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RECEIVED-FPSC

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RECEIVED AND
REPORTING
E-MAIL bk.gatlin@netnet.com

July 9, 1998

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

HAND DELIVERY

980846-KIS

RE: Application for Transfer of Water and Wastewater Facilities
of Garden Grove Water Company, Inc. to The City of Winter
Haven

Dear Ms. Bayo:

Enclosed on behalf of Garden Grove Water 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.

Sincerely,



Wayne L. Schiefelbein

WLS/cas
Enclosures

cc: John G. Wood, Jr.

07249 JB-98

APPLICATION FOR TRANSFER TO GOVERNMENTAL AUTHORITY
(Pursuant to Section 367.071(4)(a), Florida Statutes)

TO: Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

The undersigned hereby makes application for the approval of the transfer of ~~(all xxxxxxxx)~~ of the facilities operated under Water Certificate No. 597-W and/or Wastewater Certificate No. 512-S located in Polk County, Florida, and submits the following:

PART I APPLICANT INFORMATION

A) The full name (as it appears on the certificate)^{*}, address and telephone number of the seller (utility):

Garden Grove Water Company, Inc.
Name of utility
(941) 324-9663 (941) 325-8802
Phone No. Fax No.
3601 Cypress Gardens Road
Office street address
Winter Haven FL 33884
City State Zip Code
N/A
Mailing address if different from street address
N/A
Internet address if applicable

* None issued as of date of filing this application.

- B) The name, address and telephone number of a representative of the utility to contact concerning this application:

Wayne L. Schiefelbein (850) 385-9996

Name Gatlin, Schiefelbein & Cowdery Phone No.
3301 Thomasville Road, Suite 300
Street address

Tallahassee FL 32312
City State Zip Code

- C) The full name, address and telephone number of the governmental authority:

The City of Winter Haven
Name of utility

(941) 291-5600 (941) 291-5623
Phone No. Fax No.

451 3rd St., N.W.
Office street address

Winter Haven FL 33881
City State Zip Code

P. O. Box 2277
Mailing address if different from street address

N/A
Internet address if applicable

- D) The name, address and telephone number of a representative of the governmental authority to contact concerning this application:

R. Carl Cheatbam, City Manager (941) 291-5600
Name Phone No.

451 3rd St., N.W.
Street address

Winter Haven FL 33881
City State Zip Code

PART II FINANCIAL INFORMATION

- A) Exhibit A - A copy of the contract pursuant to Rules 25-30.037(4)(c) and (d), Florida Administrative Code.
- B) Exhibit B - A statement regarding the disposition of customer deposits and the accumulated interest thereon.
- C) Exhibit C - A statement regarding the disposition of any outstanding regulatory assessment fees, fines or refunds owed.
- D) Exhibit D - A statement that the buyer (governmental authority) obtained from the utility or the Commission the utility's most recent available income and expense statement, balance sheet and statement of rate base for regulatory purposes and contributions-in-aid-of-construction.
- E) Indicate the date on which the buyer proposes to take official action to acquire the utility:

 See Exhibit E .

If only a portion of the utility's facilities is being transferred, a revised territory description and map of the utility's remaining territory must be provided, as discussed in PART III, below.

IF THE UTILITY'S ENTIRE FACILITIES ARE BEING TRANSFERRED, PLEASE DISREGARD PART III OF THIS APPLICATION FORM.

PART III CERTIFICATION

A) **TERRITORY DESCRIPTION**

Exhibit N/A - An accurate description of the utility's revised territory. If the water and wastewater territory is different, provide separate descriptions.

Note: Use the Survey of Public Lands method (township, range, section, and quarter section), if possible, or a metes and bounds description. Give the subdivision or project name. The description should **NOT** refer to land grants or plat books, but may use geographic boundaries (i.e., road right-of-ways, railroads, rivers, creeks, etc). The object is to make the description as brief, but as accurate as possible.

B) **TERRITORY MAPS**

Exhibit N/A - One copy of an official county tax assessment map or other map showing township, range and section with a scale such as 1"=200' or 1"=400' on which the remaining territory is plotted by use of metes and bounds or quarter sections and with a defined reference point of beginning. If the water and wastewater territory is different, provide separate maps.

C) **TARIFF SHEETS**

Exhibit N/A - The original and two copies of tariff sheet(s) revised to show correct service territory. Please refer to Rules 25-9.009 and 25-9.010, Florida Administrative Code, regarding page numbering of tariff sheets before preparing the tariff revisions. (Pages 9-10.) Sample tariff sheets are attached. (Pages 11-14.)

PART IV AFFIDAVIT

I John G. Wood (applicant) do solemnly swear or affirm that the facts stated in the foregoing application and all exhibits attached thereto are true and correct and that said statements of fact thereto constitute a complete statement of the matter to which it relates.

BY: *John G. Wood*
Applicant's Signature
John G. Wood
Applicant's Name (Typed)
President
Applicant's Title *

Subscribed and sworn to before me this 8th
of July 1998.



Sharen Coltrane
MY COMMISSION # CC672452 EXPIRES
August 17, 2001
BONDED THROUGH FARM INSURANCE, INC.

Sharen Coltrane
Notary Public

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

**THE CITY OF WINTER HAVEN, FLORIDA
AND
GARDEN GROVE WATER COMPANY, INC.
AGREEMENT FOR PURCHASE AND SALE OF
UTILITY SYSTEM**

March 9, 1998

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SCHEDULE OF EXHIBITS

<u>EXHIBIT NO.</u>	TITLE
A.	Legal Description of Garden Grove Water Company, Inc. Service Area Boundary and Descriptions of Areas Excluded from Same with Accompanying Map
B.	Water System Map
C.	Wastewater System Map
D.	Listing of Fixed Assets to be Sold
D-1	Listing of Fixed Assets to be Retained by SELLER
E.	Index Listing of Records, Reports, Engineering, Studies and Other Operating Information to be Sold
F.	Listing of Inventory, Spare Parts, and Consumables to be Sold
G.	Permits, Licenses, Approvals, Leases and Other Rights
H.	Tax Parcel I.D. and Legal Descriptions of All Real Property Conveyed
I.	List of Certain Easements Conveyed
J.	Developer and Certain Other Agreements to be Assumed
K.	Management Assistance Agreement
L.	Effluent Disposal Agreement
M.	Listing of All Customers
N.	Listing of All Customer Deposits

