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August 4, 2006

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

060539-LWS

RE: Application for Transfer of Water and Wastewater Facilities to the City of Leesburg, Florida, and Request for Cancellation of Certificate Nos. 527-W and 461-S, by Lake Utility Company.

Dear Sir/Madam:

Our client, Lake Utility Company (the "Company"), entered into an Agreement for Purchase and Sale of its water and wastewater assets to the City of Leesburg, Florida (the "City"). While the closing occurred on July 31, 2006, the closing was conditioned upon the Company obtaining certain approvals from the Public Service Commission (the "Commission") relative to the transfer to the City. Accordingly, enclosed please find a completed Application for Transfer of Water and Wastewater Facilities to the City of Leesburg, Florida and Request for Cancellation of Certificate Nos. 527-W and 461-S.

Additionally, enclosed please find a check, on behalf of the Company, in the amount of \$12,189.11 from The Plantation at Leesburg as payment of the estimated Water and Wastewater Regulatory Assessment Fees for July 1, 2006 through July 31, 2006 (on which date the water and wastewater systems were sold to the City). An explanation of the estimated payment is also included.

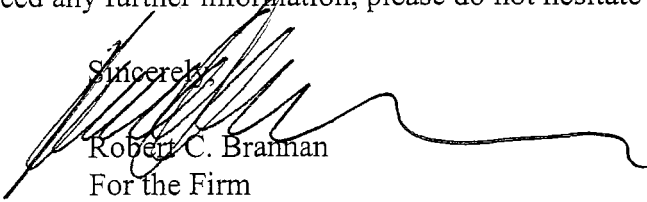
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FPSC-COMMISSION CLERK

If you have any questions, or need any further information, please do not hesitate to contact me.

Sincerely,



Robert C. Bramman
For the Firm

cc: Mr. Robert Tonry
William Sundstrom, Esq.
Fred Morrison, Esq.

lakeutility\PSC ltr 080406

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Transfer)
of Water and Wastewater)
Facilities of Lake Utility)
Company, to the City of) DOCKET NO.
Leesburg, Florida and Request)
for Cancellation of Certificate)
Nos. 527-W and 461-S.)
)

APPLICATION FOR TRANSFER OF FACILITIES TO GOVERNMENTAL AUTHORITY
AND REQUEST FOR CANCELLATION OF CERTIFICATES

Applicant, Lake Utility Company ("Lake Utility"), a Florida Corporation, pursuant to § 367.071, Fla. Stat., and Rule 25-30.037(4), F.A.C., files this Application for Transfer of Water and Wastewater Facilities of Lake Utility to the City of Leesburg, Florida and Request for Cancellation of Certificate Nos. 527-W and 461-S ("Application") and says as follows:

1. Lake Utility operates under Water Certificate No. 527-W and Wastewater Certificate No. 461-S, and is located in Leesburg, Florida.

2. The name and address of Lake Utility Company and its authorized representative, for purposes of this joint application, are:

Lake Utility Company
25201 US Highway 27
Leesburg, Florida 34748-9088

Authorized Representative:

Robert C. Brannan, Esq.
Rose, Sundstrom, & Bentley, LLP
2548 Blainstone Pines Dr.
Tallahassee, Florida 32301
Phone: 850-877-6555

3. The name and address of the City of Leesburg and its authorized representative, for purposes of this joint application, are:

Ron Stock, City Manager
City of Leesburg
Post Office Box 490630
Leesburg, Florida 34749

Authorized Representative:

Fred A. Morrison, Esq.
McLin & Burnsed
1000 West Main Street
Leesburg, Florida 34749
Phone: 352-787-1241

4. On June 12, 2006, the City of Leesburg conducted a public hearing in accordance with § 180.301, Fla. Stat., in which it considered (a) the most recent available income and expense statements for Lake Utility; (b) the most recent available balance sheet for Lake Utility, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon; (c) a statement of the existing rate base of Lake Utility for regulatory purposes; (d) the physical condition of Lake Utility's facilities being purchased; (e) the

reasonableness of the purchase price and terms; (f) the impact of the purchase on utility customers, both positive and negative; (g) any additional investment required and the ability and willingness of the City of Leesburg to make that investment; (h) the alternatives to the purchase and the potential impact on Lake Utility's customers if the purchase is not made; and (i) the ability of the City of Leesburg to provide and maintain high-quality and cost-effective utility service.

5. The City of Leesburg found the transaction to be in the public interest and issued its Resolution No. 7636 "Resolution") approving the Agreement for Purchase and Sale of Water and Wastewater Assets ("Agreement"). A copy of the Resolution, and the incorporated Agreement, is attached hereto as Exhibit "A."

