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June 18, 1998

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

980767-WS

Re: Joint Application for Transfer of Water and Wastewater Facilities of GULF UTILITY COMPANY to GULF ENVIRONMENTAL SERVICES, INC.

Dear Ms. Bayo:

Enclosed on behalf of Gulf Utility Company are an original and five copies of the above-referenced application.

Please open a docket for processing this application.

Please acknowledge receipt of the foregoing by stamping the enclosed extra copy of this letter and returning same to my attention.

Thank you for your assistance.

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

Sincerely,

B. Kenneth Gatlin

BKG/ldv
Enclosures

cc: Daren L. Shippy, Esq. (w/application only)

DOCUMENT NUMBER-DATE
06469 JUN 18 98
FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Joint Application for Transfer of Water and Wastewater Facilities of GULF UTILITY COMPANY to GULF ENVIRONMENTAL SERVICES, INC.	)	**DOCKET NO. _____**

JOINT APPLICATION FOR TRANSFER OF FACILITIES TO GOVERNMENTAL AUTHORITY

Applicants, GULF UTILITY COMPANY ("Gulf Utility") and GULF ENVIRONMENTAL SERVICES, INC. ("Gulf Environmental"), a Florida Not-for-Profit Corporation sponsored by Lee County, Florida, a political subdivision of the State of Florida ("Lee County"), by and through their undersigned attorneys, and pursuant to Section 367.071(4)(a), Florida Statutes, and Rule 25-30.037(4), Florida Administrative Code, file this Joint Application for Transfer of Water and Wastewater Facilities of Gulf Utility to Gulf Environmental, and say as follows:

1. Gulf Utility operates under Water Certificate No. 072-W and Wastewater Certificate No. 064-S, and is located in Lee County, Florida.

2. The name and address of Gulf Utility, and its authorized representative, for purposes of this joint application, are:

Gulf Utility Company
19910 South Tamiami Trail
Estero, Florida 33928
Authorized Representative:
B. Kenneth Gatlin, Esq.
Gatlin, Schiefelbein & Cowdery, P.A.
3301 Thomasville Road, Ste. 300
Tallahassee, Florida 32312
(850)385-9996

3. The name and address of Gulf Environmental, and its

authorized representative, for purposes of this joint application, are:

Gulf Environmental Services, Inc.
19910 South Tamiami Trail
Estero, Florida 33928
Authorized Representative:
Daren L. Shippy, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(850) 877-6555

4. The transaction between Gulf Utility and Gulf Environmental is in accordance with Internal Revenue Service Ruling 63-20, which permits a not-for-profit corporation to issue tax exempt bonds if (a) the corporation engages in activities that are essentially public in nature; (b) the corporate income does not inure to any private person; (c) the state or one of its political subdivisions (1) has a beneficial interest in the corporation while the indebtedness remains outstanding, and (2) acquires legal title to the property of the corporation with respect to which the indebtedness was incurred when the indebtedness is retired; and (d) the state or one of its political subdivisions approve both the corporation and the specific indebtedness issued by the corporation. Gulf Environmental is such a not-for-profit corporation.

5. On June 9, 1998, Lee County conducted a public hearing in accordance with Section 125.3401, Florida Statutes in which it considered (a) the most recent available income and expense statement for Gulf Utility, (b) the most recent available balance sheet for Gulf Utility Company, listing assets and liabilities and

clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon, (c) a statement of the existing rate base of Gulf Utility for regulatory purposes, (d) the physical condition of Gulf Utility Company's facilities being purchased, (e) the reasonableness of the purchase price and terms; (f) the impact of the purchase on Gulf Utility's customers, both positive and negative; (g) any additional investment required and the ability and willingness of Gulf Environmental to make that investment, (h) the alternatives to the purchase and the potential impact on Gulf Utility Company's customers if the purchase is not made; and (i) the ability of Gulf Environmental to provide and maintain high-quality and cost effective utility service.

Lee County found the transaction to be in the public interest, and as a result, issued its resolution that approved (a) Gulf Environmental, (b) Gulf Environmental's acquisition of Gulf Utility's assets, and (c) the specific indebtedness to be issued by Gulf Environmental. A copy of that resolution is attached hereto as Exhibit "A."

6. The transaction is scheduled to close on or before June 30, 1998.

7. Gulf Environmental engages in activities that are essentially public in nature; its income will not inure to any private person; Lee County has a beneficial interest in Gulf Environmental while the indebtedness to be issued by Gulf Environmental remains outstanding; and Lee County will acquire legal title to the property of Gulf Environmental with respect to

which the indebtedness was incurred when the indebtedness is retired.

8. Attached as Exhibit "B" is a copy of the Articles of Incorporation of Gulf Environmental ("Articles"), which reflect that the Board of Directors of Gulf Environmental must be appointed or confirmed by Lee County, and thus, Lee County has the ultimate power to determine the policy-level decisions of Gulf Environmental. To this end, the Public Works Director of Lee County is one of Gulf Environmental's Board of Directors. The Articles also reflect that the assets of Gulf Environmental may not be disposed of except to Lee County.

9. Attached as Exhibit "C" is a copy of the Franchise Agreement between Gulf Environmental and Lee County, which among other things, reflects that Lee County has the ultimate power to determine the rates of Gulf Environmental.

10. This application must be approved as a matter of right as a sale to a governmental authority pursuant to (a) Section 367.071(4)(a), Florida Statutes, and (b) In re: Petition by Osceola Service Company, City of Kissimmee and Florida Community Services Corp. for declaratory statement regarding FPSC jurisdiction, Docket No. 880583-WS; Order No. 19486.

11. This Commission in In re: Petition by Osceola Service Company, City of Kissimmee and Florida Community Services Corp. for declaratory statement regarding FPSC jurisdiction, Docket No. 880583-WS; Order No. 19486, in a 63-20 transaction, and under circumstances similar to those at hand, found "that the utility

will be controlled by a governmental agency and will, therefore, be exempt from this Commission's regulation." This Commission further found "that [Florida Community Service Corp.'s] purchase of the utility and its subsequent lease of the utility to the City will be a transfer to a governmental agency, which must be approved as a matter of right."

12. A copy of the Agreement for Purchase and Sale of Water and Wastewater Assets ("Agreement") entered into between Gulf Utility and Gulf Environmental is attached hereto as Exhibit "D."

13. Subsequent to the closing of this transaction, Gulf Utility will retain no assets that would constitute a system providing or proposing to provide water or wastewater service to the public for compensation.

14. Gulf Environmental and Lee County obtained from Gulf Utility its most recent available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction.

15. Pursuant to the Agreement, the liability for all customer deposits and the accumulated interest thereon, will be transferred to Gulf Environmental, which shall be given credit therefor on the purchase price.

16. Gulf Utility will pay all outstanding regulatory assessment fees and file the final Regulatory Assessment Fee Return with the Division of Administration of the Florida Public Service Commission as soon as is reasonably possible, but in any event, within the time period required by the rules of the Florida Public

Service Commission.

17. Attached are copies of Water Certificate No. 072-W and Wastewater Certificate No. 064-S for cancellation.

WHEREFORE, the applicants jointly request that this Commission approve the transfer of water and wastewater facilities of Gulf Utility to Gulf Environmental as a matter of right, declare Gulf Environmental to be exempt from this Commission's jurisdiction, and cancel the water and wastewater certificates of Gulf Utility.

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DAREN L. SHIPPY
Attorney for Gulf Environmental Services, Inc.

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Tallahassee, Florida 32312
(850)385-9996

B. KENNETH GATLIN
Attorney for Gulf Utility Company

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LEE COUNTY RESOLUTION NO. 98-06-18

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, GRANTING FINAL APPROVAL TO A PROPOSED PLAN OF FINANCE FOR THE COST OF THE ACQUISITION OF AN EXISTING WATER AND WASTEWATER FACILITY KNOWN AS GULF UTILITY COMPANY AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONAL WATER AND WASTEWATER DISTRIBUTION, COLLECTION AND TRANSMISSION FACILITIES IN LEE COUNTY BY GULF ENVIRONMENTAL SERVICES, INC., A CORPORATION NOT-FOR-PROFIT ORGANIZED UNDER THE LAWS OF THE STATE OF FLORIDA; AGREEING TO ACCEPT A GRANT OF TITLE TO SUCH FACILITIES UPON THE RETIREMENT OF THE BONDS TO BE ISSUED PURSUANT TO SUCH PLAN UPON SATISFACTION OF CERTAIN CONDITIONS PRECEDENT BY THE CORPORATION; PROVIDING FOR PUBLIC INTEREST FINDINGS PER F.S. SEC. 125.3401; PROVIDING FOR APPROVAL OF A FRANCHISE AGREEMENT AND TARIFFS AND POLICIES; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Board of County Commissioners (the "Board") of Lee County, Florida (the "County") adopted Lee County Resolution No. 98-03-249 on March 31, 1998; and

WHEREAS, in Lee County Resolution No. 98-03-249, the County gave its preliminary approval to (a) the Bonds (as defined therein), (b) Gulf Environmental

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Services, Inc. (the "Corporation"), including its purposes and activities, (c) accepting unencumbered title to all real and personal property constituting the Project (as defined therein) upon the discharge, defeasance, or to the extent permitted by law, assumption of the Bonds; and

WHEREAS, the conditions for final approval by the County, as set forth in Lee County Resolution No. 98-03-249, have been satisfied; and

WHEREAS, the Board has held a public hearing pursuant to Section 125.3401, Florida Statutes (1997), and received public input on the Corporation's purchase of the water and wastewater assets of Gulf Utility Company, and wishes to make a determination that the purchase serves a public purpose and is in the public interest.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, that:

SECTION 1. ADOPTION OF PUBLIC BRIEFING DOCUMENT. The County adopts and accepts into the record the Public Briefing Document prepared by Gulf Environmental Services, Inc. pursuant to Section 125.3401, Florida Statutes (1997) (Exhibit "A" hereto)

SECTION 2. TRANSACTION SERVES A PUBLIC PURPOSE. The conditions and requirements of Section 125.3401, Florida Statutes (1997) having

been satisfied, the County finds the Project, as defined in Lee County Resolution 98-03-249, serves a public purpose and is in the public interest. Specifically, Gulf Environmental Services, Inc.'s acquisition, ownership, maintenance, and operation of the water and wastewater utility assets owned by Gulf Utility Company is necessary and desirable to maintain and improve the quality of public water supply and sanitary wastewater utility service as provided to residents who live, work, or visit within the County. In determining that the purchase, as heretofore described, serves a public purpose and is in the public interest, the County considered information including, but not limited to, the following:

(a) The most recent available income and expense statement for Gulf Utility Company;

(b) The most recent available balance sheet for Gulf Utility Company, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon;

(c) A statement of the existing rate base of Gulf Utility Company for regulatory purposes;

(d) The physical condition of Gulf Utility Company's facilities being purchased;

(e) The reasonableness of the purchase price and terms;

(f) The impact of the purchase on Gulf Utility Company's customers, both positive and negative;

(g) Any additional investment required and the ability and willingness

of the Corporation to make that investment;

(h) The alternatives to the purchase and the potential impact on Gulf Utility Company's customers if the purchase is not made; and

(i) The ability of the Corporation to provide and maintain high-quality and cost effective utility service.

SECTION 3. CONFIRMATION AND APPROVAL OF BOARD OF DIRECTORS. The County confirms, and approves of, the Corporation's Board of Directors.

SECTION 4. APPROVAL OF BOND RESOLUTION. The County approves the Bond Resolution (Exhibit "B" hereto) for the issuance of the Bonds of the Corporation, with such changes, insertions and deletions thereto as do not change the substance of such Bond Resolution.

SECTION 5. FINAL APPROVAL GRANTED. The conditions for final approval set forth in Lee County Resolution 98-03-249 having been satisfied, the County grants its final approval to (a) the issuance and sale of the Bonds by the Corporation; (b) the execution of all documents necessary to finance and close the transaction, including, but not limited to, the Bond Resolution, Preliminary Official Statement and other documents in substantially final form; (c) the Corporation, including its purposes and activities, and its acquisition of the assets of Gulf Utility Company; (d) construction and equipping of the Project; and (e)

accepting unencumbered title to all real and personal property constituting the Project, including any additions to the Project, upon the discharge, defeasance, or to the extent permitted by law, assumption of the Bonds.

SECTION 6. APPROVAL OF FRANCHISE AGREEMENT. The County approves the granting of a Franchise to the Corporation. (Exhibit "C" hereto).

SECTION 7. APPROVAL OF TARIFFS AND SERVICE AVAILABILITY POLICIES. The County approves the Water Tariff and Wastewater Tariff of the Corporation, including the Service Availability Policies set forth therein. (Exhibit "D" hereto).

SECTION 8. FURTHER ACTION. The Board is authorized to execute any and all further documents, and take all such action, as may be necessary to close the acquisition by Gulf Environmental Services, Inc. of the assets of Gulf Utility Company including, but not limited to, executing any agreements relating to acceptance by the Board of unencumbered title to the assets of Gulf Environmental Services, Inc.

SECTION 9. CONDEMNATION. This action is being undertaken in lieu of the initiation of condemnation proceedings by the County, and under threat of condemnation by the County of the assets of Gulf Utility Company.

SECTION 10. LIMITED APPROVAL. The approvals and consents given herein shall not be construed as an approval of any necessary rezoning applications or approval or acquiescence to the alteration of existing zoning or land use, nor approval for any other regulatory permits relating to the Project, and the Board shall not be construed by reason of its adoption of this Resolution to have waived any right of the Board, or estopping the Board from asserting any rights or responsibilities it may have in such regard. Further, the approval by the Board of the issuance of the Bonds by the Corporation shall not be construed to obligate the County to incur any liability, pecuniary or otherwise, in connection with either the issuance of the Bonds or the acquisition and construction of the Project, and the Corporation shall so provide in the financing documents setting forth the details of the Bonds. Finally, the County shall not be construed by reason of its adoption of this Resolution to (a) attest to the Corporation's ability to repay the indebtedness represented by the Bonds, or (b) constitute a recommendation to prospective purchasers of the Bonds to purchase the same.

SECTION 11. NO OBLIGATION OF COUNTY. Nothing herein contained shall be construed to create any obligation, direct, indirect or contingent, on the part of the County to pay any part of the cost of the Project, or any expense of the operation or maintenance of the Project or of such financing, or to pay the principal of and/or interest on any such proposed Bonds as may be issued by the Corporation, or to accept, operate or maintain the Project either in the event of

default or failure by the Corporation.

SECTION 12. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption by the Board.

The foregoing Resolution was offered by Commissioner St. Cerny who moved its adoption. The motion was seconded by Commissioner Albion and, being put to a vote, the vote was as follows:

DOUGLAS ST. CERNY	Aye
JOHN MANNING	Aye
RAY JUDAH	Aye
ANDREW COY	Aye
JOHN E. ALBION	Aye

DULY PASSED AND ADOPTED THIS 9TH DAY OF JUNE, 1998.

ATTEST:
CHARLIE GREEN, CLERK

By: Lisa L. Pierce
Deputy Clerk

BOARD OF COUNTY COMMISSIONERS
OF LEE COUNTY, FLORIDA

By: Manning
Chairman

APPROVED AS TO FORM:

By: James Yaeger
Office of the County Attorney

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PUBLIC BRIEFING DOCUMENT

SECTION 125.3401 FLORIDA STATUTES

Acquisition of the assets of
Gulf Utility Company

Prepared for:

Gulf Environmental Services, Inc.

May 27, 1998

Prepared by:

Rose, Sundstrom & Bentley, LLP
Johnson Engineering, Inc.
A.A. Reeves, III

EXHIBIT "A"

TABLE OF CONTENTS

LIST OF MAPS AND TABLES

Section 1

BACKGROUND

General

Gulf Environmental Services, Inc. (the "Utility or Company") is a private, not-for-profit water and wastewater utility operating in Lee County, Florida. The Utility will obtain the assets of Gulf Utility Company (GUC), a private for-profit corporation, with proceeds of this bond issue. The assets of GUC include a potable water supply, treatment, transmission and distribution system ("water system") and a wastewater collection, transmission, treatment and disposal system ("wastewater system"), collectively referred to as the ("system"). In 1982, GUC was formed to acquire the assets and Florida Public Service Commission (FPSC) certificates of San Carlos Utilities, Inc. which had formed the utility in 1972. As a not-for-profit entity, the Utility will not be subject to FPSC certification or regulation.

The Utility will operate under sponsorship and regulatory authority of the Lee County Board of County Commissioners, allowing it to issue tax-exempt bonds on the County's behalf to finance the acquisition and subsequent system expansions and improvements. The sponsorship resolution (Resolution No. 98-____) was adopted by the County Commission on _____.

Today, the Utility serves approximately 7,421 water and 2,682 wastewater customers in the south Lee County communities of Island Park, San Carlos Park, Estero and Three Oaks. GUC has more than tripled the number of customers served since 1982. Treatment facilities and pipeline systems have been expanded to keep pace with service area demand, and further expansions will be required to meet projected growth, much of it related to the new four-year state university which began operations in the service area last year.

Service Area

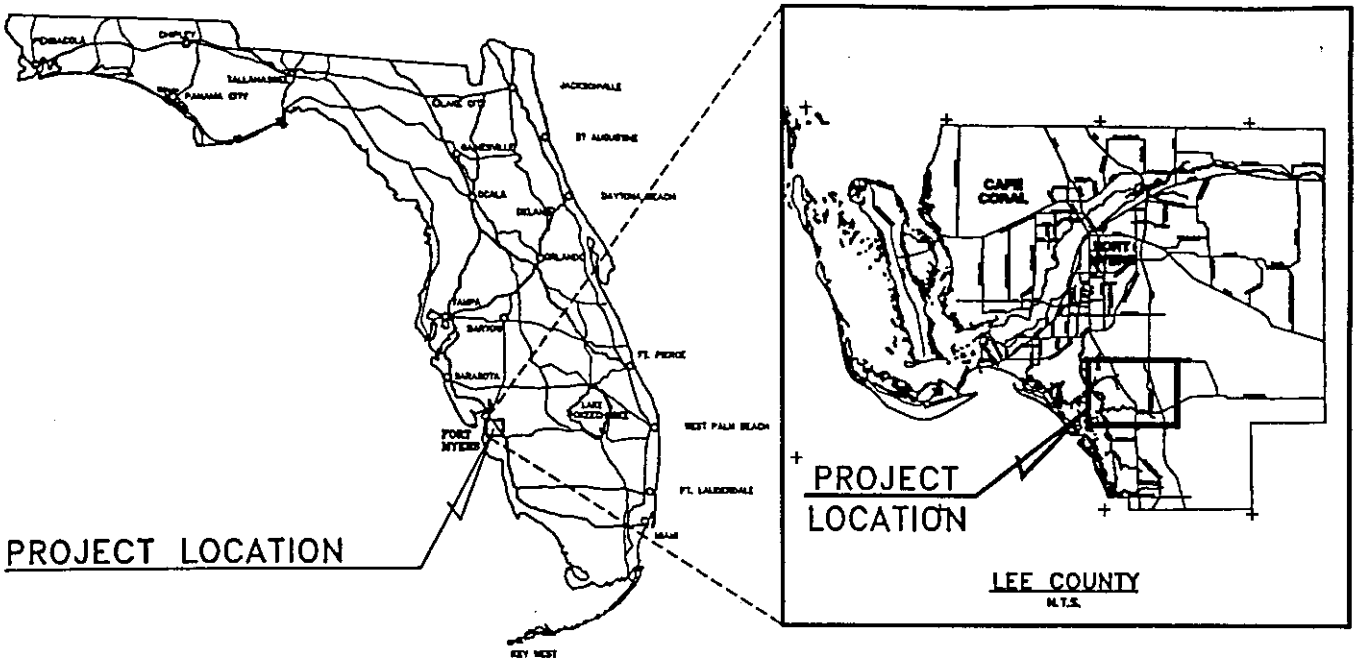
The Utility's service area generally extends from Williams Road north to Alico Road and from the sections west of U.S. 41 east to the two sections adjacent to the eastern border of I-75. These areas are generally known as Island Park, San Carlos Park, Estero and Three Oaks. Florida Gulf Coast University, the new four-year state university which opened in August 1997, is within the Utility's service area. Maps of Gulf's water and wastewater service areas are shown on Pages 12-A and 12-B.

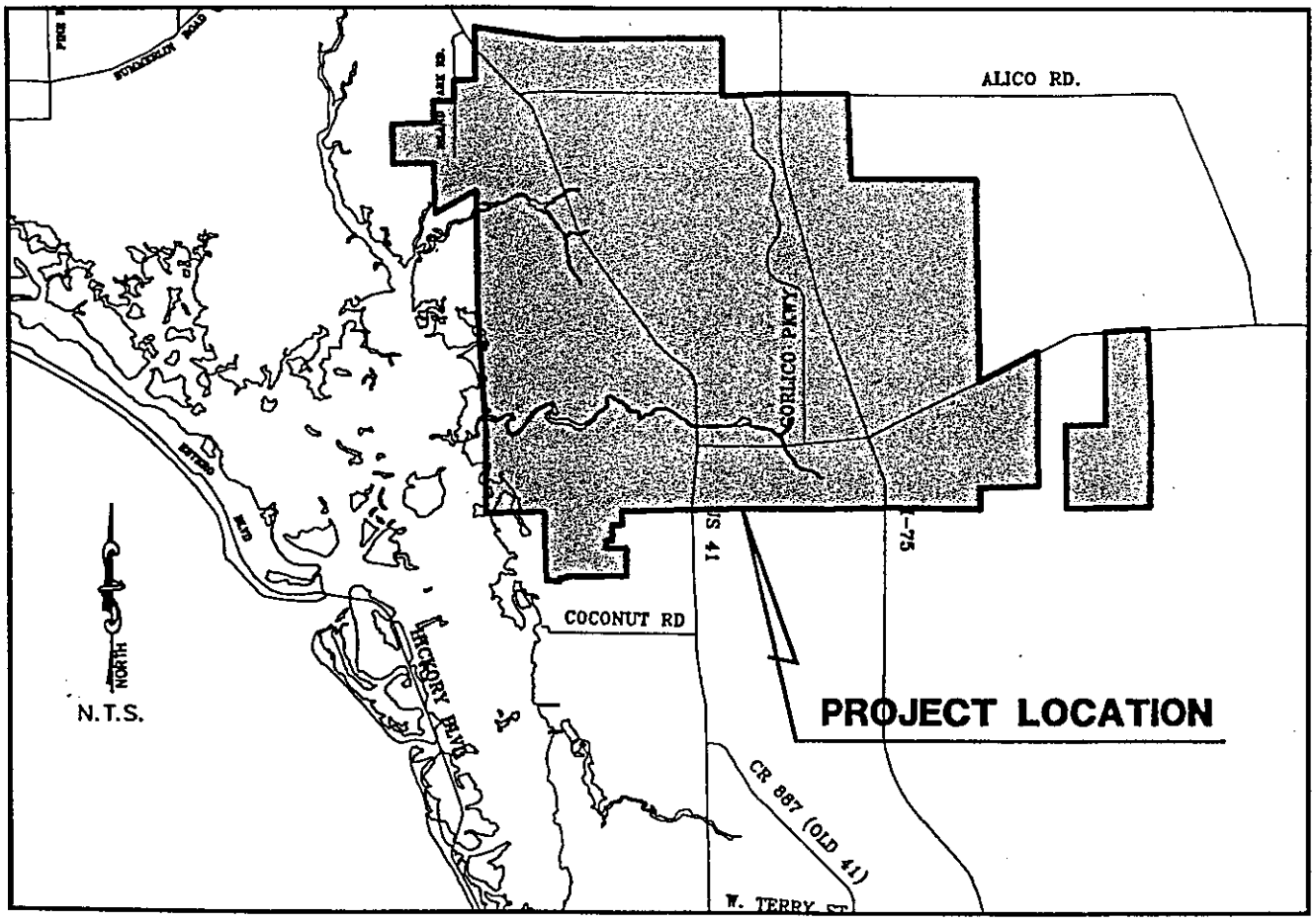
Utility Management and Operations

The Utility's sole business is the delivery of potable water and wastewater treatment service in its service area. The Utility is governed by a Board of Directors, whose responsibilities include reviewing monthly financial statements, and annual budget and cash flow projections. In conjunction with the Utility's Administrator, the Board sets short and long term investment policy, long term financial planning

policy and strategies. The Board also monitors the performance of the Utility's policies and operational strategies. Board members are J.W. French, Fred Edenfield, and Kirk Beck.

The water and wastewater systems owned by the Utility will be operated and maintained by Severn-Trent Environmental Services (STES), who will structure the Utility into three (3) divisions headed up by STES employees. The Operations Divisions will be run by Steve Messner, Operations Manager, and will perform all plant, distribution and collection system operations and maintenance. The Finance & Accounting Division will be headed by Carolyn Andrews, Chief Financial Officer, and will perform data processing, billing, purchasing, records, and accounting functions. Customer Service is also part the Finance & Accounting Division and will handle opening, closing and transferring accounts, turn-ons and turn-offs, meter reading, customer inquiries and complaints. The Administrative Division will be headed by Kathy Babcock, Administrative Manager, and will conduct developer-related activity from initial contact through final acceptance and connection, and operations administration including safety, training, recordkeeping and equipment maintenance programs.





LOCATION MAP

GULF UTILITY COMPANY

Section 2

INCOME AND EXPENSE STATEMENT

125.3401 (1) *The most recent available income and expense statement for the Utility.*

The most recent Income and Expense Statement for the utility that is available was based on the Audited Financial Statement provided by Gulf Utility Company for the 12 month period ending December 31, 1997. These revenues and costs for the water system are summarized below.

Gulf Utility Company
Statement of Operations
For the year Ended December 31, 1997

	1997
Revenue:	
Water	$ 2,068,757
Sewer	1,556,271
	3,625,028
Expenses:	
Operations and Maintenance	2,280,975
Depreciation	556,583
Taxes other than Income	399,775
	3,237,333
Operating income	387,695
Other income (expense):	
Interest income	148,626
Interest expense	(927,318)
Amortization of debt issue costs	(8,517)
Gain on sale of investments	-0-
Loss on sale of investments	(11,933)
Amortization of investments and premiums	(1,291)
Amortization of contributed taxes	64,732
	(735,701)
Loss before income tax benefit and cumulative effect of change in accounting principle	(348,006)
Income tax benefit	107,053
Loss before cumulative effect of change in accounting principle	(240,953)
Cumulative effect of change in accounting Principle	431,683
Net income (loss)	$ 190,730

Section 3

BALANCE SHEET

125.3401 (2) *The most recent available balance sheet for the utility, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon.*

Presented on Table 3-1 and 3-2 is a balance sheet of Gulf Utility Company. These tables were directly from Gulf Utility Company's Audited Financial Statement for the year ending December 31, 1997.

TABLE 3-1

Gulf Utility Company
Balance Sheet
December 31, 1997

Assets		1997
Utility Plant:		
Utility plant in service		$ 35,518,440
Construction work in progress		2,280,478
Net plant held for future use		83,952
		37,882,870
Less:	Accumulated depreciation	(8,734,005)
	Utility plant acquisition adjustment	(158,784)
		(8,892,789)
		28,990,081
Restricted Investments		1,137,285
Current assets:		
Cash and cash equivalents		1,637,859
Restricted cash		461,289
Short-term investments		-0-
Accounts receivable		124,883
Unbilled revenue		182,153
Income tax refund receivable		546,462
Other		35,995
		2,988,641
Deferred charges and other assets:		
Net deferred tax asset		2,678,017
Unamortized debt issue costs		364,585
Deferred rate case costs		235,151
Advances for construction		143,862
Other		90,733
		3,512,348
		$ 36,628,355

TABLE 3-2

Gulf Utility Company
Balance Sheet
December 31, 1997

Stockholders' Equity, Liabilities, and Other Credits	1997
Stockholders' equity:	
Common stock, $1 par value, authorized 5,000 shares, 416 shares issued and outstanding	$ 416
Additional paid-in capital	952,711
Retained earnings (accumulated deficit)	94,618
Unrealized gain (loss) on investments	15,272
	1,063,017
Liabilities:	
Long-term debt, excluding current portion	9,430,000
Current Liabilities:	
Current portion of long-term debt	125,000
Notes payable to stockholders	1,544,360
Accounts payable	655,464
Customer deposits	223,512
Accrued taxes other than income taxes	174,059
Accrued interest	249,071
Revenue subject to refund	254,808
Income taxes payable	14,693
Other current liabilities	139,257
	3,380,224
Deferred credits and other liabilities:	
Contributions in aid of construction, net of accumulated amortization of $5,909,947 and $5,242,660 at December 31, 1997 and 1996, respectively	17,188,709
Contributed taxes	3,913,549
Advances for construction	265,624
Prepaid service availability charges	1,387,232
Regulatory liability	-0
	22,755,114
	$ 36,628,355

Section 4

STATEMENT OF EXISTING RATE BASE

125.3401 (3) *A statement of the existing rate base of the utility for regulatory purposes.*

The rate base of this utility system represents the depreciated original cost of the plant and facilities deemed by the Florida Public Service Commission (FPSC) as used to provide service to the public. Specifically, the rate base of a utility includes gross plant in service, less depreciation and net contributed capital and/or plant, an allowance for working capital, materials, supplies and inventory and contain other financial considerations. In determining the existing rate base, net plant which is in service but is not used and useful or plant held for future use, is generally subtracted from the total plant in order to arrive at the level of rate base required to provide service to the existing customer base. The rate base for the Gulf Utility Company system is shown below. Rate base does not reflect the total equity of the Owner, rather that amount which the FPSC determines is appropriate upon which to recover a rate of return. This information is derived from the FPSC Annual Report filed by Gulf Utility Company for the year 1997.

Gulf Utility Company
Statement of Rate Base

	Water	Wastewater
Utility Plant in Service	$19,517,047	$16,001,404
Accumulated Depreciation	(4,934,074)	(3,799,931)
Advances for Construction		(121,762)
C.I.A.C.	(14,264,094)	(10,221,791)
Amortization of C.I.A.C.	3,517,145	2,392,803
RATE BASE	$3,836,024	$4,250,723

Section 5

PHYSICAL CONDITION OF THE FACILITY UTILITIES

125.3401 (4) *The physical condition of the utility facilities being purchased, sold, or subject to a wastewater facility privatization contract.*

5.1 Water Supply

The System can utilize 16 production wells. Four wells are located in the San Carlos Wellfield, to the northeast and less than one mile from the San Carlos Water Treatment Plant. A fifth well is located on the plant site. The wells draw water from the shallow or ground water aquifer. The depth of the wells range from 34 to 55 feet. Eleven wells are located in the Corkscrew Wellfield, to the southeast and approximately 1½ miles from the Corkscrew Water Treatment Plant, five of which are currently in production; the remaining six wells can be put into service when necessary, however, well pumps and related piping will need to be installed. The wells draw water from the shallow or ground water aquifer. The average depth of each well is 38 feet. Currently drawing from the shallow aquifer, the Corkscrew wells can be modified to draw from deeper aquifers.

5.2 Water Treatment and Pumping Plants

The San Carlos Water Treatment Plant consists of three conventional, up flow design units with a total treatment capacity of 2.415 MGD. The water treatment process utilizes bentonite clay, polyaluminum chloride, Betz 1110P (anionic coagulant acid), Betz 1190 (cationic coagulant acid), potassium permanganate and chlorine for disinfection. An additional chemical, Betz 500P, is added to the product water for corrosion control.

Following the chemical addition process, the water travels through the filtration system, then by gravity to the clearwell where it is temporarily stored. The transfer pumping system pumps water to the on-site storage tanks. The storage facilities, with a rated capacity of 0.500 MG, provide treated water to three on-site high service pumps.

The San Carlos plant site includes buildings sized to house the maintenance shop, chemical feed equipment, chlorination equipment, laboratory, control room and equipment/material storage and offices for the operations staff.

The Corkscrew Water Treatment Plant consists of a 1.80 MGD membrane softening process complete with pre-treatment, membrane units, post-treatment stabilization and a disinfection system. Additional chemicals utilized are sulfuric acid, caustic soda, Betz 500P and 502P for product water corrosion control. Chlorine is added for disinfection.

Following the membrane softening process, the water is directed to the on-site storage tank. The storage facilities, with a rated capacity of 1.0 MG, provide treated water to two on-site high service pumps.

The Corkscrew plant site includes a process control building complete with all necessary chemical handling facilities, electrical and instrumentation systems.

Portions of the San Carlos Water Treatment Plant are approximately 25 years old and the raw water supply is of such quality that high chemical treatment is required to meet drinking water

standards. Because of this, one of the first projects to be funded by this bond issue is an interconnection between Lee County's Corkscrew Water Treatment Plant and the GES Water Distribution System. This will provide a new source of supply with higher quality.

5.3 Water Facilities

The water transmission and distribution system was originally constructed in the early 1970s and has subsequently been extended to serve new subdivisions and adjacent developments within its franchise area as certificated by FPSC.

The existing water distribution system includes approximately 600,618 feet of water transmission mains, approximately 575 fire hydrants, and meter installations at each customer's property line. The system main lines are constructed of materials approved by the American Water Works Association, specifically polyvinyl chlorine (PVC) and ductile iron pipe (DIP). The following table contains a summary of main type and size.

5.4 Water Supply, Transmission and Distribution Mains (Provided by GUC)

Type of Pipe	Diameter of Pipe (Inches)	Quantities in Service (Feet) As of 12/31/97
PVC/DIP	1½	660
	2	31,247
	2½	15,345
	4	56,262
	6	89,006
	8	233,414
	10	74,560
	12	100,124
TOTAL:		600,618

The System's water quality meets all local and state standards as well as the Federal Safe Drinking Water Act. Routine testing will be conducted by the Utility and the Lee County Health Department.

5.5 Water Distribution System and Storage

The system is served from two (2) high service pump stations with one (1) on-demand/booster station.

The on-demand/booster station is located on the west side of U.S. 41, behind the former Three Oaks Model Home Center. Direct access is off the southbound lanes of U.S. 41. At this location, there is a 1.0 million gallon ground storage reservoir and two variable speed high service pumping units.

One high service pump station is located at the Corkscrew Treatment Plant site which is located approximately 1¼ miles east of Interstate 75 on the south side of Corkscrew Road. At this location, there is a 1.0 million gallon ground storage reservoir and two variable speed high service pumping units. The reservoir is a dual purpose structure that contains an aerator, chemical feed system piping and controls for post-treatment of the water plant product water. These facilities provide adequate storage to maintain water volume for fire flow demands throughout the southeastern sections of the service area and as an emergency

back-up for System malfunctions. These facilities were completed and placed in service in December 1989.

The other high service pump station is located at the San Carlos Water Treatment Plant, which is approximately three miles east of U.S. 41 within the San Carlos Park subdivision. At this location, there is a 0.500 MG ground storage reservoir and three high service pumping units.

The main transmission and distribution lines are installed from the plant and extend throughout the service area. To ensure sufficient pressure to the extremities of the distribution system, the on-demand pumping is programmed in coordination with the water treatment plant high service pumps.

5.6 Wastewater Facilities

The Wastewater collection and treatment facilities are composed of two independent systems. These are the San Carlos Wastewater Treatment System and Three Oaks Wastewater Treatment System.

The combined wastewater collection system consists of approximately 189,424 feet of gravity collection mains, approximately 108,843 feet of force mains, and approximately 43 pumping stations that collect and transmit raw wastewater to the treatment plants. The gravity collection mains ranges in diameter from 4 inches to 18 inches, and the force mains vary from 3 inches to 16 inches. The following table contains a summary of gravity and force main sizes and quantities.

5.7 Wastewater Collection and Force Mains (Provided by GUC)

Type of Pipe	Diameter of Pipe (Inches)	Quantities in Service (Feet) As of 12/31/97
Gravity Lines	4	2,695
	6	11,084
	8	167,150
	10	1,438
	12	6,047
	15	1,000
	18	10
	Subtotal	189,424

Type of Pipe	Diameter of Pipe (Inches)	Quantities in Service (Feet) As of 12/31/97
Force Mains	3	10
	4	28,900
	6	26,228
	8	21,016
	12	32,669
	16	20
	Subtotal	108,843
TOTAL:		298,267

The 12-inch Corkscrew Concentrate Disposal Pipeline is a force main that originates at the Corkscrew Water Treatment Plant site and follows the Corkscrew Road right-of-way west to the west side of Interstate 75. This pipeline, which was completed in August 1989, transports concentrate by-product flow stream

from the Corkscrew Water Treatment Plant to blend with wastewater effluent for ultimate disposal by spray irrigation on golf courses.

5.8 Wastewater Treatment Plants

The San Carlos Wastewater Treatment Plant is a secondary treatment system including: flow equalization (surge tanks); extended aeration process, clarification (settling), filtration and chlorination for disinfection prior to discharge. The original plant was built in the 1970s and expanded in late 1986. The plant has the capacity to treat 0.218 MGD in the extended aeration mode and 0.300 MGD in the contract stabilization mode.

The Three Oaks Wastewater Treatment Plant was placed in service in late December 1988 to provide wastewater service to customers located in the eastern and southeastern franchise area. The Three Oaks Wastewater Treatment Plant is a secondary treatment system including: influent screening/control unit, brush aerator oxidation ditch extended aeration process, clarification (settling), and filtration and chlorination for disinfection prior to discharge. The plant has the capacity to treat 0.750 MGD of wastewater; an expansion is currently under construction, and when completed this year, the plant will have treatment capacity of 1.50 MGD.

5.9 Effluent Disposal System

Effluent disposal from the Three Oaks Wastewater Treatment Plant and the San Carlos Wastewater Treatment Plant is handled by golf course irrigation (reuse). Treated effluent is pumped from the San Carlos plant to the San Carlos golf course. Treated effluent from the Three Oaks plant is pumped to three golf courses; The Vines, The Villages of Country Creek and Pelican Sound. The effluent from both plants is delivered to dedicated storage lakes at each golf course, and from that point each golf course re-pumps out of the dedicated lakes to the golf course irrigation system. What makes this system unique is that the discharge brine from the Corkscrew Water Treatment plant is blended into the effluent reuse system from the Three Oaks Plant and discharged through the golf course irrigation. The Corkscrew Water Treatment Plant also has a 1.0 MG ground storage tank for brine.

The Three Oaks plant is currently being expanded to a total treatment capacity of 1.5 MGD, however, one of the Special Conditions in the FDEP permit limits the effluent disposal to approximately 1.156 MGD. Of this amount a portion is allocated to the water plant brine disposal. This means that until additional reuse customers are located, the capacity of the Three Oaks plant will be limited to 0.867 MGD. Conversations with GUC disclose that three additional golf course developments (West Bay Club, Stoneybrook and Bonita Bay B & F) have verbally requested reuse water. GUC is currently negotiating reuse agreements with these additional sites. As part of those agreements, the developer will be responsible for the capital improvement costs to transfer such reuse effluent to the disposal points. Currently the three golf courses receiving effluent from the Three Oaks plant have a combined FDEP rated capacity of approximately 1.1 MGD. Once the additional golf course developments place their reuse systems online, the FDEP permit for the Three Oaks plant will be re-rated to reflect such additional disposal capacity.

The dedicated storage lakes at each golf course serve as the system wet weather storage. The San Carlos plant has a reject storage tank at the plant site, which could double as system storage should it become needed, but that volume would need to be retreated. The Three Oaks plant has one storage tank for

substandard water needing retreatment, and another tank for system storage in addition to the golf course dedicated lakes. The reuse agreements require that the golf courses take reuse water whenever the Utility sends it. Discussions with GUC operational personnel indicate that adequate storage has historically been available at the golf course lakes. As new reuse customers are added to the system, the Utility will have additional system storage available with those customers which will continue to increase the overall system capacity. The new reuse agreements also need to require that the customers take reuse water whenever the utility sends it.

5.10 Environmental Site Assessments (ESA's)

Ardaman & Associates, Inc. was retained by the Utility to perform ESA's of the five (5) utility sites (San Carlos Wastewater Treatment Plant, Three Oaks Wastewater Treatment Plant, Corkscrew Water Treatment Plant, San Carlos Water Treatment Plant, and the U.S. 41 Booster Station). In addition, lead based paint surveys and asbestos surveys and assessments were performed for the structures located on these properties. Copies of the report section of Ardaman's assessments are included as Appendix "A" to the engineer's report. Ardaman's report concludes that the results of the assessments revealed no evidence of recognized environmental conditions in connection with any of the subject properties. They further recommended that no additional inquiry into the environmental condition of the subject properties was necessary at this time.

5.11 Operations, Maintenance and Safety Report

Representatives from ST Environmental Services conducted the operations, maintenance and safety observations of the GUC Facilities. A copy of their report, outlining their findings, is attached as Appendix "B" to the engineer's report. STES concluded that overall the facilities are well maintained and operated. The staff is qualified above the average certification required and the current maintenance system provides daily, weekly, and predictive and preventative actions. Also, a detailed Safety Inspection was conducted and the report indicates a good overall Safety Program.

5.12 Summary

Based upon the general field observations and reliance upon the various consulting reports, it is staff's opinion that the existing water and wastewater systems appear to be in good operable condition and have been receiving adequate maintenance in accordance with usual utility practices. Due to the age of some of the facilities, repairs and/or replacements are planned or underway through the Repair and Replacement and Capital Improvement Programs.

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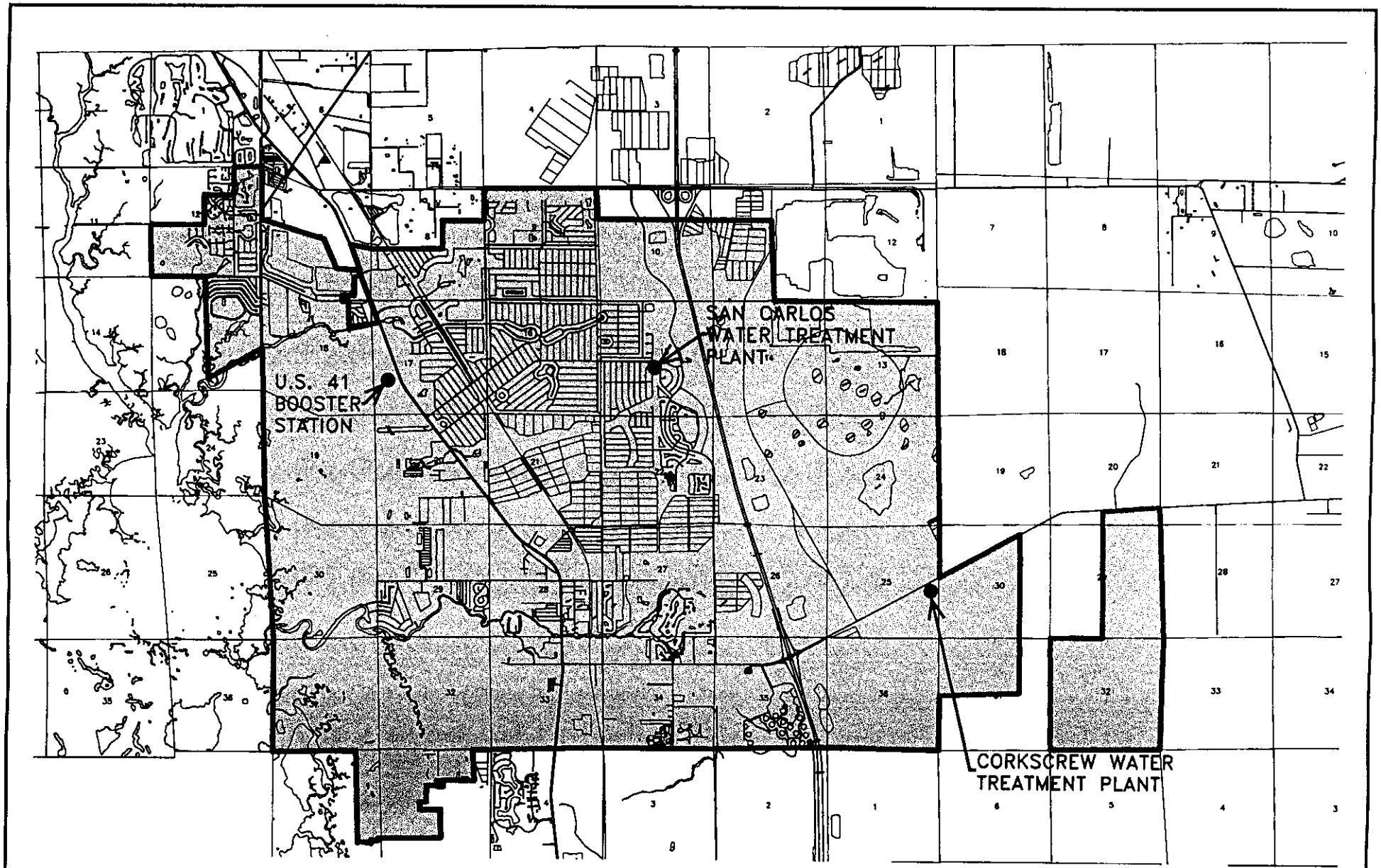

WATER FRANCHISE AREA

GULF UTILITY COMPANY

JOHNSON ENGINEERING, INC.
ENGINEERS, SURVEYORS AND ECOLOGISTS
2158 JOHNSON STREET, POST OFFICE BOX 1550, FORT MYERS, FLORIDA 33902-1550, PHONE (941) 334-0046

DATE	PROJECT NO.	FILE NO.	SCALE	SHEET
APRIL 1998	21862	15-46-25	NTS	1

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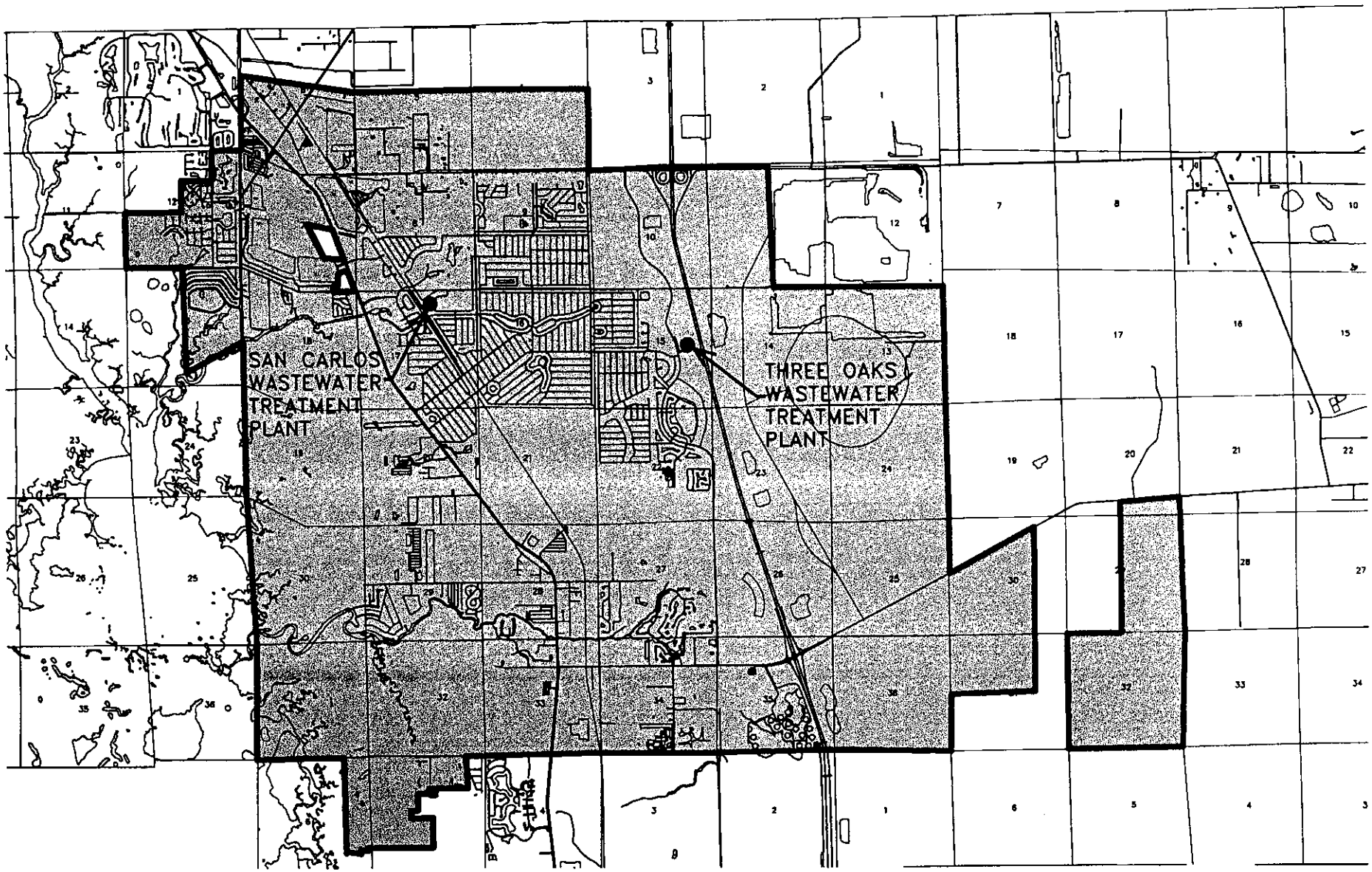

WASTEWATER FRANCHISE AREA

GULF UTILITY COMPANY

JOHNSON ENGINEERING, INC.

