

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show )  
Cause Against Mad Hatter )  
Utility, Inc. For Violation ) Docket No. 961471-WS  
of Order No. PSC-93-0295-FOF-WS.) Filed: March 3, 1997  
\_\_\_\_\_)

MAD HATTER UTILITY, INC.'S  
RESPONSE TO ORDER TO SHOW CAUSE

MAD HATTER UTILITY, INC. (hereinafter "Utility" or "Mad Hatter"), by and through its undersigned counsel, hereby files its response to Commission Order No. PSC-97-0140-FOF-WS entered on February 11, 1997 in this docket, and in support thereof states as follows:

1. The Florida Public Service Commission (hereinafter "PSC" or "Commission") issued Order No. PSC-93-0295-FOF-WS on February 24, 1993, in docket No. 910637-WS, the most recent rate proceeding for Mad Hatter.

2. Stipulation No. 12 as contained in Order No. PSC-93-0295-FOF-WS found as follows:

"The Utility shall report to the Commission any future sales of abandoned land and shall also report any proposed rate reduction resulting therefrom."

3. Shortly after issuance of the Commission's final order in 1993, the Utility began attempts to refinance its existing debt. As was noted in that rate case order, the Utility's outstanding debt capital substantially exceeded its rate base at that time. (See PSC-93-0295-FOF-WS at Page 55) In addition, the Utility desired to obtain through financing a more favorable interest rate than that which existed on the outstanding debt.

DOCUMENT NUMBER-DATE

02293 MAR-35

FPSC-RECORDS/REPORTING

4. Negotiations with the prospective lender resulted in a Commitment Letter requiring the Utility to dispose of the former Foxwood treatment plant land as a condition precedent to the granting of new financing.

5. Upon review and research of public documents, the Utility learned that in addition to the outstanding mortgage obligation to Barnett Bank on that property, there were other liens against the property which existed prior to the acquisition of the Utility by its current owners. Those additional debts placed the total existing liens against that land at an amount in excess of \$220,000.

6. While the Utility was able to locate a prospective buyer for this land, the amount of the proposed purchase price was \$195,000, significantly less than the outstanding liens.

7. Under no circumstances could the Utility sell that property without paying off those existing liens and thereby incurring additional losses on the disposal of that property.

8. The shareholders of the Utility were thereafter advised by local real estate counsel that the only way in which the new financing could be achieved, and the condition concerning disposal of land met, was for all existing liens to be foreclosed upon. The president (who, combined with his wife, was a 50% shareholder in the Utility at the time of the foreclosure) negotiated with the current mortgage holder, Barnett Bank, to purchase their mortgage held on the Foxwood property. Thereafter all liens were foreclosed

and that property was disposed of as required by the new debt Commitment Letter.

9. The specific facts and circumstances which led up to the decision to foreclose that former Foxwood treatment plant site property and the subsequent accounting for that transaction and the refinancing is outlined in more detail in the letter and exhibits attached hereto as Attachment 1.

10. Based on the facts as outlined in Attachment 1 and the exhibits thereto, Mad Hatter contends that it has not violated the requirements of Order No. PSC-93-0295-FOF-WS, as no sale of the Foxwood treatment plant property ever occurred. Instead, that property was foreclosed upon as was required in the best interest of the Utility and its customers.

11. A sale of that property by the Utility would have resulted in an additional loss as all existing liens would have to have been paid as a precondition of any such sale. Thereafter, the customers would have incurred an additional loss in order for the Utility to have disposed of that property.

12. The actions of Mad Hatter, its shareholders, and its president in foreclosing on the property and disposing of it individually presented no harm to the Utility's ratepayers who could only have incurred additional losses as a result of a sale by the Utility. In fact, the consummation of the transaction resulted in substantial gains to the customers of the Utility in the form of reduced overall debt, which substantially increased the financial

viability of the Utility company, and by a reduction in the interest rate charged on the Utility debt.

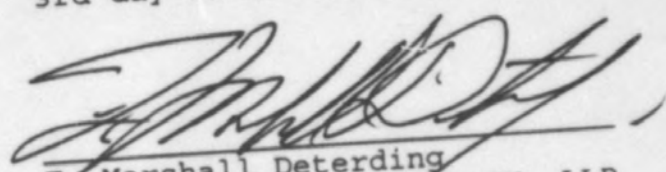
13. Therefore, the Utility's actions as outlined herein do not constitute a violation of the Commission's Order No. PSC-93-0295-FOF-WS. In fact, the actions of the Utility and its shareholders in foreclosing on the Foxwood treatment plant site rather than allowing the Utility to directly sell that property has benefitted the Utility customers.

WHEREFORE, MAD HATTER UTILITY, INC. believes that the facts contained here and in the Attachment 1 hereto, specifically show: that the Utility is not in violation of the requirements of Order No. PSC-93-0295-FOF-WS in that the Utility did not sell the property on which the Foxwood treatment plant was formerly situated; that the Utility could not have obtained any gain, but instead would have incurred substantial additional loss if the Utility had sold such property; and that the foreclosure of that property was undertaken for the purposes of allowing the Utility to refinance existing debt at a substantially lower level and at a lower interest rate, both of which constitute substantial benefits to the Utility's ratepayers. Based upon these fact, Mad Hatter requests that the Commission issues its order finding that no fine is appropriate and that no limited rate proceeding to review the rates of the Utility as a result of this transaction is appropriate or necessary.

To the extent the Commission determines either that the Utility has violated the provisions of Order No. PSC-93-0295-FOF-

WS, or that a limited rate proceeding is appropriate in order to adjust the Utility's rates as a result of the foreclosure of that property by a related party, Mad Hatter Utility, Inc. hereby requests a hearing pursuant to the provisions of Section 120.569, and 120.57(1), Florida Statutes, to allow it to present formal evidence supporting the allegations herein and in Attachment 1 hereto. It is the Utility's firm belief that any further proceedings in this regard are unwarranted by the facts and circumstances as outlined herein and that such further proceedings in pursuit of a fine or reduction in rates would ultimately be found to be inappropriate and would impose substantial additional unwarranted cost and expense on the Utility in responding and presenting evidence thereon.

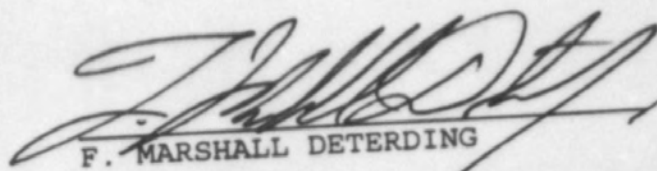
Respectfully submitted on this  
3rd day of March, 1997, by:



F. Marshall Deterding  
ROSE, SUNDSTROM & BENTLEY, LLP  
2548 Blairstone Pines Drive  
Tallahassee, Florida 32301  
(904) 877-6555

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand Delivery to Bobbie Reyes, Esquire, Division of Legal Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399, on this 3rd of March, 1997.

  
F. MARSHALL DETERDING

MAD HATTER UTILITY, INC.

Docket No. 961471-WS

ATTACHMENT 1

*Cronin, Jackson, Nixon & Wilson*  
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.  
JOHN H. CRONIN, JR., C.P.A.  
ERIC M. DOAN, C.P.A.  
ROBERT H. JACKSON, C.P.A.  
BRENDA M. McBARRON, C.P.A.  
ROBERT C. NIXON, C.P.A.  
HOLLY M. TOWNER, C.P.A.  
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD  
SUITE 200  
CLEARWATER, FLORIDA 34625-4419  
(813) 791-4020  
FACSIMILE  
(813) 797-3602

February 20, 1997

F. Marshall Deterding, Esquire  
Rose, Sundstrom & Bentley  
2548 Blairstone Pines Drive  
Tallahassee, FL 32301

BY FEDERAL EXPRESS

Re: Mad Hatter Utility, Inc. - Response to Show Cause Order

Dear Marty:

The purpose of this letter is to provide you with background information concerning the Foxwood land transaction and accounting for this transaction on the books of Mad Hatter Utility, Inc., as reflected in our audited financial statements for the year ended December 31, 1994. Some of this information you may be aware of and some of it may be new to you. I have assembled this information in the same chronological order in which the events occurred.

I. Restructuring of Debt and Refinancing with CoBank

1. Around mid-1993, Mad Hatter Utility, Inc. began negotiating with CoBank and Barnett Bank for refinancing and restructuring of its troubled debt with Barnett, successor to First Florida Bank. I learned from the DeLucenays that Barnett Bank had begun formal foreclosure proceedings, but do not have any documentation of this fact. These negotiations ultimately resulted in a financing commitment letter from CoBank dated November 3, 1993. I have attached a copy of this commitment letter as Exhibit 1.

As you will note on page 3, the requirements under Conditions Precedent, included full release of any and all liens (under comprises agreed to and enforceable at closing) and sale of the Foxwood pond land.



2. On April 21, 1994, the loan with CoBank was closed. On page 2, you will note a partial release payment to Barnett Bank of Tampa in the amount of \$600,000. On page 3, item 3e, you will note reference to recording a collateral assignment in the amount of \$50,000, which is discussed in further detail below.
3. With regard to the indebtedness to Barnett Bank and the "comprises agreed to and enforceable at closing," Barnett agreed to write down its indebtedness from Mad Hatter to \$650,000. At December 31, 1993, the note payable to Barnett had an outstanding principal balance of approximately \$1,022,000. Accrued and unpaid interest brought the total indebtedness to an amount in excess of \$1.2 million. As you can see, settlement of this debt for \$650,000 was a tremendous benefit for both Mad Hatter and its customers.
4. As shown on the CoBank closing statement, there were not enough cash proceeds to pay Barnett Bank the additional \$50,000 needed to pay the settlement amount of \$650,000. Therefore, Barnett agreed to partially release its mortgage in favor of CoBank, having previously on March 22, 1994, assigned the balance of its mortgage to Larry and Janice DeLucenay, in exchange for a promissory note of \$50,000. This collateral assignment related to the Foxwood property and was designed to accomplish two things. First, title would be cleared and enable the DeLucenays to sell the Foxwood land. Second, proceeds from the sale would be used to pay the \$50,000 still owed to Barnett Bank.

## II. Land Transaction

1. As noted above, sale of the Foxwood land was a condition precedent to the restructuring and refinancing of the Barnett debt. As the parties were negotiating prior to the commitment letter noted above, Mad Hatter Utility, Inc. found a buyer for the Foxwood property. Van Dorsten Corporation, Inc. contracted with Mad Hatter to purchase the property in two transactions for a total price of \$195,000. Prior to closing, it was determined that Mad Hatter Utility, Inc. could not deliver clear title to the property, as required by Van Dorsten, and, thus, could not close the sale.

The attorney (George L. Hayes, Esq.) handling the sale for Mad Hatter Utility, Inc. determined that the only way to clear title would be an assignment of Barnett's mortgage interest in the land to the DeLucenays individually and a subsequent foreclosure by them on the Utility. Barnett agreed to assign its interest to the DeLucenays for a \$50,000 note payable from them. Title was cleared in the manner described, and the DeLucenays then sold the land to Van Dorsten and paid off their note to Barnett.

Again, all of this was agreed to by CoBank, Barnett Bank, Mad Hatter Utility, Inc., and Larry and Janice DeLucenay, as a necessary and integral part of the debt restructuring and refinancing. I do not have a copy of the sale and purchase agreement between Mad Hatter and Van Dorsten; however, I believe Janice DeLucenay can furnish you with a copy of that agreement if needed.

2. Enclosed as Exhibit 3 is a copy of the foreclosure by Larry and Janice DeLucenay against Mad Hatter Utility, Inc., Barnett Bank of Pasco County, and the other lien holders, which had clouded the title to the Foxwood land.

Enclosed as Exhibit 4 is the assignment of the land purchase agreement between Mad Hatter Utility, Inc. and Van Dorsten Corporation, Inc. to the DeLucenays. Again, the document sets forth clearly the arrangement with CoBank and Barnett Bank for refinancing and makes clear that the transaction is not for the unjust enrichment of the DeLucenays.

### III. 1994 Audit and Accounting for the Land Transaction

1. Pursuant to the terms of the financing agreement with CoBank, our firm was engaged to prepare audited financial statements for the year ended December 31, 1994. This was the first time the financial statements of Mad Hatter had been audited.

One of our major audit tasks was to account for the land transaction described above. In evaluating this transaction, it is fair to say that our position changed considerably as we learned more and more of the details and facts related to this transaction. Our original understanding of this matter is contained

in a February 14, 1995, audit file memorandum, which I have enclosed as Exhibit 5. The purpose of the memorandum was simply to set forth our understanding of the facts of the transaction before determining the amount of gain or loss to be recognized in the financial statements. Although reference is made to several liens against the property, we did not know the amounts or have any documentation concerning such liens at the time of that memo.

2. By March 23, 1995, we had reached a tentative position concerning the recording of the land transaction and the impact on the financial statements. Our initial understanding of this matter is set forth in a memorandum dated March 23, 1995, which I have enclosed as Exhibit 6. At this point in time, we still did not realize the magnitude of the unrecorded liens against the property. As noted, our analysis assumed that the land had a fair market value to Mad Hatter Utility, Inc. of \$195,000, which resulted in an apparent gain of \$132,734.
3. Generally accepted auditing standards require that we search for contingencies, litigation, or the existence of unasserted claims and assessments against any company we are auditing. A standard audit procedure is to obtain written representation from attorneys for a client in order to reach a conclusion on these matters. To accomplish this procedure, we have the client send a letter drafted by us to each of its attorneys. The letter requests full disclosure of any known, pending, or threatened litigation, the existence of unasserted claims and assessments, or other matters which may have a material impact on the financial statements currently, or in the future.

