

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Aloha Utilities, Inc.)
for Increase in Wastewater Rates in its Seven)
Springs System in Pasco County, Florida)
_____)

DOCKET NO. 991643-SU

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RECORDS AND REPORTING
SEP 14 PM 4:38

ALOHA'S MOTION TO ALLOW FILING OF SUPPLEMENTAL DIRECT TESTIMONY

Aloha Utilities, Inc. ("Aloha"), by and through its undersigned counsel, hereby files this Motion to Allow Filing of Supplemental Direct Testimony and in support thereof would state and allege as follows:

1. Aloha's direct testimony in this case was due early in February, 2000. Since that time, a significant matter has developed which should be considered by the Commissioners in their decision in this case.

2. For over 25 years, Aloha has rented office space from a related party at a price substantially below market value. In the mid-summer of 2000, approximately six months after Aloha had filed the MFRs, Aloha was informed by the related party that Aloha would no longer be allowed to rent the office property and would be required to vacate the premises by December 31, 2000. After an extensive search, Aloha has now located a new office building on which a formal offer is pending. The asking price for the building is \$800,000. This building will provide Aloha with not only a replacement for its current office building that will be central to its service

territory, but it will also provide Aloha with much needed, though modest, additional space for the Utility's administrative offices. Further detail regarding the building and the status of this transaction is set forth in Attachment "A", the proffered supplemental direct testimony of Mr. Stephen Watford.

3. This information has been known to the Staff and to OPC since June 30,

APP _____
CAF _____
CMP _____
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DOCUMENT NUMBER 11548
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2000. On June 30, 2000, Aloha hand-delivered its response to the Commission Staff's First Set of Interrogatories. The response to Interrogatory No. 10 therein provided detailed information on these issues and concluded "(t)herefore the Commission should recognize this increased rental cost that has only recently become apparent to the Utility Company." Also attached to that response was a copy of the letter directing the Utility to vacate the premises. This information was conveyed to the Commission within three days after Aloha first received formal written notification to vacate the premises. On or about July 15, 2000, the Staff inquired of Aloha in a telephonic conference about any changes in rental expense and much of the information set forth in Attachment "A" was disclosed at that time (to the extent known). Before that date, these same factors had previously been disclosed to the PSC's auditors. On July 20, 2000, Aloha gave a detailed estimate regarding acquisition of the new building in response to discovery. On September 8, 2000, the Staff of the Commission was given further information about this matter in response to Staff's Second Request for Production of Documents. On September 11, 2000, detailed testimony on the matter was contained within Stephen Watford's rebuttal testimony. No party can claim surprise as to this information and no party will be prejudiced by the allowance of this supplemental direct testimony which addresses this narrow issue.

4. Aloha acknowledges and agrees that if this Motion is granted that either the Staff or OPC should be provided the opportunity to file responsive testimony on this narrow issue.

5. A granting of this Motion will facilitate an orderly hearing of these properly considered matters and will allow the Commission to make its decision based on present reality. Denial of this Motion would prejudice Aloha and would necessarily mean that the Commission was effectively disregarding, by a void in the record, this important matter which should be considered when the Commission makes a decision

in this case. A denial of this Motion will require Aloha to proffer the testimony at the time of the formal Administrative Hearing.

6. Under the provisions of Section 367.081(2)(a)1:

“The Commission shall, either upon request or upon its own Motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the Commission shall consider...the cost of providing service, which shall include...operating expenses incurred in the operation of all property used and useful in the public service...”

In addition, the provisions of Section 367.081(3) require:

“The Commission, in fixing rates, may determine the prudent cost of providing service during the period of time the rates will be in effect following the entry of a Final Order relating to the rate request of the utility and may use such costs to determine the revenue requirement that will allow the utility to earn a fair rate-of-return on its rate base.”


Failure of the Commission to recognize this unforeseen change in operating cost of the Utility will render its decision not in compliance with the above-referenced statutes. While the Commission and its staff in this case and on a regular basis in other cases, recognizes known changes that have occurred since the filing of the rate application, when those serve to decrease the Utility's operating cost, it is only appropriate that they also do likewise where a change in operating cost outside the Utility's control occurs during the pendency of the case which increases the Utility's operating cost.

7. To the extent the Commission fails to recognize this additional cost in this rate proceeding, the Utility will be forced to seek recovery of this additional cost through a limited proceeding for all four systems affected. The additional cost of processing that case would render that method of recovery inappropriate and unreasonable under the circumstances.

WHEREFORE, and in consideration of the above, Aloha Utilities, Inc. respectfully

requests that the Commission grant this Motion to allow supplemental direct testimony herein. If this Motion is granted, Aloha, by this filing, agrees not to submit, as part of the rebuttal testimony of Mr. Stephen Watford, page 2, line 20 through page 6, line 15 of said testimony as filed on September 12, 2000.

Dated this 14th day of September, 2000.



JOHN L. WHARTON
F. MARSHALL DETERDING
Rose, Sundstrom, & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via facsimile to the following on this 14th day of September, 2000:

Ralph Jaeger, Esquire
Jason Fudge, Esquire
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Stephen Burgess, Esq.
Office of Public Counsel
111 Madison Street
Tallahassee, FL 32399-1400



JOHN L. WHARTON

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 ALOHA UTILITIES, INC.

3 DOCKET NO. 991643-SU

4 APPLICATION FOR WASTEWATER RATE INCREASE OF

5 ALOHA UTILITIES, INC. IN PASCO COUNTY

6 SUPPLEMENTAL DIRECT TESTIMONY OF STEPHEN G. WATFORD

7 Q. Please state your name and employment address.

8 A. Stephen G. Watford, Aloha Utilities, Inc., 2514 Aloha Place,
9 Holiday, Florida 34691.

10 Q. In what capacity are you employed by Aloha Utilities, Inc.

11 A. I am the Utility's President.

12 Q. How long have you been so employed?

13 A. I have been an officer of the Utility since 1986 and the
14 President of the Utility for approximately five years. I have
15 been employed with Aloha since 1975.

