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OF COUNSEL
ELIZABETH C. BOWMAN

Writer's Direct Dial No.
(850) 425-2313

October 20, 1999

BY HAND DELIVERY

Blanca Bayó
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Dana Utility Corporation
Initial Certificate Application

991632-WS

RECEIVED - FPSC
OCT 20 PM 3:29
RECORDS AND REPORTING

Dear Ms. Bayó:

Enclosed for filing on behalf of Dana Utility Corporation (Dana) are the following:

(1) The original and twelve copies of Dana's Application for Original Certificate for a proposed water and wastewater system in Bay County, together with exhibits. Pursuant to the Commission's rules, only one copy of the service territory map is included.

(2) A check for \$3,000 in payment of the applicable filing fees (\$1,500 each) for the water and wastewater applications.

(3) The original and fifteen copies of Dana's Petition for Temporary Variance From or Temporary Waiver of a number of Commission rules to be filed in the application docket.

If you have any questions regarding these filings, please call.

Check with...
MTS

Maps to WAW
10/20/99 Jan
Very truly yours,
Richard D. Melson

Richard D. Melson

RDM/mee

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

12862 OCT 20 99

FPSC-RECORDS/REPORTING

APPLICATION FOR ORIGINAL CERTIFICATE
FOR A PROPOSED OR EXISTING SYSTEM

ORIGINAL

(Pursuant to Section 367.045, Florida Statutes)

To: Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The undersigned hereby makes application for original certificate(s) to operate a water X and ~~or~~ wastewater X utility in Bay County, Florida, and submits the following information:¹

PART I APPLICANT INFORMATION

A) The full name (as it appears on the certificate), address and telephone number of the applicant:

Dana Utility Corporation
Name of utility

(850) 271-0120
Phone No.

(850) 271-1412
Fax No.

13100 State Road 77
Office street address & Mailing address

Southport, Florida 32409
City State Zip Code

lakemerial@panacom.com
Internet address if applicable

B) The name, address and telephone number of the person to contact concerning this application:

Charles E. Fancher, Jr. (305) 461-5550
Name Phone No.

2844 Chucunantah Road Suite F
Street address

Miami, Florida 33133
City State Zip Code

¹ This is an Application for Original Certificates only. The Application for Initial Rates and Charges, and the financial, engineering and operating information supporting same will be submitted at a later date as a separate application.

C) Indicate the organizational character of the applicant: (circle one)

Corporation Partnership Sole Proprietorship

Other _____
(Specify)

D) If the applicant is a corporation, indicate whether it has made an election under Internal Revenue Code Section 1362 to be an S Corporation:

Yes _____ No X _____

E) If the applicant is a corporation, list names, titles and addresses of corporate officers, directors, partners, or any other person(s) or entities owning an interest in the applicant's business organization. (Use additional sheet if necessary).

Martin J. Goldstein Director, President and Secretary

Avram Simon Director

Nicholas S. Lamont Director and Treasurer

Les W. Burke Assistant Secretary

Address for all the above:

13100 State Road 77

Southport, Florida 32409

F) If the applicant is not a corporation, list names and addresses of all persons or entities owning an interest in the organization. (Use additional sheet if necessary.)

N/A

PART II NEED FOR SERVICE

A) Exhibit A - A statement regarding the need for service in the proposed territory, such as anticipated (or actual) development in the area. Identify any

other utilities within the area proposed to be served which could potentially provide such service in the area and the steps the applicant took to ascertain whether such other service is available.

B) Exhibit B - A statement that to the best of the applicant's knowledge, the provision of service will be consistent with the water and wastewater sections of the local comprehensive plan, as approved by the Department of Community Affairs at the time the application is filed. If the provision of service is inconsistent with such plan, provide a statement demonstrating why granting the certificate would be in the public interest.

PART III SYSTEM INFORMATION

A) WATER

(1) Exhibit C - A statement describing the proposed type(s) of water service to be provided (i.e., potable, non-potable or both).

(2) Exhibit D - The number of equivalent residential connections (ERCs) proposed to be served, by meter size and customer class. If development will be in phases, separate this information by phase. In addition, if the utility is in operation, provide the current number of ERCs by meter size and customer class.

(3) Description of the types of customers anticipated (i.e., single family, mobile homes, clubhouse, commercial, etc.):

Single family residential, public school, commercial shopping center, hotel and country club

(4) In the case of an existing utility, provide the permit number and the date of approval of facilities by the Department of Environmental Protection (DEP) or the agency designated by DEP to issue permits:

N/A

(5) Indicate the design capacity of the treatment plant in terms of equivalent residential connections (ERCs) and gallons per day (gpd). If

development will be in phases, separate this information by phase.

<u>Phase 1 - Not finalized</u> (ERCs)	<u>150,000</u>	(gpd)
<u>Final - approx. 900</u> (ERCs)	<u>300,000</u>	(gpd)

Updated information will be supplied with the application for approval of initial rates and charges.

- (6) Indicate the type of treatment:

Groundwater from the Floridan formation with additional disinfection through chlorination.

- (7) Indicate the design capacity of the transmission and distribution lines in terms of ERCs and gpd. If development will be in phases, separate this information by phase.

See Footnote 1, Page 1

- (8) Provide the date the applicant began or plans to begin serving customers: March 1, 2000

- (9) Exhibit E - Evidence, in the form of a warranty deed, that the utility owns the land where the water facilities are or will be located. If the utility does not own the land, a copy of the agreement which provides for the long term continuous use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative.

The applicant may submit a contract for the purchase and sale of land with an unexecuted copy of the warranty deed provided the applicant files an executed and recorded copy of the deed, or executed copy of the lease, within thirty days after the order granting the certificate.

B) **WASTEWATER**

- (1) Exhibit F - The number of equivalent residential connections (ERCs) proposed to be served, by meter size and customer class. If development will be in phases, separate this

information by phase. In addition, if the utility is in operation, provide the current number of ERCs by meter size and customer class.

- (2) Description of the types of customers anticipated (i.e., single family, mobile homes, clubhouse, commercial, etc.):

Single family residential, public school, commercial shopping center, hotel and country club

- (3) In the case of an existing utility, provide the permit number and the date of approval of facilities by the Department of Environmental Protection (DEP) or the agency designated by DEP to issue permits:

N/A

- (4) Indicate separately the design capacity of the treatment plant and effluent disposal system in terms of equivalent residential connections (ERCs) and gallons per day (gpd). If development will be in phases, separate this information by phase.

Treatment Plant:

<u>Phase 1-Not finalized</u> (ERCs)	<u>98,000</u> (gpd)
<u>Final - approx. 900</u> (ERCs)	<u>300,000</u> (gpd)

Effluent Disposal:

<u>Phase 1-Not finalized</u> (ERCs)	<u>98,000</u> (gpd)
<u>Final - approx. 900</u> (ERCs)	<u>300,000</u> (gpd)

Updated information will be supplied with the application for approval of initial rates and charges.

- (5) Indicate the method of treatment and disposal (percolation pond, spray field, etc.):

The proposed plant will have secondary treatment through a single stage nitrification/denitrification activated sludge process, secondary sedimentation and disinfection via contact with chlorine solution. All effluent will

be disposed of via four rapid infiltration basins (RIBs). Residuals treatment includes aerobic digestion and land application. The facility will be a Type III, reliability Class III domestic wastewater treatment facility.

- (6) Exhibit G - If the applicant does not propose to use reuse as a means of effluent disposal, provide a statement that describes, with particularity, the reasons for not using reuse.
- (7) Indicate the design capacity of the collection lines in terms of ERCs and gpd. If development will be in phases, separate this information by phase.

See Footnote 1, Page 1

- (8) Provide the date the applicant began or plans to begin serving customers: March 1, 2000
- (9) Exhibit E - Evidence, in the form of a warranty deed, that the utility owns the land where the utility treatment facilities are or will be located. If the utility does not own the land, a copy of the agreement which provides for the long term continuous use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative. The applicant may submit a contract for the purchase and sale of land with an unexecuted copy of the warranty deed, provided the applicant files an executed and recorded copy of the deed, or executed copy of the lease, within thirty days after the order granting the certificate.

PART IV FINANCIAL AND TECHNICAL INFORMATION

- A) Exhibit H - A statement regarding the financial and technical ability of the applicant to provide reasonably sufficient and efficient service.
- B) Exhibit I - A detailed financial statement (balance sheet and income statement), certified if available, of the financial condition of the applicant, showing all assets and liabilities of every kind and character. The income statement shall be for the preceding calendar or fiscal year. If an applicant has not operated for a full year, then the

income statement shall be for the lesser period. The financial statement shall be prepared in accordance with Rule 25-30.115, Florida Administrative Code. If available, a statement of the source and application of funds shall also be provided.

- C) Exhibit J - A list of all entities, including affiliates, upon which the applicant is relying to provide funding to the utility, and an explanation of the manner and amount of such funding, which shall include their financial statements and any financial agreements with the utility. This requirement shall not apply to any person or entity holding less than 10 percent ownership interest in the utility.

- D) Exhibit See Footnote 1, Page 1- A schedule showing the projected cost of the proposed system (or actual cost of the existing system) by uniform system of accounts (USOA) account numbers pursuant to Rule 25-30.115, F.A.C. In addition, provide the capacity of each component of the system in ERCs and gallons per day. If the utility will be built in phases, this schedule shall apply to the design capacity of the first phase only. Provide a separate exhibit for the water and sewer systems.

- E) Exhibit See Footnote 1, Page 1-A schedule showing the projected operating expenses of the proposed system by USOA account numbers when 80 percent of the designed capacity of the system is being utilized. If the utility will be built in phases, this schedule shall apply to the design capacity of the first phase only. In addition, if the utility has been in existence for at least one year, provide actual operating expenses for the most recent twelve months. Provide a separate exhibit for the water and sewer systems.

- F) Exhibit See Footnote 1, Page 1 - A schedule showing the projected capital structure, including the methods of financing the construction and operation of the utility until the utility reaches 80 percent of the designed capacity of the system(s).

- G) Exhibit See Footnote 1, Page 1 - A cost study, including customer growth projections, which supports the proposed rates, miscellaneous service charges, customer deposits and service availability charges. A sample cost study is enclosed with the application package. Provide a separate cost study for the water and sewer systems.

- H) Exhibit See Footnote 1, Page 1 - If the base facility and usage rate structure (as defined in Rule 25-30.437(6), F.A.C.) is not utilized for metered service, provide an alternative rate structure and a statement supporting why the alternative is appropriate.
- I) Exhibit See Footnote 1, Page 1 - If a different return on common equity other than the current equity leverage formula established by order of the Public Service Commission pursuant to Section 367.081(4), F.S. is utilized, provide competent substantial evidence supporting the use of a different return on common equity. Information on the current equity leverage formula may be obtained by contacting the accounting section at the listed number.

PART V ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

Please note the following:

- A) Utilities obtaining initial certificates pursuant to Rule 25-30.033, F.A.C., are authorized to accrue AFUDC for projects found eligible pursuant to Rule 25-30.116(1), F.A.C.
- B) A discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), F.A.C., shall be used to insure that the annual AFUDC charged does not exceed authorized levels.
- C) The date the utility shall begin to charge the AFUDC rate shall be the date the certificate of authorization is issued to the utility so that such rate can apply to initial construction of the utility facilities.

PART VI TERRITORY DESCRIPTION AND MAPS

A) TERRITORY DESCRIPTION

Exhibit K - An accurate description, using township, range and section references as specified in Rule 25-30.030(2), Florida Administrative Code. If the water and wastewater service territories are different, provide separate descriptions.

B) **TERRITORY MAPS**

Exhibit L - 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 proposed 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 service territories are different, provide separate maps.

C) **SYSTEM MAPS**

Exhibit See Footnote 1, Page 1 - One copy of detailed map(s) showing proposed lines, facilities and the territory proposed. **Additionally, identify any existing lines and facilities.** Map(s) should be of sufficient scale and detail to enable correlation with a description of the territory to be served. Provide separate maps for water and wastewater systems.

PART VII NOTICE OF ACTUAL APPLICATION

A) Exhibit Late-Filed M - An affidavit that the notice of actual application was given in accordance with Section 367.045(1)(a), Florida Statutes, and Rule 25-30.030, Florida Administrative Code, by regular mail to the following:

- (1) the governing body of the municipality, county, or counties in which the system or the territory proposed to be served is located;
- (2) the privately owned water and wastewater utilities that hold a certificate granted by the Public Service Commission and that are located within the county in which the utility or the territory proposed to be served is located;
- (3) if any portion of the proposed territory is within one mile of a county boundary, the utility shall notice the privately owned utilities located in the bordering counties and holding a certificate granted by the Commission;
- (4) the regional planning council;
- (5) the Office of Public Counsel;

- (6) the Public Service Commission's Director of Records and Reporting;
- (7) the appropriate regional office of the Department of Environmental Protection;
- (8) and the appropriate water management district.

