

UTILITIES, INC.
 REVIEW OF BOARD OF DIRECTORS MINUTES
 TEST YEAR ENDED DECEMBER 31, 2001
 AUDITOR: KATHY L. WELCH
 DATE: JULY 8, 2002

021173-WS
CONFIDENTIAL

NOV. 18, 1998:

Board authorized acquisition of Ingram Estates, Sandhaven Utility, Inc., Bayside Utility, Inc. Authorized 401K plan. All directors were present except Mr. Searle.

Feb. 17, 1999:

Arthur Anderson audit was discussed. Reviewed and approved the 1999 Executive Stock Option Program for 100,000 shares. Discussed expanding the Executive Stock Loan Program by \$500,000 so that the total limit is 3.5 million. Approved subject to review of plan by Sidley and Austin with the understanding that no additional participation will be allowed for current officers. All directors were present. Approved pending acquisitions.

May 5, 1999

Terms of the Goldman Sachs engagement letter were approved. Factors used to determine the value of utilities and alternatives of leveraged recapitalization or an initial public offering discussed. All directors were present. (Hay by phone)

May 19, 1999

Elected officers and appointed committees. Goldman Sachs described process that would maximize value from parties interested in bidding for the company. All directors were present.

May 19, 1999 Annual meeting:

Elected directors. Approved "New Charter". Adopted Stock Option Program. All directors were present.

July 15, 1999:

All directors were present. (Mr. Hay by phone.) Discussed compensation agreement draft. Approved it with the condition that Messrs. Camaren and Schumacher work with any proposed buyer, Arthur Anderson, and counsel to avoid the imposition of an excise tax or in lieu of, enter into a non-compete agreement. Contributed 4% of total compensation of employees to stock plan. Discussed purchasing Southgate Utilities for 1.9 million and North Topsail for 2.7 million. Both approved. Resolved to increase the authorized number of common shares to 20,000,000 and authorize 5,000,000 preferred shares of the company.

Nov. 17, 1999:

Bischof, Camaren, Ellis, Lind (by phone) and Wolfe were present. Discussed if insider trading restrictions could be terminated. Authorized a stock split as of 12/1/99 to add one addition common share for each share held on that date.

MB 9-25-04
CONFIDENTIAL

DOCUMENT NUMBER-DATE

12636 NOV 19 98

FPSC-COMMISSION CLERK

Added 3% increase in pay for officers. Adopted bylaw changes. Reissued 17,000 shares of stock for a missing certificate to Mr. Bischof on receipt of personal indemnity bond. Transferred .10 per share for each share of stock issued in the stock distribution from retained earnings to capital. Authorized base salaries:

Camaren	\$322,400
Schumacher	196,750
Dopuch	169,400
Wenz	169,400
Carter	169,400

Cash bonus award will be given for 2000 if ROE is over 11.5%. The maximum would be:

11.5 to 12.49 ROE	25%
12.5 to 13.49 ROE	50%
13.5 to 14.49 ROE	75%
14.5 and over	100% capped

Shares for options:	# of options	#of reserved restricted
Camaren	20,670	4,650
Schumacher	10,090	2,270
Dopuch	6,515	1,466
Wenz	6,515	1,466
Carter	6,515	1,466

Stock price was \$26 per share

Pension plan and pension trust, stock ownership plan and stock ownership trust were amended. The deferred compensation plan was amended to allow that in the event of any merger or consolidation of the company, the portion of each Participant's Account deemed to be invested in shares of Common Stock shall be deemed to be invested in interest bearing securities unless the board authorized that the stock shall be part of the successor corporation as a result of the merger.

The Executive Benefit Replacement Plan was amended to state that if for any reason the ESOP assets cease to be invested in company stock, the amount credited to each participant's stock subaccount immediately shall be converted and credited to his cash subaccount.

February 16, 2000:

All directors were present. Arthur Anderson presented a document. Reviewed summary of 1999 rate cases and bank debt. Discussed Frankfurt litigation ruling and Marlboro Meadows condemnation case. Copy of a letter from a company interested in acquiring the outstanding common shares of the company was distributed.

