

WENDEL & CHRITTON
CHARTERED
ATTORNEYS AT LAW

ORIGINAL

CHARLES P. CHRITTON
Real Estate Law and Title Insurance
Land Use - Planning and Zoning
Wills, Trusts and Probate

March 28, 2002

5300 South Florida Avenue
Post Office Box 5378
Lakeland, Florida 33807
Telephone (863) 646-5091
Fax (863) 644-3477
E-mail: wcplaw@aol.com

In reply please refer to our file:
(7258) 01-080
Water Supply, Inc.

VIA FEDERAL EXPRESS

Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 011651-WU

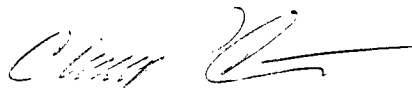
Dear Clerk:

Enclosed for your files please find a copy of the signed stock purchase agreement for Pinecrest Ranches, Inc.

If you require any additional information or have any questions please do not hesitate to contact us.

Very truly yours,

WENDEL & CHRITTON, Chartered



Charles P. Chritton

CPC/bh

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DOCUMENT CENTER

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FFSC DISTRIBUTION CLERK

**STOCK
PURCHASE AGREEMENT**

among

RICHARD LITTLE

and

NORMAN DUNCAN

and

JAMES VAUGHN

and

MARGARET S. HANKIN

March 15, 2002

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "**Agreement**") is entered into as of March 15, 2002, by Richard Little and Norman Duncan ("**Buyer**") and James Vaughn and Margaret S. Hankin ("**Seller**").

STATEMENT OF PURPOSE

Buyer has agreed to purchase from Seller, and Seller has agreed to sell to Buyer, all of Seller's stock in Company for the consideration and on the terms and subject to the conditions set forth in this Agreement.

ARTICLE I CERTAIN DEFINITIONS

"**Business Day**" means any day that is not a Saturday, Sunday or any other day on which banks are required or authorized by law to be closed in Charlotte, North Carolina.

"**Code**" means the Internal Revenue Code of 1986.

"**Company**" means Pinecrest Ranches, Inc., a Florida corporation.

"**Consent**" means any consent, approval, authorization, permission or waiver.

"**Contract**" means any contract, obligation, understanding, commitment or agreement, whether written or oral and whether express or implied, together with all amendments and other modifications thereto.

"**Encumbrance**" means any lien, mortgage, pledge, encumbrance, charge, security interest, adverse or other claim, community property interest, condition, equitable interest, option, warrant, right of first refusal, easement, profit, license, servitude, right of way, covenant, zoning or restriction of any kind or nature.

"**Governmental Body**" means any federal, state, local, foreign or other government or quasi-governmental authority or any department, agency, subdivision, court or other tribunal of any of the foregoing.

"**Knowledge**" means actual knowledge as of the Closing Date. Seller will be deemed to have Knowledge of a matter only if Bret Chandler has Knowledge of such matter.

"**Law**" means any federal, state, local, foreign or other law, statute, ordinance, regulation, rule, regulatory or administrative guidance, Order, constitution, treaty, principle of common law or other restriction of any Governmental Body.

“Liability” means any liability, obligation or commitment of any kind or nature, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due.

“Loss” means any loss, claim, demand, Order, damage, penalty, fine, cost (including any opportunity cost), settlement payment, Liability, Tax, Encumbrance, diminution of value, expense, fee, court costs or attorneys’ fees and expenses.

“Order” means any order, award, decision, injunction, judgment, ruling, decree, charge, writ, subpoena or verdict entered, issued, made or rendered by any court, administrative agency, Governmental Body or arbitrator.

“Organizational Documents” means (a) the certificate or articles of incorporation and the bylaws, organizational minutes and operating minutes (b) any documents comparable to those described in clause (a) as may be applicable pursuant to any Law and (c) any amendment or modification to any of the foregoing.

“Party” means Buyer or Seller.

“Permit” means any permit, license or Consent issued by any Governmental Body or pursuant to any Law.

“Permitted Encumbrance” means (a) any lien for Taxes not yet due, and (b) any recorded easement, covenant, zoning or other restriction on the real property that, together with all other Permitted Encumbrances, does not prohibit or impair the current use, occupancy, value, or marketability of title of the property subject thereto.

“Person” means any individual, corporation, limited liability company, partnership, company, sole proprietorship, joint venture, trust, estate, association, organization, labor union, Governmental Body or other entity.

“Proceeding” means any proceeding, charge, complaint, claim, demand, notice, action, suit, litigation, hearing, audit, investigation, arbitration or mediation (in each case, whether civil, criminal, administrative, investigative or informal) commenced, conducted, heard or pending by or before any Governmental Body, arbitrator or mediator.

