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ORIGINAL

January 15, 1998

Via UPS

Ms. Blanca Bayo
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. [REDACTED]
Application for Transfer to Governmental Authority
by Florida Water Services Corporation

Dear Ms. Bayo:

Enclosed for filing are six copies of the executed contract for the above-referenced matter. This is being provided as Late Filed Exhibit A.

Also enclosed is an original and five copies of an affidavit. This is being provided as Late Filed Exhibit D.

In order to confirm filing of these late-filed exhibits, please date stamp the enclosed copy of this letter and return it to me in the self-addressed, stamped envelope provided.

If you need any additional information or other assistance, please call me at (407) 880-0058, ext. 267. Thank you for your cooperation.

- ACK _____
- AFA _____
- APP _____
- CFE _____
- CMH _____
- DEP _____
- EAG _____
- LED _____
- LIN _____
- SEC _____
- WAS _____
- OTH _____

Sincerely,

Donna L. Henry
Donna L. Henry
Executive Legal Assistant

dlv/D98L3

Enclosures

DOCUMENT NUMBER - DATE
[REDACTED]
FPSC RECORDS/REPORTING

LATE FILED EXHIBIT A

APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS

DEC 30 1997

RB/AS

**ORANGE COUNTY/FLORIDA
WATER SERVICES CORPORATION
WATER & WASTEWATER SYSTEMS
ASSET PURCHASE & SALE AGREEMENT**

December 30, 1997.

Gray, Harris & Robinson, P.A.

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SCHEDULE OF EXHIBITS

EXHIBIT NO.	TITLE
1	The Real Property
2	Easements and Other Rights
3	Plant and Other Facilities Assets
4	Inventory of Equipment
5	Engineering Plans
6	All Permits, Certifications, Authorizations and Approvals
7	FPSC Service Area Maps
8	Customer Deposits
9	Certification of Facility Capacities
10	Escrow Agreements
11	Contracts and Agreements
12	Customer Map Series - Showing Lots With Prepaid Capacity, Connection, or Other Capital Charges Designated
13	Operational Services Agreement
14	Facilities Map Series - Florida Water Service Utility Master Plans
15	Construction Work-in-Progress/Deficiency List for Correction by Seller
16	Land Deficiencies for Resolution by Seller

ORANGE COUNTY/FLORIDA WATER SERVICES CORPORATION WATER & WASTEWATER SYSTEMS ASSET PURCHASE & SALE AGREEMENT

THIS AGREEMENT, made and entered into this 30th day of December, 1997, by and between ORANGE COUNTY, a political subdivision of the State of Florida (hereafter "COUNTY"), and FLORIDA WATER SERVICES CORPORATION, a Florida corporation, formerly known as Southern States Utilities, Inc. (hereafter "SELLER").

RECITALS

1. SELLER owns and operates several potable water production, treatment, storage, transmission, and distribution systems in Orange County, Florida to wit:

- (1) The University Shores Water System**
- (2) The Holiday Heights Water System**
- (3) The Daetwyler Shores Water System**
- (4) The Lake Conway Water System, and**
- (5) The Westmont Water System.**

(These water systems shall hereinafter be sometimes referred to collectively as "the Water Systems" and each individually as a "Water System").

2. SELLER owns and operates a sanitary wastewater collection, treatment and effluent disposal system in Orange County, Florida, commonly known as the University Shores Wastewater System (This wastewater system being hereinafter sometimes referred to as the "Wastewater System").

3. The Water Systems and the Wastewater System (hereinafter collectively called the "Utility Systems") operate under Certificates of Authorization (the "Certificates") issued by the Florida Public Service Commission (the "Commission"), which authorize SELLER to provide water and wastewater service to certain territories in Orange County, Florida.

4. Pursuant to its governmental powers under Chapters 125 and 153, Florida Statutes, and other applicable laws, the COUNTY is authorized to preserve and enhance present advantages, encourage the most appropriate use of land, water and resources, consistent with public interest, facilitate adequate and efficient provision of water and sewerage facilities, and conserve, develop, utilize, and protect natural resources within its jurisdiction.

5. The SELLER is willing to sell the Utility Systems to the COUNTY, and the COUNTY is willing to purchase the Utility Systems from the SELLER.

6. The COUNTY has the power and authority to acquire the Utility Systems and to operate the Utility Systems in order to provide potable water and wastewater infrastructure and service within Orange County, and the SELLER has the power and authority to sell the Utility Systems.

7. Pursuant to Section 125.3401, Florida Statutes, the COUNTY has examined the SELLER's Water and Wastewater Systems Assets, has examined its existing financial structure, has examined the long-range needs and goals of the COUNTY relative to the provision of water and wastewater service to its present and future citizens, and has determined that the acquisition of the Utility Systems is in the public interest.

8. The parties have negotiated in good faith and are empowered to be bound by the terms and conditions set forth in this Agreement.

ACCORDINGLY, in consideration of the above Recitals and benefits to be derived from the mutual observation of the covenants contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by the parties, the parties agree as follows:

SECTION 1. RECITALS. The above recitals are true and correct, and form a material part of this Agreement.

SECTION 2. PURCHASE AND SALE OF WATER AND WASTEWATER SYSTEMS ASSETS. The SELLER, pursuant to the circumstances noted in the Recitals above, agrees to sell and the COUNTY agrees to buy the Utility Systems, consisting of all real, personal and mixed property used or held for use in connection with the Utility Systems, hereinafter referred to as the "Purchased Assets" or the "Water and Wastewater Systems Assets." The Purchased Assets shall not include any cash derived from the monthly rates of the SELLER received by the SELLER, except as set forth in this Agreement, nor shall it include the Excluded Assets described in Subsection 3.8 below.

SECTION 3. PURCHASED ASSETS. On the Closing Date, as defined below, SELLER shall sell, assign, transfer, convey and deliver to COUNTY, and COUNTY shall purchase, accept and pay for all of the right, title and interest, in and to the following property and assets:

3.1 Real Property. All real property and interests in real property (the "Property"), owned by the SELLER, as described in Exhibit "1" hereof, whereupon water production, storage, treatment, transmission, and distribution facilities and wastewater treatment plant, wells, pumping stations, effluent disposal areas and other water and wastewater service facilities are located.

3.2 Easements and Other Rights. All rights, privileges, easements, licenses, prescriptive rights, rights-of-ways, and rights to use public and private roads,

highways, streets, and other areas owned and/or used by the SELLER in connection with the construction, reconstruction, installation, maintenance and operation of the Utility Systems and the Purchased Assets (collectively referred to as the "Easements"). The Easements are more particularly described in Exhibit "2" hereof, provided that, such easements located or shown in recorded plats and rights to locate lines in dedicated public rights-of-way are not included in this Exhibit but which are nevertheless being conveyed to the COUNTY. Exhibit "2" shall consist of two separate Schedules. Schedule "2-A" shall include the easements for which SELLER's title thereto is being insured pursuant to this Agreement and the use of which is considered essential for the use and enjoyment of the Property. Schedule "2-B" includes the remainder of the easements for which SELLER's title thereto is not being so insured but for which the use and enjoyment of facilities is being indemnified by SELLER as set forth herein. Currently, SELLER has identified those facilities for which neither easements nor rights-of-way exist which may or may not be covered by prescriptive easements. These facilities and easements are listed in Schedule "2-B" of Exhibit "2" hereof to the extent that they are known at the time of closing. Schedule "2-C" of Exhibit "2" refers to Easements containing lift stations critical to the operation of the Utility Systems, information on the title to which has not been furnished to the COUNTY and therefore title to the Easements may or may not be marketable. SELLER agrees to provide good and marketable title or render the title good and marketable after closing pursuant to Section 6.3 hereof.