ENGINEERS, SURVEYORS AND ECOLOGISTS

2158 JOHNSON STREET, POST OFFICE BOX 1550, FORT MYERS, FLORIDA 33902-1550, PHONE (813) 334-0046

DATE	PROJECT NO.	FILE NO.	SCALE	SHEET
APRIL 1998	21862	15-46-25	NTS	2

Section 6

REASONABLENESS OF SALES PRICE AND TERMS

125.3401(5) The reasonableness of the purchase, sales, or wastewater facility privatization contract price and terms.

Gulf Environmental Services, Inc. retained the firm of Utilities & Investments, Inc. (U & I) to determine a fair value assessment of the system. The Executive Summary of the Fair Value Assessment is attached to this section as Exhibit ES.

The report sets forth the findings of U & I analyses, investigations, field inspections and evaluations of the subject utility systems. Overall, the Gulf Utility Company water and wastewater systems were found to be in good to excellent physical condition.

Based upon the analyses, evaluations, assumptions contained herein and investigations performed by U & I, it is their valuation opinion that the Gulf Utility Company water and wastewater systems as of April 1, 1998 have a fair value ranging between **$65,000,000** to **$75,000,000.**

This is well in excess of the purchase price to be paid for the system. In addition, the terms and conditions of the purchase are consistent with those generally encountered in transactions of this type.

Section 7

IMPACTS OF SALE

125.3401(6) The impacts of the purchase, sale or wastewater facility privatization contract on utility customers, both positive and negative.

There are positive impacts on the utility customers resulting from the acquisition of the utility assets of Gulf Utility Company which are summarized as follows:

1. The purchase will add to the unified water and wastewater system in Lee County which benefits planning efforts, system expansion, and economies of scale in capital improvements, system repairs, and customer service. Both County and GES customers will enjoy these benefits.

2. Decision making in the operation of the utility will be made by local residents on behalf of the County which can be more sensitive and responsive to customer needs.

3. As a not-for-profit Corporation issuing debt on behalf of the County, the Company can obtain a lower cost of capital than a privately-owned utility, and enjoys the benefits of an exemption from income and certain other taxes.

4. Lee County Utilities may interconnect the San Carlos Water Treatment Plant with the County's Corkscrew Water Treatment Plant, assuring the highest possible reliability and quality of water service for customers of both systems.

5. The company will be in a position to serve residents of San Carlos Park in the future which will offer a needed source of quality water and the environmental benefits of central wastewater service to a large number of residents of Lee County.

6. Rates charged to residential and commercial customers will be lower than under Gulf Utility Company's proposed rates pursuant to recent Public Service Commission filings.

7. ST Environmental Services, Inc. currently operates the Lee County Utilities water and wastewater systems. Extension of this operating contract to the GES systems ensures uniformity with County policies and practices, professional service to the GES customers, and opportunities for cost savings and operating efficiencies for Lee County Utilities.

8. Control of the capital improvement program in the GES service area provides for meeting the needs of strong customer growth demands for Florida Gulf Coast University and others in a timely manner at the lowest possible cost.

9. Further County Comprehensive Plan goal of regionalization of utility services and unified central systems.

There are negative impacts of the proposed utility acquisitions which are summarized below:

1. Connection fees for future development will increase from GUC levels to County-wide level.

2. Additional capital improvements of approximately 2.5 million dollars will be incurred out of the Series 1998 Bonds for the benefit of the water and wastewater systems and its customers.

3. During the transition from private ownership to GES ownership changes in rates, costs, billing practices, and customer service may be temporarily disruptive to customers.

Section 8

ADDITIONAL INVESTMENT REQUIRED

125.3401(7a) *Any additional investment required and the ability and willingness of the purchaser, or the private firm under a wastewater facility privatization contract, to make that investment, whether the purchaser is the county or the entity purchasing the utility from the County.*

Gulf Environmental Services, Inc. plans to undertake certain capital improvements, extensions and additions to the system scheduled for completion in the near future. For purposes of this report, projects through 2003 are listed based upon our review of the GUC December 1997 Capital Improvement Project list and discussions with the GES operations and financial consultants. These projects will be funded from the Series 1998 bonds, connection fee receipts and system revenues. The San Carlos Utility Extension project will be funded from a future bond issue. As shown below, the capital projects include facility additions to serve future customer growth and expanded service areas. The following is a brief description of the various projects. 100% of the project costs are budgeted in the year that the project is anticipated to start. Some projects may run into the next year(s) as they are constructed.

PROJECT DESCRIPTION	YEAR	DOLLARS
Corkscrew Water Treatment Plant		
♦ Chemical Auto Feed System *(PROJECT NEEDED TO AUTOMATE pH CONTROL FOR CHEMICAL ADDITION OF ACID AND CAUSTIC FEED AND CORROSION CONTROL)*	1998	$ 25,000
♦ Retrofit Skid, (Skid 1)	1999	150,000
♦ Software Upgrade	1999	25,000
♦ Activate Well (1)	1999	30,000
♦ 3.0 MG Storage *(THIS PROJECT CONSISTS OF A NEW 3.0 MILLION GALLON GROUND STORAGE TANK INCLUDING PUMPING AND CONTROL SYSTEM TO PROVIDE ADDITIONAL SYSTEM STORAGE TO IMPROVE PEAK HOURLY DEMANDS AND FIRE FLOW DEMANDS)*	2001	1,500,000
♦ Retrofit Skid, (Skid 2)	2002	165,000
♦ Membrane Replacement, (Skid 3)	2002	108,000

PROJECT DESCRIPTION	YEAR	DOLLARS
San Carlos Water Treatment Plant		
♦ Variable Drive Unit	1998	15,000
♦ High Service Pump and Control System *(ADDITION OF ONE VFD AND PROGRAMMER TO ENSURE SUFFICIENT PRESSURE IN THE DISTRIBUTION SYSTEM)*	1999	20,000
♦ Chlorine Room Upgrade *(THIS PROJECT CONSISTS OF UPGRADING THE CHLORINE ROOM TO COMPLY WITH NEW REGULATORY REQUIREMENTS ADDRESSING "ACCIDENTAL RELEASE PREVENTION PROGRAMS")*	1999	450,000
U.S. 41 Booster Station		
♦ Variable Drive *(ADDITION OF 2 50HP UNITS WITH AN EFFICIENT DRIVE FOR HIGH SERVICE PUMPING FROM GROUND STORAGE RESERVOIR)*	1998	30,000
Three Oaks WWTP		
♦ 750,000 GPD Expansion *(THIS PROJECT WILL CONSIST OF ADDING A 750,000 GALLON PER DAY TREATMENT PLANT EXPANSION TO THE EXISTING FACILITY TO ACCOUNT FOR CONTINUED GROWTH IN THE SERVICE AREA)*	2002	2,020,000
Main Relocations/Installations		
♦ U.S. 41 (Sanibel to the Vines)	1998	233,000
♦ Corkscrew Rd (Sandy Lane to I-75) WM/FM/Reuse Main relocation	1998	400,000
♦ Alico Rd widening (US 41 to Treeline Ave) forcemain adjustments	1999	70,000
♦ Alico Rd to San Carlos Blvd (forcemain) *(THIS PROJECT CONSISTS OF UTILITY RELOCATIONS ASSOCIATED WITH FDOT's RECONSTRUCTION OF US 41)*	2000	700,000
♦ Alico Rd to San Carlos Blvd (water main) *(THIS PROJECT CONSISTS OF UTILITY RELOCATIONS ASSOCIATED WITH FDOT's RECONSTRUCTION OF US 41)*	2000	400,000

PROJECT DESCRIPTION	YEAR	DOLLARS
♦ Treeline Ave South extension *(THIS PROJECT WILL CONSIST OF NEW UTILITY EXTENSIONS ALONG LEE COUNTY'S EXTENSION OF TREELINE AVENUE SOUTH OF CORKSCREW ROAD)*	2000	500,000
♦ San Carlos Blvd to Williams (WM/FM relocations) *(THIS PROJECT CONSISTS OF UTILITY RELOCATIONS ASSOCIATED WITH FDOT's RECONSTRUCTION OF US 41)*	2002	600,000
♦ San Carlos Park Watermain Installations *(THIS PROJECT CONSISTS OF WATER MAIN EXTENSIONS AND INSTALLATION OF FIRE HYDRANTS TO THE CENTRAL AREA OF SAN CARLOS PARK, WHICH IS NOT CURRENTLY SERVED BY A CENTRAL WATER SYSTEM. THE PROPOSED SERVICE AREA IS APPROXIMATELY 1.5 SQ. MILES CONTAINING APPROXIMATELY 2700 HOMESITES OF WHICH NEARLY 50% OF THE HOMESITES HAVE BEEN BUILT UPON. THIS PROJECT WILL BE FUNDED OUT OF A FUTURE BOND ISSUE.)*	2002	8,000,000
♦ Three Oaks Parkway Widening *(THIS PROJECT CONSISTS OF UTILITY RELOCATIONS ASSOCIATED WITH LEE COUNTY'S WIDENING OF THREE OAKS PARKWAY)*	2003	1,500,000
Collection, Transmission & Distribution:		
♦ Wastewater Pumping Stations *(FENCING AND SECURITY IMPROVEMENTS)*	1998	50,000
♦ Corkscrew WTP (Lee County Interconnect) *(THIS PROJECT WILL INCLUDE INSTALLATION OF APPROXIMATLEY 22,000 FT. OF 24" WATERLINE BETWEEN LEE COUNTY'S CORKSCREW WATER TREATMENT PLANT AND GULF ENVIRONMENTAL SYSTEM"S CORKSCREW PLANT. THE INTERCONNECT WILL PROVIDE INCREASED CAPACITY TO THE GULF ENVIRONMENTAL SYSTEM ALONG WITH INCREASED WATER QUALITY)*	1998	1,900,000
Florida Gulf Coast University *(THESE PROJECTS WILL PROVIDE WATER AND WASTEWATER SERVICE TO THE PLANNED ADDITIONS TO FLORIDA GULF COAST UNIVERSITY AS FOLLOWS:)*		
♦ Phase I Dorms/North Entry Road	1998	370,184
♦ Campus Support Facility	1998	250,000
♦ Recreational Facility	2000	250,000
♦ Whittaker Science Center	2000	250,000
♦ Performing Arts Center	2001	125,000

PROJECT DESCRIPTION	YEAR	DOLLARS
♦ Teaching Gymnasium	2002	125,000
♦ Classroom Buildings	2002	125,000
♦ 2nd Central Energy Plant	2002	125,000
Administration		
♦ Century Date Upgrades	1998	15,000
♦ PCs/Printers for Secretary/Accounting	1998	7,000
♦ Computer Hardware Upgrade	1999	40,000
♦ Computer Hardware Upgrade	2002	15,000
♦ Accounting/Utility Billing Software and Operation System upgrades	1998	1,500
	1999	6,500
	2001	6,500
	2003	6,500
♦ Miscellaneous Capital Items *(THESE AMOUNTS PROVIDE FOR UNKNOWN FUTURE CAPITAL PROJECTS)*	1998	25,000
	1999	25,000
	2000	25,000
	2001	25,000
	2002	25,000
	2003	25,000

CIP SUMMARY

YEAR	DOLLARS BUDGETED[1]
1998	$ 3,321,684
1999	816,500
2000	2,125,000
2001	1,656,500
2002	11,308,000
2003	1,531,500

(1) 100% of the project costs are budgeted in the year that the project is anticipated to start. Some projects may run into the next year(s) as they are constructed.

Section 9

ALTERNATIVES TO THE SALE

125.3401(8) *The alternatives to the purchase, sale, or wastewater facility privatization contract, and the potential impact on utility customers if the purchase, sale or wastewater facility privatization contract is not made.*

There are two (2) principal alternatives to the sale of Gulf Utility Company to Gulf Environmental Services, Inc. which are:

1. No Sale.
2. Sale to another private investor.

Each of these alternatives would have the following impact:

1. No unified water and wastewater system in Lee County with attendant planning, system expansion, and economy of scale benefits.

2. Decision making in the hands of a few private businessmen seeking to maximize profits rather than local residents responsive to customer needs.

3. A higher cost of debt and equity in the hands of privately enterprise passing through income and other taxes into customer rates.

4. No interconnection of the San Carlos Water treatment Plant with the County's Corkscrew Water Treatment Plant and therefore no benefit from increased reliability and water quality.

5. No control over extension of service to residents of San Carlos Park with associated water quality water and environmental benefits.

6. Higher rates charged to residential and commercial customers upon completion of Gulf Utility Company's pending rate case and future rate increases.

7. No opportunities for cost savings and operating efficiencies pursuant to the ST Environmental Services operating contract with lee County Utilities.

8. No control over the capital improvement program and no control over meeting customer growth demands including Florida Gulf Coast University.

Section 10

STATEMENT OF QUALITY SERVICE

125.3401(9a) *The ability of the purchaser or the private firm under a wastewater facility privatization contract to provide and maintain high-quality and cost-effective utility service, whether the purchaser is the county or the entity purchasing the utility from the county.*

In order to provide and maintain high quality and cost effective water and wastewater utility services, GES will be governed by a Board of Directors, whose responsibilities include reviewing monthly financial statements and annual budget and cash flow projections. In conjunction with the GES Administrator, the Board sets short and long term investment policy, long term financial policy and strategies. Board members are J.W. French, Fred Edenfield and Kirk Beck. The interim general manager will be A.A. Reeves, III.

GES, throughout the evaluation and acquisition process, has engaged the professional services of Johnson Engineering, Inc., a well recognized consulting engineering firm to assist in technical areas. GES has entered into an agreement for operations and maintenance of the water and wastewater system with Severn –Trent Environmental Services, Inc. (STES). STES is a worldwide contract management and operations company and has been the operator for Lee County Utilities System since 1995. STES intends to offer employment to the current Gulf Utility Company staff, in order to have a smooth transition at the time of acquisition.

Section 11

MONEYS PAID PURSUANT TO PRIVATIZATION CONTRACT

125.3401 (10) *All moneys paid by a private firm to a county pursuant to a wastewater facility privatization contract shall be used for the purpose of reducing or offsetting property taxes, wastewater service rates, or debt reduction or making infrastructure improvements or capital asset expenditures or other public purpose; provided however, nothing herein shall preclude the county from using all or part of the moneys for the purpose of the county's qualification for relief from the repayment of federal grant awards associated with the wastewater system as may be required by federal law or regulation.*

The Operations Contract between ST Environmental Services, Inc. and GES is structured similar to the contract between ST Environmental Services, Inc. and Lee County. However, ST Environmental Services, Inc. is not making a payment to the County or GES pursuant to its contract to operate the system. If any such payment is made in the future, all moneys will be applied in the manner consistent with this requirement.

Section 12

STATEMENT OF PUBLIC INTEREST

Statement of Public Interest

Based upon the foregoing, it is the opinion of the engineers, consultants, attorneys and GES Board of Directors that the acquisition of the Gulf Utility Company system is in the public interest, and that Lee County Utilities has the experience and the financial ability to provide service to the customers.

EXECUTIVE SUMMARY

Gulf Utility Company, Inc. owns, operates and maintains the potable water and wastewater utility system serving a rapidly growing area of Lee County, Florida. These utility systems provide potable water service to approximately 9,500 equivalent residential connections and wastewater service to 3,250 equivalent residential connections, as of April, 1998.

The Gulf Utility Company water system has water supply, treatment, storage and pumping facilities located at three sites in the service territories. The wastewater system has wastewater treatment effluent pumping and storage facilities at two site. Effluent disposal is accomplished by means of irrigation of four area golf course. Reuse of the effluent in this fashion is typically preferred by the regulatory agencies. The utility has long term agreements with the golf course owners, who are responsible for the operations and maintenance of the irrigation systems and the associated costs.

The purposes of our professional services was to evaluate, inspect, review and analyze these utility systems and their associated financial, technical and regulatory documentation in order to perform two (2) separate valuation methodologies. The valuation methodologies employed were the replacement cost new less depreciation and income analysis. A quantitative methodology determined its own estimate of value for the subject utility systems, as set forth below:

- Replacement Cost New Less Depreciation $67,356,061
- Income Analysis $96,740,957
  - Operations $77,379,138
  - Impact Fees $19,361,819

The two (2) valuation methodologies examine different aspects and facets of the utility systems is arriving at their value determination. A comparable sales analysis was not performed because in our opinion the subject property is too unique and represents a

special purpose property for which such an analysis would not yield a reliable value estimate.

Our assessment report sets forth the findings of our analyses, investigations, field inspections and evaluations of the subject utility systems. Overall, the Gulf Utility Company water and wastewater systems were found to be in good to excellent physical condition. Section 2 of the report addresses these matters in greater detail and provides and overview of the existing physical assets of the utility.

Therefore, based upon the analyses, evaluations, assumptions contained herein and investigations performed to date, it is our valuation opinion that the Gulf Utility Company water and wastewater systems, as of April 1, 1998 to have a fair value ranging between **$65,000,000** to **$75,000,000**.

It must also be recognized that no valuation methodologies are able to assess the intangible values or are the methodologies designed to monetarily quantify the intangible values that require consideration in an acquisition such as this one. Such intangible values and their overall worth can only be assessed in the analytical processes of the business decisions being made by those empowered to do so. In this instance, the intangible value items which require assessment and consideration can be identified as:

a) the reduction in the monthly charges for utility services that the existing customers would receive under the ownership of Gulf Environmental Services,

b) economies of scale that will result in operational cost savings,

c) avoidance of potential litigation by means of a negotiated transaction and acquisition,

d) the exclusive water and wastewater service areas of Gulf Utility Company, Inc. now becoming under the control of Lee County,

e) the future customers in these service areas would also be served by Gulf Environmental Services, Inc., and,

f) the citizens of the County who are currently customers of the utility company would not be impacted in the future by actions of the Florida Public Service Commission.

The above intangible value items do represent a substantial value in our opinion, which cannot be monetarily quantified but must be utilized in the business decision making processes in an acquisition such as this one. Such business decision making processes make the final determination that the purchase price to be paid and its associated terms and conditions are reasonable.

GULF ENVIRONMENTAL SERVICES, INC.

WATER AND SEWER SYSTEM REVENUE BOND RESOLUTION

ADOPTED _____

EXHIBIT "B"

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APPLICATION THEREOF

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COVENANTS

RESOLUTION NO. ____

A RESOLUTION OF THE BOARD OF DIRECTORS OF GULF ENVIRONMENTAL SERVICES, INC. AUTHORIZING THE ACQUISITION OF THE ASSETS OF GULF UTILITY SYSTEM AND THE ACQUISITION, CONSTRUCTION AND ERECTION OF IMPROVEMENTS TO SUCH SYSTEM; AUTHORIZING THE ISSUANCE BY GULF ENVIRONMENTAL SERVICES, INC. OF NOT TO EXCEED ~~{$_____}~~**[$56,000,000]** IN ~~{THE}~~ AGGREGATE PRINCIPAL AMOUNT OF GULF ENVIRONMENTAL SERVICES**[, INC.]** WATER AND SEWER SYSTEM REVENUE BONDS**[, SERIES 1998]**; PLEDGING THE NET REVENUES, THE CONNECTION FEES AND VARIOUS OTHER MONEYS TO SECURE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON SAID BONDS, AS WELL AS ANY OTHER BONDS ISSUED PURSUANT TO THIS RESOLUTION; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; PROVIDING A FLOW OF FUNDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF GULF ENVIRONMENTAL SERVICES, INC:

ARTICLE I

GENERAL

SECTION 1.01. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to and Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciate Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding

Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 1998 Bonds.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.06 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.03 hereof.

Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Sinking Fund Installments herein designated with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year it becomes due.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are at the time legal for investment of funds of the Issuer:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(2) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export-Import Bank
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Bus ness Administration
- Government National. Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration

(3) Bonds, notes or other evidences of indebtedness rated "AAA" by standard & Poor's Corporation and "Aaa" by Moody's issued by the Federal National Mortgage Association, the Federal Home Loan Bank System or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years.

(4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-l" or "A-l+" by Standard & Poor's Corporation and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "A-l+" by Standard & Poor's Corporation and "P-l" by Moody's and which matures not more than 270 days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation.

(7) Prerefunded Obligations.

(8) Investments in the Florida Counties Investment Trust.

(9) Fixed income mutual funds comprised of only those investments identified in paragraphs (1) through (7) above.

(10) Repurchase agreements collateralized by investments described in paragraphs (1), (2) or (3) above with any registered broker/dealer subject to the jurisdiction of the Securities Investors' Protection Corporation or any commercial bank, it such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-l" or "A" or better by Moody's, and "A-1" or "A" or better by Standard & Poor's Corporation, provided:

(A) a master repurchase agreement or specific written repurchase agreement governs the transactions, and

(B) the securities shall be held free and clear of any lien by the Issuer or an independent third party acting solely as agent for the Issuer and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital surplus and undivided profits of not less than $25 million, or (iii) a bank approved in writing for such purpose by each Insurer of the Bonds and the Issuer shall have received written confirmation from such third party that it holds such securities free and clear of any Lien, as agent for the Issuer, and

(C) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et. seq. or 31 C.F.R. 350.0 et. seq. in such securities is created for the benefit of the Issuer, and

(D) the purchase agreement has a maximum term of 120 days or less, and the

Issuer will value the collateral securities no less frequently than weekly and may liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation, and

(E) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(11) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar common trust fund which is established pursuant to law as a legal depository of public moneys.

(12) Any other investment agreed to in writing by all Credit Banks and Insurers securing the Outstanding Bonds.

"Authorized Issuer Officer" when used in reference to any act or document, means any person authorized by resolution of the Issuer to perform such act or sign such document.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bondholder" or "Holder" or "holder" or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bond Insurance Policy" shall mean, in regard to a Series of Bonds, the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on all or any portion of such Series of Bonds. **[With respect to the Series 1998 Bonds, the Bond Insurance Policy shall be issued by MBIA Insurance Corporation.]**

"Bonds" shall mean the Series 1998 Bonds~~{, the Series 2000 Bonds}~~ and any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution of the Issuer, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"**Connection Fees**" shall mean the Sewer Connection Fees and the Water Connection Fees.

"**Construction Fund**" shall mean the fund established pursuant to Section 4.03 hereof.

"**Consulting Engineers**" shall mean any engineering firm of reputation for skill and experience with respect to the construction and operation of facilities similar to the System, which is duly licensed under the laws of the State of Florida and designated by the Issuer to perform the duties of the Consulting Engineers under the provisions hereof.

"**Continuing Disclosure Agreement**" shall mean the agreement of the Issuer entered into in connection with the issuance of the Series 1998 Bonds ~~{and the Series 2000 Bonds}~~ pursuant to which the Issuer agrees to comply with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission.

"**Cost**" when used in connection with a project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the. cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the System during the period of acquisition and construction of such Project and for such period subsequent to completion as the Issuer shall determine; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses or the financing. including fees and expenses of any Paying Agent, Registrar or depository, Credit Bank or Insurer; (8) amounts, if any, required by this Resolution to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) payments. when due (whether at the maturity of principal or the due date of interest or upon redemption) on any interim or temporary indebtedness of the Issuer (other than the Bonds) incurred for a Project for the System; (10) costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to public utility systems similar to the System, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer prior to the issuance of the Bonds. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"**Credit Bank**" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or other credit or liquidity facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"**Credit Facility**" shall mean as to any particular Series of Bonds, a Letter of Credit, a line of credit or other credit or Liquidity facility (other than a Bond Insurance Policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Current Interest Bonds" shall mean Bonds which are not Capital Appreciation Bonds.

"Federal Securities" shall mean obligations described in paragraphs (1) and (2) of the definition of "Authorized Investments". Federal Securities shall also include Treasury Receipts, CATS, STRPS, Refcorp interest strips and TIGRS; provided such obligations do not permit redemption prior to maturity at the option of the obligor.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by Law.

"Fitch" shall mean Fitch Investors Services, and any assigns and successors thereto.

"Governing Body" shall mean the Board of Directors of Gulf Environmental Services, Inc. and its successor in function.

"Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United states of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to (1) the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development, or (2) the financing of any such construction, acquisition, development or costs.

"Gross Revenues" shall mean all income and moneys received by~~(.)~~ the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the ownership, management and/or operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, Investment Earnings. "Gross Revenues" shall not include (1) Government Grants, (2) Water Connection Fees and (3) Sewer Connection Fees.

"Insurance Consultant" shall mean the firm or firms retained by the Issuer to perform the duties of the Insurance Consultant set forth in Section 5.08 hereof.

"Insurer" shall mean such Person as shall issue a Bond Insurance Policy which shall guarantee the payment of principal of and interest on a Series of Bonds or portion thereof, when due. **[Insurer for the Series 1998 Bonds shall mean MBIA Insurance Corporation.]**

"Interest Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Interest Date"or **"Interest Payment Date"** shall be such date or dates as shall be provided by Supplemental Resolution of the Issuer.

"Investment Earnings" shall mean all income and earnings derived from the investment of moneys in the funds and established hereunder, other than the Construction Fund and the Rebate Fund.

"Issuer" shall mean Gulf Environmental Services, Inc. ~~{and also includes Lee County, Florida to the extent the System shall be transferred }~~**[or any entity that the system may be transferred to]** pursuant to Section 5.18 hereof.

"Maximum Annual Debt Service" shall mean the largest aggregate amount in any Fiscal Year, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed, of the Annual Debt Service.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds. a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Moody's" shall mean Moody's Investors Service, and any assigns and successors thereto.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operating Expenses"~~{,}~~ shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for management of the System or any portion thereof, any insurance and surety bond fees or premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of the Trustee or any Paying Agent or Registrar under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Operation and Maintenance Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Outstanding," when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to this Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Person" shall mean an individual, a corporation, a partnership an association, a joint stock company, a trust, any unincorporated organization, governmental entity or other legal entity.

"Pledged Funds" shall mean, (1) the Net Revenues, (2) the Connection Fees, and (3) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the operating Expenses of the System in accordance with the terms hereof, (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof and (D) any additional revenues to the extent they are pledged solely to a Series of Bonds pursuant to this Resolution. If provided for by Supplemental Resolution of the Issuer for a particular Series or all Series of Bonds, "Pledged Funds" may also include other moneys specified therein. Such additional revenues shall be pledged in the sole discretion of the Issuer.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient (as verified by a nationally

recognized firm of independent certified public accountants) to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (I) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category of Standard & Poor's Corporation and Moody's.

"President" shall mean the President of the Board of Directors of Gulf Environmental Services, Inc. and such other~~(.)~~ person as may be duly authorized to act on his or her behalf.

"Principal Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Project" shall mean the acquisition of the assets of Gulf Utility Company, together with any structure, property or facility for public use which the Issuer from time to time may determine to construct or acquire as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal or cancellation be permitted under this Resolution.

"Rate Consultant" shall mean any accountant, engineer or consultant or firm of accountants, engineers or consultants chosen by the Issuer with reputation for skill and experience in reviewing and recommending rates for utility systems similar to the System.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's Corporation.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.04(F) hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunding Securities" shall mean the Federal Securities and the Prerefunded Obligations.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to this Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Renewal and Replacement Fund" shall mean the fund created pursuant to Section 4.04(E)

hereof.

"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, ~~{.}~~ an amount of money equal to ~~{five}~~ **[three]** percent ~~{(5%)}~~**[(3%)]** of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or such other amount as may be certified to the Issuer by the Consulting Engineer, as an amount appropriate for the purposes of this Resolution.

"Reserve Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B) (iv).

"Reserve Account Letter of Credit" shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(iv) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount equal to the lesser of (1) Maximum Annual Debt Service for all ~~{outstanding}~~ **[Outstanding]** Bonds, (2) 125% of the average annual debt service for all Outstanding Bonds, or (3) such other amount, if any, as shall be provided by Supplemental Resolution of the Issuer and approved by Bond Counsel as being the maximum amount which may be funded from proceeds of the Bonds or other sources without (A) being subject to yield restriction or (5) causing the Bonds to be deemed "arbitrage bonds" within the meaning of the Code. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitute Variable Rate Bonds the interest rate on such Bonds shall be assumed to be the greater of (i) 110% of the daily average interest rate on such Variable Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period of time that such Series of Bonds shall have been Outstanding, or (ii) the actual rate of interest borne by the such Variable Rate Bonds on such date of calculation; provided, in no event shall the Reserve Account Requirement as adjusted on such date of calculation exceed the Lesser of the amounts specified in the immediately preceding sentence. The dates of calculation of the Reserve Account Requirement for purposes of computing such Requirement in regard to Variable Rate Bonds shall be (i) August l of each year and (ii} the sale date relating to the initial issuance of variable Rate Bonds.

"Resolution" shall mean this Second Amended and Restated Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Revenue Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Revenue Fund" shall mean the fund created pursuant to Section 4.04(A) hereof.

"Secretary" shall mean the Secretary of the Board of Directors of Gulf Environmental Services, Inc. and such other person as may be duly authorized to act on his or her behalf.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series 1998 Bonds" shall mean the Gulf ~~{Utilities}~~ **[Environmental]** Services, Inc. Water and Sewer System Revenue Bonds, Series 1998.

~~{"Series 2000 Bonds" shall mean the Gulf Utilities Services, Inc. Water and Sewer System Revenue Bonds, Series 2000.}~~

"Sewer Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged **[and legally available for the payment of the Bonds]**.

"Sewer Connection Fees Fund" shall mean the fund established pursuant to Section 4.04(D) hereof.

"Sinking Fund" shall mean the fund established pursuant to Section 4.04(B) hereof.

"Sinking Fund Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

"State" shall mean the State of Florida.

"Standard and Poor's Corporation" shall mean Standard and Poor's Corporation, and any assigns and successors thereto.

"Subordinated Indebtedness"~~{,}~~ shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 6.01 hereof.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 8.01, 8.02 and 8.03 hereof.

"**System**" shall mean any and all water production, transmission, treatment and distribution facilities and sewage collection, transmission, treatment and disposal facilities now owned and operated or hereafter owned and operated by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. "System" shall also include any ~~{stormwater utility,}~~ effluent reuse facilities or any other utility facilities if and to the extent the Issuer determines by Supplemental Resolution to include such utility or facilities within the System as described herein.

"**Taxable Bonds**" means any Bond which states, in the body thereof, that the interest income thereon is includible in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

"**Term Bonds**" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

"**Term Bonds Redemption Account**" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"**Trustee**" shall mean the trustee appointed pursuant to Article IX hereof, and its successor or assigns and any other corporation which may at the time be substituted in its place pursuant to the provisions hereof.

"**Utility Reserve Account**" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"**Variable Rate Bonds**" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

"**Water Connection Fees**" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged **[and legally available for the payment of the Bonds]**.

"**Water Connection Fees Fund**" shall mean the fund created pursuant to Section 4.04(C) hereof.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of Constitution and laws of the State of Florida**[, including, but not limited to Chapter 617, Florida Statutes, as amended]**. The Issuer has ascertained and hereby determined that adoption of this Resolution is necessary to carry out the powers, purposes and duties of the Issuer, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer and that the powers of the Issuer herein exercised are in each case exercised in furtherance of the purposes of the Issuer.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Holders of the Bonds, and shall be deemed to be and shall constitute a contract between the Issuer, the Holders from time to time of the Bonds and any Insurer or Credit Bank. The pledge made in the Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds and any Insurer or Credit Bank, but only in accordance with the terms hereof. All of the Bonds, regardless of the tine or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared:

(A) That the Issuer has previously determined to purchase the assets of Gulf Utility Company and will derive revenue from rates, fees, rentals and other charges made and collected for the services of such System.

(B) ~~{It}~~ **[That the Project is located entirely within Lee County, Florida and that it]** is in the best interests of the Issuer and the residents of Lee County **[and serves a permanent public purpose]** that the Issuer approve the issuance of Bonds ~~{for the purposes of acquiring}~~ the assets of Gulf Utility Company and ~~{the construction of}~~ **[to construct]** additions, improvements, enlargements and expansions to such System.

(C) That the estimated Gross Revenues to be derived in each year hereafter from the operation of the system will be sufficient to pay all the Operating Expenses, the principal of and interest on the Series 1998 Bonds as well as all other Bonds to be issued pursuant to this Resolution~~{,}~~ as the same become due, and all other payments provided for in this Resolution.

(D) That the principal of and interest on the Bonds to be issued pursuant to this

Resolution, and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof and any moneys received for such purpose from any Credit Bank or Insurers; and neither the ad valorem taxing power of Lee County, the State of Florida or any political subdivision or agency thereof will ~~{never}~~ **[ever]** be necessary or authorized to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property whatsoever of the Issuer or property of Lee County, Florida or in Lee County, Florida.

SECTION 1.05. AUTHORIZATION OF ACQUISITION OF ASSETS OF GULF UTILITY COMPANY AND ACQUISITION AND CONSTRUCTION OF PROJECT. There is hereby authorized the acquisition of the assets of Gulf Utility Company and the acquisition, construction and erection of improvements to the System in accordance with plans on file or to be filed with the Issuer.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Issuer to be designated as "Gulf Environmental Services, Inc. Water and Sewer System Revenue Bonds" which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more series, with such further appropriate particular nomenclature or designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall matures in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy of an Insurer all as shall be determined by supplemental Resolution of the Issuer.

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1998 BONDS ~~{AND SERIES 2000 BONDS}~~. A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of $__,000,000 for the principal purpose of acquiring the assets of Gulf Utility Company and the acquisition, construction and erection of improvements to the System in accordance with plans on file or to be filed with the Issuer. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Gulf Environmental Services, Inc. Water and Sewer System Revenue Bonds, Series 1998"; provided the Issuer may change such designation in the event that the total amount of Series 1998 Bonds authorized herein are not issued in a simultaneous transaction or the Series 1998 Bonds are not issued in calendar year 1998.

~~{A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of $__,000,000 for the principal purpose of the acquisition, construction and erection of improvements to the System in accordance with plans on file or to be filed with the Issuer. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Gulf Environmental Services, Inc. Water~~

~~and Sewer System Revenue Bonds, Series 2000"; provided the Issuer may change such designation in the event that the total amount of Series 2000 Bonds authorized herein are not issued in a simultaneous transaction or the Series 2000 Bonds are not issued in calendar year 2000.~~

~~The Series 1998 and the Series 2000}~~ **[The Series 1998**]Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1998 Bonds ~~{or the Series 2000 Bonds}~~, as applicable, to the purchaser or purchasers thereof or such other date or dates as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, Current Interest Bonds ~~{and}~~ **[and/or]** Capital Appreciation Bonds maturing in such years and amounts not exceeding such period as may be permitted by the laws of the State of Florida at the time of issuance; shall be payable in such place or places; shall have such Paying Agents and Registrar; and shall contain such redemption provisions; all as the Issuer shall provide hereafter by Supplemental Resolution.

The principal of or Redemption Price, if applicable, on the Series 1998 Bonds and ~~{the Series 2000 Bonds and}~~ compound interest on Series 1998 Bonds ~~{and Series 2000 Bonds}~~ which are Capital Appreciation Bonds are payable upon presentation and surrender of such Bonds at the designated office of the Paying Agent. Interest payable on any Series 1998 Bond ~~{or Series 2000 Bond}~~ which is a Current Interest Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close ~~{or}~~ **[of]** business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the prior written request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1998 Bond ~~{or a Series 2000 Bonds}~~ is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1998 Bonds ~~{and the Series 2000 Bonds}~~ shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. APPLICATION OF SERIES 1998 BOND PROCEEDS ~~{AND SERIES 2000 BOND PROCEEDS}~~. Except as otherwise provided by Supplemental Resolution of the Issuer, the proceeds derived from the sale of the Series 1998 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery or the Series 1998 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued interest on the Series 1998 Bonds, if any, shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1998 Bonds.

(B) An amount of Series 1998 Bond proceeds, if any, shall be deposited in the Reserve

Account which, together with any other moneys and securities on deposit therein and any Reserve Account Insurance ~~{policy}~~ **[Policy]** and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Reserve Account Requirement.

(C) An amount adequate to pay the appropriate premiums shall be applied to the payment of the premiums of the Bond ~~{insurance policy}~~ **[Insurance Policy]** applicable to the Series 1998 Bonds and any Reserve Account Insurance ~~{policy}~~ **[Policy]** or Reserve Account Letter of Credit and to the payment of costs and expenses relating to the issuance of the Series 1998 Bonds.

(D) The balance of the Series 1998 Bond proceeds, together with other available funds, adequate to acquire the assets of Gulf Utility Company and to acquire, construct and erect improvements to the System, including the payment of costs of issuance of the Series 1998 Bonds, shall be deposited in the Construction Fund.

~~{Except as otherwise provided by Supplemental Resolution of the Issuer, the proceeds derived from the sale of the Series 2000 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 2000 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:~~

~~(A) Accrued interest on the Series 2000 Bonds, if any, shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 2000 Bonds.~~

~~(B) An amount of Series 2000 Bond proceeds, if any, shall be deposited in the Reserve Account which, together with any other moneys and securities on deposit therein and any Reserve Account Insurance policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Reserve Account Requirement.~~

~~(C) An amount adequate to pay such premiums shall be applied to the payment of the premiums of the Bond insurance policy applicable to the Series 2000 Bonds and any Reserve Account Insurance policy or Reserve Account Letter of Credit and to the payment of costs and expenses relating to the issuance of the Series 2000 Bonds.~~

~~(D) The balance of the Series 2000 Bond proceeds, together with other available funds, adequate to acquire, construct and erect improvements to the System, including the payment of costs of issuance of the Series 2000 Bonds, shall be deposited in the Construction Fund.}~~

SECTION 2.04. EXECUTION~~{.}~~ OF BONDS. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the President and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such

Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

SECTION 2.06. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by subsequent resolution and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at his own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Registrar.

SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.08. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Except as otherwise provides in a Supplemental Resolution, each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, type, and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and deliver Bonds and the Registrar shall authenticate such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the President and Secretary for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be destroyed by the Registrar which shall provide the Issuer with a certificate as to such destruction. For every exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then, for the Bonds subject to redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution

SECTION 2.09. FORM OF BONDS. The text of the Current Interest Bonds and Capital Appreciation Bonds, other than Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following forms with such omissions, insertions and variations as may be necessary and/or desirable and approved by the President or the Secretary prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof[)]:

[Form of Current Interest Bond]

No. [CI]R- $

UNITED STATES OF AMERICA
STATE OF FLORIDA
LEE COUNTY
GULF ENVIRONMENTAL SERVICES, INC.
WATER AND SEWER SYSTEM REVENUE BOND,
SERIES

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____%	_____, ____	_____, ____	_____

Registered Holder:

Principal Amount:

Gulf Environmental Services, Inc., a not-for-profit corporation organized and existing under the laws of the State of Florida, and any successor thereto (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on _____ and _____ of each year commencing _____ until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the redemption premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond are payable at the designated corporate trust office of _____, _____, _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by _____, _____, _____, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder

at the address appearing on such registration books or, at the prior written request and expense of such Registered Holder, by bank wire transfer for the account of such Holder.

This Bond is one of an authorized issue of~~{,}~~ Bonds in the aggregate principal amount of $_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, principal amount, registered owner and number, issued ~~{to finance in and for}~~ **[by]** the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida**[, including but not limited to Chapter 617, Florida Statutes, as amended,]** and a resolution duly adopted by the Board of Directors of the Issuer on _____ __, 1998, as amended and supplemented (collectively~~{,}~~**[,]** the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer system (the "System"), (2) the Connection Fees (as defined in the Resolution), and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) the Rebate Fund, (B) moneys in any fund and account established pursuant to the Resolution to the extent said moneys shall be required by the Resolution to pay the Operating Expenses (as defined in the Resolution), (C) moneys on deposit in a subaccount of the Reserve Account established by the Resolution to the extent moneys therein shall be pledged solely for the payment of the series of Bonds for which it was established in accordance with the provisions of the Resolution and (D) any additional revenues to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds"). It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer or Lee County, Florida are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Lee County, Florida**[, the State of Florida or any political subdivision thereof]** to the payment of such principal, premium, if any, and interest **[on the Bonds]**. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer **[or Lee County, Florida]**, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

The Issuer may issue obligations on parity with the Bonds pursuant to the terms of the Resolution.

Neither the ~~{Board of Directors}~~ **[members of the governing board]** of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THE FRONT SIDE HEREOF.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, the Board of Directors of Gulf Environmental Services, Inc. has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its President, and by the manual or facsimile signature of its Secretary, and its corporate seal or a facsimile thereof to be affixed or reproduced hereon all as of the Date of Original Issue.

GULF ENVIRONMENTAL SERVICES, INC.

(SEAL)

_____

President

_____

Secretary

(Provisions on reverse side of Bond)

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding the interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until the date fixed for redemption.

(INSERT REDEMPTION PROVISIONS)

Redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon notice given by first class mail sent at least thirty (30) days prior to the redemption date to the Registered Holder hereof at the address shown on the registration books maintained by the Registrar; provided, however, that failure to mail notice to the Registered Holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of other Bonds as to which no such failure or defect has occurred. In the event that less than the full amount hereof shall have been called for redemption, the Registered Holder hereof shall surrender this Bond in exchange for one or more Bonds in an aggregate principal amount equal to the unredeemed portion of principal amount, as provided in the Resolution.

Reference to the Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be Performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned seals, assigns and transfers unto

_____

_____
Insert Social Security or Other
Identifying Number of Assignee

_____
(Name and Address of Assignee)

_____
the within Bond and does hereby irrevocably constitute and appoint _____, as attorney to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

_____
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

_____
NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

The following abbreviations, when used in the inscription on the face or the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEM COM--	as tenants in common
TEN ENT --	as tenants by the entireties
JT TEN --	as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

_____

_____
Registrar

By:_____
Authorized Officer

No. CAR-

(Form of Capital Appreciation Bond)

CUSIP:

UNITED STATES OF AMERICA
STATE OF FLORIDA
LEE COUNTY
GULF ENVIRONMENTAL SERVICES, INC.
WATER AND SEWER SYSTEM REVENUE BOND,
SERIES

Interest Rate	Maturity Date	Date of Original Issue	Initial Principal Amount

Registered Holder:

Maturity Amount:

Gulf Environmental Services, Inc., a not-for-profit corporation organized and existing under the laws of the State of Florida, and any successor thereto (the "Issuer"), hereby promises to pay for value received, solely from the Pledged Funds hereafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date specified above, the Maturity amount shown above, constituting the Initial Principal Amount hereof plus interest from the Date of Original Issue specified above, at the Interest Rate shown above, compounded on _____, and thereafter on each _____ and _____ until payment of said Maturity Amount, or earlier redemption thereof, upon the presentation and surrender hereof at the designated corporate trust office of _____, _____, _____, as Paying Agent and Registrar. In the event of redemption of this Bond, payment shall be made in an amount equal to its Accreted Value. The Accreted Value of this Bond shall mean, as of any date of computation, an amount equal to the Initial Principal Amount hereof plus the compounded interest accrued hereon to the _____ or _____ next preceding the date of computation or the date of computation if on _____ or plus, if such date of computation shall not be on _____ or _____, a portion of the difference between the Accreted value as of the immediately preceding _____ or _____ and the Accreted Value as of the immediately succeeding _____ or _____, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year. The Accreted Values per $5,000 Maturity Amount of this Bond on each _____ and _____ is

set forth in the Official Statement, dated _____, _____, relating to the original offering of this Bond. The Maturity Amount or Accreted Value, if applicable, and redemption premium, if any, on this Bond are payable in lawful money of the United States of America.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of $_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, initial principal amount, maturity amount, registered owner and number, issued ~~{to finance _____, in and for}~~ the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida**[, including but not limited to Chapter 617, Florida Statutes, as amended]** and a resolution duly adopted by the Board of Directors of the Issuer on _____ __, 1998, as amended and supplemented (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer system (the "System"), (2) the Connection Fees (as defined in the Resolution) and (3) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) the Rebate Fund, (B) moneys in any fund and account established pursuant to the Resolution to the extent said moneys shall be required by the Resolution to pay the Operating Expenses (as defined in the Resolution), (C) moneys on deposit in a subaccount of the Reserve Account established by the Resolution to the extent moneys therein shall be pledged solely for the payment of the series of Bonds for which it was established in accordance with the provisions of the Resolution and (D) any additional revenues to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds").It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer or Lee County, Florida are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of Lee County**[, the State of Florida or any political subdivision thereof]** to the payment of such principal, premium, if any, and interest **[on the Bonds]**. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer **[or Lee County, Florida]**, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

The Issuer may issue obligations on parity with the Bonds pursuant to the terms of the Resolution.

Neither the members of the ~~{Board of Directors}~~ **[governing board]** of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND

SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THE FRONT SIDE HEREOF.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, the Board of Directors of Gulf Environmental Services, Inc. has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its President, and by the manual or facsimile signature of its Secretary, and its corporate seal or a facsimile thereof to be affixed or reproduced hereon, all as of the Date of Original Issue.

GULF ENVIRONMENTAL SERVICES, INC.

(SEAL)

_____
President

_____
Secretary

(Provisions on reverse side of Bond)

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate Accreted Value shall be issued to the transferee in exchange therefor and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 maturity amount and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding the Maturity Date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until the date fixed for redemption.

(INSERT REDEMPTION PROVISIONS)

Redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon notice given by first class mail sent at least thirty (30) days prior to the redemption date to the Registered Holder hereof at the address shown on the registration books maintained by the Registrar; provided, however, that failure to mail notice to the Registered Holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of other Bonds as to which no such failure or defect has occurred. In the event that less than the full principal amount hereof shall have been called for redemption, the Registered Holder hereof shall surrender this Bond in exchange for one or more Bonds in an aggregate Accreted Value equal to the unredeemed portion of Accreted Value, as provided in the Resolution.

Reference to the resolution and any and all resolutions supplemental thereto and modifications and amendments thereof is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

Capital Appreciation Bonds, of which this Bond is one, pay principal and compound accrued interest only at maturity or upon prior redemption. For the purposes of (A) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment if the principal of all Bonds becomes due and payable, or (C) computing the amount of capital Appreciation Bonds held by the Registered Holder in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

_____.

_____
Insert Social Security or Other
Identifying Number of Assignee

_____
(Name and Address of Assignee)

_____

the within Bond and does hereby irrevocably constitute and appoint_____

_____, as attorney to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

_____
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

_____
NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

The following abbreviations, when used in the inscription on the face or the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEM COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

_____

_____
Registrar

By:_____
Authorized Officer

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Variable Rate Bonds. The terms and provisions relating to redemption of Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Current Interest Bonds shall be redeemed only in the principal amount of $5,000 each and integral multiples thereof and the Capital Appreciation Bonds shall be redeemed only in $5,000 maturity amounts and integral multiples thereof. The Issuer shall, at least forty-five (45) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar), notify the Registrar of such redemption date and of the maturity or principal amount of Bonds (or Accreted Value in the case of Capital Appreciation Bonds) to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of $5,000 and integral multiples thereof or $5,000 maturity amounts and integral multiples thereof in the case of Capital Appreciation Bonds.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount (or Accreted Value in the case of Capital Appreciation Bonds) thereof to be redeemed.