Based on representation letters received from the attorneys, we make decisions about contingencies and their materiality and whether or not disclosure is required in the audited financial statements.

On February 17, 1995, Mad Hatter Utility, Inc. requested such a legal representation letter from Bob Rose, Esq. In telephone discussions with Mr. Rose, he believed that a contingency which might require financial statement disclosure related to the sale of the Foxwood land and its impact on the future revenues of Mad Hatter Utility, Inc. It is important

to keep in mind that, at that time, our initial analysis of the sale indicated a gain of \$132,734, as discussed above.

Based on this initial understanding, I prepared a memorandum dated March 15, 1995, to determine if the gain, as we then understood it, would have a material impact on future Utility revenue, requiring financial statement disclosure. Based on my analysis, I believed that the annual revenue impact would range between .73 percent and 1.35 percent and concluded that financial statement disclosure was not required.

My memorandum was transmitted by cover letter to Mr. Rose on March 23, 1995, and Mr. Rose sent us his legal representation letter dated March 27, 1995. Attached as Exhibit 7 are copies of Mad Hatter's letter to Mr. Rose requesting disclosure, my March 15, 1995, memorandum and cover letter of March 23, 1995, and the legal representation letter received from Mr. Rose dated March 27, 1995.

Any objective reading of the documents in Exhibit 7 would lead to the conclusion that my March 15, 1995, memorandum was related solely to the issue of financial statement disclosure. The attempt by attorneys for Pasco County to persuade the Commission Staff that my March 15th memorandum related to disclosure of the sale to the Commission is misleading and totally untrue.

4. During the last week of March, 1995, we obtained additional information which caused us to change our original accounting for the land transaction discussed above.
  - a. On April 4, 1995, we received information and documentation from George L. Hayes, Esq. on the amount of the liens and encumbrances which were on the Foxwood property. These were foreclosed from the property by Mr. and Mrs. DeLucenay, as discussed above. The foreclosure enabled the DeLucenays to sell the property and complete the debt restructuring and refinancing by Mad Hatter Utility, Inc. Attached as Exhibit 8 is a cover letter from Mr. Hayes dated April 4, 1995, and copies of the encumbrances that were foreclosed. As you will note, the magnitude of the judgements

is stated by Mr. Hayes to be in excess of \$222,000. I get a total of \$312,585, so I do not know how Mr. Hayes arrived at his figure. In any event, the total amount of the judgements and liens was greatly in excess of the \$195,000 selling price, established in the contract with Van Dorsten Corporation, Inc.

- b. Based on this additional information, we concluded that our original analysis was incorrect. First, it was not true that the land had a market value of \$195,000 in the hands of Mad Hatter Utility, Inc. Rather, the market value to Mad Hatter was zero, since the Utility did not have clear title and the unrecorded liens exceeded \$195,000. Second, even if the land could have been sold by the Utility Corporation, the payments to the lien holders would have exceeded the \$195,000 selling price and no gain would have resulted.
5. As a result of these additional facts, our accounting for the land transaction changed. Our final understanding is summarized in a memorandum dated April 6, 1995, which is attached as Exhibit 9. As noted, instead of a gain, a loss on foreclosure of \$12,266 was recognized in the 1994 audited financial statements.

I have also enclosed, as Exhibit 10, a copy of the audited financial statements issued for 1994.

#### IV. Public Service Commission Notification

1. As all of the documents and facts as stated above indicate, Mad Hatter Utility, Inc. did not sell the Foxwood land. Clearly, it could not have done so without clear title.
2. The transaction to the Utility was a foreclosure and not a sale. Without such a foreclosure, and sale of the Foxwood property by the DeLucenays, the Company would not have been able to refinance and restructure its troubled debt.
3. There was never willful intent of any kind by Mad Hatter to knowingly refuse to advise the Commission of the sale of land. I believe the Company, in good

faith believed, and still believes, that the Utility had no requirement to notify the Commission of a foreclosure (not a sale) which resulted in a loss of \$12,266.

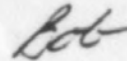
V. Other Considerations

1. It may be important to demonstrate to the Commission that most, if not all, of the cash received by the DeLucenays, after the payment of \$50,000 to Barnett, went back into Mad Hatter Utility, Inc. The only benefit the DeLucenays ended up with is a note payable from the Utility; however, the ability to ever collect anything on this note is uncertain.
2. The benefit to the customers of the debt restructuring and refinancing with CoBank should be noted.

Hopefully, this letter will better enable you to understand the land transaction and some of the background events. John Cronin is familiar with the transaction, as is George Hayes, Esq. If John or I can assist you further at this time, please contact me.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



Robert C. Nixon

RCN/apf

Enclosures

November 3, 1993

Mr. Larry Delucenay  
President  
Mad Hatter Utility, Inc.  
P.O. Drawer 1387  
Lutz, Florida 33549

Re: Commitment Letter

Dear Mr. Delucenay:

Attached is CoBank's Commitment Letter to Mad Hatter Utility, Inc. ("MHU") for the restructuring of its debt. The letter outlines the conditions precedent to closing, including but not limited to: full release of any and all liens with regards to Barnett Bank, Groveland Development and Lake State Bank. Additionally, the facility requires MHU to pay, or cause to have paid, any and all taxes that are current or past due and pay down accounts payable and accrued liabilities to a balance, in aggregate, of not more than \$150,000 on or before closing. Also, you must convert your personal note with MHU to equity. Please see attached for further details.

If the letter is satisfactory, please sign both copies, returning one to CoBank, along with a check for \$6,000, as evidence of your commitment to the proposed facility.

If you have any questions or require additional information, please do not hesitate to contact me at (800)255-7429 x3219. I look forward to hearing from you and to working with you to close the loan as soon as possible.

Sincerely,



Martin J. Corcoran  
Assistant Vice President  
Rural Utility Banking Group

Enclosures

ATLmc/SA/45

November 3, 1993

Mr. Larry Delucenay  
President  
Mad Hatter Utility, Inc.  
P.O. Drawer 1387  
Lutz, Florida 33549

Dear Mr. Delucenay:

Subject: Commitment Letter

The National Bank for Cooperatives ("CoBank") is pleased to issue its commitment to provide to Mad Hatter Utility, Inc. (the "Company") the credit facilities outlined below:

Credit Facility: Term Loan.

Amount: Not to exceed \$1,200,000.

Purpose: Debt restructuring.

Availability: To be closed and funds advanced no later than March 31, 1994.

Interest and Fees: Interest Rate: In accordance with the following interest rate options, as selected by the Company:

- a. At CoBank's National Variable Rate plus 1%.
- b. At a fixed rate equal to the 15 year Treasury Yield matching the term of the loan plus 2.5% (this option will be available only at funding).

Commitment Fees: \$12,000 due and payable as follows:  
\$6,000 non-refundable fee due upon acceptance of the Commitment with the remaining \$6,000 due at closing.

Repayment: Monthly principal and interest with final maturity no later than March 2009.

Prepayment: Prepayment permitted subject to the payment of a surcharge equal to the present value of CoBank's funding losses on the amount prepaid for the period such amount was scheduled to have been outstanding at such fixed rate. Such surcharge including the amount of any funding losses incurred by CoBank, shall be determined and calculated in accordance with methodology established by CoBank.

ATLmc/SA/36



Capitalization:

The loan will be capitalized in accordance with CoBank's bylaws and its capital plan. As such it will be eligible for patronage refunds.

Collateral:

First lien on all assets.

Documentation:

CoBank's commitment is subject to the negotiation, execution and delivery of loan and loan related documentation (including exhibits, opinions, and security documentation) satisfactory to CoBank and its counsel in all material respects. Such documentation shall include representations and warranties, conditions precedent, covenants, events of default, remedies on default, and other provisions that are customary for credit facilities of the type outlined herein. Without limiting the foregoing, the following will apply:

Conditions Precedent:

- a) Full release of any and all liens, including but not limited to, Barnett Bank, Groveland Development and Lake State Bank (compromises agreed to and enforceable at closing).
- b) Pay-off any and all taxes currently and past due and payable on or before closing.
- c) Pay down accounts payable and accrued liabilities to a balance, in aggregate, of not more than \$150,000 on or before closing.
- d) Transact SWIETMUD and pond land sales, in amounts represented to CoBank, on or before closing.

*wx + hope*

Covenants:

- e) Convert Delucenay note to equity. - *Subordinate*

CoBank's customary affirmative and negative covenants, with the addition of the following:

- a) Debt Service Coverage => 1.25;
- b) Debt/Cash Flow 10:1;
- c) Liquidity Reserve = \$100,000 at close.

Assignment:

The Commitment and the proceeds thereof are not assignable by the Company to any other person or corporation without CoBank's prior written consent.

Due Diligence:

The Company acknowledges that this Commitment has been issued before CoBank has had an opportunity to complete its business, credit and legal due diligence. The Company agrees that CoBank, in its sole discretion, may determine whether any matters disclosed by its further investigation are of such a nature as to cause CoBank to decline to provide the credit facilities, and the Company agrees that any such determination on CoBank's part shall be binding and conclusive on the Company.

Miscellaneous:

ATLmc/SA/36

The provisions of the Commitment cannot be waived or modified unless such waiver or modification is in writing and signed by both the Company and CoBank. The Commitment is for the benefit only of the parties thereto, and no third party shall have any interest therein or in the proceeds of the credit facilities.

Expiration of Commitment:

This Commitment shall expire and CoBank shall have no further obligations to the Company hereunder if the closing of the loan has not occurred on or before March 31, 1994.

Costs and Expenses:

By accepting this Commitment, the Company agrees to pay or cause to be paid all taxes and expenses incurred by CoBank in connection with the credit facilities contemplated hereby, including, without limitation, any documentary stamp, intangible or recording tax or fees and all legal fees and disbursements of CoBank's counsel. Such expenses shall be paid regardless of whether the credit facilities are extended or not.

Acceptance of Commitment:

This Commitment shall become effective only upon the Company's acceptance hereof as evidenced by receipt by CoBank no later than 4:00 p.m. Eastern Time December 3, 1993, of the enclosed copy of this Commitment Letter, duly signed by the Company, along with a check for the \$6,000 fee required hereby.

Very truly yours,

National Bank for Cooperatives

By: Martin J. Conner

Title: Asst. Vice President

THE TERMS AND CONDITIONS OF THE FOREGOING COMMITMENT ARE HEREBY AGREED TO AND ACCEPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 19\_\_.

Mad Hatter Utility, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

ATLmc/SA/36

## LOAN CLOSING STATEMENT

**BORROWER:** MAD HATTER UTILITY, INC. a Florida corporation

**LENDER:** NATIONAL BANK FOR COOPERATIVES

**NON RECOURSE  
GUARANTORS :** LARRY G. DeLUCENAY AND JANICE L. DeLUCENAY;  
SAMUEL H. THOMAS, JR.

**LOAN AMOUNT:** \$1,200,000.00 (ONE MILLION TWO HUNDRED THOUSAND  
DOLLARS)

**COLLATERAL:** MORTGAGE ON THE REAL PROPERTY OWNED BY  
BORROWER AND DESCRIBED ON EXHIBIT "1" ATTACHED  
HERETO; SECURED INTEREST IN PERSONALTY OWNED  
BY BORROWER; COLLATERAL ASSIGNMENT OF LOAN  
DOCUMENTS; NONRECOURSE CONTINUING GUARANTIES,  
PLEDGE AGREEMENTS.

**DATE OF CLOSING:** APRIL 21, 1994

**PLACE OF CLOSING:** LAW OFFICE OF GEORGE L. HAYES III, P.A.  
696 1st AVENUE NORTH  
SUITE 303  
ST. PETERSBURG, FLORIDA 33701

1,073,000.00

CREDIT

DEBIT

LOAN PROCEEDS	\$1,200,000.00	
BALANCE OF LOAN COMMITMENT FEE - CoBANK		6,000.00 — HO
PARTIAL FUNDING OF RESERVE DEBT ACCOUNT		100,000.00 — HO
CoBANK CAPITALIZATION REQUIREMENT		1,000.00 — HO
PARTIAL RELEASE PAYMENT TO BARNETT BANK OF TAMPA		600,000.00 — Co.
PAYOFF Groveland/Ventura Mortgage		
1. Van Dorsten Corporation, Inc. (as of 04/21/94) successor by merger to Ventura Homes, Inc.		143,263.03 — Co.
2. Van Dorsten Corporation, Inc. and Groveland Development, Inc.		105,000.00 /
PAYOFF Lake State Bank loan no. 4370481-9002 (as of 04/21/94)		76,635.36 /
PAYOFF Lawson, McWhirter, Grandoff & Reeves Judgment		27,000.00 /
TAXES; ASSESSMENTS; FEES		
1. Public Service Commission		
a. 1992 Regulatory Assessment, interest & penalties.		59,398.61 /
b. 1993 Regulatory Assessment		50,775.20 /
2. Pasco County Tax Collector		
a. 1993 Ad Valorem Taxes parcels 1, 2, 3, 5, 6 & 7		34,778.53
b. 1993 Tangible Personal Property		850.02