May 17, 2000:

All directors were present. Officers were elected. Authorized \$41,000,000 Collateral Trust Note due June 30, 2015 at 8.42%. Reviewed the proposed stock acquisition of American Resources Development Co. and its subsidiary Bermuda Water Company. Reviewed the proposed acquisition of Bartlett Enterprises in Pasco County, Fla. for \$440,000. Approved the acquisition of the assets of Centex Real Estate Corp. Olde

UTILITIES, INC.
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	Jasper-Norton (Demotte, IN)	1/12/01	Pending	Pending	Acq	W & S	350 W & S (3FE's) (Potential 700 W & S)	\$700,000			\$475,000
2)	Faith Evangelical Church (St. Tammany, LA)	1/10/01	NA	NA	Ext	W & S	Commercial	Under Const	\$7,000		
3)	Landings Phase 5 (Lexington County, SC)	1/10/01	NA	NA	Ext	W & S	32 W & S (Potential 200 W & S)	Under Const		Tap Fees	
4)	Wildwood Utility Co. (Winnebago, IL)	1/24/01	Pending	Pending	Acq	W	200 W (Potential 200 W)	NA			\$123,000
5)	Cor-Mel Northpark, LLC (St. Tammany, LA)	1/26/01	NA	NA	Ext	W & S	Commercial	Under Const	\$19,980		
6)	Bogalusa Oil Co. (St. Tammany, LA)	2/6/01	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
7)	Currituck Club (Currituck County, NC)	2/13/01	Pending	Pending	Acq	W	100 W (Potential 700 W)	\$1,930,000		Tap Fees	\$100,000
8)	Paul Patel (St. Tammany, LA)	2/19/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,800	\$20,000	
9)	Rock Vista, Inc. (Lake Co., FL)	2/20/01	Pending	Pending	Ext	W & S	Commercial	Under Const	\$31,800		
10)	Tallahatchie Housing, Inc. (Charleston, MS)	2/21/01	NA	NA	Ext	W	9 W (Potential 9 W)	Under Const	\$4,950		
11)	Hancock Bank (St. Tammany, LA)	2/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,235		
12)	North Pinellas Surgery (Mid County, FL)	2/13/01	NA	NA	Ext	S	Commercial	Under Const	\$3,862		
13)	Copeland's Restaurant (St. Tammany, LA)	3/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$30,665		
14)	Heathfield (Mecklenburg County, NC)	4/1/01	NA	NA	Formation	W	0 (Potential 70 W)	Under Const			
12)	Rottlund Homes (Mid County, FL)	4/11/01	NA	NA	Ext	S	Commercial	Under Const	\$84,400		
	Year to Date Totals						700 W and 400 S Potential 1,900 W and 900 S	Cash Facilities	\$209,712 \$2,630,000	Acq. Invest	\$698,000

Item #	Location	Year	Status	Water	Sewer	Total	
1)	Farmington (CMUD, NC)	2/00	Pending	45	45	\$90,000	
2)	Mathews Commons (CMUD, NC)	4/00	Pending	58	59	\$104,000	
3)	Lake Murray (Lexington, SC)	Pending	Pending		1000	1,000	\$2,250,000
4)	Sequie (Winston-Salem, NC)	Pending	Pending		300	300	\$450,000
5)	Windsor Lake (Wilson Co., NC)	Pending	Pending	80	80	\$100,000	
				184	1,300	1,484	\$2,884,000
	2001 Avg Sales Price Per Water Customer	\$1,789					
	2001 Avg Sales Price Per Sewer Customer	\$2,077					