16 Q. What is the purpose of your supplemental direct testimony?

17 A. The purpose of my testimony is to address the issue related to
18 our need to acquire a new office building which was not known
19 about by us at the time of filing our application and, in
20 fact, was not known for six months later. In effect, we did
21 not have an opportunity to file direct testimony on this issue
22 primarily because we were not aware of it for six months after
23 the filing of our application where the Utility's direct
24 testimony must be filed.

25 Q. Why are you filing testimony at this late point.

Attachment A

1 A. Because we have just now been able to nail down approximately
2 what the change in cost will be to Aloha. We were informed in
3 late June of the landlord's intent to evict us. In addition,
4 because of a suit against Aloha by a person claiming that
5 Aloha's offices failed to comply with the American With
6 Disabilities Act, the two items came together at about the
7 same time to demonstrate to us that we had no choice but to
8 relocate our offices. For over 25 years, we have rented
9 office space from a related party at a price substantially
10 below market value. Mid-summer this year, well after we had
11 filed the MFRs, we were informed by the related party that we
12 would no longer be allowed to rent this office property and
13 would be required to vacate the premises by December 31st of
14 this year. That is about the same time as rates should be
15 going into effect in this rate proceeding.

16 After an extensive search by us, we have now located a new
17 office building which we have expressed an interest in and
18 have, as of Monday, September 11, made a formal offer on. We
19 first had to seek approval from our bank for commitment to
20 provide financing for that building and received that on
21 September 6. The price for the building is \$800,000.

22 It will provide us not only a replacement for our current
23 office building that will be central to our service territory,
24 but it will also provide us with a little additional space for
25 the utility's administrative offices. We have been utilizing

1 the same amount of space in our current offices for many, many
2 years despite the fact that our customer base has grown by
3 many multiples.

4 In addition to the requirement by the related party that we
5 vacate the premises by the end of the year, Aloha Utilities,
6 Inc. has been sued in Federal court for our buildings failure
7 to meet the requirements of the Americans with Disabilities
8 Act (ADA). As such, we are currently negotiating to hopefully
9 settle that lawsuit, and as part of the terms of the proposed
10 settlement, we have agreed to have ADA compliant offices by
11 the end of this year. Therefore, this move is not only
12 necessitated by eviction, but also by compliance with the
13 Americans with Disabilities Act. The current building is not
14 modifiable to comply with that Act.

15 Our annual rental expense to rent the current offices
16 comprising 5,270 square feet is \$17,478 on an annual basis.
17 The new building will cost \$800,000. Based upon discussions
18 with our banker and with the realtor, we anticipate that the
19 annual mortgage payment, including interest, will be \$86,373
20 annually for 6,062 square feet. The annual tax expense based
21 on an estimate provided by the current owner using last year's
22 tax bill is \$11,884. The annual insurance expense is
23 estimated to be \$3,800 by the current owner based on last
24 year's cost. Annual maintenance, as estimated once again by
25 the current owner, is \$3,900 based upon last year's

1 experience. All of these estimates from the current owner
2 combine to total an annual expense of \$106,000. There are
3 also additionally approximately 2,000 additional square feet
4 of office space included with the purchase which will be
5 rented by the third party under a four year lease. With
6 annual net rental income as estimated by the realtor of
7 \$30,000. Therefore, the Utility's net cost for the new
8 building will be \$76,000. Subtracting the \$17,478 of current
9 annual rental expense incurred results in an increased expense
10 of \$58,522 to Aloha. We believe the Commission should
11 recognize this additional cost because it was unforeseeable
12 that the Utility would incur this substantial change in
13 operating costs. And that cost should be allocated to the
14 Seven Springs System in this rate proceeding under the same
15 basis as the rents have been previously.

16 While I recognize that the Commission generally has not
17 recognized new expenses brought to their attention by
18 utilities after the filing of the MFRs in rate proceedings, we
19 believe this is a very different situation. We were not aware
20 of the need for new offices, nor were we aware that we would
21 have to make substantial changes to the existing building in
22 order for it to be compliant with the ADA Law at the time we
23 filed our original MFRs, or at the time we filed our original
24 Direct Testimony with the MFRs. As such, this is a change in
25 cost that the Utility will begin incurring immediately, and it

1 is one that we could not have known about prior to the case
2 being filed. Surely if the Commission staff determined during
3 their audit that changes had occurred since the filing of the
4 case that caused our office rent expense or any other expense
5 to be substantially reduced, they would recognize those
6 changes. It is therefore only appropriate that they recognize
7 this change that has caused our expenses to increase as a
8 result of having to find new office space, because our
9 landlord has refused to renew our lease, and because of the
10 governmental requirement related to the ADA. For both
11 reasons, I believe that the Commission must recognize this
12 increased cost. Otherwise, the Utility will be forced to seek
13 this change through a separate proceeding at substantially
14 higher cost to the customers of the Utility. The Commission's
15 responsibility under the Statute to set rates on a going
16 forward basis demands that this increase cost be considered in
17 rate setting. The staff was informed of this change in
18 response to discovery approximately 2 months ago when we were
19 asked about known charges.

20 We will endeavor to try and provide the Commission with final
21 documents concerning the purchase of this property by the
22 hearing date if at all possible so that all the information is
23 available to them to review these costs. To the extent we are
24 able to finalize the deal or even a contract in advance of
25 that date, we will provide the documentation even earlier as

1 a supplemental exhibit.