6. The transaction closed on July 31, 2006.

7. This Application must be approved as a matter of right as a sale to a governmental authority pursuant to § 367.071(4)(a), Fla. Stat.

8. Subsequent to the closing of this transaction, Lake Utility will retain no assets that would constitute a system providing or proposing to provide water or wastewater service to the public for compensation.

9. The City of Leesburg obtained from Lake Utility Lake Utility's most recent available income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction.

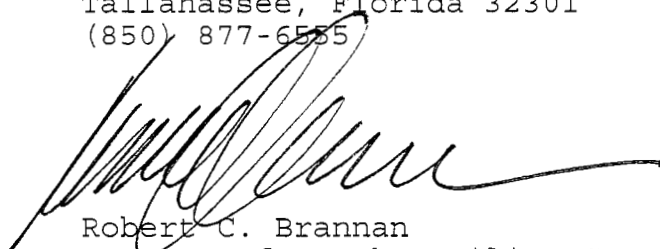
10. Pursuant to the Agreement, Lake Utility has submitted a final bill to its customers; there are no excess deposits to refund to its customers as would be required by this Commission or by law.

11. There are no fines owed relative to Lake Utility's water and/or wastewater facilities. Lake Utility will pay any and all outstanding regulatory assessment fees and file the final Regulatory Assessment Fee Return with the Division of Administration of this Commission within the time period required by the rules of this Commission.

12. Lake Utility cannot currently locate original Water Certificate 527-W and Wastewater Certificate 461-S for cancellation, but is undertaking a diligent search for the certificates.

WHEREFORE, Lake Utility respectfully requests that this Commission approve the transfer of its water and wastewater facilities to the City of Leesburg, Florida as a matter of right, and cancel the water and wastewater certificates of Lake Utility.

ROSE, SUNDSTROM, & BENTLEY, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(850) 877-6555



Robert C. Brannan
Attorney for Lake Utility Company

EXHIBIT A

**AGREEMENT FOR PURCHASE AND SALE OF
WATER AND WASTEWATER ASSETS**

THIS AGREEMENT ("Agreement") is made as of this 12th day of June, 2006, by and between The Plantation At Leesburg Limited Partnership, (hereafter "Seller"), whose address is 25201 Highway 27, Leesburg, Florida 34748, and the City of Leesburg, a Florida municipal corporation (hereafter "Purchaser"), whose address is Post Office Box 490630, Leesburg, Florida 34749-0630.

WHEREAS, Seller owns and operates a potable water production, treatment, storage, transmission, and distribution system ("Water System") and a sanitary wastewater collection, treatment and effluent disposal system ("Wastewater System"), collectively, the Utility System, all of which are located in Lake County, Florida, and commonly known as Lake Utility Company;

WHEREAS, the Utility System operates under Certificate of Public Necessity and Convenience ("Certificates") Nos. 527-W and 461-S issued by the Florida Public Service Commission ("Commission" or "PSC"), which authorize it to provide water and wastewater service to certain territories in Lake County, Florida;

WHEREAS, the acquisition of the Utility System by Purchaser has been determined by Purchaser to be in the best interest of Purchaser. Seller is willing to sell the Utility System to Purchaser and Purchaser has agreed to purchase the Utility System from Seller upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Seller and Purchaser hereby agree to sell and purchase the Utility System upon the following terms and conditions:

1. **RECITALS**. The foregoing recitals are true and correct and are incorporated herein.

2. COVENANT TO PURCHASE AND SELL; DESCRIPTION OF PURCHASED ASSETS.

a. Purchaser shall buy from Seller, and Seller shall sell to Purchaser, the Purchased Assets (as defined below) upon the terms, and subject to the conditions, set forth in this Agreement.

b. "Purchased Assets" shall include all assets, business properties, and rights, both tangible and intangible, that Seller owns, or in which it has an interest, regarding the "Utility System," including, but not limited to:

(1) The real property and interests in real property owned by Seller, and all buildings and improvements located thereon, as identified in Schedule "A" to this Agreement.

(2) All easements, licenses, prescriptive rights, rights-of-way and rights to use public and private roads, highways, streets and other areas owned or used by Seller for the construction, operation and maintenance of the Utility System. If any of the dedications or grants of easement are private in nature rather than running in favor of the public, Seller shall obtain the joinder of the persons or entities in whose favor those private grants or dedications run, in any documents purporting to transfer those privately dedicated easements. Also, if consent of any kind is needed from a homeowners association or similar entity, for the transfer or continued use of the easements for their intended purposes, Seller shall exercise its best efforts to obtain all necessary approvals or consents.