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, and (B) shall be mailed first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice. Failure to mail such notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Notice of optional redemption of Bonds shall only be sent if the Issuer determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption dates.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed, (2) the original issue date of such Bonds, (3) the maturity date and rate of interest borne by each

Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all ~~{outstanding}~~ **[Outstanding]** Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount or Accreted Value in the case of Capital Appreciation Bonds) of each Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued or compounded thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, and (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption price at the designated corporate trust office of the Registrar at an address specified.

In addition to the mailing of the notice described above, each notice of redemption and payment of the Redemption Price shall meet the following requirements; provided, however, the failure to provide such further notice of redemption or to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above:

(i) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, Pacific Securities Depository Trust Company, San Francisco, California, and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to [two] or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds (such information services now being Financial Information, Inc.'s "Daily Called Bond Service," Jersey City, New Jersey, Kenny Information Service's "Called Bond Service," New York, New York, Moody's "Municipal and Government," New York, New York and Standard & Poor's Corporation's "Called Bond Record," New York, New York) at least thirty-five (35) days prior to the date fixed for redemption.

(ii) Each further notice of prepayment shall be sent to such other Person, if any, as shall be required by applicable law or regulation. The notice of redemption described in this paragraph need not be given as described above if the Bonds called for redemption are registered pursuant to a book-entry-only system.

SECTION 3 .04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination, as requested by such

Holder in an aggregate principal amount (or Accreted Value in the case of Capital Appreciation Bonds) equal to and in exchange for the unredeemed portion of the principal (or Accreted Value in the case of Capital Appreciation Bonds) of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer ~~{or Lee County, Florida}~~ as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution and any moneys payable pursuant to any Credit Facility or Bond Insurance Policy. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein.

SECTION 4.02. SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy of an Insurer in addition to the security provided herein; provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds; provided further that a Series of Bonds may be secured independently of any Series of Bonds by a pledge of and lien on additional revenues as provided in the Supplemental Resolution related thereto. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof.

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.03. CONSTRUCTION FUND. There is hereby created and established with the Trustee the "Gulf Environmental Services, Inc. Water and Sewer System Acquisition and Construction Fund~~{,}~~" (the "Construction Fund") which shall be used only for payment of the Cost of the Projects. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Trustee shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund.

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

Any ~~{moneys}~~ **[Government Grants]** received by the Issuer ~~{from the State or from the United States of America or any agencies thereof}~~ for the purpose of financing part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of this paragraph whenever required by Federal or State law.

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Trustee of certificates and/or documents signed by an Authorized Issuer Officer, stating with respect to each disbursement or payment to be made: (A) the item number of the payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the Construction Fund account from which payment is to be made, (E) the purpose, by general classification, for which payment is to be made, and (F) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the account of the Construction Fund from which payment is to be made and has not been the basis of any previous disbursement or payment, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Trustee shall retain all such certificates and/or documents of the Authorized Issuer Officers for three (3) years after the dates of audits related to same.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal and interest on Bonds, when due.

The date of completion of the acquisition and construction of a Project shall be determined by an Authorized Issuer Officer which shall certify such fact in writing to the Trustee and the Governing Body. An Authorized Issuer Officer may perform such tests relating to a Project as they deem necessary in order to make such certification. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Trustee shall deposit any balance of moneys remaining in the Construction Fund in

another account of the Construction Fund for which an Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project or shall use such moneys to redeem Bonds; provided that in either case the Trustee has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

SECTION 4.04. CREATION OF FUNDS AND ACCOUNTS. The Issuer covenants and agrees to establish with a bank, trust company or such other entity in the State, which is eligible under the laws of the State to receive funds of the Issuer the following funds and accounts:

(A) The "Gulf Environmental Services, Inc. Water and Sewer System Revenue Fund" to be held by the Issuer (except in the case of an Event of Default in which case funds shall be held by the Trustee). The Issuer shall maintain three separate accounts in the Revenue Fund: the "Revenue Account," the "Operation and Maintenance Account" and the "Utility Reserve Account."

(B) The "Gulf Environmental Services, Inc. Water and Sewer System Sinking Fund" to be held by the Trustee. The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(C) The "Gulf Environmental Services, Inc. Water and Sewer System Water Connection Fees Fund~~(.)~~" to be held by the Trustee.

(D) The "Gulf Environmental Services, Inc. Water and Sewer System Sewer Connection Fees Fund" to be held by the Trustee.

(E) The "Gulf Environmental Services, Inc. Water and Sewer System Renewal and Replacement Fund" to be held by the Issuer (except in the case of an Event of Default in which case such funds shall be held by the Trustee).

(F) The "Gulf Environmental Services, Inc. Water and Sewer System Rebate Fund" to be held by the Issuer.

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby and held by such Issuer. Such depositary or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds or accounts as herein set forth, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such

depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

SECTION 4.05. DISPOSITION OF GOVERNMENT GRANTS AND ~~{REVENUE}~~ [GROSS REVENUES]. (A) (i) In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law.

(ii) Into the Revenue Account, the Issuer shall deposit promptly, as received, all Gross Revenues.

[(iii)] Operation and Maintenance Account. Moneys in the Revenue Account shall first be used each month to deposit in the Operation and Maintenance Account such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Account to the Operation and Maintenance Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Account for such purpose. Amounts in the Operation and Maintenance Account shall be paid out from time to time by the Issuer for reasonable and necessary Operating Expenses; provided, however, that no such payment shall be made unless the provisions of Section 5.03 hereof in regard to the current Annual Budget are complied with.

(B) (i) Interest Account. The Issuer shall next deposit or credit to the Interest Account held by the Trustee the sum which, together with the balance in said Account, shall equal the interest on all Bonds outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be applied for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the ~~{outstanding}~~ **[Outstanding]** Bonds on the next succeeding Interest Date.

(ii) Principal Account. Commencing in the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account held by the Trustee the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds outstanding (including all amounts due on Capital Appreciation Bonds) due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied for deposit with the Paying Agents to pay the principal of the Bonds on or

prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the ~~{outstanding}~~ **[Outstanding]** Bonds on the next succeeding principal payment date.

(iii) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account held by the Trustee the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Term Bonds Redemption Account and the Interest Account to the

appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation and Maintenance Account.

(iv) Reserve Account. There shall be deposited to the Reserve Account held by the Trustee an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account to be restored to an amount equal to the Reserve Account Requirement applicable thereto, whether such shortfall was caused by decreased value or withdrawal (from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). Except as otherwise provided herein, all deficiencies in the Reserve Account shall be made up no later than 12 months from the date such deficiency occurred. On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month preceding such payment date), moneys in the Reserve Account shall be applied to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account~~(,)~~ and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Account or Renewal and Replacement Fund for such purposes pursuant to Sections 4.05(B)(viii) and 4.05(B)(v) hereof, respectively, shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, increase in the value of the investment with Reserve Account or as a result a deposit of money to the issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit, such surplus moneys shall be deposited into the Interest Account. The Trustee shall inform each Insurer and Credit Bank of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall, on the date of delivery of such Series of Bonds, fund the Reserve Account in an amount at least equal to the Reserve Account Requirement. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed the greater of (a) thirty-six (36) months, or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by Supplemental Resolution. In the event moneys in the Reserve Account are accumulated as provided above, (1) the amount in said Reserve Account on the date of delivery of the Additional Bonds shall not be less than the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on such date, and (2) the incremental difference between the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on the date of delivery of the Additional Bonds and the Reserve Account Requirement on all such Bonds and the Additional Bonds shall be fifty percent (50%) funded upon delivery of the Additional Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account

Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of this Section 4.05 (B) (iv). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Trustee (upon the giving of notice as required thereunder) on any principal payment date or Interest Date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall either be (a) an insurer (1) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by a Rating Agency, or (2) who holds the highest policyholder rating accorded insurers by A.M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution, the obligations payable or guaranteed by which have been assigned a rating by a Rating Agency in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

In the event the Reserve Account contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash and separate subaccounts have not been established in the Reserve Account, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The Issuer agrees to pay all amounts owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds. Pledged Funds shall be applied in accordance with this Section 4.05(B)(iv), first, to reimburse the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit for amounts advanced under such instruments, second, replenish any cash deficiencies in the Reserve Account, and third, to pay the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit interest on amounts advanced under such instruments. This Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account. The Issuer agrees not to optionally redeem or refund Bonds unless all amounts owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account have been paid in full.

If two (2) days prior to an interest payment or redemption date or such other period of time as shall be established pursuant to Supplemental Resolution, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, (b) the Trustee, and (c) the

Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such Issuer or Insurer to provide moneys sufficient to pay all amounts due on such interest payment date.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor; provided, however, any such note (a) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer or Lee County, Florida and (b) shall be payable solely from the Pledged Funds in the manner provided herein.

To the extent the Issuer causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide among other things, that the issuer thereof shall provide the Trustee and the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit notifies the Trustee and the Issuer pursuant to clause (b) of the immediately preceding sentence or if the Issuer terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Issuer shall deposit into the Reserve Account, on or prior to the end of the first full calendar month following the date on which such notice is received by the Trustee and the Issuer, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the Reserve Account Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Issuer, under the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Account during the previous twelve (12) month period) until amounts on deposit in the Reserve Account, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement applicable thereto.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account over a period not to exceed sixty (60) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Account shall equal the Reserve Account Requirement; provided, the Issuer may obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

The provisions of any agreement relating to a Reserve Account Insurance Policy or Reserve Account Letter of Credit, when duly authorized, executed and delivered, shall be incorporated herein by reference. The provisions of such agreements still supercede the provisions hereof to the extent of any conflict herewith.

Whenever the amount of cash or securities in the Reserve Account, together with the other amounts in the Sinking Fund, are sufficient to fully pay all ~~(outstanding)~~ **[Outstanding]** Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Trustee may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount unless otherwise provided by Supplemental Resolution. Moneys shall be deposited to separate subaccounts in the Reserve Account on a pro-rata basis. In the event the Trustee shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance policy or Reserve Account Letter of Credit.

(v) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth (1/12) of three percent (3%) of the Gross Revenues derived from the System during the preceding Fiscal Year until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund Requirement; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Account. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of~~(,)~~ the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Account for such purpose pursuant to Sections 4.05(B) (viii) hereof, together with moneys available

in the Reserve Account for such purpose pursuant to Section 4.05(B) (iv) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Account to fund operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(v) within one year from the date of such transfer.

(vi) Subordinated Indebtedness. There shall be deposited or applied such amounts as shall be necessary for the payment of any accrued debt service on Subordinated Indebtedness incurred by the Issuer in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(vii) Sinking Fund. Subsequent to deposits made pursuant to Sections 4.05(B)(i) through 4.05(B)(vi) hereof, there shall be deposited to the Interest Account, the Principal Account and the Term Bonds Redemption Account, in that order, sufficient moneys such that the amounts on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding; provided, however, no deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

(viii) Utility Reserve Account. The balance of any moneys on deposit in the Revenue Account shall be deposited in the Utility Reserve Account and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Connection Fees Fund and Sewer Connection Fees Fund to make up any withdrawal from such Funds pursuant to Sections 4.06(A) and 4.07(A) hereof, respectively (to the extent required by such Sections), and then to the Reserve Account to make up any deficiency therein. Moneys in the Utility Reserve Account shall also be used to make any deposits to the Rebate Fund as shall be required by Section 4.08 hereof. Thereafter, moneys in the Utility Reserve Account may be applied for any lawful purpose, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section 4.05(B)(viii) unless all payments required in Sections 4.05(B)(i) through 4.05(B) (vi) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

(C) Whenever moneys on deposit in the Reserve Account, together with the other amounts in the Sinking Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the

deficiency shall be made up on the subsequent payment dates.

The Trustee at the direction of the Issuer, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(D) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Trustee may establish separate subaccounts in the Interest Account, the Principal Account and the Term Bonds Redemption Account to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds. The Issuer may also deposit moneys in such subaccounts at such other times and in such other amounts from those provided in Section 4.05(B) as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund.

SECTION 4.06. WATER CONNECTION FEES FUND. The Issuer shall transfer to the Trustee for deposit into the Water Connection Fees Fund all Water Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B) (viii) hereof, and such Water Connection Fees shall be accumulated in the Water Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) To the extent permitted by law, for the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the water facilities of the System for which the Water Connection Fees were imposed in accordance with requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

The Trustee shall make disbursements or payments from the Water Connection Fees Fund to

pay the cost of a Project upon the filing with the Trustee of certificates and/or documents signed by an Authorized Issuer Officer, stating with respect to each disbursement or payment to be made: (A) the item number of payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the purpose, by general classification, for which payment is to be made, and (E) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the Water Connection Fees Fund and has not been the basis of any previous disbursement or payment, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the Water Connection Fees Fund, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Trustee shall retain all such certificates and/or documents of the Authorized Issuer Officers for three (3) years after the dates of audits related to same.

SECTION 4.07. SEWER CONNECTION FEES FUND. The Issuer shall transfer to the Trustee for deposit into the Sewer Connection Fees Fund all Sewer Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B) (viii) hereof, and such Sewer Connection Fees Fund shall be accumulated in the Sewer Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) To the extent permitted by law, for the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvement or additions to the sewer facilities of the System for which the Sewer Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

The Trustee shall make disbursements or payments from the Sewer Connection Fees Fund to pay the Cost of a Project upon the filing with the Trustee of certificates and/or documents signed by an Authorized Issuer Officer, stating with respect to each disbursement or payment to be made: (A) the item number of the payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the purpose, by general classification, for which payment is to be made, and (E) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the Sewer Connection Fees Fund and has not been the basis of any previous disbursement or payment, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the Sewer Connection Fees Fund, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any

previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Trustee shall retain all such certificates and/or documents of the Authorized Issuer Officers for thee (3) years after the dates of audits related to same.

SECTION 4.08. REBATE FUND. Amounts on deposit in the Rebate Fund shall be held in trust by the issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Account) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(B) depositing the amount determined in clause (A) above into the Rebate Fund;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records or the determinations made pursuant to this section 4.08 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificates may be amended without the consent of any Holder, Credit Bank or Insurer from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.09. INVESTMENTS. Moneys on deposit in the Construction Fund, the Sinking Fund, the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Revenue Account, the Operation and Maintenance Account, the Utility Reserve Account and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Account, Operation and Maintenance Account, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Connection Fees Fund, the Sewer Account shall be invested and reinvested by the Issuer or the Trustee, as applicable, in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such Fund or Account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten (10) years from the date of investment. All investments shall be valued at amortized cost.

All amounts on deposit in the Construction Fund or Interest Account representing accrued and capitalized interest shall be held by the Trustee, shall be pledged solely to the payment of interest on the corresponding Series of Bonds and, unless otherwise provided by Supplemental Resolution, shall be invested only in Federal Securities maturing in such times and in such amounts as are

necessary to pay the interest to which they are pledged.

Any and all income received from the investment of moneys in each separate account of the Construction Fund, the Sinking Fund (other than the Reserve Account), the Utility Reserve Account, the Renewal and Replacement Fund (to the extent such income and the other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Utility Reserve Account and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and the other amounts in such Fund exceed the Renewal and Replacement Fund Requirement) and the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceed the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Account. Notwithstanding the foregoing, during the period of construction of any Project, investment earnings on the Reserve Account shall be transferred to the Construction Fund.

Nothing in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.10. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided. Notwithstanding the foregoing, funds held by the Issuer shall be held separate and apart from funds held by the Trustee.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

Notwithstanding the foregoing, funds held by the Issuer shall be held separate and apart from funds held by the Trustee.

ARTICLE V

COVENANTS

SECTION 5.01. GENERAL. ~~{issuer}~~ **[Issuer]** hereby makes the following covenants, in addition to all other covenants in this Resolution, with each and every successive Holder of any of the Bonds so long as any of said Bonds remain outstanding.

SECTION 5.02. OPERATION AND MAINTENANCE. The Issuer will maintain or cause to be maintained the system and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

SECTION 5.03. ANNUAL BUDGET. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year an Annual Budget. Expenditures for the operation and maintenance of the System shall not be made in any Fiscal Year in excess of the aggregate amount provided therefor in the Annual Budget, (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Credit Bank or Insurer of Bonds who shall file his address with the Secretary and request in writing that copies or all such Annual Budgets and resolutions be furnished to him and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

SECTION 5.04. RATES. Subject to approval by the Board of County Commissioners of Lee County, Florida, the Issuer shall fix, establish and maintain such rates, fees, charges and collect such fees, rates or other charges for the product, services and facilities of its System, and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year, (A) Net Revenues adequate at all times to pay in each Fiscal Year at least one hundred percent (100%) of (i) the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, (ii) any amounts required by the terms hereof to be deposited in the Reserve Account (as a result of a deficiency therein) or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, (iii) any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund, ~~{and}~~(iv) the amounts required by Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund, respectively, in such Fiscal Year, [or] (B) Net Revenues and Connection Fees in each Fiscal Year adequate to pay at least one hundred ten percent (110%) of the Annual Debt Service on all Outstanding Bonds becoming due

in such Fiscal Year. Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues and Connection Fees for the purposes provided therefor by this Resolution.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Issuer may promptly seek to comply with the requirements set forth in this Section 5.04. The Issuer shall, to the extent permitted by law, forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

SECTION 5.05. BOOKS AND RECORDS The Issuer shall keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Holders of any Bonds outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

SECTION 5.06. ANNUAL AUDIT. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of cash flow, statement of changes in retained earnings, a statement of the number and classification of users, and any other statements as required by law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer and to any Holder of a Bond who shall have furnished his address to the Secretary and requested in writing that the same be furnished to him.

SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below and in Section 5.18 hereof) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System (including land) in the following manner, if any one of the. following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, or (C) in the case of a lease of such property; provided, in each case, such sale, Lease or other disposition shall not cause the Issuer to be in violation of the rate covenant contained in Section 5.04 hereof.

Prior to any such sale, lease or other disposition of said property: (i) if the amount to be

SECTION 5.10. NO IMPAIRMENT OF RIGHTS. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds.

SECTION 5.11. COMPULSORY WATER AND SEWER CONNECTIONS. In order to better secure the prompt payment of principal and interest on the Bonds as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the general laws of Florida, the Issuer, to the extent permitted by law, will require every owner of each lot which is contiguous to any street or public way containing a sewer line forming a part of the sewer facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to connect such building to such sewer facilities and to cease to use any other method for the disposal of sewage waste or other polluting matter; provided, however, the Issuer may create exceptions from the above-described compulsory connection policy for owners of parcels of land of five acres or more and for situations involving hardship on the part of the property owner.

SECTION 5.12. ENFORCEMENT OF CHARGES. The Issuer shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with sewer and water connections and charges, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user, the requirement for disconnection of all premises delinquent in the payment, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

SECTION 5.13. UNIT WATER AND SEWER BILLS. In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and sewer service and shall refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

SECTION 5.14. COVENANTS WITH CREDIT BANKS AND INSURERS. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.15. COLLECTION OF CONNECTION FEES. The Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Connection Fees. Upon the due date of any such Connection Fees, the Issuer shall diligently proceed

SECTION 5.10. NO IMPAIRMENT OF RIGHTS. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds.

SECTION 5.11. COMPULSORY WATER AND SEWER CONNECTIONS. In order to better secure the prompt payment of principal and interest on the Bonds as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the general laws of Florida, the Issuer, to the extent permitted by law, will require every owner of each lot which is contiguous to any street or public way containing a sewer line forming a part of the sewer facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to connect such building to such sewer facilities and to cease to use any other method for the disposal of sewage waste or other polluting matter; provided, however, the Issuer may create exceptions from the above-described compulsory connection policy for owners of parcels of land of five acres or more and for situations involving hardship on the part of the property owner.

SECTION 5.12. ENFORCEMENT OF CHARGES. The Issuer shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with sewer and water connections and charges, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user, the requirement for disconnection of all premises delinquent in the payment, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

SECTION 5.13. UNIT WATER AND SEWER BILLS. In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and sewer service and shall refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

SECTION 5.14. COVENANTS WITH CREDIT BANKS AND INSURERS. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer[,] Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer[,] the Registrar~~,~~[,] the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.15. COLLECTION OF CONNECTION FEES. The Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the

Connection Fees. Upon the due date of any such Connection Fees, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

SECTION 5.16. CONSULTING ENGINEERS. The Issuer shall at all times employ Consulting Engineers, whose duties shall be to make any certificates and perform any other acts required or ~~{Permitted}~~ **[permitted]** of the Consulting Engineers under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once a year, and, not more than sixty (60) days after receipt of the Annual Audit by the Issuer, to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested.

SECTION 5.17. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purpose of federal income taxation to the extent not theretofore included.

The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of. the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including. in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant, to the Code.

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause interest on any. other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.17 shall not apply to any Taxable Bonds.

SECTION 5.18. TRANSFER OF SYSTEM TO LEE COUNTY, FLORIDA. ~~{The~~

~~Issuer}~~ **[Gulf Environmental Services, Inc.]** specifically reserves the right to transfer the ownership and operation of the System as a whole and all of the ~~{Issuer's}~~ **[its]** rights and obligations under this Resolution and the Bonds to Lee County, Florida ~~{upon}~~ **[or any district created by or on behalf of Lee County, Florida]** upon compliance with the following conditions:

(A) ~~{The Issuer}~~ **[Gulf Environmental Services, Inc.]** shall certify that it is current in all deposits or credits to the various funds, accounts and subaccounts established hereby and all payments theretofore required to have been deposited or credited by it under the provisions of this Resolution and that no Event of Default shall have occurred and be continuing.

(B) The Insurer **[or the Insurers, as the case may be,]** shall have consented in writing to such transfer.

(C) The Board of County Commissioners of Lee County, Florida **[or the governing body of the district]** shall agree, ~~{in writing}~~ **[by resolution]**, to assume all obligations of the Issuer under this Resolution and the Bonds.

(D) ~~{The Issuer}~~ **[Gulf Environmental Services, Inc.]** and the Trustee shall receive an opinion of Bond Counsel to the effect that under existing law, the consummation of such transfer (i) is authorized by applicable law and proceedings of ~~{the Issuer}~~ **[Gulf Environmental Services, Inc.]** and the Board of County Commissioners of Lee County, Florida **[or the governing body of such district]**, and (ii) would not adversely affect the exclusion for purposes of federal income taxation of interest payable on any Bonds then outstanding (other than Taxable Bonds).

Upon the consummation of such transfer, **[Gulf Environmental Services, Inc. shall no longer be the "Issuer" for any purpose hereunder, and]** Lee County, Florida **[or such district]** shall become the "Issuer" for all purposes hereunder. Thereafter, ~~{Lee County, Florida}~~ **[such entity]** shall be solely responsible for compliance with all of the terms and provisions hereof, including but not limited to **[establishment of funds, accounts and subaccounts pursuant to the terms hereof and the]** payment of the Bonds and the interest thereon **[(notwithstanding that the named issuer on such Bonds is Gulf Environmental Services, Inc.)]**, and shall be entitled to exercise all rights hereunder, including but not limited to the right to issue future Series of Additional Bonds on a parity with any Bonds then outstanding. ~~{The Issuer}~~ **[Gulf Environmental Services, Inc.]** and the Trustee shall immediately transfer **[moneys from]** the various funds, accounts and subaccounts established hereby to ~~{Lee County, Florida.}~~ **[the various funds, accounts and subaccounts established by such entity.]**

ARTICLE VI

SUBORDINATED INDEBTEDNESS AND ADDITIONAL BONDS

SECTION 6.01. SUBORDINATED INDEBTEDNESS. The ~~{issuer}~~ **[Issuer]** will not issue any other obligations~~{.}~~**[,]** except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge~~{.}~~**[,]** assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all ~~{outstanding}~~ **[Outstanding]** Bonds, any Subordinated Indebtedness or other outstanding obligations of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and have complied with the covenants and agreements of this Resolution.

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that either (i) the amount of the Net Revenues during the immediate preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, will (a) be equal to at least one hundred five percent (105%) of (a) the Maximum Annual Debt Service during the succeeding five Fiscal Years of the Outstanding Bonds and the Additional Bonds then proposed to be issued, (b) any amounts required by the terms hereof to be deposited into the Reserve

Account (as a result of a deficiency therein) or with on issuer of a Reserve Account Insurance Policy or, Reserve Account Letter of Credit during such twelve (12) consecutive months, and (c) any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund during such twelve (12) consecutive months, or (ii) when added to the Connection Fees, adjusted as hereinafter provided, the amount of the Net Revenues **[plus Connection Fees]** during the immediate preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, will (i) be equal to at least one hundred ten percent (110%) of (a) the Maximum Annual Debt Service during the succeeding five Fiscal Years of the Outstanding Bonds and the Additional Bonds then proposed to be issued, **[and]** (b) any amounts required by the terms hereof to be deposited into the Reserve Account (as a result of a deficiency therein) or with on issuer of a Reserve Account Insurance Policy or, Reserve Account Letter of Credit ~~{during such twelve (12) consecutive months, and (c) any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund}~~ during such twelve (12) consecutive months.

(C) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the greater of (i) the rate of interest such additional parity Variable Rate Bonds shall be assumed to have borne if such interest rate was a fixed rate established as of the first business day of the month next preceding the date on which the Supplemental Resolution authorizing the issuance of the additional parity Variable Rate Bonds is adopted, or (ii) the variable rate that the additional parity Variable Rate Bonds would have borne as of the first business day of the month next preceding the date on which the Supplemental Resolution authorizing the issuance of the additional parity Variable Rate Bonds, plus 50% of the difference between such rate and the Maximum Interest Rate applicable to such Bonds. The assumed interest rates for the additional parity Variable Rate Bonds established pursuant to this paragraph shall be based upon a written report or opinion to the Issuer of a banking or investment banking or financial advisory institution knowledgeable in financial matters relating to the Issuer.

(D) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be the greater of (i) one hundred twenty-five percent (125%) of the effective interest on the Outstanding Variable Rate Bonds on the first business day of the month next preceding the date that the Supplemental Resolution authorizing the issuance of the Additional Bonds is adopted, or (ii) one hundred twenty-five percent (125%) of the average interest rates on the ~~{outstanding}~~ **[Outstanding]** Variable Rate Bonds for the preceding twelve ~~{(12.)}~~**[(12)]** month period (or such shorter period of time such Bonds were outstanding), which ends on the first business day of the month next preceding the date that the Supplemental Resolution authorizing the issuance of Additional Bonds is adopted.

(E) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months

immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "twelve (12) consecutive months."

(F) The Net Revenues and the Connection Fees calculated pursuant to the foregoing Section 6.02(B) may be adjusted upon the written advice of the Rate Consultant or Consulting Engineers, at the option of the Issuer, as follows:

(i) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges~~(,)~~ for the product, services or facilities of the System, the Net Revenues and the Connection Fees for the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be adjusted to show the Net Revenues and the Connection Fees which would have been derived from the System in such twelve (12) consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such twelve (12) consecutive months.

(ii) If the Issuer shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system, then the Net Revenues and the Connection Fees derived from the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues and the Connection Fees for said twelve (12) consecutive months the Net Revenues and the Connection Fees which would have been derived from said existing water and/or sewer system as if such existing water and/or sewer system had been a part of the System during such twelve (12) consecutive months. For the purposes of this paragraph, the Net Revenues and the Connection Fees derived from said existing water and or sewer system during such twelve (12) consecutive months shall be adjusted to determine such Net Revenues and the Connection Fees by deducting the cost of operation and maintenance or said existing water and/or sewer system from the gross revenues of said system. Such Net Revenues and the Connection Fees shall take into account any increase in rates imposed on customers of such water and/or sewer system on or prior to the acquisition thereof by the Issuer.

(iii) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the Issuer agrees to furnish services in connection with any water and/or sewer system, then the Net Revenues of the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said ~~(Services)~~ **[services]** by the Issuer, after deducting therefrom the proportion of operating expenses attributable in such year to such services.

(iv) Reserved.

(v) In the event the Issuer shall be constructing or acquiring additions, extensions or extensions improvements to the System from the proceeds of such Additional Bonds or shall have additions, extensions and improvements under construction at the time of the issuance of such

Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and Connection Fees may be adjusted by adding thereto one hundred percent (100%) of the Net Revenues and Connection Fees estimated by the Rate Consultant or Consulting Engineers to be derived during the ~~{third}~~ twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of such facilities.

(vi) The Net Revenues and Connection Fees may be adjusted for any period any portion of the System was not owned by the Issuer to reflect ownership of the System or any such portion thereof by the Issuer.

(vii) If any customer of the Issuer shall have commenced service by the System during the twelve (12) consecutive months, the Net Revenues and the Connection Fees may be adjusted to take into account the Net Revenues and the Connection Fees which would have been derived during such twelve (12) consecutive months such customer had been serviced by the System for such entire twelve (12) consecutive month period.

(G) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.05 hereof all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(H) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then outstanding, the conditions of Section ~~{6.02(5)}~~ **[6.02(B)]** shall not apply, provided that the issuance of such Additional Bonds shall result in a reduction of the aggregate debt service. The conditions of Section 6.02(B) shall apply to Additional Bonds issued to refund Subordinated ~~{indebtedness}~~ **[Indebtedness]** and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(I) If at any time the Issuer shall enter into an agreement or contract for an ownership interest in any public or privately owned water and/or sewer system or for the reservation of capacity therein whereby the Issuer has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water and/or sewer system issued in connection therewith, such payments to be made by the Issuer shall be junior, inferior and subordinate in all respects to the Bonds issued hereunder, unless such obligations (when treated as Additional Bonds) shall meet the conditions of Section 6.02(B), in which case such obligations shall rank on parity as to lien on the Pledged Funds with the Bonds.

(J) In addition to all of the other requirements specified in this 6.02, the Issuer must comply with any applicable provisions of any financing documents related to outstanding

Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Additional Bonds.

(K) In addition, the Issuer must have received an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds will not adversely affect the exclusion of interest on any Outstanding Bonds for purposes of Federal income taxation.

SECTION 6.03. BOND ANTICIPATION NOTES. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution of the Issuer.

SECTION 6.04. ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A) and (B) hereof, assuming for purposes of said requirement ~~(,)~~ that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of, the System, and (C) the Reserve Account, upon such accession, which shall contain an amount equal to the Reserve Account Requirement in accordance with Section 4.05(B)(iv) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as ~~(.)~~ the ~~(outstanding)~~ **[Outstanding]** Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

ARTICLE VII

DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of Sinking Fund Installment, redemption premium or interest on any Bond or Subordinated Indebtedness when due. In determining whether a payment default has occurred effect shall be given to payment made under a Bond Insurance policy.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for ~~(.)~~ the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected.

SECTION 7.02. REMEDIES. The Trustee or any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the ~~{Laws}~~ **[laws]** of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable

SECTION 7.03. DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. The Holders of a majority in principal amount of the Bonds then outstanding (or any Insurer insuring any then Outstanding Bonds) have the right. by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof. and that the trustee shall have the right to decline to follow any direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 7.04. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bondholders or the Trustee is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.05. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 7.02 to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.06. APPLICATION OF MONEYS AFTER DEFAULT. If an Event of Default shall happen and shall not have been remedied, the Trustee shall apply all Pledged Funds (except as for any special revenues pledged to a Series of Bonds and for amounts in the subaccounts, if any, of the Reserve Account which shall be applied to the payment of the Series of Bonds for which

they were established) as follows and in the following order:

A. To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar hereunder;

B. To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineer;

C. To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied

> FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;
>
> SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and
>
> THIRD: to the payment of the Redemption price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest,

to the Persons entitled thereto without any discrimination or preference.

SECTION 7.07. CONTROL BY INSURER. Upon the occurrence and continuance of an Event of Default, an Insurer, if such Insurer shall have honored all of its commitments under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure, including any waiver of an Event of Default. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS CONSENT. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the Consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Projects or to change or modify the description of any Project.

(G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds or Capital Appreciation Bonds.

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

(I) To revise the procedures provided in Section 4.05(B) (iv) hereof pursuant to which moneys are drawn on a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys are reimbursed to the provider of such Policy or Letter of Credit.

(J) To make any other change that, in the opinion of the Issuer, would not materially adversely affect the security for the Bonds. In making such determination, the Issuer shall not take into consideration any Bond Insurance Policy.

SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Sections 8.01 and 8.03 hereof, the Holder or Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular any or the terms or provisions contained in this Resolution; provided, however. that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this. Section 8.02 shall also require the written consent of the Insurer of any Bonds which are outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution or except as otherwise permitted or provided hereby (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(iv) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or any Insurer of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Secretary shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Secretary and the Registrar or inspection by all Bondholders. The Issuer shall not, however be subject to any liability to any Bondholder by reason or its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Secretary an instrument or instruments in writing purporting to be executed by the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form,

without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding at the time or the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER. For purposes of amending the Resolution pursuant to Section 8.02 hereof, an Insurer of Bonds shall be considered the Holder of such Bonds which it has insured, provided such Bonds, at the time of the adoption of the amendment ~~(;)~~ shall be rated by the Rating Agencies which shall have rated such Bonds, at the time such Bonds were insured no lower than the ratings assigned thereto by such Rating Agencies on such date of being insured. The consent of the Holders of such Bonds shall not be required if the Insurer of such Bonds shall consent to the amendment as provided by this Section 8.03. The forgoing right of amendment, however, does not apply to any amendment to Section 5.1 ~~(;)~~ hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of federal income taxation. Prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the Rating Agencies rating the Bonds. Upon filing with the Secretary of evidence of such consent of the Insurer or Insurers aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 8.02 hereof.

ARTICLE IX

THE TRUSTEE

SECTION 9.01. ACCEPTANCE OF THE TRUSTS. The Trustee's obligation hereunder shall be strictly limited by the terms of this Resolution, and under no circumstances shall the Trustee be obligated to make any payment of principal or interest hereunder except from the moneys deposited with the Trustee pursuant to this Resolution. The Trustee shall execute an instrument accepting the trusts imposed upon it by this Resolution, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and

subject to the following express terms and conditions, and no implied covenants or obligations shall be construed to be a part of this Resolution against the Trustee:

(1) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel, at the expense of the Issuer, concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or inaction in good faith in reliance upon such opinion or advice.

(2) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or for the recording or re-recording, filing or re-filing of this Resolution or for the validity of the execution by the Issuer of this Resolution or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer, except as hereinafter set forth; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and agreements aforesaid as to the condition of the Utility System. The Trustee shall have no obligation to perform any of the duties of the Issuer under this Resolution and shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it at the direction of the Issuer.

(3) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds with the same rights which it would have if it were not the Trustee.

(4) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Resolution upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond, shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(5) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by its President as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided herein, or of which it is deemed to have notice, the Trustee shall also be entitled to rely upon a similar certificate to the

effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(6) The permissive right of the Trustee to do things enumerated in this Resolution shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(7) Notwithstanding any of the foregoing, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by Article VII of this Resolution and except failure to receive instruments required by this Resolution to be delivered to the Trustee unless the Trustee shall be specifically notified in writing of such default by the Issuer, any Credit Facility Issuer or by the Holders of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding and all notices or other instruments required by this Resolution to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(8) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Utility System, including all books, paper and records of the Issuer pertaining to the Utility System and the Bonds, and to take such memoranda from and in regard thereto as may be desired subject to the provisions of this Resolution.

(9) Before taking any action under this Section the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful default in connection with any action so taken.

(10) All moneys received by the Trustee shall be invested at the direction of the Issuer and, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received.

(11) If any Event of Default under this Resolution shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by this Resolution and shall use the same degree of care as a corporate trustee would exercise or use in the circumstances in the performance of its duties under a corporate indenture.

(12) The Trustee shall deliver to the Issuer, on October 1 and April 1 of each year in which any Bonds are Outstanding, a true and complete list of all receipts into, expenditures from or transfers between, any of the funds therein made by the Trustee for the six-month period covered by such report.

(13) To the extent permitted by law, the Issuer covenants to indemnify the Trustee and hold harmless the Trustee against any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee arising out of or in connection with the acceptance or performance of its duties under this Resolution, including the costs and expenses of defending itself against any claim of liability in the premises (except any liability incurred with the negligence or bad faith on the part of the Trustee). Notwithstanding the foregoing, such indemnification shall be limited solely to the Pledged Revenues.

SECTION 9.02. NOTICE TO HOLDERS IF DEFAULT OCCURS. If a default occurs of which the Trustee is by subsection (7) of Section 12.1 required to take notice or if notice of default be given as in said subsection (7) provided, then the Trustee shall promptly give written notice thereof by registered or certified mail to each registered Holder of Bonds then Outstanding shown by the list of Holders required by the terms hereof to be kept at the office of the Registrar and shall promptly give notice to any Credit Facility Issuer. Any such notice must be given within thirty (30) days.

SECTION 9.03. INTERVENTION BY TRUSTEE. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of the Holders and, subject to the provisions of Section 12.1(9), shall do so if requested in writing by the Holders of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 9.04. SUCCESSOR TRUSTEE. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any parties hereto, anything herein to the contrary notwithstanding, provided such successor shall have reported total capital and surplus in excess of $50,000,000, provided that such successor Trustee assumes in writing all the trusts, duties and responsibilities of the Trustee hereunder.

SECTION 9.05. RESIGNATION OF THE TRUSTEE. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving thirty (30) days' written notice to the Issuer and such resignation shall not take effect until the appointment of a successor Trustee or a temporary Trustee by the Owners of the Bonds or by the Issuer.

SECTION 9.06. REMOVAL OF THE TRUSTEE. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the

Issuer and signed by the Holders of a majority in aggregate principal amount of all Bonds then Outstanding or may be removed by the Issuer at any time. In the alternative, the Trustee may be removed at any time for cause, by an instrument in writing delivered to the Trustee by the Issuer. No such removal shall take place unless a successor Trustee shall have been appointed in accordance with the provisions hereof.

SECTION 9.07. APPOINTMENT OF SUCCESSOR TRUSTEE BY THE HOLDERS; TEMPORARY TRUSTEE. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized; provided, nevertheless, that in case of such vacancy the Issuer by an instrument executed and signed by its President and attested by the Secretary of the Issuer under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Holders in the manner above provided; and any such temporary Trustee so appointed by the Issuer shall immediately and without further act be superseded by the Trustee appointed by such Holders. If no successor Trustee has accepted appointment in the manner provided in Section 12.8 hereof within ninety (90) days after the Trustee has given notice or resignation to the Issuer, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee; provided that any Trustee so appointed shall immediately and without further act be superseded by a Trustee appointed by the Issuer and the Holders as provided above. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing, within or outside the State having a reported capital and surplus of not less than $50,000,000 if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 9.08. CONCERNING ANY SUCCESSOR TRUSTEES. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor, but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article shall be filled or recorded by the successor Trustee in each recording office where this Resolution shall have been filed or recorded.

SECTION 9.09. POWERS MAY BE VESTED IN SEPARATE OR CO-TRUSTEE. It is the purpose of this Resolution that there shall be no violation of any law of any jurisdiction (including particularly the law of Florida) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Resolution, and in particular in case of the enforcement of either an Event or Default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or to take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional institution as a separate or co-trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an additional institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, interest and lien expressed or intended by this Resolution to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable the separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Issuer be required by separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. DEFEASANCE. If the Issuer shall pay or ~~{caus.}~~ **[cause]** to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution and if the Issuer shall pay all amounts owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, then the pledge of and lien on the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 9.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient (as verified by an independent certified public. accountant), to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds is in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 10.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for

redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Insurer, and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 10.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 10.03. CONTINUING DISCLOSURE AGREEMENT AND TAX REGULATORY AGREEMENT. The Issuer hereby covenants and agrees to comply with the terms and provisions of the Continuing Disclosure Agreement and the Tax Regulatory Agreement, to the extent the terms and provisions of either the Continuing Disclosure Agreement or the Tax Regulatory Agreement conflict with the terms hereof, the terms and provisions of the Continuing Disclosure Agreement and the Tax Regulatory Agreement shall prevail.

SECTION 10.04. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the laws of the State of Florida, the requirements of this Resolution and other applicable provisions of Law.

SECTION 10.05. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy or express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 10.06. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 10.07. SEVERABILITY OF INVALID PROVISIONS. If any one or more

of the provisions herein contained shall be held contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provisions shall be null and void and shall be deemed separate from the remaining provisions and shall in no way affect the validity of any other provisions hereof.

SECTION 10.08. REPEALING CLAUSE. All resolutions, or parts thereof in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 10.09. EFFECTIVE DATE. This Resolution shall take effect immediately upon adoption hereof.

ADOPTED at a Regular Meeting this ____ day of _____, 1998.

GULF ENVIRONMENTAL SERVICES, INC.(a Florida not-for-profit corporation)

(SEAL)

By:_____
President, Board of Directors

ATTEST:

_____
Secretary. Board of Directors

Lee County Contract No. C980614

LEE COUNTY RESOLUTION NO. 98-06-19

**FRANCHISE AGREEMENT
BY AND BETWEEN
GULF ENVIRONMENTAL SERVICES, INC.
AND LEE COUNTY, FLORIDA**

A RESOLUTION OF LEE COUNTY GRANTING TO GULF ENVIRONMENTAL SERVICES, INC., ITS SUCCESSORS AND ASSIGNS, THE EXCLUSIVE RIGHT, PRIVILEGE AND FRANCHISE, FOR A PERIOD OF THIRTY YEARS, TO CONSTRUCT, EXPAND, MAINTAIN, AND OTHERWISE OPERATE A WATER SUPPLY, TREATMENT AND DISTRIBUTION SYSTEM, AND A SEWER COLLECTION, TREATMENT AND DISPOSAL SYSTEM, AND GRANTING THE EXCLUSIVE RIGHT, PRIVILEGE, AND FRANCHISE TO PROVIDE WATER AND SEWER SERVICES TO CERTAIN PROPERTY IN LEE COUNTY, FLORIDA.

WHEREAS, Gulf Environmental Services, Inc. ("Grantee"), a Florida not-for-profit corporation, will operate within Lee County, Florida ("County"), (a) a water supply, treatment and distribution system, and (b) a sewer collection, treatment and disposal system (collectively "Utility System");

WHEREAS, Grantee has petitioned the Board of County Commissioners of Lee County, Florida ("Board"), to grant to Gulf Environmental Services, Inc., the exclusive right, privilege, and franchise to provide water and sewer services within the area described in Exhibit "A" ("Franchise Area"); and

WHEREAS, the laws of Florida authorize the granting of such franchise;

NOW BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA:

1. **Grant of Franchise.** (a) Subject to certain conditions

precedent as set out below being fully met and satisfied, Grantee is granted the exclusive right, privilege and franchise to construct, expand, modify, maintain, repair, and operate the Utility System in, under, upon, over and across the present and future streets, roads, terraces, alleys, bridges, easements and other public places located anywhere within the Franchise Area. The Franchise Area may be expanded upon petition by Grantee and approval of the Board. Grantee may dispose of effluent within or without the Franchise Area.

(b) This grant of franchise is expressly conditioned upon Grantee's: (1) issuance of its bonds as referenced in Lee County Resolution NO. 98-06-18 , (2) satisfying all other terms and conditions as set out in Lee County Resolution No. 98-06-18, (3) closing on the sale for the purchase of the assets of Gulf Utility Company, and (4) exemption from the Florida Public Service Commission's jurisdiction.

2. **Term.** The term of this Franchise Agreement shall be (a) for thirty (30) years, (b) until the County acquires Grantee's assets, or (c) until defeasance or satisfaction of any bonds issued by Grantee, or the County's assumption thereof, whichever first occurs.

3. **Authority of Grantee.**

a. In consideration of the exclusive right, privilege, and franchise granted by this Franchise Agreement, Grantee may enter into such developer, utility service, refundable advance, effluent disposal, management, and other agreements as it deems

necessary to construct, expand, modify, maintain, repair, and operate the Utility System and to provide service within the Franchise Area. Such agreements may include obligations on the part of the person or entity connecting to the Utility System to make payments of contributions-in-aid-of-construction, capacity reservation charges, connection charges, main extension, service rates, and other charges.

b. Grantee may do all other things it deems necessary to properly and efficiently construct, expand, modify, maintain, repair, and operate the Utility System, and to otherwise carry out the terms, conditions, and intent of this Franchise Agreement.

4. **Police Power and Duty of Board.**

a. Grantee is subject to the lawful exercise of the Board's police power and regulatory authority. The Board may adopt all applicable resolutions as it deems necessary and proper in exercising its police power; provided, however, such regulations must be reasonable and not in conflict with Grantee's rights under this Franchise Agreement or the laws of State of Florida or the United States.

b. Upon reasonable advance notice and request, the Board, or its designated agent(s), may review any agreements to which Grantee is, or will become, a party.

c. The Board shall (1) adopt all resolutions, and (2) take all lawful action(s) necessary to enable Grantee to receive the full benefit of the exclusive right, privilege, and franchise granted by this Franchise Agreement.

5. **Grantee's Duty to Provide Service.**

a. Grantee shall promptly furnish water and sewer service to all persons or entities within the Franchise Area making reasonable request therefor; provided, however, providing such service is financially feasible to Grantee and upon such terms and conditions as are reasonable and acceptable to Grantee.

b. If Grantee is not providing water or sewer service to a portion of the Franchise Area, the Board, after providing Grantee the right of first refusal, may grant such right to any other person or entity that is ready, willing and able to provide water or sewer service to such area. In such an event, the Franchise Area shall be modified accordingly.

c. Grantee shall provide water and sewer service to the Franchise Area in a manner that conforms with the requirements of all public or governmental agencies or bodies having jurisdiction over Grantee.

d. No person or other entity may connect to the Utility System, or otherwise obtain water or sewer service from Grantee, except upon (a) the consent of Grantee, (b) full compliance with Grantee's rules and regulations, and (c) payment of any required contribution in aid of construction, capacity reservation charges, connection charges, fees, rates, or other fees or charges that may be imposed by Grantee.

6. **Location or Construction of Utility System.**

a. The Utility System shall be constructed and located within property to which Grantee has fee simple title or in

dedicated rights-of-ways or properly recorded easements and shall also be constructed so as not to obstruct or interfere with other existing utility lines.

b. All work done by Grantee in, under, upon, over and across the present and future streets, avenues, alleys, highways, bridges, easements, and other public places of the County, shall be done and performed in a good and workmanlike manner. All excavations or damage caused by Grantee shall, within a reasonable time, be replaced or repaired by Grantee to the same or similar condition as existed prior to the excavation or damage.

c. Grantee shall (1) not create any obstructions or conditions that are, or may become, dangerous to the travelling public; (2) hold harmless the Board and County for any damage caused by Grantee, (3) upon notification from the County, move or remove Grantee's water or sewer lines, at no cost to the County, in the event the County widens, repairs, or reconstructs any street, avenue, road, alley, or highway.

7. **Financing of Utility System.** Any bonds issued by Grantee shall not be construed to create any obligation or pledge of credit, whether direct, indirect, or contingent, on the Board or County to pay any costs or expenses related to the purchase, financing, operation, maintenance, or debt service related to the Utility System, unless the County acquires Grantee's assets and assumes the obligation of any such bonds.

8. **Tariffs, Rates, Charges, and Rules and Regulations.**

a. Grantee shall submit a copy of its water and sewer

tariffs to the Board for its review, comment and approval.

b. Grantee may fix, establish, and maintain such rates, fees, charges and collect such fees, rates or other charges for the products, services and facilities of the Utility System, and revise the same from time to time, whenever necessary, subject to Board approval; provided, however, such rates and Board approval shall at all times be sufficient to pay reasonable operating and maintenance expenses of the system, to include, but not be limited to, debt service and debt coverage obligations under Grantee's Series 1998 bond resolution.

c. Within its tariffs, and as approved by the Board, Grantee may establish such rules, regulations and service availability policy, and amend such rules, regulations and service availability policy, as Grantee may determine are reasonably necessary to properly and efficiently construct, expand, modify, maintain, repair, and operate the Utility System.

