, Holdings', UI's and the Subsidiaries' relationship as members of an affiliated group of corporations (including without limitation and in Hydro Star's absolute discretion making any elections required or permitted by Code or the permanent and temporary Treasury Regulations promulgated thereunder) and to the handling of any audit, appeals conference, litigation, or other proceeding relating

thereto (including any settlement agreed to by Hydro Star in its sole discretion of any issue or issues raised in such audit, conference, litigation, or other proceeding), and Holdings agrees to furnish, and UI agrees to furnish and to cause each other Subsidiary to furnish, to Hydro Star any information (and otherwise to cooperate with Hydro Star), and to execute and deliver to Hydro Star any returns, forms, or other documents, as may be necessary or appropriate to give effect to the foregoing, in each case without regard to whether the applicable Member is then a party to this agreement taking into account the application of Section 6(f) hereof.

3. Adjustments.

(a) Carryback of Losses or Credits. If in any taxable year Holdings or a Subsidiary would be entitled to a tax refund under the Separate Return Assumptions by reason of a loss or credit carryback (a "Separate Return Refund Amount"), and if the loss or credit so carried back actually reduces or has actually reduced the consolidated federal income tax liability of, or results in the receipt of a tax refund by, the Hydro Star Affiliated Group in such taxable year or in any other tax year, then, at such time (including without limitation in any later taxable year or years) as the Hydro Star Affiliated Group actually receives such a refund or at the time the Hydro Star Affiliated Group files the applicable tax return or returns (including any amended tax returns) reflecting that reduced consolidated federal income tax liability, as applicable, the payments required to be made by Holdings or UI, as applicable, with respect to the Separate Return Tax Amount of Holdings or the applicable Subsidiary under Section 1 will be recomputed for all affected taxable years (but shall not be reduced as to Holdings or any Subsidiary below an aggregate net amount of zero for those years), and Hydro Star will pay Holdings or UI, as applicable, the difference between the aggregate amounts previously paid by Holdings with respect thereto or by UI for that Subsidiary with respect thereto and the amount recomputed hereunder; provided, that Hydro Star may determine which Hydro Star Affiliated Group members' losses, deductions, or credits are the losses, deductions, or credits carried back or forward in any instance, such determination to be made in Hydro Star's sole discretion (but consistent with applicable limitations, such as any separate return limitation year restrictions and the provisions of Section 382 of the Code).

(b) Redetermination of Tax Liability. The computations set out in Section 1 will be adjusted appropriately to reflect any redetermination in the consolidated federal income tax liability of the Hydro Star Affiliated Group or any adjustment that would affect the Separate Return Tax Amount or Separate Return Refund Amount of any Member made by the Internal Revenue Service and agreed to by Hydro Star or resulting from applicable judicial or administrative proceedings. The parties will make payments (including payments in respect of interest and additions to tax applied with respect to such redeterminations or adjustments) to each other to the extent necessary to give effect to the provisions of this subsection (b) promptly without regard to whether any applicable party is then a party to this agreement taking into account the application of Section 6(f) hereof.

4. Other Taxes.

(a) Alternative Minimum Tax. The provisions hereof shall be applied *mutatis mutandis* in the case of the consolidated alternative minimum tax liability, if any, of the Hydro Star Affiliated Group.

(b) State, Local or Foreign Taxes. The provisions hereof shall be applied *mutatis mutandis* in the case of any tax return that may be filed by Hydro Star as the parent of any combined, consolidated, or unitary group of corporations for state, local, or foreign income, franchise, or similar tax purposes.

5. Inclusion or Removal of Subsidiaries. To the extent necessary, UI shall update Schedule 1 as appropriate to reflect the inclusion or removal of Subsidiaries.

6. Miscellaneous.

(a) Interest on Overdue Payments. Any amounts payable by any party to another hereunder and not paid within thirty (30) days of the date such amounts are due will bear interest from and after the due date at an annual rate equal to the rate of interest announced from time to time by Bank of America (or any successor institution) as its "Prime Rate" plus one percent (1%), compounded annually.

(b) Disputes. Any dispute concerning the calculation or basis of determination of any payments among the parties hereunder shall be resolved by Hydro Star's independent accounting firm of national reputation, whose resolution shall be conclusive and binding upon the parties.