- O. Description and Listing of Prepaid Capacity Connections and Map Showing Land Areas**
- P. Description of Known System Deficiencies and Estimated Cost to Cure:
 - (1) Real Estate**
 - (2) Environmental Audit**
 - (3) Facilities****
- Q. Description of Construction Work in Progress and Open Contracts**
- R. Property to be Annexed (Legal Description)**
- S. Rental Lease for Office**
- T. Listing of Accounts Receivable (to be Audited at Closing)**
- U. List of Operating or Vendor Contracts**
- V. Cost Reimbursement Agreement**

**THE CITY OF WINTER HAVEN, FLORIDA
AND
GARDEN GROVE WATER COMPANY, INC.**

**AGREEMENT FOR PURCHASE AND SALE
OF
UTILITY SYSTEM**

THIS AGREEMENT, made and entered into this 24th day of March, 1998, by and between the City of Winter Haven, Florida, a municipal corporation of the State of Florida (hereafter "CITY"), and the Garden Grove Water Company, Inc., a Florida corporation, (hereafter "SELLER").

RECITALS

1. SELLER owns and operates the Utility System under a franchise agreement originally granted by Polk County, Florida and subsequently transferred to the Florida Public Service Commission ("FPSC"). The rates and charges are regulated by the FPSC. A transfer ("grandfather") petition (Docket No.:96-1299-WS) was filed with the FPSC on October 29, 1996, and is currently pending.

2. The SELLER is willing to sell the Water and Wastewater Systems (collectively, "Utility System") to the CITY, and the CITY is willing to purchase the Utility System from the SELLER.

3. The CITY has held a public hearing on the proposed purchase of the SELLER'S Utility System and, after consideration, at a minimum, of all the factors enumerated in Section 180.301, Florida Statutes (1997), has determined that such purchase is in the public interest. As part of that process the CITY has examined the Utility System's physical assets, regulatory compliance, the existing financial structure, and the long-range needs and goals of the CITY relative to the provision of water and wastewater service to its present and future customers.

4. The CITY and SELLER are empowered to be bound by the terms and conditions set forth in this Agreement.

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

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

SECTION 2. DEFINITIONS. The CITY and SELLER agree that in construing this Agreement, the following words, phrases, and terms shall have the following meanings unless the context requires otherwise:

2.1 **"Accounts Receivable"** are those billed amounts which customers have not paid as of the Closing Date.

2.2 **"Additional Stock"** shall mean all consumables, spare parts and other non-fixed assets not specifically set forth in Exhibit "F".

2.3 **"Closing Date" or "Closing"** shall mean the date as set forth herein on which the purchase and sale of the Purchased Assets is finalized and title to all such Purchased Assets is transferred from SELLER to CITY, as provided in Section 15.3 of this Agreement.

2.4 **"Commitment"** shall mean the title commitment to be obtained by CITY with respect to the Real Property purchased by CITY as provided in Section 6 of this Agreement.

2.5 **"Connection Charges"** shall be defined and measured pursuant to the City of Winter Haven Ordinance No. 0-87-08 or such current definition as changed or amended through a future ordinance.

2.6 **"Easements"** means those rights, privileges, easements, licenses, prescriptive rights, rights-of-way, and rights to use public and private roads, highways, streets, and other areas owned and/or used by SELLER in connection with the construction, reconstruction, installation, maintenance and operation of the Utility System which are to be purchased by CITY as part of the Purchased Assets.

2.7 **"ERC"** means Equivalent Residential Connection or Equivalent Residential Unit as defined pursuant to City of Winter Haven Ordinance NO. 0-87-08 or such current definition as changed or amended by any future ordinance.

2.8 **"Expansion Fees"** shall be defined pursuant to the City of Winter Haven Ordinance No. 0-87-08 or such current definition as changed or amended by any future ordinance.

2.9 **"Latent Defects"** means hidden, not apparent, or unobserved defect due to faulty material, manufacturing, construction, environmental pollution or other reason that existed on or prior to the Closing Date.

2.10 **"Open Contracts"** means any contract for goods or services executed by SELLER and any third party which continues in force and effect after closing.

2.11 **"Permitted Exceptions"** those permitted exceptions to or conditions upon title to the Real Property and Easements sold to the CITY which are listed.

2.12 **"Prepaid Capacity Connections"** means agreements made between Seller and Developers whereby a Developer has the right to connect to the Utility System without payment of Expansion Fees to the CITY. The total number of Prepaid Capacity Connections shall not exceed One Thousand Fifty (1,050) ERCs. The utilization of a prepaid ERC shall occur upon the connection of either a water, wastewater or combined service.

2.13 **"Purchased Assets"** means all that real, personal and intangible property which forms the Utility System as further delineated in Sections 3 and 4 of this Agreement which are to be sold by SELLER to CITY pursuant to this Agreement.

2.14 **"Real Property"** means the real property described in Exhibit "H" to this Agreement which will be part of the Purchased Assets being sold by SELLER to CITY pursuant to this Agreement.

2.15 **"Unbilled Revenue"** means the revenue due SELLER for that period of time where service is provided from the latest billed date to the Closing Date. Unbilled revenue is calculated by a proration of the number of days of each customer's first billing period following the Closing Date.

2.16 **"Utility System"** means collectively the water system and wastewater system as defined herein.

2.17 **"Water System"** means the entire water production, storage, treatment, transmission and distribution system (including records, rights, permits and licenses, and consumable items) currently owned and utilized by SELLER in Polk County, Florida, in its water service and which forms part of the basis of the Purchased Assets.

2.18 "Wastewater System" means the entire wastewater collection, pumping station, force main, treatment, effluent handling, biosolids (sludge) handling and reuse system or contract rights for reuse (including records, rights, permits, licenses and consumable items) currently owned and utilized by SELLER in Polk County, Florida in its wastewater service and which forms part of the basis of the Purchased Assets.

SECTION 3. PURCHASE AND SALE OF WATER AND WASTEWATER SYSTEMS ASSETS. The SELLER, pursuant to the circumstances noted in the Recitals above, agrees to sell and the CITY agrees to buy the Utility System, consisting of the real, personal and mixed property used or held for use in connection with the Utility System, hereafter referred to as the "Purchased Assets". The Purchased Assets shall not include the Excluded Assets described in Subsection 4.8 below.