9. <u>Complaints.</u>

a. Upon the request of any affected person, as that term may be defined by law, the Board shall give Grantee written notice of any alleged deficiency, default, objection, or complaint ("Complaint") regarding current or proposed rates, fees, charges, operation of the Utility System, defects in the Utility System, discharge of Grantee's duties, the quality of services furnished, or such other matter as may come before the Board. Such notice shall give Grantee a reasonable time within which to respond to such Complaint.

b. If the Complaint is not amicably resolved between the affected person and Grantee, the Board may, upon reasonable advance notice, schedule a public hearing on the Complaint, at which both the affected person and Grantee may be heard.

c. The decision of the Board on any such matter shall constitute the affected party's final administrative remedy with respect to the Complaint.

10. **Accounting and Inspection of Utility System.**

a. Grantee shall maintain its books and records in accordance with generally accepted accounting principles (GAAP) for public agencies.

b. The Board, or its designated agent(s), may, upon reasonable advance notice to Grantee, inspect the (1) books and records of Grantee, and (2) Utility System.

11. **Insurance.**

a. Grantee, or its management contract operator, shall maintain business automobile liability, comprehensive general liability, and broad form comprehensive general liability insurance, including broad form contractual and personal injury coverage.

b. Grantee, or its management contract operator, shall also maintain property and boiler and machinery coverage with respect to the Utility System for replacement value against all risk of loss, including, if available, coverage for underground facilities.

c. The amount of coverage for the insurance described

in sub-paragraphs a. and b. above shall be in such amounts as are in accordance with good business practice for the protection of Grantee, the Board, Lee County, purchasers of Grantee's Series 1998 bonds, and the general public.

d. If the Utility System is damaged or destroyed, in whole or in part, all insurance proceeds shall be applied towards payment of the cost of repair, rebuilding, restoration or replacement of the Utility System.

12. **Transfer of Franchise.** This Franchise Agreement may not be sold, assigned, or transferred by Grantee, except as may be permitted by law and subject to written Board approval.

13. **Board Acquisition of Grantee's Assets.**

a. During such time as any bonds issued by Grantee remain outstanding, the County may purchase Grantee's assets for an amount equal to Grantee's then outstanding indebtedness.

b. Upon the retirement or assumption of all of Grantee's bonds, the County shall acquire legal title to Grantee's assets.

14. **Default and Termination.**

a. If Grantee fails to substantially comply with the terms and conditions of this Franchise Agreement for a period of 90 days after written notice from the County, the exclusive right, privilege, and franchise granted hereunder, may be forfeited by Grantee, at a public hearing conducted by the Board for such purpose. The decision of the Board at the public hearing shall constitute Grantee's final administrative remedy with respect to

the termination of this Franchise Agreement.

b. Assuming no default by Grantee, this Franchise Agreement shall, nevertheless, terminate upon the earlier of (1) the expiration of thirty (30) years, (2) the Board's acquisition of Grantee's assets, or (3) the defeasance or satisfaction of any bonds issued by Grantee, or the County's assumption thereof.

15. Effective Date. This Franchise Agreement shall take effect from the date of its adoption by the Board, and its acceptance in writing by Grantee.

16. Miscellaneous Provisions.

a. This Franchise Agreement embodies the entire agreement and understandings between the Board and Grantee and there are no other agreements or understandings, either oral or written, with reference to this Franchise Agreement that are not merged into or superseded by this Franchise Agreement.

b. Any notice or other official document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier or sent by certified United States mail, postage prepaid, return receipt requested, or by facsimile transmission with written confirmation.

c. The headings used are for convenience only, and they shall be disregarded in the construction of this Franchise Agreement.

d. The drafting of this Franchise Agreement constituted a joint effort of the Board and Grantee, and in the interpretation

hereof it shall be assumed that no party had any more input or influence than any other. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Franchise Agreement.

e. This Franchise Agreement is solely for the benefit of the Board and Grantee, and no other causes of action shall accrue upon or by reason of this Franchise Agreement, to or for the benefit of any third party, who is not a formal party to this Franchise Agreement.

f. In the event any term or provision of this Franchise Agreement is 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 Franchise Agreement shall be construed to remain in full force and effect.

g. In the event of any litigation that arises between the parties with respect to this Franchise Agreement, the prevailing party shall be entitled to reasonable attorney fees and court costs at all trial and appellate levels.

h. This Franchise Agreement may be amended or modified only if executed in writing by both parties hereto. Grantee may seek a modification of this Franchise Agreement by filing a petition with the Board, after which, the Board shall publish notice and conduct a public hearing on such petition.

i. This Franchise Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida and the United States.

j. This Franchise Agreement shall be binding upon and inure to the benefit of the Board and Grantee's successors and assigns.

ADOPTED this 9th day of June, 1998.

LEE COUNTY, A political subdivision of the State of Florida

Attest:

Charlie Green
Clerk of the Court

By: _____
Deputy Clerk

By: _____
John Manning
Chairman

Approved as to legal form and sufficiency

_____
County Attorney
Date: 9 June 98

Accepted this 10th day of June, 1998.

GULF ENVIRONMENTAL SERVICES, INC.

Witnesses:

_____

_____

By: _____
J.W. French, P.E.
President

\severn\gulf\franchi8

WATER SERVICE TERRITORY

TOWNSHIP 46 SOUTH, RANGE 24 EAST

SECTION 12

The South one-half (½) of said Section and that part of the East one-half (½) of the Northeast one-quarter (¼) of said Section situated East of the Easterly R.O.W. of Island Park Road and the Southwest one-quarter (¼) of the Northeast one-quarter (¼) of said Section situated West of Island Park Road.

SECTION 13

That part of the East one-half (½) of said Section situated North of the North bank of Mullock Creek.

TOWNSHIP 46 SOUTH, RANGE 25 EAST

SECTION 7

That part of the Southeast one-quarter (¼) of said Section 7 situated East of the centerline of State Road 45 (U.S. 41) and the South one-half (½) of said section lying West of a line lying 1,000 feet Westerly of the Westerly right of way of State Road 45 (U.S. 41) and a portion of the South half of the Southeast one-quarter (¼) more particularly described as follows: Commencing at the Southeast corner of the Southeast one-quarter (¼) of said Section 7; thence N 01° 05' 06" W for 656.23 feet, along the East line thereof, to the Northeast corner of the South half of the South half of the Southeast one-quarter (¼) of said Section 7; thence N 87° W for 460.73 feet, along the North line of the South half of the South half of the Southeast one-quarter (¼) of said Section 7, to the Westerly right of way line of State Road 45 (U.S. 41), and the Point of Beginning; thence N 87° 56' 36" W for 400.00 feet; thence S 01° 07' E for 479.08 feet, perpendicular to the South line of said Section 7, to a point which is 225.00 feet North of said South line; thence S 88° 52' 11" W for 499.67 feet, parallel to the South line of the Southeast Quarter of said Section 7; thence N 20° 35' 30" E for 1,368.57 feet, along a line lying 1,000 feet Westerly of the Westerly right of way of State Road 45 (U.S. 41); thence S 84° 45' 19" E for 1,111.06 feet, along the North line of the South half of the Southeast one-quarter (¼) of said Section 7, to the Westerly right of way line of State Road 45 (U.S. 41); thence S 20° 35' 30" E for 753.20 feet, along said right of way line to the Point of Beginning.

SECTION 8

The South one-half (1/2) of said Section and the Southeast one-quarter (1/4) of the Northeast one-quarter (1/4) of said Section and the Easterly one-half (1/2) of the Southwest one-quarter (1/4) of the Northeast one-quarter (1/4) of said Section.

SECTION 9

All of said Section.

SECTION 10

The South one-half (1/2) and the South one-half (1/2) of the North one-half (1/2) of said Section.

SECTION 11

The South one-half (1/2) of the Northwest one-quarter (1/4) and the Southwest one-quarter (1/4) of said Section.

SECTION 13

All of said Section.

SECTION 14

All of said Section.

SECTION 15

All of said Section.

SECTION 16

All of said Section.

SECTION 17

All of said Section.

SECTION 18
All of said Section less the following described portion:
Commencing at the Northeast corner of Section 18; thence run S 88° 52' 30" W a distance of 216.18 feet to the point of beginning of tract herein described; thence run S 20° 38' 30" E along the Westerly right-of-way line of U.S. 41, a distance of 1,151.70 feet; thence run S 79° 41' 20" W a distance of 1,837.96 feet; thence run N 01° 00' 20" W a distance of 1,331.39 feet to a point on the North line of Section 18; thence run N 88° 52' 30" E along said North line a distance of 1,131.66 feet to the Point of Beginning.

SECTION 19

All of said Section.

SECTION 20
All of said Section.

SECTION 21
All of said Section.

SECTION 22
All of said Section.

SECTION 23
All of said Section.

SECTION 24
All of said Section.

SECTION 25
All of said Section.

SECTION 26
All of said Section.

SECTION 27
All of said Section.

SECTION 28
All of said Section.

SECTION 29
All of said Section.

SECTION 30
All of said Section.

SECTION 31
All of said Section.

SECTION 32
All of said Section.

SECTION 33
All of said Section.

SECTION 34
All of said Section.

SECTION 35

All of said Section.

SECTION 36

All of said Section.

TOWNSHIP 46 SOUTH, RANGE 26 EAST

SECTION 20

That part of the South one-half (½) of the Southeast one-quarter (¼) of said Section 20 situated South of Corkscrew Road as it now runs.

SECTION 29

The East one-half (½) of said Section.

SECTION 30

The West one-half (½) and the West one-half (½) of the East one-half (½) of said Section situated South of Corkscrew Road as it now runs.

SECTION 31

The Northwest one-quarter (¼) and the West one-half (½) of the Northeast one-quarter (¼) of said Section.

SECTION 32

All of said Section.

WASTEWATER SERVICE TERRITORY

TOWNSHIP 46 SOUTH, RANGE 24 EAST

SECTION 12

The South one-half (½) of said Section and that part of the East one-half (½) of the Northeast one-quarter (¼) of said Section situated East of the Easterly R.O.W. of Island Park Road and the Southeast one-quarter (¼) of the Northeast one-quarter (¼) of said Section situated West of Island Park Road.

SECTION 13

That part of the East one-half (½) of said Section situated North of the North bank of Mullock Creek.

TOWNSHIP 46 SOUTH, RANGE 25 EAST

SECTION 4

The South one-half (½) of said Section.

SECTION 5

The South one-half (½) of said Section.

SECTION 6

The South one-half (½) of said Section.

SECTION 7

The North one-half (½) of said Section 7 and that part of the Southeast one-quarter (¼) of said Section 7 situated East of the centerline of State Road 45 (U.S. 41) and the South one-half (½) of said Section lying West of a line lying 1,000 feet Westerly of the Westerly right of way of State Road 45 (U.S. 41) and a portion of the South half of the Southeast one-quarter (¼) more particularly described as follows: Commencing at the Southeast corner of the Southeast one-quarter (¼) of said Section 7; thence N 01° 05' 06" W for 656.23 feet, along the East line thereof, to the Northeast corner of the South half of the South half of the Southeast one-quarter (¼) of said Section 7; thence N 87° W for 460.73 feet, along the North line of the South half of the South half of the Southeast one-quarter (¼) of said Section 7, to the

Westerly right of way line of State Road 45 (U.S. 41), and the Point of Beginning; thence N 87° 56' 36" W for 400.00 feet; thence S 01° 07' E for 479.08 feet, perpendicular to the South line of said Section 7, to a point which is 225.00 feet North of said South line; thence S 88° 52' 11" W for 499.67 feet, parallel to the South line of the Southeast Quarter of said Section 7; thence N 20° 35' 30" E for 1,368.57 feet, along a line lying 1,000 feet Westerly of the Westerly right of way of State Road 45 (U.S. 41); thence S 84° 45' 19" E for 1,111.06 feet, along the North line of the South half of the Southeast one-quarter (¼) of said Section 7, to the Westerly right of way line of State Road 45 (U.S. 41); thence S 20° 35' 30" E for 753.20 feet, along said right of way line to the Point of Beginning.

SECTION 8

All of said Section.

SECTION 9

All of said Section.

SECTION 10

All of said Section.

SECTION 11

The West one-half of said Section.

SECTION 13

All of said Section.

SECTION 14

All of said Section.

SECTION 15

All of said Section.

SECTION 16

All of said Section.

SECTION 17

All of said Section.

SECTION 18

All of said Section.

SECTION 19

All of said Section.

SECTION 20

All of said Section.

SECTION 21
All of said Section.

SECTION 22
All of said Section.

SECTION 23
All of said Section.

SECTION 24
All of said Section.

SECTION 25
All of said Section.

SECTION 26
All of said Section.

SECTION 27
All of said Section.

SECTION 28
All of said Section.

SECTION 29
All of said Section.

SECTION 30
All of said Section.

SECTION 31
All of said Section.

SECTION 32
All of said Section.

SECTION 33
All of said Section.

SECTION 34
All of said Section.

SECTION 35

All of said Section.

SECTION 36

All of said Section.

TOWNSHIP 46 SOUTH, RANGE 26 EAST

SECTION 20

That part of the South one-half (½) of the Southeast one-quarter (¼) of said Section 20 situated South of Corkscrew Road as it now runs.

SECTION 29

The East one-half (½) of said Section.

SECTION 30

The West one-half (½) and the West one-half (½) of the East one-half (½) of said Section situated South of Corkscrew Road as it now runs.

SECTION 31

The Northwest one-quarter (¼) and the West one-half (½) of the Northeast one-quarter (¼) of said Section.

SECTION 32

All of said Section.

APPENDIX A

WATER TARIFF

WATER TARIFF

Gulf Environmental Services, Inc.
19910 S. Tamiami Trail
Estero, Florida 33928
(941)498-1000

TABLE OF CONTENTS

TERRITORY SERVED

The territory served is the territory identified in the Franchise Agreement entered into between Gulf Environmental Services, Inc. ("Service Company") and Lee County, Florida ("County"), a copy of which is available at the Service Company's office.

TECHNICAL TERMS AND ABBREVIATIONS

1. "ASSISTED LIVING FACILITY" - An institutional class of customer licensed by the State of Florida, Agency for Health Care Administration pursuant to Chapter 400, Florida Statutes.

2. "CONNECTION (CAPACITY) FEE" - The capital facility cost of the water system capacity utilized by a new connection, which is calculated on an ERU basis.

3. "CONSUMER OR CUSTOMER" - Any person, firm, association, corporation, governmental agency or similar organization, supplied with water service by the Service Company.

4. "CONSUMER'S INSTALLATION" - All pipes, shut-offs, valves, fixtures and appliances or apparatus of every kind and nature used in connection with, or forming a part of, an installation for utilizing water for any purpose, ordinarily located on the consumer's side of "Point of Delivery," whether such installation is owned by Consumer, or used by Consumer under lease or otherwise.

5. "COUNTY" - Lee County, a political subdivision of the State of Florida.

6. "EQUIVALENT RESIDENTIAL UNIT ("ERU") - A measure of the average daily flow for a single residential unit.

7. "FRANCHISE" - The exclusive franchise granted by the County to the Service Company to operate a water supply, treatment, and distribution system within the Territory.

8. "MAIN" - A pipe, conduit, or other facility installed to convey water service to individual service lines or to other mains.

9. "POINT OF DELIVERY" - The point where the Service Company's pipes or meters are connected with pipes of the Consumer.

10. "RATE SCHEDULE" - Refers to rates, charges, or fees for a particular classification of service, which are subject to change from time to time, by approval of the Service Company with the consent of the Lee County Board of County Commissioners.

11. "SERVICE" or "WATER SERVICE" - In addition to all water service required by the Consumer, the readiness and ability on the part of the Service Company to furnish water service to the Consumer. The maintenance by the Service Company of pressure at the Point of Delivery, upon request, constitutes the rendering of water service, irrespective of whether the Consumer makes any use thereof.

12. "SERVICE COMPANY" - Gulf Environmental Services, Inc, a Florida Not-For-Profit Corporation.

13. "SERVICE LINES" - The pipes of the Service Company that are connected from the Mains to Point of Delivery.

RULES AND REGULATIONS INDEX

RULES AND REGULATIONS

1. General Information - These Rules and Regulations are a part of the rate schedules, applications, and contracts of the Service Company and, in the absence of specific written agreement to the contrary, apply without modification or change to each and every Customer to whom the Service Company renders water service.

   If a portion of these Rules and Regulations are declared unconstitutional or void for any reason by any court of competent jurisdiction, such decision in no way affects the validity of the remaining portions of the Rules and Regulations for water service unless such court order or decision so directs.

2. Signed Application Required - Water service is furnished only after (a) an application for service is made, (b) a Utility Service or Developer Agreement is entered into, (c) all fees and charges are paid, (d) Service Company receives all necessary approvals from governmental agencies to provide service, (e) Service Company has accepted all on- and off-site facilities, and (f) Developer has delivered all instruments, documents, and matters required under its Developer Agreement. A copy of the application or agreement for water service accepted by the Service Company will be furnished to the applicant on request.

   The applicant must furnish to the Service Company the correct name, street address and lot and block number at which service is to be rendered.

3. Applications By Agents - Applications for water service requested by firms, partnerships, associations, corporations, and others must be prepared only by duly authorized parties. When water service is rendered under an agreement or agreements entered into between the Service Company and an agent of the principal, the use of such water service by the principal constitutes full and complete ratification by the principal of the agreement or agreements entered into between agent and the Service Company and under which such water service is rendered.

4. Applications For Building Permit - Upon request of Service Company by applicant for a permit letter for the purpose of obtaining a building permit, the applicant must pay in full the charges and fees in effect at that time for the number of ERUs/Units as defined by the Service Company's Rules and Regulations.

5. Withholding Service - The Service Company may withhold or discontinue water and/or wastewater service rendered under

application made by any member or agent of a household, organization or business unless all prior indebtedness to the Service Company of such household, organization or business for water and/or wastewater service has been paid in full. Service may also be discontinued for any violation made by the Customer of any rule or regulation set forth in this Tariff.

6. Extensions - The Service Company may make extensions to its existing facilities as may be necessary by one or more Consumers; provided, however, the extension of service is financially feasible for the Service Company.

7. Limitations of Use - Water service purchased from the Service Company may be used by the customer only for the purposes specified in the application for water service. The customer may not sell or otherwise dispose of water service supplied by the Service Company. Water service furnished to the customer must be rendered directly to the customer through Service Company's individual meter and may not be remetered by the customer for the purpose of selling or otherwise disposing of water service to lessees, tenants, or others, and under no circumstances, may the customer or customer's agent or any other individual, association or corporation install meters for the purpose of remetering water service. In no case may a customer, except with the written consent of the Service Company, extend customer's lines across a street, alley, lane, court, property line, avenue, or other way in order to furnish water service to the adjacent property even though such adjacent property may be owned by the customer. In case of such an unauthorized extension, remetering, sale or disposition of service, the customer's water service will be discontinued until such unauthorized extension, remetering, sale or disposition of service is discontinued and full payment is made to the Service Company for water services, calculated on proper classification and rate schedules and reimbursement in full made to the Service Company, for all extra expenses incurred for clerical work, testing and inspections.

8. Continuity of Service - The Service Company will at all times use reasonable diligence to provide continuous water service and, having used reasonable diligence, is not be liable to the customer for failure or interruption of continuous water service. The Service Company is not liable for any act or omission caused directly or indirectly by strikes, labor troubles, accidents, litigations, breakdowns, shutdowns for emergency repairs or adjustments, acts of sabotage, enemies of the United States, Wars, United States, State, Municipal or other governmental interference, acts of God or other causes beyond its control. With respect to large water users, the Service Company has the right to restrict and equalize the daily rate of flow for consumption so large water users

cannot, at peak load time or any other time, interrupt Service Company's minimum required supply.

9. Termination of Service - At customer's request, Service Company will terminate service to a property on a specified date. Termination is the permanent end of service to a particular location and is distinguished from a discontinuation of service, which is temporary in nature as in the case of a rental occupancy or a seasonal customer. In the event of a termination of service, customer will no longer be responsible for payment for service to the property. However, such termination of service will result in the forfeiture of all fees and charges paid. Any subsequent request for service to the same location must be accompanied by payment of all rates, fees, and charges then in effect.

10. Type and Maintenance - The customer's pipes, apparatus and equipment (a) must be selected, installed, used and maintained in accordance with standard practice, (b) must conform with the Rules and Regulations of the Service Company, and (c) must comply with all Laws and Governmental Regulations applicable to same. The Service Company is not responsible for the maintenance and operation of the customer's pipes and facilities. Consumer agrees further to keep such facilities in good repair and to promptly stop all leaks on consumer's premises. The customer may not utilize any appliance or device that is not properly constructed, controlled and protected, or that may adversely affect the water service. Service Company reserves the right to discontinue or withhold water service to such apparatus or device.

11. Change of Customer's Installation - No changes or increases in the customer's installation, which will materially affect the proper operation of the pipes, mains, or stations of the Service Company, may be made without the prior written consent of the Service Company. The customer is liable for any charge resulting from a violation of this Rule.

    Upon request to increase customer's existing meter size without any change to the type or number of ERU/Units being served, customer will be charged difference due for the Connection Fees, deposits and the cost of labor and materials, less the cost of any inventory items restocked.

12. Unauthorized Connections - Connections to the Service Company's water system for any purpose whatsoever are to be made only by employees of the Service Company. Unauthorized connections render service subject to immediate discontinuance without notice. In such an event, water service will not be restored until the unauthorized connections have been removed and settlement is made in full for all water service estimated by the Service Company to have been used by reason of the

unauthorized connection.

No temporary pipes, nipples or spacers are permitted and under no circumstances are connections allowed which may permit water to bypass the meter or metering equipment. A party illegally connecting to the facilities of Service Company, or doing so in violation of Service Company's Rules and Regulations, will be charged costs plus expenses and back-billed for water used based upon reasonable estimate of service taken.

13. Inspection of Customer's Installation - All customer's water service installations or changes will be inspected upon completion by a competent authority to ensure that the customer's piping, equipment, and devices have been installed in accordance with accepted standard practice and such local governmental or other rules as may be in effect. Where municipal or other governmental inspection is required by local Rules and Ordinances, the Service Company will not render water service until an inspection has been made and a formal notice of approval from the inspecting authority has been received by the Service Company.

    The Service Company reserves the right to inspect the customer's installation prior to rendering water service and, from time to time thereafter, but assumes no responsibility whatsoever for any portion thereof.

14. Meters - All water meters are furnished by, and remain the property of, the Service Company. All water meters must be accessible and subject to Service Company's control. The customer must provide meter space to the Service Company at a suitable and readily accessible location.

15. Protection of Service Company's Property - The customer must exercise reasonable diligence to protect the Service Company's property on the customer's premises and must not knowingly permit anyone but the Service Company's agents, or other persons authorized by law, to have access to the Service Company's pipes and apparatus.

    If any loss or damage to property of the Service Company is caused by or arises out of negligence or misuse by the customer, the cost of making good such loss or repairing such damage must be paid by the customer.

16. Access to Premises - The duly authorized agents of the Service Company must have access at all reasonable hours to the premises of the customer for the purpose of installing, maintaining, inspecting or removing Service Company's property, reading meters and other purposes incident to performance under, or termination of, the Service Company's

agreement with the customer. The Service Company and its agents are not liable for trespass in such an event.

17. Right of Way or Easements - The customer must grant, or cause to be granted to the Service Company, and without cost to the Service Company, all rights, easements, permits and privileges that are necessary for the rendering of water service.

18. Billing Periods - Bills for water service will be rendered monthly, and are due when rendered, and are considered received by the customer when delivered or mailed to the service address or some other place mutually agreed upon by Service Company and customer. Non-receipt of bills by customer is not a release, nor does it diminish the obligation of customer with respect to payment thereof.

19. Delinquent Bills - Bills are due and payable when rendered and are considered delinquent if not paid within ten (10) days after Service Company has mailed or presented the bill to the Customer for payment. If the Customer is delinquent, the Customer will be given a five (5) working days written notice, which may be provided in a subsequent bill, after which if payment is not received by Service Company, service will be discontinued.

20. Meter Readings - All meters are read monthly. If unable to obtain a reading, an estimated bill is calculated based on the estimate and adjusted when an actual reading is obtained.

21. Disconnection for Non-Payment - Field personnel may not accept payment from customers when removing meters for non-payment or reconnecting service. Customer may avoid meter removal after personnel have been dispatched by entering into a verbal or written agreement to pay by a mutually agreed upon date the amount due including a non-payment trip charge and/or reconnect fees. Failure by the customer to pay the amount due by the date specified will result in immediate discontinuance of water service. Water service will not be restored until full payment is received in Service Company's office, including an additional reconnect fee.

22. Payment of Water and Wastewater Service Bills Concurrently - When both water and wastewater service are provided by the Service Company, payment of any water service bill rendered by the Service Company to a customer will not be accepted by the Service Company without the simultaneous or concurrent payment of any wastewater service bill rendered by the Service Company. The Service Company may discontinue both water service and wastewater service to the customer's premises for non-payment of the water service bill or wastewater bill or if payment is not made concurrently. The Service Company will not reestablish or reconnect water service or wastewater

service until such time as all water and wastewater service bills and all charges are paid. No partial payment of any bill rendered will be accepted by the Service Company, except by agreement with the Service Company.

23. Returned Checks - Upon return of a check for insufficient funds, customer will be contacted by the most expedient method, and given notice to contact Service Company's office within 5 days. Upon contact by customer, the check may be redeposited (if applicable) or replaced by customer with a second check. Either option incurs a service charge as set forth below. Upon return of a check for the second time, customer is to be notified that restitution must be made immediately by cash or money order only, including the service charges. Customers failing to respond or make restitution will have water and wastewater service disconnected and will be charged a violation reconnect fee. Service will not be restored until payment in full is received for all charges due.

    Check Return Charge - $20.00 or 5% of face value of check, whichever is greater.

24. Change of Occupancy - When change of occupancy takes place on any premises supplied by the Service Company with water service, notice must be given to the Service Company not less than three (3) days prior to the date of change by the outgoing customer. The outgoing customer remains responsible and liable for all water service used on such premises until such notice is received and Service Company has had reasonable time to discontinue water service. If such notice has not been received, the application of a succeeding occupant for water service automatically terminates the prior account.

25. Transfer Fee - Charge for transfer of service to a new owner or tenant at an existing service. Existing owners are not charged when tenants vacate. Transfer Fee - $35.00 per transfer of existing service.

26. All Water Through Meter - All water received by the customer must pass through a Service Company meter. Payment must be made for all water passing through the meter, unless the Service Company determines the meter to be faulty.

27. Adjustment of Bills - When a customer has been overcharged or undercharged as a result of incorrect application of the rate schedules, incorrect reading of the meter, incorrect connection of the meter, or other similar reasons, the amount may be credited or billed to the customer.

28. Request for Bench Test by Customer - If the customer requests a test of customer's meter, and the meter is found to register

in excess of the accuracy limits set forth in this tariff, the customer will not be charged for the test; however, if the meter registers below the accuracy limit, the Service Company will debit customer's account in an amount equal to a service charge for conducting the test.

29. Adjustment of Bills for Meter Error - In meter tests made by the Service Company, the accuracy of registration of the meter and its performance in service are judged by its average error. The average meter error is considered to be the average of the errors at the test rate flows.

30. Meter Accuracy Requirements - All meters used for measuring the quantity of water delivered to a customer will be in good mechanical condition and adequate in size and design for the type of service that they measure. Before being installed for the use of the customer, every water meter, whether new, repaired, or removed from service for any cause, will be adjusted to register within the accuracy limits set forth in this tariff:

ACCURACY LIMITS IN PERCENT

METER TYPE	MAXIMUM RATE	INTERMEDIATE RATE	NEW	REPAIRED
Displacement	98.5-101.5	98.5-101.5	95-101.5	90-101.5
Current	97-103	97-103	95-103	90-103
Compound*	97-103	97-103	95-103	90-103

*The minimum required accuracy for compound meters at any rate within the "changeover" range of flows is 85%.

31. Adjustment of Bills for Fast Meters - Whenever a meter is tested and found to register "fast" in excess of the tolerance provided in the Meter Accuracy Requirements provision above, the utility will refund to the customer the amount billed in error for one-half the period since the last test. This period will not exceed six (6) months, except if it can be shown that the error was caused by other than customer negligence, the date of which can be fixed, the overcharge will be computed back to, but not beyond, such date. The refund will not include any part of any minimum charge.

32. Adjustment of Bills for Slow Meters - Whenever a meter is tested and found to register "slow" in excess of the tolerance provided in the Meter Accuracy Requirements provision above, the Service Company may bill the customer an amount equal to the unbilled error for one-half the period since the last test. This period will not exceed six (6) months, except if it can be shown that the error was due caused by other than customer negligence, the date which can be fixed, the charge

may be computed back to, but not beyond, such date, and provided further, that if the Service Company has required a deposit, the customer may be billed only for that portion of the unbilled error that is in excess of the deposit retained by the Service Company.

33. Non-Register Meters - In the event of a non-register meter, the customer may be billed on an estimate based on previous bills for similar usage, such estimate to apply only to the current billing period.

34. Meter Tampering - The customer may not willfully alter, tamper with, damage, or knowingly suffer to be damaged any meter, meter seal, pipe or other apparatus belonging to the Service Company with intent to avoid payment for utility service.

35. Schedule of User and Miscellaneous Service Charges - The following are the Service Company's Schedules of User and Miscellaneous Service Charges, which are subject to change upon approval of the Lee County Board of County Commissioners:

USER (CONSUMPTION) CHARGES

CLASSIFICATION	USAGE	CHARGE (Per 1,000 gal.)
Residential Single Family	1-6,000	$2.18
	6,001-12,000	2.68
	12,001-18,000	3.18
	18,001-Over	4.18
	(Usage applies to each account)	
Multi-Family	1-4,800	2.18
	4,801-9,600	2.68
	9,601-14,400	3.18
	14,401-Over	4.18
	(Usage applies to each unit)	
Recreational Vehicle	1-3,300	2.18
	3,301-6,600	2.68
	6,601-9,900	3.18
	9,901-Over	4.18
	(Usage applies to each lot)	
Commercial	1-6,000	2.18
	6,001-12,000	2.68
	12,001-18,000	3.18
	18,001-Over	4.18
	(Usage applies to each ERU)	
Irrigation	1-6,000	2.68

6,001-12,000	3.18
12,001-Over	4.18

(Usage applies to each ERU)

MONTHLY SERVICE CHARGES

Residential	$5.95 per acct
Administrative Fee	2.15 per acct
Multi-Family	4.75 per unit
Administrative Fee	2.15 per acct
Recreational Vehicle	2.40 per lot
Administrative Fee	2.15 per acct

Commercial

Meter Size	ERU RATIO	CHARGE
5/8"	1.00	$ 8.10
3/4"	1.50	11.00
1"	2.50	16.90
1-1/2"	5.00	31.65
2"	8.00	49.30
3"	16.00	96.40
4"	25.00	149.36
6"	50.00	296.50
8"	80.00	473.10
10"	145.00	855.70

Irrigation

Meter Size	ERU RATIO	CHARGE
5/8"	1.00	$ 8.10
3/4"	1.50	11.00
1"	2.50	16.90
1-1/2"	5.00	31.65
2"	8.00	49.30
3"	16.00	96.40
4"	25.00	149.36
6"	50.00	296.50
8"	80.00	473.10
10"	145.00	855.70

36. Miscellaneous Service Charges - The Service Company charges the following miscellaneous service charges. If both water and wastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the Service Company require multiple actions.

a. Meter Installation Fees:

METER SIZE	CHARGE

5/8"	$110
3/4"	135
1"	190
1 1/2"	355
2"	510
3" and above	Actual cost

Charges for larger meter taps are based on estimates of actual time and expense. Amounts collected in excess of actual costs are credited to the Customer's account or refunded, as applicable. Amounts due, caused by underestimation, are billed and payable to the Service Company within ten (10) days.

Developer is also responsible for the actual cost of any jack and boring expense incurred.

b. Tap-In (Actual Connection) Charges:

METER SIZE	CHARGE
5/8"	$395
3/4"	425
1"	455
1 1/2"	825
2"	920
3" and above	Actual cost
Wastewater Main Tap Charge	Actual cost

Charges for larger meter taps and wastewater main taps are based on estimates of actual time and expense. Amounts collected in excess of actual costs are credited to the Customer's account or refunded, as applicable. Amounts due, caused by underestimation, are billed and payable to the Service Company within ten (10) days.

c. Premises Visit Fee (Trip Charge) - $20
Includes charges for meter rereads and special reads, customer requested meter tests, and any specific activities in which a trip to the Customer's premises is requested by the Customer or required by the Service Company. Upon written request of a Customer, the Service Company will, without charge, make a field test for the accuracy of a water meter in use at the Customer's premises; provided, however, the meter has not been tested within the past twelve months.

d. Turn On/Turn Off Charges:

	During Normal Working Hours	After Normal Working Hours
Initiation of Service Customer Request	$35	$45

Reconnection of Service (Non-Payment Disconnection)	40	55

e. Plan Review Fees - $45 plus $15 per additional ERU.

f. Fire Service Charges:

Meter Size*	Yearly Amount
2"	$ 50
3"	100
4"	150
6"	300
8"	490

g. Customer Deposit:

Residential Service

Metered and Unmetered	
Single-Family	$ 45
Multi-Family* (per dwelling unit)	36
Recreational Vehicle (per dwelling unit/lot)	25

Commercial Service and all non-residential services

Meter Size	
5/8"	45
3/4	67
1"	115
1 1/2"	225
2"	360
3"	720
4"	1,125
6"	2,250
8"	3,600
10"	6,525

*The multi-family charge is calculated individually based on twice the average or anticipated monthly bill of the Customer as estimated by the Service Company.

The deposit amounts listed above are minimum amounts. Additional deposit amounts may be required, at the discretion of the Service Company, to secure payment of current bills.

The Service Company shall pay interest on customer deposits, which shall be made once a year as a credit on regular bills or when service is discontinued as a credit on final bills. No customer shall recieve interest on his or her deposit until a customer relationship and

deposit have been in existence for at least six (6) months. At such time, the customer shall be entitled to receive interest from the date of the commencement of the customer relationship.

If a residential customer has established a satisfactory payment record and has had continuous service for a period of 23 months, Service Company shall refund the customer's deposit; provided, however, the customer has not, during the preceding 12 months: (a) made more than one late payment of a bill, (b) paid a check that was returned for insufficient funds, (c) been disconnected for non-payment, or (d) at any time tampered with the meter or used service in a fraudulent or unathorized manner.

Service Company may retain the deposit of a non-residential customer after a continuous service period of 23 months and shall pay interest on the deposit.

Service Company may, in its discretion, refund a customer deposit prior to the expiration of 23 months.

h. Usage Reports - $25.00 minimum or $0.15 per meter, whichever is greater.

i. Inspection Fees - Completion of Construction - $150.00 plus $.05 per linear foot if lines are 3" or larger
Warranty Expiration Televising (cleaning) - $.55 per linear foot

j. Fire Flow Test - $40.00
$25.00 - retest

k. Developer Application Fees - not to exceed $1000.00 per Main Extension Manual

l. Connect/Disconnect Construction Meter - $25.00 per occurrence

m. Labor & Equipment - $40.00 per 1 man crew per hour
65.00 per 2 man crew per hour

n. Reimbursements for Extra Expenses - The consumer shall reimburse the Service Company for extra expenses (such as for special trips, inspections, additional clerical expenses, etc.) incurred by the Service Company on account of consumer's violation of the Rules and Regulations. The customer will be advised of these expenses prior to Service Company rendering service.

o. Charges not specifically referenced in this tariff will be billed on an actual cost or hourly basis, or both.

SERVICE AVAILABILITY POLICY INDEX

SERVICE AVAILABILITY POLICY

1. Purpose - The Service Company has determined that it is necessary to set forth a policy for the availability of water capacity that will provide a non-discriminatory and equitable basis upon which to provide service to future customers and plan capital expenditures for facilities expansion.

2. Applicability - This policy is applicable throughout the service territory of the Service Company.

3. Agreement For Service - Service is available from Service Company only by entering into a Utility Service Agreement with the Service Company and, if the capacity request warrants, a Developer Agreement, or both. A standard form Utility Service Agreement or Developer Agreement is available at the Service Company's office. Such Agreements may be subject to modification by Service Company to suit the particular circumstances of service to the applicant. Upon execution of a Utility Service Agreement or Developer Agreement, accompanied by payment of the appropriate fees and charges set forth in this tariff, Service Company will reserve the number of connections paid for and will provide service to those units pursuant to its rules and regulations upon notification by Developer that service is required.

4. Non-Transferability - Plant capacity reserved through Customer or Developer's payment of fees and charges cannot be assigned, transferred, leased, encumbered or disposed of in any manner unless, prior to connection, the Customer or Developer has obtained the written consent of the Service Company and all applicable rates and charges are transferred or paid for the new location. Following written notice, Service Company's consent to an assignment of capacity in connection with a bona fide sale of the property to which the plant capacity reservation relates will not be unreasonably withheld. In no instance may the Customer or Developer sell or assign plant capacity for a consideration that is more than the fees and charges actually paid by Customer or Developer to reserve the capacity.

5. Letters of Availability - Service Company may issue Letters Of Availability of water service to Developers for use in obtaining zoning changes and development orders necessary for construction on their property. Such letters are not permit letters and are not specific reservations of capacity for Developer and do not guarantee that capacity will be available for Developer's project at any later date. Such a reservation can only be made through execution of a Developer's Agreement with the Service Company and payment of rates and charges set forth in this tariff. A Developer's Agreement is required prior to issuing a Permit Letter for the purpose of obtaining

a concurrency letter or building permit.

6. Service Availability Payments - In consideration for the Service Company providing water service, Developer may be required to pay certain costs of making service available, including, but not limited to, contributed in cash or in kind on-site water distribution systems; payments to defray in whole, or in part, the cost of off-site lines and related facilities, Meter Installation Fees, Tap-in Fees, and Connection Fees. Default in the payment of the charges set forth in this tariff will result in a cancellation of reserved capacity and forfeiture of monies previously paid to Service Company.

7. Connection (Capacity) Fees - Upon execution of a Utility Service or Developer Agreement reserving capacity in the system, Developer or Customer must pay a Connection Fee to reserve capacity in the water system. The Connection Fee represents a capital facility cost of the water system utilized by the new connection. It is calculated on an ERU basis. Service Company's Connection Fee schedule is as follows:

CLASSIFICATION	NO. ERU'S	CHARGE
Residential:		
Single-Family	1.00	$1,020
Multi-Family (per dwelling unit)	.80	816
Recreational vehicle (per dwelling unit/ lot)	.40	408
Commercial and all Non-Residential Services:		
Meter Size		
5/8"	1.00	1,020
3/4"	1.50	1,530
1"	2.50	2,550
1 1/2"	5.00	5,100
2"	8.00	8,160
3"	16.00	16,320
4"	25.00	25,500
6"	50.00	51,000
8"	80.00	81,600
10"	145.00	147,900

If a commercial connection serves living units such as hotel, motel, or timeshare, etc., with efficiency units that include a kitchen or kitchenette or laundry facilities, the Connection

Fee is the higher of the fee from the meter size schedule above or the number of dwelling units based on the multi-family ERU equivalent.

For developers who (1) entered into a written Developer Agreement with Gulf Utility Company, (2) paid to reserve capacity in the water system prior to Service Company becoming the service provider, and (3) connect to the water system on or before June 30, 1999, the Connection Fees shall be those imposed by Gulf Utility Company immediately prior to Service Company becoming the service provider. For all ERUs reserved, but for which there is no connection made on or before June 30, 1999, the Connection Fees are those set forth above. All others must pay the Connection Fees referenced in this tariff.

8. Backflow Preventor - The Service Company requires the installation of backflow preventors on connections to residential or commercial customers with dual water systems, and in such other situations as deemed reasonably necessary by the Service Company. Developer is required to install a backflow preventor that meets Service Company specifications, and is subject to inspection prior to commencement of service. At its option, Service Company may elect to install, inspect or repair the backflow preventor and Developer or Customer will be required to pay the following:

Meter Size	Fee
3/4"	$ 170.00
1"	210.00
1-1/2"	390.00
2"	470.00
3" and larger	equal current cost

9. Contribution of Lines - Developer may be required to construct and contribute to the Service Company on-site facilities, such as, water distribution lines, and off-site facilities, including transmission mains, in order to provide service to Developer's property. Contribution of such lines is independent of the payment of any charges or fees paid pursuant to this tariff. The construction and contribution of such lines must meet the minimum specifications of the Service Company.

Prior to Service Company accepting on- and off-site facilities and providing service, all such facilities must be conveyed to Service Company by a bill of sale, together with perpetual rights-of-way and easements for appropriate access to the facilities, as well as, Developer providing complete as-built drawings for all lines and facilities, together with accurate cost records establishing the construction costs of the facilities.

10. Obligations of Developer - All contributors and developers must furnish to the Service Company accurate information regarding matters of engineering, construction of buildings, dwellings and proposed densities. Developer must advise Service Company of changes in density factors or consumption requirements during construction of a project.

11. Miscellaneous Construction Provisions - Any contractor or similar person doing work for the Service Company must first show a certificate of insurance acceptable to the Service Company. In case of a service size change being requested by a Customer regardless of pre-installation, or after installation, the Service Company will collect a charge based on the actual cost involved. The cost of a change or relocation of a service will be based on actual cost to Service Company.

12. Service to Existing Subdivisions - In the event Service Company receives a request for service from representatives of an existing subdivision served by individual wells, Service Company will determine availability of capacity for that subdivision. The representatives of the subdivision will provide all information reasonably necessary for Service Company to make such determination. If service is available, the subdivision residents (or someone other than Service Company) will be responsible for construction of all on-site and off-site facilities necessary to serve the subdivision. Provision of service by the Service Company is further conditioned upon payment of all applicable rates and charges as set forth in this tariff. Service Company, in its sole discretion, will determine whether to accept a subdivision's existing distribution system, which may be subject to upgrade at the sole discretion of the Service Company, or render service pursuant to a master meter, or both, in the case of a subdivision system owned and maintained by a homeowner's association, developer, or other such similar unit.

13. Refundable Advances - If Customer's or Developer's on- and off-site property that is being contributed to Service Company can serve areas other than those of Customer or Developer, Service Company may require the facilities to be oversized to enable service to additional areas and that the Customer or Developer advance the cost of the oversized facilities. Costs paid by the Developer over and above the Developer's hydraulic share of the on- or off-site facilities may be refunded to the Developer in accordance with the terms and conditions of a Refundable Advance Agreement with Service Company. Service Company shall not be required to refund to Developer any fees or charges collected from Customers as a result of Developer's contribution toward the cost of constructing the on- or off-site facilities.

In addition to certifying the on- or off-site facilities as

complete, the engineer of record must also provide a determination of the hydraulic capacity of the facilities and the number of connections it is capable of serving based upon the Service Company's current determination of an Equivalent Residential Unit (ERU). On that basis, Service Company will establish a refundable advance charge per ERU and Service Company will agree to collect and refund same to Developer upon payment of such charges by subsequent customers obtaining service through the on- or off-site facilities. Unless otherwise agreed to by Service Company, no refundable advance treatment will be available to Developer constructing lines and appurtenant facilities less than six (6) inches in diameter. Service Company may limit the life of the Refundable Advance Agreement to a term of not more than seven (7) years, after which time a portion of the refund not made to the Developer will be retained by the Service Company. In no event shall a Developer recover an amount greater than the difference between the capitalized cost of such improvements and the Developer's own hydraulic share of such improvement. The Service Company will not include any interest upon the refund of the Developer's advance.

Service Company will be paid an administrative fee of _____ for processing the refundable advance payments for the benefit of Developer.

14. Time of Payment - It is the policy of the Florida Department of Environmental Protection ("DEP") to reduce the capacity available in Service Company's water and sewer systems upon issuance of a DEP Collection and/or Distribution System Permit (or its equivalent) to construct an on-site system that will receive treatment capacity from Service Company. DEP reduces Service Company's uncommitted capacity by the total number of ERU's that can be served by the on-site system approved in the Permit ("Permit Capacity"). This DEP policy prevents Service Company from committing the Permit Capacity to other developers and customers, regardless of an immediate need and willingness to pay for such capacity.

In an effort to fairly allocate plant capacity, it is Service Company's policy to require Developer to enter into a Developer Agreement concurrent with Service Company signing off on Developer's Permit Application, and to require payment of all charges related to the Permit Capacity committed to Developer at that time. This requirement is intended to avoid a situation in which developers who have not paid service availability charges tie up capacity to the exclusion of customers with an immediate need and ability to pay.

APPENDIX B

WASTEWATER TARIFF

EXHIBIT "D"

WASTEWATER TARIFF

Gulf Environmental Services, Inc.
19910 S. Tamiami Trail
Estero, Florida 33928
(941)498-1000

TABLE OF CONTENTS

TERRITORY SERVED

The territory served is the territory identified in the Franchise Agreement entered into between Gulf Environmental Services, Inc. ("Service Company") and Lee County, Florida ("County"), a copy of which is available at the Service Company's office.

TECHNICAL TERMS AND ABBREVIATIONS

1. "ASSISTED LIVING FACILITY" - An institutional class of customer licensed by the State of Florida, Agency for Health Care Administration pursuant to Chapter 400, Florida Statutes.

2. "CONNECTION (CAPACITY) FEE" - The capital facility cost of the wastewater system capacity utilized by a new connection, which is calculated on an ERU basis.

3. "CONSUMER OR CUSTOMER" - Any person, firm, association, corporation, governmental agency or similar organization, supplied with wastewater service by the Service Company.

4. "CONSUMER'S INSTALLATION" - All pipes, shut-offs, valves, fixtures and appliances or apparatus of every kind and nature used in connection with, or forming a part of, an installation for utilizing wastewater for any purpose, ordinarily located on the consumer's side of "Point of Delivery," whether such installation is owned by Consumer, or used by Consumer under lease or otherwise.

5. "COUNTY" - Lee County, a political subdivision of the State of Florida.

6. "EQUIVALENT RESIDENTIAL UNIT ("ERU") - A measure of the average daily flow for a single residential unit.

7. "FRANCHISE" - The exclusive franchise granted by the County to the Service Company to operate a wastewater collection, treatment, and disposal system within the Territory.

8. "MAIN" - A pipe, conduit, or other facility installed to convey water service to individual service lines or to other mains.

9. "POINT OF DELIVERY" - The point where the Service Company's pipes or meters are connected with pipes of the Consumer.

10. "RATE SCHEDULE" - Refers to rates, charges, or fees for a particular classification of service, which are subject to change from time to time, by approval of the Service Company with the consent of the Lee County Board of County Commissioners.

11. "SERVICE" or "WASTEWATER SERVICE" - In addition to all wastewater service required by the Consumer, the readiness and ability on the part of the Service Company to furnish wastewater service to the Consumer. The maintenance by the Service Company of pressure at the Point of Delivery, upon request, constitutes the rendering of wastewater service, irrespective of whether the Consumer makes any use thereof.

12. "SERVICE COMPANY" - Gulf Environmental Services, Inc, a Florida Not-For-Profit Corporation.

13. "SERVICE LINES" - The pipes of the Service Company that are connected from the Mains to Point of Delivery.

RULES AND REGULATIONS INDEX

RULES AND REGULATIONS

1. General Information - These Rules and Regulations are a part of the rate schedules, applications, and contracts of the Service Company and, in the absence of specific written agreement to the contrary, apply without modification or change to each and every Customer to whom the Service Company renders wastewater service.

   If a portion of these Rules and Regulations are declared unconstitutional or void for any reason by any court of competent jurisdiction, such decision in no way affects the validity of the remaining portions of the Rules and Regulations for wastewater service unless such court order or decision so directs.