(3) All water treatment plants, water supply and distribution facilities, wastewater collection, treatment and disposal facilities of every kind and description whatsoever, including but not limited to pumps, plants, tanks, lift stations, transmission mains, distribution mains, supply pipes, collection pipes or facilities, irrigation quality water and effluent disposal facilities, valves, meters, meter boxes, service connections and all other physical facilities, equipment and property installations owned by Seller and used primarily in connection with the Utility System, together with all additions or replacements thereto, as identified in Schedule "B" to this Agreement.

(4) All immunities, privileges, permits, license rights, consents, grants, ordinances, leaseholds, and all rights to construct, maintain and operate the Utility System and its plants and systems for the procuring, treatment, storage and distribution of potable water and the collection and disposal of wastewater and every right of every character whatever in connection therewith, and the obligations thereof; all rights with respect to the supply of water to the Utility System or others; and all water rights,

flowage rights and riparian rights and all renewals, extensions, additions or modifications of any of the foregoing. Without in any way limiting the generality of the foregoing, this shall include the transfer of the Consumptive Use Permit ("CUP") for the operation of the Water System, with no restrictions or limitations not already included in the CUP. The CUP was recently severed from a now separate CUP which authorizes another entity to utilize water for golf course irrigation purposes, and which is not being transferred to Purchaser. If Purchaser determines that any aspect of the severance of that CUP from the one being transferred was handled incorrectly, Seller agrees to cooperate in all reasonable steps necessary to remedy any defects in the process of severance, at Seller's expense, and to attempt to procure the cooperation of the entity holding the severed CUP in those efforts.

(5) All items of inventory owned by Seller on the Closing Date.

(6) All supplier lists, customer records, prints, plans, engineering reports, surveys, specifications, shop drawings, equipment manuals, and other information reasonably required by Purchaser to operate the Utility System that are Seller's possession.

(7) All sets of record drawings, including as-built drawings, showing all facilities of the Utility System, including all original tracings, sepias or other reproducible materials in Seller's possession.

c. The following assets are excluded from the Purchased Assets:

(1) Cash, accounts receivable, bank accounts, equity and debt securities of any nature, deposits maintained by Seller with any governmental authority, utility deposits and prepaid expenses of Seller that are not subject to refund to customers; and

(2) Escrow and other Seller provisions for payment of federal and state income taxes.

d. Purchaser acknowledges that Seller has provided to Purchaser a list of the Purchased Assets, or in some way identified the Purchased Assets, prior to entering into this Agreement. Purchaser acknowledges that it has had sufficient time to review this list or information and has conducted its due diligence prior to entering into this Agreement.

3. **PURCHASE PRICE.**

a. Purchaser shall pay to Seller, subject to the adjustments and prorations referenced herein, a total purchase price in the amount of \$12,000,000. Payment shall be made to Seller as follows: At Closing, Purchaser shall deliver to Seller (i) \$4,000,000 in immediately available federal funds, by wire-to-wire transfer, to an account designated by Seller, and (ii) a fully executed promissory note in the amount of \$8,000,000, bearing interest at 3%, tax exempt to the Seller, payable semi-annually, and a security interest with respect to the revenues derived from the Purchased Assets, in favor of Seller, in a form and substance similar to Exhibit "A" to this Agreement.

4. **DUE DILIGENCE.**

As established above in Section 2.d., Purchaser was afforded the opportunity to conduct its due diligence prior to entering into this Agreement. Accordingly, Purchaser acknowledges that:

a. Purchaser is relying upon its own financial due diligence and investigation to enter into this Agreement.

b. Purchaser is relying upon its own engineering and environmental compliance due diligence and investigation to enter into this Agreement.

c. Purchaser is relying upon its own legal due diligence and investigation to enter into this Agreement.

d. Purchaser waives any defects that were revealed or should have been revealed through the due diligence and investigations set forth in Section 4 of this Agreement.

e. Except as otherwise specified herein, no payment shall be due from Seller and no reduction in the Purchase Price shall be made for deficiencies in the purchased Assets or Utility System. Seller shall have no obligation or liability to Purchaser with respect to the condition of the Purchased Assets or Utility System.

f. The purchase of assets under this Agreement is "AS IS" and with all faults. Seller makes no representations, covenants, or warranties with respect to the Purchased Assets or Utility System, except those specifically set forth in this Agreement.