“Representative” means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

“Tax” means any federal, state, local, foreign or other income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code § 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, general service, alternative or add-on minimum,

estimated or other tax of any kind whatsoever, however denominated, and shall include any interest, penalty, or addition thereto, whether disputed or not.

“Tax Return” means any federal, state or local income tax return, including any form, schedule or attachment thereto and any amendment or supplement thereof.

“Transactions” means the transactions contemplated by the Transaction Documents.

“Transaction Documents” means this Agreement, the Assignment, and all other written agreements, documents and certificates contemplated by any of the foregoing documents.

ARTICLE II SALE AND PURCHASE OF STOCK

2.1 Sale and Purchase of Stock. Subject to the terms and conditions of this Agreement, Buyer will purchase from Seller, and Seller will sell and deliver to Buyer, all of Seller’s Stock in Company owned by Seller (the **“Interest”**) for the consideration specified below.

2.2 Purchase Price. The purchase price for Seller’s Interest is \$100,000.00 (the **“Purchase Price”**). Subject to the terms and conditions of this Agreement, Buyer will pay the Purchase Price by cash or cashiers check delivered at Closing.

2.3 Closing. The closing of the Transactions to be performed on the Closing Date (the **“Closing”**) will take place at the offices of Wendel & Chritton, Chartered, Lakeland, Florida, commencing at 1:30 p.m. local time on April 1, 2002 or such other date as Buyer and Seller may mutually determine (the **“Closing Date”**), but not sooner than 10 days after approval of this sale by Florida Public Service commission and all other necessary government approvals.

2.4 In the event that the parties elect to close the sale prior to receipt of approval by the Florida Public Service Commission, then buyer’s right to operate the utility assets owned by Pinecrest Ranches, Inc. shall be subject to and contingent upon Florida Public Service Commission approval.

ARTICLE III REPRESENTATIONS AND WARRANTIES REGARDING SELLER

Seller represents and warrants as follows:

3.1 Organization and Authority. Seller has full power, authority and legal capacity to execute and deliver the Transaction Documents to which Seller is a party and to perform Seller’s obligations thereunder. The execution and delivery by Seller of each Transaction Document to which it is a party and the performance by Seller of the Transactions have been duly approved by all persons who are required to approve the transaction. This Agreement constitutes the valid and legally binding obligation of Seller, enforceable against

Seller in accordance with the terms of this Agreement. Upon the execution and delivery by Seller of each Transaction Document to which Seller is a party, such Transaction Document will constitute the valid and legally binding obligation of Seller, enforceable against Seller in accordance with the terms of such Transaction Document.

3.2 Ownership. Seller owns all of the issued and outstanding stock of Company. Seller owns of record and beneficially the Interest, free and clear of any Encumbrance. Seller is not a party to (a) any option, warrant, purchase right, right of first refusal, call, put or other Contract (other than this Agreement) that could require Seller to sell, transfer or otherwise dispose of any part of the Interest or (b) any voting trust, proxy or other Contract relating to the voting of the Interest.

3.3 No Conflicts. Neither the execution and delivery of this Agreement nor the performance of the Transactions will, directly or indirectly, with or without notice or lapse of time: (a) violate any Law to which Seller and Company are subject; (b) violate any Organizational Document of Company; or (c) violate, conflict with, result in a breach of, constitute a default under, result in the acceleration of or give any Person the right to accelerate the maturity or performance of, or to cancel, terminate, modify or exercise any remedy under, any Contract to which Seller or Company are a party or by which Seller or Company are bound or the performance of which is guaranteed by Seller. Seller need not notify, make any filing with, or obtain any Consent of, any Person in order to perform the Transactions.

3.4 Litigation. There is no Proceeding pending or, to the Knowledge of Seller, threatened or anticipated against Seller or Company relating to or affecting the Transactions.

3.5 No Brokers' Fees. Seller has no Liability for any fee, commission or payment to any broker, finder or agent with respect to the Transactions to be performed on or before the Closing Date for which Buyer or Company could be liable.

3.6 Capitalization. Other than stock issued to Seller, there are no outstanding securities convertible or exchangeable into equity interests of Company or any options, warrants, purchase rights, subscription rights, preemptive rights, conversion rights, exchange rights, calls, puts, rights of first refusal or other Contracts that could require Company to issue, sell or otherwise cause to become outstanding or to acquire, repurchase or redeem any of its equity interests. Company does not control directly or indirectly or have any direct or indirect equity interest in any Person.