2. Signed Application Required - Wastewater service is furnished only after (a) an application for service is made, (b) a Utility Service or Developer Agreement is entered into, (c) all fees and charges are paid, (d) Service Company receives all necessary approvals from governmental agencies to provide service, (e) Service Company has accepted all on- and off-site facilities, and (f) Developer has delivered all instruments, documents, and matters required under its Developer Agreement. A copy of the application or agreement for wastewater service accepted by the Service Company will be furnished to the applicant on request.

   The applicant must furnish to the Service Company the correct name, street address and lot and block number at which service is to be rendered.

3. Applications By Agents - Applications for wastewater service requested by firms, partnerships, associations, corporations, and others must be prepared only by duly authorized parties. When wastewater service is rendered under an agreement or agreements entered into between the Service Company and an agent of the principal, the use of such wastewater service by the principal constitutes full and complete ratification by the principal of the agreement or agreements entered into between agent and the Service Company and under which such wastewater service is rendered.

4. Applications For Building Permit - Upon request of Service Company by applicant for a permit letter for the purpose of obtaining a building permit, the applicant must pay in full the charges and fees in effect at that time for the number of ERUs/Units as defined by the Service Company's Rules and Regulations.

5. Withholding Service - The Service Company may withhold or discontinue water and/or wastewastewater service rendered

under application made by any member or agent of a household, organization or business unless all prior indebtedness to the Service Company of such household, organization or business for wastewater and/or wastewastewater service has been paid in full. Service may also be discontinued for any violation made by the Customer of any rule or regulation set forth in this Tariff.

6. Extensions - The Service Company may make extensions to its existing facilities as may be necessary by one or more Consumers; provided, however, the extension of service is financially feasible for the Service Company.

7. Limitations of Use - Wastewater service purchased from the Service Company may be used by the customer only for the purposes specified in the application for wastewater service. The customer may not sell or otherwise dispose of wastewater service supplied by the Service Company. Wastewater service furnished to the customer must be rendered directly to the customer through Service Company's individual meter and may not be remetered by the customer for the purpose of selling or otherwise disposing of wastewater service to lessees, tenants, or others, and under no circumstances, may the customer or customer's agent or any other individual, association or corporation install meters for the purpose of remetering wastewater service. In no case may a customer, except with the written consent of the Service Company, extend customer's lines across a street, alley, lane, court, property line, avenue, or other way in order to furnish wastewater service to the adjacent property even though such adjacent property may be owned by the customer. In case of such an unauthorized extension, remetering, sale or disposition of service, the customer's wastewater service will be discontinued until such unauthorized extension, remetering, sale or disposition of service is discontinued and full payment is made to the Service Company for wastewater services, calculated on proper classification and rate schedules and reimbursement in full made to the Service Company, for all extra expenses incurred for clerical work, testing and inspections.

8. Continuity of Service - The Service Company will at all times use reasonable diligence to provide continuous wastewater service and, having used reasonable diligence, is not be liable to the customer for failure or interruption of continuous wastewater service. The Service Company is not liable for any act or omission caused directly or indirectly by strikes, labor troubles, accidents, litigations, breakdowns, shutdowns for emergency repairs or adjustments, acts of sabotage, enemies of the United States, Wars, United States, State, Municipal or other governmental interference, acts of God or other causes beyond its control.

9. Termination of Service - At customer's request, Service Company will terminate service to a property on a specified date. Termination is the permanent end of service to a particular location and is distinguished from a discontinuation of service, which is temporary in nature as in the case of a rental occupancy or a seasonal customer. In the event of a termination of service, customer will no longer be responsible for payment for service to the property. However, such termination of service will result in the forfeiture of all fees and charges paid. Any subsequent request for service to the same location must be accompanied by payment of all rates, fees, and charges then in effect.

10. Type and Maintenance - The customer's pipes, apparatus and equipment (a) must be selected, installed, used and maintained in accordance with standard practice, (b) must conform with the Rules and Regulations of the Service Company, and (c) must comply with all Laws and Governmental Regulations applicable to same. The Service Company is not responsible for the maintenance and operation of the customer's pipes and facilities. Consumer agrees further to keep such facilities in good repair and to promptly stop all leaks on consumer's premises. The customer may not utilize any appliance or device that is not properly constructed, controlled and protected, or that may adversely affect the wastewater service. Service Company reserves the right to discontinue or withhold wastewater service to such apparatus or device.

11. Change of Customer's Installation - No changes or increases in the customer's installation, which will materially affect the proper operation of the pipes, mains, or stations of the Service Company, may be made without the prior written consent of the Service Company. The customer is liable for any charge resulting from a violation of this Rule.

    Upon request to increase customer's existing meter size without any change to the type or number of ERU/Units being served, customer will be charged difference due for the Connection Fees, deposits and the cost of labor and materials, less the cost of any inventory items restocked.

12. Unauthorized Connections - Connections to the Service Company's wastewater system for any purpose whatsoever are to be made only by employees of the Service Company. Unauthorized connections render service subject to immediate discontinuance without notice. In such an event, wastewater service will not be restored until the unauthorized connections have been removed and settlement is made in full for all wastewater service estimated by the Service Company to have been used by reason of the unauthorized connection.

    A party illegally connecting to the facilities of Service

Company, or doing so in violation of Service Company's Rules and Regulations, will be charged costs plus expenses and back-billed for wastewater used based upon reasonable estimate of service taken.

13. Inspection of Customer's Installation - All customer's wastewater service installations or changes will be inspected upon completion by a competent authority to ensure that the customer's piping, equipment, and devices have been installed in accordance with accepted standard practice and such local governmental or other rules as may be in effect. Where municipal or other governmental inspection is required by local Rules and Ordinances, the Service Company will not render wastewater service until an inspection has been made and a formal notice of approval from the inspecting authority has been received by the Service Company.

    The Service Company reserves the right to inspect the customer's installation prior to rendering wastewater service and, from time to time thereafter, but assumes no responsibility whatsoever for any portion thereof.

14. Protection of Service Company's Property - The customer must exercise reasonable diligence to protect the Service Company's property on the customer's premises and must not knowingly permit anyone but the Service Company's agents, or other persons authorized by law, to have access to the Service Company's pipes and apparatus.

    If any loss or damage to property of the Service Company is caused by or arises out of negligence or misuse by the customer, the cost of making good such loss or repairing such damage must be paid by the customer.

15. Access to Premises - The duly authorized agents of the Service Company must have access at all reasonable hours to the premises of the customer for the purpose of installing, maintaining, inspecting or removing Service Company's property, reading meters and other purposes incident to performance under, or termination of, the Service Company's agreement with the customer. The Service Company and its agents are not liable for trespass in such an event.

16. Right of Way or Easements - The customer must grant, or cause to be granted to the Service Company, and without cost to the Service Company, all rights, easements, permits and privileges that are necessary for the rendering of wastewater service.

17. Billing Periods - Bills for wastewater service will be rendered monthly, and are due when rendered, and are considered received by the customer when delivered or mailed to the service address or some other place mutually agreed upon by

Service Company and customer. Non-receipt of bills by customer is not a release, nor does it diminish the obligation of customer with respect to payment thereof.

18. Delinquent Bills - Bills are due and payable when rendered and are considered delinquent if not paid within ten (10) days after Service Company has mailed or presented the bill to the Customer for payment. If the Customer is delinquent, the Customer will be given a five (5) working days written notice, which may be provided in a subsequent bill, after which if payment is not received by Service Company, service will be discontinued.

19. Disconnection for Non-Payment - Field personnel may not accept payment from customers when removing meters for non-payment or reconnecting service. Customer may avoid meter removal after personnel have been dispatched by entering into a verbal or written agreement to pay by a mutually agreed upon date the amount due including a non-payment trip charge and/or reconnect fees. Failure by the customer to pay the amount due by the date specified will result in immediate discontinuance of wastewater service. Wastewater service will not be restored until full payment is received in Service Company's office, including an additional reconnect fee.

20. Payment of Wastewater and Wastewastewater Service Bills Concurrently - When both wastewater and wastewastewater service are provided by the Service Company, payment of any wastewater service bill rendered by the Service Company to a customer will not be accepted by the Service Company without the simultaneous or concurrent payment of any water service bill rendered by the Service Company. The Service Company may discontinue both wastewater service and water service to the customer's premises for non-payment of the wastewater service bill or water bill or if payment is not made concurrently. The Service Company will not reestablish or reconnect wastewater service or water service until such time as all wastewater and water service bills and all charges are paid. No partial payment of any bill rendered will be accepted by the Service Company, except by agreement with the Service Company.

21. Returned Checks - Upon return of a check for insufficient funds, customer will be contacted by the most expedient method, and given notice to contact Service Company's office within 5 days. Upon contact by customer, the check may be redeposited (if applicable) or replaced by customer with a second check. Either option incurs a service charge as set forth below. Upon return of a check for the second time, customer is to be notified that restitution must be made immediately by cash or money order only, including the service charges. Customers failing to respond or make restitution

will have wastewater and water service disconnected and will be charged a violation reconnect fee. Service will not be restored until payment in full is received for all charges due.

Check Return Charge - $20.00 or 5% of face value of check, whichever is greater.

22. Change of Occupancy - When change of occupancy takes place on any premises supplied by the Service Company with wastewater service, notice must be given to the Service Company not less than three (3) days prior to the date of change by the outgoing customer. The outgoing customer remains responsible and liable for all wastewater service used on such premises until such notice is received and Service Company has had reasonable time to discontinue wastewater service. If such notice has not been received, the application of a succeeding occupant for wastewater service automatically terminates the prior account.

23. Transfer Fee - Charge for transfer of service to a new owner or tenant at an existing service. Existing owners are not charged when tenants vacate. Transfer Fee - $35.00 per transfer of existing service.

24. Adjustment of Bills - When a customer has been overcharged or undercharged as a result of incorrect application of the rate schedules, incorrect reading of the meter, incorrect connection of the meter, or other similar reasons, the amount may be credited or billed to the customer.

25. Schedule of User and Miscellaneous Service Charges - The following are the Service Company's Schedules of User and Miscellaneous Service Charges, which are subject to change upon approval of the Lee County Board of County Commissioners:

USER (USAGE) CHARGES

CLASSIFICATION	MAXIMUM MONTHLY USAGE BILLED	CHARGE (Per 1,000 gal. or portion thereof)
(Metered)		
Residential	1-12,000	$ 3.52
Multi-Family	"	"
Recreational Vehicle	"	"
Combined Residential	"	"
MH Prorated	"	"
RV Prorated	"	"
Comb. Res. Prorated	"	"
	(Usage applies to all units served by meter)	

Commercial	(All usage)	3.52
(Unmetered)		(Per month per unit)
Residential	flat rate	15.84
Multi-Family	"	12.67
Recreational Vehicle	"	6.34
Comb. Res. (master meter)	"	12.67
MH Prorated	"	12.67
Comb. Res. (prv. water source)	"	15.84
Commercial	"	(Based upon estimate of wastewater discharges and the above charge per 1,000 gallons for commercial)
Comb Res. Prorated (Metered and unmetered)	"	15.84

Reclaimed Effluent Water:
Unless otherwise agreed in writing between Service Company and Developer, the following rate applies: $.17 per 1,000 gallons

MONTHLY SERVICE CHARGES

Residential	$9.20 per acct	
Administrative Fee	2.95 per acct	
Multi-Family	7.35 per unit	
Administrative Fee	2.95 per acct	
Recreational Vehicle	3.70 per lot	
Administrative Fee	2.95 per acct	
Combined Residential (master meter)	9.20 per unit	
Administrative Fee	2.95 per acct	
MH Prorated	1.47 per unit	(10/1/97-9/30/98)
Administrative Fee	2.95 per acct	
Recreational Vehicle Prorated	.74 per unit	(10/1/97-9/30/98)
Administrative Fee	2.95 per acct	
Combined Residential (master meter)	9.20 per unit	
Administrative Fee	2.95 per acct	
Combined Residential		

Prorated	1.84 per unit (10/1/97-9/30/98)
Administrative Fee	2.95 per acct

Commercial

Meter Size	ERU RATIO	CHARGE
5/8"	1.00	$ 12.15
3/4"	1.50	16.75
1"	2.50	25.95
1-1/2"	5.00	49.00
2"	8.00	76.65
3"	16.00	150.30
4"	25.00	233.20
6"	50.00	463.45
8"	80.00	739.70
10"	145.00	1,338.35

26. Miscellaneous Service Charges - The Service Company charges the following miscellaneous service charges. If both water and wastewastewater services are provided, only a single charge is appropriate unless circumstances beyond the control of the Service Company require multiple actions.

a. Premises Visit Fee (Trip Charge) - $20
Includes charges for meter rereads and special reads, customer requested meter tests, and any specific activities in which a trip to the Customer's premises is requested by the Customer or required by the Service Company. Upon written request of a Customer, the Service Company will, without charge, make a field test for the accuracy of a wastewater meter in use at the Customer's premises; provided, however, the meter has not been tested within the past twelve months.

b. Turn On/Turn Off Charges:

	During Normal Working Hours	After Normal Working Hours
Initiation of Service		
Customer Request	$35	$45
Reconnection of Service (Non-Payment Disconnection)	40	55

c. Plan Review Fees - $45 plus $15 per additional ERU.

d. Customer Deposit

Residential Service	
Metered and Unmetered	
Single-Family	$ 45
Multi-Family* (per dwelling unit)	36
Recreational Vehicle	25

(per dwelling unit/lot)

Commercial Service and
all non-residential services

Meter Size	
5/8"	45
3/4	67
1"	115
1 1/2"	225
2"	360
3"	720
4"	1,125
6"	2,250
8"	3,600
10"	6,525

*The multi-family charge is calculated individually based on twice the average or anticipated monthly bill of the Customer as estimated by the Service Company.

The deposit amounts listed above are minimum amounts. Additional deposit amounts may be required, at the discretion of the Service Company, to secure payment of current bills.

The Service Company shall pay interest on customer deposits, which shall be made once a year as a credit on regular bills or when service is discontinued as a credit on final bills. No customer shall recieve interest on his or her deposit until a customer relationship and deposit have been in existence for at least six (6) months. At such time, the customer shall be entitled to receive interest from the date of the commencement of the customer relationship.

If a residential customer has established a satisfactory payment record and has had continuous service for a period of 23 months, Service Company shall refund the customer's deposit; provided, however, the customer has not, during the preceding 12 months: (a) made more than one late payment of a bill, (b) paid a check that was returned for insufficient funds, (c) been disconnected for non-payment, or (d) at any time tampered with the meter or used service in a fraudulent or unathorized manner.

Service Company may retain the deposit of a non-residential customer after a continuous service period of 23 months and shall pay interest on the deposit.

Service Company may, in its discretion, refund a customer

deposit prior to the expiration of 23 months.

e. Usage Reports - $25.00 minimum or $0.15 per meter, whichever is greater.

f. Inspection Fees - Completion of Construction - $150.00 plus $.05 per linear foot if lines are 3" or larger
Warranty Expiration Televising (cleaning) - $.55 per linear foot

g. Developer Application Fees - not to exceed $1000.00 per Main Extension Manual

h. Connect/Disconnect Construction Meter - $25.00 per occurrence

i. Labor & Equipment - $40.00 per 1 man crew per hour
65.00 per 2 man crew per hour

j. Reimbursements for Extra Expenses - The consumer shall reimburse the Service Company for extra expenses (such as for special trips, inspections, additional clerical expenses, etc.) incurred by the Service Company on account of consumer's violation of the Rules and Regulations. The customer will be advised of these expenses prior to Service Company rendering service.

k. Charges not specifically referenced in this tariff will be billed on an actual cost or hourly basis, or both.

SERVICE AVAILABILITY POLICY INDEX

SERVICE AVAILABILITY POLICY

1. Purpose - The Service Company has determined that it is necessary to set forth a policy for the availability of wastewater capacity that will provide a non-discriminatory and equitable basis upon which to provide service to future customers and plan capital expenditures for facilities expansion.

2. Applicability - This policy is applicable throughout the service territory of the Service Company.

3. Agreement For Service - Service is available from Service Company only by entering into a Utility Service Agreement with the Service Company and, if the capacity request warrants, a Developer Agreement, or both. A standard form Utility Service Agreement or Developer Agreement is available at the Service Company's office. Such Agreements may be subject to modification by Service Company to suit the particular circumstances of service to the applicant. Upon execution of a Utility Service Agreement or Developer Agreement, accompanied by payment of the appropriate fees and charges set forth in this tariff, Service Company will reserve the number of connections paid for and will provide service to those units pursuant to its rules and regulations upon notification by Developer that service is required.

4. Non-Transferability - Plant capacity reserved through Customer or Developer's payment of fees and charges cannot be assigned, transferred, leased, encumbered or disposed of in any manner unless, prior to connection, the Customer or Developer has obtained the written consent of the Service Company and all applicable rates and charges are transferred or paid for the new location. Following written notice, Service Company's consent to an assignment of capacity in connection with a bona fide sale of the property to which the plant capacity reservation relates will not be unreasonably withheld. In no instance may the Customer or Developer sell or assign plant capacity for a consideration that is more than the fees and charges actually paid by Customer or Developer to reserve the capacity.

5. Letters of Availability - Service Company may issue Letters Of Availability of wastewater service to Developers for use in obtaining zoning changes and development orders necessary for construction on their property. Such letters are not permit letters and are not specific reservations of capacity for Developer and do not guarantee that capacity will be available for Developer's project at any later date. Such a reservation can only be made through execution of a Developer's Agreement with the Service Company and payment of rates and charges set forth in this tariff. A Developer's Agreement is required prior to issuing a Permit Letter for the purpose of obtaining

a concurrency letter or building permit.

6. Service Availability Payments - In consideration for the Service Company providing wastewater service, Developer may be required to pay certain costs of making service available, including, but not limited to, contributed in cash or in kind on-site wastewater collection systems; payments to defray in whole, or in part, the cost of off-site lines and related facilities, Meter Installation Fees, Tap-in Fees, and Connection Fees. Default in the payment of the charges set forth in this tariff will result in a cancellation of reserved capacity and forfeiture of monies previously paid to Service Company.

7. Connection (Capacity) Fees - Upon execution of a Utility Service or Developer Agreement reserving capacity in the system, Developer or Customer must pay a Connection Fee to reserve capacity in the wastewater system. The Connection Fee represents a capital facility cost of the wastewater system utilized by the new connection. It is calculated on an ERU basis. Service Company's Connection Fee schedule is as follows:

CLASSIFICATION	NO. ERU'S	CHARGE
Residential:		
Single-Family	1.00	$ 1,460
Multi-Family (per dwelling unit)	.80	1,168
Recreational vehicle (per dwelling unit/ lot)	.40	584
Commercial and all Non-Residential Services:		
Meter Size		
5/8"	1.00	1,460
3/4"	1.50	2,190
1"	2.50	3,650
1 1/2"	5.00	7,300
2"	8.00	11,680
3"	16.00	23,360
4"	25.00	36,500
6"	50.00	73,000
8"	80.00	116,800
10"	145.00	211,700

If a commercial connection serves living units such as hotel, motel, or timeshare, etc., with efficiency units that include a kitchen or kitchenette or laundry facilities, the Connection

Fee is the higher of the fee from the meter size schedule above or the number of dwelling units based on the multi-family ERU equivalent.

For developers who (1) entered into a written Developer Agreement with Gulf Utility Company, (2) paid to reserve capacity in the wastewater system prior to Service Company becoming the service provider, and (3) connect to the wastewater system on or before June 30, 1999, the Connection Fees shall be those imposed by Gulf Utility Company immediately prior to Service Company becoming the service provider. For all ERUs reserved, but for which there is no connection made on or before June 30, 1999, the Connection Fees are those set forth above. All others must pay the Connection Fees referenced in this tariff.

8. Backflow Preventor - The Service Company requires the installation of backflow preventors on connections to residential or commercial customers with dual wastewater systems, and in such other situations as deemed reasonably necessary by the Service Company. Developer is required to install a backflow preventor that meets Service Company specifications, and is subject to inspection prior to commencement of service. At its option, Service Company may elect to install, inspect or repair the backflow preventor and Developer or Customer will be required to pay the following:

Meter Size	Fee
3/4"	$ 170.00
1"	210.00
1-1/2"	390.00
2"	470.00
3" and larger	equal current cost

9. Contribution of Lines - Developer may be required to construct and contribute to the Service Company on-site facilities, such as, wastewater collection lines, and off-site facilities, including lift stations and transmission mains in order to provide service to Developer's property. Contribution of such lines is independent of the payment of any charges or fees paid pursuant to this tariff. The construction and contribution of such lines must meet the minimum specifications of the Service Company.

Prior to Service Company accepting on- and off-site facilities and providing service, all such facilities must be conveyed to Service Company by a bill of sale, together with perpetual rights-of-way and easements for appropriate access to the facilities, as well as, Developer providing complete as-built drawings for all lines and facilities, together with accurate cost records establishing the construction costs of the facilities.

10. Obligations of Developer - All contributors and developers must furnish to the Service Company accurate information regarding matters of engineering, construction of buildings, dwellings and proposed densities. Developer must advise Service Company of changes in density factors or consumption requirements during construction of a project.

11. Miscellaneous Construction Provisions - Any contractor or similar person doing work for the Service Company must first show a certificate of insurance acceptable to the Service Company. In case of a service size change being requested by a Customer regardless of pre-installation, or after installation, the Service Company will collect a charge based on the actual cost involved. The cost of a change or relocation of a service will be based on actual cost to Service Company.

12. Service to Existing Subdivisions - In the event Service Company receives a request for service from representatives of an existing subdivision served by other means, Service Company will determine availability of capacity for that subdivision. The representatives of the subdivision will provide all information reasonably necessary for Service Company to make such determination. If service is available, the subdivision residents (or someone other than Service Company) will be responsible for construction of all on-site and off-site facilities necessary to serve the subdivision. Provision of service by the Service Company is further conditioned upon payment of all applicable rates and charges as set forth in this tariff. Service Company, in its sole discretion, will determine whether to accept a subdivision's existing collection system, which may be subject to upgrade at the sole discretion of the Service Company, or render service pursuant to a master meter, or both, in the case of a subdivision system owned and maintained by a homeowner's association, developer, or other such similar unit.

13. Refundable Advances - If Customer's or Developer's on- and off-site property that is being contributed to Service Company can serve areas other than those of Customer or Developer, Service Company may require the facilities to be oversized to enable service to additional areas and that the Customer or Developer advance the cost of the oversized facilities. Costs paid by the Developer over and above the Developer's hydraulic share of the on- or off-site facilities may be refunded to the Developer in accordance with the terms and conditions of a Refundable Advance Agreement with Service Company. Service Company shall not be required to refund to Developer any fees or charges collected from Customers as a result of Developer's contribution toward the cost of constructing the on- or off-site facilities.

In addition to certifying the on- or off-site facilities as

complete, the engineer of record must also provide a determination of the hydraulic capacity of the facilities and the number of connections it is capable of serving based upon the Service Company's current determination of an Equivalent Residential Unit (ERU). On that basis, Service Company will establish a refundable advance charge per ERU and Service Company will agree to collect and refund same to Developer upon payment of such charges by subsequent customers obtaining service through the on- or off-site facilities. Unless otherwise agreed to by Service Company, no refundable advance treatment will be available to Developer constructing lines and appurtenant facilities less than six (6) inches in diameter. Service Company may limit the life of the Refundable Advance Agreement to a term of not more than seven (7) years, after which time a portion of the refund not made to the Developer will be retained by the Service Company. In no event shall a Developer recover an amount greater than the difference between the capitalized cost of such improvements and the Developer's own hydraulic share of such improvement. The Service Company will not include any interest upon the refund of the Developer's advance.

Service Company will be paid an administrative fee of _____ for processing the refundable advance payments for the benefit of Developer.

14. Time of Payment - It is the policy of the Florida Department of Environmental Protection ("DEP") to reduce the capacity available in Service Company's water and sewer systems upon issuance of a DEP Collection and/or Distribution System Permit (or its equivalent) to construct an on-site system that will receive treatment capacity from Service Company. DEP reduces Service Company's uncommitted capacity by the total number of ERU's that can be served by the on-site system approved in the Permit ("Permit Capacity"). This DEP policy prevents Service Company from committing the Permit Capacity to other developers and customers, regardless of an immediate need and willingness to pay for such capacity.

In an effort to fairly allocate plant capacity, it is Service Company's policy to require Developer to enter into a Developer Agreement concurrent with Service Company signing off on Developer's Permit Application, and to require payment of all charges related to the Permit Capacity committed to Developer at that time. This requirement is intended to avoid a situation in which developers who have not paid service availability charges tie up capacity to the exclusion of customers with an immediate need and ability to pay.

APPENDIX C

STANDARD FORM DEVELOPER AGREEMENT

— EXHIBIT "D" —

WATER AND WASTEWATER SERVICE AGREEMENT

THIS AGREEMENT, made as of this _____ day of _____, 19 , between _____, a _____ _____, its successors and assigns ("Developer"), and GULF ENVIRONMENTAL SERVICES, INC., a Florida not-for-profit corporation ("Utility").

RECITALS

The purpose of this Agreement is to set forth in detail the (i) terms and conditions under which Utility will extend and provide water and waste water service to Developer's Property (as hereinafter defined) known as [project name], and (ii) obligations and requirements of each party, with respect to the installation and maintenance of certain facilities.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties agree as follows:

1. Definitions. For the purpose of this Agreement, the following terms shall have the following meanings:

a. Active Connection - A physical connection to Utility's wastewater and/or water system at the Point of Delivery, whether or not service is currently being provided.

b. CIAC - The amount or item of money, services, or property received by Utility, from Developer, any portion of which is provided at no cost to Utility, which represents an addition or transfer to the capital of the Utility, and which is utilized to offset the acquisition, improvement, or construction costs of the Utility's property, facilities, or equipment used to provide service to the Property.

c. Connection (Capacity) Charges - Payment made to the Utility for the cost of reserving capacity in the Utility System.

d. Customer Installation - All facilities on the customer's side of the Point of Delivery.

e. ERU - With respect to water service, 250 gallons per day. With respect to sewer service, 250 gallons per day.

f. Governmental Agency - Any governmental or quasi-governmental authority that exercises jurisdiction over or regulates the Utility and its operation, the construction and use of the Off-Site and On-Site Facilities and the Property and any improvements that may be constructed thereon.

g. Meter Installation Fee - The amount charged for installing the water measuring device at the Point of Delivery, including materials and labor required.

h. Off-Site Facilities - The water transmission mains and facilities, including but not limited to valves, pumps and chlorination-units, and sewer collection trunks, mains and facilities, including, but not limited to, manholes, forcemains, and sewage pumping stations, the purpose of which is to provide water and sewer service to the Property and elsewhere, if any, to be constructed by Developer in accordance with the terms of this Agreement.

i. On-Site Facilities - The water distribution system and/or sewage collection system that is to be located wholly within the Property to be constructed by Developer in accordance with the terms and conditions of this Agreement. If Off-Site Facilities cross the Property via an easement, the On-Site Facilities shall mean the water distribution system or sewage collection system that is located on the Property, exclusive of the Off-Site Facilities.

j. Plans and Specifications - The engineering plans and the specifications of materials to be used and method of construction for the Off-Site and On-Site Facilities prepared by a licensed Florida engineer in compliance with all applicable laws, codes, rules, regulations and the Utility's prescribed standards and general construction specifications.

k. Point of Delivery - The point of delivery of service where the pipes or meters of Utility are connected with the pipes of a consumer. The Point of Delivery shall be at the boundary line of the Property as indicated in the applicable Lee County Division of Transportation Utility Application.

l. Phase - That part of the Property which is being or is to be developed as a unit by Developer.

m. Property - The land described in Exhibit A attached hereto and made a part hereof, or any Phase thereof when applicable.

n. Tap-In Charge - The charge for the actual physical connection to the Utility System.

o. Treatment Facility - Facilities owned by the Utility for production, treatment and storage of water or the treatment and disposal of sewage.

p. Types of Properties:

(1) Single Family Residential - A one family dwelling unit constructed on its own lot and not connected to any other dwelling.

(2) Duplex - One building containing two

attached living units each having kitchen and bathroom facilities.

(3) Triplex - One building containing three attached living units each having kitchen and bathroom facilities.

(4) Townhouse - A series of attached one or two story dwelling units numbering more than three such units in a row each having kitchen and bathroom facilities. Townhouses of two stories are distinguished from apartments in that the first and second story of the townhouse comprise one living unit.

(5) Multiple Family - A building containing more than three units within a structure of one or more stories. Multiple Family includes rental, cooperative or condominium form of occupancy.

(6) Commercial-Residential - All property devoted to commercial use where the intended use contemplates a temporary residency in the building. This includes, but is not limited to, hospitals, nursing homes, hotels, motels, boarding schools or other purpose which contemplates that the public will be in residence on the property either of a semi-permanent or transitory nature.

(7) Commercial - All property devoted to industrial, business, educational or other categories not covered by another Type of Property.

2. Developer's Grant of Rights and Privileges.

a. Developer grants and gives to Utility, its successors and assigns, the following rights, privileges and easements:

(1) The exclusive right or privilege to furnish potable water and sewage collection service to the Property and to all buildings constructed thereon and to all occupants thereof.

(2) The exclusive right, privilege and easement to reconstruct, own, maintain and operate the Off-Site and On-Site Facilities in, under, upon, over and across the present and future streets, roads, terraces, alleys, easements, reserved utility strips and utility sites, and any public place as provided and dedicated to public use in the record plats of the Property, or as otherwise provided for in agreements, dedications, or grants made otherwise and independent of the recorded plats in accordance with this Agreement.

b. The foregoing grants include the necessary easements and rights of ingress and egress to any part of the Property, which shall be for such period of time as Utility or its successors or assigns shall require such rights, privileges or easements for the reconstruction, ownership, maintenance, operation or expansion of

the Off-Site and On-Site Facilities. In the event Utility, after Final Acceptance (as defined in paragraph 4), is required or desires to relocate and install any of the Off-Site and On-Site Facilities in lands within or without the Property lying outside the rights of way, streets and easement areas described above, then Developer shall grant to or obtain for the Utility, without cost or expense to Utility, the necessary easement or easements for such relocation and installation.

3. Representations, Warranties, Covenants and Agreements of Developer. Developer represents and warrants to and covenants and agrees with Utility as follows:

a. Developer is the owner in fee simple of the Property.

b. The execution, delivery and performance by Developer of this Agreement are within its authorized powers and have been duly authorized by all requisite action.

c. Developer intends to develop the Property in phases having Types of Properties and requiring water and sewage collection service as indicated on Exhibit B attached hereto and made a part hereof.

d. In order to implement the grants to Utility specified in paragraph 2, Developer, prior to commencing construction of the On-Site Facilities, shall, by appropriate instrument recorded among the public records of Lee County, Florida, subject the Property to the following covenants and restrictions, as a covenant running with the land:

> Gulf Environmental Services, Inc., or its successors or assigns ("Company"), has the sole and exclusive right to provide all water distribution and sewage collection facilities and service to the Property described in Exhibit "A" and to any property to which water and waste water service is actually rendered by Company. All occupants of any residence, building, unit or improvement erected or located on the Property, and all subsequent or future owners or purchasers of the Property, or any portion thereof, shall receive such services from the Company, and shall pay for the same in accordance with the Company's rate schedules from time to time in effect as approved by the Board of Commissioners of Lee County, Florida; and, all occupants of any residence, building, unit or improvement erected or located on the Property, and all subsequent or future owners or purchasers of the Property, or any portion thereof, agree, by occupying any premises on the Property, or by

recording any deed of conveyance with respect to the Property, that they will not construct, dig, build or otherwise make available nor use such service from any source other than that provided by Company.

e. Developer, at its cost and expense, has or shall cause to be prepared the Plans and Specifications, which shall be reviewed and be subject to the approval of Utility prior to commencement of construction. If there is more than one Phase, the Plans and Specifications may be limited to each of the Phases of the Developer's contemplated development of the Property; however, each Phase shall conform to Developer's master plan for development of the Property which has been previously submitted to Utility with Developer's application for service.

f. After approval of the Plans and Specifications by Utility and upon receipt by Developer of all permits, licenses and approvals of the applicable Governmental Agencies, including the Florida Department of Environmental Protection, Developer shall cause the construction of all Off-Site and On-Site Facilities needed in order to provide water and/or wastewater service to the Property, which shall be constructed by a duly licensed Florida contractor at Developer's cost and expense in accordance with the Plans and Specifications, the terms of this Agreement, and the applicable laws and governmental rules and regulations. Further, such Off-Site Facilities shall be oversized by Developer, if required by Utility, in order to accommodate Utility's overall master plan or to otherwise achieve such economies of scale as may be required to service other properties within the Service Area of Utility. Utility may, at its sole election, grant to Developer a Refundable Advance Agreement in order to assist Developer in the partial recovery of the cost of such oversizing. Developer shall maintain complete and accurate records concerning the construction and cost of the On-Site and Off-Site Facilities including labor and materials, supervision and engineering and other expenses, and shall provide the original cost to the Utility prior to Final Acceptance.

g. During the construction of the Off-Site and On-Site Facilities and prior to Final Acceptance, Utility shall have the right to inspect such construction to determine compliance with the Plans and Specifications. Utility shall be entitled to perform standard tests for pressure, exfiltration, line and grade, and all other normal engineering tests to determine that the system has been installed in accordance with the Plans and Specifications and good engineering practices. Modifications of approved Plans and Specifications shall be by written change order prepared by Developer's engineer and shall be submitted to Utility for approval.

h. Developer has paid Utility an advance deposit of $

_____ to reimburse Utility for its additional costs, including engineering, administrative, inspection and legal costs, incurred in the execution and performance of this Agreement. For each subsequent Phase, if any, Developer, prior to commencing development, shall pay an additional advance deposit in an amount estimated by Utility to cover such costs. Concurrently with Final Acceptance of each Phase the actual amount of such costs shall be determined by Utility and any additional amount shall be paid forthwith to Utility by Developer or unused portion of the deposit refunded to Developer.

i. Developer at its sole cost and expense shall transfer and convey to Utility, all of its right, title and interest to the Off-Site and On-Site Facilities, free and clear of all liens and encumbrances, and such conveyance shall take effect without further action upon the Final Acceptance. As evidence of such transfer and conveyance, and prior to the rendering of service by Utility, Developer shall, (i) convey the Off-Site and On-Site Facilities to Utility by bill of sale, and (ii) convey or cause to be conveyed to Utility, all easements and/or rights-of-way required by Utility covering areas in which Off-Site and On-Site Facilities are located by recordable instrument free and clear of all liens and encumbrances and matters of record. All grants of easements or rights-of-way shall be accompanied by an owner's title policy to Utility, insuring Utility's ownership of such easements and rights-of-way subject only to such exceptions consented to by Utility. Concurrently with the delivery of the bill of sale, Developer shall deliver to Utility final lien waivers and complete and satisfactory evidence of the direct cost of construction of the Off-Site and On-Site Facilities, and Utility shall have the right to inspect Developer's books and records in order to confirm and verify such costs.

j. Subject to the provisions of paragraph 6, and in addition to the transfer of the Off-Site and On-Site Facilities by Developer to Utility as CIAC in accordance with paragraph 3, Developer shall pay to Utility the following sums as CIAC:

A total of $_____ shall be paid to Utility concurrently with the execution of this Agreement as a Connection Fee for the reservation of capacity for the total water and waste water ERU's to be furnished in the first Phase of the Property. $_____ of the Connection Fee shall be for the reservation of _____ water ERUs and $_____ of the Connection Fee shall be for the reservation of _____ waste water ERUs. As Developer commences development of each subsequent Phase, if any, and provided Utility has unreserved capacity available, Developer shall pay to Utility Connection Fees for water and wastewater service then in effect for the total amount of ERU's required for such phase. Developer expressly acknowledges and agrees that the Connection

Fees are for reservations of capacity, that the Connection Fees are non-refundable upon Utility's reservation of capacity, and that the Connection Fees do not reflect the total amount of charges and fees for which Developer may be liable. The additional charges and fees, including the Meter Installation Fee and Tap-In (Actual Connection) Charge, will be determined at the time when the customer connection is made and the customer (other than the Developer or its agents or subcontractors) begins to take service.

k. Receipt of CIAC by Utility is not intended to, nor shall it be construed as, a waiver by Utility of any of its rates, rate schedules or rules and regulations, and their enforcement shall not be affected in any manner whatsoever by Developer making the contribution. Utility shall not be obligated to refund to Developer, any portion of the value of the CIAC for any reason whatsoever, nor shall Utility pay any interest or rate of interest upon the CIAC. Neither Developer nor any person or other entity holding any of the Property by, through, or under Developer, or otherwise, shall have any present or future right, title, claim or interest in and to the CIAC or to any of the facilities and properties of Utility, and all prohibitions applicable to Developer with respect to no refund of contributions and no interest payment on the CIAC, are applicable to all persons or entities. Any user or consumer of water and sewer service is not entitled to offset any bill or bills rendered by Utility for such services against the CIAC. Developer shall not be entitled to offset the CIAC against any claim or claims of Utility.

l. Prior to Utility furnishing water or sewage service, Developer, or any individual customer, shall be required to pay the applicable Connection Fee, Meter Installation Fee, and Tap-In Charge. Developer may install the water meter boxes on a consumer's land at its own expense; provided, however, that such boxes are set to grade and otherwise installed as required by Utility.

m. Unless Utility, at its sole discretion, elects to make the customer connection, responsibility for connecting the Customer Installation to the lines of Utility at the Point of Delivery is the Developer's, or an entity other than Utility, and as to such connections, it is agreed that:

(1) All Customer Installation connections must be inspected by Utility before backfilling and covering of any pipes;

(2) The type of pipe for Customer Installations shall be first specified by Utility;

(3) Notice to Utility requesting an inspection of a Customer Installation connection, and the meter box, if installed

by Developer, is to be given by either the plumber or Developer, and the inspection will be made within twenty-four (24) hours;

(4) If the Developer does not comply with the foregoing inspection procedures, Utility may refuse service to a connection that has not been inspected.

(5) The costs or expenses of constructing all Customer Installations and all costs and expenses of operating, repairing and maintaining any Customer Installation shall be that of Developer or an entity other than Utility.

n. All Off-Site and On-Site Facilities shall at all times remain in the sole, complete and exclusive ownership of Utility, its successors and assigns, and used or held for use by Utility in connection for providing water and sewage service to its customers, and any person or entity owning any part of the Property or any of the Types of Properties constructed or located thereon, shall not have any right, title, claim or interest in and to Off-Site and On-Site Facilities, or any part of them, for any purpose, including the furnishing of water and sewage services to other persons or entities located within or beyond the limits of the Property.

o. Developer shall not engage in the business or businesses of providing water and sewage service to the Property during the period of time Utility, its successors and assigns, provides water and sewage service to the Property. The parties intend that Utility shall have the sole and exclusive right and privilege to provide water and sewage service to the Property and to the occupants of each residence building or unit constructed thereon.

p. By its execution of this Agreement, Developer indemnifies and holds Utility, its successors and assigns, harmless from and against all losses, damages, claims and costs arising out of (i) the relocation and installation by Utility of the Off-Site and On-Site Facilities, or any part thereof, not installed completely within the applicable easements and rights of way and (ii) any and all defects, including materials and installation, in the Off-Site and On-Site Facilities that are discovered within a period of one (1) year following the date of Final Acceptance. Developer shall provide Utility with a surety bond, issued by a company acceptable to Utility, undertaking to maintain the Off-Site and On-Site Facilities in good condition and working order for a period of one (1) year following Final Acceptance. Until Final Acceptance, Developer shall maintain and be responsible for and make any repairs or replacements to the Off-Site and On-Site Facilities. If Developer fails to maintain and make such repairs and replacements in a timely fashion, Utility may, at its option, undertake such action as it deems necessary, and the Developer shall reimburse Utility forthwith upon demand for any cost it

incurs in taking such action.

q. Developer acknowledges that it has received, and has had the opportunity to become fully familiar with, the terms and conditions of Utility's Water and Wastewater Tariffs and Service Availability Policy, which are available for inspection at Utility's office during normal working hours. Developer shall at all times comply with the provisions of Utility's Tariffs and Service Availability Policies.

r. Developer acknowledges that notwithstanding any other provision herein to the contrary, and notwithstanding Utility's acknowledgement that the Property may be developed in Phases, all water and/or sewage service planned in subsequent phases is subject to Utility's availability of unreserved capacity at the time of development of any subsequent phases and that Utility is under no obligation to provide such water and/or sewage service until such time as Utility has been paid the applicable Connection Fees for any such subsequent Phase and such available capacity has been confirmed to Utility by the applicable Governmental Agencies, including the Florida Department of Environmental Protection.

s. In the event the Property or any part thereof is used as a restaurant, hospital, nursing home or any other use involving commercial kitchen facilities, or any other use requiring the utilization of a Grease Trap (as hereinafter defined), Developer shall include as part of the Off-Site or On-Site Facilities, as appropriate, such grease interceptors or grease traps (a "Grease Trap") as may be required by Utility or by applicable law, codes, rules, regulations and standards pertaining thereto, including, without limitation, the rules and regulations promulgated by the Lee County Division of Environmental Protection Services as the same may from time to time be amended (the "Grease Trap Rules"). Provisions for a Grease Trap shall be included in the Plans and Specifications and shall call for such size, capacity and other specifications as are required by the Grease Trap Rules and any requirements of Utility and the applicable Governmental Agencies. Developer shall obtain the necessary permits for the Grease Trap and shall operate and maintain the same in accordance with the Grease Trap Rules and any requirements of Utility and the applicable Governmental Agencies. Developer shall furnish Utility with copies of all permits, maintenance schedules and service invoices that Developer is required to provide under the Grease Trap Rules. Utility shall have the right, but not the obligation, to inspect and test any Grease Trap in order to ensure Developer's compliance with the terms hereof. Developer's obligations and Utility's rights hereunder with respect to any Grease Trap shall apply even if such Grease Trap is a part of the On-Site Facilities and such On-Site Facilities are not required to be dedicated and transferred to Utility pursuant to paragraph 3 hereof. Developer indemnifies and holds harmless Utility from and against any and all

liability, cost, expenses and fees, including attorneys' fees and costs, arising or resulting from Developer's failure to install and adequately maintain a Grease Trap including, without limitation, any costs or expenses resulting or arising from damage to Utility's sewage system lines, lift stations and plant facilities caused by grease, oil, fats, prohibited solvents or any other materials entering into or coming in contact with such lines, lift stations and plant facilities because of Developer's failure to adhere to the provisions hereof.

t. In the event Developer installs private fire lines in or about the Property, Developer shall so advise Utility and shall construct such fire lines in accordance with the requirements of all Governmental Agencies. All of such fire lines shall remain the property of Developer and Developer shall be solely responsible for the construction, use, maintenance, repair and replacement of the same. Utility assumes no responsibility whatsoever for the condition or quality of Developer's private fire lines or for the adequacy of the flow thereof. In addition, Utility shall be paid for service to such private fire lines in accordance with Utility's tariff, as such tariff may from time to time be amended or modified. In connection herewith, Developer shall install and maintain a fire system connection sized to the meter relating to such fire lines in accordance with Utility's requirements. The fire system connection shall remain the Developer's property.

4. Final Acceptance. Final acceptance ("Final Acceptance") of the Off-Site and On-Site Facilities (or such part thereof as will serve a Phase) by Utility shall occur upon satisfaction of all of the following:

a. Completion of construction of the Off-Site and On-Site Facilities in accordance with the Plans and Specifications.

b. Delivery to Utility of four (4) complete sets of as built Plans and Specifications certified by Developer's engineer.

c. Delivery to Utility of survey, or surveys, prepared and sealed by a registered Florida surveyor, showing (i) the final locations of all easements and conveyances of land to be granted Utility, and (ii) with specificity, the location of the Off-Site and On-Site Facilities within such easements and the Property.

d. Completion of all engineering tests and evaluations have been completed to the satisfaction of Utility.

e. Service to be provided by Utility for a minimum of one bona fide customer other than Developer, its contractor, or agent.

f. Developer assigning to Utility all warranties it has obtained from its contractors, suppliers and materialmen with

respect to the construction of the Off-Site and On-Site Facilities and materials used therein.

g. Delivery to Utility of the title evidence and lien waivers referenced in paragraph 3 hereof.

5. Conditions to Utility's Obligation. Utility shall not be obligated to perform under this Agreement unless all of the following conditions precedent to its obligation have been satisfied:

a. Developer's representations and warranties contained in this Agreement are true and correct in all respects.

b. Developer shall have fully performed in all respects its covenants and agreements contained in this Agreement.

c. Receipt by Utility of all necessary approvals and authorizations from the applicable Governmental Agencies to provide water and sewer service to the Property and to use the Off-Site and On-Site Facilities for such purposes. If the Property is not within Utility's service area, Utility may, at its election and at the cost and expense of Developer, obtain the necessary and proper applications, in which event (i) Utility agrees that it will diligently make the necessary and proper applications to all applicable Governmental Agencies, but shall not be liable in any manner for the failure to obtain the same, and (ii) Developer agrees to cooperate with Utility in its effort to obtain the requisite approvals and will prepare and deliver such information, instruments and other matters needed by Utility with respect of making such applications.

d. Final Acceptance has occurred.

e. Delivery by Developer to Utility of all instruments, documents and other matters required under this Agreement, including, but not limited to, the bill of sale, easements, deeds, the policies and evidence of costs specified in paragraph 3.

f. Payment to Utility by Developer of all fees and other sums due and payable under this Agreement.

6. Rights, Covenants and Agreements of Utility. Upon payment of the Connection Fee pursuant to paragraph 3, Utility hereby reserves the necessary plant capacity to provide Developer with service specified in paragraph 3 for the applicable Phase for which payment has been made, with such reservation commencing from the date of payment and continuing for a period of eighteen (18) months thereafter. Upon satisfaction of all of the conditions precedent to Utility's obligations under this Agreement (or Utility's waiver thereof), and provided an Event of Default (as defined in paragraph 7) has not occurred, Utility, subject to its

Water and Wastewater Tariffs and the following terms and conditions, shall furnish water and/or sewer service to the Property and to each Phase thereof, if any, in an amount not to exceed the aggregate number of ERU's and for the Types of Properties and uses specified in paragraph 3:

a. The rate to be charged Developer, its successors and assigns, and individual consumers for water and sewer service shall be those in effect at the time of customer connection and then existing in the tariff of Utility as approved by the applicable Governmental Agencies; provided, however, that Utility, its successors and assigns, may establish, amend or revise, from time to time thereafter, and enforce, modified rates for such service subject to approval, if required, of the applicable Governmental Agencies.

b. Utility may establish, amend or revise from time to time hereafter, and enforce, rules and regulations concerning water and sewer service to the Property subject to the approval, if required, of the applicable Governmental Agencies.

c. Notwithstanding anything in this Agreement to the contrary, Utility may from time to time hereafter authorize an increase in the amount Utility may collect for Connection Fees for each ERU to be provided to the Property, in which event, the unpaid portion of such charges paid as a Connection Fee shall be adjusted to reflect such increase in an amount equal to the ERU's reserved by this Agreement but not furnished to a consumer at the time of increase. Any increase shall be paid by Developer to Utility within fifteen (15) days of notice to Developer of such increase.

d. Developer, its successors or assigns, shall have the right to grant non-exclusive easements to other persons, firms or corporations to provide the Property with utility services other than water and sewer service, provided such easements do not interfere with the easements, rights and privileges granted Utility.

e. Provided Utility has available unreserved capacity, when Utility has received payment of the applicable Connection Fee for each Phase, Utility agrees to complete that part of DEP Form 17-1.205(a), or its equivalent, as related to the reservation of capacity under this Agreement for such Phase. It is understood and agreed, however, that while such capacity may be reserved, Utility is obligated to provide such service only in accordance with the terms of this Agreement.