Copies of the Notice and a list of entities noticed shall accompany the affidavit. THIS MAY BE A LATE-FILED EXHIBIT

- B) Exhibit N/A - An affidavit that the notice of actual application was given in accordance with Rule 25-30.030, Florida Administrative Code, by regular mail or personal delivery to each customer of the system. A copy of the notice shall accompany the affidavit. THIS MAY BE A LATE-FILED EXHIBIT.
- C) Exhibit Late-Filed N - Immediately upon completion of publication, an affidavit that the notice of actual application was published once in a newspaper of general circulation in the territory in accordance with Rule 25-30.030, Florida Administrative Code. A copy of the proof of publication shall accompany the affidavit. THIS MAY BE A LATE-FILED EXHIBIT.

PART VIII FILING FEE

Indicate the filing fee enclosed with the application:

\$ 1,500 (for water) and \$ 1,500
(for wastewater).

Note: Pursuant to Rule 25-30.020, Florida Administrative Code, the amount of the filing fee as follows:

- (1) For applications in which the utility has the capacity to serve up to 500 ERC's, the filing fee shall be \$750.
- (2) For applications in which the utility has the capacity to serve from 501 to 2,000 ERC's the filing fee shall be \$1,500.
- (3) For applications in which the utility has the capacity to serve from 2,001 ERC's to 4,000 ERC's the filing fee shall be \$2,250.

- (4) For applications in which the utility has the capacity to serve more than 4,000 ERC's the filing fee shall be \$3,000.

PART IX TARIFF

Exhibit See Footnote 1, Page 1 - The original and two copies of water and/or wastewater tariff(s) containing all rates, classifications, charges, rules and regulations. Sample tariffs are enclosed with the application package.

PART X AFFIDAVIT

I Martin J. Goldstein, President of Dana Utility Corporation (applicant) do solemnly swear or affirm that the facts stated in the forgoing application and all exhibits attached thereto are true and correct and that said statements of fact thereto constitutes a complete statement of the matter to which it relates.

BY: 

Martin J. Goldstein
President

Subscribed and sworn to before me this 12th day of

October 1999 by Martin J. Goldstein

who is personally known to me

or produced identification _____
Type of Identification Produced



CHERYL B. GRISWOLD
My Comm Exp. 6/2/2001
No. CC 651879
 Personally Known Other I.D

Cheryl B. Griswold
Notary Public's Signature

Cheryl B. Griswold
Print, Type or Stamp Commissioned
Name of Notary Public

* If 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 applicant is a partnership or association, a member of the organization authorized to make such affidavit shall execute same.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT A

(Need for Service)

The Lake Merial Development (Lake Merial) is a planned unit development located in the Sand Hills area of Bay County, Florida, near Panama City on Florida's Gulf Coast. The project will be developed on approximately 2,100 acres, approximately 95% of which is owned by Lake Merial Development Company, Inc., a Florida Corporation and sole shareholder of Dana Utility Corporation (Dana). The balance of the land in the proposed service territory has been dedicated by Lake Merial to the Bay County School Board. The land on which the water and wastewater treatment plants will be located will be sold to Dana after the Application for Certificates is approved.

Lake Merial will include a mixture of land uses, including residential, hotel, commercial shopping center, recreation, conservation, golf course and a new public school. Bay County approved these land uses and the development through the Development Agreement entered into on February 2, 1999.

The Agreement approves the construction of approximately 650 residential dwelling units, a shopping center, hotel, parks, and a golf course and country club. It provides for a 30-acre site to be dedicated to the Bay County School Board for construction of a public school with approximately 1600 students to serve the Sand Hills area.

The Development Agreement requires Lake Merial to provide to the property a sanitary sewer system and a potable water system (the Utility Systems) by the summer of 2000. The construction of the school and the development of the property will only be able to proceed with construction of the utility systems. The design, permitting and construction schedule for the utility contemplates services being available for the school by March 1, 2000 with residential service approximately six months thereafter. Any delay in the construction of the plants could jeopardize meeting these target dates.

A special feature of the community is the Deane Bozeman Learning Center, an innovative educational environment for kindergarten through eighth grade. The Bay County School

Application of Dana Utility Corporation for Original Certificate in Bay County

District and Lake Merial worked together to bring this state-of-the-art educational center to Lake Merial and the surrounding Sand Hill Community. It is expected to become a flagship for the Bay County School District. The groundbreaking ceremony took place on April 12, 1999 and the school is scheduled to open in August 2000. With the high visibility, the School District is anxious to see construction begin on the utility plants necessary to provide service. The construction schedule for the District includes a construction completion date of March 1, 2000. The letter from the Bay County School District identified as Exhibit A-1 confirms the urgency in receiving Water and Wastewater Certificates to maintain the schedule.

The Sand Hills Area of Bay County is relatively undeveloped. This area around Lake Merial has been developed in one to five plus acre tracts that utilize individual water wells and septic tank systems. Lake Merial, through Panhandle Engineering, contacted the public utilities whose water systems were closest to Lake Merial. These two utilities, Bay County and Gulf Coast Electric Cooperative, Inc. are between six to eight miles from the project. The response letters, identified as Exhibits A-2 and A-3, indicate water service would not be available for 3 to 5 years at the earliest and even longer for wastewater services.

The City of Lynn Haven, the closest City, was also not able to provide service. Water and wastewater service to Lake Merial from alternative suppliers is not a viable option.



LARRY R. BOLINGER
SUPERINTENDENT

Office of
 Jim McGonagil
 Executive Director
 Business & Finance
 Services

1311 Balboa Avenue
 Panama City, Florida
 32401

(850) 872-4100
 Hearing Impaired Access
 (800) 955-8770 Voice
 (800) 955-8771 TDD

www.bay.k12.fl.us

Board Members:

Ron Danzey
 District 1

Johnny Brock
 District 2

Thelma G. Pohan
 District 3

Mike Jones
 District 4

Mike Gavlak
 District 5

August 19, 1999

Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0850

RE: Water and Sewer Utility Service

To Whom It May Concern:

The Bay District Schools, Florida has planned a school to serve the Sand Hills area of Bay County for some time. We are meeting this objective by working with the Lake Merial Development, who has agreed to provide the land for the project, the Deane Bozeman Learning Center.

On April 12 of this year a groundbreaking ceremony took place and construction began on this state-of-the-art facility. The school will meet the educational needs for kindergarten through eighth grades and will handle between 1500 and 1600 students. While the Bozeman Center will have technical and computer capabilities consistent with the new millennium to exercise the mind, it also requires the infrastructure necessary to support that mission. The School District and Lake Merial have agreed that Lake Merial will provide the utilities necessary to serve the new school by March 1, 2000. This will allow the District enough time to finalize the construction and prepare for our inaugural class. Our grand opening for The Center is scheduled for August 21, 2000.

I understand that a certificate from the Public Service Commission is required before Lake Merial can receive a permit and begin construction of the utility plants. I am requesting on behalf of the Bay District Schools that the application be processed as quickly as possible and the certificates issued so construction on the plants can begin and we can meet our goal.

Thank you for your consideration.

Sincerely,


 Larry R. Bolinger
 District Superintendent

Cf: Martin J. Goldstein, Lake Merial

Exhibit A-1



March 30, 1999

BOARD OF COUNTY COMMISSIONERS

James H. Slonina, P.E., President
Panhandle Engineering, Inc.
3005 S. Highway 77
Lynn Haven, FL 32444

Re: Lake Merial Public Utility Availability

Dear Mr. Slonina:

As previously discussed, and in response to your question in your correspondence of March 22, 1999, there is no possibility that public utilities support will be available to your property by the stated date of (on or before) October 1, 1999. That being stated, our long-range plans are to extend utility services to the northwest portion of the County, but the earliest availability date for water services would be 3 to 5 years and even longer before wastewater services would be available.

If you have any questions or need additional information, please let me know.

Sincerely,

Clifton "Travis" Windham, P.E.
Utility Services Director

CTW/kr

Cc: County Manager
Files

POST OFFICE BOX 1818
PANAMA CITY, FLORIDA 32402

COMMISSIONERS:

CAROL ATKINSON
DISTRICT I

RICHARD STEWART
DISTRICT II

ROBERT WRIGHT
DISTRICT III

DANNY SPARKS
DISTRICT IV

MARC NOLEN
DISTRICT V

JONATHAN A. MANTAY, CGFM
COUNTY MANAGER

PANHANDLE ENGINEERING, INC.

APR - 1 1999

DATE	COPY	ACTION	REMARKS

FILE NO. 32605

Exhibit A-2



GULF COAST ELECTRIC COOPERATIVE, INC.

A Touchstone EnergySM Partner



April 2, 1999

Panhandle Engineering, Inc.
James H. Slonina, P.E.
3005 S. Highway 77
Lynn Haven, Florida 32444

Dear Jim:

This letter is in response to your letter of March 22, 1999 regarding the water and wastewater collection services for the Lake Merial project.

You are somewhat familiar with our plans for a water system for the Southport/ Resota Beach area and construction should begin in the next few weeks. Our Board of Trustees have discussed plans for wastewater collection and treatment within the next 5 to 10 years in that area.

It is unfortunate for us, from the water/wastewater treatment standpoint, that the timetable for your project is somewhat ahead of our system. I would have been most interested in being able to serve the Lake Merial area water/wastewater needs.

The water/wastewater requirements of the Lake Merial project cannot, however, be met by Gulf Coast Electric Cooperative within the timeframe of October 1, 1999.

I look forward to our continued good relationship on this project with Mr. Goldstein and your firm and anticipate you will be most pleased with our service.

Sincerely,

Roy Barnes
C.E.O./General Manager

PANHANDLE ENGINEERING, INC.			
APR - 2 1999			
NAME	PHONE	NEW	MAILED
FILE NO.	32605		

Exhibit A-3

722 W. Highway 22 - P.O. Box 220
9434 Highway 77 - P.O. Box 8370

Wewahitchka, Florida 32465
Southport, Florida 32409

(850) 639-2216
(850) 265-3631

FAX (850) 639-5061
FAX (850) 265-3634

The Power of Human Connections

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT B

(Consistency with Comprehensive Plans)

To the best of Dana Utility Corporation's knowledge, the provision of water and wastewater service to the Lake Merial Development is consistent with the water and wastewater sections of the Bay County Comprehensive Plan, as approved by the Department of Community Affairs.

This is evidenced by the approval of the project by Bay County, Florida. The Development Agreement with Bay County was entered into on February 2, 1999 by the owner of the Applicant. The Agreement provides, among other things, for the Developer to provide sanitary sewer and potable water to the project and finds that the Development Agreement is consistent with the County's 2000 Comprehensive Plan. This Agreement is recorded in the Official Records of Bay County, Florida, book 1850, pages 179 through 197. See Exhibit B-1.

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "Agreement") is entered into this 2nd day of February, 1999, by and between BAY COUNTY BOARD OF COUNTY COMMISSIONS, for and on behalf of BAY COUNTY, FLORIDA, a political subdivision, having an address at 310 West 6th Street, Panama City, Florida 32401 (hereinafter the "County"), and LAKE MERIAL DEVELOPMENT CORPORATION, INC., a Florida corporation, having an address at 129 Church Street, Suite 300, New Haven, Connecticut 06510 (hereinafter "Developer").

RECITALS

A. WHEREAS, the Developer is the owner of certain real property located in the Sand Hills area of Bay County, Florida, as more particularly described in Exhibit A, which is attached hereto and made a part hereof (hereinafter the "Property"); and

B. WHEREAS, pursuant to Chapter 163, Part II, Florida Statutes, and Section 12.01.08 of the Bay County Land Use Code, the County is authorized to enter into development agreements with owners or developers of real property, subject to the procedures and requirements of §§163.3220-163.3243, Florida Statutes; and

C. WHEREAS, on December 16, 1997, pursuant to Ordinance 97-13, the County adopted a revised comprehensive plan amendment which changed the land use designation on the subject Property from Silviculture and Agriculture to Planned Unit Development (PUD), a land use category that was, and is, consistent with the land use categories currently in effect in Bay County; and

D. WHEREAS, on December 16, 1997, pursuant to County Resolution No. 2076, the County also adopted its Evaluation and Appraisal Report ("EAR") in conformity with §163.3191, Florida Statutes, which incorporated a new planning strategy to guide and control future development

2/16/99
1 - Copy to Terry J.
1 - original to Terry J.

and associated services in the rural, urban and urbanizing areas of the County in order to encourage the most appropriate use of land; and

E. **WHEREAS**, the new planning strategy adopted as part of the County's Evaluation and Appraisal Report, known as the "wide open spaces" strategy, is based, in part, on directing future higher density rural development into one of three discrete, relatively concentrated rural community services areas, to better preserve and maintain the predominantly rural character of northern Bay County, limit urban sprawl in the rural area, and provide for a more cost-efficient delivery of public services and facilities consistent with land use designations; and

F. **WHEREAS**, on January 31, 1998, the Department of Community Affairs found Ordinance 97-13 in compliance; and

G. **WHEREAS**, the Developer desires that the Property be made a part of the Rural Community Overlay district for the Sand Hills area and desires to support the County's rural community planning strategy in its development of the Property, which is to be known as "Lake Merial, Florida;" and

H. **WHEREAS**, the County desires that the Property be developed in a manner that supports the rural community concept for the Sand Hills area during the interim period that its EAR-based amendments are undergoing compliance review, and thereafter; and