2 As of Thursday, September 14, we have received a counter-offer
3 to our original offer of \$700,000 for this building. The
4 counter-offer proposes a sales price of \$765,000 plus some
5 changes in terms that will affect the final total price.
6 There will also be some additional improvements needed,
7 including the addition of a drive-thru window, which will
8 slightly increase Aloha's total investment. A copy of the
9 counter-offer is attached. We hope to negotiate the final
10 terms of sale within the next few days and to close on the
11 property before the hearing in this case, if at all possible.
12 We will gladly provide additional information to the
13 Commission at that time or as soon as we obtain it. For the
14 time being, I am attaching a copy of the counter-offer we
15 received today as well as some information from the current
16 owner about the cost of operation, maintenance, taxes and
17 insurance which support the numbers I have outlined above and
18 the notification from the landlord dated June 27, 2000 that we
19 must vacate our current offices by the end of this year. All
20 of these documents are attached as **SGW-1**.

21 Q. Do you have any further testimony to provide at this time.

22 A. No, I do not.



"Good Living by Design"
Since 1972

AUGUST 24, 2000

FAX: 847-9676

TO: HEIDI TUTTLE

FROM: PETE COSTANZA SR.

RE: OFFICE BUILDING EXPENSES

DEAR HEIDI:

THE FOLLOWING ARE A LIST OF EXPENSES YOU REQUESTED.

1999 REAL ESTATE TAXES	\$ 11,884
HAZARD INSURANCE / YEARLY	\$ 3,793
BUILDING MAINTENANCE / 1999	\$ 3,864
LAWN, SECURITY, MISC.	

ALLSTATE LEASE:

SPACE: 2,380 SQ. FT.

TERM: 6/1/99 - 5/31/2004

CURRENT LEASE INCOME: \$ 30,431 WHICH IS \$12.79 A SQ. FT.

(INCLUDES CAM, TENANT PAYS THEIR OWN ELECTRIC / SEPARATE METER)

CPI INCREASE / UP TO 3% MAXIMUM

SINCERELY,

PETE COSTANZA, SR.

NUMBER OF PAGES INCLUDING COVER: 2

Costanza Building Company • 6915 Perrine Ranch Road • New Port Richey, Florida 34655
Phone (727) 376-7800 Fax (727) 376-9442 CG CO 32967

SGW-1



June 27, 2000

Mr. Stephen G. Watford, President
Aloha Utilities, Inc.
2514 Aloha Place
Holiday, FL 34691

Dear Mr. Watford,

As you are aware, your current lease dated April 1, 2000 expires on December 31, 2000.

This letter is to inform you that Interphase, Inc. will not enter into a new lease with you for any subsequent periods.

Accordingly, the landlord is hereby providing you with approximately six (6) months advance notice so you can make appropriate arrangements to vacate your leased space on December 31, 2000.

I will contact you in December to arrange a physical examination of the leased space and arrange for the keys to the space be returned to me.

Yours truly,

A handwritten signature in cursive script that reads "Richard W. Baker".

Richard W. Baker
Secretary/Treasurer

RWB/jlp

Prudential Tropical Realty
8406 Massachusetts Avenue
Suite A-1
New Port Richey, FL 34653
Phone: 727-847-6556, Fax: 727-847-9676

Commercial Contract
FLORIDA ASSOCIATION OF REALTORS®

1. PURCHASE AND SALE:

Aloha Utilities, Inc.

("Buyer") agrees to buy and

Costanza Building Company and/or assigns

("Seller") agrees to sell the property described as: Street Address:

6915 Perrine Ranch Road, New Port Richey, Florida 34655

Legal Description:

Parcel ID#28 26 16 0000 00100 0070

and the following Personal Property:

n/a
(all collectively referred to as the "Property") on the terms and conditions set forth below The "Effective Date" of this Contract is the date on which the last of the Parties signs the latest offer. Time is of the essence in this Contract. Time periods of 5 days or less will be computed without including Saturday, Sunday, or national legal holidays and any time period ending on a Saturday, Sunday or national legal holiday will be extended until 5:00 p.m. of the next business day.

2. PURCHASE PRICE:

- (a) Deposit held in escrow by Prudential Tropical Realty Escrow \$ 10,000.00
(b) Additional deposit to be made within n/a days from Effective Date \$ 612,000.00
(c) Total mortgages (as referenced in Paragraph 3) \$ 560,000.00
(d) Other: n/a \$ 143,000.00
(e) Balance to close, subject to adjustments and prorations, to be made with cash, locally drawn certified or cashier's check or wire transfer. \$ 130,000.00

3. THIRD PARTY FINANCING: Within 5 days from Effective Date ("Application Period"), Buyer will, at Buyer's expense, expense, apply for third party financing in the amount of \$ n/a or 80% of the purchase price to be amortized over a period of n/a years and due in no less than n/a years and with a fixed interest rate not to exceed n/a % per year or variable interest rate not to exceed n/a % at origination with a lifetime cap not to exceed n/a % from initial rate, with additional terms as follows:

n/a
Buyer will pay for the mortgagee title insurance policy and for all loan expenses. Buyer will timely provide any and all credit employment, financial and other information reasonably required by any lender. Buyer will notify Seller immediately upon obtaining financing or being rejected by a lender. If Buyer, after diligent effort, fails to obtain a written commitment within 30 days from Effective Date ("Financing Period"), Buyer may cancel the Contract by giving prompt notice to Seller and Buyer's deposit(s) will be returned to Buyer in accordance with Paragraph 9.