7. Event of Default. The term "Event of Default" as used in this Agreement shall mean the occurrence from time to time of any one or more of the following:

a. Developer's failure to timely perform the covenants

and agreements contained in this Agreement.

b. If any of Developer's representations or warranties contained in this Agreement are not true and correct.

c. Developer's failure to commence construction of the Off-Site and On-Site Facilities within _____ (___) months from the date of Utility's approval of the Plans and Specifications.

d. If Final Acceptance for the first Phase fails to occur within _____ (_____) months from the date of this Agreement or, with respect to any subsequent Phase, fails to occur within _____ (____) months from the date of Utility's approval of the Plans and Specifications for such Phase.

e. If Utility is not providing either water or sewer service to the Phase for which service was reserved equal to ___ ERU's within _____ (_____) months from the date of Final Acceptance for such Phase.

f. If Developer shall voluntarily be adjudicated a bankrupt or insolvent; seek, allow or consent to the appointment of a receiver or trustee for itself or for all or any part of its property, file a petition seeking relief under the bankruptcy or similar laws of the United States, or any state of competent jurisdiction; make a general assignment for the benefit of creditors; or admit in writing its inability to pay its debts as they mature.

g. If a court of competent jurisdiction shall enter an order or judgment of decree appointing without the consent of the Developer, a receiver or trustee for the Developer, or for all or any part of the property of the Developer or approving a petition filed against the Developer seeking relief under the bankruptcy or other similar laws of the United States or any state or any other jurisdiction and such order, judgment or decree shall remain in force undischarged and unstayed for a period of thirty (30) days. Upon the occurrence of an Event of Default, Utility, in addition to any other remedy it may have, may at its option refuse to provide water and/or sewer service to the Property beyond service already being rendered to individual customers (other than the Developer or its agents or subcontractors) and to any of the Types of Properties therein and terminate this Agreement by written notice thereof to Developer, except as may be otherwise provided in the rules and regulations of the Governmental Agencies in effect from time to time. In addition to all other remedies Utility may have, including a suit for damages and/or equitable relief, upon an Event of Default it shall be entitled to retain the amounts received under this Agreement and any other sums paid or payable hereunder and to sell all or a portion of the capacity reserved hereunder without obligation, at any time, to provide alternate or substitute capacity.

8. Force Majeure. Utility shall not be liable or responsible to Developer by reason of the failure or inability of Utility to take any action it is required to take or to comply with the obligations imposed hereby or for any injury to Developer, which failure, inability or injury is caused by force majeure. The term "force majeure" as employed herein shall mean Acts of God; strikes, lockouts, or other industrial disturbances; acts of public enemies, wars, blockades, riots, acts of Armed Forces; epidemics; breakdown of or damage to machinery, pumps, or pipelines, landslides, earthquakes, fires, storms, floods or washouts; arrests, title disputes, or other litigation; withdrawal of governmental approval or permits or restraints or moratoriums imposed by a Governmental Agency; civil disturbances; explosions; inability to obtain necessary materials, supplies, labor or permits whether due to existing or future rules, regulations, orders, laws, or proclamations either federal, state or county, civil or military; adoption of new or modification of existing rules by a Governmental Agency; or by any other causes, whether or not of the same kind as enumerated herein, not within the sole control of Utility and which by exercise of due diligence Utility is unable to overcome.

9. Miscellaneous.

a. This Agreement shall be effective and its terms and conditions binding on the parties unless (i) Utility receives a notice of disapproval from the Board of County Commissioners of Lee County, Florida, in which event this Agreement shall be null and void, or (ii) the Board of County Commissioners of Lee County, Florida requires any modifications or amendments of the terms of this Agreement, in which event this Agreement shall, at the option of Utility, be null and void or be modified or amended accordingly.

b. This Agreement shall be binding upon and shall inure to the benefit of Developer, Utility and their respective assigns and successors by merger, consolidation or conveyance. This Agreement shall not be sold, conveyed, assigned, transferred or otherwise disposed of by Developer without the prior written consent of Utility first having been obtained.

c. Until further written notice by either party to the other, all notices provided for herein shall be in writing and delivered by U.S. certified mail, and if to Developer, at:

and if to Utility, at:

Gulf Environmental Services, Inc.
19910 S. Tamiami Trail

Estero, Florida 33928
Attention: Mr. J.W. French
President

d. This Agreement supersedes all previous agreements or representations, either verbal or written, heretofore in effect between Developer and Utility, made with respect to the matters herein contained. No additions, alterations or variations of the terms of this Agreement shall be valid, nor can provisions of this Agreement be waived by either party, unless such additions, alterations, variations or waivers are expressed in writing and duly signed by both parties.

e. In the event either the Utility or Developer enforces this Agreement by Court proceedings or otherwise, then the prevailing party shall be entitled to recover from the other party all costs incurred, including reasonable attorneys' fees.

f. All of Developer's representations and warranties and the obligation of Utility to fully perform all of its covenants in this Agreement shall survive and continue subsequent to Utility providing water and sewer service in accordance with the terms of this Agreement.

g. If the Property is developed in Phases the terms and conditions of this Agreement shall apply with respect of each such Phase.

h. Any failure by either party to insist upon the strict performance by the other party of any of the terms and provisions of this Agreement shall not be deemed to be a waiver of any of the terms or provisions of this Agreement and such party failing to require such strict performance shall have the right thereafter to insist upon strict performance by the other party of any and all of them.

i. The use of any gender shall include all other genders. The singular shall include the plural and the plural the singular where the context so requires or admits.

j. The paragraph headings contained in this Agreement are for reference only and shall not in any way affect the meaning, content or interpretation hereof.

k. This Agreement may be executed in separate counterpart copies and so long as each party executes separate counterpart copies or the same copies, this Agreement shall become binding and enforceable as a contract.

l. All instruments, documents and other matters which Developer is obligated to deliver to Utility shall be in form and substance satisfactory to Utility and its counsel.

m. In no event shall Utility be obligated to provide water and/or sewer service to the Property in excess of the amounts and for the Types of Properties other than as set forth in paragraph 3. In the event that all or part of the Property, as a result of a zoning or density change, requires additional water and/or sewer service or facilities to provide service to the Property, new plans and specifications shall be prepared by Developer, or its assigns or successors, to be approved by Utility and a new agreement negotiated and executed prior to granting additional capacity or the installation of the additional facilities. Any new agreement shall be executed prior to the development of all or parts of the Property and shall be in accordance with Utility's tariff in effect at the time of the execution of the new agreement.

IN WITNESS WHEREOF, Developer and Utility have executed and delivered this Agreement as of the day and year first above written.

Signed, sealed and delivered
in the presence of:

[DEVELOPER NAME]

_____ By_____
Name:_____ Name:_____
Its

_____
Name:_____

GULF ENVIRONMENTAL SERVICES, INC.

_____ By_____
Name:_____ Name: J.W. French
Its President

_____
Name:_____

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me this ___ ___ day of _____, 19___, by _____

_____,
[title] of [developer], on behalf of the [type of entity]. They are personally known to me or have produced _____ _____as identification.

_____
Name:_____
Notary Public

My Commission Expires:
Commission Number:_____

STATE OF FLORIDA
COUNTY OF LEE

The foregoing instrument was acknowledged before me this ___ ___ day of _____, 19___, by J.W. French, as President of GULF ENVIRONMENTAL SERVICES, INC., a Florida non-for-profit corporation, on behalf of the corporation. He is personally known to me or has produced _____as identification.

_____
Name:_____
Notary Public

My Commission Expires:
Commission Number:_____

EXHIBIT B

Phase I (or all of Property if there are no Phases):

Types of Properties	No. of Units	Water Consumption	Waste Water Consumption
Multiple Family	_____	_____ ERU's	_____ ERU's
Single Family Residential	_____	_____ ERU's	_____ ERU's
Duplex	_____	_____ ERU's	_____ ERU's
Triplex	_____	_____ ERU's	_____ ERU's
Townhouses	_____	_____ ERU's	_____ ERU's
Commercial Residential	_____	_____ ERU's	_____ ERU's
Commercial	_____	_____ ERU's	_____ ERU's
Total ERU's		_____	_____

Phase II

Types of Properties	No. of Units	Water Consumption	Waste Water Consumption
Multiple Family	_____	_____ ERU's	_____ ERU's
Single Family Residential	_____	_____ ERU's	_____ ERU's
Duplex	_____	_____ ERU's	_____ ERU's
Triplex	_____	_____ ERU's	_____ ERU's
Townhouses	_____	_____ ERU's	_____ ERU's
Commercial Residential	_____	_____ ERU's	_____ ERU's
Commercial	_____	_____ ERU's	_____ ERU's
Total ERU's		_____	_____

Phase III

Types of Properties	No. of Units	Water Consumption	Waste Water Consumption
Multiple Family	_____	_____ ERU's	_____ ERU's
Single Family Residential	_____	_____ ERU's	_____ ERU's
Duplex	_____	_____ ERU's	_____ ERU's
Triplex	_____	_____ ERU's	_____ ERU's
Townhouses	_____	_____ ERU's	_____ ERU's
Commercial Residential	_____	_____ ERU's	_____ ERU's
Commercial	_____	_____ ERU's	_____ ERU's
Total ERU's		_____	_____

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LEE COUNTY
PUBLIC NOTICE

TO ALL PERSONS INTERESTED:

Notice is hereby given that on the 9th day of June, 1998, the Board of Commissioners of Lee County, Florida will conduct a public hearing, which public hearing will take place at the Lee County Commission Chambers at 2120 Main Street, Fort Myers, Florida, and shall commence at 5:00 p.m.. The matters of the public hearing will include, among other items, consideration of: (i) confirmation of the Board of Directors of Gulf Environmental Services, Inc., (ii) in recognition of Section 125.3401, Florida Statutes, and the criteria set forth therein, whether the purchase of the assets of Gulf Utility Company by Gulf Environmental Services, Inc. is in the public interest, (iii) adoption of a statement demonstrating that the purchase of the assets of Gulf Utility Company by Gulf Environmental Services, Inc. is in the public interest, (iv) whether all of the conditions for final Resolution approval, as described and set forth in Lee County Resolution No. 98-03-249, have been satisfied, (v) adoption of a Public Briefing Document with respect to whether the purchase of the assets of Gulf Utility Company by Gulf Environmental Services, Inc. is in the public interest, (vi) approval and adoption of a Franchise Agreement by and between Lee County, Florida and Gulf Environmental Services, Inc., (vii) approval of tariffs for Gulf Environmental Services, Inc., including Service Availability Policies, (viii) approval of Bond Resolution with respect to authorization and sponsorship of not to exceed $56,000,000 Gulf Environmental Services, Inc. Water and Sewer System Revenue Bonds, Series 1998, and (ix) such other matters as may come before the Board with respect to the acquisition by Gulf Environmental Services, Inc. of the assets of Gulf Utility Company.

1. Copies of this Notice and supporting documents are on file in the Minutes Office of the Clerk of Courts of Lee County. The public may inspect or copy the materials during regular business hours at the Office of Lee CARES. The Minutes Office and Lee CARES are located in the Courthouse Administration Building, 2115 Second Street, Fort Myers. Lee CARES is located on the first floor and the Minutes Office is located on the second floor of the Courthouse Administration Building.

2. The public is invited to attend and appear at the public hearing in person, or be represented by counsel, and to make comment upon the proceedings.

3. Notice is hereby given that if a person decides to appeal any decision made by the Board with respect to any matter considered at such meeting, he or she will need a record of the proceedings, and that, for such purposes, he or she may need to ensure that a *verbatim* record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

PLEASE GOVERN YOURSELF ACCORDINGLY.

BOARD OF COUNTY COMMISSIONERS
OF LEE COUNTY, FLORIDA

By: _____
Charlie Green, Ex-Officio Clerk
to the Board of County Commissioners
of Lee County, Florida

APPROVED AS TO FORM:

By: James Yaeger
Office of the County Attorney

Ad Size: 1/4 Page

Publishing Dates: 5/30/98 & 6/4/98

LEE COUNTY BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

BLUE SHEET NO: 980274

1. REQUESTED MOTION:

Action Requested: Consider adoption of Resolution providing preliminary County approval of a proposed plan of finance and inducement for Gulf Environmental Services, Inc. to proceed with acquisition and operation of Gulf Utility Company. Final Board approval and hearing will be held in approximately 60-90 days.

Why Action Is Necessary: Pursuant to Internal Revenue ruling, Gulf Environmental Services, a not-for-profit corporation, is requesting County inducement to proceed with preliminary steps to finance and acquire Gulf Utility Company.

What Action Accomplishes: Initial County approval for not-for-profit corporation to proceed with potential financing and acquisition of utility.

2. DEPARTMENTAL CATEGORY: COMMISSION DISTRICT #C/W	3. MEETING DATE: March 31, 1998
17 H	

4. AGENDA	5. REQUIREMENT/PURPOSE (Specify)	6. REQUESTOR OF INFORMATION:
CONSENT X ADMINISTRATIVE APPEALS PUBLIC TIME REQUIRED:	STATUTE ORDINANCE ADMIN. CODE X OTHER IRS Rule 63-20	A. COMMISSIONER B. DEPARTMENT PUBLIC WORKS C. DIVISION BY: J. W. FRENCH

7. BACKGROUND: Gulf Environmental Services, Inc., an IRC Sec. 501(c)(3) corporation, is requesting the Board adopt a preliminary resolution of inducement for the corporation to pursue the acquisition and operation of Gulf Utility Company. The corporation is organized for the purpose of providing water and wastewater services and facilities in Lee county. They intend to finance the acquisition of the assets of the utility for a bonded amount not to exceed $55M. The ultimate transaction contemplates an arrangement whereby the rights, title and interests of the corporation in the properties of the utility would vest in the County upon the discharge, defeasance or possible County assumption of the bonds issued by the not-for-profit corporation. The Resolution provides preliminary County inducement for the NFP to proceed with the project and incur expenses for the financing, subject to County receipt of documents and final Board satisfaction of conditions as specified in Section 4. If this Resolution is approved, a public hearing will be held and final County approval will need to be rendered in approximately 60-90 days. The Resolution contains certain approval limitations and limits of liability in Sections 5 and 6.

8. STANDING COMMITTEE REVIEW:
Date Reviewed by M&P Committee _____ OR Committee Review Not Required _____

9. RECOMMENDED APPROVAL

DEPARTMENT DIRECTOR	PURCHASING	HUMAN RES.	Office of Budget Services				OTHER	COUNTY ATTORNEY	COUNTY ADMINISTRATOR
			BA	GC	Risk	Dir.			
	N/A	N/A							3/19/98

10. COMMISSION ACTION:
X APPROVED
__ DENIED
__ DEFERRED
__ OTHER

RECVD BY CO. ADMIN. 3/20/98 11:50 AM

CO. ADMIN FORWARDED TO LEE CARES 3/20/98 NOON

ON ADMINISTRATIVE AGENDA

LEE COUNTY RESOLUTION NO. 98-03-249

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, PRELIMINARILY APPROVING A PROPOSED PLAN OF FINANCING OF THE COST OF THE ACQUISITION OF AN EXISTING WATER AND WASTEWATER FACILITY AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONAL WATER AND WASTEWATER DISTRIBUTION, COLLECTION AND TRANSMISSION FACILITIES IN LEE COUNTY BY GULF ENVIRONMENTAL SERVICES, A CORPORATION NOT-FOR-PROFIT ORGANIZED UNDER THE LAWS OF THE STATE OF FLORIDA; AGREEING TO ACCEPT A GRANT OF TITLE TO SUCH FACILITIES UPON RETIREMENT OF THE BONDS TO BE ISSUED PURSUANT TO SUCH PLAN UPON SATISFACTION OF CERTAIN CONDITIONS BY THE CORPORATION; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Board of County Commissioners (the "Board") of Lee County, Florida (the "County") is advised by representatives of Gulf Environmental Services, Inc. (the "Corporation"), that the Corporation is a Florida not-for-profit corporation organized and existing pursuant to the provisions of the laws of the State of Florida for the purpose of providing water and wastewater services and facilities in Lee County; and,

WHEREAS, the County is interested in acquiring the assets of Gulf Utility Company through condemnation, if necessary, and utilizing the Corporation for purposes of accomplishing such acquisition, as described herein; and,

WHEREAS, the Corporation intends to acquire the assets of Gulf Utility

Company, an existing water and wastewater facility in the County, and to construct additional water and wastewater facilities located in the County (the "Project"); and,

WHEREAS, the Corporation has advised the County that it is duly authorized to borrow money for lawful corporate purposes and to issue and sell its bonds for money so borrowed and to pledge the revenues of the Project in order to secure the payment of such bonds; and,

WHEREAS, in order to finance the cost of acquisition, construction and equipping of the Project, the Corporation deems it advisable to borrow money and to issue its Utility Revenue Bonds, Series 1998 (the "Bonds") and to pledge as security for the Bonds, the revenues to be derived from the operation thereof; and,

WHEREAS, the Bonds shall be special obligations of the Corporation payable from revenues of the Project, all as shall be provided in accordance with the terms of an Indenture of Trust (the "Indenture") to be executed between the Corporation and a trust company or bank having trust powers (the "Trustee"); and,

WHEREAS, the proceeds from the sale of the Bonds shall be used only for the specific corporate purpose of providing funds to finance the cost of the Project, to fund a reserve fund, if necessary, and to pay the expenses of issuing the Bonds, and the Corporation has not made and does not intend to make any profit by reason of any business or venture in which it may engage or by reason of the acquisition of the Project and its subsequent operation, and no part of the net earnings of the Corporation, if any, will inure to the benefit of any private person, firm or corporation; and,

WHEREAS, the Corporation has retained as Bond Counsel the firm of Bryant, Miller and Olive, P.A., to serve as Bond Counsel; and,

WHEREAS, the Corporation has advised the County that the authority and powers of the Corporation shall be vested in a governing body which is interested in the general health and welfare of the citizens and inhabitants within the County in the area previously designated as the Florida Public Service Commission certificated service area of the Gulf Utility Company, in Lee County, Florida; and,

WHEREAS, the transaction contemplates and provides an arrangement whereby all of the rights, title and interest of the Corporation in and to all the real and personal property constituting the Project shall vest unencumbered in the County upon discharge, defeasance, or to the extent permitted by law, assumption of the Bonds, and it is appropriate at this time that the County declare its preliminary intention to cooperate in such transaction upon the terms and conditions hereinafter set forth; and,

WHEREAS, the Corporation has requested the County to indicate its preliminary approval in this matter in order to induce the Corporation to proceed with such Project and incur expenses for its initiation and its financing upon the terms and conditions hereof.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, that:

SECTION 1. APPROVAL OF BONDS. Subject to satisfaction of all of the conditions as described in Section 4. hereof, and the establishment of rates and charges sufficient to repay the Bonds; the issuance and sale of the Bonds and by the

Corporation for the purposes described in the foregoing recitals in an aggregate principal amount estimated not to exceed $55,000,000, is hereby approved.

SECTION 2. APPROVAL OF ISSUER. Subject to satisfaction of all of the conditions as described in Section 4. hereof, the acquisition, construction and equipping of the Project, and the purposes and activities of the Corporation as described in the foregoing recitals are hereby approved.

SECTION 3. TITLE TO PROJECT. Subject to satisfaction of all of the conditions as described in Section 4. hereof, the County hereby agrees to accept unencumbered title to all real and personal property constituting the Project upon the discharge, defeasance, or to the extent permitted by law, assumption of the Bonds.

SECTION 4. CONDITIONS FOR FINAL APPROVAL. The approvals and consents described above are subject to satisfaction of the following conditions, and shall constitute conditions precedent to the issuance of Bonds by the Corporation:

(A) The County shall receive a study or report from an engineering firm relating to the feasibility and condition of the Project and the rates to be imposed for the services and products of the Project which shall in all respects be acceptable to the County.

(B) The County shall receive the Indenture pursuant to which the Bonds shall be issued which shall be acceptable to the County in all respects.

(C) The County shall receive the Management Contract

between the Corporation and the entity which shall manage the Project which shall be acceptable to the County in all respects.

(D) The Board of Directors and officers of the Corporation shall be acceptable to the County.

(E) Title documents relating to the Project shall be held in escrow by the Trustee under the Indenture and shall be acceptable to the County.

(F) Such other documents as the County may request shall be received and shall be in a form acceptable to the County.

(G) The Board shall give final approval to the Project and plan of financing.

In the event any one of the aforementioned conditions is not satisfied or accepted by the County, the preliminary approvals and consents granted herein shall be void ab initio, and the County shall have no obligation to proceed with the Project nor the financing thereof and shall have no obligation (pecuniary or otherwise) to the Corporation or any agents, attorneys, consultants or employees thereof for any expenses incurred by them.

SECTION 5. LIMITED APPROVAL. The preliminary approvals and consents given herein shall not be construed as an approval of any necessary rezoning applications or approval or acquiescence to the alteration of existing zoning or land use, nor approval for any other regulatory permits relating to the Project, and the Board

shall not be construed by reason of its adoption of this Resolution to have waived any right of the Board, or estopping the Board from asserting any rights or responsibilities it may have in such regard. Further, the preliminary approval by the Board of the issuance of the Bonds by the Corporation shall not be construed to obligate the County to incur any liability, pecuniary or otherwise, in connection with either the issuance of the Bonds or the acquisition and construction of the Project, and the Corporation shall so provide in the financing documents setting forth the details of the Bonds. Finally, the County shall not be construed by reason of its adoption of this Resolution to (a) attest to the Corporation's ability to repay the indebtedness represented by the Bonds or (b) constitute a recommendation to prospective purchasers of the Bonds to purchase the same.

SECTION 6. NO OBLIGATION OF COUNTY. Nothing herein contained shall be construed to create any obligation, direct, indirect or contingent, on the part of the County to pay any part of the cost of the Project, or any expense of the operation or maintenance of the Project or of such financing, or to pay the principal of and/or interest on any such proposed Bonds as may be issued by the Corporation, or to accept, operate or maintain the Project either in the event of default or failure by the Corporation.

SECTION 7. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption by the Board of County Commissioners at a regular meeting.

The foregoing Resolution was offered by Commissioner Judah, who moved its adoption. The motion was seconded by Commissioner Albion and, being put to a vote, the vote was as follows:

DOUGLAS ST. CERNY	AYE
JOHN MANNING	AYE
RAY JUDAH	AYE
ANDREW COY	AYE
JOHN E. ALBION	AYE

DULY PASSED AND ADOPTED this 31st day of March, 1998.

ATTEST:
CHARLIE GREEN, CLERK

By: _____
Deputy Clerk

BOARD OF COUNTY COMMISSIONERS
OF LEE COUNTY, FLORIDA

By: _____
Chairman

APPROVED AS TO FORM:

By: _____
Office of the County Attorney

JWF

MEMORANDUM

FROM

OFFICE OF THE COUNTY MANAGER
BUDGET SERVICES

Date: March 18, 1998

To: J.W. French
Director, Public Works

From: Bruce Loucks
Administrative Budget
Director

RE: Gulf Environmental Utilities

On March 13, 1998, Jim Yaeger, County Attorney sent a memo to you regarding scheduling of a "blue sheet" for preliminary approval of a resolution that sets forth a proposed plan for Gulf Environmental Services, Inc. to acquire the assets of Gulf Utility Company. Gulf Environmental Services, Inc. the "Corporation" is a 63-20 corporation (see attached description). Although, the Corporation would sell the bonds, the County would become responsible for the facilities upon "discharge, defeasance, or to the extent permitted by law, assumptions of the Bonds,..." (from the proposed resolution).

Public Financial Management, Inc. (PFM) as the County's financial advisor has identified certain issues that should be examined prior to the bond sale in order to determine if this is a worthwhile financing given the County's potential responsibilities. The concern is that sufficient time be provided for the evaluation. Although, Section 4 of the resolution does set forth certain documents that must be received and conditions to be fulfilled prior proceeding with the Project, the complexity of the evaluation necessitates that the information needed be received as quickly as possible.

The enclosed sheet sets forth those issues that should be considered in evaluating participation with a 63-20 corporation.

Cc: Donald Stilwell, County Manager
Larry Johnson, Director, Environmental Services
James Yaeger, County Attorney

63-20 Corporation

A public private partnership may be structured as a 63-20 Corporation (the "Corporation"). A 63-20 Corporation is a not-for-profit (or sometimes referred to as a 501(C)(3) corporation) entity established for a single purpose. The term "63-20 Corporation" is derived from the Internal Revenue Ruling 63-20 which established requirements under which bonds to a not-for-profit corporation are considered to issue debt "on behalf of" any Governmental Entity. There are some general requirements the Corporation must meet, such as (i) it must not be organized for the purpose of profit, (ii) it's activities must be public in nature (such as water and wastewater service), (iii) it's income must not be inure to any private person, (iv) the Governmental Entity must obtain legal title to the property upon the retirement of debt, (v) must have approval of the Governmental Entity.

The Corporation would set forth the purpose within its articles of incorporation and that it is not organized for the purpose of profit. The Corporation would require a board of directors who would be charged with "directing" the Corporation (including rate setting authority). The Corporation would issue tax-exempt bonds for the purpose of financing the project. The Corporation would charge rates that would provide sufficient funds to operate the system and pay the debt. Upon retirement of the debt, the Governmental Entity would receive the title of the project and at that time would be the rightful owner of the System.

Issues to Consider in Establishing a 63-20 Corporation

County

- Existing Franchise Agreements
  - potential loss of revenue
  - may affect method of sale of System
- Existing Service Area - Expansion of County facilities
- Rates/Charges
  - System wide rates
  - Differential rates
- Costs of Transaction
  - Parity issue
  - Insurance/ratings/interest/fees
- Politics of Condemnation

Utility System

- System Condition
  - Need Engineer's assessment of condition
- Financial Condition
  - Need cash flow model
- Operations
  - Public or private
- Projected Growth/Feasibility
- Future Rates & Charges
  - Regulation/Control
- Cost of Transaction
  - Stand Alone
  - Insurance/ratings/interest/fees
- Expansion Needs - Analysis if for acquisition only

Comparison (County vs Corporation)

- Transaction Cost
- Interest Rates
- Cost of Expansion
- Customer Rates

JWF

MEMORANDUM
FROM THE
OFFICE OF COUNTY ATTORNEY

LEE COUNTY
RECEIVED
98 MAR 26 PM 3:11
COMM DEV/PUB WKS CNTR
FOURTH FLOOR

DATE: March 26, 1998

TO: Board of County Commissioners

FROM: James Yaeger
James G. Yaeger
County Attorney

RE: GULF ENVIRONMENTAL SERVICES, INC./GULF UTILITY COMPANY BOARD RESOLUTION ITEM FOR MARCH 31, 1998

The above referenced item is presently scheduled for Board consideration at its March 31, 1998 meeting. While the agenda sheet and attached draft resolution are fairly self-explanatory, I believe the following points are relevant for Board edification and consideration, as appropriate:

A. The overall general premise of this undertaking is to provide a public-private partnership wherein an Internal Revenue Code 63-20 Corporation, Gulf Environmental Services, a not-for-profit, ultimately may issue bond debt on behalf of the County to acquire the assets of Gulf Utility Company. The financing has to be approved by the Board of County Commissioners. The legal title to the acquired property inures to the County upon the retirement, defeasance or possible County assumption of the not-for-profit debt (See 63-20 Corp. reference attached to agenda).

B. The draft resolution is structured to be preliminary in nature and conditions any final Board approval to the Board's receipt and satisfaction of numerous documents, to include engineering feasibility, rate analysis, management contract and overall plan of finance. (See Section 4.)

C. If the Board approves the preliminary resolution, there will need to be a F.S. Sec. 125.3401 public hearing and final Board resolution approval in order for the bonds to be issued and the utility acquired by the not-for-profit.

D. If the proposal is finally approved and acquisition of the utility completed, the not-for-profit will be required to operate pursuant to a County issued utility franchise.

E. As to the draft resolution, please note:

1. The second "Whereas" clause indicates the County is interested in acquiring the assets of Gulf Utility through condemnation, if necessary, and approves using the not-for-profit to accomplish this purpose. This representation should not be made unless the County in good faith would use such action, if necessary, to do so.

Re: GULF ENVIRONMENTAL SERVICES, INC./GULF UTILITY COMPANY

2. Section One provides that, subject to Board satisfaction of the conditions to specifically include final Board approval of the project and plan of finance, the not-for-profit can issue bonds in an amount not to exceed $55M. Rates and charges will need to be established and approved by the County per the final resolution and franchise agreement to cover the bond debt and the operation and maintenance component of the project.

3. Section Three provides that the County will accept title to the Gulf Utility Company properties upon the discharge, defeasance or, to the extent permitted by law, the County's assumption of the bonds.

Should the Board determine to proceed with the adoption of the preliminary resolution, it is important that county administrative staff and consultants, as necessary, have all relevant documents and the time to do an analysis thereof in order that the Board can make an informed final decision on this matter. Due to the technical nature of the proposed transaction, the potential effects on rates, utility operations, and ultimate County title to the utility, the Board may wish to retain necessary fiscal and engineering services to provide recommendations on the proposal, to include the plan of finance.

As the Board proceeds through this process to final approval consideration, I see the following general administrative/policy issues that need to be resolved:

A. Does the County desire to expand the present County utility, water and sewer system?

B. Does the proposed debt plan of finance provide for a fair and reasonable purchase price for the acquisition of the Gulf Utility assets?

C. Is the proposed operations and maintenance agreement fair and reasonable in the compensation and term? Will its provision adequately provide for the continued operational integrity of the utility system?

D. What is the effect of the foregoing on the proposed and reasonably projected customer rates and charges?

If you have any questions, please let me know.

JGY/jm
xc: Donald Stilwell, County Manager
J. W. French, Director, Public Works
Larry Johnson, Director, Environmental Services
Bruce Loucks, Director, Budget Services

Charlie Green
Clerk Of Circuit Court
Lee County, Florida

STATE OF FLORIDA

COUNTY OF LEE

I, Charlie Green, Clerk of the Circuit Court, for Lee County, Florida, and ex-Officio Clerk of the Board of County Commissioners, Lee County, Florida, (in and for said County and State) do hereby certify that the foregoing is a true and photostatic copy of Resolution No. 98-06-18 and its Exhibits A, B, C and D adopted by the Board of County Commissioners on June 9, 1998.

Given under my hand and official seal, at Fort Myers, Florida, this 11th day of June A.D. 1998.

CHARLIE GREEN, CLERK
Clerk of Circuit Court

By: _____
Deputy Clerk

FILED
97 DEC 19 PM 3:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF INCORPORATION

OF

GULF ENVIRONMENTAL SERVICES, INC.

a Not-for-Profit Corporation

The undersigned acknowledges and files these Articles of Incorporation in the Office of the Secretary of State of Florida for the purpose of forming a Not-for-Profit corporation under, and in accordance with, the laws of the State of Florida, and in consideration of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and Internal Revenue Rulings 59-41 and 63-20, and the Revenue Rulings formulated thereunder.

ARTICLE I

NAME OF CORPORATION

The name of the Corporation shall be GULF ENVIRONMENTAL SERVICES, INC. ("Corporation").

ARTICLE II

ADDRESS

The Corporation's initial street address is c/o Rose, Sundstrom & Bentley, LLP, 2548 Blairstone Pines Drive, Tallahassee, Florida 32301 and its mailing address shall be the same. Upon the appointment of its President, the principal office of the Corporation shall be relocated to Ft. Myers, Lee County, Florida.

ARTICLE III

PURPOSE(S)

The Corporation is organized for the purpose of engaging in activities that are public in nature. Specifically, the

Corporation is organized for the purpose of acquiring, owning, operating, maintaining, and expanding the water and wastewater utility known as Gulf Utility Company. The Corporation is also organized for the purpose of constructing, acquiring, owning, operating, maintaining, expanding, or interconnecting with, such other water, wastewater, and reuse facilities as the Board of Directors deems necessary for, and in furtherance of, (1) preserving the water resources within Lee County, Florida, a local subdivision of the State of Florida ("County"); (2) reducing and controlling water pollution in the County; and (3) minimizing the cost of water and wastewater service to the residents of the County.

The purposes of the Corporation shall be conducted in a manner consistent with Section 501(c)(3) of the Internal Revenue Code of 1986 and Section 170(c)(2) of the Internal Revenue code of 1986 as to contributions that are deductible, or any other corresponding provision of any future United States revenue law.

The Corporation is authorized to accept, hold, administer, invest, and disburse funds consistent with the purposes set forth above. All of the assets and earnings of the Corporation shall be used consistent with the purposes set forth above, including the payment of expenses incidental thereto. No part of the Corporation's income shall inure to the benefit of any private individual; however, the Corporation may pay reasonable compensation for services rendered to it, and may make payments and distributions in accordance with the Corporation's purposes set

forth above. A substantial part of the Corporation's activities, and activities of any organization to which the Corporation may contribute, may not be for carrying on propaganda, or otherwise attempting to, influence legislation, or participate or intervene in any political campaign on behalf of any candidate for public office, or any other activity that would disqualify the Corporation from tax exemption under Section 501 of the Internal Revenue Code of 1986, as amended, or such other successor provision or law.

ARTICLE IV

REGISTERED AGENT

The initial registered agent of the Corporation shall be Daren L. Shippy, whose office is located at 2548 Blairstone Pines Drive, Tallahassee, Florida, 32301.

ARTICLE V

DIRECTORS

The Board of Directors shall consist of the number of directors as stated in the Bylaws; however, in no event, may the Board of Directors consist of less than three persons. The directors shall be appointed or confirmed by the Board of Commissioners of Lee County, Florida ("Board of Commissioners"). Any director may be removed without cause by the Board of Commissioners.

The Board of Directors may not approve an agreement for the sale of substantially all of the Corporation's assets, nor adopt a plan of merger, consolidation, or dissolution, except as contemplated by Article XI.

ARTICLE VI

INCORPORATOR

The name and address of the incorporator to these Articles is:

Daren L. Shippy
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

ARTICLE VII

MEMBERSHIP

The Corporation shall have no membership; however, the County shall have a beneficial interest in the Corporation as stated in Article XI.

ARTICLE VIII

DURATION

The Corporation shall have perpetual existence.

ARTICLE IX

BY-LAWS AND AMENDMENTS

The By-Laws of the Corporation shall be adopted, and may be amended by, the Board of Directors. These Articles of Incorporation may be amended by a majority vote of the Board of Directors at a meeting at which a quorum is present.

ARTICLE X

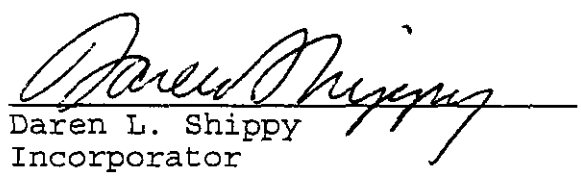
LIABILITY

Neither the incorporator, directors, nor officers shall be liable for any debts of the Corporation or any claims, torts, or responsibilities of any kind claimed against the Corporation.

ARTICLE XI

DISSOLUTION OF CORPORATION

During such time as any indebtedness issued by the Corporation remains outstanding, the County may purchase the Corporation's assets for an amount equal to the Corporation's then outstanding indebtedness, together with interest. Further, upon the retirement or assumption of all of the Corporation's indebtedness, the County shall acquire legal title to the Corporation's property for which such indebtedness was incurred. Upon the occurrence of these events, the Corporation shall be dissolved.


(L.S.)

Daren L. Shippy
Incorporator

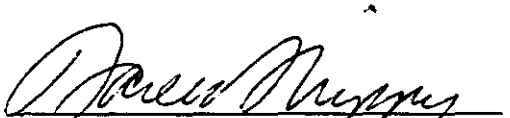
CERTIFICATE DESIGNATING PLACE OF BUSINESS OR DOMICILE FOR THE SERVICE OF PROCESS WITHIN THIS STATE, NAMING AGENT UPON WHOM PROCESS MAY BE SERVED

In pursuance of Chapter 48.091, Florida Statutes, the following is submitted, in compliance with said Act:

GULF ENVIRONMENTAL SERVICES, INC., a not-for-profit corporation, desiring to organize under the laws of the State of Florida with its intended principal office, as indicated in the Articles of Incorporation at the City of Fort Myers, County of Lee, State of Florida, has named Daren L. Shippy, who is located at 2548 Blairstone Pines Drive, City of Tallahassee, County of Leon, State of Florida, as its agent to accept service of process within this State.

ACKNOWLEDGMENT:

Having been named to accept service of process for the above-stated Corporation, at the place designated in this Certificate, I hereby accept to act in this capacity, agree to comply with the provisions of said Act relative to keeping open said office, and I am familiar with, and accept the obligations of, Section 617.0503, Florida Statutes.

By: 

Daren L. Shippy
Registered Agent

FILED
97 DEC 19 PM 3:43
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

severn\lee\article4

Lee County Contract No. C980614

LEE COUNTY RESOLUTION NO. 98-06-19

**FRANCHISE AGREEMENT
BY AND BETWEEN
GULF ENVIRONMENTAL SERVICES, INC.
AND LEE COUNTY, FLORIDA**

A RESOLUTION OF LEE COUNTY GRANTING TO GULF ENVIRONMENTAL SERVICES, INC., ITS SUCCESSORS AND ASSIGNS, THE EXCLUSIVE RIGHT, PRIVILEGE AND FRANCHISE, FOR A PERIOD OF THIRTY YEARS, TO CONSTRUCT, EXPAND, MAINTAIN, AND OTHERWISE OPERATE A WATER SUPPLY, TREATMENT AND DISTRIBUTION SYSTEM, AND A SEWER COLLECTION, TREATMENT AND DISPOSAL SYSTEM, AND GRANTING THE EXCLUSIVE RIGHT, PRIVILEGE, AND FRANCHISE TO PROVIDE WATER AND SEWER SERVICES TO CERTAIN PROPERTY IN LEE COUNTY, FLORIDA.

WHEREAS, Gulf Environmental Services, Inc. ("Grantee"), a Florida not-for-profit corporation, will operate within Lee County, Florida ("County"), (a) a water supply, treatment and distribution system, and (b) a sewer collection, treatment and disposal system (collectively "Utility System");

WHEREAS, Grantee has petitioned the Board of County Commissioners of Lee County, Florida ("Board"), to grant to Gulf Environmental Services, Inc., the exclusive right, privilege, and franchise to provide water and sewer services within the area described in Exhibit "A" ("Franchise Area"); and

WHEREAS, the laws of Florida authorize the granting of such franchise;

NOW BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA:

1. **Grant of Franchise.** (a) Subject to certain conditions

precedent as set out below being fully met and satisfied, Grantee is granted the exclusive right, privilege and franchise to construct, expand, modify, maintain, repair, and operate the Utility System in, under, upon, over and across the present and future streets, roads, terraces, alleys, bridges, easements and other public places located anywhere within the Franchise Area. The Franchise Area may be expanded upon petition by Grantee and approval of the Board. Grantee may dispose of effluent within or without the Franchise Area.

(b) This grant of franchise is expressly conditioned upon Grantee's: (1) issuance of its bonds as referenced in Lee County Resolution NO. 98-06-18, (2) satisfying all other terms and conditions as set out in Lee County Resolution No. 98-06-18, (3) closing on the sale for the purchase of the assets of Gulf Utility Company, and (4) exemption from the Florida Public Service Commission's jurisdiction.

2. **Term.** The term of this Franchise Agreement shall be (a) for thirty (30) years, (b) until the County acquires Grantee's assets, or (c) until defeasance or satisfaction of any bonds issued by Grantee, or the County's assumption thereof, whichever first occurs.

3. **Authority of Grantee.**

a. In consideration of the exclusive right, privilege, and franchise granted by this Franchise Agreement, Grantee may enter into such developer, utility service, refundable advance, effluent disposal, management, and other agreements as it deems

necessary to construct, expand, modify, maintain, repair, and operate the Utility System and to provide service within the Franchise Area. Such agreements may include obligations on the part of the person or entity connecting to the Utility System to make payments of contributions-in-aid-of-construction, capacity reservation charges, connection charges, main extension, service rates, and other charges.

b. Grantee may do all other things it deems necessary to properly and efficiently construct, expand, modify, maintain, repair, and operate the Utility System, and to otherwise carry out the terms, conditions, and intent of this Franchise Agreement.

4. **Police Power and Duty of Board.**

a. Grantee is subject to the lawful exercise of the Board's police power and regulatory authority. The Board may adopt all applicable resolutions as it deems necessary and proper in exercising its police power; provided, however, such regulations must be reasonable and not in conflict with Grantee's rights under this Franchise Agreement or the laws of State of Florida or the United States.

b. Upon reasonable advance notice and request, the Board, or its designated agent(s), may review any agreements to which Grantee is, or will become, a party.

c. The Board shall (1) adopt all resolutions, and (2) take all lawful action(s) necessary to enable Grantee to receive the full benefit of the exclusive right, privilege, and franchise granted by this Franchise Agreement.

5. **Grantee's Duty to Provide Service.**

a. Grantee shall promptly furnish water and sewer service to all persons or entities within the Franchise Area making reasonable request therefor; provided, however, providing such service is financially feasible to Grantee and upon such terms and conditions as are reasonable and acceptable to Grantee.

b. If Grantee is not providing water or sewer service to a portion of the Franchise Area, the Board, after providing Grantee the right of first refusal, may grant such right to any other person or entity that is ready, willing and able to provide water or sewer service to such area. In such an event, the Franchise Area shall be modified accordingly.

c. Grantee shall provide water and sewer service to the Franchise Area in a manner that conforms with the requirements of all public or governmental agencies or bodies having jurisdiction over Grantee.

d. No person or other entity may connect to the Utility System, or otherwise obtain water or sewer service from Grantee, except upon (a) the consent of Grantee, (b) full compliance with Grantee's rules and regulations, and (c) payment of any required contribution in aid of construction, capacity reservation charges, connection charges, fees, rates, or other fees or charges that may be imposed by Grantee.

6. **Location or Construction of Utility System.**

a. The Utility System shall be constructed and located within property to which Grantee has fee simple title or in

dedicated rights-of-ways or properly recorded easements and shall also be constructed so as not to obstruct or interfere with other existing utility lines.

b. All work done by Grantee in, under, upon, over and across the present and future streets, avenues, alleys, highways, bridges, easements, and other public places of the County, shall be done and performed in a good and workmanlike manner. All excavations or damage caused by Grantee shall, within a reasonable time, be replaced or repaired by Grantee to the same or similar condition as existed prior to the excavation or damage.

c. Grantee shall (1) not create any obstructions or conditions that are, or may become, dangerous to the travelling public; (2) hold harmless the Board and County for any damage caused by Grantee, (3) upon notification from the County, move or remove Grantee's water or sewer lines, at no cost to the County, in the event the County widens, repairs, or reconstructs any street, avenue, road, alley, or highway.

7. **Financing of Utility System.** Any bonds issued by Grantee shall not be construed to create any obligation or pledge of credit, whether direct, indirect, or contingent, on the Board or County to pay any costs or expenses related to the purchase, financing, operation, maintenance, or debt service related to the Utility System, unless the County acquires Grantee's assets and assumes the obligation of any such bonds.

8. **Tariffs, Rates, Charges, and Rules and Regulations.**

a. Grantee shall submit a copy of its water and sewer

tariffs to the Board for its review, comment and approval.

b. Grantee may fix, establish, and maintain such rates, fees, charges and collect such fees, rates or other charges for the products, services and facilities of the Utility System, and revise the same from time to time, whenever necessary, subject to Board approval; provided, however, such rates and Board approval shall at all times be sufficient to pay reasonable operating and maintenance expenses of the system, to include, but not be limited to, debt service and debt coverage obligations under Grantee's Series 1998 bond resolution.

c. Within its tariffs, and as approved by the Board, Grantee may establish such rules, regulations and service availability policy, and amend such rules, regulations and service availability policy, as Grantee may determine are reasonably necessary to properly and efficiently construct, expand, modify, maintain, repair, and operate the Utility System.

9. **Complaints.**

a. Upon the request of any affected person, as that term may be defined by law, the Board shall give Grantee written notice of any alleged deficiency, default, objection, or complaint ("Complaint") regarding current or proposed rates, fees, charges, operation of the Utility System, defects in the Utility System, discharge of Grantee's duties, the quality of services furnished, or such other matter as may come before the Board. Such notice shall give Grantee a reasonable time within which to respond to such Complaint.

b. If the Complaint is not amicably resolved between the affected person and Grantee, the Board may, upon reasonable advance notice, schedule a public hearing on the Complaint, at which both the affected person and Grantee may be heard.

c. The decision of the Board on any such matter shall constitute the affected party's final administrative remedy with respect to the Complaint.

10. **Accounting and Inspection of Utility System.**

a. Grantee shall maintain its books and records in accordance with generally accepted accounting principles (GAAP) for public agencies.

b. The Board, or its designated agent(s), may, upon reasonable advance notice to Grantee, inspect the (1) books and records of Grantee, and (2) Utility System.

11. **Insurance.**

a. Grantee, or its management contract operator, shall maintain business automobile liability, comprehensive general liability, and broad form comprehensive general liability insurance, including broad form contractual and personal injury coverage.

b. Grantee, or its management contract operator, shall also maintain property and boiler and machinery coverage with respect to the Utility System for replacement value against all risk of loss, including, if available, coverage for underground facilities.

c. The amount of coverage for the insurance described

in sub-paragraphs a. and b. above shall be in such amounts as are in accordance with good business practice for the protection of Grantee, the Board, Lee County, purchasers of Grantee's Series 1998 bonds, and the general public.

d. If the Utility System is damaged or destroyed, in whole or in part, all insurance proceeds shall be applied towards payment of the cost of repair, rebuilding, restoration or replacement of the Utility System.

12. Transfer of Franchise. This Franchise Agreement may not be sold, assigned, or transferred by Grantee, except as may be permitted by law and subject to written Board approval.

13. Board Acquisition of Grantee's Assets.

a. During such time as any bonds issued by Grantee remain outstanding, the County may purchase Grantee's assets for an amount equal to Grantee's then outstanding indebtedness.

b. Upon the retirement or assumption of all of Grantee's bonds, the County shall acquire legal title to Grantee's assets.

14. Default and Termination.

a. If Grantee fails to substantially comply with the terms and conditions of this Franchise Agreement for a period of 90 days after written notice from the County, the exclusive right, privilege, and franchise granted hereunder, may be forfeited by Grantee, at a public hearing conducted by the Board for such purpose. The decision of the Board at the public hearing shall constitute Grantee's final administrative remedy with respect to

the termination of this Franchise Agreement.

b. Assuming no default by Grantee, this Franchise Agreement shall, nevertheless, terminate upon the earlier of (1) the expiration of thirty (30) years, (2) the Board's acquisition of Grantee's assets, or (3) the defeasance or satisfaction of any bonds issued by Grantee, or the County's assumption thereof.

15. Effective Date. This Franchise Agreement shall take effect from the date of its adoption by the Board, and its acceptance in writing by Grantee.

16. Miscellaneous Provisions.

a. This Franchise Agreement embodies the entire agreement and understandings between the Board and Grantee and there are no other agreements or understandings, either oral or written, with reference to this Franchise Agreement that are not merged into or superseded by this Franchise Agreement.

b. Any notice or other official document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier or sent by certified United States mail, postage prepaid, return receipt requested, or by facsimile transmission with written confirmation.

c. The headings used are for convenience only, and they shall be disregarded in the construction of this Franchise Agreement.

d. The drafting of this Franchise Agreement constituted a joint effort of the Board and Grantee, and in the interpretation

hereof it shall be assumed that no party had any more input or influence than any other. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Franchise Agreement.

e. This Franchise Agreement is solely for the benefit of the Board and Grantee, and no other causes of action shall accrue upon or by reason of this Franchise Agreement, to or for the benefit of any third party, who is not a formal party to this Franchise Agreement.

f. In the event any term or provision of this Franchise Agreement is 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 Franchise Agreement shall be construed to remain in full force and effect.

g. In the event of any litigation that arises between the parties with respect to this Franchise Agreement, the prevailing party shall be entitled to reasonable attorney fees and court costs at all trial and appellate levels.

h. This Franchise Agreement may be amended or modified only if executed in writing by both parties hereto. Grantee may seek a modification of this Franchise Agreement by filing a petition with the Board, after which, the Board shall publish notice and conduct a public hearing on such petition.

i. This Franchise Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida and the United States.

j. This Franchise Agreement shall be binding upon and inure to the benefit of the Board and Grantee's successors and assigns.