SECTION 4. PURCHASED ASSETS. On the Closing Date, SELLER shall sell, assign, transfer, convey and deliver to CITY, and CITY shall purchase, accept and pay for all of the right, title and interest, in and to the following property and assets:

4.1 Real Property. The Real Property and interests in Real Property, owned by the SELLER, as described in Exhibit "H" hereof, whereupon water production, storage, treatment, transmission, and distribution facilities and wastewater treatment plant, wells, pumping stations, effluent disposal areas and other water and wastewater service facilities are located.

4.2 Easements and Other Rights. All rights, privileges, easements, licenses, prescriptive rights, rights-of-ways, and rights to use public and private roads, highways, streets, and other areas owned and/or used by the SELLER in connection with the construction, reconstruction, installation, maintenance and operation of the Utility System and the Purchased Assets (collectively referred to as the "Easements"). Certain Easements are more particularly described in Exhibit "I" hereof.

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

4.4 Equipment. Inventory of all equipment, vehicles, tools, parts, laboratory equipment, office equipment and other personal property owned by the SELLER and/or utilized by the SELLER exclusively in connection with the operation of the Utility System, as more particularly described in Exhibits "D" and "F" hereof.

4.5 Customer Records and Supplier Lists, Plans and Specifications. All current customer records and supplier lists, as-built surveys and water and sewer plans, plats, engineering and other drawings, designs, blueprints, plans and specifications, any and all reproducible documents, mylars, sepias, and other original documents used or held for use with the Utility System, accounting and customer records and all other information and business records in the possession of the SELLER that relate to the operation of the Utility System, as shown on Exhibit "E". The SELLER may make copies of its books, plans and records, at its expense, before transferring the original or copies of the books, plans and records to the CITY. These documents shall include any such documents related to work-in-progress, if any.

4.6 Permits, Licenses, and Approvals, Leases and Other Rights. Subject to all necessary regulatory approvals and to all conditions, limitations or restrictions contained therein, all existing original certificates, permits, and other governmental authorizations and approvals, leases, or other rights of any kind in the possession of SELLER necessary to operate and maintain the Utility System in accordance with all governmental requirements, more specifically described in Exhibit "G," attached to and incorporated in this Agreement. The CITY agrees to execute necessary forms required by governmental agencies to transfer and to assume SELLER's future obligations under said permits and approvals. These certificates, permits, and approvals shall include any such certificates, permits, and approvals related to work-in-progress, if any.

4.7 Service Area/Customers. The SELLER shall transfer all rights for service to the CITY within the area described in Exhibit "A" for the Utility System and inclusive of all customers as shown on Exhibit "M".

4.8 Excluded Assets. The following assets of SELLER regarding the Utility System shall not be included in the assets conveyed to CITY as part of the Purchased Assets:

- a. SELLER's cash and SELLER's bank account;
- b. SELLER's accounts receivable;
- c. SELLER's unbilled revenue;

- d. Federal, State or Local Tax or other deposits (excluding customer deposits) maintained by SELLER with any governmental authority or utility for SELLER's use and benefit;

e. All assets as shown on Exhibit "D-1".

f. SELLER's prepaid expenses.

4.9 Construction Work-in-Progress. The construction work-in-progress and Other Open contracts sold by the SELLER and purchased by CITY are listed in Exhibit "Q".

SECTION 5. PURCHASE PRICE AND PAYMENT.

5.1 Cash Considerations. The CITY agrees to pay to SELLER on the Closing Date, and the SELLER agrees to accept for the Utility System a cash future consideration in the amount of twenty one million, five hundred three thousand dollars (\$21,503,000).

5.2 Contingent Future Consideration. In addition to the cash consideration described in paragraph 5.1 above, the CITY shall also pay as contingent consideration to the SELLER, an amount of Five Hundred Dollars (\$500) for each of the next Three Thousand Five Hundred (3,500) new water connections added to the Utility System within the Service Area described in Exhibit "A" hereto except for such new water connections that are also Prepaid Capacity Connections pursuant to Exhibit "O". Such contingent future payments shall be made in cash, on an annual basis, to the SELLER. Once the CITY has paid the SELLER for the said Three Thousand Five Hundred (3,500) new water connections added to the Utility System, no additional future payments or other considerations shall be due from the CITY to the SELLER.

As used in this Section a new water connection for which future payments shall be made, shall be an extension of service or facilities by the Utility System which provides water capacity to serve an ERC.

For purposes of this Section, the CITY and SELLER hereto acknowledge and agree that the annual anniversary date for computing futures payments shall be September 30th of each year. Commencing September 30, 1998, the CITY will account to the SELLER for the number of water connections added to the Utility System during the prior period, and CITY shall pay to SELLER the future payments due under this Section. Payments shall be made in cash within thirty (30) days of the anniversary date, or according to such other method as agreed upon between the CITY and SELLER. The CITY agrees that its books and records pertaining to the operation of the Utility System shall be open and available at all reasonable times to SELLER's representatives for the purpose of inspection in order to verify the number of water connections added to the Utility System during any annual accounting period for purposes of SELLER satisfying itself that it is being accorded proper treatment relative to the CITY's contingent obligation for future payments under this Section.

SECTION 6. TITLE EVIDENCE. The CITY's Attorneys, Antonello & Fegers & Cea, shall issue a title commitment and policy for an Owner's ALTA Form B Marketability Policy in favor of the CITY in the amount of the highest insurable value as permitted by the title insurance company, licensed in Florida as selected by the CITY in its sole discretion.

As to the Easements being purchased, the CITY shall be permitted to examine the title to each Easement held by the SELLER. Upon completion of the title examinations of the Easements by the CITY, the CITY and SELLER agree to review the marketability of title of each title examined and if said title is marketable, the SELLER agrees to transfer to the CITY said Easement with full warranties. In the event title to said Easement, is not marketable, within fifteen (15) days of being notified of the condition of title to the said Easements, the CITY shall notify the SELLER, in writing, specifying the defects to title. Thereupon, the SELLER shall have thirty (30) days to remove the defect from said title and produce marketable title. If the SELLER is unable to produce marketable title within thirty (30) days, then the CITY shall have the right to accept title "as is" or the CITY may terminate this Agreement without liability by either party to the other. The CITY is hereby placed on notice that the SELLER is generally unaware of the condition of title to the Easements received by the SELLER through the years. In the event, the SELLER is unable to cure the defects in the title to the Easement, then, the SELLER shall specially warrant title to said Easements representing that the SELLER has committed no act that would result in the placement of a mortgage, lien, claim or other encumbrance of any type or nature on said Easements. In the event, the CITY chooses not to perform a title examination on any particular Easement, or it cannot be determined if the SELLER currently has title to said Easement in its name, then the SELLER's Easement rights shall be transferred to the CITY without any warranty of title.