(c) Further Assurances. Each of the parties shall, without further consideration, execute and deliver to any other party hereto such other instruments, documents, agreements, consents, and elections, and shall take such other action, as such other party may reasonably request to carry out the transactions and arrangements contemplated by this agreement.

(d) Entire Agreement. The parties hereto acknowledge that this agreement, together with the Schedules and Exhibits hereto, contains the entire agreement and understanding among the parties with respect to the subject matter hereof, and supersedes any and all prior agreements or understandings among the parties.

(e) Amendment. Except as otherwise expressly provided herein, this agreement may be amended only by a written instrument executed in one or more counterparts by Hydro Star, Holdings and UI.

(f) Term and Termination. This agreement shall take effect as of the date hereof and shall continue until terminated by the mutual written agreement of the parties. The termination of this agreement as to any party shall not affect the rights and obligations of that party under this agreement that arose prior to the date of such termination.

(g) Notices. All notices and other communications hereunder shall be deemed adequately given if in writing and delivered by hand or sent by certified or registered mail, postage prepaid, by nationally recognized overnight courier (e.g., FedEx), or by facsimile confirmed by one of the other methods for giving notice hereunder, to the party or parties for whom such notices are intended. Any such notice shall be effective upon receipt.

(h) Binding Agreement; Successors and Assigns. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(i) No Third-Party Beneficiaries. This agreement shall not confer upon any third party (including any Subsidiary other than UI) any right, benefit, cause of action, or remedy of any nature whatsoever.

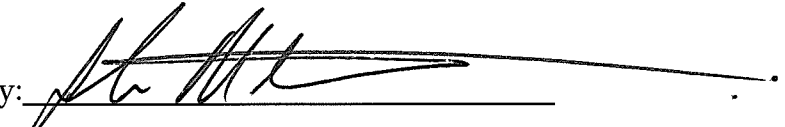
(j) Headings; Terms; Governing Law. The headings of sections and subsections of this agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this agreement or to affect the meaning of any of its provisions. Any reference herein to any gender or number shall not, unless the context otherwise requires, affect the construction hereof and the same shall be interchangeable with any other gender or number, as the case may be. This agreement and the rights and obligations of the parties hereunder shall be construed, interpreted and determined in accordance with the internal substantive laws of the State of Delaware.

(k) Counterparts. This agreement may be executed in any number of counterparts, each of which shall be an original and all of which, taken together, shall constitute one and the same instrument. In making proof of this agreement it shall not be necessary to produce or account for more than one such counterpart.

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IN WITNESS WHEREOF, this agreement has been executed by Hydro Star, Holdings and UI, by a duly authorized officer in each case, and is effective as of the date first above written.

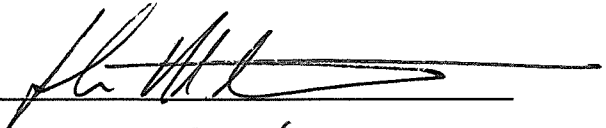
HYDRO STAR, LLC

By: 

Print Name: JOAN STOKES
Title: PRESIDENT

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

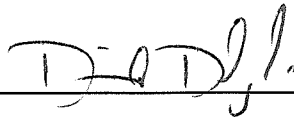
HYDRO STAR HOLDINGS CORPORATION

By: 

Print Name: JOAN STOKES

Title: PRESIDENT

UTILITIES, INC.

By: 