**FILING FEES:**

1. CoBank	
a. Record Mortgage and Security Agreement	
(1) Documentary Stamps	4,200.00
(2) Intangible Tax	2,400.00
(3) Recording	150.00
b. Record/File CoBank UCC-1 Financing Statements	
(1) Secretary of State	40.00
(2) Clerk of the Circuit Court - Pasco County	28.50
c. Record Collateral Assignment	37.50
d. Record UCC-1 Financing Statement - Collateral Assignment w/Secretary of State	34.00
3. Barnett Bank	
a. Record Partial Release of Mortgage	15.00
b. Record UCC-3 Financing Statements (partial release)	
(1) Secretary of State ( 2 )	25.00
(2) Clerk of the Circuit Court ( 2 )	12.00
c. Record Assignment of Mortgage	
(1) Recording	15.00
d. Record UCC-3 Financing Statements (assignments)	
(1) Secretary of State ( 2 )	25.00
(2) Clerk of the Circuit Court ( 2 )	12.00
e. Record Collateral Assignment of Barnett Loan Documents	
(1) Documentary Stamps (\$50,000.00)	175.00
(2) Intangible Tax (\$50,000.00)	100.00
(3) Recording	37.00
4. Groveland/Ventura	
a. Record Satisfaction of Mortgage	
(1) executed by Groveland Development, Inc.	15.00
(2) executed by Van Dorsten Corporation, Inc.	15.00
b. Record/file UCC-3 Termination Statements	
(1) executed by Groveland Development, Inc.	
(a) Secretary of State	12.25
(b) Pasco County	6.00

(2) executed by Van Dorsten Corporation, Inc.	
(a) Secretary of State	12.25
(b) Pasco County	6.00
c. Record Satisfaction of Mortgage and Affidavit executed by Key 3, Inc.	21.00
5. McWhirter Judgment-record satisfaction of Judgment	10.50
6. LAKE STATE BANK	
a. Record/file UCC-3 Termination Statements	
<u>1. Secretary of State (3)</u>	36.75
<u>2. Pasco County (3)</u>	<del>18.00</del>
7. Small Business Administration Record Satisfaction of Mortgage	10.50

**TITLE INSURANCE; UCC-SEARCH**

1. Premium for Mortgage Title Policy; \$1,200,000.00; George L. Hayes III, P.A.	6,075.00 /
2. Search Fees	
a. Title Insurance - ATIDS	350.00 /
- George L. Hayes III, P.A.	150.00 /
b. UCC Searches - County & State	
- CIS	190.00 /

**ATTORNEYS FEES; COSTS**

1. Sutherland, Asbill & Brennan for	
a. Attorney's fees	20,000.00 / <sup>AD</sup>
b. Costs: Federal Express, phone & fax charges photocopying	
2. Buddy D. Ford, P.A.	
a. Attorney's fees	8,126.25
3. George L. Hayes III, P.A.	
a. Attorney's fees	3,873.75
b. Costs: Federal Express, phone & fax charges photocopying	326.94

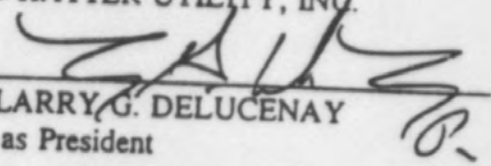
NET TO CLOSE

\$ 51,301.69

I have carefully reviewed the Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account in this transaction. I further certify that I have received a copy of the Settlement Statement.

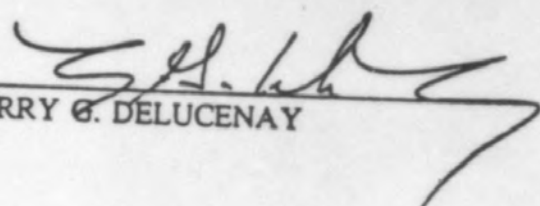
Dated: April 20, 1994

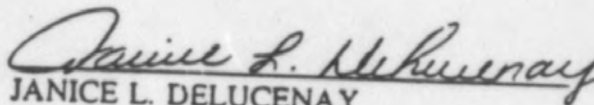
MAD HATTER UTILITY, INC.

BY:   
LARRY G. DELUCENAY  
as President

I have carefully reviewed the Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account in this transaction. I further certify that I have received a copy of the Settlement Statement.

Dated: April 20, 1994

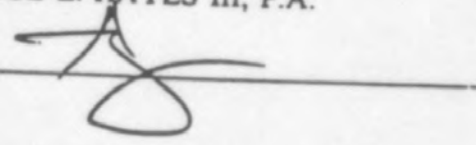
  
LARRY G. DELUCENAY

  
JANICE L. DELUCENAY

To the best of my knowledge, the Settlement Statement which I have prepared is a true and accurate account of the funds which were received and have been or will be disbursed by the undersigned as part of the settlement of this transaction.

Dated: April 21, 1994

GEORGE L. HAYES III, P.A.

BY: 

IN THE CIRCUIT COURT OF THE SIXTH JUDICIAL CIRCUIT  
IN AND FOR PASCO COUNTY, FLORIDA  
CIRCUIT CIVIL CASE NO. 94-002489CAE

LARRY G. DELUCENAY and JANICE L.  
DELUCENAY,

Plaintiffs,

vs.

MAD-HATTER UTILITY, INC., a Florida corporation, BARNETT BANK OF PASCO COUNTY, a Florida banking corporation, FLORIDA FOREST PRODUCTS, INC., a Florida corporation, AMERICAN PIONEER TITLE INSURANCE COMPANY, a Florida corporation, OLD REPUBLIC NATIONAL TITLE INSURANCE, CO., f/w/a Title Insurance Company of Minnesota, a Minnesota corporation, GWEN G. BROWN, GRANT STREET NATIONAL BANK, in liquidation, OLIVER WM. O'RIORDAN as last surviving director of O'RIORDAN INSULATION COMPANY, a dissolved Florida corporation and DYKEMA GOSSETT, a Michigan general partnership,

Defendants.

*Barnett - pe 1992*

*Ila Trust*

*Am Pion*

*Oldi Reg*

*Brown*

*Grant St*

*O' Riordan*

SUMMARY JUDGMENT OF FORECLOSURE

THIS CAUSE having come on for Summary Judgment this day on the Motion for Summary Judgment of Foreclosure of Plaintiff, upon Plaintiffs' Complaint to Foreclose Mortgage and Security Agreement, and the documents offered in support thereof and the Court being fully advised in the premises. it is upon consideration,

ORDERED, ADJUDGED AND DECREED:

1. That due and legal service of process has been made upon all of the



defendant(s). Defaults have been entered against all defendants who have not timely answered the Plaintiffs' Complaint. This Court has jurisdiction of the parties in this cause and the subject matter hereof; further, that the allegations contained herein have been proved by competent evidence and that the equities in this cause are with the Plaintiffs.

2. That the Mortgage and Security Agreement sued upon by the Plaintiffs in this cause constitute valid liens upon the property hereinafter described and said Mortgage and Security Agreement are in default as alleged in the Complaint.

3. That this Court finds 20.7 hours were expended in the prosecution of this case and a reasonable hourly rate is \$150/hour. That 3009.00 is hereby awarded to George L. Hayes III, P.A. as a reasonable attorney's fee for services rendered herein.

4. That there is due to the said Plaintiffs on the Mortgage, Security Agreement and Note sued upon, including foreclosure fees and costs, the following sums:

Principal Due on Note, Mortgage and Security Agreement	\$674,821.55
Late Charges	N/A
*Pre-judgment Interest due from 4/23/94 through 8/18/94 at 8.75%	18,927.09

ADVANCES BY PLAINTIFF:

Taxes:	N/A
Inspections	N/A

TOTAL ADVANCES: \$ 0.00

SUBTOTAL: \$693,748.64

FORECLOSURE COSTS:

Filing Fee	\$100.50
Title Search	450.00
Private Process Server	398.58

TOTAL FORECLOSURE COSTS: \$948.58

JUDGMENT SUBTOTAL \$694,697.22

GUARDIAN AD LITEM FEE \$ N/A

ATTORNEY'S FEE

\$ 3009.00

TOTAL

\$ 697,706.22

plus interest on the total judgment less the "prejudgment interest at the rate of 12% per annum or the note rate, whichever is less, from the date of this Judgment until paid, and any further sums in connection herewith.

5. The Plaintiffs have a lien to secure the payment of the aforesaid sums against the following described real property in Pasco County, Florida, to-wit:

See Exhibit "A" attached hereto and incorporated hereby

The Plaintiffs also have a lien to secure the payment of the aforesaid sums against the following described personal property, to-wit:

All furniture, furnishings, equipment, fixtures, machinery and all other items of tangible personal property of any kind situate upon the real property legally described in Exhibit "A" attached hereto and made a part hereof, as well as all accessories, parts, equipment and accessions now attached to or used in connection therewith.

The aforesaid liens of the Plaintiffs are prior, paramount and superior to all rights, claims, liens, interest, encumbrances and equities of the Defendants and all persons, firms or corporations claiming by, through or under said Defendants or any of them and that said property will be sold free and clear of all claims of said Defendants.

6. If the total sum with interest at the rate prescribed by law and all costs of this action accruing subsequent to this action are not forthwith paid, the Clerk of the Court shall sell the Property at public sale, at 11:00 o'clock A.M. on April 20, 1994 (a day not less than 20 days after the date of this Judgment), to the highest bidder for cash, except as set forth hereinafter at the <sup>South door in the Courtyard</sup> Pasco County Courthouse, 39053 Live Oak Avenue, Dade City, Florida, N/A after having first given notice as required by Section 45.031, Florida Statutes. Said sale shall not occur in the absence of Plaintiffs or their agent.

7. Plaintiffs shall be reimbursed by the Clerk for all costs advanced by Plaintiffs

should a party other than Plaintiffs be the purchaser at the sale. Any purchaser other than Plaintiffs shall pay all service charges assessed by the Clerk of the Circuit Court pursuant to Florida Statute 28.24 together with proper documentary stamps to be affixed to the Certificate of Title. If Plaintiffs are the purchasers, the Clerk shall credit Plaintiffs' bid with the total sum with interest and cost accruing subsequent to this Judgment, or such part of it, as necessary to pay the bid in full.

8. Any sums expended by Plaintiffs for Ad Valorem Taxes, Hazard Insurance or property preservation shall be credited to Plaintiffs' bid. If Plaintiffs are to include such sums in their bid, Plaintiffs shall file an affidavit setting forth such expenditures.

9. Plaintiffs consent to, and Barnett Banks, Inc., a Florida corporation, as attorney-in-fact for Barnett Bank of Tampa, a state chartered bank, formerly known as First Florida Bank, N.A., is hereby granted a security interest in the amount of \$50,000.00 in this Final Judgment of Foreclosure and shall be entitled to receive all proceeds realized from any sale of the "property" subject to this Final Judgment of Foreclosure up to the sum of \$50,000.00.

10. On filing the Certificate of Title, the Clerk shall distribute the proceeds of the sale and other monies collected by the Clerk in connection with the sale, so far as they are sufficient, by paying: first, all of the proceeds to Barnett Banks, Inc. up to the maximum sum of \$50,000.00; second, all of Plaintiffs' costs; third, documentary stamps affixed to the Certificate; fourth, Plaintiffs' attorney's fees; fifth, the total sum due to Plaintiff less the items paid plus interest at the rate prescribed by law from Final Judgment Hearing date to the date of the issuance of the Certificate of Title; and by retaining any amount remaining pending the further Order of this Court.

11. The sale shall be held in accordance with Section 45.031 of the Florida Statutes, and upon the Clerk filing the Certificate of Sale, all persons shall forever be barred and foreclosed of any and all equity or right of redemption in and to the above described property, and subsequently, upon the Clerk filing the Certificate of Title as provided by Section 45.031 of the Florida Statutes, the sale shall stand confirmed, and the purchaser at said sale or the purchasers, their heirs, representatives, successors or assigns, shall without delay be let into possession of the said premises as conveyed and the Clerk of the Court is

hereby specifically authorized to issue a Writ of Possession for the above-described real property and the Sheriff is hereby authorized to serve the Writ of Possession forthwith after issuance of Certificate of Title.

12. The address of the Defendant, MAD-HATTER UTILITIES, INC., a Florida corporation, is 1900 Land O'Lakes Blvd., Suite #113, Lutz, Florida 33549.

13. That this Court retains jurisdiction of this cause for the purpose of making any and all further orders as may be necessary and proper including, without limitation, writs of possession and deficiency judgment.

DONE AND ORDERED in Chambers at Dade City, Pasco County, Florida, this  
\_\_\_\_\_ day of August, 1994.

SIGNED AND DATED:

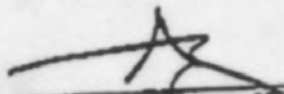
AUG 18 1994

JUDGE WAYNE L. COLE

CIRCUIT JUDGE

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Summary Judgment of Foreclosure has been furnished by U.S. Mail to the addressees below this 18 day of August, 1994.

  
George L. Hayes II

Mad Hatter Utility, Inc.  
c/o Randall C. Grantham  
1519 North Dale Mabry, Suite #100  
Lutz, Florida 33549-3015

Gwen G. Brown  
2914 Bay Court  
Tampa, Florida 33604

Barnett Bank of Pasco County  
c/o Kendall Spencer  
10200 U.S. Highway 19  
Port Richey, Florida 34673

Dykema Gossett  
400 Renaissance Center  
Detroit, Michigan 48243-1668

Florida Forest Products, Inc.  
c/o Michael T. Foley, Registered Agent  
2284 Kings Point Drive  
Largo, Florida 34644

Oliver William O'Riordan  
as last surviving Director  
O'Riordan Insulation Co.  
6706 North River Blvd.  
Tampa, FL 33604

American Pioneer Title Insurance Co.  
c/o Insurance Commissioner  
Capital Building  
Tallahassee, Florida 32301

Old Republic National Title Ins. Co.  
c/o L. Scott Pierce, Registered Agent  
4350 West Cypress St., Suite 550  
Tampa, Florida 33607

Grant Street National Bank  
(in liquidation)  
c/o Kenneth H. Popko  
Attorney-in-fact  
Mellon Bank  
1 Mellon Bank Center, Suite 4850  
Pittsburgh, Pennsylvania 15258-0001

## LEGAL DESCRIPTIONS

## Parcel 1 (a/k/a Parcel 4: Perc Ponds) ..

Begin at the Southwest corner of the Northwest 1/4 of the Northeast 1/4 of Section 36, Township 26 South, Range 18 East, Pasco County, Florida. Run thence South 89 deg. 55' 15" West, along the North boundary of the Southeast 1/4 of the Northwest 1/4 of said Section 36 a distance of 390.00 feet; thence South 00 deg. 04' 45" East, a distance of 630.00 feet; thence North 89 deg. 55' 15" East, a distance of 530.00 feet to a point on the West boundary of CYPRESS COVE SUBDIVISION PHASE 2, as per map or plat thereof recorded in Plat Book 23, Pages 141 through 148, inclusive, of the Public Records of Pasco County, Florida; thence North 00 deg. 04' 45" West, along the West boundary of Plat a distance of 630.00 feet; thence South 89 deg. 55' 15" West, a distance of 140.00 feet to the Point of Beginning.