3.3 Plant and Other Facilities. The following assets owned by the SELLER and used or held for use in connection with the Utility Systems, as more specifically described in Exhibit "3" hereof, including all water production, treatment plant, storage, treatment, transmission, distribution, pumping, and other water facilities and all wastewater treatment plant, wastewater collection, transmission, pumping, and disposal facilities of every kind and description whatsoever including without limitation, all trade fixtures, leasehold improvements, lift stations, pumps, generators, controls, collection and transmission pipes or facilities, valves, meters, service connections, and all other water and/or wastewater service connections, and all other water and wastewater physical facilities and property installations in use in connection with the operation of the Utility Systems by the SELLER.

3.4 Equipment. Inventory of all equipment, vehicles, tools, parts, laboratory equipment, office equipment and other personal property owned by the SELLER and located on the Property and/or utilized by the SELLER exclusively in connection with the operation of the Utility Systems, including but not limited to those items more particularly described in Exhibit "4" hereof.

3.5 Customer Records and Supplier Lists: Plans and Specifications. All current customer records and supplier lists, as-built surveys and water and sewer plans, plats, engineering and other drawings, designs, blueprints, plans and specifications, any and all reproducible documents, mylars, sepias, and other original documents used or held for use with the Utility Systems, accounting and customer records and all other information and business records in the possession of the SELLER that relate to the operation of the Utility Systems. The SELLER may make copies of its books, plans and records, at its expense, before transferring the original or copies of the books, plans and records to the

COUNTY. These documents shall include any such documents related to work-in-progress, if any. A listing of the as-built engineering plans is attached to and incorporated in this Agreement as Exhibit "5."

3.6 Certificates, Permits, and Approvals. Subject to all necessary regulatory approvals and to all conditions, limitations or restrictions contained therein, all existing original certificates, permits, and other governmental authorizations and approvals of any kind in the possession of SELLER necessary to operate and maintain the Utility Systems in accordance with all governmental requirements, more specifically described in Exhibit "6," attached to and incorporated in this Agreement. Certificated Service Area maps and legal descriptions accurately reflecting those service areas currently certificated by the FPSC related to the Utility Systems are attached to and incorporated in this Agreement as Exhibit "7." The COUNTY agrees to execute necessary forms required by governmental agencies to transfer and to assume SELLER's future obligations under said permits and approvals. These certificates, permits, and approvals shall include any such certificates, permits, and approvals related to work-in-progress, if any.

3.7 Customer Deposits. Cash to be paid by cashier's check or wire transfer in an amount which represents the customers' water and sewer service security deposits held by the SELLER for customers of the Utility Systems. In consideration for the transfer by the SELLER of these customers' deposits to the COUNTY, the COUNTY agrees to continue to provide utility services to those customers for which a deposit is held and, to the extent consistent with § 768.28, Florida Statutes, to indemnify and hold the SELLER harmless for any claims, actions, expenses or damages, including costs and attorneys' fees at trial and/or appeal, to which SELLER may be exposed in the future as a result of the transfer of such customer deposits. A complete list of the Utility Systems' Customer deposits as of December, 1997, is attached to and incorporated in this Agreement as Exhibit "8." An updated complete list of the Utility Systems' Customer deposits and accounts receivable by name and account number setting forth the amount of each individual deposit or receivable and the aggregate totals thereof shall be delivered to COUNTY on the Closing Date. Interest accrued by SELLER on such deposits and accounts receivable through the Closing Date shall be credited to customer bills provided for in Sub-section 10.2.

3.8 Excluded Assets. The following assets of SELLER regarding the Utility Systems shall not be included in the assets conveyed to COUNTY as part of the Purchased Assets:

- a. SELLER's cash and SELLER's bank account;
- b. SELLER's accounts receivable;
- c. Federal, State or Local Tax or other deposits (excluding customer deposits) maintained by SELLER with any governmental authority for SELLER's use and benefit;

e. Vehicles or other equipment which are not utilized by SELLER exclusively in the operation and maintenance of the Utility systems; and

f. All furniture, fixtures, office equipment, general business records and other assets of SELLER not located on the site of the Utility Systems or which are not held for the exclusive use or benefit of the Utility Systems.

SECTION 4. PURCHASE PRICE AND PAYMENT. The COUNTY agrees to pay to SELLER on the Closing Date, and the SELLER agrees to accept as the Purchase Price for the Utility Systems a total Purchase Price in the amount of THIRTEEN MILLION ONE HUNDRED THOUSAND AND NO/100 DOLLARS (\$13,100,000.00), subject to adjustments and less the escrowed amounts and prorations as provided herein. Said Purchase Price shall be paid at Closing in federal or other immediately available funds by COUNTY warrant.

SECTION 5. TITLE EVIDENCE. The COUNTY's attorneys, Gray, Harris & Robinson, P.A., shall cause to be issued, at the expense of the SELLER, a title commitment for an owners ALTA Form B Marketability Policy in favor of the COUNTY in the amount of the purchase price from a title insurance company licensed in Florida as determined by the COUNTY in its sole discretion. The SELLER shall convey a marketable title subject only to the title exceptions set forth below.

5.1. Exceptions to Title. The Commitment shall show the SELLER to be (i) vested with fee simple title to the Property shown on Exhibit "1" and (ii) vested with valid easement interests for the easements described on Exhibit "2-A," subject to following (the "Permitted Exceptions"):

(1) Ad valorem real estate taxes and assessments for the year 1997 and subsequent years;

(2) Restrictions set out in the recorded plats of subdivisions covered by the Utility Systems;

(3) Easements for utilities and drainage set out in such recorded plats of subdivisions; provided, however, that none of the restrictions or easements set out in such recorded plats of subdivisions shall prevent, hinder or restrict the present use of the Property;

(4) Restrictions of record (except liens, encumbrances, or mortgages) that do not impair, restrict, or inhibit the present use of or improvement to the property as permitted by applicable zoning and land use regulations presently in effect and that are not coupled with a forfeiture or reversionary provision; and

(5) All laws, ordinances, and governmental regulations, including, but not limited to, all applicable building, zoning, land use and environmental ordinances, regulations, restrictions, prohibitions and other requirements, none of which will prevent or hinder the present use of the Property and Easements.

5.2. Status of Title. The COUNTY shall have until December 30, 1977, from receipt of the Title Commitment within which to examine same. If the COUNTY finds title, as shown on the Commitment, to be defective (i.e., matters which render title unmarketable in accordance with the title standards adopted by the Florida Bar and are not Permitted Exceptions), the COUNTY shall, on or before December 30, 1997, notify the SELLER in writing specifying the defect(s), provided that if the COUNTY fails to give the SELLER written notice of defect(s) on or before December 30, 1997, the defects shown in the Commitment shall, anything in this Agreement notwithstanding, be deemed to be waived as title objections to closing this transaction and the SELLER shall be under no obligation whatsoever to take any corrective action with respect to same nor to warrant title to same in its statutory warranty deed of conveyance. If the COUNTY has given the SELLER timely written notice of defect(s) and the defect(s) render the title other than as required by this Agreement, the SELLER shall use its reasonable efforts to cause such defects to be cured by the Closing Date. In the event that defects are timely raised and the SELLER, after exercising all reasonable efforts, cannot clear same prior to the Closing Date, then, in that event, the COUNTY shall have the right to purchase the Property and Easements in its then existing condition of title, or to rescind and terminate this Agreement without liability by either party to the other. Notice of such election shall be given by the COUNTY to the SELLER, in writing, as contemplated in this Agreement, within the time herein prescribed.

5.3 Deletion of Standard Exceptions. SELLER will execute at or prior to Closing, in favor of the title insurance company, the standard form mechanic's lien affidavit and "Gap" affidavit to allow the title Company to delete all standard exceptions addressed by such affidavits. Prior to Closing, the surveys shall be updated as reasonably requested by the Title Company or COUNTY so that the survey exception may be deleted.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF SELLER. The SELLER represents and warrants to COUNTY that:

6.1 Organization, Standing And Power. The SELLER is a corporation, duly organized, validly existing, and in good standing under the laws of the State of Florida. The SELLER has all requisite power and authority to own and lease its properties being conveyed hereunder and the Utility Systems, and to conduct its businesses related thereto as it is currently being conducted.