5. **REPRESENTATIONS AND WARRANTIES OF SELLER.** Seller represents and warrants to Purchaser as follows:

a. Seller is duly organized, validly existing and has an active status under the laws of the State of Georgia. Seller has all power and authority to enter into this Agreement and to perform the terms and conditions of this Agreement.

b. To Seller's knowledge, which means the actual knowledge of Seller's directors and officers without diligent inquiry and subsequent investigation, there are no legal actions, suits, mediations, arbitrations, or other legal or administrative proceedings pending or threatened against Seller that could affect the Purchased Assets and Seller is unaware of any facts that might result in any action, suit, mediation, arbitration, or other proceedings that might result in any adverse change in the Purchased Assets.

c. Environmental Law Compliance.

(1) "Environmental Law" means any federal, state, or local statute, order, regulation, or ordinance, or common law or equitable doctrine relating to the protection of human health or the environment in effect as of the date of this Agreement and includes, but is not limited to, The Florida Air and Water Pollution Control Act (Chapter 403, Florida Statutes), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") (42 U.S.C. § 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), and the Safe Drinking Water Act, (42 U.S.C. § 300f et seq.), as such have been amended or supplement as of the date of this Agreement, and the regulations promulgated pursuant thereto, and in effect as of the date of this Agreement.

(2) To Seller's knowledge, which means the actual knowledge of Seller's directors and officers without diligent inquiry and subsequent investigation, Seller is in material compliance with all applicable Environmental Laws.

d. Seller has not dealt with either a broker, salesman, or finder in connection with any part of the transaction contemplated by this Agreement, and, insofar as it knows, no broker, salesman or other person is entitled to any commission or fee with respect to such transaction as a result of Seller's actions.

e. Seller is vested with good title to all easements necessary to the operation, maintenance, repair and replacement of the Utility System as it is currently configured. To the best of Seller's knowledge, information and belief, all parts of the

Utility System are located either on real property owned in fee simply by Seller, or wholly within easements to which Seller holds good and sufficient title, and no portion of the Utility System is located on, in, over or under any property as to which Seller lacks the legal right or basis for the lawful, continued presence of the Utility System thereon.

6. **REPRESENTATIONS AND WARRANTIES OF PURCHASER.**

Purchaser represents and warrants to Seller as follows:

a. Purchaser has the power and authority to enter into this Agreement and to carry out and perform the terms and provisions of this Agreement.

b. Purchaser is not subject to nor a party to any charter, bylaw, mortgage, lien, lease, license, permit, agreement, contract, instrument, law, rule, ordinance, regulation, order, judgment or decree, or any other restriction of any kind or character that would prevent consummation of the transactions contemplated by this Agreement.

c. Purchaser has not dealt with either a broker, salesman, or finder in connection with any part of the transaction contemplated by this Agreement, and, in so far as it knows, no broker, salesman or other person is entitled to any commission or fee with respect to such transaction.

d. The interest to be earned by Seller pursuant to the promissory note to be executed by Purchaser at Closing will be tax-exempt income to Seller.

7. **TITLE INSURANCE, PERMITTED ENCUMBRANCES AND MATTERS RELATED THERETO; SURVEY.**

a. At least thirty (30) days prior to the Closing, Seller shall cause to be issued and delivered to Seller and Purchaser a current title insurance commitment issued by a title company licensed to do business in the state of Florida, covering the fee simple real property included in the Purchased Assets, which shall be in an amount equal to \$1,000,000. The cost of the title insurance commitment and title insurance shall be borne by Seller. The title insurance commitment shall commit the insurer to issue owner's title insurance policies to Purchaser covering the fee simple real property portion of the Purchased Assets (substantially in accordance with the ALTA Standard Owner's Form B), reflecting title to the Real Property to be marketable or insurable, except for the Permitted Encumbrances (as defined below), the standard printed exceptions usually contained in an owner's title insurance policy, and the standard exclusions from coverage; provided, however, that the title insurance company shall delete the standard exceptions customarily deleted for such items as materialman's liens, survey, and

mechanic's liens. The survey shall be updated as necessary in order to eliminate survey exceptions from the title insurance policy.

Purchaser shall notify Seller in writing no less than ten (10) days after receipt of such title insurance commitment of any material defect in Seller's title to the real property, other than those accepted herein and the Permitted Encumbrances (such written notice to include all exceptions, encumbrances, liens, easements, covenants, restrictions or other defects in Seller's title to the real estate, which render Seller's title to the fee simple real property portion of the Purchased Assets unmarketable in accordance with standards adopted by The Florida Bar or uninsurable. Seller shall have thirty (30) days after receipt of Purchaser's notice to eliminate all of the material objections to title set forth in Purchaser's notice; however, Seller shall not be required to bring suit or expend any sum in excess of \$100,000, in the aggregate, to cure the title defects, excluding mortgages against the Property. Purchaser shall not object to title by reason of the existence of (a) any mortgage, lien, encumbrance, covenant, restriction or other matter that may be satisfied with a payment of money and Seller elects to do so by paying same at or prior to the Closing Date; (b) any mechanic's lien or other encumbrance which can be released of record, bonded or transferred of record to substitute security so as to relieve the real estate from the burden thereof and Seller elects to do so at or prior to Closing; or (c) if the title insurance company issuing the title insurance commitments affirmatively insures-over.