## TOGETHER WITH AN EASEMENT OVER THE FOLLOWING DESCRIBED LANDS

## Parcel 2 (a/k/a Parcel A: 15 foot Utility Easement)

From the Southwest corner of the Southeast 1/4 of Section 25, township 26 South, Range 18 East, Pasco County, Florida, for a Point of Reference; thence North 89 deg. 41' 40" East, along the South line thereof, 992.35 feet for a Point of Beginning of a 15 foot Utility Easement; thence South 26 deg. 46' 04" West, 54.32 feet; thence South 00 deg. 38' 05" East, 822.37 feet; thence North 89 deg. 41' 40" East, along a line 15 feet North of and parallel with the aforesaid South line, 137.19 feet to a point on a curve; thence along the arc of a curve to the right, concave to the West having a Central Angle of 02 deg. 27' 37", Radius 350.00 feet, Arc 16.03 feet, chord South 03 deg. 06' 50" West, 15.03 feet to a point on said South line; thence South 89 deg. 41' 40" West, along said line, 151.21 feet to the aforementioned Point of Beginning.

## AND (Lift Station Site)

From the southwest corner of the Southeast 1/4 of Section 25, Township 26 South, Range 18 East, Pasco County, Florida, for a Point of Reference; thence North 89 deg. 41' 40" East, along the South line thereof, 992.35 feet; thence North 00 deg. 38' 05" West, 885.50 feet for a Point of Beginning of a Lift Station Site; thence continue North 00 deg. 38' 05" West, 43.26 feet to a point on the South right-of-way line of County Road No. 54 (a proposed 60 foot half right-of-way); thence South 63 deg. 13' 56" East, along said South right-of-way line, 55.42 feet; thence South 26 deg. 46' 04" West, 20.00 feet; thence South 89 deg. 21' 55" West, 40.00 feet to the aforementioned Point of Beginning.

LISPENS  
EXHIBIT  
"A"

Exhibit 3  
Page 7 of 11

**Parcel 2 (a/k/a Parcel B: 60 foot Right-of-Way)**

From the Northwest corner of the Northeast 1/4 of Section 36, Township 26 South, Range 18 East, Pasco County, Florida, for a Point of Reference; thence South 00 deg. 20' 35" East, along the West line of said Northeast 1/4, 658.02 feet to the Southwest corner of the Northwest 1/4 of the Northwest 1/4 of said Northeast 1/4; thence North 89 deg. 49' 56" East, along the South line thereof, 980.84 feet for a Point of Beginning of a temporary 60 foot Utility Easement; thence North 00 deg. 10' 04" West, 70.00 feet to a Point of Curve; thence along the arc of a curve to the right having a Central Angle of 18 deg. 00' 00", Radius 410.00 feet, Chord North 08 deg. 49' 56" East, 128.28 feet to a Point of Tangent; thence North 17 deg. 49' 56" East, 403.18 feet to a Point of Curve; thence along the arc of a curve to the left having a Central Angle of 15 deg. 56' 55", Radius 350.00 feet, Arc 97.42 feet, Chord N. 09 deg. 51' 29" East, 97.11 feet; thence North 89 deg. 41' 40" East, along a non-radial line 15 feet North and parallel with the North line of said Section 36, 60.04 feet to a point on a curve; thence along the arc of a curve to the right, concave to the West having a Central Angle of 16 deg. 16' 08", Radius 410.00 feet, Arc 116.42 feet, Chord South 09 deg. 41' 52" West, 116.03 feet to a Point of Tangent; thence South 17 deg. 49' 56" West, 403.18 feet to a Point of Curve; thence along the arc of a curve to the left having a Central Angle of 18 deg. 00' 00", Radius 350.00 feet, Arc 109.96 feet, Chord South 08 deg. 49' 56" West, 109.50 feet to a Point of Tangent; thence South 00 deg. 10' 04" East, 70.00 feet to a point on the aforesaid South line of the Northwest 1/4 of the Northeast 1/4; thence South 89 deg. 49' 56" West, along said line, 60.00 feet to the aforementioned Point of Beginning.

**Parcel 3 (a/k/a Parcel E: 15 foot Utility Easement)**

For a point of reference, commence at the Southwest corner of Lot 107 of CYPRESS COVE SUBDIVISION PHASE 2, as per map or plat thereof recorded in Plat Book 23, Pages 141 through 148, inclusive, of the Public Records of Pasco County, Florida; said point being on the North right-of-way line of a proposed roadway (Lake Floyd Drive) and on a curve to the right, having a radius of 200.00 feet; thence 84.82 feet along said proposed right-of-way line and the arc of said curve, through a Central Angle of 24 deg. 17' 57", a chord bearing and distance of South 77 deg. 57' 37" West; 84.19 feet to the P.T. of said curve. Thence North 89 deg. 53' 24" West, along the said North right-of-way line a distance of 173.50 feet for a Point of Beginning; continue thence North 89 deg. 53' 24" West, a distance of 15.00 feet; thence North 00 deg. 01' 09" West, a distance of 540.17 feet; thence North 89 deg. 55' 15" East, a distance of 15.00 feet; thence South 00 deg. 01' 09" East, a distance of 540.22 feet to the Point of Beginning.

**Parcel 4 (a/k/a Parcel C: Ingress and Easements to Water Treatment Plant Site)**

Begin at the Southwest corner of Lot 15, of FOXWOOD SUBDIVISION, PHASE 4, as per map or plat thereof recorded in Plat Book 18, Pages 5 through 10, inclusive, of the Public Records of Pasco County, Florida. Run thence North 89 deg. 52' 47" East, along the South

06-22-1994 14:14

line of said Lot 15, a distance of 113.11 feet; thence South 00 deg. 07' 13" East, along the Westerly boundary of the Plat of said FOXWOOD SUBDIVISION, PHASE 4, a distance of 50.00 feet to a point on the North line of Lot 14, of said FOXWOOD SUBDIVISION, PHASE 4; thence South 89 deg. 52' 47" West, along the North line of said Lot 14, and its Westwardly extension, a distance of 236.02 feet to the P.C. of a curve to the right having a radius of 150.00 feet; thence 178.37 feet along the arc of said curve, through a Central Angle of 68 deg. 07' 56", a chord bearing and distance of North 56 deg. 03' 18" West, 168.05 feet to a point on said curve; thence North 03 deg. 51' 11" East, a distance of 422.06 feet; thence North 13 deg. 31' 12" West, a distance of 142.20 feet to a point on a curve to the left having a radius of 260.00 feet; thence 50.08 feet along the arc of said curve, through a Central Angle of 11 deg. 02' 08", a chord bearing and distance of North 76 deg. 28' 48" East, 50.00 feet to a point on said curve; thence South 13 deg. 31' 12" East, a distance of 66.11 feet; thence South 03 deg. 51' 11" West, a distance of 478.36 feet; thence South 43 deg. 08' 03" East, a distance of 57.14 feet to the P.C. of a curve to the left having a radius of 100.00 feet and a Central Angle of 46 deg. 59' 13"; thence 82.01 feet along the arc of said curve, a chord bearing and distance of South 66 deg. 37' 39" East, 79.73 feet to the P.T. of said curve; thence North 89 deg. 52' 47" East, a distance of 122.91 feet to the Point of Beginning. All lying and being in Section 36, Township 26 South, Range 18 East, Pasco County, Florida.

Parcel 5 (a/k/a Parcel D: Temporary Utility Easement)

Begin at the Northwest corner of Lot 31, of CYPRESS COVE SUBDIVISION, PHASE II, as per map or plat thereof recorded in Plat Book 23, Pages 141 through 148, inclusive, of the Public Records of Pasco County, Florida; run thence North 00 deg. 10' 04" West, a distance of 338.62 feet to a point on the North boundary of the Southwest 1/4 of the Northwest 1/4 of the Northeast 1/4 of Section 36, Township 26 South, Range 18 East, Pasco County, Florida; thence South 89 deg. 49' 56" West, along said North boundary a distance of 50.00 feet; thence South 00 deg. 10' 04" East, a distance of 338.62 feet to a point on the North boundary of said Plat of CYPRESS COVE SUBDIVISION, PHASE II, thence North 89 deg. 49' 56" East, along the North boundary of said Plat a distance of 50.00 feet to the Point of Beginning.



IN THE CIRCUIT COURT OF THE SIXTH JUDICIAL CIRCUIT  
IN AND FOR PASCO COUNTY, FLORIDA  
CIRCUIT CIVIL CASE NO. 94-002489CAE

LARRY G. DELUCENAY and JANICE L.  
DELUCENAY,

Plaintiffs,

vs.

MAD-HATTER UTILITY, INC., a Florida  
corporation, BARNETT BANK OF  
PASCO COUNTY, a Florida banking  
corporation, FLORIDA FOREST  
PRODUCTS, INC., a Florida corporation,  
AMERICAN PIONEER TITLE  
INSURANCE COMPANY, a Florida  
corporation, OLD REPUBLIC  
NATIONAL TITLE INSURANCE, CO.,  
f/k/a Title Insurance Company of  
Minnesota, a Minnesota corporation,  
GWEN C. BROWN, GRANT STREET  
NATIONAL BANK, in liquidation,  
OLIVER WM. O'RIORDAN as last  
surviving director of O'RIORDAN  
INSULATION COMPANY, a dissolved  
Florida corporation and DYKEMA  
GOSSETT, a Michigan general  
partnership,

Defendants.

CERTIFICATE OF SALE

THE UNDERSIGNED Clerk of the Court certifies that Notice of Public Sale of the  
Property described in the Order or Final Judgment was published in the Pasco News, a  
newspaper circulated in Pasco County, Florida, in the manner shown by the Proof of  
Publication attached, and on September 20, 1994, the Property was offered for public sale  
to the highest and best bidder for cash. The highest and best bid received for the Property  
was submitted by LARRY G. DELUCENAY and JANICE L. DELUCENAY for \$1,000.00  
to whom the Property was

sold. The proceeds of the sale are retained for distribution in accordance with the Order or Final Judgment.

WITNESS my hand and the sale of this Court on September 20, 1994.

JED PITTMAN  
Clerk of Circuit Court

/s/ Teresa M. Shive  
By/ Deputy Clerk

2013 022 1004  
LARRY G. DeLUCENAY  
4020

LAND PURCHASE AGREEMENT

*Change  
Notes  
894  
5729*

THIS AGREEMENT, made and entered into this 22nd day of March, 1994 by and between LARRY G. DeLUCENAY and JANICE L. DeLUCENAY, hereinafter referred to as "DeLucenay" and MAD HATTER UTILITY, INC., a Florida corporation, hereinafter referred to as "Corporation".

WITNESSETH

WHEREAS the Corporation is refinancing all of its indebtedness, contemporaneous with this Agreement, with NATIONAL BANK FOR COOPERATIVES ("CoBank"); and

WHEREAS, Part of the refinanced indebtedness is secured by a Mortgage and Security Agreement in favor of BARNETT BANK OF TAMPA, the "Barnett Mortgage", with regard to the real property located in Pasco County, Florida, and which is more particularly described on Exhibit "A" attached hereto and by this reference incorporated herein; which real property is hereinafter referred to as the "Foxwood Properties"; and

WHEREAS the Foxwood Properties currently have Judgment liens and encumbrances against them which are subordinate and inferior to the Barnett Mortgage; and

WHEREAS, the Corporation and DeLucenay have arranged with Barnett to secure an assignment of the Barnett Mortgage to DeLucenay, for a consideration of \$50,000.00 (FIFTY THOUSAND DOLLARS); to be evidenced by a promissory note made by DeLucenay to Barnett in the amount of \$50,000.00 (FIFTY THOUSAND DOLLARS), "the DeLucenay Note", and which will be secured by a Collateral Assignment of the Barnett Mortgage. The purpose of the Assignment is to provide an opportunity for DeLucenay to thereafter accelerate the balance due under the terms of the Barnett Note and foreclose the Barnett Mortgage with the intent that DeLucenay, or the Corporation, acquire title to the Foxwood Properties free and clear of any lien or encumbrance which is subordinate and inferior to the Barnett Mortgage. In the event that this occurs, the parties intend for DeLucenay to convey title to the Foxwood Properties to the Corporation which would then convey a portion of the Foxwood Properties to the Van Dorsten Corporation, Inc. pursuant to a Contract for Sale and Purchase between the Corporation and Van Dorsten Corporation, Inc. (the "Van Dorsten Agreement"). The proceeds realized upon the first closing under the VanDorsten Contract would then be utilized to satisfy the DeLucenay Note to Barnett and to reimburse DeLucenay for the costs and expenses of the foreclosure action, in an amount not to exceed \$2,500.00 (TWO THOUSAND FIVE HUNDRED DOLLARS), and for the further purpose of fully funding the Debt Service Reserve Account as required by Paragraph 13(J) of the term loan agreement between the Corporation and CoBank; and

WHEREAS, DeLucenay and the Corporation desire to evidence their agreements relative to the transfer of the Foxwood Properties to the Corporation by DeLucenay in the event that DeLucenay is the successful bidder at the mortgage foreclosure sale, upon the terms set forth hereinafter.