6.2 Authority for Agreement. The SELLER has the power and authority to execute and deliver this Agreement and to carry out its obligations hereunder. This Agreement has been duly authorized by all action required to be taken by the SELLER, has been duly executed and delivered by the SELLER, and constitutes a valid and binding obligation of the SELLER, enforceable in accordance with its terms.

6.3 Good and Marketable Title. Subject to the Permitted Exceptions, the SELLER has good and marketable title to the Purchased Assets. Notwithstanding anything contained herein to the contrary, the Easements shown on Exhibit "2" are not subject to the fee simple ownership requirements as set forth in Section 5.1 hereof. SELLER shall furnish marketable title to the easements depicted on Exhibit "2-A." The Easements set forth in

Exhibit "2-C" contain lift stations critical to the operation of the Utility Systems and the title to the foregoing Easements may or may not be marketable. Before or after closing SELLER agrees to take whatever action necessary, at SELLER's expense, to render the title to Exhibit "2-C" marketable including perfecting title in the COUNTY by eminent domain and COUNTY agrees to cooperate and assist SELLER including using COUNTY's power of eminent domain, all at the sole cost of the SELLER. The SELLER shall transfer, convey and assign to the COUNTY at Closing an enforceable easement interest for each of the Easements shown on Exhibit "2" so that the present use of the easement parcels may be continued by the COUNTY for the operation of the Utility Systems. The Easements shown on Exhibit "2" conveyed to the COUNTY shall not be subordinate to any superior interests which could result in the COUNTY losing the right to use the easement parcel for utility purposes. Any such superior interests shall be deemed a title defect under Section 5.2 hereof and shall be cured by SELLER. At Closing, the SELLER shall assign to the COUNTY all of its easement interests in the Property regardless of whether such easement is listed on Exhibit "2." Following the Closing (should it occur), SELLER further agrees that should any person claiming an interest in properties where easements or any portion of the plant or other facilities that comprise the Utility Systems ("facilities") are located obstruct or otherwise refuse to permit the COUNTY the use of the facilities conveyed to COUNTY hereunder in the manner contemplated by this Agreement, then, upon notice thereof from COUNTY, SELLER will commence and thereafter diligently pursue whatever action is appropriate or necessary, in SELLER's reasonable discretion, at SELLER's expense, including appropriate condemnation actions related thereto, to obtain for the COUNTY the use and enjoyment of such easements and facilities as provided for in this Agreement. An initial and partial list of fee simple or easement parcel deficiencies is listed in Exhibit "16." These and other fee simple or easement deficiencies shall be corrected by SELLER to the satisfaction of the COUNTY.

6.4 No Liens or Encumbrances. Except as otherwise specifically set forth in this Agreement or as may be released prior to the Closing Date, there are no mortgages, liens, claims or encumbrances of any type or nature upon or against the Purchased Assets including, but not limited to, mortgages, financing statements, or security instruments filed under the Uniform Commercial Code either in the County where the Property is located or with the Secretary of State. SELLER is in exclusive ownership, possession, and control of the Purchased Assets except for non-exclusive easements and SELLER at Closing shall deliver possession and control of the Purchased Assets to the COUNTY.

6.5 Litigation. Except for that Civil Action No. 97-711-CIV-T-21E file in the U.S. District Court for the Middle District of Florida (the "Federal Case"), there are no actions, suits, or proceedings at law or in equity, pending against the SELLER before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the Utility Systems or any of the Purchased Assets or the SELLER's right and ability to make and perform this Agreement; nor is the SELLER aware of any facts which to its knowledge are likely to result in any such action, suit or proceeding. The SELLER is not in default with respect to any permit, approval order or decree of any court or of any administrative or governmental agency or instrumentality affecting the Utility Systems or any of the Purchased Assets. The SELLER

agrees and warrants that it shall have a continuing duty to disclose up to and including the Closing Date the existence and nature of all pending judicial or administrative suits, actions, proceedings, and orders which in any way relate to the operation of the Utility Systems.

6.6 Leases. None of the Purchased Assets are subject to any interest of any lessor or lessee.

6.7 No Governmental Violations. The SELLER is not aware and has not been notified of the existence of any violations of any governmental rules, regulations, permitting conditions or other governmental requirements applicable to the ownership, maintenance or operation of the Utility Systems.

6.8 No Record Violations. The SELLER is not aware and has not been notified of any restrictions or conditions of record which would adversely affect the use of the Utility Systems on the Property or Easements as described in Exhibits "1" and "2."

6.9 Absence of Changes. After the date of the execution of this Agreement, the SELLER shall not:

(1) undergo any change in its condition of properties, assets, liabilities, business or operations other than changes in the ordinary course of business which are not, either in any case or in the aggregate, materially adverse to the operation of the Utility Systems;

(2) acquire or dispose of any of the Utility Systems' assets or properties of material value (in excess of \$5,000) except in the furtherance of this Agreement, except in the ordinary course of business and except with the COUNTY'S consent, which shall not be unreasonably withheld, delayed or conditioned;

(3) subject to available administrative remedies pursuant to Chapter 120, Florida Statutes, or any administrative or judicial procedures or proceedings applicable to particular permits, intentionally fail to comply with all Utility Systems permit requirements; and

(4) fail to seek or obtain any necessary permit extensions or renewals so that said permits are valid, extended or seeking extension as of the Closing Date.

6.10 Disclosure. No representation or warranty made by the SELLER in this Agreement contains any untrue statement of material facts or omits to state any material fact required to make the statements herein contained not misleading. Should the SELLER become aware that any of the representations or warranties of COUNTY provided for herein are, or may reasonably be, materially untrue or incorrect, SELLER will promptly advise the COUNTY of same, in writing, specifying in reasonable detail the reasons why the SELLER believes such representations or warranties of COUNTY are, or may reasonably be, untrue or incorrect.

6.11 Survival of Covenants. SELLER agrees that its representation and warranties set forth herein are true and correct as of the date of the execution hereof shall be true and correct at the time of the Closing Date, and shall survive the Closing Date.

6.12 FIRPTA. The SELLER is not a "foreign person" within the meaning of the United States tax laws and to which reference is made in Section 1445 (b) (2) of the Internal Revenue Code. On the Closing Date, the SELLER shall deliver to the COUNTY a certificate to such effect.

6.13 All Necessary Governmental Permits and Approvals. As of the Closing Date, the SELLER warrants that it shall transfer to the COUNTY all necessary governmental permits and approvals such that the COUNTY can operate for at least five (5) calendar years the Utility Systems at the volume capacities set forth on Exhibit "9" hereof without exception and without permit condition requiring the COUNTY to expend money or pay for additional capital costs or any operating costs above those now inclined by the SELLER. SELLER shall provide a signed and sealed certification by a Florida registered and licensed professional engineer with errors and omissions insurance coverage reasonably satisfactory to the COUNTY certifying to the COUNTY as to the truth and veracity of the actual capacities of the Utility Systems as set forth in Exhibit "9" hereof. Actual capacities for non-reuse wastewater treatment and effluent disposal facilities shall be based upon the lesser of (i) FDEP-permitted capacity, (ii) least capacity component of existing facilities, and (iii) available firm capacity. Actual capacities for reuse wastewater treatment facilities shall be based upon the lesser of (i) through (iii) above, and Class reliability capacity. Capacities for water production, treatment, and storage facilities shall be based upon the lesser of (i) FDEP-permitted capacities, (ii) consumptive use permit capacities, (iii) least capacity component of existing facilities, and (iv) available firm capacity. The above stated certification shall be limited by the assumption that the COUNTY and/or its contract operator properly operates the facilities in accordance with the permits; does not modify the facilities in any manner which would adversely affect the permits, and is further subject to force majeure and any change in applicable laws, rules and regulations.

6.14 No Violation by Virtue of Election. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government, the Articles of Incorporation or any by-laws of the SELLER, or any indenture, agreement, or other instrument to which the SELLER is a party, or by which it is bound.