I. **WHEREAS**, by establishing the mix of uses that will be permitted on the Property; including the density and intensity of such uses, this Development Agreement will enable the County to ensure that development will proceed in conformity with the rural community planning strategy and will enable the Developer to commence developing the Property in conformity with the rural

community planning strategy prior to, and during, the time period that will be needed to adopt the County's EAR-based amendments in conformity with Chapter 163, Part II, Florida Statutes;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, the receipt and sufficiency of which are hereby acknowledged, the County and Developer hereby agree as follows:

COVENANTS AND CONDITIONS

1. **Recitals True.** The foregoing recitals are true and correct and are incorporated herein by reference.
2. **Legal Description.** The real property subject to this Agreement is the Property as described in Exhibit A. The project that is to be developed on the Property will be known as "Lake Merial, Florida." Legal ownership of the Property is vested in Lake Merial Development Corporation, Inc.
3. **Duration of Agreement.** The duration of this Agreement shall be ten (10) years from the Effective Date. The Agreement may be extended by mutual consent of the Developer (or a successor-in-interest) and the County, subject to the public hearing requirements specified in §163.3225, Florida Statutes.
4. **Development Uses Permitted on the Property.** The Bay County Comprehensive Plan designates the Property as Planned Unit Development (PUD) on its Future Land Use Map. The PUD land use designation also serves as the County's zoning for the Property, which allows the Property to develop with a mixture of uses, including residential, commercial, public/semi-public, recreation, and conservation, at the densities, intensities, and mix of uses prescribed in the County's existing Comprehensive Plan and Land Use Code. In accordance with the terms and conditions of

Ordinance 97-13, the Lake Merial, Florida PUD will be designed to contain 648 dwelling units clustered on the subject site, and will be developed in accordance with the recommendations adopted by the County in its Evaluation and Appraisal Report for the Rural Community Overlay districts, to wit:

(a) **Uses allowed:** Residential, public, civic, and commercial uses. Public uses include parks, playgrounds, greenway trails, golf courses, associated facilities, and other similar recreational uses. Civic uses include schools, religious buildings, libraries, post offices, meeting halls, club houses, recreational facilities, county buildings, and similar facilities. Commercial uses will be limited to neighborhood-scale businesses, including professional offices, restaurants, retail stores and services, and lodging, provided that these non-residential uses are compatible in scale and intensity with the character of the surrounding residential areas.

(b) **Density allowed:** Six Hundred Forty Eight (648) Residential Dwelling Units.

(c) **Intensity allowed:** The intensity of non-residential uses will not exceed a floor area ratio of 50 percent (0.5 FAR).

(d) **Mixture of Uses:** Residential uses will account for no more than sixty percent (60%) of the total land area. Civic and public uses will account for no less than five percent (5%) of the total land area. Commercial uses will account for no more than ten percent (10%) of the total land area. Open space will account for no less than twenty-five percent (25%) of the PUD.

(e) **Commercial Uses:** Commercial uses will be limited to collector and arterial intersections, intersections of subdivision collectors and arterial or collector roads, and areas that are specifically designated and platted for neighborhood commercial uses. Commercial uses will not occupy more than fifteen percent (15%) of the frontage of any one mile segment of a collector or arterial roadway.

These land uses correspond to, and are in conformity with, the land uses authorized under the County's Comprehensive Plan, adopted pursuant to Ordinance 90-06, as amended.

5. **Lake Merial, Florida, Site Plan.** The proposed site plan ("Plan") for the Lake Merial, Florida PUD is attached hereto as Composite Exhibit B and incorporated by reference.

Composite Exhibit B consists of a series of maps for land use, site plan, and plats which identify the underlying residential, commercial, public, and civic land uses for the PUD, and includes the arrangement of residential areas that will be platted during the life of this Agreement in accordance with the conditions specified in Paragraph 10, below. This Plan conforms to the density, intensity, and mix of uses outlined in Paragraph 4, above. Following the County's adoption of the Rural Community Overlay district for the Lake Merial, Florida PUD, pursuant to the County's EAR-based amendments, the County may, if necessary, revise the PUD designation for the Property on its Future Land Use Map to identify the specific land uses authorized within the PUD as referenced in Paragraph 4, above; provided, however, that no such revision shall be applied in a manner that operates to prevent development of the Property in conformity with the uses or the platting depicted in Composite Exhibit B, or the time limits, phases, or order of development approved by the County.

6. **Conservation Areas.** In addition to the defined uses authorized within the PUD, as referenced in Paragraph 4, above, specific areas of the Property are delineated as "Conservation Areas" in Composite Exhibit B. The designated Conservation Areas will be utilized for passive recreational activities only, so long as these activities that are compatible with the protection and preservation of the conservation area resource. No other uses or development will be allowed within these areas. Residential development shall be clustered away from the Conservation Areas to ensure the conservation and protection of these natural resources and the preservation of open space.

7. **Public Facilities to Serve the Property.** The Lake Merial project will be developed in the phases or stages delineated in Composite Exhibit B, and in accordance with the terms and conditions of Paragraph 10, below. Consistent with the County's requirement that public facilities be available concurrent with the impacts of development, the Developer agrees that sanitary sewer,

potable water, drainage, roads, recreation, and open space facilities shall be in place and available to serve the development of the Lake Merial Property no later than the issuance of a plat, certificate of occupancy, or the functional equivalent by the County in accordance with the terms and conditions of Paragraph 10, below. The Developer agrees that it will not seek a plat, certificate of occupancy, or the functional equivalent for the lots in any phase until such time as the County has determined that concurrency has been met for that particular phase.

The County agrees that the timing, sequencing, and phasing of development, as referenced in Paragraph 10, below, and as delineated in Composite Exhibit B, shall determine the timing, sequencing, and phasing for the construction of sanitary sewer, potable water, roads, drainage, recreation, and open space facilities, based upon the Developer's compliance with the following conditions:

(a) Sanitary Sewer Facilities: The Developer shall, at its own expense, provide sanitary sewer to serve the Property. In accordance with the timing, sequencing, and phasing of the development as described in Paragraph 10, below, and as delineated in Composite Exhibit B, sanitary sewer to serve the first 256 lots shall be in place and operational no later than eighteen (18) months following the execution of this Agreement by the parties. Sanitary Sewer to serve the next 200 lots shall be in place and operational no later than thirty-six (36) months following the execution of this Agreement. Sanitary Sewer to serve the remainder of the Property shall be in place no later than sixty (60) months following the execution of this Agreement.

(b) Potable Water Facilities: The Developer shall, at its own expense, provide a potable water system to serve the Property. In accordance with the timing, sequencing, and phasing of the development as described in Paragraph 10, below, and as delineated in Composite Exhibit B, a potable water system to serve the first 256 lots shall be in place and operational no later than eighteen (18) months following the execution of this Agreement by the parties. The potable water system to serve the next 200 lots shall be in place and operational no later than thirty-six (36) months following the execution of this Agreement. The potable water system to serve the remainder of the Property shall be in place no later than sixty (60) months following the execution of this Agreement.

(c) Roads and Drainage Facilities: The Developer shall, at its own expense, provide the internal road and drainage facilities necessary to serve the Property. In accordance with the timing, sequencing, and phasing of the development as described in Paragraph 10, below, and as delineated in Composite Exhibit B, the internal roads and drainage facilities to serve the first 256 lots shall be in place and operational no later than eighteen (18) months following the execution of this Agreement by the parties. The internal roads and drainage facilities necessary to serve the next 200 lots shall be in place and operational no later than thirty-six (36) months following the execution of this Agreement. The internal roads and drainage facilities necessary to serve the remainder of the Property shall be in place no later than sixty (60) months following the execution of this Agreement.

The external roadway facility providing access to and from the Property is SR 77, which is presently meeting or exceeding the level of service standard required for traffic circulation facilities as approved in the County's Comprehensive Plan. In the event traffic impacts from the development of the Property require mitigation in the form of acceleration/deceleration lanes, turning bays, or other such measures as deemed to be necessary by the Florida Department of Transportation and Bay County to ensure smooth continuous traffic flow on SR 77, the Developer agrees to provide such mitigation. The State of Florida, Department of Transportation (FDOT), has proposed widening the section of SR 77 adjacent to the Property, which is presently in the project design and engineering phase; however, for purposes of this Agreement, the present capacity of SR 77, coupled with the Developer's agreement to provide the necessary mitigation to offset any impacts from the development of the Lake Merial Property, is sufficient to maintain the existing level of service standard for SR 77, irrespective of future widening by FDOT. For the term of this Agreement, the County agrees to make good faith efforts to support and obtain all road and transit improvements that will enhance the access to and from the Property.

(d) Recreational and Open Space Facilities: The County's Comprehensive Plan and Land Use Code provide that Bay County presently has adequate recreational facilities and open space to meet the future demands of the County. Although adequate recreational facilities and open space presumptively exist, the Lake Merial project will add significant acreage to the County's current inventory of recreational facilities and open space in conformity with the mix of uses specified in Paragraph 4, above, and as more particularly described below:

- (1) Through the clustering of residential development away from the natural resources on the Property, the Developer will retain a minimum of twenty-five percent (25%) of the project site, approximately 500 acres, as open space; and
- (2) Approximately 190 acres will be designated as Conservation Areas, which will be available for passive recreational uses only; and

(3) Lake Merial itself, which will provide a variety of passive and active recreational opportunities; and

(4) The Developer, at its expense, will also provide a golf course, a golf practice area, ball fields, tennis courts, and a series of neighborhood parks that will provide active recreational facilities.

Based upon the presumption that adequate capacity already exists for recreation and open space within the County, and on the fact that the Developer will significantly add to the inventory of existing recreational facilities and open space, the County agrees that the Project, as reflected in Composite Exhibit B and as proposed herein, satisfies the County's concurrency requirements for recreation and open space.

8. **Environmental and Golf Course Management Plans.** As a condition of this Agreement, and prior to the County issuing a development order or permit to commence any development on the Property, the Developer shall submit an Environmental Management Plan and a Golf Course Management Plan to the County for review and approval. The purpose of the Management Plans will be to identify the natural resources, habitats and ecological systems located on the Property, and to establish standards and guidelines for the development of the Property that will ensure the immediate and long term conservation and protection of the identified resources.

9. **Permits for Development.** Following the County's approval of this Development Agreement, the County's approval of the Developer's Environmental and Golf Course Management Plans, the County's issuance of a development order in accordance with the terms and conditions of Paragraph 10, below, and Composite Exhibit B, as applicable, and the County's issuance of a Certificate of Concurrency, when required, development can commence on the Property. Any additional local development permits which may be needed for development of the Property, or any

phase thereof, including permits for land clearing, temporary uses, or right-of-way use, will be obtained prior to the start of construction. Any state or federal permits required to commence development of any phase of the subject Property shall be obtained prior to the issuance of a development order for that phase. The failure of this Agreement to address a particular permit, permit condition, term, or restriction applicable to any future development of the Property shall not relieve the Developer of the necessity of complying with federal, state, and local permitting requirements, conditions, terms, or restrictions as may be applicable.

10. **Timing of Development.** The County acknowledges that the most efficient development of the Property depends upon numerous factors, such as market demand, interest rates, competition, and similar factors. Generally, it will be most economically beneficial to the ultimate purchasers to have the rate of development determined by the Developer. Accordingly, the timing, sequence, and phasing of development shall be as determined by the Developer, in accordance with the underlying land uses and Composite Exhibit B, subject to the requirements for concurrency and consistency with the existing requirements in the County's Comprehensive Plan and Land Use Code, and the other terms and conditions of this Agreement.

11. **Reservation and Dedication of Land.** The Developer has dedicated approximately 30 acres of land in the northwest corner of the Property to the Bay County School Board for construction of a public school to serve the Sand Hills area. The school site is more particularly identified on Composite Exhibit B. The Developer has agreed to provide sanitary sewer, potable water, and internal access to the site from the Property. The Bay County School Board will be responsible for obtaining all permits to develop the school site, and for the mitigating any impacts the development of the school may cause to SR 77, as deemed necessary by Bay County or FDOT.

In the event the School Board fails to construct a school within five (5) years, ownership of the site will revert back to the Developer.

12. **Agreement Consistent With 2000 Comprehensive Plan.** The development of the Property as a PUD is consistent with the Future Land Use Map of the County's currently adopted Comprehensive Plan. The Developer recognizes that the development of the Property must also be consistent with all goals, objectives, and policies of the County's currently adopted Comprehensive Plan and Land Use Code.

13. **Modification of Plan.** An application to amend or modify Composite Exhibit B shall be in writing, and shall be submitted in accordance with the requirements of the County's Land Use Code. Any amendment or modification of the Plan, including Composite Exhibit B, shall be consistent with the goals, objectives, and policies in the County's Comprehensive Plan, then in effect.