NOW, THEREFORE, in consideration of mutual covenants contained herein, the sum of \$10.00 (TEN DOLLARS) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties agree and covenant as follows:

1. RECITALS. The above recitals are true and correct and are hereby incorporated herein.

2. CONVEYANCE OF PROPERTY. DeLucenay hereby covenants to sell, assign convey and set over unto Corporation the Foxwood Properties, or so much of them, as DeLucenay may acquire following the foreclosure described hereinabove or under any other circumstances. The Corporation agrees to purchase from DeLucenay, on the terms and conditions hereinafter set forth, the property so covenanted by DeLucenay to be sold and conveyed.

3. PURCHASE PRICE AND METHOD OF PAYMENT. The total purchase price to be paid to DeLucenay for the Foxwood Properties shall be the sum of \$50,000.00 (FIFTY THOUSAND DOLLARS) plus the costs, including attorney's fees, of the foreclosure action, plus the costs of the transfer, which costs of mortgage foreclosure and transfer shall not exceed \$2,500.00 (TWO THOUSAND FIVE HUNDRED DOLLARS). The Purchase price shall be paid in cash, or its equivalent. DeLucenay hereby covenants to utilize the purchase price proceeds for purposes of satisfying the DeLucenay Note to Barnett and for reimbursement of the costs of the foreclosure and conveyance of the Foxwood Properties to the Corporation under this Agreement.

4. CLOSING. The closing of this transaction shall occur on or before ten (10) days following receipt of the Certificate of Title by DeLucenay following the foreclosure action. The Corporation shall pay all closing costs to the limit of \$2,500.00 (TWO THOUSAND FIVE HUNDRED DOLLARS) (which limit shall include any reimbursement claimed by DeLucenay for the costs and expenses of the foreclosure action). Any additional closing costs or costs of foreclosure shall be paid by DeLucenay. The Closing shall occur at a place designated by the Corporation.

5. STATUS OF TITLE AND DOCUMENTATION. Title to the Foxwood Properties shall be conveyed by DeLucenay to the Corporation, As Is, by Special Warranty Deed without any other or further representations or warranties. No title insurance relative to this transaction shall be provided. At Closing, DeLucenay shall execute and deliver an Owner's Affidavit in standard form, dealing with the property for the time period in which DeLucenay has owned the respective properties and the Special Warranty Deed, in recordable form.

X

6. PRORATIONS AND ADJUSTMENTS. The parties expressly covenant that there shall be no prorations or adjustments and the Corporation shall receive the Foxwood Properties subject to whatever delinquent or outstanding taxes or assessments may be then due and owing.


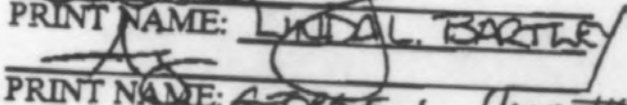
7. REMEDIES UPON DEFAULT. The parties hereto expressly acknowledge that

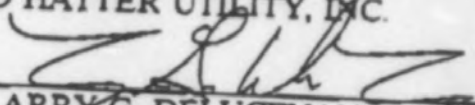
**ASSIGNMENT OF CONTRACT AND ADDENDUM**

FOR AND IN CONSIDERATION of the sum of \$10.00 and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, MAD HATTER UTILITY, INC., a Florida corporation, hereby assigns to LARRY G. DELUCENAY and JANICE L. DELUCENAY, his wife, all of its right, title and interest to that certain Contract for Sale and Purchase by and between MAD HATTER UTILITY, INC., a Florida corporation, and VAN DORSTEN CORPORATION, INC., a Florida corporation, and/or assigns, dated March 04, 1994, together with that certain Addendum to Contract for Sale and Purchase dated April 4, 1994.

IN WITNESS WHEREOF, Mad Hatter Utility, Inc. has caused these presents to be executed in its name, and its corporate seal to be hereunto affixed, by its proper officers thereunto duly authorized, this 6<sup>th</sup> day of April, 1994.

Signed, sealed and delivered  
in the presence of:

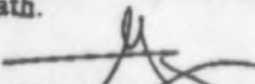
  
PRINT NAME: LUDAL BARTLEY  
  
PRINT NAME: GEORGE L. HAYES III

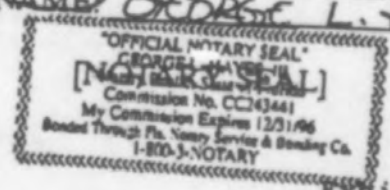
MAD HATTER UTILITY, INC.  
BY:   
LARRY G. DELUCENAY  
as President

STATE OF FLORIDA  
COUNTY OF Pinellas

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of April, 1994, by LARRY G. DELUCENAY, as President of MAD HATTER UTILITY, INC., who is/are personally known to me or who has produced \_\_\_\_\_ as identification and who did/did not take an oath.

My commission expires:

  
PRINT NAME: GEORGE L. HAYES III





# TICO TITLE, INC.

NORTH FOLK PROFESSIONAL CENTER  
1515 N. DALE MARRY HWY, SUITE 101, LAKELAND, FLORIDA 33549  
**SELLER'S CLOSING STATEMENT**

(813) 949-364  
FAX (813) 949-043

PERC  
POND

DATE CLOSED: OCTOBER 7, 1994 FILE NO. 9312-60  
SELLERS: LARRY G. DELUCENAY AND JANICE L. DELUCENAY  
PURCHASERS: VAN DORSTEN CORPORATION, INC.  
PROPERTY: A PORTION OF SEC. 36, TOWNSHIP 26 S., RGE 18 E., PASCO COUNTY, FL

THIS COMPANY ASSUMES NO LIABILITY FOR WATER, SEWER, GAS, ELECTRICITY,  
TAXES ON PERSONAL PROPERTY, LICENSES OR GARBAGE CHARGES.

	DEBITS	CREDITS
Sales Price		100,000.00
Deposit with Seller		
Escrow Balance Being Assumed		
Proration of Insurance _____ to _____		
Mortgage Being Paid-Off/Assumed		
PAYOFF TO BARNETT BANKS, INC.	50,000.00	
Proration of Interest _____ to _____		
<del>Escrow Balance Being Assumed</del> PAYOFF TO NATIONAL BANK FOR COOPERATIVES	12,000.00	
REAL ESTATE TAXES FOR 1987, 88, 91, 92 & 93.	9,389.92	
Documentary Stamps on Deed	700.00	
Record Satisfaction of Mortgage, UCC & COLLATERAL ASSIGN.	33.00	
COURIER FEES - PAYOFFS	30.00	
Title Insurance (Premium, search & closing fee)	825.00	
ATTORNEY FEES - GEORGE L. HAYES III, P.A.	3,475.00	
<del>EMERGENCY RECORD POWER OF ATTORNEY</del>	15.00	
Survey		
Broker Commission _____ % of _____		
50% plus MLS to		
50% less MLS to		
Taxes 280 days based on \$670.54	514.38	
Should the November amount of taxes for current year be greater than amount used above, Seller agrees to pay to buyer a prorated share of said increase.		
Assessments		
CLOSING OF TITLE DOES NOT RELIEVE THE SELLER FROM ANY LIABILITY TO PAY JUST DEBTS INCURRED DURING HIS OWNERSHIP.	TOTAL CREDITS	100,000.00
	LESS DEBITS	76,982.30
I/We have read the foregoing statement and hereby approve same for disbursement.	NET PROCEEDS	23,017.70

SELLER LARRY G. DELUCENAY  
SELLER JANICE L. DELUCENAY  
BY: LARRY G. DELUCENAY AS ATTORNEY-IN-FACT  
DATE OCTOBER 7, 1994

MEMORANDUM

DATE: February 14, 1995  
TO: Mad Hatter Utility, Inc. 1994 Audit File  
FROM: John H. Cronin, Jr.  
RE: Foxwood Sewer Pond Property

Facts

1. The above-referenced property was owned by Mad Hatter prior to 1994.
2. A Land Purchase Agreement, dated March 22, 1994, stated that if DeLucenay acquires Foxwood free and clear, he will convey title to Mad Hatter so the utility can sell the land to Van Dorsten Corp.
3. Assignment of contract and Addendum dated April 6, 1994, between Mad Hatter and DeLucenay.
4. Closing statement for sale of Foxwood between DeLucenay and Van Dorsten Corp. dated October 7, 1994.

Explanation

George Hayes, Esq. explained to me that the Foxwood property (formerly sewer pond land) was acquired by Mad Hatter many years before and that the property had many liens against it. Van Dorsten was interested in acquiring the Foxwood property, but needed to have it free and clear of all liens. Mad Hatter could not provide a clear title.

Mad Hatter was about to refinance its Barnett indebtedness with CoBank. Barnett was willing to write down its indebtedness from Mad Hatter to \$650,000. At the closing of the CoBank loan, Barnett was paid \$600,000 from the new loan proceeds. Mad Hatter and DeLucenay had arranged with Barnett to secure an assignment of the Barnett mortgage to DeLucenay for a consideration of \$50,000, evidenced by a promissory note made by DeLucenay to Barnett in the amount of \$50,000. The purpose of the assignment was to provide an opportunity for DeLucenay to thereafter accelerate the balance due under the terms of the Barnett note and foreclose the Barnett mortgage with the intent that DeLucenay or Mad Hatter acquire title to the Foxwood property free and clear of any lien or encumbrance, which is subordinate and inferior to the Barnett mortgage.

Memo to Mad Hatter Utility, Inc. Audit File  
February 14, 1995  
Page Two

Upon further research, George Hayes opined that the foreclosed Foxwood property could not be deeded back to Mad Hatter. If that occurred, the foreclosed liens could be reattached to the property. Thus, on April 6, 1994, Mad Hatter assigned to DeLucenay all of its right, title, and interest to that certain contract for sale and purchase between Mad Hatter and Van Dorsten.

The sale of the Foxwood property occurred on October 7, 1994, and this transaction was between DeLucenay and Van Dorsten.

It appears to me that in order for Barnett to agree to a write down of its debt to \$650,000, the transfer of the Foxwood property, as described above, needed to be completed in that manner. The removal of this land from books of the utility was part of the cost to refinance.

JHC/amp



MEMORANDUM

DATE: March 23, 1995

TO: Mad Hatter Utility, Inc. 1994 Audit File

FROM: John H. Cronin, Jr. *JHC*

RE: Dividend Transaction with DeLucenay

Company had a basis in the land of \$62,266.

Land had a fair market value of \$195,000.

Upon refinancing of Company debt, Barnett, the former lender, assigned its mortgage to this land to DeLucenay for \$50,000. DeLucenay gave Barnett a \$50,000 promissory note.

DeLucenay foreclosed on this mortgage, took back the land, which had a purchase contract on it for \$195,000.

DeLucenay sold approximately half of this land in 1994.

In the Company's financial statements, we recognized a gain of \$132,734 which was equal to the difference between the fair market value of \$195,000 and basis of \$62,266.

We then wrote off the \$195,000 in land, the \$50,000 mortgage note payable, and reflected a dividend to the stockholder of \$145,000.

The Company had current accumulated earnings in excess of dividend payment.

JHC/amp

LAW OFFICES

ROSE, SUNDSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

(904) 877-6555

ROBERT A. ANTISTA  
CHRIS H. BENTLEY, P.A.  
JENNIFER S. BRUBAKER  
F. MARSHALL DETERDING  
MARTIN S. FRIEDMAN, P.A.  
JOHN R. JENKINS  
ROBERT M. C. ROSE, P.A.  
WILLIAM E. SUNDSTROM, P.A.  
DIANE D. TREMOR, P.A.  
JOHN L. WHARTON

March 27, 1995

MAILING ADDRESS  
POST OFFICE BOX 1567  
TALLAHASSEE, FLORIDA 32302-1567  
TELECOPIER (904) 896-4725

Cronin, Jackson, Nixon & Wilson, CPA's, P.A.  
2560 Gulf-to-Bay Boulevard, #200  
Clearwater, Florida 34625

Re: MAD HATTER UTILITY, INC.

Dear Sirs:

By letter dated February 17, 1995, we have been requested to furnish certain information to you, as set forth in that letter, a copy of which is attached for your convenience.

Pending or Threatened Litigation  
(excluding unasserted claims and assessments)

We are unaware of any pending or threatened litigation against Mad Hatter Utility, Inc.

Unasserted Claims and Assessments

In the opinion of this law firm, there is one unasserted claim or assessment which is probable of assertion by the Florida Public Service Commission on the following matter:

Lands contained in the Company's Foxwood treated sewage percolation pond were abandoned by the Company, and that abandonment was considered on September 2 and 3, 1992, in hearings before the Florida Public Service Commission. In its final Order (Order No. PSC-93-0295-FOF-WS), that agency found as follows:

Nonetheless, since MHU (Mad Hatter Utility) stipulated (in stipulation no. 12) that it would report to the Commission any future sale of the subject land and any proposed rate reduction resulting from same, we do not think it necessary to estimate the salvage value of the land at this time.

The Commission, in its Order, also found that the cost of restoring the land to the environmentally required reclamation state would be more than the market value of the land.

Exhibit 7  
Page 1 of 7

March 27, 1995

Since receiving the Company's letter, we have been informally advised by Mrs. Janice DeLucenay of the Company that a part of those lands were sold in October, 1994.

In discussing this matter with Mrs. DeLucenay and Mr. John Cronin and Mr. Robert Nixon of your firm, this law firm was requested to delay its response to the Company's request, pending further information from the auditors concerning the matter. That information, by memorandum dated March 15, 1995, together with a letter dated March 23, 1995, addressed to the undersigned, is attached to this letter response.