3.7 Liens. Company owns its assets free and clear of any Encumbrances except Permitted Encumbrances.

3.8 Assets. Company owns, among other miscellaneous property, the essential assets listed on schedule 3.8 attached hereto, and Seller must establish, prior to closing, to the satisfaction of Buyer that Pinecrest Ranches, Inc. holds unencumbered title to these assets.

3.9 Contracts. The Company has no continuing contract commitments except those listed on Schedule 3.9.

**ARTICLE IV
REPRESENTATIONS AND WARRANTIES REGARDING COMPANY**

Buyer represents and warrants as follows:

4.1 Organization. Buyer is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or formation. Buyer has full power and authority to conduct the businesses in which it is engaged, to own and use the properties and assets that it purports to own or use and to perform its obligations.

4.2 No Conflicts. Neither the execution and delivery of this Agreement nor the performance of the Transactions will, directly or indirectly, with or without notice or lapse of time: (a) violate any Law to which Buyer or any asset owned or used by Buyer is subject; or (b) violate any Organizational Document of Buyer.

4.3 Litigation. There is no Proceeding pending or, to the Knowledge of Buyer, threatened or anticipated relating to or affecting the Transactions.

4.4 No Brokers' Fees. Buyer does not have any Liability for any fee, commission or payment to any broker, finder or agent with respect to the Transactions to be performed on or before the Closing Date.

4.5 Investment Intent Buyer is acquiring the Interests purchased hereunder for its own account and not with a view of distribution of such Interest in violation of the Securities Act of 1933.

**ARTICLE V
CLOSING CONDITIONS**

5.1 Conditions to Buyer's Obligations. Buyer's obligations to perform the Transactions contemplated to be performed on or before the Closing Date are subject to the delivery to Buyer of each of the following:

(a) An Assignment and transfer to Buyer of all stock in Company, dated as of the Closing Date (the "Assignment"), executed by Seller, by endorsement of all of Company stock certificates issued to Seller.

(b) Delivery to Buyer of possession of all Company books and records and all tangible property owned by the Company

(c) Seller affidavit reciting all matters set forth in Article III hereof.

(d) A title search, at Buyer's expense (in a form acceptable to Buyer), on all Company assets, real and personal, establishing that they are free and clear of all liens and encumbrances.

(e) Buyer shall have completed an audit of Company books and records to its satisfaction prior to closing.

(f) Approval of this sale by the Florida Public Service Commission.

5.2 Conditions to Seller's Obligations. Seller's obligations to perform the Transactions contemplated to be performed on or before the Closing Date are subject to the delivery to Seller of each of the following:

(a) The Purchase Price in the manner set forth in Section 2.2.

ARTICLE VI CERTAIN COVENANTS

The Parties agree as follows:

6.1 Litigation Support. If any Party is actively contesting or defending against any Proceeding in connection with (a) any Transaction or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving Company, each other Party will cooperate with such Party and such Party's counsel in the contest or defense, make available its personnel, and provide such testimony and access to its books and records as may be necessary in connection with the contest or defense. The contesting or defending Party will reimburse each other Party for its out-of-pocket expenses related to such cooperation.

6.2 Tax Return for Period Ending on the Closing Date. The Parties acknowledge and agree that the consummation of the Transactions will effect a termination of Company under Code § 708. Seller will prepare, or cause to be prepared, and file, or cause to be filed, Tax Returns for Company for the partial year period beginning January 1, 2002 and ending on the Closing Date in accordance with applicable Law. Seller will permit Buyer to review and comment on each such Tax Return described in the preceding sentence prior to filing.

6.3 Cooperation on Tax Matters. Buyer and Seller will cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing and preparation of Tax Returns pursuant to Section 7.2 and any Proceeding related thereto. Such cooperation will include the retention and (upon the other Party's request) the provision of records and information that are reasonably relevant to any such Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Buyer and Seller agree that Company will retain all books and records with respect to Tax matters pertinent to Company relating to any Taxable period beginning before the Closing Date until the expiration of the statute or period of limitations of the respective Taxable periods. Buyer and Seller further agree, upon the

other Party's request, to use their reasonable best efforts to obtain any certificate or other document from any Governmental Body or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the Transactions).

6.4 **Name Change.** The Parties agree that following the Closing Date Company will retain sole and exclusive title to its name and any intellectual property associated therewith (the "Name"). Seller agrees that following the Closing he will execute and deliver to Buyer such other documents, and to do such other acts and things, all as Buyer may reasonably request for the purpose of carrying out the intent of this Section 6.4.

6.5 **Employee Benefits.** Seller acknowledges and agrees that he is the only employee who provides services to Company, and that all liabilities with respect to such employee shall be dealt with and be the sole responsibility of Seller.