When the SELLER conveys marketable title, said title shall be subject only to the title exceptions set forth below.

Payment for title searches and policy will be deducted from bond proceeds at closing.

6.1 Exceptions to Title. If permitted, the Commitment shall show the SELLER to be (i) vested with fee simple title to the Real Property shown on Exhibit "H" and (ii) vested with valid Easement interests for the Easements described on Exhibit "I," and any other Easements requested by the City subject to the following (the "Permitted Exceptions"):

(1) Ad valorem real estate taxes and assessments for the year 1998 and subsequent years;

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

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

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

6.2. Status of Title. As to the Real Property, the CITY shall have fifteen (15) days from receipt of the Title Commitment within which to examine same. If the CITY finds title, as shown on the Commitment, to be defective (i.e., matters which render title unmarketable in accordance with the title standards adopted by the Florida Bar and are not Permitted Exceptions), the CITY shall within fifteen (15) days notify the SELLER in writing specifying the defect(s), provided that if the CITY fails to give the SELLER written notice of defect(s), the defects shown in the Commitment shall, anything in this Agreement notwithstanding, be deemed to be waived as title objections to closing this transaction and the SELLER shall be under no obligation whatsoever to take any corrective action with respect to same nor to warrant title to same in its statutory warranty deed of conveyance. If the CITY has given the SELLER timely written notice of defect(s) and the defect(s) render the title other than as required by this Agreement, the SELLER shall use its reasonable efforts to cause such defects to be cured by the Closing Date. In the event that defects are timely raised and the SELLER, after exercising all reasonable efforts, cannot clear same prior to the Closing Date, then, in that event, the CITY shall have the right to purchase the Real Property in its then existing condition of title, or to rescind and terminate this Agreement without liability by either party to the other. Notice of such election shall be given by the CITY to the SELLER, in writing, as contemplated in this Agreement, within the time herein prescribed.

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

SECTION 7. REPRESENTATIONS AND WARRANTIES OF SELLER. The SELLER represents and warrants to CITY that:

7.1 Organization, Standing And Power. The SELLER is a corporation, duly organized validly existing, and in good standing under the laws of the State of Florida. The SELLER has all requisite power and authority to own, lease and convey the assets and real property that comprise the Utility System, and to conduct its businesses related thereto as it is currently being conducted.

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

7.3 Good and Marketable Title. Subject to the Permitted Exceptions, the SELLER has good and marketable title to the Purchased Assets with the exception of the Easements and other rights as set forth in Sections 4.2. and 6.

7.4 No Liens or Encumbrances. Except as otherwise specifically set forth in this Agreement or as may be released prior to the Closing Date, there are no mortgages, liens, claims or encumbrances of any type or nature upon or against the Purchased Assets including, but not limited to, mortgages, financing statements, or security instruments filed under the Uniform Commercial Code either in the county where the Real Property is located or with the Secretary of State. This representation and warranty shall not apply to Easements, except that SELLER specially warrants that the SELLER has committed no act that will result in a mortgage, lien, claim, or encumbrances of any type or nature on the Easements. The SELLER is in exclusive ownership, possession, and control of the Purchased Assets except for Easements and SELLER at Closing shall deliver possession and control of the Purchased Assets to the CITY.

7.5 Litigation. With the exception of Garden Grove Water Company, Inc. v. City of Lake Wales in the Circuit Court of Polk County, Florida, (Circuit Civil Court Case No. GC-G-96-994) and the FSPC Grandfather Certificate Application (Docket No. PSC-96-1299-WS), there are no actions, suits, or proceedings at law or in equity, pending against the SELLER before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the Utility System or any of the Purchased Assets or the SELLER's right and ability to make and perform this Agreement; nor is the SELLER aware of any facts which to its knowledge are likely to result in any such action, suit or proceeding. The SELLER is not in default with respect to any permit, approval order or decree of any court or of any administrative or governmental agency or instrumentality affecting the Utility System or any of the Purchased Assets. The SELLER agrees and warrants that it shall have a continuing duty to disclose the existence and nature of all pending judicial or administrative suits, actions, proceedings, and orders which in any way relate to the operation of the Utility System.

7.6 Leases. None of the Purchased Assets are subject to any interest of any lessor or lessee other than that single well lease shown in Exhibit "G" and assumed by the CITY herein.

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

7.8 No Record Violations. The SELLER is not aware and has not been notified of any restrictions or conditions of record which would adversely affect the use of the Utility System on the Real Property or Easements as described in Exhibits "H" and "I".

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

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

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

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

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

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

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

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

7.13 All Necessary Governmental Permits and Approvals. As of the Closing Date, the SELLER warrants that it shall transfer to the CITY all necessary governmental permits and approvals such that the CITY can operate the water and wastewater systems at their respective permitted volume capacities.

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

7.15 No CERCLA Violations. With respect to the Real Property portion of the Purchased Assets the SELLER has complied with, and the SELLER has not violated, except as disclosed by the environmental audits, in connection with the ownership, use, maintenance, or operation of the Real Property or the Purchased Assets, applicable environmental, federal, state, county, or local laws relating to pollution or protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, or the Toxic Substance Control Act ("Environmental Laws"). The SELLER has not authorized the placing or depositing of hazardous substances on the Real Property portion of the Purchased Assets except, if at all, in accordance with the applicable Environmental Laws, and the SELLER has no actual knowledge of any hazardous substance having been, or currently being, placed or deposited on the premises except in accordance with such Laws.

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

7.17 Assignment of Certain Agreements. The SELLER agrees that it shall obtain all necessary assignments, consents, and approvals in order to assign the agreements referenced in Section 21 herein.

7.18 No Construction. There is no construction work in progress on the Real Property other than that shown in Exhibit "Q", all of which shall be performed by the SELLER at no cost to the CITY.

7.19 Information and Documents Provided. SELLER has provided all documents and information requested in furtherance of this Agreement by CITY in relation to the Utility System and Purchased Assets which are available or can be reasonably available to SELLER.