We accept the opinion of the auditors that the magnitude of the required rate reduction resulting from the gain on the sale of this land is less than 1.5% of the Company's approximate 1995 estimated gross revenues, and therefore, for the purposes of this letter, is not material.

No other unasserted claim or assessment which is probable of assertion as of the date of this letter has come to our attention.

The Company may be involved in other matters of threatened or pending litigation or unasserted claims or assessments which are handled by attorneys other than attorneys of this law firm.

#### Other Matters

This response is limited by and in accordance with the American Bar Association Statement of Policy regarding Lawyer's Response to Auditor's Request for Information. Without limiting the generality of the foregoing, the limitations set forth in such Statement on the scope and use of this response (Paragraphs 2 and 7) are specifically incorporated herein by reference, and the description therein of any "loss contingency" is qualified in its entirety by Paragraph 5 of the Statement accompanying the Commentary, which is an integral part of the Statement.

Consistent with the last sentence of Paragraph 7 of the American Bar Association's Statement of Policy and pursuant to the Company's request, the Company's understanding as set forth in its audit inquiry letter to us, whenever in the course of performing legal services for the Company, with respect to a matter recognized to involve unasserted possible claims or assessments, that may cause financial statement disclosure, we have performed a professional conclusion that the Company must disclose or consider disclosure concerning such possible claim or assessment. We, as a matter of professional responsibility to the Company, will also advise the

March 27, 1995

Company and consult with the Company concerning the question of such disclosure and applicable requirements of the Statement of Financial Accounting Standards No. 5.

This letter is solely for your use in connection with your audit of the financial conditions of the Company to the date of this response. This letter is not to be quoted in whole or in part, or otherwise referred to in any financial statement of the Company, or related document, nor is it to be filed with any governmental agency or any person without the prior written consent of this law firm.

As of December 31, 1994, the Company was indebted for services and expenses to this law firm in the amount of \$31,986.30.

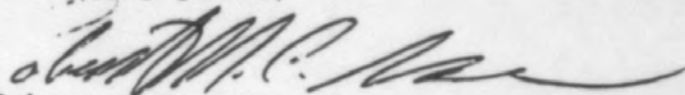
Please address any inquiry in regard to this matter to:

Robert M.C. Rose, P.A.

- or -

F. Marshall Deterding  
Rose, Sundstrom & Bentley  
2548 Blaiirstone Pines Drive  
Tallahassee, Florida 32301

Sincerely yours,



Robert M.C. Rose, P.A.  
For the Firm

RMCR/jbe

cc (w/encl.):

Mr. Larry DeLucenay

Mrs. Janice DeLucenay

*Cronin, Jackson, Nixon & Wilson*  
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.  
JOHN H. CRONIN, JR., C.P.A.  
ROBERT H. JACKSON, C.P.A.  
BRENDA W. McBARRON, C.P.A.  
ROBERT C. NIXON, C.P.A.  
HOLLY M. TOWNER, C.P.A.  
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD  
SUITE 200  
CLEARWATER, FLORIDA 34625-4419  
(813) 791-4020  
TELECOPIER  
(813) 797-3602

March 23, 1995

Robert M. C. Rose, Esquire  
Rose, Sundstrom & Bentley  
P.O. Box 1567  
Tallahassee, FL 32302-1567

Re: Mad Hatter Utility, Inc.

Dear Bob:

We are close to completing our audit of the financial statements for the above-referenced Company.

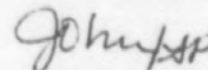
You, Bob Nixon, and I discussed the potential effect on rates that the PSC may consider as a result of the Foxwood land foreclosure by the DeLucenays. Bob and I have thought about it further, and our conclusion is summarized in the attached memo dated March 15, 1995. We believe the foreclosure transaction will have a minimal effect on future rates.

We would like to know your thoughts after reading this memo and receive your reply to our audit legal letter request dated February 17, 1995.

Thanks for your continued assistance.

Very truly yours,

CRONIN, JACKSON, NIXON & WILSON



John H. Cronin, Jr.

JHC/amp

Enclosure

cc: L. DeLucenay (w/encl.)

M E M O R A N D U M

DATE: March 15, 1995

TO: John H. Cronin, Jr.

FROM: Robert C. Nixon *RCN*

RE: Mad Hatter Utility, Inc. - Effect of Gain on Sale of Foxwood Land on Future Revenues

During the course of our audit, we have determined that a net gain of approximately \$132,734 should be recognized by Mad Hatter for the sale of the land associated with the retired Foxwood sewage treatment and disposal plant. Under the terms of Order No. PSC-93-0295-POF-WS, the PSC recognized the loss associated with the retirement of the Foxwood plant (including land) and allowed recovery of the loss in rates, over a period of eight years. The Order further required that in the event the Foxwood land was ever sold, the Commission would be notified and the Company would propose an appropriate reduction in sewer service rates. The PSC allowance for recovery of the loss associated with the land was based on its book value of \$83,021. Based on 8-year amortization, \$10,377 per year is being recovered in current sewer rates.

In assessing the impact on future revenues, the \$132,734 gain would be amortized as income over some period of years. The most obvious period would be the same 8-year period previously established by the Commission to recover the loss. However, since the sale of land was a necessary condition of obtaining refinancing of troubled debt, we could propose that the gain should be amortized over the 15-year term of the loan with CoBank. Any proposal to decrease rates would coincide with and be offset by the impact of the indexed rate increase for 1995. This will dampen the impact of the rate decrease and require only one rate change during 1995. Below, I have calculated the impact on total revenue, assuming that the 1995 indexed rate increase will be approximately the same as that granted in 1994.

	<u>8 Years</u>	<u>15 Years</u>
<u>Total annual revenue impact</u>		
Decrease for loss recovery in current rates	\$ (10,377)	\$ (10,377)
Amortization of gain on sale	(16,592)	(8,849)
Total decrease for land sale	(26,969)	(19,226)
Estimated 1995 index increase	<u>10,000</u>	<u>10,000</u>
 Net annual revenue decrease	 <u>\$ (16,969)</u>	 <u>\$ (9,226)</u>
 Total annualized revenue	 <u>\$1,256,382</u>	 <u>\$1,255,382</u>
 Percent decrease	 <u>(1.35%)</u>	 <u>(.73%)</u>

Based on the above, I do not believe the potential revenue decrease is a material event that should be disclosed.

# MAD HATTER UTILITY, Inc.



1900 LAND O' LAKES BOULEVARD  
SUITE 113  
LUTZ, FLORIDA 33549  
(813) 949-2167

RECEIVED  
FEB 24 1995

Rose, Sundstrom & Bentley

February 17, 1995

Robert M. C. Rose, Esq.  
Rose, Sundstrom & Bentley  
2548 Blairstone Pines Drive  
Tallahassee, FL 32301

Dear Bob:

Our auditors, Cronin, Jackson, Nixon & Wilson, CPA's, P.A., are conducting an annual audit of our financial statements. Please furnish to them the information requested below involving matters as to which you have been engaged and to which you have devoted substantive attention on behalf of the Company in the form of legal consultation or representation.

Pending or Threatened Litigation  
(excluding unasserted claims and assessments)

Please prepare a description of all material litigation, claims and assessments (excluding unasserted claims and assessments). Materiality for purposes of this letter includes items involving amounts exceeding \$10,000, individually or in the aggregate. The description of each case should include:

- a. the nature of the litigation,
- b. the progress of the case to date,
- c. how management is responding or intends to respond to the litigation, e.g., to contest the case vigorously or to seek an out-of-court settlement, and
- d. an evaluation of the likelihood of an unfavorable outcome and an estimate, if one can be made, of the amount or range of potential loss.

Robert M. C. Rose, Esq.  
February 17, 1995  
Page Two

Unasserted Claims and Assessments

We have represented to our auditors that there are no unasserted possible claims or assessments that you have advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 (excerpts of which can be found in the ABA's Auditor's Letter Handbook).

We understand that whenever, in the course of performing legal services for us with respect to a matter recognized to involve an unasserted possible claim or assessment that may call for financial statement disclosure, if you have formed a professional conclusion that we should disclose or consider disclosure concerning such possible claim or assessment, as a matter of professional responsibility to us, you will so advise us and will consult with us concerning the question of such disclosure and the applicable requirements of Statement of Financial Accounting Standards No. 5. Please specifically confirm to our auditors that our understanding is correct.

Response

Your response should include matters that existed as of December 31, 1994, and during the period from that date to the effective date of your response.

Please specifically identify the nature of, and reason for, any limitations on your response.

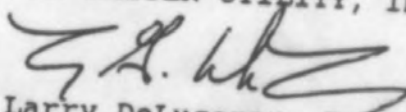
Our auditors expect to have the audit completed on February 28, 1995, and would appreciate your reply by that date, with a specified effective date no earlier than February 20, 1995.

Other Matters

Please also indicate the amount we were indebted to you for services and expenses on December 31, 1994.

Very truly yours,

MAD HATTER UTILITY, INC.

  
Larry DeLucenay, President

R.



LAW OFFICES  
**GEORGE L. HAYES III, P.A.**

886 FIRST AVENUE NORTH, SUITE 303  
ST. PETERSBURG, FLORIDA 33701

(813) 884-8728  
FAX (813) 822-1834

GEORGE L. HAYES III  
DANIEL J. RIGO

April 4, 1995

John H. Cronin, Jr.  
Cronin, Jackson, Nixon & Wilson  
2560 Gulf To Bay Blvd., Suite 200  
Clearwater, FL 34625-4419

Re: Mad Hatter Utility, Inc.

Dear John:

Janice Delucenay asked that I communicate with you with regard to the encumbrances that were foreclosed from the Property. I enclose copies of those Final Judgments. Essentially, there were three separate judgments in favor of Barnett Bank of Pasco County, a judgment in favor of Gwen Brown, a judgment in favor of American Pioneer Title Company, and a judgment in favor of Florida Forest Products, Inc. The total magnitude of the judgments, exclusive of interest which accrued thereon and Barnett Bank, is in excess of \$222,226.94. If you have any additional questions, please do not hesitate to contact me.

Very truly yours,

 **GEORGE L. HAYES III**

**GEORGE L. HAYES III**

GLH III/tw  
Enclosures

1988 Reason, Condon

N/C  
11-53  
AA

RECORDING HAS NOT  
FOR SPECIFIC PARTIES

IN THE CIRCUIT COURT FOR PASCO COUNTY  
CIRCUIT CIVIL NO. 78611-CA  
DIVISION "B"

BARNETT BANK OF PASCO COUNTY, :  
Plaintiff, :  
vs. :  
EHT ASSOCIATES, INC., a :  
Florida corporation, J. GLENN :  
MCDONWELL, RICHARD V. DOWN, :  
SAMUEL THOMAS, JR., BOGSEL AND :  
ASSOCIATES, INC., CESAR :  
RIVERA, as a General Partner :  
of RIVERA, GORDINGER AND :  
COMPANY, a Florida General :  
Partnership, and RICHARD :  
GORDINGER, a General Partner :  
of RIVERA GORDINGER AND :  
COMPANY, a Florida General :  
Partnership, :  
Defendants. :

FILED  
Pasco Co. 11/13/88  
11/13/88  
7-48854  
FILED  
11/13/88

FINAL JUDGMENT FOR DEFICIENCY

THIS CAUSE came on to be heard upon the Joint Stipulation For Settlement between Plaintiff, BARNETT BANK OF PASCO COUNTY, and Defendants, J. GLENN MCDONWELL and RICHARD V. DOWN, and the Court having reviewed the Court file and being otherwise duly advised in the premises, it is

ORDERED AND ADJUDGED that Plaintiff, <sup>P</sup>BARNETT BANK OF PASCO COUNTY, recover from the Defendant <sup>D</sup>J. GLENN MCDONWELL, a deficiency judgment in the amount of \$50,000.00, for which sum let execution issue. Interest shall accrue on this Final Judgment at the rate of 12% per annum or the statutory rate then in effect,

Robert M. Deane, Esq.  
2781 U.S. Highway 17, Suite 210  
Holiday, FL 33511

RECORD VERIFIED  
JED PITMAN  
Clerk Circuit Court, Pasco County  
*Jed Pitman*

BOOK 1988 PAGE 1420

- 1 -

~~BOOK 1620 PAGE 0562~~

RFMDC

whichever is greater.

DONE AND ORDERED in Chambers, Dade City, Pasco County,  
Florida, this 8 day of Feb, 1998.

*[Handwritten Signature]*  
CIRCUIT JUDGE  
WAYNE L. COBB

Copies furnished to:  
Gale M. Rubenhausen, Esq.  
Cindy LoCicero, Esq.  
7/DMC.FJFD2/89-748

7:52 698  
FEB 21 4 15 PM '98

STATE OF FLORIDA  
COUNTY OF PASCO  
THIS IS TO CERTIFY THAT THE FOREGOING IS  
TRUE AND CORRECT COPY OF THE RECORDS ON FILE  
OR IN PUBLIC RECORDS IN THE OFFICE OF THE  
CLERK AND OFFICIAL SEAL THIS 21ST DAY OF  
FEBRUARY 1998  
JED PITTMAN, CLERK OF CIRCUIT COURT

BOOK 1988 PAGE 1421

- 2 -

~~BOOK 1988 PAGE 0562~~

IN THE CIRCUIT COURT FOR PASCO COUNTY  
CIRCUIT CIVIL NO. 814611-CA  
DIVISION "B"

RECORDING SEE BOOK  
FOR SPECIFIC PARTIES

BARNETT BANK OF PASCO COUNTY,  
Plaintiff,

vs.