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UTILITIES, INC.
ACQUISITION & FORMATION SUMMARY

11/7/00

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	L. G. Tyson (Union Co., NC)	1/8/00	NA	NA	Ext	S	0 (Potential 150 S)	Under Const	\$55,000	Tap Fees	
2)	Duverney (St. Tammany, LA)	2/1/00	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
3)	Safeguard (Mid-County, FL)	2/21/00	NA	NA	Ext	S	Commercial	Under Const		Tap Fees	
4)	Gallor Properties (Lake Co., FL)	2/22/00	Pending	Pending	Ext	W & S	0 (Potential 700 W & S)	Under Const		Tap Fees	
5)	Nero Utilities (Wake Co., NC)	2/25/00	Pending	Pending	Acq	W & S	70 W & S (Potential 130 W & S)	\$475,000			\$50,000
6)	R & D Development (Wake Co., NC)	2/29/00	Pending	Pending	Ext	W & S	0 (Potential 280 W & S)	Under Const	\$25,000	Tap Fees	
7)	ZMG Properties (Pine Knoll Shores, NC)	3/5/00	NA	NA	Ext	W	0 (Potential 20 W)	Under Const		Tap Fees	
8)	Olds Atlanta (Forsyth, GA)	3/8/00	3/31/00	Complete	Acq	S	850 S (Potential 700 S)	\$3,000,000			\$980,000
9)	Hidden Valley/Havenwood (Lexington Co, SC)	3/24/00	NA	NA	Ext	W	0 (Potential 115 W)	Under Const		Tap Fees	
10)	Bartlett Enterprise (Pasco Co., FL)	4/25/00	Pending	Pending	Acq	W & S	1,250 W & 170 S (Potential 1,250 W & 170 S)	\$1,700,000			\$440,000
11)	ARDCO / Bermuda (Mojave, AZ)	4/25/00	Pending	Pending	Stock	W	5,000 W (Potential 10,000 W)	\$8,000,000			\$5,600,000
12)	Banyan Construction (Lake Co., FL)	6/13/00	Pending	Pending	Ext	W	0 (Potential 23 W)	Under Const		Tap Fees	
13)	Great Eastern Resorts (Massanutten, VA)	6/13/00	Pending	Pending	Ext	W & S	0 (Potential 2,500 W & S)	Under Const	\$4,000,000		
14)	Estates of Northpark LP (St. Tammany, LA)	7/6/00	NA	NA	Ext	W & S	0 (Potential 72 W & S)	Under Const		Tap Fees	
15)	Klaby Marshburn Bldg Corp (Wake County, NC)	7/7/00	NA	NA	Ext	W & S	0 (Potential 82 W & S)	Under Const	\$12,000	Tap Fees	
16)	Barnett Group (St. Tammany, LA)	7/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$4,400		
17)	Coastal Builders (Pinellas Co., FL)	8/11/00	NA	NA	Ext	S	0 (Potential 95 S)	Under Const	\$11,732	Tap Fees	

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Utilities, Inc.
 Affiliated Transaction Audit (WASC)
 TYPE: 1221/01
 AUS: # 0-2-122-3-1 Unaudited

Boyd
Boyd
 7/7/02

Title: 2000 Acquisitions

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UTILITIES, INC. ACQUISITION & FORMATION SUMMARY											
No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CASH/RES. FEES	Future CASH/CIAC	Acquisition Investment
18)	Marques Caparrades (St. Tammany, LA)	8/11/00	NA	NA	Ext	W & S	Commercial	Under Const	\$18,034		
19)	O.O.C. Construction (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$4,680		
20)	Rainbow Marketers (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$38,500		
21)	Martin Homes Warehouse (St. Tammany, LA)	8/17/00	NA	NA	Ext	W & S	Commercial	Under Const	\$7,500		
22)	Westgate (Hanover Township, PA)	9/11/00	Pending	Pending	Acq	W	700 W (Potential) 750 W	\$1,300,000			\$450,000
23)	Pirates Harbour Water (St. Tammany, LA)	9/15/00	Pending	Pending	Acq	W	110 W (Potential) 150 W	\$100,000			\$30,000
24)	Spartan Construction Co. (St. Tammany, LA)	10/5/00	NA	NA	Ext	W & S	Commercial	Under Const	\$5,480		
25)	Cross Creek Community (Lee Co., FL)	10/12/00	Pending	Pending	Acq	S	895 S (Potential) 1,000 S	\$2,000,000			\$750,000
26)	Ruddiger LLO (St. Tammany, LA)	10/10/00	NA	NA	Ext	W & S	Commercial	Under Const	\$14,780		
27)	Lincoln Utilities (Merrillville, IN)	10/12/00	Pending	Pending	Acq	W	2,000 W (Potential) 2,100 W	\$1,250,000			\$1,250,000
28)	Blue Mt. Lake Utilities (East Stroudsburg, PA)	10/27/00	Pending	Pending	Acq	W & S	433 W & S (Potential) 520 W & S	\$1,000,000			\$725,000
29)	Community Service Corp. (McIntosh, IL)	11/2/00	Pending	Pending	Acq	W	230 W (Potential) 230 W	\$350,000			\$180,000
Year to Date Totals					8,840 W and 2,340 S Potential 10,000 W and 8,600 S			Cash Facilities	\$4,283,118 \$10,178,000	Acq. Invest	\$10,439,000