4. TITLE: Seller has the legal capacity to and will convey marketable title to the Property by statutory warranty deed other, n/a free of liens, easements and encumbrances of record or known to Seller, but subject to property taxes for the year of closing; covenants, restrictions and public utility easements of record; and (list any other matters to which title will be subject)

n/a provided there exists at closing no violation of the foregoing and none of them prevents Buyer's intended use of the Property as

n/a (a) Evidence of Title: Seller will, at (check one) Seller's Buyer's expense and within n/a days from Effective Date prior to Closing Date from date Buyer meets or waives financing contingency in Paragraph 3, deliver to Buyer (check one)

a title insurance commitment by a Florida licensed title insurer and, upon Buyer recording the deed, an owner's policy in the amount of the purchase price for fee simple title subject only to exceptions stated above.

an abstract of title, prepared or brought current by an existing abstract firm or certified as correct by an existing firm. However, if such an abstract is not available to Seller, then a prior owner's title policy acceptable to the proposed insurer as a base for reissuance of coverage. The prior policy will include copies of all policy exceptions and an update in a format acceptable to Buyer from the policy effective date and certified to Buyer or Buyer's closing agent together with copies of all documents recited in the prior policy and in the update.

(b) Title Examination: Buyer will, within 15 days from receipt of the evidence of title deliver written notice to Seller of title defects. Title will be deemed acceptable to Buyer if (1) Buyer fails to deliver proper notice of defects or (2) Buyer delivers proper written notice and Seller cures the defects within 30 days from receipt of the notice ("Curative Period"). If the defects are cured within the Curative Period, closing will occur within 10 days from receipt by Buyer of notice of such curing. Seller may elect not to cure defects if Seller reasonably believes any defect cannot be cured within the Curative Period. If the defects are not cured within the Curative Period, Buyer will have 10 days from receipt of notice of Seller's inability to cure the defects to elect whether terminate this Contract or accept title subject to existing defects and close the transaction without reduction in purchase price. The party who pays for the evidence of title will also pay related title service fees including title and abstract charges and title examination.

(c) Survey: (check applicable provisions below)

Seller will, within 10 days from Effective Date, deliver to Buyer copies of prior surveys, plans, specifications, and engineering documents, if any, and the following documents relevant to this transaction:

Q n/a lease with Allstate prepared for Seller or in Seller's possession, which show all currently existing structures.

Buyer will, at Seller's Buyer's expense and within the time period allowed to deliver and examine title evidence, obtain a current certified survey of the Property from a registered surveyor. If the survey reveals encroachments on the Property or that the improvements encroach on the lands of another, Buyer will accept the Property with existing encroachments such encroachments will constitute a title defect to be cured within the Curative Period.

(d) Ingress and Egress: Seller warrants that the Property presently has ingress and egress.

(e) Possession: Seller will deliver possession and keys for all locks and alarms to Buyer at closing.

5. CLOSING DATE AND PROCEDURE: This transaction will be closed in Pasco County, Florida on or before the December 20, 2000 or within 0 days from Effective Date ("Closing Date"), unless otherwise extended herein.

Seller Buyer will designate the closing agent. Buyer and Seller will, within 45 days from Effective Date, deliver to Escrow Agent signed instructions which provide for closing procedure. If an institutional lender is providing purchase funds, lender requirements as to place, time of day, and closing procedures will control over any contrary provisions in this Contract.

(a) Costs: Buyer will pay taxes and recording fees on notes, mortgages and financing statements and recording fees for the deed. Seller will pay taxes on the deed and recording fees for documents needed to cure title defects. If Seller is obligated to discharge any encumbrance at or prior to closing and fails to do so, Buyer may use purchase proceeds to satisfy the encumbrances.

(b) Documents: Seller will provide the deed, bill of sale, mechanic's lien affidavit, assignments of leases, updated rent roll, tenants and lender estoppel letters, assignments of permits and licenses, corrective instruments and letters notifying tenants of the change in ownership/rental agent. If any tenant refuses to execute an estoppel letter, Seller will certify that information regarding the tenant's lease is correct. If Seller is a corporation, Seller will deliver a resolution of its Board of Directors authorizing the sale and delivery of the deed and certification by the corporate Secretary certifying the resolution and setting forth facts showing the conveyance conforms with the requirements of local law. Seller will transfer security deposits to Buyer. Buyer will provide the closing statement, mortgages and notes, security agreements and financing statements.

(c) Taxes, Assessments, and Prorations: The following items will be made current and prorated as of Closing Date as of n/a; real estate taxes, bond and assessment payments assumed by Buyer, interest, rents, association dues, insurance premiums acceptable to Buyer, operational expenses and n/a.

If the amount of taxes and assessments for the current year cannot be ascertained, rates for the previous year will be used with due allowance being made for improvements and exemptions. Seller is aware of the following assessments affecting or potentially affecting the Property: n/a

Buyer will be responsible for all assessments of any kind which become due and owing on or after Effective Date, unless the improvement is substantially completed as of Closing Date, in which case Seller will be obligated to pay the entire assessment.

(d) FIRPTA Tax Withholding: The Foreign Investment in Real Property Act ("FIRPTA") requires Buyer to withhold at closing a portion of the purchase proceeds for remission to the Internal Revenue Service ("I.R.S.") if Seller is a "foreign person" as defined by the Internal Revenue Code. The parties agree to comply with the provisions of FIRPTA and to provide, at or prior to closing, appropriate documentation to establish any applicable exemption from the withholding requirement. If withholding is required and Buyer does not have cash sufficient at closing to meet the withholding requirement, Seller will provide the necessary funds and Buyer will provide proof to Seller that such funds were properly remitted to the I.R.S.