7.20 Lead and Copper Rule Compliance. The SELLER agrees to obtain an approved compliance plan with the appropriate governmental agencies for compliance with state and federal rules regarding levels of lead and copper in the water system sampling and testing pursuant to the plan, and shall have submitted to the appropriate governmental agencies the analytical results of the first series of sampling and testing on the appropriate forms prior to December 31, 1992.

SECTION 8. CONDUCT PENDING CLOSING. The SELLER covenants that pending closing:

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

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

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

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

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

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

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

(7) not enter into any transaction, including without limitation, the purchase with an associated debt, sale or exchange of property the value of which exceeds \$5,000 (as defined in 7.9.(2)), which relates to the Utility System, except in furtherance of this Agreement with the CITY.

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

8.2 Risk of Loss. The SELLER shall bear the risk of loss, damage or destruction of the Purchased Assets by fire or other casualty prior to and including the Closing Date. If any portion of the Purchased Assets is damaged by fire, act of God or other casualty before the Closing Date, the CITY shall have the option of (1) taking the Purchase Assets as is, without reduction in price, together with the SELLER's assignment to the CITY of all rights under its insurance policies and all of the insurance proceeds, if any; or (2) taking the Purchased Assets, as is, with a reduction in price, mutually agreed to by SELLER and CITY; or (3) terminating this Agreement without liability by either party to the other.

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

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

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

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

8.7 Examination and Inspection. The SELLER will permit reasonable examination by the CITY'S authorized representatives of all existing contractual obligations, physical systems, assets, real estate, rights-of-way, easements and inventories which are utilized by the SELLER in connection with the Utility System. No such examination by the CITY'S authorized representatives shall interfere with the SELLER'S operations of the Utility System or the day to day operations of the SELLER'S personnel. The SELLER shall make these assets and records available for examination by the CITY'S authorized representatives at reasonable times and upon request from the CITY. Such facilities will be properly maintained by the SELLER within the custom and usage of the water and wastewater industry in Florida until the Closing Date.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF CITY. The CITY represents and warrants to the SELLER, as follows:

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

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

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

9.4 Public Interest. The CITY has fulfilled and complied with the provisions of Section 180.301, Florida Statutes (1997), relative to the purchase and sale of SELLER's utility systems prior to the CITY's execution of this Agreement.

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

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

9.7 Delivery of Resolution. The CITY will deliver to SELLER a certified copy of a resolution of the CITY COMMISSION approving the CITY's execution and performance of this Agreement with five (5) business days of CITY's execution hereof.

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

9.9 Police Power. Subject to the police power of the CITY and its ability to charge its prevailing capital charges, the CITY shall after closing fulfill the SELLER's obligations to furnish water and wastewater service as of the date of Closing. The CITY shall serve all existing customers who comply with ordinances and resolutions of the CITY. It is the CITY's intent to serve those potential customers not connected to the system located in the area described by Exhibit "A".

9.10 CITY Actions. The CITY shall take no action inconsistent with its express obligations under the terms and conditions of this Agreement. The CITY further covenants that all its express obligations under the terms and conditions of this Agreement shall survive the Closing Date.

9.11 Inspections. All inspections of the Utility System by the CITY or its representatives performed pursuant to this Agreement shall not materially interfere with the operation of the Utility System or the day-to-day activities of the SELLER's personnel.

9.12 Preservation of Service Area. In the event the CITY becomes aware that the service area (as described by Exhibit "A") is threatened or infringed upon, then, the CITY shall give the SELLER notice of said threat or infringement. Whether or not notified by the CITY, the SELLER shall be permitted to take any action it deems necessary

to protect its rights and interest as set forth in Section 5.2, above. However, the SELLER shall not be permitted to pursue any action in a manner using the CITY's name or capacity for the SELLER's use and benefit.

SECTION 10. ADDITIONAL CONDUCT PENDING CLOSING. The CITY and the SELLER covenant with each other that pending the closing on this transaction, neither shall obstruct, hinder or interfere in the operation of the Utility System by the SELLER or with the processing and consideration by governmental agencies of any applications or petitions filed by the SELLER or CITY that are related to the Utility System. SELLER shall execute all necessary documents to assist in securing necessary governmental approval(s) for the renewal, expanded use, and transfer of said permit, and shall use its best efforts to assist the CITY in obtaining all such necessary governmental approvals.

SECTION 11. ADJUSTMENTS AND PRORATIONS: CLOSING COSTS. At the time of closing, the parties covenant and agree that the following adjustments shall be made:

11.1 Real and Personal Property Taxes. Real and personal property taxes for 1998 on all real and personal property which is being conveyed by the SELLER to the CITY, shall be prorated as of 11:59 p.m. of the Closing Date and shall be paid by the SELLER. The CITY shall not be charged with proration of any ad valorem taxes.

11.2 Latent Defect Escrow Account. Both unbilled revenue and accounts receivable are owned by the SELLER, yet shall be deposited into a Latent Defect Escrow Account. Said account shall be maintained by the CITY in an interest bearing account, drawing interest at prevailing and available rates of interest for a period of two (2) years from the date of Closing. During such term the CITY upon discovery of any Latent Defect may draw upon such account to correct and cure the Latent Defect. The CITY shall provide written notice of the discovery and repair of any such Latent Defect. While the SELLER may object or contest a determination by the CITY as to the existence of or cost to repair or cure any Latent Defect, the CITY is entitled to draw upon the account, at its sole discretion, to repair or cure any Latent Defect it determines to be a threat to the public welfare, health and safety of its citizens. At the end of the two (2) year term, the CITY shall transfer all amounts remaining in the account, plus interest to the SELLER.

The Seller shall only be liable for the costs to cure the Latent Defects to the extent of the Latent Defects Escrow Account. Costs to cure Latent Defects in excess of the amount contained in the Latent Defect Escrow Account shall be borne solely by the City.

As to Easements or the failure of an underground facility to be located in an Easement, the CITY shall provide written notice to the SELLER of the discovery of this type of Latent Defect. The SELLER shall have the right to resolve or cure any defect based upon an Easement or failure of any underground facility to be located within an Easement within one hundred twenty days (120) prior to the CITY taking any remedial

action unless the CITY determines that such action must be taken immediately to avoid a threat to the public health safety and welfare of its citizens or the general public. Any remedial action required by the CITY for curing all Latent Defects resulting from an Easement or an underground facility failing to be located within an Easement is limited to a total reimbursement from the Latent Defects Escrow Account in an amount not exceeding ten thousand dollars (\$10,000) total for all occurrences. However, such limitation on reimbursement shall not apply to Real Property and Easement titles fully or specially warranted by the SELLER.