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 Utility Construction Co. 1377 Westwood Parkway, Dallas, TX 75243

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UTILITIES, INC.
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
1)	Jasper-Newton (Demote, IN)	1/12/01	Pending	Pending	Acq	W & S	350 W & S (SFE's) (Potential 700 W & S)	\$700,000			\$475,000
2)	Faith Evangelical Church (St. Tammany, LA)	1/10/01	NA	NA	Ext	W & S	Commercial	Under Const	\$7,000		
3)	Landing Phase 5 (Lexington County, SC)	1/10/01	NA	NA	Ext	W & S	32 W & S (Potential 200 W & S)	Under Const		Top Fees	
4)	Wildwood Utility Co. (Winnebago, WI)	1/24/01	Pending	Pending	Acq	W	200 W (Potential 200 W)	NA			\$123,000
5)	Cor-Mel Northpark, LLC (St. Tammany, LA)	1/26/01	NA	NA	Ext	W & S	Commercial	Under Const	\$19,880		
6)	Bogalusa Oil Co. (St. Tammany, LA)	2/8/01	NA	NA	Ext	W & S	Commercial	Under Const	\$10,000		
7)	Currituck Club (Currituck County, NC)	2/13/01	Pending	Pending	Acq	W	100 W (Potential 700 W)	\$1,930,000		Top Fees	\$100,000
8)	Paul Patel (St. Tammany, LA)	2/19/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,900	\$20,000	
9)	Rock Vista, Inc. (Lake Co., FL)	2/20/01	Pending	Pending	Ext	W & S	Commercial	Under Const	\$31,800		
10)	Tallahatchie Housing, Inc. (Charleston, MS)	2/21/01	NA	NA	Ext	W	9 W (Potential 9 W)	Under Const	\$4,950		
11)	Hancock Bank (St. Tammany, LA)	2/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$5,235		
12)	North Pinellas Surgery (Mid County, FL)	2/13/01	NA	NA	Ext	S	Commercial	Under Const	\$3,882		
13)	Copelands Resturant (St. Tammany, LA)	3/23/01	NA	NA	Ext	W & S	Commercial	Under Const	\$30,885		
14)	Heathfield (Mecklenburg County, NC)	4/1/01	NA	NA	Formation	W	0 (Potential 70 W)	Under Const			
15)	Rottlund Homes (Mid County, FL)	4/11/01	NA	NA	Ext	S	Commercial	Under Const	\$84,400		
16)	Oak Grove Schools (Columbia, SC)	5/17/01	Pending	NA	Bulk Service	S	31 S	NA	\$20,000		
17)	Innovative Construction (St. Tammany, LA)	6/6/01	NA	NA	NA	W & S	Commercial	Under Const	\$5,000		
18)	Sandy Creek (Panama City, FL)	6/15/01	6/15/01	Pending	Asset	W & S	200 W & 170 S	NA			\$200,000