If Seller fails to deliver title as herein provided, then Purchaser may:

(1) Accept whatever title Seller is able to convey with no abatement of the Purchase Price; or

(2) Reject title and terminate this Agreement.

b. As used above, "Permitted Encumbrances" means:

(1) All present and future building restrictions, zoning regulations, laws, ordinances, resolutions, regulations and orders of any governmental authority having jurisdiction over the real property and the use thereof as represented herein.

(2) Easements, restrictions, reservations, rights-of-way, conditions and limitations of record, if any, which are not coupled with any reverter or forfeiture provisions, none of which substantially encroach on or impair the operation of the Utility System, or substantially impair its value or usefulness for its intended purposes, and none of which will prevent the Purchaser from substantial realization of the

benefits reasonably expected by it from the acquisition of the Utility System or use by Purchaser of the Utility System as currently constituted for its intended purposes.

Purchaser, at Purchaser's expense, within the Due Diligence Period, may have the Real Property surveyed by a registered Florida land surveyor. If the survey shows any encroachment onto the Real Property or that improvements on the Real Property encroach on setback lines, easements, lands of others, or that any restrictions, covenants of this Contract, or governmental regulations, applicable to the Real Property, are violated, Purchaser shall give written notice thereof to Seller within 3 days of receipt by Purchaser of the survey, and such defects shall be treated as title defects and shall be subject to the terms set forth above for the curing of title defects.

8. **CONDITIONS PRECEDENT TO CLOSING.** The obligations of each party to close the transaction contemplated by this Agreement are subject to the conditions that at Closing:

a. Neither Party is prohibited by decree or law from consummating the transaction.

b. There is no pending legal action or proceeding that prohibits the acquisition or sale of the Purchased Assets or prohibits Purchaser or Seller from closing the transaction or Purchaser from paying the purchase price, or that inhibits or restricts in any material manner Purchaser's use, title, or enjoyment of the Purchased Assets.

c. The Seller has ratified and approved the execution of this Agreement and authorized the sale of the Purchased Assets and copies of the resolutions evidencing such ratification and approval have been delivered to Purchaser.

d. Purchaser has held a public hearing as required pursuant to Section 180.301, Florida Statutes, and has ratified and approved the execution of this Agreement and authorized the acquisition of the Purchased Assets and copies of the Resolutions evidencing such ratification and approval have been delivered to Seller.

e. Each party has performed all of the undertakings required to be performed by it under the terms of this Agreement prior to or at Closing.

9. **PRE-CLOSING CONDUCT; COVENANTS.** Prior to the Closing Date, the parties covenant to each other that they shall conduct themselves as follows:

a. Seller shall:

(1) Operate and maintain the Utility System and Purchased Assets in a normal and usual manner;

(2) Promptly deliver to Purchaser any notice received by Seller from any person, business, or agency with respect to any Environmental Law violation;

(3) Make no unbudgeted capital expenditures in excess of \$100,000 without the prior written consent of Purchaser;

(4) Provide Purchaser, or its designated agent(s), with reasonable access to the business premises, Utility System, Purchased Assets, Seller's books and records, on reasonable advance notice and during normal business hours.

(5) Maintain its existing levels of insurance with respect to the Purchased Assets and Utility System.

10. TERMINATION OF AGREEMENT.

a. This Agreement may be terminated by mutual written consent of the parties or by either party failing to satisfy in any material respect any condition prior to or at Closing or by committing a material breach of any term or condition of this Agreement.

b. If any basis for terminating this Agreement arises, the party seeking to terminate this Agreement shall provide written notice of its termination to the other party by delivering such notice as provided in Section 15.b.

c. Upon the termination of this Agreement, the following shall occur:

(1) Subject to applicable law, each party shall return all documents, including copies, in its possession, or in the possession of its agents and consultants to the other, as the case may be. Each party, its agents and consultants, shall treat any information previously received as confidential and shall not disclose or use such information.

(2) Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorneys and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.

11. CLOSING DATE AND CLOSING.

a. This transaction shall be closed on or before July 17, 2006, ("Closing Date"), unless advanced or extended by mutual agreement of the parties, at a location mutually acceptable to both parties.

b. At Closing:

(1) Title to the Purchased Assets shall be conveyed to the Purchaser by Special Warranty Deed free of all claims, liens, or encumbrances, whatsoever, other than Permitted Encumbrances.