6. ESCROW: Buyer and Seller authorize Prudential Tropical Realty
Telephone: 727-847-6556 Facsimile: 727-847-9676 Address: 8406 Massachusetts Ave

Suite A-1, New Port Richey, FL 34553 to act as "Escrow Agent" to receive funds and other items and, subject to clearance, disburse them in accordance with the terms of this Contract. Escrow Agent will deposit all funds received in a non-interest bearing escrow account an interest bearing escrow account with interest accruing to n/a with interest disbursed (check one) at closing at n/a intervals. If Escrow Agent receives conflicting demands or has a good faith doubt as to Escrow Agent's duties or liabilities under this Contract, he/she may (a) hold the subject matter of the escrow until the parties mutually agree to its disbursement or until issuance of a court order or decision of arbitrator determining the parties' rights regarding the escrow or (b) deposit the subject matter of the escrow with the clerk of the circuit court having jurisdiction over the dispute. Upon notifying the parties of such action, Escrow Agent will be released from all liability except for the duty to account for items previously delivered out of escrow. If a licensed real estate broker, Escrow Agent will comply with applicable provisions of Chapter 475, Florida Statutes. In any suit or arbitration in which Escrow Agent is made a party because of acting as agent hereunder or interpleads the subject matter of the escrow, Escrow Agent will recover reasonable attorneys' fees and costs at all levels, with such fees and costs to be paid from the escrowed funds or equivalent and charged and awarded as court or other costs in favor of the prevailing party. The parties agree that Escrow Agent will not be liable to any person for misdelivery to Buyer or Seller of escrowed items, unless the misdelivery is due to Escrow Agent's willful breach of this Contract or gross negligence.

7. PROPERTY CONDITION: Seller will deliver the Property to Buyer at the time agreed in its present "as is" condition, ordinary wear and tear excepted, and will maintain the landscaping and grounds in a comparable condition. Seller makes no warranties other than marketability of title. By accepting the Property "as is," Buyer waives all claims against Seller for any defects in the property. (Check (a) or (b))

- (a) As Is: Buyer has inspected the Property or waives any right to inspect and accepts the Property in its "as is" condition.
- (b) Due Diligence Period: Buyer will, at Buyer's expense and within 30 days from Effective Date ("Due Diligence Period"), determine whether the Property is suitable, in Buyer's sole and absolute discretion, for Buyer's intended use and development of the Property as specified in Paragraph 4. During the Due Diligence Period, Buyer may conduct any tests, analyses, surveys and investigations ("Inspections") which Buyer deems necessary to determine to Buyer's satisfaction the Property's engineering, architectural, environmental properties; zoning and zoning restrictions; flood zone designation and restrictions; subdivision regulations; soil and grade; availability of access to public roads, water, and other utilities; consistency with local, state and regional growth management and comprehensive land use plans; availability of permits, government approvals and licenses; compliance with American with Disabilities Act; absence of asbestos, soil and ground water contamination; and other inspections that Buyer deems appropriate to determine the suitability of the Property for Buyer's intended use and development. Buyer shall deliver written notice to Seller prior to the expiration of the Due Diligence Period of Buyer's determination of whether or not the Property is acceptable. Buyer's failure to comply with this notice requirement shall constitute acceptance of the Property in its present "as is" condition. Seller grants to Buyer, its agents, contractors and assigns, the right to enter the Property at any time during the Due Diligence Period for the purpose of conducting Inspections; provided, however, that Buyer, its agents, contractors and assigns enter the Property and conduct Inspections at their own risk. Buyer shall indemnify and hold Seller harmless from losses, damages, costs, claims and expenses of any nature, including attorneys' fees at all levels, and from liability to any person, arising from the conduct of any and all inspections or any work authorized by Buyer. Buyer will not engage in any activity that could result in a mechanic's lien being filed against the Property without Seller's prior written consent. In the event this transaction does not close, (1) Buyer shall repair all damages to the Property resulting from the Inspections and return the Property to the condition it was in prior to conduct of the Inspections, and (2) Buyer shall, at Buyer's expense, release to Seller all reports and other work generated as a result of the Inspections. Should Buyer deliver timely notice that the Property is not acceptable, Seller agrees that Buyer's deposit shall be immediately returned to Buyer and the Contract terminated.

(c) Walk-through Inspection: Buyer may, on the day prior to closing or any other time mutually agreeable to the parties, conduct a final "walk-through" inspection of the Property to determine compliance with this paragraph and to ensure that all Property is on the premises.

(d) Disclosures:

- 1. Radon Gas: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.
- 2. Energy Efficiency: Buyer may have determined the energy efficiency rating of the building, if any is located on the Real Property.

8. OPERATION OF PROPERTY DURING CONTRACT PERIOD: Seller will continue to operate the Property and any business conducted on the Property in the manner operated prior to Contract and will take no action that would adversely impact the Property,

tenants, lenders or business, if any. Any changes, such as renting vacant space, that materially affect the Property or Buyer's intended use of the Property will be permitted only with Buyer's consent without Buyer's consent.

9. RETURN OF DEPOSIT: Unless otherwise specified in the Contract, in the event any condition of this Contract is not met and Buyer has timely given any required notice regarding the condition having not been met, Buyer's deposit will be returned in accordance with applicable Florida laws and regulations.

10. DEFAULT:

(a) In the event the sale is not closed due to any default or failure on the part of Seller other than failure to make the title marketable after diligent effort, Buyer may either (1) receive a refund of Buyer's deposit(s) or (2) seek specific performance. If Buyer elects a deposit refund, Seller will be liable to Broker for the full amount of the brokerage fee.

(b) In the event the sale is not closed due to any default or failure on the part of Buyer, Seller may either (1) retain all deposit(s) paid or agreed to be paid by Buyer as agreed upon liquidated damages, consideration for the execution of this Contract, and in full settlement of any claims, upon which this Contract will terminate or (2) seek specific performance. If Seller retains the deposit, Seller will pay the Listing and Cooperating Brokers named in Paragraph 12 fifty percent of all forfeited deposits retained by Seller (to be split equally among the Brokers) up to the full amount of the brokerage fee.

11. ATTORNEY'S FEES AND COSTS: In any claim or controversy arising out of or relating to this Contract, the prevailing party, which for purposes of this provision will include Buyer, Seller and Broker, will be awarded reasonable attorneys' fees, costs and expenses.