11.3 Invoices Prior to Closing. The SELLER shall request all of its suppliers and vendors to submit final invoices for services, materials, and supplies, including electricity for the period up to and including the Closing Date. The SELLER shall be responsible for, and shall provide to the CITY, upon request, evidence of the payment of all such invoices. The listing of certain operating or vendor contracts is shown on Exhibit "U".

11.4 Prepaid Capacity Connections. The CITY shall assume the obligation of the SELLER for Prepaid Capacity Connections under the agreements set forth in Exhibits "J" and "O". During the time period after the execution of this Agreement by both the SELLER and the CITY and through the Closing Date, any agreements or commitments with developers or customers providing for the extension of services or facilities with regard to the Utility System shall be accounted for on the basis of the total number of ERC added or capacity committed by the Utility System. These accounted for ERC shall be deducted from the One Thousand Fifty (1,050) Prepaid Capacity Connections set forth in Exhibit "O" with the exception that the SELLER shall have the alternative to pay the CITY the Expansion Fees associated with all or a portion of these ERC to avoid deductions from prepaid capacity connections on Exhibit "O".

11.5 Time of Proration. All adjustments and prorations shall be calculated as of 11:59 p.m. of the Closing Date.

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

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

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

11.9 Customer Deposits. Existing customer deposits shall be transferred by SELLER to the CITY at the Closing Date. A final, updated list listing of the customer deposits by individual name and aggregate total as provided in Exhibit "N" shall be provided by the SELLER to the CITY at the Closing Date.

11.10 Prorated Rents. If applicable, rents under any lease agreement assumed by CITY hereunder shall be prorated as of the Closing Date.

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

11.12 Other Prior Bills. All bills for other services, materials and supplies rendered in connection with the operation of the Utility System prior to the Closing Date shall be paid by SELLER.

11.13 Documentary Stamps. All documentary stamps, on the deeds of conveyance of Real Property and Easements included in the Purchased Assets, shall be paid by the SELLER.

11.14 Additional Stock, Consumables, Spare Parts and Inventory. The SELLER shall cause or provide sufficient Additional Stock, consumables, spare parts and materials inventory as generally described by Exhibit "F" for at least two (2) weeks of operations at the Closing Date.

11.15 Title Insurance. The Title Insurance and all related costs shall be paid by the CITY.

SECTION 12. INDEMNITIES. Except as otherwise provided for in this Agreement, the SELLER shall indemnify and hold the City, its representative agents and employees harmless from and against any and all claims, liability, demands, damages, surcharges, refunds, expenses, fees, fines, penalties, suits, proceedings, actions and fees, including damage to property or property rights that may arise from or are related to third party claims arising from or related to acts, errors, or omissions of the SELLER, its agents, employees, servants, licensees, invitees, or contractors or by any person under the control or direction of the SELLER arising out of (1) its operation, maintenance, or management of the Utility System up to and including the Closing Date, (2) any other local, state, or federal enforcement case that may be later filed after the Closing Date related to alleged or actual violations of local, state or federal laws, rules, ordinances, policies, or requirements that occurred prior to or on the Closing Date. In addition, SELLER shall indemnify and hold the CITY, its representatives, agents, and employees harmless from environmental pollution on the Closing Date located within the property shown on Exhibit "H".

To the extent permitted by law, without waiving sovereign immunity and except as otherwise provided for in this Agreement and subject to Section 768.28, F.S., the CITY shall indemnify and hold the SELLER, its representative agents and employees harmless from and against any and all third party claims, liability, demands, damages, surcharges, refunds, expenses, fees, fines, penalties, suits, proceedings, actions and fees, including damage to property or property rights that may arise from or which are related to the acts, errors, or omissions of the CITY, its agents, employees, servants, licensees, invitees, or contractors or by any person under the control or direction of the CITY arising out of (1) its operation, maintenance, or management of the Utility System subsequent to the Closing Date, (2) any other local, state, or federal enforcement case that may be later filed after the Closing Date related to alleged or actual violations of local, state or federal laws, rules, ordinances, policies, or requirements that occurred subsequent to the Closing Date, related to the Utility systems.

SECTION 13. ENVIRONMENTAL MATTERS. The CITY had the right and did perform a Level I Environmental Audit of the Property, as such terms are generally understood by the environmental consulting industry in the State of Florida. These audits were performed at the CITY's expense. These environmental audits included a Phase I Environmental Site Assessment in accordance with ASTM-E-1527-94 with minor modifications in order to determine that the sites were in full compliance with applicable local, state, and federal environmental and occupational health and safety statutes and regulations.

SECTION 14. DEFICIENCIES. The known system deficiencies are described in Exhibit "P" and are categorized as (1) real estate related; (2) environmentally related; and/or (3) facility-related items. The known system deficiencies shall be funded from bond proceeds. Those unknown defects (Latent Defects) are addressed pursuant to the provisions of Section 11.2 of this Agreement.

SECTION 15. CLOSING.

15.1 Closing Conditional on Validation and Issuance of Bonds. This agreement is expressly conditional upon the CITY's approval and issuance of tax-exempt revenue bonds payable from revenue of the utility system sufficient to meet all CITY obligations contained in this Agreement and the successful validation of such revenue bonds pursuant to Chapter 75, Florida Statute. The bonds shall not be considered validated until the expiration of any applicable period for appeal of the validation or, upon appeal of the same, final disposition of the same by the appropriate appellate court with jurisdiction. Such revenue bonds shall be insured by a nationally recognized municipal bond insurer acceptable to the CITY and shall be rated at the highest possible rating by a nationally recognized bond rating agency. In the event such bonds are not or cannot be validated or issued then this agreement shall be null and void.

15.2 Closing Conditioned Upon Annexations of Property. This agreement is expressly conditional upon annexation of each and every property described and incorporated by reference as Exhibit "R". In the event any such property is not annexed, the CITY may elect to immediately terminate this Agreement without suffering any cost or damages payable to the SELLER.