14. **Annual Status Report.** No later than twelve (12) months following the execution of this Agreement, and annually thereafter for the duration of this Agreement, the Developer shall submit a status report to the County for the purpose of demonstrating that the Developer is complying in good faith with the terms and conditions of this Development Agreement. The report shall provide sufficient information to allow an assessment of the progress being made under the terms of the Development Agreement, and an assessment of the development that has been approved by the Development Agreement, but which the Developer has not started or completed. The report shall also advise the County as to any changes in or to the Property that have occurred in the prior twelve months that may, or will, require an amendment to the Development Agreement. The County agrees that during years 6 through 10 of this Agreement, it shall review the Property subject to this Development Agreement and make a determination as to whether there has been demonstrated good

faith compliance with this Agreement. The County further agrees that it shall incorporate its findings into a report the County will prepare and submit to the Developer and the state land planning agency, in conformity with the requirements of §163.3235, Florida Statutes.

15. **Remedies.** If the County or Developer fail to carry out any of the terms or provisions contained herein, the affected party or parties shall be entitled to all remedies available at law or in equity as shall be necessary to achieve the intent of this Agreement, including without limitation, the right to obtain specific performance and mandatory injunction, rescission, and the right to such other remedy or remedies as the court having jurisdiction deems appropriate. None of these remedies shall be deemed exclusive of one another, or exclusive of any other remedy which the court having jurisdiction deems appropriate. Such remedies shall be granted either singularly, or in combination, and to the extent necessary to achieve the intent of the Agreement.

16. **Mediation.** The parties will attempt in good faith to resolve by mediation any controversy or claim of any kind or nature arising out of or relating to this Agreement prior to the commencement of any litigation. If the parties are unable to agree upon a mediator to serve, the mediator shall be selected by the Chief Judge of the Circuit Court of the First Judicial Circuit of the State of Florida, upon application being made by either party. The mediation shall be set by the mediator. The mediation process shall be concluded within 30 days after the mediator is selected.

17. **Terms of Agreement.** The terms and conditions of this Agreement are binding on all parties hereto, and shall inure to the benefit of, and be binding upon, their successors, assigns, predecessors, heirs, and agents. Any successor-in-interest of a portion or all of the Developer or a successor's interest in the Property must execute and deliver to the County a written acknowledgment

that the successor-in-interest is aware of, understands, and agrees to be bound by the terms of this Agreement.

18. **Miscellaneous.**

a. **Recording.** This Agreement shall be recorded in the public records of Bay County, Florida. A copy of this Agreement shall be delivered by the County to the state land planning agency of the State of Florida, the Department of Community Affairs, within fourteen (14) calendar days after this Agreement is recorded in the public records.

b. **Effective Date.** This Agreement shall be effective thirty (30) days after it is received by the state land planning agency of the State of Florida.

c. **Amendment.** This Agreement may only be amended by a subsequent written agreement entered into and executed by the parties.

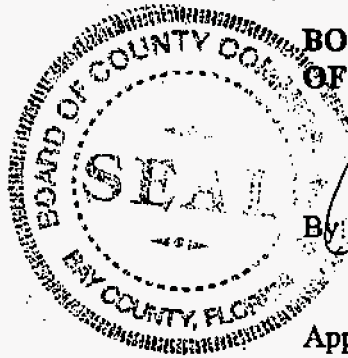
d. **Necessary Procedures.** The parties agree that this Agreement has been entered into after compliance with all applicable procedures which relate to the adoption, execution, enforceability or validity of this Agreement.

e. **Headings.** The headings of the paragraphs in this Agreement are for convenience of the reader and do not control the meaning of the provision of this Agreement.

f. **Notices.** All written notices and demands of any kind which either party may be required or may desire to serve upon the other party in connection with this Agreement may be served (as an alternative to personal service) by registered or certified mail.

g. **Severability.** If any part of this Agreement is finally found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue to be enforceable.

IN WITNESS WHEREOF, the parties, by and through the undersigned duly authorized representatives, have executed this Agreement on the date or dates set forth below.



BOARD OF COUNTY COMMISSIONERS
OF BAY COUNTY, FLORIDA

By: Carol Allen
Chairman

ATTEST:

Approved as to correctness of
form:

James Ruffel
Clerk

William J. Trivieri
Burke & Blue, P.A.
Attorneys for Bay County

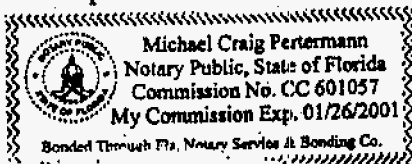


LAKE MERIAL DEVELOPMENT
CORPORATION, INC.

By: [Signature]
Martin Goldstein, President

STATE OF FLORIDA
COUNTY OF BAY

The foregoing instrument was acknowledged before me this 2 day of FEB, 1999, by Martin Goldstein, President of Lake Merial Development Corporation, Inc., who is personally known to me or who has produced a Florida Driver's License as identification and who did take an oath.



Michael Craig Pertermann
Notary Public, State of Florida
Name: MICHAEL CRAIG PERTERMANN
My Commission Expires: 01/26/2001
My Commission Number is: CC 601057

EXHIBIT "A"

PARCEL I: Commence at the Northwest Corner of Section 15, Township 1 South, Range 14 West, Bay County, Florida. Thence $S01^{\circ}12'22''W$ along the west line of said Section 15 for 409.73 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide), described in Deed Book 116, 105, in the Public Records of Bay County, Florida, for the Point of Beginning. Thence $S51^{\circ}03'38''E$ along the centerline of construction of said Gulf Power Company Easement for 930.87 feet; thence $S01^{\circ}12'45''W$ for 2478.33 feet to the centerline of a dirt road; thence $N73^{\circ}10'07''W$ along said centerline of 243.01 feet; thence $N74^{\circ}46'38''W$ along said centerline for 517.31 feet to said west line of Section 15; thence $N01^{\circ}12'22''E$ along said west line for 2857.26 feet to the Point of Beginning.

PARCEL II: Section 16, Township 1 South, Range 14 West, Bay County, Florida.

LESS AND EXCEPT: Commence at the Northeast corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide) as described in Deed Book 116, Page 105, of the Public Records of Bay County, Florida. Thence continue $N88^{\circ}14'33''W$ along said north line of Section 16 for 708.58 feet to the Point of Beginning. Thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence $N88^{\circ}57'07''W$ for 4147.18 feet to the west line of said Section 16; thence $N01^{\circ}03'36''E$ along said west line for 1386.96 feet to the Northwest corner of said Section 16; thence $S88^{\circ}14'32''E$ along the North line of said Section 16 for 4033.49 feet to the Point of Beginning.

ALSO LESS AND EXCEPT: Begin at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the north line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement, described in Deed Book 116, Page 105, in the Public Records of Bay County, Florida. Thence $S51^{\circ}03'38''E$ along said centerline of construction for 678.09 feet to the east line of said Section 16; thence $N01^{\circ}12'22''E$ along said east line for 409.73 feet to the Point of Beginning.

PARCEL III: The West Half of the Northeast Quarter of the Northwest Quarter; the South Half of the Northwest Quarter; the Southwest Quarter; the Northwest Quarter of the Southeast Quarter; the East Half of the Southeast Quarter; the South Half of the Northeast Quarter; Section 17, Township 1 South, Range 14 West.

LESS AND EXCEPT: Commence at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 1244.88 feet; thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence

EXHIBIT "A"

PARCEL I: Commence at the Northwest Corner of Section 15, Township 1 South, Range 14 West, Bay County, Florida. Thence $S01^{\circ}12'22''W$ along the west line of said Section 15 for 409.73 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide), described in Deed Book 116, 105, in the Public Records of Bay County, Florida, for the Point of Beginning. Thence $S51^{\circ}03'38''E$ along the centerline of construction of said Gulf Power Company Easement for 930.87 feet; thence $S01^{\circ}12'45''W$ for 2478.33 feet to the centerline of a dirt road; thence $N73^{\circ}10'07''W$ along said centerline of 243.01 feet; thence $N74^{\circ}46'38''W$ along said centerline for 517.31 feet to said west line of Section 15; thence $N01^{\circ}12'22''E$ along said west line for 2857.26 feet to the Point of Beginning.

PARCEL II: Section 16, Township 1 South, Range 14 West, Bay County, Florida.

LESS AND EXCEPT: Commence at the Northeast corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide) as described in Deed Book 116, Page 105, of the Public Records of Bay County, Florida. Thence continue $N88^{\circ}14'33''W$ along said north line of Section 16 for 708.58 feet to the Point of Beginning. Thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence $N88^{\circ}57'07''W$ for 4147.18 feet to the west line of said Section 16; thence $N01^{\circ}03'36''E$ along said west line for 1386.96 feet to the Northwest corner of said Section 16; thence $S88^{\circ}14'32''E$ along the North line of said Section 16 for 4033.49 feet to the Point of Beginning.

ALSO LESS AND EXCEPT: Begin at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the north line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement, described in Deed Book 116, Page 105, in the Public Records of Bay County, Florida. Thence $S51^{\circ}03'38''E$ along said centerline of construction for 678.09 feet to the east line of said Section 16; thence $N01^{\circ}12'22''E$ along said east line for 409.73 feet to the Point of Beginning.

PARCEL III: The West Half of the Northeast Quarter of the Northwest Quarter; the South Half of the Northwest Quarter; the Southwest Quarter; the Northwest Quarter of the Southeast Quarter; the East Half of the Southeast Quarter; the South Half of the Northeast Quarter; Section 17, Township 1 South, Range 14 West.

LESS AND EXCEPT: Commence at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 1244.88 feet; thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence

N88°57'07"W for 4147.18 feet to the East line of Section 17, Township 1 South, Range 14 West, for the Point of Beginning. Thence continue N88°57'07"W for 1979.26 feet to the West line of the East

Half of the Southwest Quarter of the Northeast Quarter of said Section 17; thence N00°55'34"E along said West line for 42.04 feet to the North line of the South Half of the Northeast Quarter of said Section 17; thence S89°50'45"E along said North line for 1979.60 feet to the East line of said Section 17; thence S01°03'36"W along said East line for 72.92 feet to the Point of Beginning.

PARCEL IV: That portion of Section 19, Township 1 South, Range 14 West, Bay County, Florida, East of State Road No. 77.

PARCEL V: That portion of Section 20, Township 1 South, Range 14 West, Bay County, Florida, West of Prosper Drive.

PARCEL VI: That portion of Section 21, Township 1 South, Range 14 West, Bay County, Florida, West of Prosper Drive.

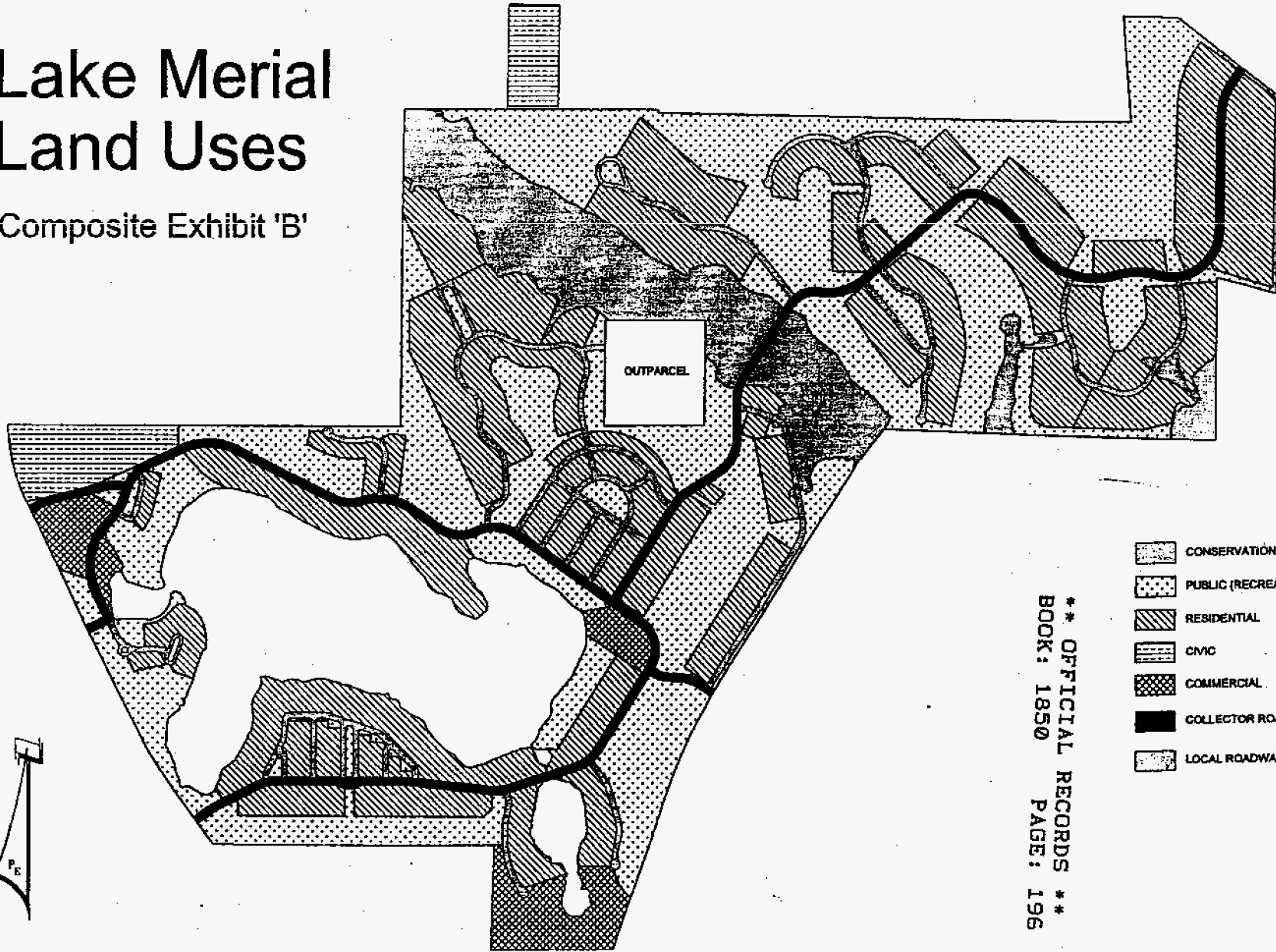
PARCEL VII: The Northeast Quarter of the Northwest Quarter and that portion of the Northwest Quarter of the Northeast Quarter West of Prosper Drive, Section 29, Township 1 South, Range 14 West, Bay County, Florida.