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UTILITIES, INC.
ACQUISITION & FORMATION SUMMARY

No.	Name of Utility	Date of Agreement	Date of Closing	Regulatory Status	Type of Acq	Type of Utility	Customers at Purchase	Gross Utility Plant	Initial Cash CIAC/RES. FEES	Future CASH CIAC	Acquisition Investment
19	North Greenville College (Greenville Co., SC)	7/9/01	Pending	Pending	Asset	W & S	Commercial	NA			\$0
20	Coleman-Gilbert Ent. (St. Tammany, LA)	7/17/01	NA	NA	Ext	W & S	Commercial	NA	\$14,090		
21	Crescent Ridge (Lake Co. FL)	8/3/01	NA	NA	Ext	W	0 (Potential 39 W)	Under Const		\$24,975	
22	Indian Fields (Lake Co. FL)	8/3/01	NA	NA	Ext	W	0 (Potential 25 W)	Under Const		\$15,626	
Year to Date Totals							860 W and 800 S Potential 2,100 W and 1,100 S	Cash Facilities	\$242,802	Acq. Invest.	\$896,000

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Utilities, Inc.
Affiliated Transaction Audit (WSC)
TYPE: 12/21/01
AUS# 0-2-122-3-1 Unabridged

Title: 2001 Acquisitions

8/14/01
Key
7/7/02

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1) Farmington (CMUD, NC)	2/00	7/01	43	43	\$80,000
2) Matthews Commons (CMUD, NC)	4/00	7/01	62	62	\$104,000
3) Lake Murray (Lexington, SC)	Pending	Pending		1,000	\$2,250,000
4) Bequias (Winston-Salem, NC)	3/01	7/01		325	\$450,000
5) Windsor Lake (Wilson Co., NC)	Pending	Pending	60	60	\$100,000
			185	1,325	1,490
2001 Avg Sales Price Per Water Customer	\$1,782				
2001 Avg Sales Price Per Sewer Customer	\$2,038				
					\$2,894,000

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SOURCE
UTILITY BUSINESS FORMS, INC. MAIL ROOM FAX (847) 696-6800

UTILITIES, INC.
 ANALYSIS OF WATER SERVICE CORP PAYROLL
 TEST YEAR ENDED DECEMBER 31, 2001
 AUDITOR: KATHY WELCH
 DATE: JULY 9, 2002
 WP 43-1/22