6.15 No CERCLA Violations. Except for the allegations set forth in the Federal Case the real property portion of the Purchased Assets have complied with, and the SELLER has not violated, except as disclosed by the environmental audits, in connection with the ownership, use, maintenance, or operation of the Property or the Purchased Assets, applicable environmental, federal, state, county, or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, or the Toxic Substance Control Act ("Environmental

Laws"). SELLER has not authorized the placing or depositing of hazardous substances on the real property portion of the Purchased Assets except, if at all, in accordance with the applicable Environmental Laws, and SELLER has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on the premises except in accordance with such Laws.

6.16 Location of Plants. The water and wastewater plants, wells, and lift stations used in the operation of the Utility Systems are located on the Property as identified in Exhibit "1" or in Easements described in Exhibit "2", and the use of such water and sewer plants, wells and lift stations on the Property does not violate any zoning certifications, special exceptions or variances in a manner which would prohibit or materially interfere with the operation and maintenance of such water and wastewater plants.

6.17 Master Utility Plan Accuracy. The SELLER hereby represents and warrants to the COUNTY that the potable water mains, wastewater force mains, effluent force mains, and wastewater gravity collection system, as applicable, as shown on the University Shores, Holiday Heights, Lake Conway, Daetwyler Shores, and Westmont master utility plan is accurate and correct as to the sizes, lengths, materials and locations of said system facilities as shown on the respective master utility plan. In the event that any such system facilities are found not to be in accordance with the master utility plan, the SELLER shall be wholly liable for any deficiencies of any nature and the costs of all corrective actions required to be taken by the COUNTY to bring the utility system into compliance with the appropriate master utility plan. These master utility plans are listed in Exhibit "14" attached to and incorporated in this Agreement.

6.18 Assignment of Certain Agreements. The SELLER agrees that it shall obtain all necessary assignments, consents, and approvals in order to assign the agreements set forth in Exhibit "11" as referenced in Section 20 hereof.

6.19 No Construction. There is no construction work in progress on the Property other than that shown in Exhibit 16, all of which shall be performed by the SELLER at no cost to the COUNTY.

6.20 SELLER has provided all documents and information requested in furtherance of this Agreement by COUNTY in relation to the Utility Systems and Purchased Assets which are available or can be reasonably available to SELLER.

SECTION 7. CONDUCT PENDING CLOSING. The SELLER covenants that pending the closing:

7.1 Business Conduct. Except as otherwise consented to in writing by COUNTY, whose consent shall not be unreasonably withheld, delayed or conditioned, for the period beginning on the date of execution of this Agreement and ending on the Closing Date, SELLER shall:

(1) operate the Utility Systems in, and only in, the usual, regular and ordinary course and nevertheless comply with all applicable governmental requirements and law;

(2) maintain all of the Utility Systems' material structures, equipment, permits and other tangible personal property in good repair, order and condition, except for depletion, depreciation, ordinary wear and tear and damage by unavoidable casualty;

(3) keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried by it for the Utility Systems;

(4) perform in all material respects all of its obligations under agreements, contracts and instruments relating to or affecting the Utility Systems' properties, assets and operation;

(5) subject to available administrative remedies pursuant to Chapter 120, Florida Statutes, or any administrative judicial procedures or proceedings applicable to particular permits, comply in all material respect with all statutes, laws, ordinances, rules and regulations applicable to it and to the operation of the Utility Systems;

(6) promptly advise the COUNTY, in writing, of any material change which adversely affects the operation of the Utility Systems;

(7) not enter into any transaction, including without limitation, the purchase, sale or exchange of property the value of which exceeds \$5,000.00, which relates to the Utility Systems, except in furtherance of this Agreement with the SELLER, or the rendering of any service to SELLER except in the ordinary course of and pursuant to the reasonable requirements of the business of SELLER; and.

(8) subject to available administrative remedies pursuant to Chapter 120, Florida Statutes, or any administrative or judicial procedures or proceedings applicable to particular permits, comply with all Utility Systems permit requirements and obtain all necessary permit extensions or renewals with no additional operational or capital obligations such that said permits are valid as of the Closing Date.

7.2 Risk of Loss. The SELLER shall bear the risk of loss, damage or destruction of the Purchased Assets by fire or other casualty prior to and including the Closing Date. If any portion of the Purchased Assets is damaged by fire, act of God or other casualty before the Closing Date, the COUNTY shall have the option of (1) taking the Purchase Assets as is, without reduction in price, together with the SELLER's assignment to the COUNTY of all rights under its insurance policies and all of the insurance proceeds, if any; or (2) taking the Purchased Assets, as is, with a reduction in price, mutually agreed to by SELLER and COUNTY, based upon a percentage allocation of the Purchase Price

derived by comparing the net book value of the Purchased Assets destroyed to the net book value of the Utility Systems and the SELLER shall maintain all rights under its insurance policies and to all of the insurance proceeds; or (3) canceling this Agreement in which event the Parties hereto shall be released from all further obligations to each other.

7.3 No Transfers or Encumbrances. From and after the date of the execution of this Agreement, SELLER will not, without the prior written consent of the COUNTY, which shall not be unreasonably withheld, dispose of, hypothecate, or encumber any of the Purchased Assets, with the exception of any transactions occurring in the ordinary course of SELLER's business.

7.4 Access to Records. The SELLER will at all times cooperate by providing reasonable access, upon prior written notice (not less than forty-eight (48) hours in advance), to their records and facilities applicable to the Utility Systems for inspection to assist in acquainting the COUNTY'S operating and administrative personnel in the operation of the Utility Systems; provided, however, that no such inspection shall materially interfere with the operation of the Utility Systems or the day to day activities of the SELLER's personnel.

7.5 Performance of Closing Conditions. The SELLER shall perform all of the conditions to closing which should be performed by the SELLER prior to the Closing Date as provided herein.

7.6 Insurance. Prior to closing, the SELLER shall maintain adequate fire and extended coverage insurance to cover the cost of any repairs to the Purchased Assets that may be required by casualty damage.

7.7 Examination and Inspection. The SELLER will permit reasonable examination by the COUNTY'S authorized representatives of all existing contractual obligations, physical systems, assets, real estate, rights-of-way, easements and inventories which are utilized by the SELLER in connection with the Utility Systems. No such examination by the COUNTY's authorized representatives shall interfere with the SELLER's operations of the Utility Systems or the day to day operations of the SELLER's personnel. The SELLER shall make these assets and records available for examination by the COUNTY's authorized representatives at reasonable times and upon prior written notice (not less than forty-eight (48) hours in advance) from the COUNTY. Such facilities will be properly maintained by the SELLER within the custom and usage of the water and wastewater industry in Florida until the Closing Date.

SECTION 8. REPRESENTATIONS AND WARRANTIES OF COUNTY. The COUNTY represents and warrants to the SELLER, as follows:

8.1 Organization, Standing and Power of COUNTY. The COUNTY is a municipal corporation duly chartered and validly existing under the laws of the State of Florida and has all requisite municipal power and authority to enter into this Agreement, to own and lease real and personal property, and to carry out and perform the terms and provisions of this Agreement.

8.2 Authority for Agreement. The COUNTY has the authority and power to execute and deliver this Agreement and to carry out its obligations hereunder. The COUNTY has held all of the necessary public hearings to authorize the COUNTY's exercise of its option to purchase the Utility Systems. This Agreement has been duly authorized by all action required to be taken by the COUNTY, has been duly executed and delivered by the COUNTY, and constitutes a valid and legally binding obligation of the COUNTY, enforceable in accordance with its terms.

8.3 Disclosure. No representation or warranty made by the COUNTY in this Agreement contains or will contain any untrue statement of material facts or omits or will omit to state any material fact required to make the statements herein contained not misleading. Should the COUNTY become aware that any of the representations or warranties of SELLER provided for herein are, or may reasonably be, materially untrue or incorrect, COUNTY will promptly advise the SELLER of same, in writing, specifying in reasonable detail the reasons why the COUNTY believes such representations or warranties of SELLER are, or may reasonably be, untrue or incorrect.