LESS AND EXCEPT (the School Site):

Begin at the intersection of the North line of Section 19, Township 1 South, Range 14 West and the East right-of-way line of State Road No. 77; thence South 89° 57' 32" East along the North line of Section 19 for 2142.00 feet; thence South 00° 36' 38" West for 271.00 feet; thence South 64° 04' 23" West for 1180.00 feet; thence South 76° 06' 16" West for 865.00 feet to a point on the curving East right-of-way line of State Road No. 77; Thence Northwesterly along said curving right-of-way line having a delta of 20° 36' 33", radius of 2814.79 feet for an arc distance of 1012.48 feet (chord bearing North 13° 17' 32" West for 1007.03 feet) to the p.t. of said curve; Thence North 03° 08' 01" West along said right-of-way line 17.52 feet to the point of beginning. Said parcel containing 43.557 acres more or less and lying in Bay County, Florida.

Lake Merial Land Uses

Composite Exhibit 'B'



-  CONSERVATION
-  PUBLIC (RECREATION)
-  RESIDENTIAL
-  CIVIC
-  COMMERCIAL
-  COLLECTOR ROADWAY
-  LOCAL ROADWAY

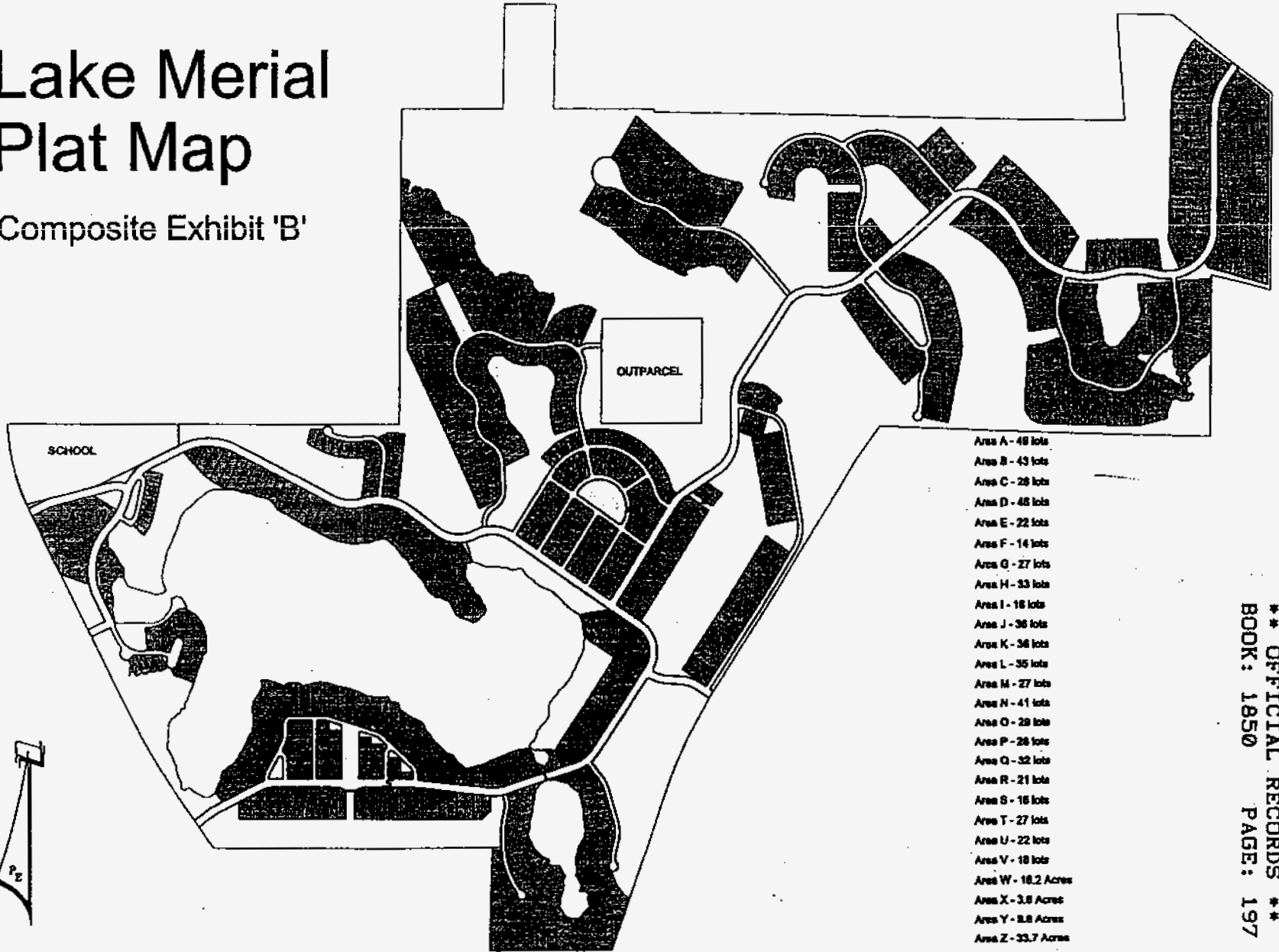
** OFFICIAL RECORDS **
BOOK: 1850 PAGE: 196

Exhibit B-1, page 18

RCD Feb 15 1999 04:09pm
HAROLD BAZZEL, CLERK

Lake Merial Plat Map

Composite Exhibit 'B'



- Area A - 48 lots
- Area B - 43 lots
- Area C - 28 lots
- Area D - 46 lots
- Area E - 22 lots
- Area F - 14 lots
- Area G - 27 lots
- Area H - 33 lots
- Area I - 18 lots
- Area J - 36 lots
- Area K - 36 lots
- Area L - 35 lots
- Area M - 27 lots
- Area N - 41 lots
- Area O - 29 lots
- Area P - 26 lots
- Area Q - 32 lots
- Area R - 21 lots
- Area S - 16 lots
- Area T - 27 lots
- Area U - 22 lots
- Area V - 18 lots
- Area W - 18.2 Acres
- Area X - 3.8 Acres
- Area Y - 8.8 Acres
- Area Z - 33.7 Acres

Exhibit B-1, page 19

*** OFFICIAL RECORDS ***
BOOK: 1850 PAGE: 197

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PANHANDLE ENGINEERING, INC.
ENVIRONMENTAL ENGINEERS • CIVIL ENGINEERS • LAND PLANNERS
8833 WEST 20th STREET PANAMA CITY, FLORIDA 32406
(850) 765-6300 Fax: (850) 765-0730 panh@panhinc.com

LAKE MERIAL
PLAT MAP

LAKE MERIAL, FLORIDA

11/20/98

SHEET NUMBER

2 of 3

PROJECT NUMBER

32602

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT C

(Types of Service)

Dana Utility Corporation will provide potable water service to the Lake Merial community.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT D

(Number of Water ERCs)

The following are the ERC estimates for the Lake Merial development. A final determination on the project phasing has not been made.

The proposed site plan, approved as part of the Development Agreement with Bay County, provides for the development of 648 residential homes, a K-8 public school (approximately 1600 students), a 100,000 sq. ft. shopping center, a park, a 100 room hotel and a 15,000 sq. ft. country club. This equates to approximately 900 ERCs.

A more detailed calculation will be supplied with the application for approval of initial rates and charges.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT E

(Land for Water and Wastewater Facilities)

Dana does not currently own the land where the water and wastewater facilities will be constructed. The current owner is Dana's sole shareholder, Lake Merial Development Company, Inc.

Consistent with Chapter 25-30.033 (1)(j), F.A.C., included is an unexecuted copy of a contract for purchase and sale of the land, including a legal description (Exhibit E-1) and a draft copy of the related warranty deed (Exhibit E-2).

BURKE & BLUE, P.A.
DRAFT OF 8-17-99CONTRACT FOR SALE

THIS CONTRACT FOR SALE (the "Contract") is hereby made and entered into as of the Effective Date (as hereafter defined) by and between LAKE MERIAL DEVELOPMENT COMPANY, INC., a Florida corporation, 13100 S. R. 77, Southport, FL 32409 (the "Seller") and DANA UTILITY CORPORATION, a Florida corporation, 13100 S. R. 77, Southport, FL 32409 (the "Buyer").

For value received and in consideration of the mutual covenants and conditions contained herein, Seller and Buyer agree as follows:

1. Property. Buyer agrees to buy and Seller agrees to sell that certain tract or parcel of land located in Bay County, Florida, and more particularly described on Exhibit A attached hereto and made a part hereof (the "Property"). The description of the property is expressly agreed to also include any and all existing improvements to the Property.

2. Purchase Price. The purchase price for the Property is _____ DOLLARS (\$ _____) payable as follows:

a) Upon full execution of this Contract, _____ Dollars (\$ _____) (the "Initial Deposit") paid by the Buyer to Burke & Blue, P.A. (the "Escrow Agent").

b) _____ Dollars (\$ _____) paid in cash at closing.

3. Time of Closing. Closing shall be held at the office of Burke & Blue, P.A. on a date designated by Buyer which shall be no later than _____. The closing date may be extended at the option of the Buyer in the event the Seller is unable to deliver insurable title in accordance with the requirements of paragraph 6 below.

4. Conveyance of Title. At the time of closing, Seller shall convey the title to the Property by General Warranty Deed. Prior to closing, a commitment (the "Commitment") to issue and owner's policy of title insurance (the "Policy") issued by a reputable title insurer in an amount equal to the purchase price, which Commitment shall obligate the title insurer to issue the Policy in an amount equal to the purchase price insuring the marketability of the title to be conveyed to Buyer, free and clear of all liens, encumbrances, and other exceptions to title, and subject only to ad valorem taxes for the current year, covenants, restrictions, and easements of record that do not materially restrict the use of the Property for the Buyer's intended use, or prevent the Buyer from securing financing and such other exceptions as shall be deemed acceptable to Buyer. Counsel for Seller shall act as agent in regards to the issuance of the Policy and the Commitment.

5. Insurable Title. The Buyer shall have 15 days after receipt of the Commitment to provide written notification to the Seller of any title defects. In such event, the Seller shall have 15 days from the date Seller receives written notification from the Buyer of the title defects within which to cure the title defects. Seller will, if title is found uninsurable, use diligent effort to correct defects in title within the time provided herein, including the bringing of necessary suits. Upon

Seller's failure or inability to correct the uninsurability of title within said 15 day period, at the option of the Buyer, the Seller shall deliver the title in its existing condition. Otherwise, the Earnest Money shall be returned to Buyer upon written demand and this Contract shall terminate, and all title evidence, surveys, and other information supplied to Buyer in accordance with paragraph 3 above shall be returned from Buyer to Seller.

6. Risk of Loss. The risk of loss prior to closing shall be borne by the Seller. Seller agrees to maintain the Property in a manner and condition comparable to its present condition so that at closing the improvements shall be in nearly the same condition as existed on Effective Date.

7. Default. Upon default by the Buyer, Seller shall have the right to retain the Earnest Money paid by the Buyer hereunder, including accrued interest as Seller's full and complete liquidated damages for such default, the parties hereby acknowledging and agreeing that the actual amount of the Seller's damage would be difficult if not impossible to determine. The payment of said liquidated damages, therefore, shall constitute Seller's sole and exclusive remedy against Buyer. Upon Seller's default, Buyer may (a) elect to terminate the contract and receive a refund of the Deposit or (b) compel specific performance of Seller's obligations hereunder.

8. Contract Assignable by Buyer. This Contract may be assigned or transferred by Buyer at any time provided, however, notice of such assignment shall be immediately provided by Buyer to Seller.

9. Date of Contract. In the event this Contract is not signed simultaneously by both parties, it shall be considered to be an offer made by the party first executing it to the other party. In such event, said offer shall expire at midnight on the seventh (7th) day following execution by the offering party, unless by that time one copy executed by the party to whom the offer has been made, shall have been placed in the mail or personally delivered to the other party making the offer. The "Effective Date" of this Contract shall be the date upon which it is accepted and executed by the party to whom the offer is made.