12. BROKERS: Neither Buyer nor Seller has utilized the services of, or for any other reason owes compensation to, a licensed real estate Broker other than:

(a) Listing Broker: n/a
who is an agent of n/a a transaction broker a nonrepresentative
and who will be compensated by Seller Buyer both parties pursuant to a listing agreement other (specify)
n/a

(b) Cooperating Broker: Prudential Tropical Realty
who is an agent of n/a a transaction broker a nonrepresentative
and who will be compensated by Buyer Seller both parties pursuant to an MLS or other offer of compensation to
a cooperating broker other (specify)
n/a

(collectively referred to as "Broker") in connection with any act relating to the Property, including but not limited to inquiries, introductions, consultations and negotiations resulting in this transaction. Seller and Buyer agree to indemnify and hold Broker harmless from and against losses, damages, costs and expenses of any kind, including reasonable attorneys' fees at all levels, and from liability to any person, arising from (1) compensation claimed which is inconsistent with the representation in this Paragraph, (2) enforcement action to collect a brokerage fee pursuant to Paragraph 10, (3) any duty accepted by Broker at the request of Buyer or Seller, which duty is beyond the scope of services regulated by Chapter 475, F.S., as amended, or (4) recommendations of or services provided and expenses incurred by any third party whom Broker refers, recommends or retains for or on behalf of Buyer or Seller.

13. ASSIGNABILITY; PERSONS BOUND: This Contract may be assigned to a related entity, and otherwise is not assignable is assignable. The terms "Buyer," "Seller" and "Broker" may be singular or plural. This Contract is binding upon Buyer, Seller and their heirs, personal representatives, successors and assigns (if assignment is permitted).

14. OPTIONAL CLAUSES: (Check if any of the following clauses are applicable and are attached as an addendum to this Contract):

- Arbitration
- Section 1031 Exchange
- Property Inspection and Repair
- Seller Representations
- Seller Warranty
- Coastal Construction Control Line
- Flood Area Hazard Zone
- Seller Financing
- Existing Mortgage
- Other See attached addendum
- Other n/a
- Other n/a

15. MISCELLANEOUS: The terms of this Contract constitute the entire agreement between Buyer and Seller. Modifications of this Contract will not be binding unless in writing, signed and delivered by the party to be bound. Signatures, initials, documents referenced in this Contract, counterparts and written modifications communicated electronically or on paper will be acceptable for all purposes, including delivery, and will be binding. Handwritten or typewritten terms inserted in or attached to this Contract prevail, over preprinted terms. If any provision of this Contract is or becomes invalid or unenforceable, all remaining provisions will continue; to be fully effective. This Contract will be construed under Florida law and will not be recorded in any public records. Delivery of any written notice to any party's agent will be deemed delivery to that party.

THIS IS INTENDED TO BE A LEGALLY BINDING CONTRACT. IF NOT FULLY UNDERSTOOD, SEEK THE ADVICE OF AN ATTORNEY PRIOR TO SIGNING. BROKER ADVISES BUYER AND SELLER TO VERIFY ALL FACTS AND REPRESENTATIONS THAT ARE IMPORTANT TO THEM AND TO CONSULT AN APPROPRIATE PROFESSIONAL FOR LEGAL ADVICE (FOR

EXAMPLE, INTERPRETING CONTRACTS, DETERMINING THE EFFECT OF LAWS ON THE PROPERTY AND TRANSACTION, STATUS OF TITLE, FOREIGN INVESTOR REPORTING REQUIREMENTS, ETC.) AND FOR TAX, PROPERTY CONDITION, ENVIRONMENTAL AND OTHER SPECIALIZED ADVICE. BUYER ACKNOWLEDGES THAT BROKER DOES NOT OCCUPY THE PROPERTY AND THAT ALL REPRESENTATIONS (ORAL, WRITTEN OR OTHERWISE) BY BROKER ARE BASED ON SELLER REPRESENTATIONS OR PUBLIC RECORDS UNLESS BROKER INDICATES PERSONAL VERIFICATION OF THE REPRESENTATION. BUYER AGREES TO RELY ; SOLELY ON SELLER, PROFESSIONAL INSPECTORS AND GOVERNMENTAL AGENCIES FOR VERIFICATION OF THE PROPERTY CONDITION, SQUARE FOOTAGE AND FACTS THAT MATERIALLY AFFECT PROPERTY VALUE.

DEPOSIT RECEIPT: Deposit of \$ 10,000.00 by check other n/a received on n/a by Allen S. Pumbler Signature of Escrow Agent

OFFER: Buyer offers to purchase the Property on the above terms and conditions. Unless acceptance is signed by Seller and a signed copy delivered to Buyer or Buyer's agent no later than n/a a.m. p.m. on n/a Buyer may revoke this offer and receive a refund of all deposits.

DATE 9/8/00 Aloha Utilities, Inc. BUYER Steph Guafal, Pres By: Aloha Utilities, Inc.

ACCEPTANCE: Seller accepts Buyer's offer and agrees to sell the Property on the above terms and conditions (subject to the attached counter offer).

DATE 9/12/00 Costanza Building Company and/or assigns SELLER Costanza By: Costanza Building Company and/or assigns

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Prudential Tropical Realty
8406 Massachusetts Avenue
Suite A-1
New Port Richey, FL 34653
Phone: 727-847-6556, Fax: 727-847-9676

Addendum to Contract

FLORIDA ASSOCIATION OF REALTORS®

Addendum No. 1 to the Contract dated September 08, 2000 between

Costanza Building Company and/or assigns
(Seller) and

Aloha Utilities, Inc
(Buyer)

concerning the property described as:
6915 Perrine Ranch Road, New Port Richey, FL 34655

(the "Contract"). Buyer and Seller make the following terms and conditions part of the Contract:

1. This contract is contingent upon the subject property being concurrent with the American Disabilities Act, (ADA) requirements. *which shall take place within the 30 day due diligence period.*
2. This contract is subject to the Buyer and Seller agreeing to improve the lobby area, isolating and securing with improvements. The expense will be paid for by the Buyer. The cost is in addition to the purchase price. It is intended to have the improvements completed prior to move in.
3. This contract is subject to the Seller constructing a drive-thru facility suitable for Buyer and agreed by both Buyer and Seller. This Cost of such improvements will be paid by the Buyer and is in addition to the purchase price.