8/14/02

EMPLOYEE	TITLE	TOTAL	MERGER COSTS	SALARY W/O MERGER	1ST QTR	ANNUALIZED 1ST QTR	JUNE 30, 2002 SALARY	DIFFERENCE 2001
ARNOUX, DIANE	PAYROLL	48,875.48		48,875.48	10,955.60	43,822.40	46,166.76	(2,705.70)
AYLIN, SUSAN	EXECUTIVE ASSISTANT						43,000.00	43,000.00
BELSKI, KATIE	DATA ENTRY	19,798.09		19,798.09		0.00	29,000.14	8,204.05 Computers
BROOKS, STEPHANIE	CUSTOMER SERVICE REP.	29,457.89		29,457.89	6,857.48	26,829.92	30,000.00	542.31 Cust Serv
FRIEDMAN, AVELINA	ACCOUNT MANAGER	44,917.85		44,917.85	10,788.53	43,154.12	41,200.12	(3,717.73)
GINGERY, KAREN M.	DATA ENTRY COMPUTER OPERATOR	37,076.44		37,076.44	8,858.86	34,834.84	35,100.00	(1,878.44) Computers
GUIDICE, JOYCE	BENEFITS COORDINATOR	44,031.70		44,031.70	9,981.18	38,824.72	44,350.02	318.37
IAMPAGLIA, CINDY	P/T DATA ENTRY	12,374.31		12,374.31	2,715.50	10,862.00		(12,374.31) Computers
LAWRENCE, BRENT	ADMINISTRATIVE SERVICES	36,015.91		36,015.91	8,085.97	32,341.48	36,200.08	1,184.15 Cust Serv
LOWMAN, ADRIENNE	CUSTOMER SERVICE SUPERVISOR	49,884.83		49,884.83	11,432.17	45,908.88	48,900.14	(1,164.86) Cust Serv
LUPPINO, NANCY	ACCOUNT MANAGER	38,946.24		38,946.24	9,126.58	36,508.24	40,300.00	333.76
MCGRAIN, PAMELA	ACCOUNT MANAGER	38,749.21		38,749.21	8,166.28	32,877.04	37,800.10	1,050.89
PARRISH, MARJORIE	RECEPTIONIST/OFFICE SERVICES COOP	38,278.72		38,278.72	8,751.88	35,007.84	37,825.18	(1,353.56) by cust serv <451.197
ROSS, AMANDA	SENIOR REGULATORY ACCOUNTANT						52,000.00	52,000.00
ROVNER, LISA	DIRECTOR OF OPERATIONS						132,000.00	132,000.00
SCHIOPI, MARCEA	MAIL ROOM SERVICES	23,718.27		23,718.27	5,182.34	20,789.38	24,500.00	781.79
SILVEY, JUSTINE	ASSISTANT REGULATORY ANALYST	36,042.65		36,042.65	8,171.80	32,688.40	38,750.22	707.57
TUROV, IGOR	ACCOUNTANT						48,000.00	48,000.00
WESSLEY-NAZARIO, LASA	DATA ENTRY	7,478.25		7,478.25	6,349.32	25,687.28		(7,478.25) Computers
CAMAREN, JAMES	CHAIRMAN AND CEO	3,598,480.24	3,199,982.08	368,498.16	83,025.09	332,100.00	372,300.00	3,801.84
CARTER, DAVID	VICE PRESIDENT	849,186.70	859,213.42	185,978.28	43,825.04	174,500.16		(185,975.28)
DOPUCH, ANDREW	VICE PRESIDENT	1,878,804.42	1,794,820.80	84,183.52	43,825.04	174,500.16		(84,183.52)
OWENS, PATRICIA	DIRECTOR CUSTOMER REL. & ADMIN.	88,488.80		88,488.80	23,898.98	85,886.72	95,000.18	6,503.36 by cust service 3 251.68
SCHUMACHER, LAWRENCE	PRESIDENT AND CFO	1,823,869.39	1,803,398.40	220,472.90	50,875.04	202,700.16	215,750.18	(4,722.74)
WENZ, CARL	FORMER DIRECTOR OF REGULATORY	877,870.70	891,895.42	185,978.28	43,825.04	174,500.16		(185,975.28)
CASADOS, JR, JIMMY	WAN ADMINISTRATOR	48,106.36		48,106.36	11,250.00	45,000.00	50,000.00	1,881.84 Computers
COHN, MICHELLE	SENIOR ACCOUNTANT	51,358.37		51,358.37	12,500.00	50,000.00	52,500.00	1,141.83
DELGADO, DANIEL	ACCOUNTANT	58,358.32		58,358.32	14,500.00	88,000.00		(58,358.32)
FORTINO, SUSAN	DIRECTOR OF OPERATIONS	58,333.40		58,333.40		0.00	140,000.00	81,886.60
HAYNES JR., JOHN	DIRECTOR CORPORATE ACCOUNTING	100,000.00		100,000.00	30,478.00	121,900.00	106,000.00	5,000.00
KOCAN, CHRISTOPHER	ACCOUNTANT	48,784.23		48,784.23	11,770.85	47,083.40	53,000.18	4,245.83
LOVACANO, ROBERTA	DATA PROCESSING MANAGER	71,508.39		71,508.39	17,500.02	70,000.08	71,800.08	281.72 Computers
LUBERTOZZI, STEVEN	DIRECTOR REGULATORY ACCOUNTING	47,784.81		47,784.81		0.00	90,000.00	42,215.38
MATTHEWS, MARY ELLEN	BILLING MANAGER	51,158.28		51,158.28	12,450.00	49,800.00	51,300.00	141.72
NICHOLAS, ERIN	RATE CASE	28,284.42		28,284.42	15,125.00	72,500.00		(28,284.42)
SCULLY, PHIL ANN	ADMINISTRATIVE ASSISTANT	65,808.28		65,808.28	17,500.00	70,000.00		(65,808.28)
VOOTUKURU, SRUTA	OPERATIONS	11,230.79		11,230.79		0.00		(11,230.79)
TOTAL		10,228,899.20	7,949,119.22	2,277,890.98	549,748.24	2,198,992.96	2,893,446.50	(218,044.68)
ACCOUNT 6018084 ADMIN/ACCOUNTING		2,279,489.00		2,279,489.00	(43-1)	2,279,489.00	2,279,489.00	
DIFFERENCE		7,947,140.20		(1,978.02)		(80,478.04)	2,290,271.50	-3.88%