DMF ASSOCIATES, INC., a  
Florida Corporation, J. GLENN  
McDONNELL, RICHARD V. DORN,  
SAMUEL THOMAS, JR., ROUSEL AND  
ASSOCIATES, INC., CRASAR  
RIVERI, as a General Partner  
of RIVERI, GORDIMER AND  
COMPANY, a Florida General  
Partnership, and RICHARD  
GORDIMER, a General Partner  
of RIVERA GORDIMER AND  
COMPANY, a Florida General  
Partnership,  
Defendants.

RECORD VERIFIED  
JED FITTMAN  
Clerk Circuit Court, Pasco County

FILED  
1988 APR 13 3 05 PM '88

748855

FILED  
1988 APR 13 4 05 PM '88

FINAL JUDGMENT FOR DEFICIENCY

THIS CAUSE came on to be heard upon the Joint Stipulation For Settlement between Plaintiff, BARNETT BANK OF PASCO COUNTY, and Defendants, J. GLENN McDONNELL and RICHARD V. DORN, and the Court having reviewed the Court file and being otherwise duly advised in the premises, it is

ORDERED AND ADJUDGED that Plaintiff, **P** BARNETT BANK OF PASCO COUNTY, recover from the Defendant **P** RICHARD V. DORN, a deficiency judgment in the amount of \$50,000.00, for which sum let execution issue. Interest shall accrue on this Final Judgment at the rate of 12% per annum or the statutory rate then in effect, whichever

Return to: Gate 14, Bobaljik, Ely  
2938 U.S. Highway 19, Suite 210  
Holiday, FL 33511

**R**

BOOK-1988 PAGE 0504

- 1 -

BOOK 1988 PAGE 1422

**RFMDG**

is greater.  
DONE AND ORDERED in Chambers Dade City, Pasco County,  
Florida, this 7 day of Feb, 1996.

Copies furnished to:  
Gale N. Babenhansen, Esq.  
Cindy LaCicero, Esq.  
7/DMT.FJFD3/89-748

*[Signature]*  
CIRCUIT JUDGE  
WAYNE L. COSS

7.02698  
FEB 21 4 15 PM '96  
CLERK OF COURT  
PASCO COUNTY FLORIDA

STATE OF FLORIDA  
COUNTY OF PASCO  
JED BITTMAN  
Clerk of Court

~~BOOK 1985 PAGE 0561~~

- 2 -

BOOK 1988 PAGE 1423



9.00  
1.50  
10.50

IN THE CIRCUIT COURT OF THE THIRTEENTH JUDICIAL CIRCUIT IN AND FOR HILLSBOROUGH COUNTY  
OF THE STATE OF FLORIDA, IN AND FOR HILLSBOROUGH COUNTY  
GENERAL CIVIL DIVISION

RECORDS/INDEX  
01 00 40 1 9.00  
REC NOB TR FMS  
01 00 42 1 1.50  
10 CASH TOTAL 1 10.50

GWEN G. BROWN,

Plaintiff,

vs.

UNIVERSAL HOMES, INC. and  
J. GLEN McDONNELL,

Defendants.

Case No. 89-19867

Division 9

FILED  
NOV 21 1989  
CLERK

SUMMARY FINAL JUDGMENT FOR PLAINTIFF

This action was heard on Plaintiff's Motion for Summary Judgment on December 12, 1989, and it appearing to the Court that the Clerk has entered a default against the Defendant, Universal Homes, Inc., for failure to serve any paper on the Plaintiff or file any paper as required by law, that Defendant, Universal Homes, Inc., is indebted to Plaintiff under the Promissory Note described in the Complaint and is in default under the terms of said Promissory Note, that the Defendant, J. Glen McDonnell, is indebted to the Plaintiff under the Guaranty Agreement described in the Complaint and is in default under the terms of said Guaranty Agreement, that all conditions precedent to the institution and maintenance of this action have been performed or have occurred, that neither Universal Homes, Inc. nor J. Glen McDonnell have any valid counterclaims, setoffs or defenses to this action, and that there is no genuine issue as to any material fact and the Plaintiff is entitled to a judgment as a matter of law, and the Court being fully advised in the premises, it is

ORDERED AND ADJUDGED that Plaintiff, Gwen G. Brown, recover from Defendants, Universal Homes, Inc. and J. Glen McDonnell, the sum of \$15,186.18 on principal, \$ 664.34 for interest, \$ 9100.00 for attorneys fees, with costs in the sum of \$ 144.50

CLERK OF COURT

making a total of \$ 13,094.90, that shall bear interest at the rate of 9-3/4% a year for which let execution issue.

DONE AND ORDERED at the Courthouse in Tampa, Florida on Dec. 12<sup>th</sup>, 1989.

*James A. Miller, Jr.*  
CIRCUIT JUDGE

Copies furnished to:  
Richard W. Stein, Esq.  
P.O. Box 1363  
101 E. Kennedy Blvd.  
Suite 1000  
Tampa, Florida 33601  
Attorney for Plaintiff  
  
J. Glen McDonnell  
18406 Livingston Avenue  
Lutz, Florida 33549  
  
Universal Homes, Inc.  
1502 U.S. Highway 41  
Lutz, Florida 33549

R

STATE OF FLORIDA  
COUNTY OF HILLSBOROUGH  
THIS IS TO CERTIFY THAT THE FOREGOING IS A TRUE AND CORRECT COPY OF THE DOCUMENT ON FILE IN MY OFFICE. WITNESS MY HAND AND OFFICIAL SEAL THIS 12<sup>th</sup> DAY OF DECEMBER, 1989.  
BY Richard A. Miller, Jr.  
CIRCUIT JUDGE



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CLERK OF THE COURT  
HILLSBOROUGH COUNTY  
TAMPA, FLORIDA



Richard O. ...  
Clerk of Circuit Court  
Hillsborough County, Fla.  
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IN THE CIRCUIT COURT OF THE THIRTIETH JUDICIAL CIRCUIT  
IN AND FOR THE STATE OF FLORIDA, COUNTY OF HILLSBOROUGH  
GENERAL CIVIL DIVISION

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FILE 585 TOTAL 780 4.00

AMERICAN PIONEER TITLE  
INSURANCE COMPANY, a Florida  
corporation, and TITLE INSURANCE  
COMPANY OF MINNESOTA.

Plaintiffs,

vs.

UNIVERSAL HOMES, INC., a Florida  
corporation, and J. GLEN McDONNELL,

Defendants.

RICHARD AKE  
CLERK OF CIRCUIT COURT  
HILLSBOROUGH COUNTY

Case No. 89-18406

Division: F

Florida Bar No. 381322

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FINAL JUDGMENT

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THIS CAUSE came before the Court after entry of default against Defendants, and it is hereby,

ORDERED AND ADJUDGED, that Plaintiff, AMERICAN PIONEER TITLE INSURANCE COMPANY, a Florida corporation, and TITLE INSURANCE COMPANY OF MINNESOTA, recover from Defendants UNIVERSAL HOMES, INC., and J. GLEN McDONNELL, the sum of \$26,400.00 in principal, \$5,408.40 on interest as of April 21, 1989 (and continuing thereafter at a per annum rate of 11 1/2%), and expenses in the amount of \$3,203.00, for a total sum of \$40,157.40 as of December 14, 1989, that shall bear interest at the rate of 12% per year for which let execution issue. The Court retains and reserves jurisdiction to award attorneys' fees and costs in this matter.

631470

DONE AND ORDERED in Chambers at Tampa, Hillsborough County, Florida, this 14 day of December, 1989.

*[Signature]*  
CLERK OF CIRCUIT COURT

- COPIES TO:
- R Brian M. Ross, Moffin, Hart & Heron, P.A., 1271, Tampa, Florida 33601-3273
  - J. Glen McDonnell, 18406 Livingston Avenue, Suite 1404, Tampa 33614
  - Universal Homes, Inc., 6610 E. Fowler Avenue, Tampa, Florida 33612

STATE OF FLORIDA  
COUNTY OF HILLSBOROUGH  
I, [Signature], CLERK OF CIRCUIT COURT, do hereby certify that the foregoing is a true and correct copy of the body of the order as filed in my office, witness my hand and official seal this 14 day of December, 1989.

O.B. 1872 PG 0198

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PINELLAS COUNTY FLA.  
CASE NO. 89-015577-18

OFFICIAL RECORDS 800  
BOOK 7201 PAGE 987

IN THE CIRCUIT COURT FOR PINELLAS COUNTY, FLORIDA  
CIRCUIT CIVIL DIVISION

FLORIDA FOREST PRODUCTS, INC.,  
a Florida corporation,  
Plaintiff,

-vs-

Case No. 89-015577-18

UNIVERSAL HOMES, INC.,  
a Florida corporation,  
J. GLEN McDONNELL, and  
THOMAS F. McDONNELL,  
Defendants.

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10 CASH TOTAL 1 10.50

FINAL JUDGMENT

THIS CAUSE came on for final hearing pursuant to the Court's Order. In addition, the cause came on to consider the motion of Plaintiff for the entry of a judgment on the defaults previously entered by the Clerk against Defendants UNIVERSAL HOMES, INC. and THOMAS F. McDONNELL. The Court finds that all Defendants were properly served and as to Defendants UNIVERSAL HOMES, INC. and THOMAS F. McDONNELL defaults were properly entered. The Court finds, based on the evidence presented at the hearing, that Plaintiff is entitled to a judgment as to each of the Defendants and accordingly it is

ORDERED that Plaintiff FLORIDA FOREST PRODUCTS, INC., have and recover from Defendant UNIVERSAL HOMES, INC., 1832 U.S. Highway 41, Lutz, Florida 33547, the sum of \$120,999.17, representing principal and interest to the date of this judgment, together with costs in the amount of \$188.50, attorneys' fees in the amount of \$<sup>344</sup>121.527, for a total of \$<sup>344</sup>121,527.17, for

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Stephen O. Cole  
P.O. Box 1669  
Clearwater, FL 34617  
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which run let execution issue. Interest shall accrue at the rate of 12% per annum from the date of this judgment. It is further ORDERED that Plaintiff FLORIDA FOREST PRODUCTS, INC., have and recover from Defendant S. GLEN McDONNELL, 1932 U.S. Highway 41, Lutz, Florida 33547, the principal sum of \$130,999.17, together with costs in the amount of \$213.50, attorneys' fees in the amount of \$ 442.00 for a total of \$ 131,654.67 for which sum let execution issue. Interest shall accrue at the rate of 12% per annum from the date of this judgment. It is further

ORDERED that Plaintiff FLORIDA FOREST PRODUCTS, INC., have and recover from Defendant THOMAS F. McDONNELL, 98 Winnare Circle, Bracksville, Florida 34610, the principal sum of \$941,973.83, together with costs in the amount of \$133.50, attorneys' fees in the amount of \$ 42,447.00 for a total of \$ 984,554.33 for which sum let execution issue. Interest shall accrue at the rate of 12% per annum from the date of this judgment.

DONE and ORDERED in chambers in Clearwater, Pinellas County, Florida this 15 day of February 1990.

[Signature]  
Circuit Court Judge

Copies furnished to:  
Stephen G. Cole, Esq.  
Universal Homes, Inc.  
J. Glenn McDonnell  
Thomas F. McDonnell

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STATE OF FLORIDA - PINELLAS COUNTY  
I, [Signature], Clerk of the Circuit Court, do hereby certify that the foregoing is a true and correct copy of the original as the same appears in the files of the Clerk of the Circuit Court.  
[Signature]  
Clerk of the Circuit Court

MEMORANDUM

DATE: April 6, 1995

TO: Mad Hatter Utility, Inc. 1994 Audit File

FROM: John H. Cronin, Jr. *J*

RE: Barnett/CoBank Refinancing and DeLucenay Foreclosure

At December 31, 1993, the note payable to First Florida Bank (later merged into Barnett Bank) was \$1,022,174. Barnett had a mortgage on essentially all of the assets of the Company. In 1994, CoBank agreed to refinance this debt after Barnett agreed to write down its debt to \$650,000.

Part of the Barnett collateral was land referred to as the Foxwood Perc Pond property. This land was acquired from former stockholders, McDowell and Dunn. The land was quit claimed to the Company and was encumbered by numerous liens dating back to 1989 and 1990. When this land was recorded in the general ledger of the Company, no corresponding liability was reflected for the liens.

In 1993, the Foxwood Sewer Plant was closed and the ponds began to dry up. In 1994, a developer in the Company's service area offered to purchase this perc pond land for \$195,000 only if clear title could be given. The Company did not have clear title.

Memorandum to Mad Hatter Utility, Inc.  
April 6, 1995  
Page Two

At the loan closing with CoBank, Barnett was paid \$600,000. In addition to this, Larry DeLucenay signed a note payable to Barnett for \$50,000. For this promise to pay, Barnett assigned its mortgage on this pond property to DeLucenay. DeLucenay demanded payment from the Company and then, when he was not paid, he foreclosed on the property. The related encumbrances were foreclosed from the property. DeLucenay then had clear title and was able to sell the property to the developer. Attorney George Hayes opined that if the now clear-titled property was deeded back to the Company, the liens would reattach.

The 1993 rate case established the value of the property, for rate making purposes, to be \$83,021. This was determined in Order No. 93-0295. Since this was not used and useful property, it was considered abandoned property to be amortized over eight years.