6.6 Seller will pay at closing all 2001 real estate taxes owed by Company and will pay when due all 2001 Income Taxes owed by Company, and prorate these same taxes for the year 2002.

ARTICLE VII INDEMNIFICATION

7.1 **Indemnities.** Buyer from and after the Closing Date shall indemnify and hold Seller harmless from and against any and all damages, losses, costs, obligations, claims, demands, assessments, judgments or liabilities, including taxes, and all expenses (including interest, penalties, and attorneys' and accountants' fees and disbursements) (collectively "Damages") incurred in litigation or otherwise, and any investigation relating thereto, by Seller, directly or indirectly, arising or resulting from any of the following associated with events or transactions that occur after the closing date:

7.1.1 All liabilities obligations or debts of the Company.

7.1.2 Buyer's misrepresentation, breach of warranty, or failure to perform any covenant or agreement made or undertaken by the Buyer in this Agreement or in any other agreement, certificate, Schedule, Exhibit, or writing delivered to Seller pursuant to this Agreement or in connection with the transactions contemplated hereby;

7.1.3 All disputes, litigation, claims, settlements, negotiations, administrative or other proceedings, and all related or subsequent litigation, appeals or administrative action and all debts, obligations, and liabilities arising out of or in connection with any facts arising after the Closing Date including, without limitation, retained liabilities;

7.1.4 The operation of the Company arising after the Closing Date;

- 7.1.5 Any Environmental, Health, and Safety Liabilities arising after closing;**
- 7.1.6 Non-compliance with Environmental Law in effect on or prior to the Closing Date; and**
- 7.1.7 Any Damages from or in connection with any action, suit, proceeding, or claim incident to any of the foregoing.**

7.2. Seller from and after the Closing Date shall indemnify and hold Buyer and their officers, directors, agents, employees, representatives, successors, and assigns harmless from and against any and all damages, losses, costs, obligations, claims, demands, assessments, judgments or liabilities, including taxes, and all expenses (including interest, penalties, and attorneys' and accountants' fees and disbursements) (collectively "Damages") incurred in litigation or otherwise, and any investigation relating thereto, by any of the above-named persons, directly or indirectly, arising or resulting from any of the following associated with events or transactions that occur before or on the Closing date:

- 7.2.1 All liabilities obligations or debts of the Company;**
- 7.2.2 Seller's misrepresentation, breach of warranty, or failure to perform any covenant or agreement made or undertaken by the Seller in this Agreement or in any other agreement, certificate, Schedule, Exhibit, or writing delivered to Buyer pursuant to this Agreement or in connection with the transactions contemplated hereby;**
- 7.2.3 All disputes, litigation, claims, settlements, negotiations, administrative or other proceedings, and all related or subsequent litigation, appeals or administrative action and all debts, obligations, and liabilities arising out of or in connection with any facts existing prior to the Closing Date including, without limitation, retained liabilities;**
- 7.2.4 The operation of the Company prior to the Closing Date;**
- 7.2.5 Any Environmental, Health, and Safety Liabilities arising before closing;**
- 7.2.6 Non-compliance with Environmental Law in effect on or prior to the Closing Date; and**
- 7.2.7 Any Damages from or in connection with any action, suit, proceeding, or claim incident to any of the foregoing.**

**ARTICLE VIII
MISCELLANEOUS**

8.1 Further Assurances. Each Party agrees to furnish upon request to any other Party such further information, to execute and deliver to any other Party such other

documents, and to do such other acts and things, all as any other Party may reasonably request for the purpose of carrying out the intent of the Transaction Documents.

8.2 No Third-Party Beneficiaries. This Agreement does not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

8.3 Entire Agreement. The Transaction Documents constitute the entire agreement among the Parties with respect to the subject matter of the Transaction Documents and supersede all prior agreements (whether written or oral and whether express or implied) among any Parties to the extent related to the subject matter of the Transaction Documents (including any letter of intent or confidentiality agreement).

8.4 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign, delegate or otherwise transfer (whether by operation of law or otherwise) any of its rights, interests or obligations in this Agreement without the prior written approval of the other Party.

8.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement.