15.3 Location of Closing. The place of closing shall be in Polk County at the offices of Antonello, Fegers & Cea, and such closing shall occur on or before June 30, 1998, (the "Closing Date"). Notwithstanding anything to the contrary, the Closing of this transaction shall take place upon the delivery of the Purchase Price to the SELLER in the manner and on the date provided for in this Agreement. The parties may mutually agree to alter the Closing Date upon written addendum to this agreement, but in no event shall the date extend beyond September 30, 1998.

SECTION 16. CLOSING DOCUMENTS AND PROCEDURES.

16.1 Deliveries from SELLER. The following documents shall be delivered by the SELLER to the CITY for a reasonable opportunity to review and shall be executed on the Closing Date:

(1) Warranty deeds to all of the Real Property owned by the SELLER as described in Exhibit "H" conveying to the CITY all of the SELLER'S right, title and interest in all such property and warranting that such Real Property is free and clear of all liens, claims and encumbrances other than Permitted Exceptions, as that term is defined in Subsection 6.1 hereof.

(2) Instruments of conveyance, in appropriate recordable form, of all the Easements conveying to the CITY all of its right, title and interest in all such Easements, together with all utility improvements thereto. These instruments of conveyance shall be by assignment or deed with or without warranties as set forth in Section 6.0.

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

(4) Bills of sale or other documents of assignment and transfer, with full warranties of title as specified in this Agreement, to all Utility System Assets set forth in Exhibits "D", "E", "F", "G", "H", and "I" herein;

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

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

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

(8) Schedule of the customer service security deposits as of the Closing Date as described in Subsection 11.9 hereof;

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

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

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

(12) Evidence of insurance as contemplated by Subsection 8.1(3) hereof; and

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

(14) All assignments of agreements listed in Section 21 that assign the agreements to CITY.

16.2 Deliveries from the CITY. On the Closing Date, the CITY shall pay the Purchase Price by delivering federal funds to the SELLER in the amount due SELLER as provided in Section 5 of this Agreement. The CITY shall also deliver at the Closing, the executed form of an assumption of the agreements set forth in Section 21 of this Agreement, an assumption of the leases, permits, agreements, approvals and other interests in the Purchased Assets being assigned by the SELLER, as provided by the SELLER pursuant to Subsection 16 hereof, and a certified copy of a resolution of the CITY approving this transaction, if not previously delivered to SELLER. Said documents shall

be executed on the Closing Date. The assignments and assumptions being prepared by the parties may be incorporated into one document at the convenience of the parties. The CITY shall also deliver at Closing: (a) such affidavits and acknowledgments as the title Company shall reasonably request in order to cause said title Company to issue a title insurance policy evidencing a marketable title in CITY; (b) a CITY Officer's Certificate confirming that the warranties of CITY'S set forth in this Agreement applicable to the Closing are true and correct as of the Closing; and (c) such other instruments and documents as SELLER's Counsel may reasonably require, in form approved by CITY'S Counsel, in order to transfer possession and control of the Purchased Assets to CITY, provided that none of such documents shall result in any additional liability on the part of CITY not otherwise provided for in this Agreement.

SECTION 17. RESPONSIBILITY FOR PROFESSIONAL FEES AND COSTS.

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

SECTION 18. PUBLIC SERVICE COMMISSION APPROVAL. SELLER shall apply for approval by the Florida Public Service Commission for transfer of the Purchased Assets from SELLER to CITY. SELLER agrees to pay all fees and costs incurred by SELLER incident to such dealings with the Florida Public Service Commission. It is agreed that CITY shall apply every reasonable effort to cooperate with SELLER to obtain approval from the Florida Public Service Commission and will render all reasonable assistance to SELLER necessary to obtain such approval.

SECTION 19. COMMISSIONS. The SELLER and the CITY warrant to the other that the transaction contemplated by this Agreement is a direct, private transaction between the SELLER and the CITY without the use of a broker or commissioned agent by the CITY. The CITY recognizes that the SELLER's sole broker or agent is John Wood Realty, Inc. (a Florida Corporation) which shall have no claim upon the CITY for a commission.

SECTION 20. FURTHER ASSURANCES. Each of the parties hereto agrees that, from time to time, upon the reasonable request of the other party and at the expense of the requesting party, without further consideration, it shall execute and deliver to the requesting party any and all further instruments, affidavits, conveyances and transfers as may be reasonably required to carry out the provisions of this Agreement.

SECTION 21. AGREEMENTS. The Agreements listed below are included in the Exhibits and shall be made a part of this Agreement. Those Agreements to be executed on or before the Closing of this Agreement include:

- (1) Effluent and Residuals Easement and Disposal Agreement as shown in Exhibit "L".
- (2) Executive Road System Agreement as shown in Exhibit "J".
- (3) Office Lease as shown in Exhibit "S".
- (4) Management Assistance Agreement as shown in Exhibit "K".

Those agreements to be assumed by the CITY include:

- (1) Developer Agreements as shown in Exhibit "J".
- (2) Operating or Vendor or other open contracts as shown in Exhibits "Q" or "U".
- (3) Callen Well Lease as shown in Exhibit "G".
- (4) Franchise Agreement with City of Dundee as shown in Exhibit "J".

SECTION 22. NOTICES: PROPER FORM. Any notices required or allowed to be delivered hereunder shall be in writing and may either be (1) hand delivered, (2) sent by recognized overnight courier (such as Federal Express) or (3) mailed by certified or registered mail, return receipt requested, in a postage prepaid envelope, and addressed to a party at the address set forth opposite the party's name below, or at such other address as the party shall have specified by written notice to the other party delivered in accordance herewith:

SELLER: John G. Wood, Jr.
Vice-President
Garden Grove Water Company, Inc.
3601 Cypress Gardens Road
Winter Haven, FL 33884

CITY: Mr. Carl Cheatham, City Manager
City of Winter Haven
Post Office Box 2277
Winter Haven, FL 33883

With a copy to: Robert J. Antonello, Esq.
Antonello, Fegers & Cea
Attorneys at Law
Post Office Box 7692
Winter Haven, Florida 33883-7692

Notices personally delivered by hand or sent by overnight courier shall be deemed given on the date of delivery and notices mailed in accordance with the foregoing shall be deemed given three (3) days after deposit in the U.S. mail.

SECTION 23. ENTIRE AGREEMENT. This instrument constitutes the entire Agreement between the parties and supersedes all previous discussions, understandings, and agreements between the parties relating to the subject matter of this Agreement. This Agreement may not be changed, altered or modified except by an instrument in writing signed by the party against whom enforcement of such change would be sought. However, notwithstanding any provisions contained herein, that certain agreement set forth in Exhibit "V" shall remain binding upon the parties.