(2) All documentary stamps, if required, on the deeds of conveyance of the Real Property included in the Purchased Assets shall be paid by Seller.

(3) Real property and personal property taxes on the Purchased Assets and Utility System, and any other applicable taxes, shall be prorated as of the Closing Date based upon gross taxes due for the year of Closing if that figure is available; otherwise proration shall be based upon the gross taxes for the prior year. Seller shall be required to pay to the Tax Collector its prorata share at or prior to Closing, after which the Tax Collector may remove the property subject to the tax from its tax rolls. Notwithstanding the foregoing, if additional taxes are due for the portion of the year during which Seller owned the property subject to tax as the result of changes in assessments, the millage rate or otherwise, Seller shall pay its prorata amount of such taxes when due. All other taxes and assessments accrued or owed by Seller as of the date of Closing with respect to the Purchased Assets shall remain the obligation of Seller. All other taxes and assessments imposed or attempted to be imposed from and after the date of Closing with respect to the Purchased Assets shall be the obligation of Purchaser.

c. The parties recognize that the Closing may be established during the normal billing cycle of the Seller. Seller shall furnish to Purchaser at Closing a good faith estimate of the gross revenues from water and wastewater services rendered, but not yet billed ("Unbilled Revenue") as of the Closing Date, along with an explanation of the calculations involved in determining that estimated amount, and copies of the backup documents showing the figures used to reach the estimate. If Purchaser concurs that the estimate is reasonable, ninety-five percent (95%) of the estimated Unbilled Revenue shall be paid to the Seller as an addition to the purchase price at Closing. After Closing Purchaser shall be entitled to collect the Unbilled Revenue as it would if such Unbilled Revenue was its own. Purchaser shall be entitled to all revenue earned from the Utility System after the Closing. If Purchaser disputes the reasonableness of the estimate of Unbilled Revenue, the parties agree to negotiate in good faith to arrive at a mutually

acceptable figure for anticipated Unbilled Revenue, 95% of which will then be credited to Seller at closing as aforesaid.

d. Connection Charges (defined as connection, plant capacity, main extension, capital or other charges paid for the availability of utility services) received by Seller prior to Closing shall be retained by Seller. Connection Charges paid after the Closing Date shall be the property of Purchaser. After Closing, no further Connection Charges shall be imposed by Purchaser on Seller for connections existing at The Plantation at Leesburg as of the Closing Date.

e. All transfers required or necessary hereunder shall take place, unless extended by mutual consent.

f. Each of the parties shall pay the fees of its own attorneys, bankers, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement and any documents associated with the Closing.

g. All bills for services, materials and supplies rendered in connection with the operation of the Utility System prior to Closing, including but not limited to electricity for a period up to and including the Closing Date, shall be paid by Seller.

h. Purchaser shall assume the liability for customer deposits and credit shall be given to the Purchaser therefore at Closing.

i. Purchaser shall assume Seller's liability to provide service to Seller's customers; however, Purchaser, to the extent permitted by law, shall have the right to impose its own rates, charges and fees after Closing.

j. Purchaser shall cause to be delivered for the benefit of Seller an opinion by a nationally recognized tax counsel to the effect that interest to be paid to the Seller on the Promissory Note referenced in paragraph 3.a. hereof is exempt from state and local taxation.

k. Purchaser shall assume Seller's obligations to deliver reclaimed water to the Plantation golf courses in accordance with the terms and conditions of the agreement entered into by Seller with The Plantation Residents Golf Club, Inc. dated March 3, 2006. Seller has already provide a complete copy of this Agreement to Purchaser prior to approval of this Agreement by the Leesburg City Commission, and Purchaser has evaluated whether it wishes to assume this Agreement as part of its due diligence under Section 4. By entering into this Agreement, Purchaser acknowledges that

it has decided not to terminate this Agreement, and that Purchaser finds assumption of these obligations to be acceptable.