PSC Value	\$ 83,021
1992 amortization - 1/2 year	(5,189)
1993 amortization	(10,377)
1994 amortization	<u>(5,189)</u>
Book value at foreclosure date	<u>\$ 62,266</u>

Attorney George Hayes confirmed for us that the amount of liens that were foreclosed on exceeded \$222,000. Hence, if the Company sold this land to the developer, the total proceeds to the Company would be zero after

Memorandum to Mad Hatter Utility, Inc.  
April 6, 1995  
Page Three

satisfying the liens. This land truly had no value to the Company. The AICPA Current Text D22.112, paragraph 109, states that fair value of an asset is the amount that the debtor could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller. Clearly here, the fair value of the land is zero. Hence, the foreclosure transaction can be summarized by the following entry:

Loss on transfer	12,266	
Note payable	50,000	
Land		62,266

Since this mortgage assignment to DeLucenay was an integral part of the Barnett deal, and due to the immaterial amount of the \$12,266 loss, I have netted this loss into the gain on refinancing.

JHC/amp

Mad Hatter Utility, Inc.

Financial Statements

December 31, 1994

*Cronin, Jackson, Nixon & Wilson*  
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.  
JOHN H. CRONIN, JR., C.P.A.  
ROBERT H. JACKSON, C.P.A.  
BRENDA W. McBARRON, C.P.A.  
ROBERT C. NIXON, C.P.A.  
HOLLY M. TOWNER, C.P.A.  
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD  
SUITE 200  
CLEARWATER, FLORIDA 34625-4419  
(813) 791-4020  
TELECOPIER  
(813) 797-3602

Independent Auditors' Report

February 21, 1995

To the Stockholders  
Mad Hatter Utility, Inc.  
Lutz, Florida

We have audited the accompanying balance sheet of Mad Hatter Utility, Inc. as of December 31, 1994, and the related statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mad Hatter Utility, Inc. as of December 31, 1994, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cronin, Jackson, Nixon & Wilson*  
CRONIN, JACKSON, NIXON & WILSON

Exhibit 10  
Page 2 of 13



Mad Hatter Utility, Inc.  
Balance Sheet  
December 31, 1994

Assets

Utility plant:	
Utility plant in service (Note 3)	\$2,564,456
Plant held for future use	<u>84,058</u>
	2,648,514
Less: Accumulated depreciation	<u>(698,043)</u>
	<u>1,950,471</u>
Current assets:	
Cash (Note 4)	239,714
Customer accounts receivable	<u>121,148</u>
	<u>360,862</u>
Other assets:	
Utility deposits and other	14,853
Plant acquisition adjustment, net of \$44,543 accumulated amortization	139,125
Deferred rate case expense (Note 5)	80,929
Deferred plant abandonment costs (Note 6)	692,977
Loan costs	<u>58,910</u>
	<u>986,794</u>
	<u>\$3,298,127</u>

The accompanying notes are an integral  
part of these financial statements

Exhibit 10  
Page 3 of 13

Stockholders' Equity, Liabilities,  
and Other Credits

Stockholders' equity:

Common stock, \$1.00 par value; 100 shares authorized, 83 shares issued, and 82 shares outstanding	\$ 83
Additional paid in capital	59,146
Treasury stock; one share, at cost	(1,380)
Retained earnings	<u>89,825</u>
	<u>147,674</u>

Liabilities:

Long-term debt due after one year (Note 7)	<u>1,188,718</u>
--	------------------

Current liabilities:

Long-term debt due within one year (Note 7)	39,667
Accounts payable and accrued expenses	254,958
Income tax payable	10,500
Accounts payable - stockholders (Note 9)	93,423
Customer deposits	<u>65,149</u>
	<u>463,697</u>

Contributions in aid of construction	1,967,954
Less: Accumulated amortization	<u>469,916</u>
	<u>1,498,038</u>
	<u>\$3,298,127</u>

Mad Hatter Utility, Inc.  
Statement of Operations and Retained Earnings  
For the Year Ended December 31, 1994

Revenues:	
Water	\$ 408,992
Sewer	<u>816,376</u>
	<u>1,225,368</u>
Expenses:	
Operating expenses (Schedule I)	902,014
Depreciation	3,764
Taxes other than income	103,346
Amortization of plant abandonment	<u>69,220</u>
	<u>1,078,344</u>
Operating income	<u>147,024</u>
Other income (expense):	
Interest income	4,902
Interest expense	(125,726)
Amortization of debt expense	(3,101)
Non-utility expense	(8,915)
Amortization of sub-regional plant project abandonment	(61,596)
Amortization of plant acquisition adjustment	(6,852)
Gain on sale of Turtle Lakes land	<u>53,940</u>
	<u>(147,348)</u>
Loss before extraordinary item	<u>(324)</u>
Extraordinary item:	
Gain on forgiveness of debt (Note 8)	<u>706,421</u>
Income before income tax expense	706,097
Income tax expense (Note 11)	<u>(10,500)</u>
Net income	695,597
Accumulated deficit, beginning of year	<u>(605,772)</u>
Retained earnings, end of year	<u>\$ 89,825</u>

The accompanying notes are an integral  
part of these financial statements

Mad Hatter Utility, Inc.  
Statement of Cash Flows  
For the Year Ended December 31, 1994

Cash flows from operating activities:	
Cash received from customers	\$1,183,207
Cash received from interest	4,902
Cash paid for operations	(983,799)
Cash paid for taxes other than income	(241,645)
Cash paid for interest	<u>(100,931)</u>
Net cash used in operating activities	<u>(138,266)</u>
Cash flows from investing activities:	
Capital expenditures for plant	(93,971)
Cash received from sale of Turtle Lakes land	53,940
Cash paid for loan costs	<u>(62,011)</u>
Net cash used in investing activities	<u>(102,042)</u>
Cash flows from financing activities:	
CIAC collected	8,453
Repayment of long-term debt	(956,994)
Acquisition of long-term debt	<u>1,252,769</u>
Net cash provided by financing activities	<u>304,228</u>
Increase in cash	63,920
Cash balance, beginning of year	<u>175,794</u>
Cash balance, end of year	<u>\$ 239,714</u>

(Continued on following page)

The accompanying notes are an integral  
part of these financial statements

Mad Hatter Utility, Inc.  
Statement of Cash Flows  
For the Year Ended December 31, 1994

(Continued from previous page)

Reconciliation of net income to net cash used in operating activities:		
Net income		\$ 695,597
Adjustments to reconcile net income to net cash used in operating activities:		
Amortization of rate case expense		41,877
Depreciation		3,764
Amortization of plant abandonment		69,220
Amortization of debt expense		3,101
Amortization of sub-regional plant		51,596
Amortization of plant acquisition adjustment		6,852
Gain on sale of Turtle Lakes land		(53,940)
Gain on forgiveness of debt		(706,421)
Change in assets and liabilities:		
Increase in customer accounts receivable		(16,529)
Increase in other current assets		(1,010)
Decrease in accounts payable and accrued expenses		(126,325)
Increase in income taxes payable		10,500
Decrease in refund due customers		(41,931)
Increase in customer deposits		16,352
Increase in accounts payable - stockholders		37,330
Decrease in accrued taxes other than income		(138,299)
Total adjustments		<u>(833,863)</u>
Net cash used in operating activities		<u>\$ (138,266)</u>
Supplemental schedule of non-cash investing and financing activities:		

As a result of the foreclosure discussed in Note 9, \$50,000 of long-term debt was paid with an asset having a book value of \$62,266.

The accompanying notes are an integral part of these financial statements

Mad Hatter Utility, Inc.  
Notes to the Financial Statements  
December 31, 1994

Note 1 - Organization:

Mad Hatter Utility, Inc. is a water and sewer utility located in Pasco County, Florida. At December 31, 1994, the Company had approximately 1,998 water and 1,879 sewer equivalent residential connections.

The Company is regulated by the Florida Public Service Commission, which establishes the rates and other charges the Company is permitted to charge its customers.

Note 2 - Summary of significant accounting policies:

A summary of the major accounting and reporting policies followed by the Company in the preparation of the accompanying financial statements is set forth below:

A. Regulatory authority

The Florida Public Service Commission (FPSC) requires the Company to use the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners.

B. Utility plant

Additions to water and sewer plant are recorded at cost. Repairs, maintenance, and minor replacements of property are charged to expense as incurred.

Assets acquired through contributions in aid of construction from developers are recorded at the cost to the developer or an estimate thereof. Amortization of contributed property has been applied against depreciation expense over the useful lives of the related assets.

C. Depreciation

Depreciation is provided for property, plant, and equipment by the straight-line method based on estimated service lives, as authorized by the FPSC. The estimated useful lives in effect are as follows:

Water and sewer treatment plants	32 - 33 years
Distribution and collection mains	30 - 45 years
Furniture and equipment	15 years
Meters	20 years

Note 2 - Summary of significant accounting policies (continued):

D. Income taxes

For financial statement purposes, the Company records amounts received for meters and other contributions of cash or property as CIAC and includes such amounts as taxable income for income tax purposes. Also, the Company uses accelerated methods for depreciating its utility plant assets for income tax purposes and the straight-line method for financial reporting.

E. Deferred charges and credits

Loan costs are amortized using the straight-line method over the term of the loan.

Note 3 - Utility plant in service:

Utility plant in service consists of the following at December 31, 1994:

Land	
Distribution and collection mains	\$ 154,712
Treatment plants and other capital assets	1,429,700
	<u>980,044</u>
	<u>\$ 2,564,456</u>

Note 4 - Cash:

Cash includes restricted deposits of \$135,484 relating to a "Debt Service Reserve Account" required as a condition of the CoBank loan. All funds are invested in CoBank's "Cash Investment Service."

Note 5 - Deferred rate case expense:

Deferred rate case expense consists of those costs paid to legal, accounting, and engineering consultants to assist the Company in stating its position before the Florida Public Service Commission relating to maintaining or increasing its customers' rates. The Florida Public Service Commission requires these costs to be capitalized and amortized over a period of 48 months. During 1994, \$41,877 was amortized to comply with Order No. PSC-93-0295-FOF-WS.

Note 6 - Deferred plant abandonment costs:

Deferred plant abandonment costs consist of the following at December 31, 1994:

Foxwood and Turtle Lakes wastewater treatment plants, net of \$160,098 accumulated amortization	\$ 354,202
Sub-regional wastewater project costs, net of \$153,993 accumulated amortization	<u>338,775</u>
	<u>\$ 692,977</u>

The abandoned Foxwood and Turtle Lakes wastewater treatment plants are being amortized over eight years based on PSC Order No. 93-0295-FOF-WS.

The sub-regional plant is being amortized over eight years, to be consistent with the current rate order.

Note 7 - Long-term debt:

Long-term debt consists of the following at December 31, 1994:

Mortgage note payable to the National Bank for Cooperatives (CoBank), secured by substantially all of the assets of the Company, interest at 9.66%, monthly principal and interest payments based upon a 180-month amortization through April, 2009

\$1,175,616

Note payable AFI, Inc., unsecured, interest at 5.9%, annual installments, including interest, for 20 years beginning one year after 80% of the connections at "Village on the Pond" are constructed, hooked up, and paying customers

39,370

Note payable AFI, Inc., unsecured, interest at 5.9%, annual installments, including interest, for 20 years beginning one year after 80% of the connections at "Village on the Pond" are constructed, hooked up, and paying customers

13,399

Less current portion of long-term debt

1,228,385

39,667  
\$1,188,718



Note 7 - Long-term debt (continued):

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	
1995	\$ 39,667
1996	43,712
1997	48,170
1998	53,082
1999	58,495
Thereafter	<u>985,259</u>
	<u>\$1,228,385</u>

Note 8 - Gain on forgiveness of debt:

During 1994, the Company refinanced its long-term debt and realized a gain on forgiveness of debt of \$706,421. Because of the Company's net operating loss carryforward, no tax expense was applicable to this transaction.

Note 9 - Transactions with stockholders:

In conjunction with the bank refinancing discussed in Note 8 above, a stockholder arranged with the former lender to secure an assignment of that lender's remaining mortgage for a consideration of \$50,000. Upon demand for payment by the stockholder and non-payment by the Company, the stockholder foreclosed on the mortgage and received real property of the Company which was collateral for the mortgage. The net book value of this property was \$62,266.

Although the stockholder entered into a contract with a third party to sell this land for \$195,000, the fair value of this asset to the Company was zero. This is due to the fact that encumbrances that were foreclosed from the property exceeded \$195,000.

Additional transactions with stockholders include a \$21,000 expense relating to non-employee compensation incurred for billing services rendered during 1994. This same stockholder also invoiced the Company \$13,328 for assets sold to the Company.

Note 10 - Deferred income taxes:

A deferred tax asset has been recognized for net operating loss carryforwards, disclosed in Note 11, and a valuation allowance has been provided to reduce this deferred tax asset to the amount that is more likely than not to be realized. The deferred tax asset is calculated at 20 percent of the total net operating loss carryforward.

Deferred tax asset - net operating loss carryforward	\$ 33,040
Less: Valuation allowance - net operating loss carryforward	<u>(33,040)</u>
Net deferred tax asset	<u>\$ 0</u>

Note 11 - Income tax expense:

Income tax expense of \$10,500 resulted from the application of alternative minimum tax rules which taxes corporations on excess tax preference items such as depreciation.

The Company reported regular taxable income before any net operating loss deduction of \$860,048. This amount was reduced to zero after utilizing \$860,048 of available net operating loss carryforwards.

The Company has net operating loss carryforwards totalling \$165,192 that may be offset against future taxable income. If not utilized, the carryforwards will expire before 2008.

Mad Hatter Utility, Inc.  
Operating Expenses  
For the Year Ended December 31, 1994

Electricity	\$ 28,705
Chemicals	4,575
Purchased sewage	492,218
Bad debt expense	3,078
Operations and administration	125,884
Legal, accounting, and engineering	14,360
Insurance	14,838
Miscellaneous general expense	47,679
Operational supplies and expenses	100,212
Employee benefits	9,249
Rent	19,339
Rate case amortization	<u>41,877</u>
Total operating expenses	<u>\$902,014</u>

See accountants' report