Aloha Utilities, Inc
BUYER

Steph M. Wolfe, Pres

DATE

9/8/00

By: Aloha Utilities, Inc

Costanza Building Company and/or assigns
SELLER

R. Costanza

DATE

9/12/00

By: Costanza Building Company and/or assigns

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Addendum to Contract - ACSP-2 - Rev.6/94



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Completed by - Pam Daly, Marketing Assistant, Prudential Tropical Realty

Addendum #2 to the Contract dated September 8, 2000 between Costanza Building Company and Aloha Utilities, Inc.

- 1. Seller will maintain possession of the property for a maximum of 90 days after the closing.
- 2. Seller will pay rent to Buyer on a per diem basis at the rate of \$12.70 per sq. ft.. Rent for 30 days will be paid in advance by Seller at closing and monthly thereafter. Buyer will continue to pay for electricity.
- 3. Improvements requested by the Buyer on Addendum #1 will be started immediately upon closing and receipt of permits. Said improvements will be handled by a separate contract.
- 4. Attached is a furniture and light fixture schedule owned by the Seller for purchase by the Buyer. Items to be selected within 10 days from the execution date and handled with a separate contract. Payment due at closing.
- 5. Seller counters Buyer's offer (to accept the counter offer, Buyer must sign or initial the counter offered terms and deliver a copy of the acceptance to Seller by 5:00 p.m. on September 19, 2000).

Buyer _____
Aloha Utilities, Inc.

Date _____

Seller Costanza _____
Costanza Building Company

Date 9/12/00

Prudential Tropical Realty
8406 Massachusetts Avenue
Suite A-1
New Port Richey, FL 34653
Phone: (727) 847-6556, Fax: (727) 847-9676

Brokerage Relationship Disclosure
FLORIDA ASSOCIATION OF REALTORS®

IMPORTANT NOTICE

FLORIDA LAW REQUIRES THAT REAL ESTATE LICENSEES PROVIDE THIS NOTICE TO ALL POTENTIAL SELLERS AND BUYERS OF REAL ESTATE.

You should not assume that any real estate broker or salesperson represents you unless you agree to engage a real estate licensee in an authorized brokerage relationship, either as a single agent or as a transaction broker. You are advised not to disclose any information you want to be held in confidence until you make a decision on representation.

TRANSACTION BROKER NOTICE

FLORIDA LAW REQUIRES THAT REAL ESTATE LICENSEES OPERATING AS TRANSACTION BROKERS DISCLOSE TO BUYERS AND SELLERS THEIR ROLE AND DUTIES IN PROVIDING A LIMITED FORM OF REPRESENTATION.

As a transaction broker, Prudential Tropical Realty and its associates, provides to you a limited form of representation that includes the following duties:

1. Dealing honestly and fairly;
2. Accounting for all funds;
3. Using skill, care, and diligence in the transaction;
4. Disclosing all known facts that materially affect the value of residential real property and are not readily observable to the buyer;
5. Presenting all offers and counteroffers in a timely manner, unless a party has previously directed the licensee otherwise in writing;
6. Limited confidentiality, unless waived in writing by a party. This limited confidentiality will prevent disclosure that the seller will accept a price less than the asking or listed price, that the buyer will pay a price greater than the price submitted in a written offer, of the motivation of any party for selling or buying property, that a seller or buyer will agree to financing terms other than those offered, or of any other information requested by a party to remain confidential; and
7. Any additional duties that are entered into by this or by separate written agreement

Limited representation means that a buyer or seller is not responsible for the acts of the licensee. Additionally, parties are giving up their rights to the undivided loyalty of the licensee. This aspect of limited representation allows a licensee to facilitate a real estate transaction by assisting both the buyer and the seller, but a licensee will not work to represent one party to the detriment of the other party when acting as a transaction broker to both parties.

Date 9/8/00 Signature [Signature] Signature _____

Copy returned to Customer on the _____ day of _____ by: personal delivery mail facsimile.

[Signature]

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Completed by - user1, user1, Prudential Tropical Realty



COMMERCIAL SERVICES

RADON GAS, CLOSING COSTS AND PROPERTY SUITABILITY DISCLOSURE FORM

Seller: Costanza Building Company

Buyer: Aloha Utilities, Inc.

Property: 6915 Perrine Ranch Road, New Port Richey, FL 34655

Radon Gas

Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

Closing Costs

At closing of this transaction, Buyer may be required to pay additional sums referred to as "closing costs". Listed below are the major closing cost items ordinarily arising in a real estate sales transaction and may be payable by Buyer pursuant to the Contract which Buyer is about to sign. The closing agent will prepare a settlement statement showing items applicable to this transaction and actual closing costs.

Appraisal Fee	Mortgage Insurance Premium	Tax Service Fee
Credit Report	Attorney's Fees	Document Preparation
Survey	Abstract Fees	Escrow Account Balance on Assumption
Pest Inspection	Title Search & Examination	Professional Property Inspection
Loan Origination/Service Fee	Title Insurance, Owner Policy	Home Owner's Warranty
Loan Discount Points	Title Insurance, Lender Policy	Flood Insurance, Prepaid
VA Funding Fee	Doc. Stamp Taxes on Deed, Note	Condominium Assoc. Application
Mortgage Transfer/Assumption Fee	Deed & Mortgage Recording Fees	_____
Hazard Insurance, Prepaid	Intangible Tax on Mortgage	_____
Taxes and Assessments, Prepaid	Broker's Fees	_____

Flood Insurance Notice

Property in the State of Florida may be subject to flooding and may require flood insurance.