10. Legal Fees. In the event legal action is instituted by any of the parties to enforce the terms of this Contract or arising out of the execution of this Agreement, the prevailing party will be entitled to receive from the other party or parties reasonable attorney's fees to be determined by the court in which the action is brought.

11. Radon Gas. Radon gas is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risk for 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.

12. Florida law. This Contract shall be governed by the laws of the State of Florida.

13. Counterparts. This Contract may be executed in several counterparts each of which shall be deemed an original.

14. Relationship of Parties. The parties do not intend to create the relationship between themselves of partners, joint ventures or any other relationship other than that of buyers and sellers of real property.

15. Entire Agreement. Time is of the essence of this Contract. This Contract constitutes the sole and entire agreement of the parties and is binding their heirs, successors and assigns.

IN WITNESS WHEREOF, we have caused this Contract to be executed as of the day and year written below.

Signed, sealed and delivered
in the presence of:

SELLER:

LAKE MERIAL DEVELOPMENT
COMPANY, INC.

Print Name: _____

By: _____
Martin J. Goldstein
As Its President

Print Name: _____

Date of Execution by Seller: _____

BUYER:

DANA UTILITY CORPORATION,
a Florida corporation

Print Name: _____

By: _____
Martin J. Goldstein
As Its President

Print Name: _____

Date of Execution by Buyer: _____

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1321.78 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE ALONG SAID NORTH LINE SOUTH 89°46'13" EAST, 660.92 FEET; THENCE SOUTH 00°50'22" WEST, 1318.75 FEET; THENCE NORTH 89°51'47" WEST, 305.98 FEET; THENCE SOUTH 00°48'04" WEST, 319.64 FEET; THENCE NORTH 89°51'47" WEST, 354.07 FEET; THENCE NORTH 00°48'04" EAST 1639.48 FEET TO THE POINT OF BEGINNING.

PARCEL 2

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1982.70 FEET; THENCE SOUTH 00°50'22" WEST, 1317.75 FEET, THENCE SOUTH 89°51'47" EAST 242.42 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 89°51'47" EAST, 50.00 FEET; THENCE SOUTH 00°18'13" WEST, 459.94 FEET; THENCE NORTH 89°51'47" WEST, 50.00 FEET; THENCE NORTH 00°08'13" EAST, 459.94 FEET TO THE POINT OF BEGINNING.

PARCEL 3

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1982.70 FEET; THENCE SOUTH 00°50'22" WEST, 1317.75 FEET, THENCE SOUTH 89°51'47" EAST 706.29 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 89°51'47" EAST, 50.00 FEET; THENCE SOUTH 00°18'13" WEST, 224.94 FEET; THENCE NORTH 89°51'47" WEST, 50.00 FEET; THENCE NORTH 00°08'13" EAST, 224.94 FEET TO THE POINT OF BEGINNING.

PARCEL I.D. NO.

BURKE & BLUE, P.A.
DRAFT OF 8-17-99

WARRANTY DEED

This INDENTURE, made this ____ of August, 1999, between LAKE MERIAL DEVELOPMENT COMPANY, INC., a Florida corporation, whose address is 13100 S.R. 77, Southport, FL 32409 ("Grantor")*, and DANA UTILITY CORPORATION, a Florida corporation, whose address is 13100 S.R. 77, Southport, FL 32409 ("Grantee")*:

WITNESSETH: That said Grantor, for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable considerations to said Grantor in hand paid by said Grantee, the receipt whereof is hereby acknowledged, has granted, bargained and sold to the said Grantee, and Grantee's successors and assigns forever, the following described land, situate, lying and being in Bay County, Florida, to-wit:

PARCEL 1

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1321.78 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE ALONG SAID NORTH LINE SOUTH 89°46'13" EAST, 660.92 FEET; THENCE SOUTH 00°50'22" WEST, 1318.75 FEET; THENCE NORTH 89°51'47" WEST, 305.98 FEET; THENCE SOUTH 00°48'04" WEST, 319.64 FEET; THENCE NORTH 89°51'47" WEST, 354.07 FEET; THENCE NORTH 00°48'04" EAST 1639.48 FEET TO THE POINT OF BEGINNING.

PARCEL 2

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1982.70 FEET; THENCE SOUTH 00°50'22" WEST, 1317.75 FEET; THENCE SOUTH 89°51'47" EAST 242.42 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 89°51'47" EAST, 50.00 FEET;

lm-dana.wd

THENCE SOUTH 00°18'13" WEST, 459.94 FEET; THENCE NORTH 89°51'47" WEST, 50.00 FEET; THENCE NORTH 00°08'13"EAST, 459.94 FEET TO THE POINT OF BEGINNING.

PARCEL 3

COMMENCE AT THE NORTHWEST CORNER OF SECTION 17, TOWNSHIP 1 SOUTH, RANGE 14 WEST, BAY COUNTY, FLORIDA; THENCE SOUTH 89°46'13" EAST, ALONG THE NORTH LINE OF SAID SECTION 17, 1982.70 FEET; THENCE SOUTH 00°50'22" WEST, 1317.75 FEET, THENCE SOUTH 89°51'47" EAST 706.29 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE SOUTH 89°51'47" EAST, 50.00 FEET; THENCE SOUTH 00°18'13" WEST, 224.94 FEET; THENCE NORTH 89°51'47" WEST, 50.00 FEET; THENCE NORTH 00°08'13" EAST, 224.94 FEET TO THE POINT OF BEGINNING.

and said Grantor does hereby fully warrant the title to said land, and will defend the same against the lawful claims of all persons whomsoever.

*"Grantor" and "Grantee" are used for singular or plural, as context requires.

IN WITNESS WHEREOF, Grantor has hereunto set Grantor's hand and seal the day and year first above written.

Signed, sealed and delivered

in the presence of:

LAKE MERIAL DEVELOPMENT COMPANY, INC., a Florida corporation

By: _____
Martin J. Goldstein
As Its President

Printed Name of Witness

(Corporate Seal)

Printed Name of Witness

STATE OF FLORIDA
COUNTY OF BAY

The foregoing instrument was acknowledged before me this ___ day of August, 1999, by Martin J. Goldstein as President of Lake Merial Development Company, Inc., on behalf of the corporation. He (notary must check applicable box)

- is personally known to me.
- produced a current _____ driver's license as identification.
- produced _____ as identification.

(SEAL)

 (Print Name)
 Notary Public
 Serial # _____
 My Commission Expires: _____

THIS DOCUMENT PREPARED BY:
WURKE & BLUE, P.A.
Les W. Burke, Esq.
P.O. Box 70
Panama City, FL 32402

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT F

(Number of Wastewater ERCs)

The following are the ERC estimates for the Lake Merial development. A final determination on the project phasing has not been made.

The proposed site plan, approved as part of the Development Agreement with Bay County, provides for the development of 648 residential homes, a K-8 public school (approximately 1600 students), a 100,000 sq. ft. shopping center, a park, a 100 room hotel and a 15,000 sq. ft. country club. This equates to approximately 900 ERCs.

A more detailed calculation will be supplied with the application for approval of initial rates and charges.

EXHIBIT G

(Reuse)

Although the applicant agrees with the goal of reusing treated wastewater to conserve potable water supplies, it is not practical in this instance for several reasons.

***Adequacy and Timing of Available Volumes of Reclaimed Water:**

Development plans for Lake Merial provide for the construction of a golf course in the initial phase of the project. It is estimated that the golf course will require approximately 900,000 gallons of water per day, on average, to maintain healthy turf. The grow-in period will require substantially more. Subsequent housing construction and associated occupancy will lag this initial construction. Consequently, wastewater flows (and corresponding reclaimed water volumes) will not be adequate for establishing or maintaining turf on the course. Alternate water supplies would need to be developed for the golf course irrigation system. Typically, these types of irrigation systems utilize either shallow groundwater (surficial aquifer) supplies or pump directly from surface ponds on the course. Both of these sources rely on surficial groundwater supplies. Availability of adequate volumes of reclaimed water to have any meaningful environmental benefit is not possible.

***Indirect Water Resource Demand is Effectively Provided:**

The wastewater treatment plant effluent disposal utilizes rapid infiltration basins which discharge to groundwater. Given that the golf course and/or residential irrigation systems will rely on surficial groundwater supplies, there is a contribution to groundwater through the infiltration basins to help offset the withdrawal from surficial supplies. This water, except for that which evaporates, is effectively reclaimed and reused within the system.

***Cost to Provide Reuse of Wastewater:**

All available areas within the development would require unrestricted public access grade effluent for reuse. Capital facilities requirements for treatment,

Application of Dana Utility Corporation for Original Certificate in Bay County

instrumentation, pumping, storage and distribution systems required to provide the effluent quality and operator attendance requirements are comparable to adding another separate utility. Capital and annual costs of such a system would impose an unduly harsh economic burden on the user base.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT H

(Applicant's Financial and Technical Ability)

FINANCIAL ABILITY

Dana Utility Corporation, the Applicant, was recently incorporated for the specific purpose of providing utility services to Lake Merial. Lake Merial Development Company, developer of Lake Merial and sole shareholder of the Applicant, has invested approximately five million dollars as of December 31, 1998 which has been used primarily for the purchase of land and gaining approvals for the project. The financial statements for Lake Merial as of December 31, 1998 are included as Exhibit I-1.

In support of this Application for Original Certificate, Lake Merial has executed a Master Service Agreement with the Applicant which provides for Lake Merial to provide funding for the early stages of utility development. A copy of the Master Service Agreement is attached as Exhibit H-1.

Lake Merial's agreement to fund the utility is supported by a Utility Loan Commitment which Lake Merial has obtained from Dana Properties, Ltd. ("Dana Properties"). This Commitment will provide Lake Merial and the Applicant with funding for the construction and operation of the utility in an amount of up to \$4,500,000. (See Exhibit H-2) The Loan will bear interest at ten percent (10%) per annum and payments of interest and principal will be made based upon available cash flow. The certified financial statement of Dana Properties indicates a net worth of approximately 3,900,000 pounds sterling, or over \$6 million U.S. dollars. The certified statement of Dana Properties is included as Exhibit I-2.

TECHNICAL ABILITY

The responsibility for the management of the Applicant will be undertaken by Mr. Martin J. Goldstein, President of Lake Merial Development Company and its wholly owned subsidiary, Dana Utility Corporation. Mr. Goldstein has over twenty-five years of management experience, including the position

Application of Dana Utility Corporation for Original Certificate in Bay County

of Chief Operating Officer of developments that owned water and wastewater utilities.

To assist in the strategic planning, utility operations and management of the utility systems, Mr. Goldstein has executed an agreement with Fancher Management Group Inc. (FMG) included as Exhibit H-3. Mr. Fancher, President of FMG, has over twenty five years utility experience, primarily in the water and wastewater industry. With the responsibilities of Chief Financial Officer, Chief Operating Officer and President for a large water and wastewater utility with many separate systems, Mr. Fancher has specific experience in issues likely to be encountered. Besides managing water and wastewater systems, he has provided financial analysis and testified before the Florida Public Service Commission on many utility topics including capital structure, operating expenses, rate base, cost of service studies, rate structure, service territory and management practices.

Currently, the utility facilities are in the process of design. As such, there are no current employees and no organization chart. However, the preliminary plan is to have treatment plant operations carried out through contract. The contract operator would supply the appropriate coverage, with certified operators, and supervision of plant operations in accordance with applicable rules and regulations. Line maintenance, customer service, meter reading and billing functions are expected to be included as part of the responsibilities for Lake Merial Development employees, with costs allocated based upon time spent on utility matters. Qualified contractors would handle special maintenance requirements through contract maintenance.

MASTER SERVICE AGREEMENT

This Agreement is made this 31 day of August, 1999 between Dana Utility Corporation, a Florida corporation (Utility) and Lake Merial Development Company, Inc., a Florida corporation (Developer).

WHEREAS, Developer is the owner of certain land in Bay County, Florida, which Developer intends to develop as a multi-use project known as Lake Merial; and

WHEREAS, central water and wastewater services are essential for the development of Lake Merial; and

WHEREAS, Developer has executed an agreement with the School Board of Bay County, Florida to, among other things, provide potable water and wastewater services to a new educational facility known as the Deane Bozeman Learning Center; and

WHEREAS, Utility is a wholly-owned subsidiary of Developer and Developer desires that Utility provide retail water and wastewater service to Lake Merial; and

WHEREAS, Developer and Utility contemplate that the required water and wastewater treatment facilities, water transmission and distribution facilities, and wastewater collection facilities (Facilities) will be owned by Utility; and

WHEREAS, Utility intends to file an application with the Florida Public Service Commission (FPSC) for original certificates for water and wastewater for Lake Merial (FPSC Certification); and

WHEREAS, at this time Utility does not have the financial capability to design and construct the Facilities.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, and of the mutual covenants and agreements hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Obligations of Developer. Developer agrees to:
 - a. Design and construct, or cause to be designed and constructed, the Facilities in accordance with plans and specifications meeting the approval of Utility and the governmental agencies having jurisdiction, and convey the same to Utility. Developer may finance the acquisition of the Facilities by Utility through capital contributions, loans, or as otherwise mutually agreed.
 - b. Provide Utility the right to use the land on which such treatment facilities are located by selling the land to Utility, or by an alternate method that complies with Rule 25-30.433(10), Florida Administrative Code.
 - c. Finance the Phase I operations of Utility through capital contributions, loans, guaranteed revenues, or as otherwise mutually agreed until Utility's

operating revenues are adequate to cover its operating costs.