8.4 Litigation. There are no actions, suits, or proceedings at law or in equity, pending against the COUNTY before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the COUNTY's ability to enter into and perform this Agreement. The COUNTY shall have the continuing duty to disclose up to and including the Closing Date the existence and nature of all pending judicial or administrative suits, actions, proceedings, and orders which in any way relate to its ability to perform its obligations under the Agreement.

8.5 Performance of Closing Conditions. The COUNTY shall perform all of the conditions to closing which should be performed by the COUNTY prior to the Closing Date as provided herein.

8.6 Survival of Covenants. COUNTY agrees that its representation and warranties set forth herein are true and correct as of the date of the execution hereof, shall be true and correct at the time of the Closing Date, and shall survive the Closing Date.

8.7 Delivery of Resolution. If it has not already done so, COUNTY will deliver to SELLER a certified copy of a resolution of the Board approving the COUNTY's execution and performance of this Agreement with five (5) business days of COUNTY's execution hereof.

8.8 No Conflicts. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government, the charter of the COUNTY, or any administrative regulation or decree, or any provision of the Constitution or the laws of the State of Florida relating to the COUNTY or its affairs or any ordinance, resolution, agreement, indenture, lease, or other instrument to which the COUNTY is a party, subject or by which it is bound.

8.9 Police Power. Subject to the police power of the COUNTY and its ability to charge its prevailing capital charges, COUNTY shall after closing fulfill the SELLER's obligations to furnish water and wastewater service as of the date of Closing as set forth in Section 20 of this Agreement.

8.10 County Actions. The COUNTY shall take no action inconsistent with its express obligations under the terms and conditions of this Agreement.

8.11 Inspections. All inspections of the Utility Systems by COUNTY or its representatives performed pursuant to this Agreement shall not materially interfere with the operation of the Utility systems or the day-to-day activities of the SELLER's personnel, and subject to 768.28, F.S., COUNTY agrees to indemnify and hold SELLER harmless from any third party claims, actions, expenses, or damages, including costs and attorney's fees at trial and appeal, which the SELLER incurs (for personal injury or property damage) as a direct result of the inspection of the Utility Systems by the COUNTY, its agents, contractors, representatives and/or employees.

SECTION 9. ADDITIONAL CONDUCT PENDING CLOSING. The COUNTY and the SELLER covenant with each other that pending the closing on this transaction, neither shall obstruct, hinder or interfere in the operation of the Utility Systems by the SELLER or with the processing and consideration by governmental agencies of any applications or petitions filed by the SELLER or COUNTY that are related to the Utility Systems. SELLER shall execute all necessary documents to assist in securing necessary governmental approval(s) for the renewal, expanded use, and transfer of said permit, and shall use its best efforts to assist the COUNTY in obtaining all such necessary governmental approvals. Prior to Closing, neither the COUNTY, nor any of COUNTY's representatives, consultants, employees or agents shall file any application or petition with any governmental agency having jurisdiction over the Utility Systems.

SECTION 10. ADJUSTMENTS AND PRORATIONS: CLOSING COSTS. At the time of closing, the parties covenant and agree that the following adjustments shall be made:

10.1 Real and personal property taxes for 1997 on all real and personal property which is being conveyed by the SELLER to the COUNTY, shall be prorated as of 11:59 p.m. of the Closing Date and shall be paid by the SELLER. The COUNTY shall not be charged with proration of any ad valorem taxes.

10.2 Within ten (10) days after the Closing Date, the SELLER will render bills in its name to all customers for the last month of service through the Closing Date. All rates, fees, and charges for water and wastewater service through the Closing Date shall be the property of the SELLER. The SELLER shall include a written notice to each customer that the Utility Systems are being transferred to the COUNTY. All rates, fees, and charges for water and sewer service after the Closing Date shall be the property of the COUNTY. Subject to state law, COUNTY agrees to disconnect service from any customer who fails to pay SELLER amounts owed SELLER through the Closing Date upon notification to COUNTY by SELLER that such amounts are sixty (60) days past due.

10.3 The SELLER shall request all of its suppliers and vendors to submit final invoices for services, materials, and supplies, including electricity for the period up to and including the Closing Date. The SELLER shall be responsible for, and shall provide to the COUNTY, upon request, evidence of the payment of all such invoices.

10.4 SELLER shall retain all Connection Charges, as hereinafter defined, heretofore paid to SELLER under the agreements set forth in Exhibit 11. SELLER has entered into no agreements or commitments with developers or customers providing for the extension of services or facilities with regard to the Utility Systems except as set forth in Exhibit 11. COUNTY shall be entitled to receive all Connection Charges paid after Closing under those agreements set forth in Exhibit 11. The term Connection Charges shall mean connection, plant capacity, main extension, allowance for funds prudently invested ("AFPI") charges and/or capital charges ("Connection Charges"). The COUNTY will not accept or recognize any obligations to honor the amount of any prepaid or discounted connections for customers properties, dwelling units, or commercial or industrial structures not connected to the Utility Systems prior to the Closing Date. Nothing contained in this Agreement shall be construed to require the COUNTY to exercise the police power in the allocation of water and/or wastewater service capacity (hereby deemed to be a governmental function) other than in accordance with the COUNTY's current or future service allocation or extension rules. The COUNTY agrees to the extent consistent with § 768.28, Florida Statutes, to indemnify and hold the SELLER harmless for any third party claims, actions, expenses or damages, including costs and attorneys' fees at trial and/or appeal to which SELLER made be exposed in the future as a result of this transfer of the Connection Charges and/or actions taken by the COUNTY pursuant to its police power to collect its connection charges..

10.5 All adjustments and prorrations shall be calculated as of 11:59 p.m. of the Closing Date.

10.6 All costs of recording any releases, satisfactions or corrective instruments, if any, shall be paid by SELLER.

10.7 Certified, confirmed or ratified special assessments or municipal liens prorated as of the date of Closing, will be paid by SELLER.

10.8 Any taxes on gross receipts or regulatory assessment fees incurred as of the Date of Closing shall be paid by SELLER.

10.9 The amount of customer deposits being retained by SELLER shall be credited to COUNTY against COUNTY's cash to close or shall be transferred to COUNTY by separate cashiers check. A final listing of the customer deposits by individual name and aggregate total shall be provided by the SELLER to the COUNTY at Closing.

10.10 If applicable, rents under any lease agreement assumed by PURCHASER hereunder shall be prorated as of the date of Closing.

10.11 The bills for electricity and other utility services for the month in which this Closing shall take place shall be prorated between the parties at Closing and arrangements made for the appropriate utilities to bill COUNTY for services rendered subsequent to the Closing.

10.12 All bills for other services, materials and supplies rendered in connection with the operation of the Utility Systems prior to Closing shall be paid by SELLER.

10.13 All documentary stamps, if required, on the deeds of conveyance of Property included in the Purchased Assets, and all costs of title insurance, shall be paid by SELLER.

10.14 The purchase price shall be reduced by the sum of THIRTEEN THOUSAND EIGHT HUNDRED SEVENTEEN AND NO/100 DOLLARS (\$13,817.00) because several of the vehicles that the COUNTY bargained for at the time the purchase price was established are not available for transfer by SELLER to COUNTY.

SECTION 11. ESCROW. At Closing, an escrow will be established as provided for in Exhibit "10" attached hereto and made a part hereof. SELLER and COUNTY will provide the Closing Agent at Closing with written instructions to pay to the Escrow Agent from the Closing proceeds the amounts necessary to fund said escrows and COUNTY will receive a credit at Closing in respect thereof against the payment of the Purchase Price due SELLER at Closing.