8.6 Notices. Any notice pursuant to this Agreement must be in writing and will be deemed effectively given to another Party on the earliest of the date (a) three Business Days after such notice is sent by registered U.S. mail, return receipt requested, (b) one Business Day after receipt of confirmation if such notice is sent by facsimile, (c) one Business Day after delivery of such notice into the custody and control of an overnight courier service for next day delivery, (d) one Business Day after delivery of such notice in person and (e) such notice is received by that Party; in each case to the appropriate address below (or to such other address as a Party may designate by notice to the other Parties):

If to Seller:

**James Vaughn
Pinecrest Ranches, Inc.
P.O. Box 2898
Winter Haven, Florida 33883**

with a copy to:

**Brandon J. Rufool
P.O. Box 7286
Winter Haven, Florida 33883**

If to Buyer:

**Norman Duncan
1818 Pinnacle Drive
Lakeland, Florida 33813**

with a copy to:

**Charles P. Chritton
Wendel & Chritton, Chartered
P.O. Box 5378
Lakeland, Florida 33807-5378**

8.7 Governing Law. This Agreement will be governed by the laws of the State of Florida without giving effect to any choice or conflict of law principles of any jurisdiction.

8.8 Amendments and Waivers. No amendment of any provision of this Agreement will be valid unless the amendment is in writing and signed by Buyer and Seller. No waiver of any provision of this Agreement will be valid unless the waiver is in writing and signed by the waiving Party. The failure of a Party at any time to require performance of any provision of this Agreement will not affect such Party's rights at a later time to enforce such provision. No waiver by any Party of any breach of this Agreement will be deemed to extend to any other breach hereunder or affect in any way any rights arising by virtue of any other breach.

8.9 Severability. Any provision of this Agreement that is determined by any court of competent jurisdiction to be invalid or unenforceable will not affect the validity or enforceability of any other provision hereof or the invalid or unenforceable provision in any other situation or in any other jurisdiction. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.10 Expenses. Each Party will bear all expenses incurred by it or any of their respective Representatives in connection with the Transactions; provided, however, that Buyer will not be responsible for any expenses of any Representative of Company. Further, the parties agree that the company has elected Sub Chapter "S" income tax status and Buyer may elect to or not to terminate that status, but in any event a tax return will be due for a partial year ending on the date of sale, and Seller shall prepare and pay for preparation of such tax return and pay all corporate taxes due for the partial year reported.

8.11 Construction. The article and section headings in this Agreement are inserted for convenience only and are not intended to affect the interpretation of this Agreement. Any reference in this Agreement to any Article or Section refers to the corresponding Article or Section of this Agreement. Any reference in this Agreement to any Schedule refers to the corresponding Schedule attached to this Agreement and all such Schedules are incorporated herein by reference. The word "including" in this Agreement means "including without limitation." This Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any provision in this Agreement. Unless the context requires otherwise, any reference to any Law will be deemed also to refer to all amendments and successor provisions thereto and all rules and regulations promulgated thereunder, in each case as in effect as of the date hereof and the Closing Date. The word "or" in this Agreement is disjunctive but not necessarily exclusive. All words in this Agreement will be construed to be of such gender or

number as the circumstances require. References in this Agreement to time periods in terms of a certain number of days mean calendar days unless expressly stated herein to be Business Days.

8.12 Specific Performance. Each Party acknowledges that the other Parties would be damaged irreparably and would have no adequate remedy of law if any provision of this Agreement is not performed in accordance with its specific terms or otherwise is breached. Accordingly, each Party agrees that the other Parties will be entitled to an injunction to prevent any breach of any provision of this Agreement and to enforce specifically any provision of this Agreement, in addition to any other remedy to which they may be entitled and without having to prove the inadequacy of any other remedy they may have at law or in equity and without being required to post bond or other security.

8.13 Time Is of the Essence. Time is of the essence with respect to all time periods and dates set forth herein.

The Parties have executed and delivered this Stock Interest Purchase Agreement as of the date first written above.

Seller



JAMES VAUGHN

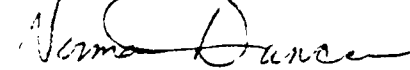


MARGARET S. HANKIN

Buyer



RICHARD LITTLE



NORMAN DUNCAN

Schedule 3.8

EssentialAssets

1. Tract A as shown on the plat of Citrus Highlands Phase II recorded at plat book 83, page 23 public records of Polk County, Florida.
2. The water plant and all accessories to that plant located on tract A, described in 1. above, and
3. The well located in the easement located north of lot 56, Citrus Highlands Phase III plat book 83, page 23, and
4. All water pipes and water meters and all water equipment located in the Citrus Highlands Subdivision, all phases, and
5. The right to a perpetual utility easement for water pipes, meters and all water equipment that serves all the lots in Citrus Highlands Subdivision, all phases, and
6. Perpetual utility easements for meters to be hooked up on all lots in Citrus Highlands Subdivision, all phases
7. Customer list and accounting documents for the last three years concerning all customer accounts, including without limitation, customer statements, and customer accounts.

Schedule 3.9

Continuing Contracts

None