- d. Support Utility's application for FPSC certification.

2. Obligations of Utility. Utility agrees to:

- a. Apply for the FPSC Certification.
- b. Provide water and wastewater service to Lake Merial and the Deane Bozeman Learning Center, conditioned upon the granting of the FPSC Certification.
- c. Operate and maintain the Facilities in accordance with applicable permits, rules and regulations.
- d. Apply for rate relief from time to time in order to maintain fair and reasonable rates which will enable the Utility to become financially self-sufficient as soon as practicable.

3. Term. This Agreement shall have a term of ten years; provided, however, that it shall terminate earlier on the occurrence of either of the following events: (1) Utility abandons its application for FPSC Certification; or (2) the FPSC Certification is denied and the order of denial has become final and non-appealable.

4. Effect of Agreement. This Agreement shall be binding on and shall inure to the benefit of the parties

hereto, and their respective successors and assigns, and constitutes the entire agreement between the parties related to the matters referred to herein. No provision of this Agreement may be waived unless such waiver is set forth in writing and signed by the party to be charged; and this Agreement can be amended or modified only by a written instrument executed by the parties with the same formality as this Agreement.

5. Notices. Any notices under this Agreement shall be addressed as follows:

TO UTILITY:

Dana Utility Corporation
13100 SR 77
Southport, FL 32409

TO Lake Merial:

Lake Merial Development Company, Inc.
13100 SR 77
Southport, FL 32409

6. Assignment. Neither party can assign its rights or obligations under this Agreement without the written consent of the other party.
7. Interpretation. This Agreement will be interpreted in accordance with the laws of the State of Florida. All captions and headings appearing are for convenience only and shall not be considered in construing the provisions hereof.

8. No Third Party Beneficiaries. The Agreement is solely between the parties hereto and is not intended, nor shall it be construed, to create any rights or remedies as to third parties.

9. Recitals. The recitals are incorporated herein by reference, and shall be deemed part of this Agreement for all purposes as if set forth at length herein.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

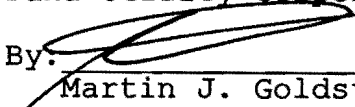
IN WITNESS WHEREOF, the undersigned parties have caused this Agreement to be executed in their respective names as of the day and year first above written.

Lake Merial Development Company, Inc.

By:  _____

Martin J. Goldstein
President

Dana Utility Corporation

By:  _____

Martin J. Goldstein
President

Dana Properties Limited
13100 S.R. 77
Southport, FL 32409

September 24, 1999

Lake Merial Development Company, Inc.
C/O Martin J. Goldstein
13100 S.R. 77
Southport, FL 32409

Re: Dana Properties Limited/Lake Merial Development Company, Inc.
Utility Loan Commitment

Dear Sir:

Dana Properties Limited ("Dana") hereby agrees to loan Lake Merial Development Company, Inc., and its wholly owned subsidiary, Dana Utilities Corporation, (the "Borrower"), the amounts necessary to construct and operate a utility system to service the Borrower's planned development known as "Lake Merial, Florida" and to meet the obligations of the Borrower to provide utility services to the Bay County School District's facility known as the Deans Bozeman Learning Center (the "Utility System") up to a maximum amount up to \$4,500,000 (the "Construction Loan").

Dana's commitment to make the Construction Loan to the Borrower is contingent upon the Borrower obtaining all necessary authorizations and approvals from the Public Service Commission of the State of Florida relative to the operation of the Utility System and the Borrower obtaining all necessary governmental permits and authorizations including appropriate permits from the Department of Environmental Protection of the State of Florida (collectively the "Approvals and Permits"). Dana will close the Construction Loan after the Approvals and Permits are obtained and will close the Construction Loan only if all such Permits and Approvals are obtained. Dana will provide an audited financial statement to the Public Service Commission to demonstrate a net worth of Dana in excess of 3,500,000 pounds sterling.

At the closing of the Construction Loan, the Borrower will be required to execute a promissory note to Dana in the amount of \$2,500,000, which note shall bear interest at ten percent (10%) per annum and which will accrue such interest only as sums are drawn down by the Borrower. The promissory note will be secured by such mortgages, security interest or assignments as Dana shall reasonably

Lake Merial Development Company, Inc.
 September 24, 1999
 Page 2

require. The note will be for an initial term of five (5) years and will require the Borrower to pay interest on and reduce the principal of the Construction Loan only as cash is determined by the Borrower to be available for such purposes and, in any event, the Construction Loan shall be due and payable upon the sale of the Utility System or substantially all of the assets of the Borrower. At maturity of the Construction Loan, the Construction Loan may be renewed by the Borrower provided that the Borrower and Dana agree upon mutual adjustments to the interest rate and the terms of repayment.

The Borrower shall use the proceeds of the Construction Loan only for the purposes of constructing and operating the Utility System pursuant to the Approvals and Permits. Each time the Borrower desires to draw portions of the Construction Loan, the Borrower shall provide a written request to Dana which includes such documentation as Dana may reasonably require such as invoices from the vendors to be paid with the proceeds of the draw and releases of any lien rights of such vendors.

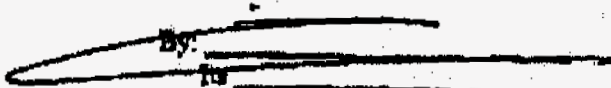
The Borrower shall commence construction of the Utility System pursuant to the Approvals and Permits after the date of closing the Construction Loan and shall diligently proceed with the completion of construction and operation of the Utility System thereafter. The failure of the Borrower to so commence or so proceed with the construction and operation of the Utility System pursuant to the Approvals and Permits shall constitute a default under the Construction Loan, entitling Dana to foreclose on its security.

The Borrower shall pay a \$10,000 commitment fee upon this acceptance of this Loan Commitment and shall also pay all costs incurred by Dana in connection with the Construction Loan. All documents to evidence the Construction Loan (such as the promissory note, any mortgage, security agreement, assignment or other similar documents) shall be in a form acceptable to Dana's attorney.

If this loan commitment is acceptable, please sign in the space provided below and return a copy with your check for the \$10,000 commitment fee.

Very truly yours,

DANA PROPERTIES LIMITED

By: 

REVIEWED AND ACCEPTED THIS 12 DAY OF October, 1999.

LAKE MERIAL DEVELOPMENT COMPANY, INC.

By: 
 MARTIN J. GOLDSTEIN
 As Its President

AGREEMENT

This AGREEMENT (the "Agreement") made and entered into as of August 15, 1999 by and between DANA UTILITY CORPORATION, a Florida Corporation, ("DANA") and FANCHER MANAGEMENT GROUP, INC., a Florida Corporation, ("FMG").

WHEREAS, DANA desires to make arrangements to provide for continuing expertise in connection with the assessment, planning and operation of its water and wastewater systems; and

WHEREAS, FMG is willing to provide services in accordance with the terms and conditions of this Agreement;

NOW, THEREFORE, for and in consideration of mutual promises and covenants set forth herein, together with other good and valuable consideration, it is agreed between the parties as follows:

1. **DUTIES of FANCHER MANAGEMENT GROUP, INC.** FMG agrees to provide professional consulting services for all duties and responsibilities assigned by DANA, including but not limited to the following areas:
 - a. Review of the day to day operation of the water and wastewater systems, including the hiring, training and supervision of the personnel employed by DANA, contract operations, customer billing and collections, accounting, plant operations, system maintenance, customer relations and compliance with regulatory rules, regulations and procedures;
 - b. Assist with the development of strategic planning, utility expansion programs, and assessments, including representing DANA in meetings with local governments and regulatory authorities.
 - c. Provide any other assistance as requested by DANA.
2. **COMPENSATION** FMG's compensation for the services performed pursuant to this Agreement shall be based on the hourly fee schedule identified on Exhibit A and reimbursement for out of pocket expenses to include but not be limited to travel, telephone, postage, courier services and reproductions. Exhibit A may be

revised from time to time with the consent of the parties. Invoices shall be rendered monthly and are due within twenty (20) days of receipt.

2. **EFFECTIVE DATE and TERMINATION.** This Agreement shall be effective as of _____, and shall remain in effect unless terminated by either party by written notice to the other party at least thirty (30) days in advance of the effective date of termination.
3. **DUTIES of DANA.** In order for FMG to perform the services and duties under this engagement, DANA will provide access to its accounting, financial and other records and information as necessary for the completion of the work assigned.
4. **NOTICES.** Notices given hereunder shall be given in writing by certified or registered mail or by delivery by hand,

if to DANA to: Martin J. Goldstein
 Dana Utility Corporation
 13100 Highway 77
 Southport, Florida 32409


if to FMG to Charles E. Fancher, Jr.
 Fancher Management Group, Inc.
 2844 Chucunantah Road
 Coconut Grove, Fl 33133

5. **WAIVER of BREACH** The waiver by DANA or FMG of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.
6. **GENERAL**
 - a. Any amendment to this Agreement shall be in writing and executed by all parties.
 - b. This Agreement may be executed in counterparts, all of which together shall constitute one Agreement.
 - c. The titles or captions of the provisions of this Agreement are merely descriptive and are not representations of matters included or excluded from such provisions.

- d. This Agreement shall be governed by and construed in accordance with the Laws of the State of Florida.
- e. If any provision of this Agreement or any part hereof is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or part hereof shall be void and the remainder of this Agreement shall remain in full force and effect.
- f. This Agreement contains the entire Agreement between the parties and no understanding exists between the parties other than as expressed herein.

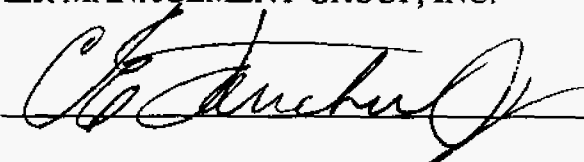
IN WITNESS WHEREOF, the parties hereto have executed this Agreement on _____.

DANA UTILITY CORPORATION

By: 
Martin J. Goldstein, President

Witness: Cheryl B. Griswold

FANCHER MANAGEMENT GROUP, INC.

By: 
Charles E. Fancher, Jr., President

Witness: 

Exhibit A

FANCHER MANAGEMENT GROUP, INC.

SCHEDULE of HOURLY BILLING RATES

Principal

\$125

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT I

(Applicant's Financial Statements)

Dana Utility Corporation, a wholly owned subsidiary of Lake Merial Development Corporation, was incorporated on August 18, 1999 and has no financial statements. Attached as Exhibit I-1 are the most recent financial statements of its parent company, Lake Merial Development Company. As discussed in Exhibit H, Lake Merial has entered into a Master Service Agreement which provides for Lake Merial to fund the initial construction and operation of the utility.

Lake Merial is associated with Dana Properties, Ltd., an international investor and developer of real estate projects. As discussed in Exhibit H, Dana Properties has executed an agreement with Lake Merial which provides a source of funding for the entire utility. The audited financial statements for Dana Properties, Ltd. including an Accountant's Certificate for the year ended May 30, 1998 are included as Exhibit I-2. The audited financial report for the fiscal year ended May 30, 1999 is in process but not finalized as of the filing date this application for original certificates.

Paul
2

Lake Meriel Development Company

Balance Sheet

As at 31st December 1998

	\$	£
Cash and Cash Deposits		11,058.00
Inter Company Loan		110.00
Prepaid Expenses and Accounts Receivable		1,197.60
Equipment		13,506.87
Land Development Costs		613,925.88
Goodwill		147,362.20
Land Costs		<u>5,842,104.99</u>
Total Assets		<u>6,328,365.44</u>
Accounts Payable	67,250.73	
Cherene Holdings Loan	58,257.40	
Florida Ventures Loan	383,500.00	
Peoples First Community Bank Loan	<u>3,354,000.00</u>	
Total Liabilities		<u>3,841,008.13</u>
Capital Stock		1,000.00
Paid in Capital		44,890.25
Stockholders Equity		4,975,166.77
Retained Earnings		-938,041.48
Excess of Expenditure over Income		<u>-1,995,694.23</u>
Total Stockholders Funds		<u>2,489,361.31</u>

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Lake Meriel Development Company**Income Statement****For the year ended 31st December 1998**

	\$	\$
Income		
Interest		-273.82
Expenditures		
Advertising and Promotion	2,312.63	
Appraisal	15,000.00	
Automobile Expenses	1,542.08	
Bank Service Charges	148.80	
Closing Fees	694.75	
Filing Fees	522.74	
Insurance	6,182.72	
Interest	826,070.28	
Licences and Permits	120.00	
Loan Fee	60,310.00	
Rent	648.00	
Management Fees	200,000.00	
Miscellaneous	796.72	
Payroll expenses	240,000.00	
Postage and Delivery	1,606.39	
Printing and Reproduction	4,539.79	
Professional Fees	92,888.67	
Supplies	1,766.37	
Taxes	46,221.60	
Telephone	12,331.37	
Travel	34,245.04	
Uncategorised Expenses	109.95	
	<u>1,696,968.06</u>	
Excess of Expenditure over Income		<u><u>1,696,694.23</u></u>

DANA PROPERTIES LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 1998**

COMPANY INFORMATION

Directors	A. B. Simon Mrs N. B. Simon
Secretary	Mrs N. B. Simon
Company Number	1526401
Registered Office	235 Old Marylebone Road London NW1 5QT
Auditors	Wilder Coe Chartered Accountants 233-237 Old Marylebone Road London NW1 5QT

DANA PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 1998

The directors present their report and the audited financial statements for the year ended 31 May 1998.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of business

The company's principal activity during the year was that of investment and acting as an investment holding company.

