



Via Fax (865) 522-4062

January 16, 2004

Mr. Dave Nagel  
 American Apartment Management Company  
 1504 Riverview Tower  
 900 South Gay Street  
 Knoxville, TN 37902

Alabama  
 1103 R. Arrington, Jr. Blvd. South  
 Birmingham, Alabama 35205  
 Telephone: (205) 933-1020  
 Fax: (205) 930-4508

Florida  
 Suite 204  
 6220 Manatee Avenue West  
 Bradenton, Florida 34209  
 Telephone: (941) 795-2524  
 Fax: (941) 798-3349

3250 Whisper Lake Lane  
 Winter Park, Florida 32792  
 Telephone: (407) 677-0298  
 Fax: (407) 677-0298

Dear Dave:

I understand that you are speaking with Tom Stallings of Water-Smart about the possibility of installing his company's water conservation plumbing devices in several of American Apartment Management Company's properties. As you may know, Water-Smart has already installed the same devices in approximately 10 of SPM's apartment communities, totaling about 1,800 bathrooms. I have personally been involved with all phases of the retrofit, including the initial water consumption analysis, contract preparation, installation, and water consumption monitoring following the installation.

Based on SPM's experience, the water consumption savings for the complexes generally range from 30% to 40%. This potentially leads to a quick payback of within one to two years depending on the complex's water and sewer rates. The potential savings for any complex is easy to calculate using Water-Smart's detailed analysis.

As for the water conservation devices themselves, we have had good experiences with their performance. The kitchen and bathroom sink aerators and showerheads have been very well received by our residents. As for the Niagara flapperless toilets, we have had no problems with either the installation or performance of the toilets. The toilets work well with single flushes and we anticipate fewer future water leaks given the flapperless feature of the toilet. Also, our maintenance personnel anticipate less problems with these toilets from a mechanical standpoint.

I know that Tom pushes hard in marketing Water-Smart's services, but I know this is because Tom is passionate about his products. The entire water conservation program is pretty simplistic in nature, and I have been most impressed with Water-Smart's job performance in all aspects. I think you would be equally satisfied. If I can assist you in any way, please let me know. Give Patty my best.

Sincerely

William B. Welden  
 President

WBW/sh

Cc: Tom Stallings