

July 6, 2005

FIXED ASSET CAPITALIZATION POLICY:

Our management company will capitalize assets in a manner that relates to an asset's estimated useful life and will follow the capitalization policy in the future as follows:

1. Purchases of capital items in excess of \$ 300.00 that increase the capacity or operation efficiency or extends the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

2. The useful life will be categorized as follows:
 - A. 40 years -- Meter sets and related equipment, road crossings, pipe in the ground that is not a repair or ordinary maintenance, and any new extensions.

 - B. 15 years -- Pump stations, buildings, tank painting and other structures with an approximated life of fifteen years.

 - C. 7 years -- Motors, pumps, panel boxes, and other related items with a useful life that approximates seven years.