The reason salaries were high in actual 2001 was due to compensation related to the merger. These costs were not charged to stockholders expense. First quarter payroll was reviewed and annualized to determine what salaries would have been at that level. The salaries are \$80,478 less than what was charged in the allocation manual. This is 3.88% which may be due to a 4% salary increase during the year and other personnel changes. Carl Wenz is no longer employed and Steve Lubertozzi is taking his place but at a lower salary. 2002 current salaries will be reviewed to determine if costs have changed due to the merger.

(A) changed to stockholders
 (B) Since these are capital & not going forward, they do not need to be adjusted on a going forward basis

Computer def \$ (19439.59)
 Cust Serv 3362.26
 Gen Admin (212,945.17) } See 43-1/2
 allocated to capital 70.14%
 capital (149,359.74)
 Gen Admin (63,585.43)
 43-1/22

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UTILITIES, INC.

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UTILITIES, INC.
 ANALYSIS OF WATER SERVICE CORP PAYROLL
 TEST YEAR ENDED DECEMBER 31, 2001
 AUDITOR: KATHY WELCH
 DATE: JULY 8, 2002
 WP 43-1/22-1

43-1
22

EMPLOYEE	TOTAL	FICA AT 7.65%	JUNE 30, 2002 SALARY	FICA AT 7.65%	SALARY DIFFERENCE	FICA DIFFERENCE
BELSKI, KATIE	19,796.09	1,514.40	29,000.14	2,218.51	9,204.05	704.11
GINGERY, KAREN M.	37,078.44	2,838.35	35,100.00	2,685.15	(1,978.44)	(151.20)
VAMPAGLIA, CINDY	12,374.31	948.83		0.00	(12,374.31)	(948.83)
WESSLEY-NAZARIO, LISA	7,476.25	571.93		0.00	(7,476.25)	(571.93)
CASADOS, JR. JIMMY	48,108.36	3,680.29	50,000.00	3,825.00	1,881.84	144.71
LOMACANO, ROBERTA	71,508.36	5,470.38	71,800.08	5,482.71	291.72	22.32
TOTAL COMPUTERS	198,339.81	15,828.50	196,900.22	14,221.37	(10,439.68)	(798.63)
BROOKS, STEPHANIE	29,457.89	2,253.51	30,000.00	2,288.00	542.31	41.49
LAWRENCE, BRENT	36,015.91	2,678.72	36,200.08	2,789.30	1,184.15	80.99
LOWMAN, ADRIENNE	49,864.83	3,799.36	48,800.14	3,710.26	(1,184.89)	(88.10)
PARRISH, MARJORIE 1/3	13,082.91	1,001.61	12,841.72	967.09	(451.19)	(34.52)
OWENS, PATRICIA 1/2	44,248.40	3,075.30	47,500.08	3,075.30	3,251.68	0.00
TOTAL CUSTOMER SERVICE	171,478.74	12,808.68	174,842.89	12,816.96	3,382.28	8.48
ARNOUX, DIANE	48,875.48	3,738.97	46,169.76	3,531.99	(2,705.70)	(208.89)
AYLIN, SUSAN		0.00	43,000.08	3,288.51	43,000.08	3,288.51
FRIEDMAN, AVELINA	44,917.85	3,436.22	41,200.12	3,151.81	(3,717.73)	(284.41)