Property Suitability

Buyer to determine, in Buyer's sole judgment, and based upon such independent inspections and investigations, as Buyer has deemed necessary or appropriate, that the land use requirements and suitability of the property for Buyer's proposed use will be sufficient.

<u><i>[Signature]</i></u>	<u>9/18/00</u>	<u><i>[Signature]</i></u>	<u>9/12/00</u>
Buyer	Date	Seller	Date

_____	_____	_____	_____
Buyer	Date	Seller	Date

_____	_____	_____	_____
Selling Office Representative	Date	Listing Office Representative	Date

The following furniture is not included in the selling price of the office but is available for sale.

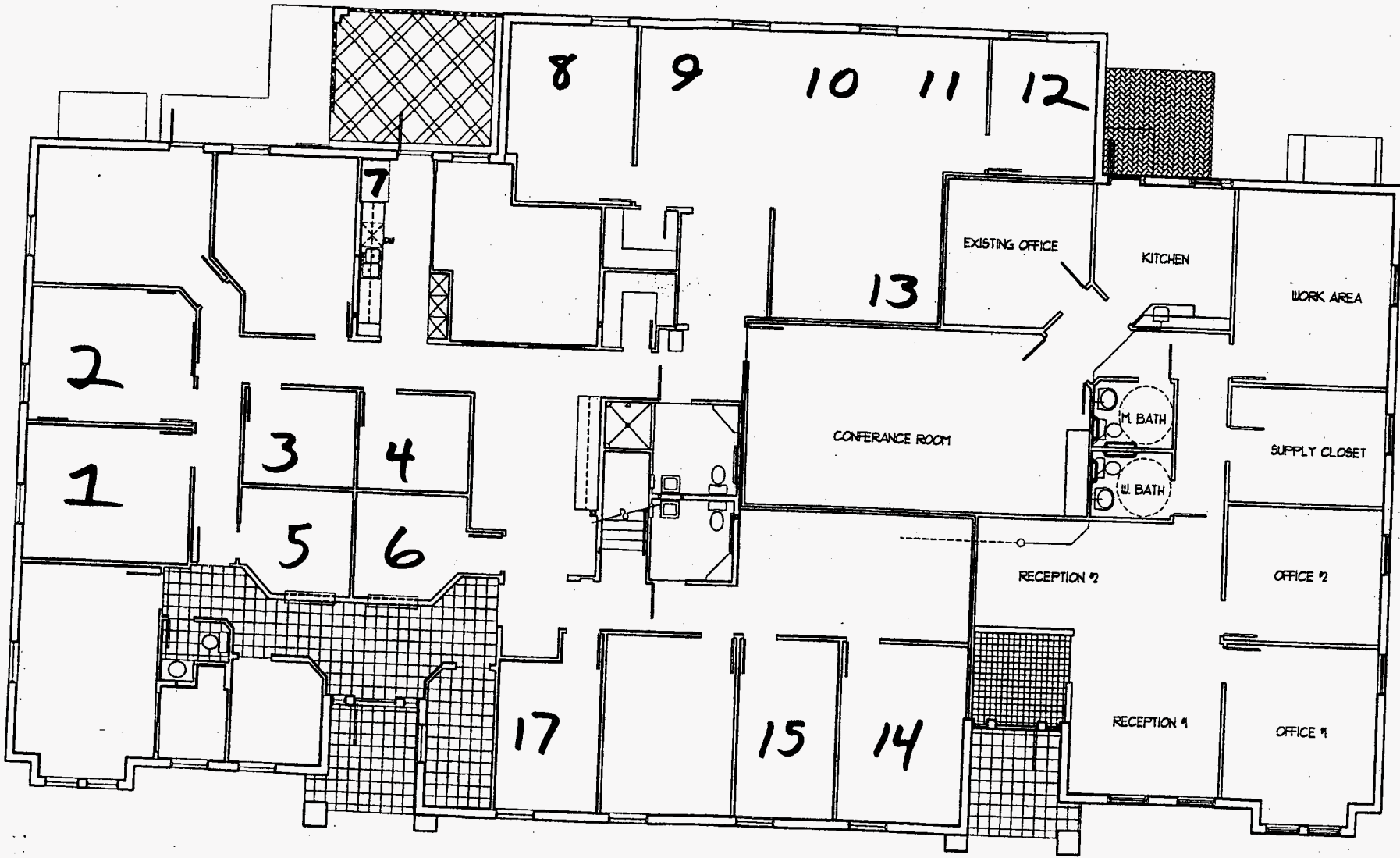
Office Number	Description	Selling Price
1	built in desk, wall units, hutch, filing cabinets	\$3,050
2	built in desk, wall units, hutch, filing cabinets	\$3,550
3	built in desk, wall units, filing cabinets	\$675
4	built in desk, wall units, filing cabinets	\$675
5	desk and wall units that fit the room well	\$675
6	built in desk, wall units, filing cabinets	\$976
7	refrigerator	\$75
8	built in desk, wall units, drafting table	\$3,800
9	built in desk, long wall units, filing cabinets	\$1,250
10	built in desk, short wall units, filing cabinet	\$950
11	built in desk, long wall units, filing cabinet	\$1,250
12	built in desk, short wall units, filing cabinet	\$950
13	built in desk, long wall units, filing cabinet	\$1,250
14	extra large built in desk, wall unit, filing cabinet	\$920
15	built in desk, wall unit, filing drawers	\$695
17	desk and wall units that fit the room well	\$700

Included in the office selling price

- Built in Cabinets in the Kitchen
- Built in Cabinets in the copy area
- Built in Cabinets in the conference room

Not included in the office selling price and not for sale

- Granite conference table
- Conference room light fixture



Costanza Office Building