SECTION 12. INDEMNITIES. Except as otherwise provided for in this Agreement, the SELLER shall indemnify and hold the COUNTY, its representative agents and employees harmless from and against any and all claims, liability, demands, damages, surcharges, refunds, expenses, fees, fines, penalties, suits, proceedings, actions and fees, including damage to property or property rights that may arise from or are related to third party claims arising from or related to acts, errors, or omissions of the SELLER, its agents, employees, servants, licensees, invitees, or contractors or by any person under the control

or direction of the SELLER arising out of (1) its operation, maintenance, or management of the Utility Systems up to and including the Closing Date, (2) the Federal Case, (3) any other local, state, or federal enforcement case that may be later filed after the Closing Date related to alleged or actual violations of local, state or federal laws, rules, ordinances, policies, or requirements that occurred prior to or on the Closing Date, or (4) any FPSC rate case proceeding related to the Utility systems. Furthermore, the SELLER covenants and agrees that it shall forego any surcharge due from the customers of the Utility systems arising in connection with the SELLER's current rate case before the FPSC bearing Docket Number 920199-WS or any related administrative or judicial proceeding (the "Rate Case"), and the SELLER commits to pay any refunds due to the customers of the Utility Systems arising in connection with the Rate Case. In addition, SELLER shall indemnify and hold the COUNTY, its representatives, agents, and employees harmless from environmental pollution on the Closing Date located within the property shown on Exhibit "1."

SELLER, shall, at its expense, replace, repair, and maintain the deficiencies in the water and wastewater facilities conveyed by SELLER to the COUNTY listed in Exhibit "15," all of which shall be completed by SELLER no later than three (3) months after the Closing Date. In the event SELLER shall fail to timely replace, maintain, and repair such deficiencies, the COUNTY may do so and SELLER shall indemnify COUNTY for all costs reasonably required to do so.

SELLER shall, at its expense, cure or correct certain title deficiencies which were discovered immediately prior to Closing and which title deficiencies are set forth in Exhibit "16" attached hereto and incorporated herein. Such title deficiencies shall be cured or corrected at or subsequent to Closing, but in no event later than one (1) year after the date of execution of the Agreement. In the event SELLER fails to timely cure or correct the title deficiencies, the COUNTY may do so and SELLER shall indemnify the COUNTY for all costs reasonably required to cure or correct such title deficiencies.

Finally, after one (1) year's prior notice from the COUNTY to the SELLER, the SELLER shall to modify as necessary the lease agreement for irrigation of property between Chapel Hill Cemetery, Inc., and SELLER's predecessor, Southern States Utilities, Inc., dated March 13, 1983, and as amended December 23, 1983, August 17, 1984, February 19, 1985, and August 24, 1987 (the "cemetery irrigation lease") and the requirements contained in any St. Johns River Water Management District ("SJRWMD") consumptive use permit such as to delete, remove, and expunge any requirement to deliver reclaimed water or treated wastewater for reuse to the Chapel Hill Cemetery in a manner that is final and non-appealable at no expense to the COUNTY. Should the SELLER fail to so modify the terms of the cemetery irrigation lease and the requirements contained in any SJRWMD consumptive use permit such as to delete, remove, and expunge any requirement to deliver reclaimed water or treated wastewater for reuse to the Chapel Hill Cemetery, then the SELLER shall indemnify the COUNTY for any expenses which may be incurred associated with a lawsuit by the Owners or Operators of the Chapel Hill Cemetery should the COUNTY cease disposing of treated wastewater at the Chapel Hill Cemetery

and any costs associated with replacing the Chapel Hill Cemetery's irrigation water source. The COUNTY agrees to cooperate including but not limited to filing or co-filing a permit application so as to enable SELLER to fulfill its obligations hereunder so long as such application does not require the COUNTY to shut down the wastewater plant by a specific date.

Except as otherwise provided for in this Agreement and subject to Section 768.28, F.S., the COUNTY shall indemnify and hold the SELLER, its representative agents and employees harmless from and against any and all third party claims, liability, demands, damages, surcharges, refunds, expenses, fees, fines, penalties, suits, proceedings, actions and fees, including damage to property or property rights that may arise from or which are related to the acts, errors, or omissions of the COUNTY, its agents, employees, servants, licensees, invitees, or contractors or by any person under the control or direction of the COUNTY arising out of (1) its operation, maintenance, or management of the Utility Systems subsequent to the Closing Date, (2) any other local, state, or federal enforcement case that may be later filed after the Closing Date related to alleged or actual violations of local, state or federal laws, rules, ordinances, policies, or requirements that occurred subsequent to the Closing Date, related to the Utility systems.

SECTION 13. ENVIRONMENTAL MATTERS. The COUNTY had the right and did perform both a Level I and Level II Environmental Audit of the Property, as such terms are generally understood by the environmental consulting industry in the State of Florida. These audits were performed at the COUNTY's expense. These environmental audits included, but were not limited to, appropriate borings, samplings, "sniffer" tests, as well as an appropriate title search in order to determine that the sites were in full compliance with applicable local, state, and federal environmental and occupational health and safety statutes and regulations. After reviewing the environmental audits, the COUNTY reasonably determined that a small portion of the lands to be conveyed hereunder were not in full compliance with applicable local, state, and federal environmental and occupational health and safety statutes and regulations, but the COUNTY has elected to acquire the lands so long as the SELLER pays for the clean up costs, which SELLER has agreed to do. Clean up costs are estimated to be up to TWO THOUSAND THREE HUNDRED AND NO/100 DOLLARS (\$2,300.00).

SECTION 14. CLOSING. The place of closing shall be in Orange County at the offices of Gray, Harris & Robinson, and such closing shall occur on or before December 30, 1997 (the "Closing Date"). Notwithstanding anything to the contrary, the Closing of this transaction shall take place upon the delivery of the Purchase Price to the SELLER in the manner and on the date provided for in this Agreement. The parties agree that the closing of this transaction on or before December 31, 1997, was a material part of the negotiations and absent such agreement this transaction would not have taken place. Accordingly, the closing of this transaction shall not be extended beyond the Closing Date.

SECTION 15. CLOSING DOCUMENTS AND PROCEDURES.

15.1 Deliveries from SELLER. The following documents shall be delivered by the SELLER to the COUNTY no later than December 26, 1997, but shall be executed on the Closing Date:

(1) Warranty deeds to all of the Property owned by the SELLER as described in Exhibit "1" conveying to the COUNTY all of the SELLER'S right, title and interest in all such property and warranting that such Property is free and clear of all liens, claims and encumbrances other than Permitted Exceptions, as that term is defined in Subsection 5.1 hereof.

(2) Instruments of conveyance, in appropriate recordable form, of all the Easements as described in Exhibit "2" conveying to the COUNTY all of its right, title and interest in all such property, together with all utility improvements thereto, and warranting that such easement rights and rights to use dedicated rights-of-way are or shall be made pursuant to Subsection 6.3 hereof, free and clear of all liens, security interests, encumbrances, leasehold interests, charges or options, covenants or restrictions other than Permitted Exceptions, as that term is defined herein;

(3) General assignment to and assumption by the COUNTY of all other interests in the Property, together with a general assignment of all Contracts, Agreements, permits and approvals as provided for and in the manner specified in this Agreement;

(4) Bills of sale or other documents of assignment and transfer, with full warranties of title as specified in this Agreement, to all Water and Wastewater Systems Assets other than those assets covered by Subsections 15.1(2) and 15.1(3) hereof;

(5) Copies of all business records sold to the COUNTY hereby (originals thereof to be delivered at Closing);

(6) Copies of all permits, governmental authorizations and approvals, together with applications for or transfer approvals from any and all agencies that have issued said permits, authorizations, and approvals (originals thereof to be delivered at Closing);

(7) Standard no-lien affidavit in a form reasonably required by the title Company as to realty and personalty insuring against any liens, claims or encumbrances upon the Purchased Assets;

(8) Schedule of the customer service security deposits as of the Closing Date as described in Subsection 3.7 hereof;

(9) A "non-foreign" affidavit or certificate pursuant to Section 1445 of the Internal Revenue Code;

(10) Such other affidavits and acknowledgments as the title company shall reasonably request in order to cause the title company to issue the policy evidencing marketable title as contemplated herein;

(11) A corporate officer's certificate confirming that the SELLER's warranties hereunder are true and correct as of the Closing Date;

(12) Evidence of insurance and an original executed certification and warranty to the COUNTY as contemplated by subsection 6.13 hereof; and

(13) Such other instruments and documents, in form approved by the COUNTY's counsel as may be reasonably required in order to transfer ownership and possession of the Purchased Assets to the COUNTY; provided that none of such documents shall result in any additional liability on the part of SELLER not otherwise provided for in this Agreement.