GUIDICE, JOYCE	44,031.70	3,368.43	44,350.02	3,382.78	318.32	24.35
LUPPINO, NANCY	38,946.24	3,055.89	40,300.00	3,082.95	363.76	27.06
MCGRAIN, PAMELA	36,749.21	2,811.31	37,800.10	2,891.71	1,050.89	88.39
PARRISH, MARJORIE 2/3	26,185.81	2,003.21	25,283.44	1,934.18	(902.37)	(69.03)
ROSS, AMANDA		0.00	52,000.08	3,978.01	52,000.08	3,978.01
ROVNER, LISA		0.00	132,000.00	8,150.60	132,000.00	8,150.60
SCHOPU, MIRCEA	23,718.27	1,814.45	24,500.08	1,874.25	781.79	59.61
SILVEY, JUSTINE	36,042.65	2,757.28	36,750.22	2,811.39	707.57	54.13
TUROV, IGOR		0.00	48,000.00	3,672.00	48,000.00	3,672.00
CAMAREN, JAMES	3,588,490.24	8,150.60	372,300.00	6,150.60	(3,188,190.24)	0.00
CARTER, DAVID	845,188.70	8,150.60		0.00	(845,188.70)	(8,150.60)
DOPUCH, ANDREW	1,878,804.42	8,150.60		0.00	(1,878,804.42)	(8,150.60)
OWENS, PATRICIA 1/2	44,248.40	3,075.30	47,500.08	3,075.30	3,251.68	0.00
SCHUMACHER, LAWRENCE	1,823,889.30	8,150.60	215,750.16	6,150.60	(1,608,139.14)	0.00
WENZ, CARL	877,870.70	6,150.60		0.00	(877,870.70)	(6,150.60)
COHN, MICHELLE	51,358.37	3,926.92	52,500.00	4,018.25	1,141.83	87.33
DELGADO, DANIEL	58,358.32	4,311.41		0.00	(58,358.32)	(4,311.41)
FORTINO, SUSAN	58,333.40	4,482.51	140,000.00	6,150.60	81,868.80	1,888.09
HAYNES JR., JOHN	100,000.00	6,150.60	105,000.00	6,150.60	5,000.00	0.00
KOCAN, CHRISTOPHER	48,754.23	3,729.70	53,000.16	4,054.51	4,245.93	324.81
LUBERTOZZI, STEVEN	47,784.61	3,655.52	90,000.00	6,150.60	42,215.38	2,495.08
MATTHEWS, MARY ELLEN	51,158.28	3,913.61	51,300.00	3,924.45	141.72	10.84
NICHOLAS, ERIN	29,264.42	2,238.73		0.00	(29,264.42)	(2,238.73)
SCULLY, PHIL ANN	65,608.28	5,019.03		0.00	(65,608.28)	(5,019.03)
VOOTUKURU, SRUTA	11,230.79	858.16		0.00	(11,230.79)	(858.16)
TOTAL GENERAL SALARIES	8,862,799.65	95,083.22	1,898,704.28	85,584.88	(8,168,085.37)	(9,498.63)
LESS CHANGE OF CONTROL	7,947,140.20				7,947,140.20	
NET SALARIES	1,911,848.45		1,898,704.28		(212,945.17)	
PERCENT CAPITALIZED	70.14%	70.14%	70.14%	70.14%		70.14%
PORTION CAPITAL	1,340,830.83	88,691.37	1,191,471.18	80,029.10	(140,359.74)	(6,862.27)
PORTION EXPENSE	570,818.53	28,391.85	507,233.10	25,555.69	(83,585.43)	(2,438.26)
TOTAL	1,911,649.45	95,083.22	1,898,704.28	85,584.88	(212,945.17)	(9,498.63)
TOTAL ALL DIVISIONS	2,279,489.80	122,811.71	2,069,445.50	112,823.91	(220,022.50)	(10,289.70)
PER CL IN 2001		348,209.80				
DIFFERENCE		(123,387.29)				
DIFFERENCE 2001 TO 2002					(9,498.63)	
PROFORMA ADJUSTMENT						

Max 80,440 taxable FICA

SPECIFIED CONFIDENTIAL

43-1/22-1