SECTION 24. AMENDMENT. Amendments to and waivers to the provisions of this Agreement shall be made by the parties only in writing by formal amendment.

SECTION 25. DISCLAIMER OF THIRD PARTY BENEFICIARIES. This Agreement is solely for the benefit of the formal parties herein, and no right or cause of action shall accrue upon or by reason hereof, to or for the benefit of any third party not a formal party hereto.

SECTION 26. BINDING EFFECT. All of the provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the legal representatives, successors and nominees of the CITY and the SELLER.

SECTION 27. TIME OF THE ESSENCE. Time is hereby declared of the essence in the performance of each and every provision of this Agreement.

SECTION 28. APPLICABLE LAW. This Agreement shall be construed, controlled, and interpreted according to the laws of the State of Florida.

SECTION 29. CORROBORATION OF PAYMENTS AFTER CLOSING. In each instance in which either the SELLER or the CITY is to receive money from another party after the Closing Date pursuant to the provisions of this Agreement, the party who is entitled to receive the money under the terms of this Agreement shall have the right to inspect, at its own expense, those books and records of the other party as may be necessary to corroborate the accuracy of the amount of money received by the party, within thirty (30) days of receipt of payment. In the event the party making the inspection discovers an error in payment, the party making the payment shall promptly transfer the difference in payment to the party who is entitled to payment; provided, however, that to the extent that the error in payment is ten percent (10%) or more, then the party making payment shall, in addition to paying the shortfall, reimburse to the party making the inspection the reasonable costs of the inspection.

SECTION 30. RADON GAS. RADON IS A NATURALLY OCCURRING RADIOACTIVE GAS THAT, WHEN IT HAS ACCUMULATED IN A BUILDING IN SUFFICIENT QUANTITIES, MAY PRESENT HEALTH RISKS TO PERSONS WHO ARE EXPOSED TO IT OVER TIME. LEVELS OF RADON THAT EXCEED FEDERAL AND STATE GUIDELINES HAVE BEEN FOUND IN BUILDINGS IN FLORIDA. ADDITIONAL INFORMATION REGARDING RADON AND RADON TESTING MAY BE OBTAINED FROM YOUR COUNTY PUBLIC HEALTH UNIT.

SECTION 31. CONSULTING SERVICES BY SELLER. SELLER shall provide consulting and technical support to the City at no cost after closing as provided in Exhibit "K".

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

SECTION 33. MISCELLANEOUS.

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

33.2 In the event any term or provision of this Agreement be determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

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

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

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

Signed, sealed and delivered in the presence of:

Attest: [Signature]
Print Name: John G. Wood, Jr.
Title: Vice President

BY: [Signature]
Print Name: John G. Wood
Title: President

(CORPORATE SEAL)

STATE OF FLORIDA
COUNTY OF POLK

The foregoing instrument was acknowledged before me this 11th day of March 1998, by John G. Wood, Jr. and John G. Wood of Garden Grove Water Company, Inc.

[Signature]
Signature of Notary Public
Sharen Coltrane
(Print Notary Name)
My Commission Expires: _____
Commission No.: _____

AFFIX NOTARY STAMP
 Sharen Coltrane
MY COMMISSION # CC672452 EXPIRES
August 17, 2001
BONDED NEW TRUY FARM INSURANCE, INC.

Personally known, or
 Produced Identification
Type of Identification Produced: _____

BY: [Signature]
CITY COUNCIL
David A. Dershimer, Mayor

ATTEST:
BY: [Signature]
Deputy Clerk CITY CLERK
Sarah Lee Shumate

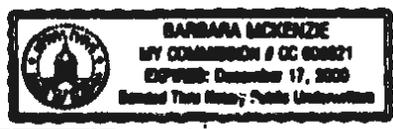
STATE OF FLORIDA
COUNTY OF POLK

The foregoing instrument was acknowledged before me this 8th day of April 1998, by David A. Dersheimer, as Mayor of the CITY OF WINTER HAVEN, FLORIDA, and acknowledged before me that he executed the foregoing instrument on behalf of the CITY OF WINTER HAVEN, FLORIDA.

Barbara McKenzie
Signature of Notary Public
Barbara McKenzie
(Print Notary Name)
My Commission Expires: 12/17/2000
Commission No.: 00000001

AFFIX NOTARY STAMP

Personally known, or
 Produced Identification
Type of Identification Produced: _____



FOR THE USE AND RELIANCE
OF the CITY OF WINTER HAVEN, FLORIDA.
APPROVED AS TO FORM.

April 10, 1998.
Robert J. Antonello
Robert J. Antonello, Esq., City Counsel

EXHIBIT B

Customer deposits shall be transferred to the City of Winter Haven pursuant to paragraph 11.9 of Exhibit A.

EXHIBIT C

Garden Grove Water Company, Inc. 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 within the required time period.



P.O. Box 2277
Winter Haven, Florida
33883-2277
Phone: (813) 291-5600
FAX: (813) 291-5623

RECEIVED

JUL 8 1998

OFFICE OF
WAYNE L. SCHIEFELBEIN

June 30, 1998

John Wood, Jr.
Garden Grove Water Company, Inc.
3601 Cypress Gardens Road
Winter Haven, FL 33884

"To whom it may concern:

The City of Winter Haven, on March 23, 1998, held a hearing, pursuant to Section 180.301, Florida Statutes (1997) to determine the public interest of purchasing the assets of the Garden Grove Water Company. At that hearing, the City received the utility's most recently available income and expense statement, balance sheet, and statement of rate base for regulatory purposes and contributions-in-aid-of-construction. Thus, this letter will serve as notice that Garden Grove Water Company has provided the City of Winter Haven the information required pursuant to Section 367.071(4)(a), Florida Statutes and Rule 25-30.037, Fla. Admin. Code. Please let me know if you have any questions.

Sincerely,

CITY of WINTER HAVEN

R. Carl Cheatham
City Manager"

:bjm

EXHIBIT E

The City of Winter Haven held a hearing on March 23, 1998 pursuant to Sec. 180.301, Florida Statutes (1997) to determine the public interest of purchasing the assets of the Garden Grove Water Company.

The closing is scheduled to take place on July 15, 1998.