ADOPTED this 9th day of June, 1998.

LEE COUNTY, A political subdivision of the State of Florida

Attest:

Charlie Green
Clerk of the Court

By: _____
Deputy Clerk

By: _____
John Manning
Chairman

Approved as to legal form and sufficiency

_____
County Attorney
Date: 9 June 98

Accepted this 10th day of June, 1998.

GULF ENVIRONMENTAL SERVICES, INC.

Witnesses:

_____

_____

By: _____
J.W. French, P.E.
President

\severn\gulf\franchi8

AGREEMENT FOR PURCHASE AND SALE OF WATER AND WASTEWATER ASSETS

By and Between

GULF UTILITY COMPANY

Seller

and

GULF ENVIRONMENTAL SERVICES, INC.

Purchaser

TABLE OF CONTENTS

AGREEMENT FOR PURCHASE AND SALE OF

WATER AND WASTEWATER ASSETS

THIS AGREEMENT ("Agreement") is made this 3rd day of March, 1998, by and between Gulf Utility Company, a Florida corporation (hereafter "Seller"), whose address is 19910 South Tamiami Trail, Estero, Florida 33928, and Gulf Environmental Services, Inc., a Florida Not-for-Profit Corporation (hereafter "Purchaser"), whose address is 2172 McGregor Boulevard, Fort Myers, Florida 33901.

WHEREAS, Seller owns and operates a potable water production, treatment, storage, transmission, and distribution system ("Water System") and a sanitary wastewater collection, treatment and effluent disposal system ("Wastewater System"), collectively, the Utility System, all of which are located in Lee County, Florida, and commonly known as Gulf Utility Company;

WHEREAS, the Utility System operates under Certificate of Public Necessity and Convenience ("Certificates") Nos. 072-W and 064-S issued by the Florida Public Service Commission ("Commission" or "PSC"), which authorize it to provide water and wastewater service to certain territories in unincorporated Lee County, Florida;

WHEREAS, Purchaser has been formed for the purpose of concluding single issue conduit financing of the acquisition of the assets of the Seller, but on behalf of Lee County, Florida, and pursuant to the consent of Lee County to do so;

WHEREAS, the acquisition of the Utility System by Purchaser has been determined by Purchaser to be in the best interest of Purchaser and County. Seller is willing to sell the Utility System to Purchaser, on behalf of the County, without the necessity of County instituting an eminent domain proceeding; and Purchaser has agreed to purchase the Utility System from Seller in lieu of eminent domain proceedings and in settlement of this matter upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Seller and Purchaser hereby agree to sell and purchase the Utility System in lieu of condemnation, upon the following terms and conditions:

1. RECITALS. The foregoing recitals are true and correct and are incorporated herein.

2. COVENANT TO PURCHASE AND SELL; DESCRIPTION OF PURCHASED ASSETS.

a. Purchaser shall buy from Seller, and Seller shall sell to Purchaser, the Purchased Assets (as defined below) upon the terms, and subject to the conditions, set forth in this Agreement.

b. "Purchased Assets" shall include all assets, business properties, and rights, both tangible and intangible, that Seller owns, or in which it has an interest, regarding the "Utility System," including, but not limited to:

(1) The real property and interests in real property owned by Seller, and all buildings and improvements located thereon, as identified in Schedule "A" to this Agreement.

(2) All easements, licenses, prescriptive rights, rights-of-way and rights to use public and private roads, highways, streets and other areas owned or used by Seller for the construction, operation and maintenance of the Utility System, as identified in Schedule "B" to this Agreement.

(3) All water treatment plants, water supply and distribution facilities, wastewater collection, treatment and disposal facilities of every kind and description whatsoever, including but not limited to pumps, plants, tanks, lift stations, transmission mains, distribution mains, supply pipes, collection pipes or facilities, irrigation quality water and effluent disposal facilities, valves, meters, meter boxes, service connections and all other physical facilities, equipment and property installations owned by Seller and used primarily in connection with the Utility System, together with all additions or replacements thereto, as identified in Schedule "C" to this Agreement.

(4) All certificates, immunities, privileges, permits, license rights, consents, grants, ordinances, leaseholds, and all rights to construct, maintain and operate the Utility System and its plants and systems for the procuring, treatment, storage and distribution of potable water and the collection and disposal of wastewater and every right of every character whatever in connection therewith, and the obligations thereof; all agencies for the supply of water to the Utility System or others; all water rights, flowage rights and riparian rights and all renewals, extensions, additions or modifications of any of the foregoing; together with all rights granted to Seller under the Certificates, as identified in Schedule "D" to this Agreement; to the extent that Seller's rights to the foregoing are transferable.

(5) All items of inventory owned by Seller on the Closing Date.

(6) All supplier lists, customer records, prints, plans, engineering reports, surveys, specifications, shop drawings, equipment manuals, and other information reasonably required by Purchaser to operate the Utility System in Seller's possession.

(7) All sets of record drawings, including as-built drawings, showing all facilities of the Utility System, including all original tracings, sepias or other reproducible materials in Seller's possession.

(8) All rights of Seller under any Developer Agreements that may be expressly assumed by Purchaser, as identified in Schedule "E" to this Agreement.

c. The following assets are excluded from the Purchased Assets:

(1) Cash, accounts receivable, bank accounts, equity and debt securities of any nature, deposits maintained by Seller with any governmental authority, utility deposits and prepaid expenses of Seller, which are Seller's sole property and are not subject to refund to customers, including Developers or others.

(2) Escrow and other Seller provisions for payment of federal and state income taxes.

(3) The name and the Florida Corporation known as Gulf Utility Company.

3. PURCHASE PRICE.

a. Purchaser shall to pay to Seller, subject to the adjustments and prorations referenced herein, a total purchase price in the amount of $43,000,000. Payment shall be made to Seller as follows:

(1) Purchaser shall deposit $100,000 upon the execution of this Agreement, to be held in escrow pursuant to the Escrow Agreement attached as Exhibit "C";

(2) At Closing, Purchaser shall pay Seller $42,900,000 in immediately available federal funds, by wire-to-wire transfer to an account designated by Seller.

b. Caloosa Group, Inc., a Florida corporation that is owned by the shareholders of Seller and their affiliates ("Caloosa"), owns a substantial interest in the office building located at 19910 South Tamiami Trail, Estero, Florida in which Seller is a tenant. Seller shall be allowed up to nine (9) months use of the leasehold premises, from the Closing Date, at no cost to Purchaser. Additionally, during the nine (9) month period from the Closing Date, Purchaser shall be responsible for payment of the taxes, utilities, and routine maintenance on the office building, and shall procure and maintain hazard insurance equivalent to the policy currently in effect with respect to the office building. After the expiration of six (6) months from the Closing Date,

Seller may, if successful in the sale of the leasehold premises to a third party, require Purchaser to vacate the leasehold premises upon providing at least thirty (30) days notice prior to the first day of the following month. Seller shall provide such written documentation as may reasonably be required by Purchaser to demonstrate cancellation of the leasehold agreement between Seller and Caloosa, and Purchaser and Caloosa shall enter into the Lease Agreement attached as Exhibit "A", the terms of which shall include that Purchaser shall pay Caloosa $24,000 in rent at Closing, plus sales tax. Also, Purchaser shall pay Caloosa $226,000 in cash at Closing for termination of the existing leasehold agreement.

c. Title to the Purchased Assets shall be delivered by the Seller to the Purchaser at Closing, free and clear of all liens, encumbrances, debts, liabilities, or third party claims whatsoever ("Encumbrances"), other than Permitted Encumbrances (as defined in Section 6 hereof). However, Seller shall have no liability to Purchaser in the event the Real Property is subject to any Encumbrances.

4. REPRESENTATIONS AND WARRANTIES OF SELLER. As a material inducement to Purchaser to execute this Agreement and perform its obligations thereunder, Seller represents and warrants to Purchaser as follows:

a. Seller is duly organized, validly existing and in good standing under the laws of the State of Florida. Seller has all requisite corporate power and authority to carry on its business as now being conducted, to enter into this Agreement, and to carry out and perform the terms and conditions of this Agreement.

b. The Board of Directors and Shareholders of Seller have, or prior to Closing will have, approved this Agreement.

c. Seller shall, within 5 days of the execution of this Agreement, deliver to Purchaser an audited balance sheet of Seller for the years ending December 31, 1995 and December 31, 1996, and related statements of income for the fiscal periods then ended of Seller (such balance sheets and related statements of income are hereinafter collectively called the "Audited Financial Statements"). The Audited Financial Statements are in accordance with the books and records of Seller and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The Audited Financial Statements present fairly the financial position of Seller, and present fairly the results of the operations and the changes in financial position of the Company for the periods indicated subject to normally recurring year-end adjustments and in accordance with generally accepted accounting principles, none of which are adverse. At the close of business on December 31, 1996, Seller did not have any indebtedness, liabilities, obligations, or loss contingencies

(within Statement of Financial Accounting Standards No. 5), contingent, inchoate, liquidated or unliquidated, that were required to have been, but were not, fully reflected, reserved against or disclosed on the Audited Balance Sheet (or the notes thereto) in accordance with generally accepted accounting principles. All financial statements of Seller for 1997 and until the Closing Date have been prepared in accordance with the books and records of Seller and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis with those of calendar years 1995 and 1996.

d. Since December 31, 1997, Seller has not:

(1) Incurred any obligations or liabilities, whether absolute, accrued, contingent, or otherwise, for which Purchaser would have any liability or obligation, except as may be specifically assumed by Purchaser in writing at Closing;

(2) Mortgaged, pledged, or subjected to lien or any other encumbrances or charges, any of its tangible or intangible assets, which will not be discharged at or prior to Closing, except as may be specifically assumed by Purchaser in writing at Closing;

(3) Sold or transferred any of its assets, except in the ordinary course of business;

(4) Suffered any damage, destruction, or loss (whether or not covered by insurance) of substantial value affecting the properties, business, or prospects of Seller, or waived any rights of substantial value; or

(5) Entered into any transaction other than in the ordinary course of business.

e. To Seller's knowledge, there are no legal actions, suits, mediations, arbitrations, or other legal or administrative proceedings pending or threatened against Seller that could affect it or its properties, assets, or business; and Seller is unaware of any facts that might result in any action, suit, mediation, arbitration, or other proceedings that might result in any adverse change in the business or condition (financial or otherwise) of Seller or its properties or assets. Seller is not in default with respect to any judgment, order, or decree of any court or any governmental agency or instrumentality.

f. The business operations of Seller have been and are being conducted in all material respects in accordance with all applicable laws, rules, and regulations of all authorities. Seller is not in violation of, or in default under, any term or provision of its Articles of Incorporation or By-Laws, as amended (if applicable), or any lien, mortgage, lease, agreement, instrument, order, judgment, or decree, or subject to any restriction of any

kind or character contained in the foregoing that reasonably could be expected to adversely affect in any way the business, properties, assets, or prospects of Seller, or that would prohibit Seller from entering into this Agreement or prevent consummation of the purchase and sale of assets contemplated by this Agreement.

g. Seller has not currently been cited or notified, and is unaware, of any material violation of any material governmental rules, regulations, permitting conditions, or other governmental requirements of any type or nature applicable to the ownership, maintenance, construction or operation of the Utility System except for the ordinary maintenance and operation of the Utility System in accordance with applicable laws and the continuing obligations of Seller after the Closing, which are required to maintain and operate the Utility System, nor is Seller aware of any conditions, which by reason of the passing of time or the giving of notice, would constitute such a violation.

h. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Seller, the Articles of Incorporation or By-Laws of Seller, nor any indenture, agreement, or other instrument to which Seller is a party, or by which it is bound, except for the requirement of obtaining consents from third parties to the assignment of contracts and leases, to the extent necessary.

i. Schedule "A" to this Agreement identifies all parcels of land, together with all existing buildings and improvements erected thereon, that Seller owns or to which Seller has title ("Real Property"). Seller has exclusive possession, control, and, to its actual knowledge, ownership and good and marketable title to all Real Property, including without limitation, those used or located on property controlled by Seller in its business on the date of this Agreement. To Seller's knowledge, the Real Property is subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction except Permitted Encumbrances. At Closing, Seller shall deliver title to such Real Property free and clear of all debts, liens, pledges, charges or encumbrances, whatsoever, other than Permitted Encumbrances. Seller makes no representation as to the condition of the Real Property, and Purchaser acknowledges that it is accepting the Real Property in "as is" condition, with no warranty of merchantability or fitness for a particular purpose or use, except for (i) the representations set forth in this paragraph, and (ii) the Environmental Law Compliance representations set forth in subsection o. below.

j. Seller has exclusive ownership, possession, control, and good and marketable title to all Purchased Assets other than the Real Property, including without limitation, those reflected in the Audited Financial Statements (except as may have been sold by

Seller in the ordinary course of business), and those used or located on property controlled by Seller in its business on the date of this Agreement. The Purchased Assets other than the Real Property are subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction except Permitted Encumbrances. At Closing, Seller shall deliver title to the Purchased Assets other than the Real Property free and clear of all debts, liens, pledges, charges or encumbrances, whatsoever. Seller makes no representation as to the condition of the Purchased Assets other than the Real Property, and Purchaser acknowledges that it is accepting the purchased assets other than the Real Property in "as is" condition, with no warranty of merchantability or fitness for a particular purpose or use, except the Purchased Assets other than the Real Property, at Closing, shall be free and clear of all debts, liens, pledges, charges or encumbrances, whatsoever, other than Permitted Encumbrances.

k. To Seller's knowledge, Seller has not been threatened with any action or proceeding under any building or zoning ordinance, regulation, or law.

l. A complete list of Seller's liabilities being assumed by Purchaser is set forth in Schedule "F" to this Agreement.

m. There are no representations or warranties contained within this Agreement, and no exhibits, certificate, schedule or other document furnished or to be furnished in connection with the transaction contemplated hereby, which contain or will contain a misstatement of material fact, or omits or will omit to state a material fact required to be stated in order to make the statement therein not misleading.

n. Seller is not in default with respect to any order, writ, injunction, or decree of any court or federal, state, municipal or other governmental department regarding the ownership, operation or maintenance of the Purchased Assets or businesses comprising or relating to the Utility System. To Seller's knowledge, there is no pending or threatened litigation or governmental action that could prohibit or interfere with the performance of this Agreement.

o. Environmental Law Compliance.

(1) Definitions.

(a) "Environmental Law" means any federal, state, or local statute, order, regulation, or ordinance, or common law or equitable doctrine relating to the protection of human health or the environment in effect as of the Closing Date and includes, but is not limited to, The Florida Air and Water Pollution Control Act (Chapter 403, Florida Statutes), the

Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clear Water Act (33 U.S.C. § 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and the Safe Drinking Water Act, (42 U.S.C. § 300f et seq.), as such have been amended or supplement as of the Closing Date, and the regulations promulgated pursuant thereto, and in effect as of the Closing Date.

(b) "Hazardous Material" means petroleum or any substance, material, or waste which is regulated under any Environmental Law in the jurisdictions in which Seller conducts its business including, without limitation, any material or substance that is defined as or considered to be a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "toxic waste," or "toxic substance" under any provision of Environmental Law.

(c) "Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, or dispersal into the environment, at or from any property owned or operated by Seller or related to Hazardous Materials generated by Seller.

(d) "Remedial Action" means all actions required to (1) clean up, remove, or treat any Hazardous Material; (2) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the environment; or (3) perform pre-remedial studies and investigations or post-remedial monitoring and care directly related to or in connection with any such remedial action.

(2) Representations. To Seller's actual knowledge:

(a) Seller is in material compliance with all applicable Environmental Laws and has no material liability thereunder, and there is no reasonable basis for any such liability.

(b) Seller has obtained all permits required, or has submitted applications for such permits in a timely manner, under applicable Environmental Laws necessary for the operation of its business as presently conducted as of the date of this Agreement.

(c) Seller has not received within the last three years and is not aware of any pending communication from any governmental authority or other party with respect to (1) the actual or alleged violation of any Environmental Laws; (2) any actual or proposed Remedial Action; or (3) any Release or threatened Release of a Hazardous Material.

(d) No polychlorinated biphenyl or asbestos-containing materials, in material violation of Environmental Law are, or have been, present at any property when owned, operated, or leased by Seller, nor are there any underground storage tanks, active or abandoned, at any property owned, operated, or leased by Seller.

(e) There is no Hazardous Material located, in material violation of Environmental Law, at any site that is owned, leased, operated, or managed by Seller other than chemicals used for treatment (such as chlorine); no site that is owned, leased, operated, or managed by Seller is listed or formally proposed for listing under CERCLA, the Comprehensive Environmental Response, Compensation Liability Information System ("CERCLIS") or on any similar state list that is the subject of federal, state, or local enforcement actions or other investigations that may lead to claims against Seller for clean-up costs, remedial work, damages to natural resources, or for personal injury claims, including, but not limited to, claims under CERCLA; and there is no reasonable basis for Seller to be named in such claims or for any similar action to be brought against Seller.

(f) No written notification of a Release of a Hazardous Material has been filed by or on behalf of Seller or with respect to any property when owned, operated, or leased by Seller. No such property is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, or CERCLIS, or any similar state list of sites requiring investigation or clean up.

(g) No Hazardous Material has been released in material violation of Environmental Law at, on, or under any property now or when formerly owned, operated, or leased by Seller; and no Hazardous Material has been released in material violation of Environmental Law at, on, or under any such property before such property was owned, operated, or leased by Seller.

(3) Inspection and Remedies.

(a) Purchaser shall engage Johnson Engineering, Inc. of Fort Myers to perform a Phase I Environmental Survey (and a subsequent Phase II, if necessary) of the Real Property. Copies of each such Environmental Survey shall be promptly provided by Purchaser to Seller. Purchaser shall satisfy itself that the Real Property being acquired is in compliance with all applicable Environmental Law and that Purchaser will have no material liability thereunder, and that there is no reasonable basis for the imposition of such liability in the future, due to the condition of the Real Property as of the Closing Date. Should contamination be found on the Real Property prior to the Closing Date, Seller shall have the right to perform such clean-up and remediation as is necessary thereunder. Upon Seller's failure to perform such clean-up and remediation, prior to the Closing Date,

Purchaser may terminate this Agreement, and neither party shall have any liability to the other (and Seller shall retain the $100,000 deposit referenced in Section 9.f. hereof), or Purchaser may proceed to Closing without abatement of the Purchase Price. The cost of the Environmental Surveys shall be paid one-half by Purchaser and one-half by Seller.

p. Seller has (1) duly filed with the appropriate governmental authorities all tax returns required to be filed by it, and such tax returns are true, correct, and complete in all material respects; and (2) duly paid in full or made adequate provision for the payment of all Taxes (as defined below) that are due and payable with respect to all periods ending prior to the Closing Date, or otherwise allocable to a period prior to the Closing Date, other than taxes arising out of the transaction contemplated by this Agreement. Seller is not a party to any action or proceeding, nor is any such action or proceeding threatened, by any governmental taxing authority for the assessment or collection of any Taxes, and no deficiency notices or reports have been received by Seller with respect to any deficiencies for Taxes. There are no outstanding requests, agreements, consents, or waivers to extend the statutory period of limitations applicable to the assessment of any Taxes or deficiencies against Seller. Seller is not a party to any agreement providing for the allocation or sharing of Taxes.

Seller has received no communication from either the Internal Revenue Service or Florida Department of Revenue within three (3) years prior to the Closing Date reflecting any deficiencies in Taxes due and owing.

For purposes of this Agreement, the term "Taxes" shall mean all taxes, charges, fees, levies, or other assessments, including without limitation, income, gross receipts, excise, property, sales, withholding, social security, occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States, or any state, local, or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest, fines, penalties, or additional amounts attributable or imposed or with respect to any such taxes, charges, fees, levies, or other assessments, but shall not include any of the foregoing arising out of, or associated with, the transactions contemplated by this Agreement.

q. Seller has valid Florida Public Service Commission Certificates authorizing it to conduct its present operations in the manner in which such operations are now conducted and in of all the territory in which it now renders service, and to maintain its mains and pipes in the streets and highways of such territories.

r. Seller has not dealt with either a broker, salesman, or finder in connection with any part of the transaction contemplated by this Agreement, and, insofar as it knows, no broker, salesman or other person is entitled to any commission or fee with respect to such transaction as a result of Seller's actions.

s. Seller shall complete the ongoing 750,000 gallon per day expansion of its wastewater treatment plant prior to the Closing Date.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER. As a material inducement to Seller to execute this Agreement and to perform its obligations thereunder, Purchaser represents and warrants to Seller as follows:

a. Purchaser is a Florida Not-for-Profit corporation, and has all requisite 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.

b. Purchaser has been duly incorporated and organized and is validly existing and in good standing under the laws of the State of Florida and has all requisite corporate power and authority to enter into this Agreement, and has, or reasonably expects to acquire, all requisite power and authority to perform its obligations hereunder and to consummate the transactions contemplated hereby.

c. The execution, delivery and performance of this Agreement by Purchaser, and the consummation by Purchaser of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of Purchaser.

d. Purchaser has duly executed and delivered this Agreement. This Agreement constitutes, and all other agreements to be executed by Purchaser will constitute when executed and delivered, valid and binding obligations of Purchaser, enforceable in accordance with their terms.

e. The execution, delivery and performance of this Agreement by Purchaser, and the consummation by Purchaser of the transactions contemplated hereby, do not and will not (i) violate any provision of law applicable to Purchaser or the articles of incorporation or bylaws of Purchaser; (ii) require the consent, waiver, approval, license or authorization of, or filing with, any person or entity, other than approval by the County; or (iii) with or without the giving of notice or the passage of time or both, conflict with or result in a breach or termination of, constitute a default under or result in the creation of any lien, charge or encumbrance upon any of the assets of Purchaser pursuant to, any provision of any mortgage, deed of trust, indenture or other agreement or instrument, or any order, judgment, decree or other

restriction of any kind or character, to which Purchaser is a party or by which Purchaser or any of its assets may be bound.

f. Purchaser is not subject to or a party to any charter, bylaw, mortgage, lien, lease, license, permit, agreement, contract, instrument, law, rule, ordinance, regulation, order, judgment or decree, or any other restriction of any kind or character that would prevent consummation of the transactions contemplated by this Agreement.

g. No representation or warranty contained in this Agreement, and no statement, certificate, schedule, list or other information furnished or to be furnished by or on behalf of Purchaser to Seller in connection with this Agreement, contains or will contain any untrue statement of a material fact, or omits to state or will omit to state a material fact necessary in order to make the statements herein or therein not misleading.

h. Either County has, or Purchaser in good faith believes County will, authorize the creation of Purchaser and the indebtedness to be issued by Purchaser with respect to this transaction.

i. All the necessary public hearings, if any, required to authorize Purchaser's purchase of the Utility System and this Agreement will have been duly held prior to Closing and all appropriate governmental action required to be taken by County will have been duly taken, executed and delivered by County or Purchaser prior to the Closing Date.

j. Purchaser shall, subsequent to Closing, and consistent with prudent business practices, industry standards applicable thereto, and the requirements of the appropriate governmental agencies having jurisdiction over the assets and businesses of the Utility System, provide water and wastewater services to all properties, improvements thereon and the occupants thereof, located within the Seller's service area after connection has been made, in a uniform and nondiscriminatory manner with other property and property owners served by Purchaser.

k. Purchaser has not dealt with either a broker, salesman, or finder in connection with any part of the transaction contemplated by this Agreement, and, in so far as it knows, no broker, salesman or other person is entitled to any commission or fee with respect to such transaction.

l. Purchaser believes the County, which is a governmental organization that is authorized to acquire the Utility System through condemnation, has advised, or would advise, through its designated agent, Gulf Utility Company, that the County would take the steps necessary to condemn the Utility System if a voluntary sale was not authorized.

6. TITLE INSURANCE AND PERMITTED ENCUMBRANCES.

a. At least thirty (30) days prior to the Closing, Purchaser and Seller shall cause to be issued and delivered a current title insurance commitment issued by a title company licensed to do business in the state of Florida, covering the fee simple real property included in the Purchased Assets, which shall be in an amount equal to $25,000,000. The cost of the title insurance commitment and title insurance shall be borne one-half by Seller and one-half by Purchaser. The title insurance commitment shall commit the insurer to issue owner's title insurance policies to Purchaser covering the fee simple real property portion of the Purchased Assets (substantially in accordance with the ALTA Standard Owner's Form B), reflecting title to the Real Property to be marketable or insurable, except for the Permitted Encumbrances (as defined below), the standard printed exceptions usually contained in an owner's title insurance policy, and the standard exclusions from coverage; provided, however, that the title insurance company shall delete the standard exceptions customarily deleted for such items as materialman's liens, survey, and mechanic's liens. Seller shall execute at or prior to Closing, in favor of the title insurance company, the appropriate mechanic's lien affidavit and "Gap" affidavit sufficient to allow the title insurance company to delete all standard exceptions addressed by such affidavits.

Purchaser shall notify Seller in writing no less than ten (10) days after receipt of such title insurance commitment, of any alleged material defect in Seller's title to the Real Property, other than those accepted herein and the Permitted Encumbrances (such written notice to include all exceptions, encumbrances, liens, easements, covenants, restrictions or other defects in Seller's title to the real estate (other than the Permitted Encumbrances), which render or may render Seller's title to the Real Property unmarketable in accordance with standards adopted by The Florida Bar or uninsurable). Any objections to title to the extent not shown on the notice furnished by Purchaser in accordance with the provisions of this paragraph shall be deemed to have been waived by Purchaser and Purchaser shall not be entitled to any damages or other remedies. Seller shall have thirty (30) days after receipt of Purchaser's notice, to eliminate all of the material objections to title set forth in Purchaser's notice. However, in no event shall Seller be required to bring suit or expend any sum in excess of $250,000 in the aggregate to cure title defects, exclusive of mortgages against the Property, which are in a liquidated amount or Seller has an obligation to discharge on or before Closing pursuant to the terms of this Agreement. In the event Seller fails to deliver title as herein provided, then Purchaser may:

(1) Accept whatever title Seller is able to convey with no abatement of the Purchase Price; or

(2) Reject title and terminate this Agreement with no liability for damages from either Purchaser or Seller, and Seller shall retain the $100,000 deposit referenced in Section 9.f. hereof.

b. If Purchaser rejects title as provided above, neither party shall have any further liability under this Agreement. Purchaser shall not object to title by reason of the existence of any mortgage, lien, encumbrance, covenant, restriction or other matter that (a) may be satisfied with a payment of money and Seller elects to do so by paying same at or prior to the Closing Date; (b) any mechanic's lien or other encumbrance which can be released of record, bonded or transferred of record to substitute security so as to relieve the real estate from the burden thereof and Seller elects to do so at or prior to Closing; or (c) the title insurance company issuing the title insurance commitments affirmatively insures-over.

c. The survey shall be updated as necessary in order to eliminate survey exceptions from the title insurance policy. Purchaser shall deliver, promptly after Closing, the title insurance policy issued on the binder.

d. As used above, "Permitted Encumbrances" mean and include the following:

(1) All present and future building restrictions, zoning regulations, laws, ordinances, resolutions, regulations and orders of any governmental authority having jurisdiction over the Real Property and the use thereof as represented herein.

(2) Easements, restrictions, reservations, rights-of-way, conditions and limitations of record, if any, which are not coupled with any reverter or forfeiture provisions, including (without limitation) any drainage, canal, mineral, road, or other reservations of record in favor of the State of Florida or any of its agencies or governmental or quasi-governmental entities, or as may be set forth in any "Murphy Deeds", none of which, however, shall impair or restrict the use of the Property for the operation of the Utility Systems.

(3) The matters listed in Schedule "G".

(4) Such other matters as are permitted under the terms of this Agreement, including but not limited to the Developer Agreements, the existence of which Seller has provided notice to Purchaser.

7. CONDITIONS PRECEDENT TO CLOSING. The obligations of each party to close the transaction contemplated by this Agreement are subject to the conditions that, at or before the Closing Date:

a. Neither Party shall be prohibited by decree or law from consummating the transaction.

b. There shall not be pending on the Closing Date any legal action or proceeding that prohibits the acquisition or sale of the Purchased Assets or prohibits Purchaser or Seller from closing the transaction or Purchaser from paying the purchase price, or that inhibits or restricts in any material manner Purchaser's use, title, or enjoyment of the Purchased Assets.

c. The Board of Directors and Shareholders (if required) of Seller shall have ratified and approved the execution of this Agreement and authorized the sale of the Purchased Assets and certified copies of the resolutions evidencing such ratification and approval have been delivered to Purchaser.

d. If necessary, County shall have held a public hearing as required pursuant to Section 125.3401, Florida Statutes, and shall have ratified and approved the execution of this Agreement and authorized the acquisition of the Purchased Assets and certified copies of the Resolutions evidencing such ratification and approval have been delivered to Seller. Further, County shall have authorized the creation of Purchaser and the indebtedness to be issued by Purchaser with respect to this transaction and certified copies of the Resolutions evidencing such ratification and approval have been delivered to Seller.

e. The other party shall have performed all of the undertakings required to be performed by it under the terms of this Agreement prior to or at Closing.

f. As of the Closing Date, there shall have been no material adverse change in the applicable law, or in the condition or value of the Purchased Assets or the Utility System.

g. All warranties and representations of the other party shall be true in all material respects as of the Closing Date, except to the extent they specifically refer to another date.

h. Seller delivering to Purchaser written evidence of cancellation of the lease between Seller and Caloosa and Purchaser and Caloosa entering into the written Lease Agreement attached as Exhibit "A".

i. Seller delivering to Purchaser (i) a Certificate from the President of Seller to the effect that all financial statements of Seller, if any, for the time period from January 1, 1998, through the most recent available date prior to the Closing Date have been prepared in accordance with the books and records of Seller and have been prepared in accordance with generally accepted accounting principles applied on a consistent basis with those of calendar years 1996 and 1997, and (ii) copies of Seller's audited

balance sheet and income statement as of December 31, 1997.

j. Seller understands and agrees that Purchaser's ability and obligation to close on this Agreement is conditioned upon Purchaser's issuance and sale of tax exempt water and wastewater revenue bonds. Therefore, additional conditions precedent to each party's obligation to close shall be:

(1) Purchaser's receipt of a satisfactory commitment for bond insurance; and

(2) That there shall exist no material adverse change in the bond market between the date of execution of this Agreement and Closing Date.

8. PRE-CLOSING CONDUCT; COVENANTS. Prior to the Closing Date, the parties covenant to each other, and shall conduct themselves, as follows:

a. Within five (5) days after the execution of this Agreement, Seller shall either furnish to Purchaser, or provide Purchaser with ready access to the following, to the extent they are in the possession of Seller, its employees, representatives, or agents:

(1) Copies of all plans and specifications showing the Utility System as now constructed (as-built), including any under construction, together with a detailed engineering map showing the water transmission lines, wastewater collection lines, lift stations, effluent disposal facilities, and appurtenances as now constructed, and all other facilities constituting the Utility System.

(2) Copies of all Certificates of Public Necessity and Convenience issued by the Florida Public Service Commission with respect to the Utility System, and any correspondence within the last two years between Seller and the Commission with respect thereto.

(3) A schedule and copies of all developer agreements entered into between Seller and owners or developers of property with respect to water and wastewater service, including a schedule of the number of connections reserved by each Developer Agreement for which there has been no connection as of the Closing Date.

(4) A schedule and copies of all other agreements entered into between Seller and other parties in connection with Seller's operation of the Utility System, including but not limited to, leasehold agreements, operator and vendor contracts, and construction contracts. Such schedule shall also reflect the terms of any oral agreements, if any.

(5) Depreciation and amortization schedules identifying substantially all equipment, computers, software, vehicles, tools, parts, laboratory equipment, office equipment, and all other personal property owned or used by Seller in connection with the operation of the Utility System.

(6) A schedule and copies of documents reflecting the rates, fees, charges and tariffs of Seller.

(7) Copies of permits, applications, or other documents, together with effective dates and expiration dates (if any), demonstrating approval of the facilities of the Utility System by all applicable governmental authorities, including, but not limited to: (a) the Florida Department of Environmental Protection, (b) the United States Environmental Protection Agency, (c) the PSC, and (d) the South Florida Water Management District.

(8) A list of customer deposits or advance facility charges and accounts receivable by name and account number, setting forth the amount of each individual deposit or receivable and the their aggregate totals.

(9) A map on which there is outlined the present and anticipated PSC certificated service area of Seller.

(10) A copy of the annual reports filed by Seller with the PSC for the calendar years 1994, 1995, 1996, and 1997, after filed.

(11) A copy of all warranties held by Seller with respect to completed, or in progress, construction work with respect to the Utility System, in addition to, a copy of all warranties relating to the Purchased Assets.

(12) Audited Balance Sheets and Income Statements of Seller as of December 31, 1997.

(13) Copies of bank statements for each of the most recent twelve (12) months.

(14) Copies of any and all effective insurance policies with respect to Seller, Purchased Assets, and Utility System.

(15) A schedule that details plant, property, equipment, and other Purchased Assets.

(16) A legal description of any real estate owned or used by Seller in connection with the operation or expansion of the Utility System.

(17) A survey of the Real Property, as prepared by

a Florida licensed surveyor, and certified to Purchaser and Seller, in accordance with the minimum technical standards adopted by the Florida Society of Professional Land Surveyors in accordance with § 472.027, Florida Statutes. The survey(s) shall set forth the area contained in each parcel of property, together with all existing easements, alleys, streets and roads thereon; show any encroachments upon or protrusions from the property; show all existing improvements constructed thereon and distances to boundary lines; specify thereon all dedicated public streets providing access to the property; and stating whether the property is within any area determined by the Department of Housing and Urban Development to be flood prone under the Federal Flood Protection Act, as amended, except, however, if the title insurer will accept an existing survey plus a "gap" or "bring down" affidavit in lieu of a new survey.

(18) Copies of all recorded and unrecorded easements, licenses, prescriptive rights and rights-of-way owned and used by Seller for the construction, operation and maintenance of the Utility System.

(19) A budget of Seller's 1998 capital expenditures.

(20) The business plan of Seller.

b. During the period between the date of this Agreement and the Closing Date, Seller shall:

(1) Operate and maintain the Utility System and Purchased Assets in a normal and usual manner, or in accordance with Seller's business plan, to ensure that the condition of the Utility System and the Purchased Assets shall not be materially diminished or depleted, normal wear and tear excepted;

(2) Promptly notify Purchaser of any notification received by Seller from any person, business, or agency of any existing, or potential, Environmental Law violation;

(3) Make no unbudgeted capital expenditures in excess of $100,000 without the prior written consent of Purchaser, other than in connection with the expansion of its wastewater treatment plant;

(4) Provide Purchaser, or its designated agent(s), with uninhibited access to the leasehold premises, Utility System, Purchased Assets, Seller's books and records, employees, agents, or representatives, or reasonable advance notice and during business hours.

(5) Promptly notify Purchaser of any event, activity or occurrence that has, or may have, a material adverse effect on Seller or this transaction.

c. During the period of time between the date of this Agreement and the Closing Date, Seller shall maintain its existing levels of insurance.

d. From the date of execution of this Agreement until June 30, 1998, Seller shall not, without the prior written consent of Purchaser, enter into any new developer agreements other than in the ordinary course of business or modify any existing developer agreements other than in the ordinary course of business. Copies of any such developer agreements shall be promptly delivered to Purchaser.

e. Purchaser shall cause to be performed a Phase I Environmental Survey (and a subsequent Phase II, if necessary) of each parcel of real property owned by Seller. If such Survey discloses the presence of any Hazardous Material, Seller shall have the right to perform such clean-up and remediation as is necessary thereunder. Upon Seller's failure to perform such clean-up and remediation, prior to the Closing Date, Purchaser may elect to either (i) terminate this Agreement, in which event neither party shall have any liability to the other and Seller shall retain the $100,000 deposit referenced in Section 9.f. hereof; or (ii) proceed to Closing without abatement of the Purchase Price.

f. Immediately after Closing, Purchaser and Seller shall jointly apply to the Florida Public Service Commission (PSC) for cancellation of the Certificates previously issued to Seller and diligently pursue such application. The cost and expense related to the filing of the PSC proceeding shall be borne one-half by Seller and one-half by Purchaser. Each party shall cooperate and provide its assistance as necessary.

g. Neither Purchaser nor Seller shall transfer or assign this Agreement or the duties or obligations created herein.

h. Purchaser shall proceed with its bond marketing and sale program in good faith; however, Seller shall not be entitled to any remedy of damages or specific performance from Purchaser due to any failure in the marketing of Purchaser's bonds, at a rate of interest acceptable to Purchaser, other than as provided for herein, provided that, Purchaser shall immediately notify Seller if it determines that its bond marketing efforts will not be completed by June 30, 1998.

i. Except as may be expressly required by law or as may have been expressly approved by Seller in writing, Purchaser shall maintain in strict confidence, and shall not disclose to anyone other than its employees, attorneys and consultants who have a need to know in order to consummate the transactions contemplated by this Agreement (and who shall be bound by a similar obligation of confidentiality), any information regarding Seller, its business, this Agreement and the transactions, unless and until the Closing

Date; provided that this restriction shall not apply to information in the public domain.

9. TERMINATION OF AGREEMENT.

a. This Agreement may be terminated (i) by mutual written consent of the parties, (ii) by either party if the transactions contemplated hereby have not closed by June 30, 1998, or (iii) as provided in paragraphs b and c below.

b. Purchaser may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

(1) The (i) failure of Seller to satisfy, in any material respect, prior to June 30, 1998, its condition(s) precedent to closing set forth in Section 7 in any material respect, or (ii) failure of the conditions described in Sections 7.a. b. or g.

(2) Within 30 days from the date of this Agreement, Purchaser shall conduct such due diligence of Seller as, in its sole discretion, it deems appropriate including but not limited to, upon reasonable notice to Seller, entering upon the property of Seller to inspect the Purchased Assets and Utility System, to familiarize itself with day-to-day operations, and to review the practices of Seller with respect to the terms and conditions of this Agreement, and to determine Seller's compliance with any and all federal, state, and local regulatory requirements. Purchaser may also review any and all records of Seller as it deems appropriate. Seller shall cooperate with Purchaser in all respects as to Purchaser's exercise of due diligence. After conducting its due diligence, Purchaser shall have the right to terminate this Agreement, in its sole discretion, upon delivery of written notice to that effect to Seller within 10 days of the expiration of the inspection period.

(3) Any material breach of this Agreement by Seller, including, but not limited to, a material breach of any representation or warranty, if Seller has not cured such breach within 30 days after notice from Purchaser, provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Purchaser.

(4) Any other basis for termination on behalf of Purchaser otherwise set forth in this Agreement.

c. Seller may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

(1) The (i) failure of Purchaser or County (if necessary) to satisfy, in any material respect, prior to June 30, 1998 its conditions precedent to closing set forth in Section 7, or

(ii) failure of the conditions specified in Sections 7.a. b. or g.

(2) Any material breach of this Agreement by Purchaser, including, but not limited to, a material breach of any representation or warranty, if Purchaser has not cured such breach within 30 days after notice from Seller, provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Seller.

(3) The failure of the Purchaser to secure County Commission Sponsorship approval and, if necessary, any other County, City and related governmental approvals, on or before April 30, 1998, or receipt of a commitment for bond insurance on or before May 31, 1998, or completion of marketing and sale of the subject bonds on or before June 30, 1998, or failure to close this transaction, through the fault of the Purchaser, on or before June 30, 1998.

(4) Any other basis for termination on behalf of Seller otherwise set forth in this Agreement.

d. Upon the occurrence of any of the bases for termination of this Agreement, the party seeking to terminate this Agreement shall provide written notice of its termination of this Agreement to the other by delivering the same as provided in Section 14.b.

e. Upon the termination of this Agreement, the following shall occur:

(1) Each party shall return all documents, including copies, in its possession, or in the possession of its agents and consultants to the other, as the case may be. Each party, its agents and consultants, shall treat any information previously received as confidential, and shall not disclose or use such information.

(2) Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorney and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.

f. Purchaser acknowledges that Seller has altered its plans in light of Purchaser entering into this Agreement with Seller and that the damages that Seller may incur by virtue of Purchaser's failure to close the transactions contemplated by this Agreement are speculative and difficult to calculate. The parties have, therefore, agreed that Seller may retain as liquidated damages the $100,000 deposit paid into escrow on the execution of this Agreement as a "breakup fee" in the event the Closing is not held by June 30, 1998 for any reason other than a valid termination of this Agreement by Purchaser pursuant to the

provisions of paragraph 9b.(1)(i) hereof. Each party agrees that the other party shall have the remedy of specific performance to compel the other party's adherence hereto.

g. In the event of termination of this Agreement, this Agreement shall forthwith become void and (except for the willful breach of this Agreement by any party hereto) there shall be no liability on the part of Purchaser or Seller, or their respective officers or directors, other than as provided for herein.

10. CLOSING DATE AND CLOSING.

a. This transaction shall be closed on or before June 30, 1998 ("Closing Date"), unless advanced or extended by mutual agreement of the parties, at a location mutually acceptable to both parties.

b. At Closing:

(1) Title to the Purchased Assets shall be conveyed to the Purchaser by quitclaim deed, deed without warranty or similar deed (or, if necessary to obtain title insurance, by special warranty deed) free of all claims, liens, or encumbrances, whatsoever, other than Permitted Encumbrances.

(2) All documentary stamps, if required, on the deeds of conveyance of the Real Property included in the Purchased Assets shall be paid equally by the parties.

(3) Real property and personal property taxes on the Purchased Assets and Utility System, and any other applicable taxes, shall be prorated as of the Closing Date and Seller shall be required to pay its share at or prior to Closing. All other taxes and assessments accrued or owed by Seller as of the date of Closing, with respect to the Purchased Assets, shall be and remain the obligation of Seller. All other taxes and assessments imposed or attempted to be imposed from and after the date of Closing, with respect to the Purchased Assets, shall be the obligation of Purchaser.

(4) Three current employees of Seller, Carolyn Andrews, Kathy Babcock, and Steve Messner, shall be offered employment by Purchaser, for a period of not less than two years from the Closing Date, at the same rate of pay that they were receiving as of January 1, 1998. All other current employees of Seller, as of the Closing Date, shall be offered employment by Purchaser, for a period not less than ninety (90) days from and after the Closing Date. Such employees shall also enjoy an additional ninety (90) day notice should Purchaser elect to terminate their employment after the initial ninety (90) day period.

(5) James W. Moore, President of Seller, shall be offered a Consulting Agreement, as set forth in Exhibit "B", under which he shall be paid at Closing a one-time payment of $500,000, in immediately available funds to an account designated by James W. Moore.

c. The parties recognize that the Closing may be established during the normal billing cycle of Seller. The gross revenues from water and wastewater services rendered, but not yet billed ("Unbilled Revenue") as of the date of Closing, shall be paid to Seller within ten (10) days of Purchaser's collection thereof. Purchaser shall utilize the same methods of collecting the Unbilled Revenue as it would if such Unbilled Revenue was its own. Except as set forth above, Purchaser shall be entitled to all Utility System revenue earned from the Closing Date forward.

d. Connection Charges (defined as connection, plant capacity, main extension, capital or other charges paid for the availability of utility services) received by Seller prior to the date of execution of this Agreement, shall be retained by Seller. Further, all Connection Charges received by Seller after the date of execution of this Agreement, but prior to Closing, shall be retained by Seller. Connection Charges paid after the Closing Date shall be the property of Purchaser.

e. Except as is necessary to consummate this transaction, from the date of this Agreement through the Closing Date, Seller shall not disclose the existence of this Agreement or the proposed sale to developers unless Seller is required to do so by law, court order or contract, or the sale becomes public knowledge. In addition, Seller shall not accept payment for Connection Charges at a rate lower than the applicable tariffs require in order to receive early payment of those Connection Charges. If Seller violates this covenant, the Purchase Price shall be reduced accordingly by the amount of any such Connection Charges that are paid in advance as the result of offering a discount. Furthermore, Seller shall not enter into any new developer agreements from the date of this Agreement through June 30, 1998, except in the ordinary course of business.

f. All transfers required or necessary hereunder shall take place, unless extended by mutual consent.

g. Each of the parties shall pay the fees of its own attorneys, bankers, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement, and any documents associated with the Closing.

h. All bills for services, materials and supplies rendered in connection with the operation of the Utility System prior to Closing, including but not limited to electricity for a

period up to and including the Closing Date, shall be paid by Seller.

i. All prorations required shall be made.

j. Purchaser shall assume the liability for customer deposits, and credit shall be given to the Purchaser therefor.

k. Purchaser shall assume Seller's liability to provide service under all developer agreements assumed by Purchaser. However, Purchaser ,to the extent permitted by law, shall have the right to impose its own rates, charges and fees.

l. Purchaser, at Closing, shall reimburse or credit Seller for the cost of all additional capital improvements made to the Utility System by or on behalf of Purchaser prior to the Closing Date provided Purchaser has requested that such improvements, with the exception of completion of the capital improvement program and wastewater treatment plant expansion now ongoing.

m. Each party shall deliver to the other party a certificate stating that:

(1) The party is not prohibited by decree or law from consummating the transaction contemplated hereby.

(2) There is not pending on the Closing Date any legal action or proceeding that hinders the ability of either party to close the transaction.

(3) All warranties and representations of such party contained in this Agreement are true and correct as of the Closing Date, except that representations regarding financial statements are as of the date of the financial statement.

n. Seller shall deliver to Purchaser, in a form reasonably acceptable to Purchaser, an opinion of Seller's counsel substantially to the effect that:

(1) Seller is validly organized, existing and in good standing under the laws of the State of Florida.

(2) This Agreement has been duly and validly executed and approved by Seller and is a valid and binding agreement upon Seller.

(3) The execution, delivery and performance of this Agreement will not violate any agreement of or binding on, or any law applicable to, Seller.

o. Purchaser shall deliver to Seller in a form

acceptable to Seller, an opinion of Purchaser's counsel substantially to the effect that:

(1) Purchaser is validly organized, existing and in good standing under the laws of the State of Florida.

(2) This Agreement has been duly and validly executed and approved by Purchaser and is a valid and binding agreement upon Purchaser.

(3) The execution, delivery and performance of this Agreement will not violate any agreement of, or binding on, or any law applicable to, Purchaser.

11. INDEMNIFICATION.

a. Seller shall save and hold Purchaser and its directors, officers, employees, and agents (hereafter "Purchaser Indemnified Parties"), harmless from, and indemnify the Purchaser Indemnified Parties against, any and all losses or damages, claims, demands, deficiencies, liabilities, obligations, costs and/or expenses (including, but not limited to reasonable administrative, trial, and appellate attorney fees and costs incurred in connection with investigating, preparing to defend, or defending any action, suit or proceeding commenced, or threatened, or any claim whatsoever) suffered by any of the Purchaser Indemnified Parties, whether accrued, absolute, contingent or otherwise, and which result from:

(1) Any material misrepresentation by Seller of a material fact contained in this Agreement, or a material breach of a representation or warranty, with respect to which Purchaser notifies Seller in writing within the applicable survival period as set forth in paragraph d. below, specifying the breach in detail; or

(2) Any material breach by Seller of its covenants or obligations;

(3) Any and all material claims by developers known to Seller that are not disclosed to Purchaser, for acts or promises other than as set out in the developer agreements;

(4) Any material promise made by Seller that was not disclosed by Seller and that Seller or Purchaser is forced, by action of law or otherwise, to honor; or

(5) The operation or activities of Seller prior to the Closing Date.