Print Name: DANIEL DELGADO

Title: CFD

UTILITIES, INC. AND SUBSIDIARIES

TAX ALLOCATION AGREEMENT

<u>Name of Subsidiary</u>	<u>State of Incorporation</u>
Alafaya Utilities, Inc.	Florida
American Resources Development Co.	Nevada
Apple Canyon Utility Company	Illinois
Bayside Utility Services, Inc.	Florida
Bermuda Water Company, Inc.	Arizona
Belvedere Utility Company (Inactive Subsidiary)	North Carolina
Bio Tech, Inc.	South Carolina
Bradfield Farms Water Co.	North Carolina
Camelot Utilities, Inc.	Illinois
Carolina Pines Utilities, Inc.	North Carolina
Carolina Trace Utilities, Inc.	North Carolina
Carolina Water Service, Inc.	Delaware
Carolina Water Service, Inc. of North Carolina	North Carolina
Cedar Bluff Utilities, Inc.	Illinois
Charleston Utilities, Inc.	Mississippi
Charmar Water Company	Illinois
Cherry Hill Water Company	Illinois
Clarendon Water Company	Illinois
Colchester Public Service Corp.	Virginia
County Line Water Company	Illinois
CWS Systems, Inc.	North Carolina
Cypress Lake Utilities, Inc.	Florida
Del-Mar Water Company	Illinois
Eastlake Water Service, Inc.	Florida
Elk River Utilities, Inc.	North Carolina
Ferson Creek Utilities Co.	Illinois
Galena Territory Utilities, Inc.	Illinois
Great Northern Utilities, Inc.	Illinois
Greenridge Utilities, Inc.	Maryland
Harbor Ridge Utilities, Inc.	Illinois
Holiday Hills Utilities, Inc.	Illinois
Holiday Service Corp.	Ohio
Hutchinson Island Irrigation Company	Florida
Indiana Water Service, Inc.	Indiana
Killarney Water Co.	Illinois

<u>Name of Subsidiary</u>	<u>State of Incorporation</u>
Labrador Utilities, Inc.	Florida
Lake Groves Utilities, Inc. (Inactive Subsidiary)	Florida
Lake Holiday Utilities Corp.	Illinois
Lake Marian Water Corp.	Illinois
Lake Placid Utilities, Inc.	Florida
Lake Utility Services, Inc.	Florida
Lake Wildwood Utilities Corp.	Illinois
Louisiana Water Service, Inc.	Louisiana
Maryland Water Service, Inc.	Maryland
Massanutten Public Service Corporation	Virginia
Medina Utilities Corporation	Illinois
Mid-County Services, Inc.	Florida
Miles Grant Water and Sewer Company	Florida
Montague Sewer Company	New Jersey
Montague Water Company	New Jersey
Nero Utility Services, Inc.	North Carolina
North Topsail Utilities, Inc.	North Carolina
Northern Hills Water and Sewer Company	Illinois
Pebble Creek Utilities, Inc.	Florida
Penn Estates Utilities, Inc.	Pennsylvania
Provinces Utilities, Inc.	Maryland
Queens Harbor Utility, Inc. (Inactive Subsidiary)	North Carolina
Riverpointe Utility Corp.	North Carolina
Sandy Creek Utility Services, Inc.	Florida
Sanlando Utilities Corporation	Florida
Sky Ranch Water Service Corp.	Nevada
South Carolina Utilities, Inc.	South Carolina
South Gate Utilities, Inc.	Florida
Southland Utilities, Inc.	South Carolina
Spring Creek Utilities Co.	Nevada
Tega Cay Water Service, Inc.	South Carolina
Tennessee Water Service, Inc.	Tennessee
Tierre Verde Utilities, Inc.	Florida
Transylvania Utilities, Inc.	North Carolina
Twin Lakes Utilities, Inc.	Indiana
United Utility Companies, Inc.	South Carolina
Utilities, Inc.-Blue Mountain Lake	Pennsylvania
Utilities, Inc. of Central Nevada	Nevada
Utilities, Inc. of Eagle Ridge	Florida
Utilities, Inc. of Georgia	Georgia

Name of Subsidiary	State of Incorporation
Utilities, Inc. of Hutchinson Island	Florida
Utilities, Inc. of Longwood	Florida
Utilities, Inc. of Louisiana	Louisiana
Utilities, Inc. of Maryland	Maryland
Utilities, Inc. of Nevada	Nevada
Utilities, Inc. of Pennbrooke	Florida
Utilities, Inc. of Pennsylvania	Pennsylvania
Utilities, Inc. of Sandalhaven	Florida
Utilities, Inc.-Westgate	Pennsylvania
Utilities Services of South Carolina, Inc.	South Carolina
Valentine Water Service, Inc.	Illinois
Walk-Up Woods Water Co.	Illinois
Watauga Vista Water Corp.	North Carolina
Water Service Company of Georgia	Georgia
Water Service Company of Indiana, Inc.	Indiana
Water Service Corporation	Delaware
Water Service Corporation of Kentucky	Kentucky
Wedgfield Utilities, Inc.	Florida
Westlake Utilities, Inc.	Illinois
Whispering Hills Water Co.	Illinois
Wildwood Water Service. Co.	Illinois