12. POST CLOSING COOPERATION.

a. Seller and Purchaser shall, after the Closing Date, upon reasonable request of the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further documents, acts, deeds, assignments, transfers, powers of attorney and assurances as may be required in order to implement and perform any of the obligations, covenants and agreements of the parties.

b. Each of the parties hereto shall provide the other with such assistance as reasonably may be requested in connection with the preparation of any tax return, audit or other examination by any taxing authority or any judicial or administrative proceedings relating to liability for taxes relating to the transactions contemplated by this Agreement. Each party shall retain and provide the other with any records or information that may be relevant to such return, audit or examination, proceedings or determination. Such assistance shall include making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder and shall include providing copies of any relevant tax returns and supporting work schedules. The party requesting assistance hereunder shall reimburse the other for reasonable out-of-pocket expenses incurred in providing such assistance.

c. Where there is a legitimate purpose not injurious to the other party and not related to prospective competition by such party with another party hereto, or if there is an audit by the IRS, other governmental inquiry, or litigation or prospective litigation to which Purchaser or Seller is or may become a party, making necessary any access to the records of or relating to Seller held by Purchaser or making necessary Purchaser's access to records of or relating to the operations of Seller held by any entity other than Seller, each of them shall allow representatives of the other party access to such records during regular business hours at such party's place of business for the sole purpose of obtaining information for use as aforesaid.

13. FLORIDA PUBLIC SERVICE COMMISSION MATTERS. Within five (5) days after the Closing Date, Seller shall petition the Florida Public Service Commission for cancellation of the Certificates previously issued to Seller. Seller shall file any reports, if required, and satisfy its outstanding Florida gross receipts tax obligations through the Closing Date. All costs and expenses relative to terminating its relationship with the Florida Public Service Commission shall be borne by Seller. Copies of the Order(s) of the Commission acknowledging sale of the Utility System to Purchaser

shall be promptly provided to Purchaser upon Seller's receipt thereof.

14. **PURCHASE PRICE ALLOCATION.** Within ninety (90) days after the Closing Date, Seller, at its option, may deliver to Purchaser an allocation of the Purchase Price (tangible, intangible and real estate assets, etc.) in order to comply with Section 1060 of the Internal Revenue Code of 1986 and the rules and regulations promulgated thereunder, as amended and supplemented from time to time, or any successor statute thereto. If delivered by Seller, each party shall adhere to such allocation for all federal and state income tax purposes, including the filing of all federal and state returns, if any, filed by them subsequent to the Closing Date.

15. **MISCELLANEOUS PROVISIONS.**

a. This Agreement, the Schedules hereto, and the documents referred to herein, collectively embody the entire agreement and understandings between the parties and there are no other agreements or understandings, oral or written, with reference to this Agreement that are not merged into and superseded by this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be considered an original.

b. Any notice or other document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier or sent by certified mail, postage prepaid, return receipt requested, or by facsimile transmission with written confirmation. A single notice delivered to Seller shall be sufficient notice.

If to Seller such Notice shall be addressed to Seller at:

Earl H. Thiele, Authorized Agent for the
Lakewood Development Company, LLC, a
North Carolina Limited Liability Company,
General Partner of the Plantation At Leesburg
Limited Partnership
25201 Highway 27
Leesburg, Florida 34748

with a copy to

William E. Sundstrom, Esq.
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

If to Purchaser, such notice shall be addressed to Purchaser at:

Ron Stock, City Manager
City of Leesburg
Post Office Box 490630
Leesburg, Florida 34749

with a copy to:

Fred A. Morrison, Esq.
McLin & Burnsed
1000 West Main Street
Leesburg, Florida 34749

c. The headings used are for convenience only and they shall be disregarded in the construction of this Agreement.

d. The drafting of this Agreement constituted a joint effort of the parties and in the interpretation hereof it shall be assumed that no party had any more input or influence than any other. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Agreement.

e. This Agreement is solely for the benefit of the parties hereto and no other causes of action shall accrue upon or by reason hereof to or for the benefit of any third party, who or which is not a formal party hereto.

f. If any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted, as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

g. If any litigation arises between the parties with respect to this Agreement, the prevailing party shall be entitled to reasonable attorney fees and court costs at all trial and appellate levels.

h. This Agreement may be amended or modified only if executed in writing and signed by both parties.

i. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida.

j. This Agreement shall be binding upon and inure to the benefit of the parties' successors and assigns.

[Remainder of page intentionally left blank; signatures on next page.]

IN WITNESS WHEREOF, the parties have hereunto caused this Agreement to be executed the day and year aforesaid in counterparts, each counterpart to be considered an original.

ATTEST:

THE PLANTATION AT LEESBURG
Limited Partnership
By: Lakewood Development Co., LLC
A North Carolina Limited Liability Company,
General Partner
dba The Plantation at Leesburg

[Handwritten Signature] VP

[Handwritten Signature]
Earl H. Thiele, President

ATTEST:

THE CITY OF LEESBURG,
a Florida Municipal Corporation

[Handwritten Signature]
Betty M. Richardson, City Clerk

[Handwritten Signature]
John H. Christian, Mayor

Schedule B

Water Plant:

The water plant facilities located at The Plantation at Leesburg which includes all supply, distribution, and treatment facilities. The plant includes three ground wells, pumps, chlorination equipment, two storage tanks, and auxiliary generator.