The directors of the company are satisfied with the performance of the company during the year and no significant developments are anticipated in the coming year.

Dividends

The directors do not recommend that a dividend is paid.

Year 2000

The directors have considered and assessed the Year 2000 issue and do not consider that it will have a material effect on the company.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	1998	1997
A. B. Simon	55	55
Mrs N. B. Simon	-	-

The directors' interests in or contracts with the company during the year are disclosed in Note 11 to the financial statements

Auditors

The auditors, Wilder Coe, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 24 March 1999 and signed on its behalf.

Mrs N. B. Simon
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA PROPERTIES LIMITED

We have audited the financial statements on pages 3 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 May 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

.....
Wilder Coe

Chartered Accountants and Registered Auditors
233-237 Old Marylebone Road
London
NW1 5QT

Date: 24 March 1999

DANA PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 1998

	Note	1998 £	1997 £
Administrative expenses		(83,080)	(252,834)
Other operating income		1,410	-
OPERATING LOSS	2	(81,670)	(252,834)
Income from other fixed asset investments		632	-
Profit on disposal of fixed asset investments		50,750	-
Interest receivable		47,212	92,978
Interest payable	3	(86)	(467)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		16,838	(160,323)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	4	-	190
RETAINED PROFIT/(LOSS) FOR THE YEAR		16,838	(160,133)
RETAINED PROFIT BROUGHT FORWARD		3,844,521	4,004,654
RETAINED PROFIT CARRIED FORWARD		£ 3,861,359	£ 3,844,521

Operating loss is derived wholly from continuing operations.

There were no recognised gains and losses for 1998 or 1997 other than those included in the profit and loss account.

The notes on pages 5 to 8 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

The company is exempt from the requirement to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	-	25%	Reducing balance
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1.3 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.4 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.5 Freehold properties

The company's land and buildings are held for investment purposes and in accordance with SSAP 19:

- a) Investment properties are included in the accounts at market value.
- b) No depreciation is provided in respect of freehold investment properties.

2. OPERATING LOSS

The operating loss is stated after charging:

	1998 £	1997 £
Depreciation of tangible fixed assets		
- owned by the company	927	1,236
Audit fees	8,500	2,000
Foreign exchange differences	13,318	125,592
	<hr/>	<hr/>

No director received any emoluments in either year.

DANA PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998

3. INTEREST PAYABLE

	1998 £	1997 £
On bank loans and overdrafts	£ 86	£ 467

4. TAXATION

	1998 £	1997 £
Prior years UK Corporation Tax	£ -	£ (190)

5. TANGIBLE ASSETS

	Freehold land & buildings £	Office equipment £	Total £
Cost			
At 1 June 1997	177,526	4,943	182,469
At 31 May 1998	177,526	4,943	182,469
Depreciation			
At 1 June 1997	-	1,236	1,236
Charge for year	-	927	927
At 31 May 1998	-	2,163	2,163
Net Book Value			
At 31 May 1998	£ 177,526	£ 2,780	£ 180,306
At 31 May 1997	£ 177,526	£ 3,707	£ 181,233

Included in land and buildings is freehold land valued at £177,526 (1997 - £177,526) which is not depreciated.

In the opinion of the directors the market value of the above land and buildings is equivalent to their book value at 31 May 1998.

DANA PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

6. FIXED ASSET INVESTMENTS

	Shares in group undertaking £	Unlisted investments £	Total £
Cost			
At 1 June 1997	100	408,819	408,919
Additions	-	7,321	7,321
Disposals	-	(231,822)	(231,822)
At 31 May 1998	<u>100</u>	<u>184,318</u>	<u>184,418</u>
Net Book Value			
At 31 May 1998	<u>£ 100</u>	<u>£ 184,318</u>	<u>£ 184,418</u>
At 31 May 1997	<u>£ 100</u>	<u>£ 408,819</u>	<u>£ 408,919</u>

Investments include an investment in a subsidiary, Dana Developments Limited, comprising a holding of 100% of its issued ordinary capital

During its latest financial year Dana Developments Limited made a loss after tax of £(79,114) (1997 - £(17,598)) and at the end of that year the aggregate of its capital and reserves was £23,006 (1997 - £102,120).

7. DEBTORS

	1998 £	1997 £
Due within one year		
Amounts owed by group undertakings	1,037,586	1,409,610
Other debtors	2,461,420	1,549,591
Prepayments and accrued income	-	40,924
	<u>£ 3,499,006</u>	<u>£ 3,000,125</u>

**8. CREDITORS:
Amounts falling due within one year**

	1998 £	1997 £
Bank loans and overdrafts	20,527	-
Accruals and deferred income	6,000	4,000
	<u>£ 26,527</u>	<u>£ 4,000</u>

EXHIBIT J

(Funding Entities)

Funding for Dana Utility during the early stages of development will be provided by its parent company and sole shareholder, Lake Merial Development Company, pursuant to a Master Service Agreement between the parties. (See Exhibit H-1) Lake Merial is also the developer of the community to be served by the utility systems.

As discussed in Exhibit H, Lake Merial has obtained a loan commitment from Dana Properties, Ltd., under which Lake Merial and Dana Utility can obtain funds to be utilized for the construction and initial operation of the utility. (See Exhibit H-2)

DANA PROPERTIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 1998**

9. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
100 Ordinary shares of £1 each	£ 100	£ 100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
65 Ordinary shares of £1 each	£ 65	£ 65
	<u> </u>	<u> </u>

10. SHAREHOLDERS' FUNDS

	1998 £	1997 £
Reconciliation of movements on shareholders' funds		
Profit/(loss) for the year	16,838	(160,133)
Opening shareholders' funds	3,844,621	4,004,754
	<u> </u>	<u> </u>
Closing shareholders' funds	£ 3,861,459	£ 3,844,621
	<u> </u>	<u> </u>

11. TRANSACTIONS WITH DIRECTORS

During the year the company paid management charges to Auberlac Trading Limited of £20,000 in relation to administrative expenses. Mr A. B. Simon is a director of Auberlac Trading Limited. Auberlac Holdings Limited owns 100% of the shares in this company and Mr A. B. Simon owns 100% of the shares in Auberlac Holdings Limited.

During the year the following transactions occurred adjusting Debtors in each case:

- a) £240,000 was loaned to Auberlac Holdings Limited increasing the year end balance to £1,430,000 (1997:£1,190,000). Mr A. B. Simon owns 100% of the shares in this company.
- b) £372,024 was received from Dana Developments Limited decreasing the year end balance to £1,037,586 (1997:£1,409,610). Dana Properties owns 100% of the shares in this company.
- c) £175,000 was loaned to Auberlac Trading Limited giving a year end balance of £175,000 (1997:£NIL). Auberlac Holdings owns 100% of the shares in this company and Mr A. B. Simon owns 100% of the shares in Auberlac Holdings Limited.

12. ULTIMATE CONTROLLING PARTY

Mr A. B. Simon owns 84.6% of the shares in Dana Properties Limited and is the ultimate controlling entity.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT K

(Service Territory Description)

A description of the proposed service territory using township, range and section references is included as Exhibit K-1. The requested water and wastewater service territories are the same.

Exhibit K

TERRITORY DESCRIPTION

PARCEL I: Commence at the Northwest Corner of Section 15, Township 1 South, Range 14 West, Bay County, Florida. Thence $S01^{\circ}12'22''W$ along the west line of said Section 15 for 409.73 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide), described in Deed Book 116, 105, in the Public Records of Bay County, Florida, for the Point of Beginning. Thence $S51^{\circ}03'38''E$ along the centerline of construction of said Gulf Power Company Easement for 930.87 feet; thence $S01^{\circ}12'45''W$ for 2478.33 feet to the centerline of a dirt road; thence $N73^{\circ}10'07''W$ along said centerline of 243.01 feet; thence $N74^{\circ}46'38''W$ along said centerline for 517.31 feet to said west line of Section 15; thence $N01^{\circ}12'22''E$ along said west line for 2857.26 feet to the Point of Beginning.

PARCEL II: Section 16, Township 1 South, Range 14 West, Bay County, Florida.

LESS AND EXCEPT: Commence at the Northeast corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement (100 foot wide) as described in Deed Book 116, Page 105, of the Public Records of Bay County, Florida. Thence continue $N88^{\circ}14'33''W$ along said north line of Section 16 for 708.58 feet to the Point of Beginning. Thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence $N88^{\circ}57'07''W$ for 4147.18 feet to the west line of said Section 16; thence $N01^{\circ}03'36''E$ along said west line for 1386.96 feet to the Northwest corner of said Section 16; thence $S88^{\circ}14'32''E$ along the North line of said Section 16 for 4033.49 feet to the Point of Beginning.

ALSO LESS AND EXCEPT: Begin at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the north line of said Section 16 for 536.30 feet to the centerline of construction of a Gulf Power Company Easement, described in Deed Book 116, Page 105, in the Public Records of Bay County, Florida. Thence $S51^{\circ}03'38''E$ along said centerline of construction for 678.09 feet to the east line of said Section 16; thence $N01^{\circ}12'22''E$ along said east line for 409.73 feet to the Point of Beginning.

PARCEL III: The West Half of the Northeast Quarter of the Northwest Quarter; the South Half of the Northwest Quarter; the Southwest Quarter; the Northwest Quarter of the Southeast Quarter; the East Half of the Southeast Quarter; the South Half of the Northeast Quarter; Section 17, Township 1 South, Range 14 West.

LESS AND EXCEPT: Commence at the Northeast Corner of Section 16, Township 1 South, Range 14 West, Bay County, Florida. Thence $N88^{\circ}14'33''W$ along the North line of said Section 16 for 1244.88 feet; thence $S03^{\circ}49'15''E$ for 1341.86 feet; thence $N88^{\circ}57'07''W$ for 4147.18 feet to

the East line of Section 17, Township 1 South, Range 14 West, for the Point of Beginning. Thence continue N88°57'07"W for 1979.26 feet to the West line of the East Half of the Southwest Quarter of the Northeast Quarter of said Section 17; thence N00°55'34"E along said West line for 42.04 feet to the North line of the South Half of the Northeast Quarter of said Section 17; thence S89°50'45"E along said North line for 1979.60 feet to the East line of said Section 17; thence S01°03'36"W along said East line for 72.92 feet to the Point of Beginning.

PARCEL IV: That portion of Section 19, Township 1 South, Range 14 West, Bay County, Florida, East of State Road No. 77.

PARCELS V, VI & VII: Begin at the Southwest corner of Section 20, Township 1 South, Range 14 West, in Bay County, Florida; thence North 89° 33' 17" East along the South line of Section 20 for 1275.18 feet; thence South 01° 20' 42" West for 1318.19 feet; thence North 89° 47' 31" East for 1584.08 feet to the Westerly right of way line of Prosper Drive; thence Northeasterly along said right of way line; the following courses and distances: North 19° 30' 31" East for 986.23, North 19° 50' 23" East for 424.25 feet, North 18° 52' 36" East for 617.29 feet; thence 20° 16' 54" East for 446.84 feet, North 23° 48' 30" East for 392.90 feet; North 28° 50' 30" East for 582.69 feet, North 32° 39' 03" East for 506.28 feet, North 33° 26' 17" East for 1587.99 feet, North 33° 26' 17" East for 917.70 feet, North 32° 07' 37" East for 487.21 feet, North 36° 44' 20" East for 540.58 feet to the North line of Section 21, Township 1 South, Range 14 West in Bay County, Florida; thence departing said Westerly right of way line, bear North 87° 47' 21" West along the North line of said Section 21 for 1023.11 feet to the Northwest corner of said Section 21; thence South 89° 54' 31" West for 1313.66 feet; thence South 89° 54' 26" West for 1313.76 feet; thence South 89° 54' 46" West for 2,627.49 feet to the Northwest corner of Section 20, Township 1 South, Range 14 West in Bay County, Florida; thence South 00° 35' 42" West for 5254.18 feet to the Southwest corner of said Section and the point of beginning. Containing 615.73 acres more or less.

Application of Dana Utility Corporation for Original Certificate in Bay County

EXHIBIT L

(Service Territory Map)

A map showing the proposed service territory is included as Exhibit L-1. The requested water and wastewater service territories are the same.