(14) All assignments of agreements listed in Section 20 that assign the agreements to COUNTY.

15.2 Deliveries from the COUNTY. On the Closing Date, the COUNTY shall pay the Purchase Price by delivering a COUNTY warrant to the SELLER in the amount due SELLER as provided in Section 4 of this Agreement, subject to the prorations and adjustments and the creation of the escrows to be created by SELLER as provided for herein. The COUNTY shall also deliver at the Closing, the executed form of an assumption of the agreements set forth in Section 20 of this Agreement, an assumption of the leases, permits, agreements, approvals and other interests in the Purchased Assets being assigned by the SELLER, as provided by the SELLER pursuant to Subsection 15.1 hereof, and a certified copy of a resolution of the COUNTY approving this transaction, if not previously delivered to SELLER. Said documents shall be executed on the Closing Date. The assignments and assumptions being prepared by the parties may be incorporated into one document at the convenience of the parties. COUNTY shall also deliver at Closing: (a) such affidavits and acknowledgments as the title Company shall reasonably request in order to cause said title Company to issue a title insurance policy evidencing a marketable title in COUNTY; (b) a County Officer's Certificate confirming that the warranties of COUNTY set forth in this Agreement applicable to the Closing are true and correct as of the Closing; and (c) such other instruments and documents as SELLER's Counsel may reasonably require, in form approved by COUNTY's Counsel, in order to transfer possession and control of the Purchased Assets to COUNTY, provided that none of such

documents shall result in any additional liability on the part of COUNTY not otherwise provided for in this Agreement.

SECTION 16. RESPONSIBILITY FOR PROFESSIONAL FEES AND COSTS.

Each party hereto shall be responsible for its own attorneys' fees, engineering fees, accounting fees and other costs in connection with the preparation and execution of this Agreement, the closing of the transaction contemplated herein and in connection with all judicial and administrative proceedings related to the acquisition of the Utility Systems.

SECTION 17. PUBLIC SERVICE COMMISSION APPROVAL. SELLER shall apply for approval by the Florida Public Service Commission for transfer of the Purchased Assets from SELLER to COUNTY. SELLER agrees to pay all fees and costs incurred by SELLER incident to such dealings with the Florida Public Service Commission. It is agreed that COUNTY shall apply every reasonable effort to cooperate with SELLER to obtain approval from the Florida Public Service Commission and will render all reasonable assistance to SELLER necessary to obtain such approval.

SECTION 18. COMMISSIONS. The SELLER and the COUNTY warrant to the other that the transaction contemplated by this Agreement is a direct, private transaction between the SELLER and the COUNTY without the use of a broker or commissioned agent.

SECTION 19. FURTHER ASSURANCES. Each of the parties hereto agrees that, from time to time, upon the reasonable request of the other party and at the expense of the requesting party, without further consideration, it shall execute and deliver to the requesting party any and all further instruments, affidavits, conveyances and transfers as may be reasonably required to carry out the provisions of this Agreement.

SECTION 20. CERTAIN AGREEMENTS.

20.1 Contracts and Agreements. The COUNTY shall take title to the Purchased Assets encumbered only by those developer, service, or wholesale contracts and agreements that are listed on Exhibit "11" attached to and incorporated in this Agreement (hereafter "Contracts and Agreements") which will be assigned to and assumed by the COUNTY. The SELLER has also supplied the COUNTY with a map series attached to and incorporated in this Agreement as Exhibit "12" which depicts all lots for which prepaid capacity, connection or capital charges have been collected. The SELLER represents and warrants that there are no other such lots, within its service area as depicted in Exhibit "7" hereof, for which prepaid capacity, connection or capital charges have been collected by SELLER. Notwithstanding anything to the contrary stated in this Agreement, the COUNTY is not assuming and has no obligation to honor the amount of any prepaid or discounted connections for customers or properties, dwelling units, or commercial or industrial structures not connected to the Utility Systems prior to the Closing Date, but rather reserves the right to charge and collect its own capital charges as

precondition to providing service, giving due credit for connection fee amounts previously paid.

20.2 Other Agreements. Except as expressly set forth in this Agreement, the COUNTY is not assuming any other agreements to which SELLER is a party.

SECTION 21. NOTICES: PROPER FORM. Any notices required or allowed to be delivered hereunder shall be in writing and may either be (1) hand delivered, (2) sent by recognized overnight courier (such as Federal Express) or (3) mailed by certified or registered mail, return receipt requested, in a postage prepaid envelope, and addressed to a party at the address set forth opposite the party's name below, or at such other address as the party shall have specified by written notice to the other party delivered in accordance herewith:

SELLER: John Cirello, PE, Ph.D.
President
Florida Water Services
1000 Color Place
Apopka, FL 32703

With a copy to: Brian Armstrong, Esq.
Vice President & General Counsel
Florida Water Services
1000 Color Place
Apopka, FL 32703

COUNTY: Alan B. Ispass
Director - Utilities Division
Orange County
109 E. Church Street
Orlando, FL 32801-3318

With a copy to: Thomas A. Cloud, Esq.
Gray, Harris & Robinson, P.A.
201 Pine St.
Orlando, FL 32801

Notices personally delivered by hand or sent by overnight courier shall be deemed given on the date of delivery and notices mailed in accordance with the foregoing shall be deemed given three (30) days after deposit in the U.S. mail.

SECTION 22. ENTIRE AGREEMENT. This instrument constitutes the entire Agreement between the parties and supersedes all previous discussions, understandings, and agreements between the parties relating to the subject matter of this Agreement. This

Agreement may not be changed, altered or modified except by an instrument in writing signed by the party against whom enforcement of such change would be sought.

SECTION 23. AMENDMENT. Amendments to and waivers to the provisions of this Agreement shall be made by the parties only in writing by formal amendment.

SECTION 24. DISCLAIMER OF THIRD PARTY BENEFICIARIES. This Agreement is solely for the benefit of the formal parties herein, and no right or cause of action shall accrue upon or by reason hereof, to or for the benefit of any third party not a formal party hereto.

SECTION 25. BINDING EFFECT. All of the provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the legal representatives, successors and nominees of the COUNTY and the SELLER.

SECTION 26. TIME OF THE ESSENCE. Time is hereby declared of the essence in the performance of each and every provision of this Agreement.

SECTION 27. APPLICABLE LAW. This Agreement shall be construed, controlled, and interpreted according to the laws of the State of Florida.

SECTION 28. CORROBORATION OF PAYMENTS AFTER CLOSING. In each instance in which either the SELLER or the COUNTY is to receive money from another party after the Closing Date pursuant to the provisions of this Agreement, the party who is entitled to receive the money under the terms of this Agreement shall have the right to inspect, at its own expense, those books and records of the other party as may be necessary to corroborate the accuracy of the amount of money received by the party, within thirty (30) days of receipt of payment. In the event the party making the inspection discovers an error in payment, the party making the payment shall promptly transfer the difference in payment to the party who is entitled to payment; provided, however, that to the extent that the error in payment is ten percent (10%) or more, then the party making payment shall, in addition to paying the shortfall, reimburse to the party making the inspection the reasonable costs of the inspection.

SECTION 29. RADON GAS. RADON IS A 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 AND RADON TESTING MAY BE OBTAINED FROM YOUR COUNTY PUBLIC HEALTH UNIT.

SECTION 30. DEFENSE OF ACTIONS OR CLAIMS

30.1 Each party who is or may be entitled to indemnity under the provisions of this Agreement (the "Indemnitee") shall promptly notify the other party who is or may be required to provide indemnity under the provisions of this Agreement, as applicable (the "Indemnitor"), of any lawsuit or claim against such Indemnitee which it has reasonable cause to believe would entitle it to indemnification under such Section of this Agreement. Failure of such Indemnitee to promptly notify the Indemnitor of any such action or claim shall constitute a defense by Indemnitor against its obligation to indemnify the Indemnitee under this Agreement with regard to such claim or action, if such failure to provide such prompt notification reasonably prejudices the defense or other successful resolution of such action or claim by Indemnitor.