(6) Notwithstanding the foregoing, and subject to (i) the Environmental Law Compliance representations in Section 4.o

and (ii) Seller's liability that may otherwise be imposed by law, Seller shall have no liability to Purchaser for, and Purchaser hereby releases Seller from, all liability with respect to (a) title to, and encumbrances upon, the Real Property, provided, however, that title to the Real Property is insured by Chicago Title Insurance Company ("Chicago Title") subject only to the Permitted Encumbrances if conveyance is by quitclaim deed, or similar deed and if conveyance is by special warranty deed, that Chicago Title acknowledges and accepts, in writing, Purchaser's waiver of Seller's warranties of title; and (b) violation of Environmental Law, the presence of Hazardous Substances, and the existence of Releases.

b. Seller shall indemnify Purchaser and hold it harmless against any claim, cost, expense, liability or loss (including reasonable trial and appellate attorneys fees and costs) incurred or suffered as a result of any broker's or salesman's commission or finders fee alleged to be payable because of any statements, act or omissions of the indemnifying party. Similarly, Purchaser shall indemnify Seller and hold it harmless against any claim, cost, expense, liability or loss (including reasonable trial and appellate attorneys fees and costs) incurred or suffered as a result of any broker's or salesman's commission or finders fee alleged to be payable because of any statements, act or omissions of the indemnifying party.

c. Purchaser shall save and hold Seller and its representatives, beneficiaries, employees, and agents (hereinafter "Seller Indemnified Parties"), harmless from, and indemnify the Seller Indemnified Parties against, any and all losses or damages, claims, demands, deficiencies, liabilities, obligations, costs and/or expenses (including but not limited to reasonable administrative, trial, and appellate attorneys' fees and court costs incurred in connection with investigating, preparing to defend, or defending any action, suit or proceeding commenced, or threatened, or any claim whatsoever) suffered by any of the Seller Indemnified Parties, whether accrued, absolute, contingent or otherwise, and which result from:

(1) Any material misrepresentation by Purchaser of a material fact contained in this Agreement, or a material breach of a representation or warranty, with respect to which Seller notifies Purchaser in writing within the applicable survival period as set forth in paragraph d. below, specifying the breach in detail;

(2) Any material breach by Purchaser of its covenants or obligations herein; or

(3) The operation or activities of Purchaser on or after the Closing Date.

d. The respective representations and warranties of the parties contained in this Agreement shall survive the consummation of the transactions contemplated hereby and continue for a period of one year, and thereafter shall terminate, except that the representations and warranties in Sections 4.c. g. j. o. and p. hereof, shall survive and continue until the expiration of the applicable statute of limitations.

e. The amount for which an indemnified party shall receive indemnification hereunder shall be reduced by any insurance proceeds or other payments received by the indemnified party in respect of the indemnified matter.

f. Each party hereto shall give the indemnifying party prompt written notice of any claim, assertion, event or proceeding by or in respect of a third party of which it has knowledge concerning any liability or damage as to which it may request indemnification hereunder. The party providing indemnification shall have the right at all times to control the defense or settlement of any such claim or proceeding through counsel of its own choosing, and to settle any and all such claims made.

g. Any party claiming indemnification hereunder with respect to the falsity of any representations or warranties herein must give notice to the other party of its claim for indemnification within the time period herein for the survival of the applicable representation or warranty.

h. Seller shall not have any obligation to make indemnification payments hereunder unless and until its total indemnification obligations hereunder exceed $100,000, whereupon Seller shall make payments with respect to its indemnification obligations in excess of $100,000 up to the limit specified in the following sentence. The obligation of Seller to make indemnification payments shall be limited to paying not more than a total of $5,000,000. Similarly, Purchaser shall not have any obligation to make indemnification payments hereunder unless and until its total indemnification obligations hereunder exceed $100,000, whereupon Purchaser shall make payments with respect to its indemnification obligations in excess of $100,000 up to the limit specified in the following sentence. The obligation of Purchaser to make indemnification payments shall be limited to paying not more than a total of $5,000,000, excluding payment of the Purchase Price and payments to Caloosa and James W. Moore.

12. POST CLOSING COOPERATION.

a. Seller and Purchaser shall, at any time and from time to time after the Closing Date, upon reasonable request of the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further documents, acts, deeds, assignments, transfers, powers of attorney and

assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties.

b. Each of the parties hereto shall provide the other with such assistance as reasonably may be requested in connection with the preparation of any tax return, audit or other examination by any taxing authority or any judicial or administrative proceedings relating to liability for taxes relating to the transactions contemplated by this Agreement. Subject to the provisions of paragraph e hereof, each party shall retain and provide the other with any records or information that may be relevant to such return, audit or examination, proceedings or determination. Such assistance shall include making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder and shall include providing copies of any relevant tax returns and supporting work schedules. The party requesting assistance hereunder shall reimburse the other for reasonable out-of-pocket expenses incurred in providing such assistance.

c. In the event that, after the Closing Date, any of the parties hereto shall require the participation of the other or of officers and employees employed by the other to aid in the defense or prosecution of litigation or claims, and so long as there exists no conflict of interest between the parties, each party shall use its best efforts to be available or to make such officers and employees reasonably available to participate in such defense or prosecution, provided that the party requiring the participation of such officers or employees shall pay all reasonable out-of-pocket costs, charges and expenses arising from such participation.

d. Where there is a legitimate purpose not injurious to the other party and not related to prospective competition by such party with another party hereto, or if there is an audit by the IRS, other governmental inquiry, or litigation or prospective litigation to which Purchaser or Seller is or may become a party, making necessary any access to the records of or relating to Seller held by Purchaser or making necessary Purchaser's access to records of or relating to the operations of Seller held by any entity other than Seller, each of them shall allow representatives of the other party access to such records during regular business hours at such party's place of business for the sole purpose of obtaining information for use as aforesaid.

e. Any party at any time, upon not less than 90 days' prior written notice to the other parties hereto, may dispose of the records in its possession relating to the Purchased Assets and the business related thereto, in accordance with its respective record retention policies; provided, however, that a party may, at its own cost and expense, retain, or make arrangements for the retention of, records in the possession of another party to which

it would have a right of access under paragraph d, if it notifies, in writing, such party that it desires to retain such records.

13. FLORIDA PUBLIC SERVICE COMMISSION MATTERS. Within five (5) days after the Closing Date, the Purchaser and Seller shall jointly petition the Florida Public Service Commission, for cancellation of the Certificates previously issued to Seller. Seller shall file any reports, if required, and satisfy its outstanding Florida gross receipts tax obligations through the Closing Date. All costs and expenses relative to terminating its relationship with the Florida Public Service Commission shall be borne one-half by Seller and one-half by Purchaser. Copies of the Order(s) of the Commission acknowledging sale of the Utility System to Purchaser shall be promptly provided to Purchaser, upon Seller's receipt thereof.

14. MISCELLANEOUS PROVISIONS.

a. This Agreement, the Schedules hereto, and the documents referred to herein, collectively embody the entire agreement and understandings between the parties and there are no other agreements or understandings, oral or written, with reference to this Agreement that are not merged into and superseded by this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be considered an original.

b. Any notice or other document required or allowed to be given pursuant to this Agreement and the Escrow Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier or sent by certified mail, postage prepaid, return receipt requested, or by facsimile transmission with written confirmation. A single notice delivered to Seller shall be sufficient notice.

If to Seller such Notice shall be addressed to Seller at:

Gulf Utility Company
c/o James W. Moore, President
P.O. Box 350
Estero, Florida 33928

with a copy to

Smith Hulsey & Busey
c/o M. Richard Lewis, Jr., Esq.
1800 First Union National Bank Tower
225 Water Street
Post Office Box 53315
Jacksonville, Florida 32201-3315

If to Purchaser, such notice shall be addressed to Purchaser at:

Gulf Environmental Services, Inc.
c/o Severn Trent Environmental Services, Inc.
2172 McGregor Boulevard
Fort Myers, Florida 33901

with a copy to:

Rose, Sundstrom & Bentley, LLP
c/o William E. Sundstrom, P.A.
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

c. The headings used are for convenience only, and they shall be disregarded in the construction of this Agreement.

d. The drafting of this Agreement constituted a joint effort of the parties, and in the interpretation hereof it shall be assumed that no party had any more input or influence than any other. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Agreement.

e. This Agreement is solely for the benefit of the parties hereto and no other causes of action shall accrue upon or by reason hereof to or for the benefit of any third party, who or which is not a formal party hereto, other than benefits specified to be provided to James W. Moore and Caloosa.

f. In the event any term or provision of this Agreement is 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.

g. In the event of any litigation that arises between the parties with respect to this Agreement, the prevailing party shall be entitled to reasonable attorney fees and court costs at all trial and appellate levels.

h. This Agreement may be amended or modified only if executed in writing.

i. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida.

j. This Agreement shall be binding upon and inure to the benefit of the parties' successors and assigns.

IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed the day and year aforesaid in counterparts, each counterpart to be considered an original.

GULF ENVIRONMENTAL SERVICES, INC.

Fred Edenfield, Jr.

By: J. W. French
President

(SEAL)

GULF UTILITY COMPANY

Secretary

By: James W. Moore
President

(SEAL)

STATE OF FLORIDA
COUNTY OF LEE

The forgoing instrument was acknowledged before me this 3rd day of March, 1998, by J. W. French, as President of Gulf Environmental Services, Inc., a Florida non-profit corporation, on behalf of the corporation. He is personally known to me ~~or has produced~~ _____ ~~as identification.~~

Notary Public

My Commission Expires:

OFFICIAL NOTARY SEAL
ESTHER R CHILDS
NOTARY PUBLIC STATE OF FLORIDA
COMMISSION NO. CC408067
MY COMMISSION EXP. SEPT 19,1998

STATE OF FLORIDA
COUNTY OF LEE

The foregoing instrument was acknowledged before me this 3rd day of March, 1998, by James W. Moore, as President of Gulf Utility Company, a Florida corporation, on behalf of the corporation. He is personally known to me or has produced _____ _____ as identification.

Brooksy Q. Rivers
Notary Public

My Commission Expires: April 28, 2001

BROOKSY Q. RIVERS
COMMISSIONS # CC628962
EXPIRES APR 28, 2001
BONDED THROUGH
ATLANTIC BONDING CO., INC

severn\lee\p&s21.agr

Schedule "A"
(Real Property)

The Land is described as follows:

PARCEL 1:

All of Tract "Z", SAN CARLOS PARK GOLF COURSE ADDITION, according to the plat thereof recorded in Plat Book 23, at pages 70 thru 75, of the Public Records of Lee County, Florida.

PARCEL 2:

A parcel being in Section 15, Township 46 South, Range 25 East, Lee County, Florida, and also described as follows: Starting at the Northeast corner of the Southwest One Quarter (SW 1/4) of said Section 15; thence South 89° 36' 40" West along the North line of said fraction for 80.00 feet; thence South 00° 19' 59" East for 788.55 feet; thence South 89° 40' 01" West for 105.00 feet to the Point of Beginning; thence North 00° 19' 59" West along the Easterly right of way line of Bartow Boulevard (80.00 feet wide) for 30.67 feet to the beginning of a curve concave to the Southwest having a radius of 285.00 feet; thence Northwesterly along said curve and said right of way line through a central angle of 57° 00' 01" for 283.53 feet to a point of reverse curve concave to the East having a radius of 190.00 feet; thence Northerly along said curve and said right of way line through a central angle of 114° 49' 58" for 380.80 feet; thence South 32°30'02" East along a radial line to said curve for 105.00 feet to a point on a curve concave to the South having a radius of 85.00 feet and to which point a radial line bears North 32°30'02" West; thence Easterly along said curve through a central angle of 52°41'31" for 78.17 feet to a point of reverse curve concave to the North having a radius of 516.72 feet; thence Easterly along said curve through a central angle of 11°39'18" for 105.11 feet; thence South 00°19'59" East along a nontangent line to said curve and along the Westerly line of a drainage easement (80.00 feet wide) for 482.02 feet; thence South 89°40'01" West for 105.00 feet to the point of beginning.

PARCEL 3:

A tract of land being in the Southwest quarter (SW 1/4) of Section 17, Township 46 South, Range 25 East, being more particularly described as follows:

Commencing at the Southwest corner of said Section 17, run North 0°02'56" West for 1316.34 feet along the West line of Section 17; thence run North 88°06'56" East for 482.43 feet along the North line of the Southwest quarter (SW 1/4) of the Southwest quarter (SW 1/4) of said Section 17, to the Point of Beginning; thence continue North 88°06'56" East along said North line for 200.00 feet; thence run South 1°53'04" East for 165.00 feet; thence run South 88°06'56" West for 200.00 feet; thence run North 1°53'04" West for 165.00 feet to the Point of Beginning.

PARCEL 4:

A tract of land lying in the Southwest Quarter (SW 1/4) of Section 17, Township 46 South, Range 25 East, Lee County, Florida, being more particularly described as follows:

Commencing at the Southwest corner of said Section 17; thence run North 0°02'56" West for 1316.34 feet along the West line of Section 17; thence run North 88°06'56" East for 457.43 feet along the North line of the Southwest Quarter (SW 1/4) of the Southwest Quarter (SW 1/4) of said Section 17 to the point of beginning; thence continue North 88°06'56" East along said North line for 25.00 feet; thence run South 1°53'04" East for 165.00 feet; thence run North 88°06'56" East for 200.00 feet; thence run South 1°53'04" East for 100.00 feet; thence run South 88°06'56" West for 225.00 feet; thence run North 1°53'04" West for 265.00 feet to the point of beginning.

PARCEL 5:

A tract of land lying in the East Half (E 1/2) of Section 15, Township 46 South, Range 25 East, Lee County, Florida, being more particularly described as follows:

Commencing at the Northwest corner of the Southeast Quarter (S.E. 1/4) of said Section 15; thence run South 84°08'36" East for 356.42 feet; thence run South 63°23'58" East for 417.26 feet; thence run South 74°58'32" East for 147.26 feet; thence run North 80°12'17" East for 202.52 feet; thence East for 99.91 feet to the point of beginning; thence run North 11°00'00" West for 256.93 feet; thence run Northwesterly 298.25 feet on the arc of a curve concave Southwesterly with a radius of 1220.00 feet (chord bearing North 18°00'12" West, chord distance 297.51 feet); thence run North 25°00'25" West for 203.55 feet; thence run North 75°46'37" East for 450.00 feet; thence run North 88°46'53" East for 506.61 feet to a point on the Westerly right of way line of Highway I-75; thence run South 14°13'23" East for 867.55 feet; thence run West for 928.83 feet to the Point of Beginning.

Schedule "B"
(Easements, licenses, etc.)

Seller and Purchaser shall work together to identify all easements and licenses held by Seller, and Seller shall convey all of its rights therein at Closing to Purchaser by quit claim deed, deed without warranty or similar deed.

Treatment Plants

Corkscrew Water Treatment Plant 11950 Corkscrew Road Estero, FL 33928	(941) 992-1319
San Carlos Water Treatment Plant 18513 Bartow Boulevard Ft. Myers, FL 33912	(941) 267-7747
U.S. 41 Booster Station 18740 S. Tamiami Trail Ft. Myers, FL 33908	No Phone
San Carlos Wastewater Treatment Plant South End of Cypress Point Road Ft. Myers, FL 33912	(941) 940-5644
Three Oaks Wastewater Treatment Plant 18521 Three Oaks Parkway Ft. Myers, FL 33912	(941) 267-0387

Schedule "D"
Permits

Location	Permit	Expiration Date
Corkscrew WTP	FDEP Deep Injection Well Construction: UC36-256557	05/22/00
Corkscrew WTP	SFWMD Water Use: 36-00122-W	11/09/00
Corkscrew WTP	FDEP Phase III Construction: WC36-286511	03/28/01
Corkscrew WTP	FDEP Construction/Operation of Concentrate Disposal System: FLA014674-96	09/16/01
Corkscrew WTP	Storage Tank Registration Placard No. 80656	06/30/98
Corkscrew WTP	Septic System Operating Permit Permit No. OP 90-07967	05/31/98
San Carlos WTP	SFWMD Water Use: 36-00122-W	11/09/00
San Carlos WWTP	FDEP Operating Permit: DO36-253637	11/16/99
Three Oaks WWTP	FDEP Operating Permit: FL014519	09/10/01
Telemetry		
Radio Telemetry	FCC License File No.: 9601R109518	02/26/01

Schedule "E"
Developer Agreements

Developer	Date	Development
David W. Swor	09/28/88	Alico Industrial Center
Stewart Cypress Strand	04/12/89	Alico Industrial Park
Patrick J. Hayes, Trustee	08/26/88	Aloha Road Extension
American Star Development, Inc.	01/06/93	Alico Crossings (K-Mart)
America Outdoors Condominium Association, Inc.	04/26/93	America Outdoors RV Park
G.A. Jensen Construction	04/19/94	Bahamas Road WM Extension
William Gaddie	02/18/88	Barnett Bank/Burger King
Richard Allaire & Lionel Beaulieu	04/04/83	Bellealre Subdivision
The Best "18", Inc.	04/25/85	The Best "18" Miniature Golf Course
Bib's Burgers Unit 1004, Inc.	11/10/88	Bib's Burgers
Dominick Demaio, Lee Harris, Albert Esposito, D.K. Zimmerman	02/11/83	Birch Road WM Extension
Biscayne Ventures Associates	07/31/89	Biscayne
Breckenridge, Ltd.	10/17/86	Breckenridge
Gleneagles of Naples, Inc.	01/06/95	Breckenridge Professional Center
Gleneagles of Naples, Inc.	11/04/96	Breckenridge & Broadway Turn Lane
Caloosa Group, Inc.	06/12/89	Caloosa Trace

Developer	Date	Development
Coachlight Manor Association, Inc.	10/07/86	Coachlight Manor
Southwest Florida Capital Corp.	05/13/96	Constitution Professional Center
Michael Garvis	08/15/89	Coral Drive Extension
Appalachian Oil Corp. & Corkscrew Center Landowners Association	09/26/90	Corkscrew Center
Morton A. Goldberg, Trustee; Lou Joseph, Allen M. Parvey, Appalachian Oil Corp., Michael G. Abdalla, Trustee; Corkscrew Woodlands - The RV Landominium Communities Association, David F. Davis and Howell E. Davis, as Co-Trustees of Frederic Trust No. 3	01/23/90	Corkscrew Road Force Main
Seminole Gulf Railway, L.P.	06/13/96	Corkscrew Road Force Main/Reuse Main
Seminole Gulf Railway, L.P.	10/24/95	Corkscrew Road Water Main - GUC & BSU Interconnect
Corkscrew Village Partners, Ltd.	10/11/96	Corkscrew Village
Corkscrew Woodlands Ltd.	05/18/82	Corkscrew Woodlands
Country Oaks Association	01/09/89	Country Oaks
Cypress Bend RV Resort	11/03/82	Cypress Bend RV Resort
Southwest Florida Capital Corp.	05/25/88	Cypress Chase
Southwest Florida Capital Corp.	06/02/89	Cypress Chase, Phase II
Alan C. Freeman, Trustee	01/25/93	Cypress View Drive Extension

Developer	Date	Development
MJR Major Building Corp.	04/25/97	Discount Auto Parts
Robert J. Jacoby	02/14/83	Dogwood & Coconut Roads WM Ext.
Raymond H. Zimmerman	06/06/83	Dogwood & Evergreen Roads WM Ext.
Dominion Center	10/14/88	Dominion Center
Domino's Pizza	03/04/94	Domino's Pizza
Double Eagle Partnership	04/23/84	Double Eagle Condominiums
Gary Hazelett	01/12/98	Driftwood Garden Center
Cove/Macomas Joint Venture #1	10/16/97	Eckerd Drugstore/12" Force Main, U.S. 41 (Sanibel to Koreshan)
Lee County School Board	07/06/87	Estero High School
Estero United Methodist Church, Inc.	06/30/92	Estero United Methodist Church
First National Bank of Florida	11/06/96	First National Bank at Corkscrew Village
The Board of Regents of the Division of Universities of the Department of Education	12/12/96	Florida Gulf Coast University
Donald Short	10/15/90	Geranium Road WM Extension
Grace Presbyterian Church	02/16/87	Grace Presbyterian Church
John E. States, as Trustee of Broadway Land Trust	08/04/89	The Groves
Harborage Development Co., Inc.	12/10/85	The Harborage

Developer	Date	Development
Pick-Kwik Food Stores, Inc.	09/07/95	Hess Station (Alico Road/U.S. 41)
Ho Ho Chinese Restaurant	06/06/90	Ho Ho Chinese Restaurant
David F. Davis and Howell F. Davis, as Trustees of Frederic Trust #3; RLD Homes, Inc.; and Island Club at Corkscrew Woodlands Homeowners Association	01/11/96	Island Club at Corkscrew Woodlands
First Communities of Ft. Myers	04/01/84	Island Park Villages
First Communities of Ft. Myers	04/04/88	Island Park Villages, Phase 5
Walter L. Johnson	Pending	Island Park Villages, Phases 3, 6 & 7
Island Park Corporation	11/24/80	Island Park Woodlands
Jassey-Murphy Development Co.	10/06/83	Island Park Woods
Southwest Florida Capital Corp.	07/12/93	The Islands at Three Oaks
Jock Lee	05/21/86	Jock Lee Restaurant
David F. Cunningham	08/13/90	Jurek Professional Center
Kingdom Hall of Jehovah's Witnesses	12/29/92	Kingdom Hall of Jehovah's Witnesses
Seminole Gulf Railway L.P.	08/25/93	Koreshan Boulevard Force Main
W. Kirk Beck and Ernest W. Weathers, Trustees	Pending	Koreshan Business Park
Florida Department of Natural Resources	10/03/89	Koreshan Historical Site & Trailer Park

Developer	Date	Development
Betty Gillespie & Dave Davis, Trustees	11/18/81	Lake San Carlos
Southwest Florida Capital Corporation	01/10/97	The Lakes
Bralew Homes, Inc.	07/19/84	Lakeside Vista
Lamb of God Lutheran Church	06/11/90	Lamb of God Lutheran Church
KTB Florida Sports Arena Limited Partnership	12/23/97	Lee County Hockey Arena
Lee County Board of Commissioners	07/06/94	Lee County Library
Lee County Board of Commissioners	03/23/89	Lee County Library Park Division (San Carlos Park Pool)
Patrick J. Hayes, D.K. Corbett, Thomas J. Wiley, Jr., M.D.	07/31/89	Mainline Industrial Park
Carl A. Kreager & Donald V. Whipp, Jr., d/b/a/ Mariner's Cove Mobile Home Park	10/13/87	Mariner's Cove
Coastland Corporation of Florida	01/25/84	Matanzas Road, Phase I
Coastland Corporation of Florida	05/15/83	Matanzas Road, Phase II
Coastland Corporation of Florida	08/18/83	Matanzas Road, Phase III
Coastland Corporation of Florida	09/30/83	Matanzas Road, Phase IV
Coastland Corporation of Florida	02/27/84	Matanzas Road, Phase V
Coastland Corporation of Florida	09/14/84	Matanzas Road, Phase VI

Developer	Date	Development
Coastland Corporation of Florida	01/23/85	Matanzas Road, Phase VII
Alan C. Freeman	09/27/88	McDonald's
Miller Brands of the Gulf Coast, Inc.	10/18/89	Miller Brands South
Miromar Development, Inc.	06/03/96	Miromar Factory Outlets
Naples Federal Savings & Loan	05/05/80	Naples Federal
New University Pyramid Village Corp. and New University Pyramid Village Homeowners Association	Pending	New University Pyramid Village
Newport Glen Enterprises, Inc.	09/29/83	Newport Glen Phase II
Coastland Corporation of Florida	11/05/82	Ohio Boulevard Extension
Betty Page	10/11/93	Oriole Road WM Extension
Neil J. Harrington	04/02/84	Orlando Road WM Extension
John J. Nevins, as Bishop of Diocese of Venice	11/02/92	Our Lady of Light Catholic Church
Ursula S. Elwood	05/12/97	Palmetto Road Water Main Extension
H. W. Marsh & James R. Chitwood	05/15/89	Park Ridge
WCI Communities Limited Partnership	01/07/98	Pelican Sound
WCI Communities Limited Partnership and Koreshan Unity Foundation, Inc.	05/17/96	Pelican Sound Effluent Reuse

Developer	Date	Development
WCI Communities Limited Partnership	09/09/96	Pelican Sound Sales Trailer
Pik 'N Run #7, Inc.	02/12/98	Pik 'N Run
Southwest Florida Capital Corp.	09/27/88	Pine Glen
Southwest Florida Capital Corp.	01/15/93	Pine Glen, Phase II
Southwest Florida Capital Corp.	12/31/86	Pine Run
School Board of Lee County	12/14/93	Pinewoods Elementary School
Angela Pruitt	05/08/90	Pittsburgh Boulevard WM Ext.
Big C Corporation	05/09/80	Plaza de Manana
Polish Cultural Center of Southwest Florida, Inc.	04/26/93	Polish Cultural Center
Douglas E. & Janet C. Garton	11/14/88	Port San Carlos
Howard Meredith, Mary E. Swartz and Herbert W. Marsh d/b/a Broadway Waters Development Project	10/11/83	Quarterdeck Cove
M.C. Zinser & Joey Reyes	08/08/95	Quince Road WM Extension
Eugene Abernathy	02/20/90	Quince Road WM Extension
Riverwoods Community Association, Inc.	03/01/93	Riverwoods Plantation RV Park (Sewer system)
Seven Winds, Inc.	07/13/82	Riverwoods Plantation RV Park (Water system)

SCHEDULE "F"

CONTRACTS AND LEASES

Aetna Health Insurance - 8/1/97

American States Insurance - 1/1/98 - boiler & machinery coverage

Aramark Services - uniform service - signed 2/11/97 - 2 years

Ascom Hasler - 1/31/97 - 3 years - postage machine

Calcosa Group, Inc. - 11/8/95 - 5 years - lease agreement

Estero Fire Department - 3/25/92

Gulf Disposal - signed 10/96 - 60 day notice

Lynda Halder - signed 10/95 - no term - cleaning

Haulin' Ice - must be notified of sale of business

IBM - computer hardware - 30 day notice

ITT Hartford - 1/1/98 - auto/property liability insurance

Internet Connections - 9/27/96 - 30 day written notice

Instrumentation Services - annual - 45 day written notice to cancel - $700/qtr.

Lanier Worldwide, Inc. - 2/27/98 - 1 year - copier maintenance

Montgomery Watson - 7/15/97 - Wastewater Master Plan

Orcom - 5/25/90 - annual - 30 day notice - computer software

Phoenix Life Insurance - 8/1/97

San Carlos Fire Department - 4/9/92

Seminole Gulf Railway - rail crossings
- 10/24/95 - $520 annually - Corkscrew Road Waterline
- Koreshan Blvd. - Sewer line crossing
- Broadway Blvd. - Water main crossing
- Corkscrew Road - Water & sewer main crossing
- San Carlos Blvd. - Sewer main crossing
- San Carlos Blvd. - Water main crossing
- Constitution Circle - Water main crossing
- Baker - Sewer main crossing

Simplex - 7/11/97 - 1 year - monitoring service

Source, Inc. - TOWWTP expansion - 3/22/96

Three Oaks Master Association

Westra - TOWWTP expansion

Wharton-Smith - 5/27/97 - reuse system

Schedule "G"
(Permitted Encumbrances)

1. Taxes for the year 1998 and subsequent years.

2. The rights, restrictions, regulations and assessments of the East Mulloch Drainage District recorded in Official Records Book 203, Page 175; Agreement recorded in Official Records Book 203, Page 177; Judgment Extending Boundaries recorded in Official Records Book 473, Page 363, and Dedication recorded in Official Records Book 468, Page 461, of the Public Records of Lee County, Florida (as to Parcels 1, 2 and 3).

3. Resolution recorded in Official Records Book 1812, Page 3507 and Official Records Book 1865, Page 2016, of the Public Records of Lee County, Florida (as to Parcel 5).

4. Dedication of Easements recorded in Official Records Book 473, Page 358, of the Public Records of Lee County, Florida (as to Parcel 1).

5. Utility Agreement recorded in Official Records Book 1630, Page 2254 and conveyed by instrument recorded in Official Records Book 1645, Page 2048 and re-recorded in Official Records Book 1647, Page 141, of the Public Records of Lee County, Florida (as to Parcel 1).

6. Dedication recorded in Official Records Book 272, Page 881, of the Public Records of Lee County, Florida (as to Parcel 2).

7. Declaration of Restrictions, Conditions, Limitations, Covenants, Easements and Reservations recorded in Official Records Book 296, Page 683, of the Public Records of Lee County, Florida (as to Parcel 1). Easements reserved in said Declaration were conveyed to Lee County by instrument recorded in Official Records Book 2728, Page 155, of the Public Records of Lee County, Florida.

8. Declaration of Restrictive Covenants recorded in Official Records Book 468, Page 484, of the Public Records of Lee County, Florida (as to Parcel 2). Easements reserved in said Declaration were conveyed to Lee County by instrument recorded in Official Records Book 2728, Page 155, of the Public Records of Lee County, Florida.

9. Declaration of Restrictive Covenants recorded in Official Records Book 476, Page 316, of the Public Records of Lee County, Florida (as to Parcel 1).

10. Master Declaration of Three Oaks I recorded in Official Records Book 2007, Page 2662, of the Public Records of Lee County, Florida (as to Parcel 5).

11. Grant of Easement to Gulf Utility Company, a Florida corporation, recorded in Official Records Book 1645, Page 2060, of the Public Records of Lee County, Florida (as to Parcels 1 and 2).

12. Notice of Development Order recorded in Official Records Book 1849, Page 4408 and Official Records Book 1869, Page 3574, of the Public Records of Lee County, Florida (as to Parcels 1 and 2), and recorded in Official Records Book 1849, Page 4716, of the Public Records of Lee County, Florida (as to Parcel 3).

13. Reservations of 1/2 interest in all royalties and/or rents from petroleum and minerals below a depth of 150 feet as shown in Official Records Book 1248, Page 809, of the Public Records of Lee County, Florida (as to Parcel 5).

14. Easement to Lee County recorded in Official Records Book 1517, Page 392, of the Public Records of Lee County, Florida (as to Parcel 5).

15. Drainage Easement Agreement recorded in Official Records Book 2026, Page 2380, of the Public Records of Lee County, Florida (as to Parcel 5).

16. Easement to Florida Power and Light Company recorded in Official Records Book 2206, Page 2518, of the Public Records of Lee County, Florida (as to Parcel 5).

Exhibit "A
(Lease Agreement)

To be entered into prior to or at Closing.

Exhibit "B"
(Consulting Agreement)

See Attached

CONSULTING AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 1998, by and between Gulf Environmental Services, Inc., a Florida not for profit corporation ("Gulf Environmental"), and James W. Moore, ("Moore").

R E C I T A T I O N S:

WHEREAS, Gulf Environmental and Gulf Utility Company executed an Agreement for Purchase and Sale of Water and Wastewater Assets on March 3, 1998 ("Agreement") for the purchase and sale of the assets of Gulf Utility Company; and

WHEREAS, Moore was the President of Gulf Utility Company, and as such, has knowledge of the water and wastewater utility business, in particular, that of Gulf Utility Company.

NOW, THEREFORE, in consideration of Five Hundred Thousand and No Dollars ($500,000) in cash, and other valuable consideration, paid by Gulf Environmental to Moore, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. RECITATIONS. The foregoing recitations are true, correct and incorporated herein by reference.

2. SERVICES TO BE RENDERED. For a period of five (5) years from the Closing Date (as defined in the Agreement), Moore, in his discretion, and at times and places acceptable to Moore, shall provide such consulting services to Gulf Environmental, or its designated agent, as may reasonably be requested by Gulf Environmental, or its designated agent, with respect to (a) the Purchased Assets (as defined in the Agreement), including, but not limited to, any warranties related thereto, (b) the operations of Gulf Envrionmental, (c) (if applicable) the books and records of Gulf Utility Company, (d) any developer agreements entered into by Gulf Utility Company, (e) the billing practice and records of Gulf Utility Company; (f) matters related to the Florida Public Service Commission; (g) any liabilities assumed by Gulf Environmental, (h) customer relations, and (i) any other matter that may reasonably be requested.

3. EMPLOYMENT RELATIONSHIP. Moore shall not be an employee or agent of Gulf Environmental, nor shall Moore represent himself as such. Further Moore shall have no authority to (a) represent; (b) act on behalf of; or (c) bind Gulf Environmental.

4. GOVERNING LAW. This Consulting Agreement shall be governed by and construed in accordance with the laws of the State of Florida. No modification or amendment to this Consulting Agreement shall be valid unless reduced to writing and signed by the parties hereto.

IN WITNESS WHEREOF, Gulf Environmental Services, Inc. and James W. Moore, have executed and sealed this Agreement.

ATTEST:

SELLER:

_____

_____
James W. Moore

ATTEST:

PURCHASER:

_____

_____
J.W. French
President

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Exhibit "C"
(Escrow Agreement)

See attached

d Escrow Agent shall not make any payments hereunder until directed to do so, in writing, by both Purchaser and Seller. Purchaser and Seller both covenant to provide promptly to Escrow Agent, with copies to each other, notices that are consistent with the obligations imposed herein or in the Agreement.

4. DISPUTE. In the event of a dispute between any of the parties hereto, Escrow Agent shall not distribute such funds until there is either: (i) An Agreement executed by the parties and delivered to the Escrow Agent; or (ii) final decision of a court of competent jurisdiction located in Lee County, Florida. The parties agree to submit any dispute to good faith mediation prior to filing any lawsuits concerning the Escrow Deposit.

5. INDEMNIFICATION. Seller and Purchaser hereby agree to indemnify and hold Escrow Agent harmless from and against any and all losses, claims, damages, liabilities, and expenses, in connection with its acceptance of this appointment as Escrow Agent hereunder for the performance of its duties hereunder, including, without limitation, any litigation arising from this Escrow Agreement or involving the subject matter herein; except, that if Escrow Agent shall be found to have engaged in willful misconduct or gross negligence under this Agreement, then, in that event, Escrow Agent shall bear all such losses, claims, damages, and expenses in performing any of its duties under this Escrow Agreement, or upon the claimed failure to perform its duties hereunder. Escrow Agent shall not be liable to anyone for any damages, losses, or expenses which they may incur as a result of the Escrow Agent so acting, or failing to act; providing, however, Escrow Agent shall be liable for damages arising out of its willful misconduct or gross negligence under this Agreement. Notwithstanding any of the foregoing, Escrow Agent shall not incur any such liability with respect to (a) any action taken or admitted to be taken in good faith upon the advice of Seller or Purchaser given with respect to any questions relating to the duties and responsibilities of the Escrow Agent hereunder or (b) any action taken or admitted to be taken in reliance upon any document, including this Agreement, or notice or instruction provided for in this Escrow Agreement, which the Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the proper person or persons and to conform with the provisions of this Agreement.

6. GOVERNING LAW. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Florida. No modification or amendment to this Escrow Agreement shall be valid unless reduced to writing and signed by the parties hereto.

7. NOTICE. Notice to any of the parties hereto shall be made by certified mail, return receipt requested, at the following addresses:

To the Seller at:

James W. Moore
Gulf Utility Company
19910 South Tamiami Trail
Estero, Florida 33928

To the Purchaser at:

J.W. French
Gulf Environmental Services, Inc.
2172 McGregor Boulevard
Fort Myers, Florida 33901

To the Escrow Agent at:

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

IN WITNESS WHEREOF, Seller, Purchaser and Escrow Agent have executed and sealed this Agreement.

ATTEST:

SELLER:

James W. Moore
President

ATTEST:

PURCHASER:

J.W. French
President

WITNESS:

ESCROW AGENT:
ROSE, SUNDSTROM & BENTLEY, LLP

By: Martin S. Friedman
Partner

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FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number
72 - W

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

GULF UTILITY COMPANY

Whose principal address is:

18513 Bartow Boulevard
Ft. Myers, Florida 33912 (Lee County)

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

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

ORDER	5366	DOCKET	C-71643-W
ORDER	5650	DOCKET	72231-W
ORDER	10131	DOCKET	810005-WS
ORDER	10131-A	DOCKET	810005-WS
ORDER	11266	DOCKET	820280-WS
ORDER	12652	DOCKET	830467-WS
ORDER	14536	DOCKET	850072-WS
ORDER	14210	DOCKET	840387-WS
ORDER	14660	DOCKET	850072-WS
ORDER	14953	DOCKET	840387-WS
ORDER	24046	DOCKET	900939-WS
ORDER	PSC-92-0688-FOF-WS	DOCKET	920334-WS
ORDER	PSC-98-0513-FOF-WS	DOCKET	970696-WS
ORDER		DOCKET	

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Director
Division of Records and Reporting

FLORIDA

Public Service Commission

CERTIFICATE NUMBER

64-S

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

Gulf Utility Company

Whose principal address is

18513 Bartow Blvd. SE

Ft. Myers, Florida 33912-3559

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

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

ORDER 5366	DOCKET G-71635-S
ORDER 5650	DOCKET 72232-S
ORDER 10131	DOCKET 810005-WS
ORDER 10131-A	DOCKET 810005-WS

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Director
Division of Records & Reporting

FLORIDA

Public Service Commission

CERTIFICATE NUMBER

64-S

ORDER	11266	DOCKET	820280-WS
ORDER	12652	DOCKET	830467-WS
ORDER	14210	DOCKET	840387-WS
ORDER	14536	DOCKET	850072-WS
ORDER	14660	DOCKET	850072-WS
ORDER	14953	DOCKET	840387-WS
ORDER	22522	DOCKET	891157-SU
ORDER	24046	DOCKET	900939-WS
ORDER	PSC-92-0688-FOF-WS	DOCKET	920334-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Schedule "G"
(Permitted Encumbrances)

1. Taxes for the year 1998 and subsequent years.

2. The rights, restrictions, regulations and assessments of the East Mulloch Drainage District recorded in Official Records Book 203, Page 175; Agreement recorded in Official Records Book 203, Page 177; Judgment Extending Boundaries recorded in Official Records Book 473, Page 363, and Dedication recorded in Official Records Book 468, Page 461, of the Public Records of Lee County, Florida (as to Parcels 1, 2 and 3).

3. Resolution recorded in Official Records Book 1812, Page 3507 and Official Records Book 1865, Page 2016, of the Public Records of Lee County, Florida (as to Parcel 5).

4. Dedication of Easements recorded in Official Records Book 473, Page 358, of the Public Records of Lee County, Florida (as to Parcel 1).

5. Utility Agreement recorded in Official Records Book 1630, Page 2254 and conveyed by instrument recorded in Official Records Book 1645, Page 2048 and re-recorded in Official Records Book 1647, Page 141, of the Public Records of Lee County, Florida (as to Parcel 1).

6. Dedication recorded in Official Records Book 272, Page 881, of the Public Records of Lee County, Florida (as to Parcel 2).

7. Declaration of Restrictions, Conditions, Limitations, Covenants, Easements and Reservations recorded in Official Records Book 296, Page 688, of the Public Records of Lee County, Florida (as to Parcel 1). Easements reserved in said Declaration were conveyed to Lee County by instrument recorded in Official Records Book 2728, Page 155, of the Public Records of Lee County, Florida.

8. Declaration of Restrictive Covenants recorded in Official Records Book 468, Page 484, of the Public Records of Lee County, Florida (as to Parcel 2). Easements reserved in said Declaration were conveyed to Lee County by instrument recorded in Official Records Book 2728, Page 155, of the Public Records of Lee County, Florida.

9. Declaration of Restrictive Covenants recorded in Official Records Book 476, Page 316, of the Public Records of Lee County, Florida (as to Parcel 1).

10. Master Declaration of Three Oaks I recorded in Official Records Book 2007, Page 2662, of the Public Records of Lee County, Florida (as to Parcel 5).

11. Grant of Easement to Gulf Utility Company, a Florida corporation, recorded in Official Records Book 1645, Page 2060, of the Public Records of Lee County, Florida (as to Parcels 1 and 2).

12. Notice of Development Order recorded in Official Records Book 1849, Page 4408 and Official Records Book 1869, Page 3574, of the Public Records of Lee County, Florida (as to Parcels 1 and 2), and recorded in Official Records Book 1849, Page 4716, of the Public Records of Lee County, Florida (as to Parcel 3).

13. Reservations of 1/2 interest in all royalties and/or rents from petroleum and minerals below a depth of 150 feet as shown in Official Records Book 1248, Page 809, of the Public Records of Lee County, Florida (as to Parcel 5).

14. Easement to Lee County recorded in Official Records Book 1517, Page 392, of the Public Records of Lee County, Florida (as to Parcel 5).

15. Drainage Easement Agreement recorded in Official Records Book 2026, Page 2380, of the Public Records of Lee County, Florida (as to Parcel 5).

16. Easement to Florida Power and Light Company recorded in Official Records Book 2206, Page 2518, of the Public Records of Lee County, Florida (as to Parcel 5).

Exhibit "A
(Lease Agreement)

To be entered into prior to or at Closing.

Exhibit "B"
(Consulting Agreement)

See Attached

CONSULTING AGREEMENT

THIS AGREEMENT, made and entered into this ____ day of ____ _____, 1998, by and between Gulf Environmental Services, Inc., a Florida not for profit corporation ("Gulf Environmental"), and James W. Moore, ("Moore").

R E C I T A T I O N S:

WHEREAS, Gulf Environmental and Gulf Utility Company executed an Agreement for Purchase and Sale of Water and Wastewater Assets on March 3, 1998 ("Agreement") for the purchase and sale of the assets of Gulf Utility Company; and

WHEREAS, Moore was the President of Gulf Utility Company, and as such, has knowledge of the water and wastewater utility business, in particular, that of Gulf Utility Company.

NOW, THEREFORE, in consideration of Five Hundred Thousand and No Dollars ($500,000) in cash, and other valuable consideration, paid by Gulf Environmental to Moore, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. RECITATIONS. The foregoing recitations are true, correct and incorporated herein by reference.

2. SERVICES TO BE RENDERED. For a period of five (5) years from the Closing Date (as defined in the Agreement), Moore, in his discretion, and at times and places acceptable to Moore, shall provide such consulting services to Gulf Environmental, or its designated agent, as may reasonably be requested by Gulf Environmental, or its designated agent, with respect to (a) the Purchased Assets (as defined in the Agreement), including, but not limited to, any warranties related thereto, (b) the operations of Gulf Envrionmental, (c) (if applicable) the books and records of Gulf Utility Company, (d) any developer agreements entered into by Gulf Utility Company, (e) the billing practice and records of Gulf Utility Company; (f) matters related to the Florida Public Service Commission; (g) any liabilities assumed by Gulf Environmental, (h) customer relations, and (i) any other matter that may reasonably be requested.

3. EMPLOYMENT RELATIONSHIP. Moore shall not be an employee or agent of Gulf Environmental, nor shall Moore represent himself as such. Further Moore shall have no authority to (a) represent; (b) act on behalf of; or (c) bind Gulf Environmental.

4. GOVERNING LAW. This Consulting Agreement shall be governed by and construed in accordance with the laws of the State of Florida. No modification or amendment to this Consulting Agreement shall be valid unless reduced to writing and signed by the parties hereto.

IN WITNESS WHEREOF, Gulf Environmental Services, Inc. and James W. Moore, have executed and sealed this Agreement.

ATTEST:

SELLER:

_____

_____
James W. Moore

ATTEST:

PURCHASER:

_____

_____
J.W. French
President

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Exhibit "C"
(Escrow Agreement)

See attached

d Escrow Agent shall not make any payments hereunder until directed to do so, in writing, by both Purchaser and Seller. Purchaser and Seller both covenant to provide promptly to Escrow Agent, with copies to each other, notices that are consistent with the obligations imposed herein or in the Agreement.

4. DISPUTE. In the event of a dispute between any of the parties hereto, Escrow Agent shall not distribute such funds until there is either: (i) An Agreement executed by the parties and delivered to the Escrow Agent; or (ii) final decision of a court of competent jurisdiction located in Lee County, Florida. The parties agree to submit any dispute to good faith mediation prior to filing any lawsuits concerning the Escrow Deposit.

5. INDEMNIFICATION. Seller and Purchaser hereby agree to indemnify and hold Escrow Agent harmless from and against any and all losses, claims, damages, liabilities, and expenses, in connection with its acceptance of this appointment as Escrow Agent hereunder for the performance of its duties hereunder, including, without limitation, any litigation arising from this Escrow Agreement or involving the subject matter herein; except, that if Escrow Agent shall be found to have engaged in willful misconduct or gross negligence under this Agreement, then, in that event, Escrow Agent shall bear all such losses, claims, damages, and expenses in performing any of its duties under this Escrow Agreement, or upon the claimed failure to perform its duties hereunder. Escrow Agent shall not be liable to anyone for any damages, losses, or expenses which they may incur as a result of the Escrow Agent so acting, or failing to act; providing, however, Escrow Agent shall be liable for damages arising out of its willful misconduct or gross negligence under this Agreement. Notwithstanding any of the foregoing, Escrow Agent shall not incur any such liability with respect to (a) any action taken or admitted to be taken in good faith upon the advice of Seller or Purchaser given with respect to any questions relating to the duties and responsibilities of the Escrow Agent hereunder or (b) any action taken or admitted to be taken in reliance upon any document, including this Agreement, or notice or instruction provided for in this Escrow Agreement, which the Escrow Agent shall in good faith believe to be genuine, to have been signed or presented by the proper person or persons and to conform with the provisions of this Agreement.

6. GOVERNING LAW. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Florida. No modification or amendment to this Escrow Agreement shall be valid unless reduced to writing and signed by the parties hereto.

7. NOTICE. Notice to any of the parties hereto shall be made by certified mail, return receipt requested, at the following addresses:

To the Seller at:

James W. Moore
Gulf Utility Company
19910 South Tamiami Trail
Estero, Florida 33928

To the Purchaser at:

J.W. French
Gulf Environmental Services, Inc.
2172 McGregor Boulevard
Fort Myers, Florida 33901

To the Escrow Agent at:

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

IN WITNESS WHEREOF, Seller, Purchaser and Escrow Agent have executed and sealed this Agreement.

ATTEST:

SELLER:

James W. Moore
President

ATTEST:

PURCHASER:

J.W. French
President

WITNESS:

ESCROW AGENT:
ROSE, SUNDSTROM & BENTLEY, LLP

By: Martin S. Friedman
Partner

severn\lee\escrow5.agr

FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number
72 - W

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

GULF UTILITY COMPANY

Whose principal address is:

18513 Bartow Boulevard
Ft. Myers, Florida 33912 (Lee County)

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

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

ORDER	5366	DOCKET	C-71643-W
ORDER	5650	DOCKET	72231-W
ORDER	10131	DOCKET	810005-WS
ORDER	10131-A	DOCKET	810005-WS
ORDER	11266	DOCKET	820280-WS
ORDER	12652	DOCKET	830467-WS
ORDER	14536	DOCKET	850072-WS
ORDER	14210	DOCKET	840387-WS
ORDER	14660	DOCKET	850072-WS
ORDER	14953	DOCKET	840387-WS
ORDER	24046	DOCKET	900939-WS
ORDER	PSC-92-0688-FOF-WS	DOCKET	920334-WS
ORDER	PSC-98-0513-FOF-WS	DOCKET	970696-WS
ORDER		DOCKET	

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Director
Division of Records and Reporting

FLORIDA

Public Service Commission

CERTIFICATE NUMBER

64-S

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

Gulf Utility Company

Whose principal address is

18513 Bartow Blvd. SE

Ft. Myers, Florida 33912-3559

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

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

ORDER 5366	DOCKET C-71635-S
ORDER 5650	DOCKET 72232-S
ORDER 10131	DOCKET 810005-WS
ORDER 10131-A	DOCKET 810005-WS

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION

Director
Division of Records & Reporting

FLORIDA

Public Service Commission

CERTIFICATE NUMBER

64-S

ORDER	11266	DOCKET	820280-WS
ORDER	12652	DOCKET	830467-WS
ORDER	14210	DOCKET	840387-WS
ORDER	14536	DOCKET	850072-WS
ORDER	14660	DOCKET	850072-WS
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ORDER	PSC-92-0688-FOF-WS	DOCKET	920334-WS
ORDER		DOCKET	
ORDER		DOCKET	
ORDER		DOCKET	

BY ORDER OF THE
FLORIDA PUBLIC SERVICE COMMISSION