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December 4, 2001

VIA HAND DELIVERY

ROBERT M. C. ROSE  
OF COUNSEL

Ms. Blanca Bayo, Clerk  
Florida Public Service Commission  
Division of the Commission Clerk  
and Administrative Services  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

011401-22U

Re: AquaSource Utilities, Inc.; Heartland Utilities, Inc.  
Our File No. 33087.01

Dear Ms. Bayo:

This letter is in response to the Commission Staff's November 30, 2001 letter to me regarding the above-referenced Application:

Deficiencies:

1. This is to amend the Application and confirm that the Buyer has obtained or will obtain copies of all the Federal Income Tax Returns of the Seller.
2. Enclosed is a copy of the Addendum to the Asset Purchase Agreement by which the parties have acknowledged that the Purchase Agreement is contingent upon the PSC's approval.

Additional Information:

1. Enclosed is Original Sheet No. 17.3.
2. This issue predates the current Application, and although it will be remedied, should slow down the Application process.

APP  
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DOCUMENT NUMBER-DATE

15128 DEC-4 01

FPSC-COMMISSION CLERK


Ms. Blanca Bayo, Clerk  
December 3, 2001  
Page 2

Reminder Items:

1. This Affidavit was filed on December 3, 2001.
2. Enclosed is a copy of the Warranty Deed which has been executed by the Seller.

Should the Staff have any additional comments regarding this Application, they should not hesitate to give me a call.

Very truly yours,

  
MARTIN S. FRIEDMAN  
For the Firm

MSF/brm

Enclosure

cc: Valerie Lord, Esquire (w/out enclosure)  
Ms. Stephanie Clapp (w/ enclosure)

**ADDENDUM TO ASSET PURCHASE AGREEMENT**

THIS ADDENDUM TO ASSET PURCHASE AGREEMENT (the "Addendum") is made and entered into as of the 8th day of November, 2001, by and among (i) Heartland Utilities, Inc. ("Seller"); (ii) Howard Short and Coleen Short ("Shareholders"), and (iii) AquaSource Utility, Inc. ("Buyer").

**RECITALS**

A. Seller, Shareholders and Buyer on September 10, 2001, entered into an Asset Purchase Agreement ("Agreement").

B. Although the parties believe the provision of the Agreement regarding closing prior to PSC approval are in compliance with Florida law, the PSC Staff has requested an addendum which specifically references the transfer being contingent upon PSC approval.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Agreement is contingent upon PSC approval and subject to the other terms and conditions set forth in the Agreement.

2. Except as otherwise amended hereby, the parties reaffirm the provisions of the Agreement.

HEARTLAND UTILITIES, INC.

AQUASOURCE UTILITY, INC.

By: Howard Short  
Howard Short, President

By: Frank Hoffman  
Frank Hoffman, President

Howard Short  
Howard Short

Coleen Short  
Coleen Short

CUSTOMER DEPOSITS -- HIGHLANDS COUNTY  
SEBRING LAKES SUBDIVISION

ESTABLISHMENT OF CREDIT - Before rendering water service, the Company may require an Applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the Customer from complying with the Company's rules for prompt payment. Credit will be deemed so established if the Customer complies with the requirements of Rule 25-30.311, Florida Administrative Code.

AMOUNT OF DEPOSIT - The amount of initial deposit shall be the following according to meter size:

	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$ <u>30.00</u>	\$ <u>54.00</u>
1"	<u>48.00</u>	<u>72.00</u>
1 1/2"	<u>80.00</u>	<u>140.00</u>
2"	<u>TWICE MONTHLY ESTIMATED BILL</u>	

ADDITIONAL DEPOSIT - Under Rule 25-30.311(7), Florida Administrative Code, the Company may require a new deposit, where previously waived or returned, or an additional deposit in order to secure payment of current bills provided.

INTEREST ON DEPOSIT - The Company shall pay interest on Customer deposits pursuant to Rules 25-30.311(4) and (4a). The Company will pay or credit accrued interest to the Customer's account during the month of September each year.

REFUND OF DEPOSIT - After a residential Customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the Company shall refund the Customer's deposit provided the Customer has met the requirements of Rule 25-30.311(5), Florida Administrative Code. The Company may hold the deposit of a non-residential Customer after a continuous service period of 23 months and shall pay interest on the non-residential Customer's deposit pursuant to Rules 25-30.311(4) and (5), Florida Administrative Code.

Nothing in this rule shall prohibit the Company from refunding a Customer's deposit in less than 23 months.

EFFECTIVE DATE -

TYPE OF FILING - Transfer

FRANK HOFFMANN -  
Issuing Officer

PRESIDENT  
Title

**WARRANTY DEED**

This instrument prepared by and  
 After recording return to  
 Gregory A. Weingart, Esq.:  
 Eckert Seamans Cherin & Mellott  
 600 Grant St. 44<sup>th</sup> Floor  
 Pittsburgh, PA 15219

Parcel Identification Number: C033629-02000600010  
 Grantee's FEIN: 76-0556391

This Warranty Deed, made the 30<sup>th</sup> day of October, 2001, by **HEARTLAND UTILITIES, INC.**, a Florida corporation, hereinafter called the Grantor,

whose address is 4923 Regency Drive, Sebring, Florida 33875.

TO

**AQUASOURCE UTILITY, INC.**, a Texas corporation, hereinafter called the Grantee,

whose address is Cherrington Corporate Center, Suite 300, 200 Corporate Center Drive, Moon Township, Pennsylvania 15108.

The Grantor, for and in consideration of the sum of NINETY THOUSAND DOLLARS (\$90,000) and other valuable considerations, receipt whereof is hereby acknowledged, hereby grants, bargains and sells unto the Grantee all that certain land, situate in **HIGHLANDS COUNTY, STATE OF FLORIDA**, to wit:

Lots 1 through 6, inclusive and Lots 49 through 54, inclusive, Block 6, Sebring lakes, Unit One, according to the Plat thereof as recorded in Plat Book 6, Page 47, Public Records of Highlands County Florida.

Together with all the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining.

To have and to hold, the same in fee simple forever.

And the Grantor hereby covenants with the Grantee that the Grantor is lawfully seized of said land in fee simple; that the Grantor has good right and lawful authority to sell and convey said land; that the Grantor hereby warrants the title to said land and will defend the same against the lawful claims of all persons whomsoever; and that said land is free of all encumbrances, except taxes accruing subsequent to December 31, 2000.

{J0544647 1}

In witness whereof, the said Grantor has signed and sealed these presents the day and year first above written.

Signed, sealed and delivered in the presence of:

HEARTLAND UTILITIES, INC.

Melanie Anderson  
Witness signature

By: Howard Short  
Howard Short, President

Melanie Anderson  
Printed Name

[Signature]  
Witness signature

K.H. Shelcut, Jr.  
Printed Name

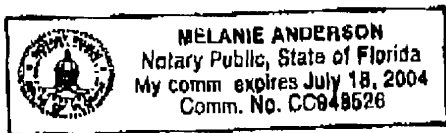
State of FLORIDA )

County of POLK )

I hereby certify that on this day, before me, an officer duly authorized to administer oaths and take acknowledgments, personally appeared HOWARD SHORT, President of Heartland Utilities, Inc., known to me to be the person herein described and who executed the foregoing instrument, who acknowledged before me that he/she executed the same, and an oath was not taken.

(Check one):  said person is personally known to me.  
 said person provided the following type of identification:

Witness my hand and official seal in the county and state last aforesaid this 30<sup>th</sup> day of October 2001.



Notary signature

Melanie Anderson

Melanie Anderson  
Printed Notary signature

Notary rubber stamp seal