30.2 Upon receipt of such prompt notification of such claim or action, the Indemnitor shall be entitled, in its absolute discretion, to select legal counsel; to assume at its expense the defense of any such action or claim, including the prosecution of any applicable cross-claims or counter claims; to direct the manner in which such defense shall be conducted; and to determine the terms of settlement of, any such suit or claim against Indemnitee, provided that no such resolution awarding relief other than money damages against the Indemnitee may be agreed to without the consent of the Indemnitee, which consent shall not be unreasonably withheld, delayed or conditioned by Indemnitee. Indemnitee shall provide its full cooperation and assistance to Indemnitor with regard to the defense of such claim or action against Indemnitee, as afore-described, as reasonably requested by Indemnitor.

30.3 If the defendants in or to any such action or claim include both the Indemnitee and the Indemnitor and the Indemnitee reasonably concludes that there are valid legal defenses available to the Indemnitee which are different from or additional to the legal defenses being raised by the Indemnitor, and which, after written notice thereof being given to the Indemnitor by the Indemnitee, are not being asserted by the Indemnitor on behalf of the Indemnitee regarding such action or claim, the Indemnitee shall have the right to select separate counsel to assert such additional legal defenses in such action on behalf of such Indemnitee; provided such legal defenses which Indemnitee desires to assert are not reasonably inconsistent with, contrary to or would otherwise prejudice the defenses which the Indemnitor is asserting on behalf of the Indemnitee. The Indemnitee shall take no action with regard to such claim or action which is inconsistent with or may reasonably prejudice the defenses, cross-claims or counter claims being asserted by Indemnitor on behalf of Indemnitee.

30.4 If an Indemnitor elects to assume and does assume, the defense of any such suit or claim, it shall not be liable for any legal expenses incurred by the Indemnitee with respect to such matter and if the Indemnitee, after due notice to the Indemnitor of the existence of valid defenses not being employed by the Indemnitor as afore-described, employs separate counsel in connection with the assertion of such legal defenses not being raised by the Indemnitor on behalf of the Indemnitee and the

Indemnitee is, in fact, ultimately successful in the assertion of those legal defenses that the Indemnitor refused to assert after due notification by the Indemnitee.

30.5 If the Indemnitor, after receipt of such prompt notification of such claim or action, does not assume the defense of any such suit or claim, it shall thereafter be barred from disputing the nature and amount of the damages ultimately incurred or determined to have been incurred by the Indemnitee in settling or litigating the action or claim.

SECTION 31. OPERATIONS BY SELLER. SELLER shall provide operations services following Closing Date to the COUNTY in accordance with the Operational Services Agreement attached to and incorporated in this Agreement as Exhibit "13."

SECTION 32. SURVIVAL OF AGREEMENTS. All agreements of the parties set forth in this Agreement shall survive the Closing.

SECTION 33. MISCELLANEOUS.

33.1 All of the parties to this Agreement have participated fully in the negotiation and preparation hereof, and, accordingly, this Agreement shall not be more strictly construed against any one of the parties hereto.

33.2 Except for the provisions of Section 4 and 15.1(1) hereof, in the event any term or provision of this Agreement be determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

33.3 In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and court costs at all trial and appellate levels.

33.4 In construing this Agreement, the singular shall be held to include the plural, the plural shall be held to include the singular, the use of any gender shall be held to include every other and all genders, and captions and paragraph headings shall be disregarded.

33.5 The parties shall jointly petition the Commission for either cancellation or modification of the Certificates, as appropriate, in order to terminate the Commission's jurisdiction over the Utility Systems. All costs and expenses relative to terminating its relationship with the FPSC shall be borne by the SELLER. Copies of the Order(s) of the Commission acknowledging sale of the Utility Systems to the COUNTY shall be promptly provided to the COUNTY, upon SELLER's receipt thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

Signed, sealed and delivered in the presence of:

FLORIDA WATER SERVICES CORPORATION

Attest: [Signature]
Print Name: Richard P. Adams
Title: Vice President, General Counsel and Secretary

BY: [Signature]
Print Name: John Cirello
Title: President

DATE: 12/31/97

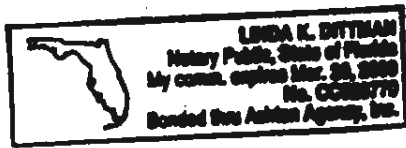
[CORPORATE SEAL]

Florida Water Services Corporation

STATE OF FLORIDA
COUNTY OF ORANGE

The foregoing instrument was acknowledged before me this 30th day of December, 1997, by John Cirello as _____ of FLORIDA WATER SERVICES CORPORATION.

[Signature]
Signature of Notary Public



AFFIX NOTARY STAMP

Linda K. Dittman
(Print Notary Name)
My Commission Expires: 3/20/2000
Commission No.: _____
 Personally known, or
 Produced Identification
Type of Identification Produced _____

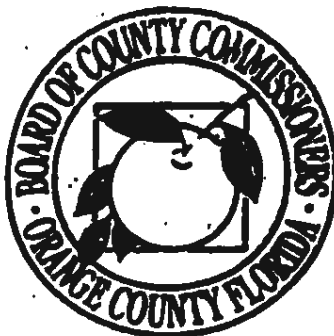
ORANGE COUNTY, FLORIDA

BY: Linda W. Chapin
County Chairman

DATE: December 30, 1997

ATTEST: Martha O. Haynie as Clerk
to the Board of County Commissioners

BY: [Signature]
Deputy Clerk



STATE OF FLORIDA
COUNTY OF ORANGE

The foregoing instrument was acknowledged before me this 30th day of December, 1997, by LINDA W. CHAPIN, as County Chairman of ORANGE COUNTY, FLORIDA, and acknowledged before me that she executed the foregoing instrument on behalf of ORANGE COUNTY, FLORIDA.

Mary M. Delancett
Signature of Notary Public

MARY M. DELANCETT
Notary Public - State of Florida
My Commission Expires Jan 14, 2001
Commission # CC403488

(Print Notary Name _____
My Commission Expires _____
Commission No.: _____

Personally known, or
 Produced Identification
Type of Identification Produced _____

AFFIX NOTARY STAMP

FOR THE USE AND RELIANCE
OF ORANGE COUNTY ONLY.
APPROVED AS TO FORM.

December 30, 1997
[Signature]
Thomas A. Cloud, Utilities Counsel

LATE FILED EXHIBIT D


Affidavit

State of Florida)
County of Orange)

Before me, the undersigned authority, personally appeared Alan B. Ispass, P.E. and after being duly sworn, stated:

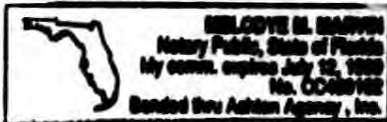
1. That I, Alan B. Ispass, P.E., am the Director of the Public Utilities Division of Orange County, Florida, and I have personal knowledge of the matters contained herein.
2. The Public Utilities Division of Orange County, Florida, has obtained from Florida Water Services Corporation, ("Florida Water") the most recent available income and expense statement, balance sheet for Florida Water's statewide operations, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction, to-wit: a copy of Florida Water's 1996 annual report to the Florida Public Service Commission showing Florida Water's Orange County operations:


Further Affiant sayeth not:



Alan B. Ispass, P.E., Director
Public Utilities Division
Orange County, Florida

The foregoing instrument was acknowledged before me this 30 day of December, 1997, by Alan B. Ispass, P.E., Director, Public Utilities Division, Orange County, Florida, who ~~is personally known to me~~ or has produced identification and ~~did~~ not take an oath.




 Name: _____
 Notary Public
 Commission No.: _____
 My Commission Expires: _____