Wastewater Plant:

The wastewater plant facilities located at The Plantation at Leesburg. The facilities provide for the collection, treatment and disposal of wastewater. The treatment plant includes the equipment to treat effluent, a chlorination system, percolation ponds, auxiliary generator and discharge system to reuse irrigation pond.

The system has twenty lift stations described as follows:

# of Lift Stations	Subdivision Plats	Description/Location
1	Belle Grove	Rear of lots 217. & 218
2	Plantation at Leesburg (Pine Hill)	1. Located in utility easement between Lots 111 & 112 2. Located in utility easement between Lots 49 & 50
1	Greentree	Across Plantation Blvd, West of Magnolia Point
1	Heron Run	Tract E, Plantation at Leesburg Heron Run, PB 34, Pg 23
1	Oak Tree	Tract E, Plantation at Leesburg Oak Tree Village, PB 34, Pg 70
1	RiverWalk	On Plantation Blvd, West of Riverwalk entrance
1	Waterbridge	Tract F, Plantation at Leesburg Waterbridge Village, PB 37, Pg 35
1	Golfview Village	Tract A, Plantation at Leesburg Golfview Village, PB 38, Pg 58
1	Long Meadow	Tract A, Plantation at Leesburg Long Meadow Village, PB 43, Pg 78
1	Nottoway Village	Tract C, Plantation at Leesburg Nottoway Village, PB 46, Pg 47
1	Rosedown Village	Tract C, Plantation at Leesburg Rosedown Village, PB 47, Pg 30
1	Sable Ridge	Tract A, Plantation at Leesburg Sable Ridge Village, PB 48, Pg 73
1	Belle Terre	Tract C, Plantation at Leesburg Belle Terre Village, PB 50, Pg 3
1	Chanticleer	Tract C, Plantation at Leesburg Chanticleer Village, PB 52, Pg 37
1	Laurel Valley	Tract G, Plantation at Leesburg Laurel Valley Village, PB 53, Pg 79
1	Mulberry Grove	Tract A, Plantation at Leesburg Mulberry Grove, PB 55, Pg 10
1	Ashland Village	Tract K, Plantation at Leesburg Ashland Village, PB 55, Pg 12
	Other Locations:	
1	Golf Clubhouse Building	Southwest front corner of Golf Pro Shop/Restaurant Building
1	Manor HOA Building	Behind bocce ball courts at HOA "Manor" building
<u>20</u>		

Other Assets:

Equipment:

1978 Ford Tractor with backhoe
KatoLight Portable Generator

Vehicles:

2002 Chevrolet Pickup C1500 # 1GCEC14W92Z180496
2000 Chevrolet Pickup C1500 # 1GCEC14W2YE234320
2000 Chevrolet Pickup S-10 # 1GCCS1455YK268092

RESOLUTION NO. 7656

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF LEESBURG, FLORIDA, ACCEPTING AS THE CITY'S STATEMENT UNDER SECTION 180.301, FLORIDA STATUTES, THE PUBLIC BRIEFING DOCUMENT; DETERMINING THAT THE PURCHASE OF THE WATER AND WASTEWATER ASSETS OF THE PLANTATION AT LEESBURG LIMITED PARTNERSHIP IS IN THE PUBLIC INTEREST; AUTHORIZING AND APPROVING THE PURCHASE OF THE WATER AND WASTEWATER ASSETS OF THE PLANTATION AT LEESBURG LIMITED PARTNERSHIP; APPROVING THE WRITTEN AGREEMENT OF PURCHASE AND SALE OF WATER AND WASTEWATER ASSETS, BY AND BETWEEN THE PLANTATION AT LEESBURG LIMITED PARTNERSHIP AND THE CITY OF LEESBURG, FLORIDA DATED JUNE 12, 2006; INSTRUCTING THE MAYOR AND CLERK TO EXECUTE AND DELIVER SUCH DOCUMENTS AND TO TAKE SUCH OTHER ACTIONS AS ARE NECESSARY TO EFFECTUATE THE PURCHASE OF THE WATER AND WASTEWATER ASSETS OF THE PLANTATION AT LEESBURG LIMITED PARTNERSHIP IN ACCORDANCE WITH THIS RESOLUTION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City has the power to provide and regulate waste and wastewater collection and disposal, water supply, and conservation programs pursuant to Florida Statutes and other applicable law; and

WHEREAS, the City has the power to purchase, own, operate and maintain water and wastewater utilities pursuant to Chapter 180, Florida Statutes and other applicable law; and

WHEREAS, the City Commission ("Commission") has considered the feasibility of purchasing the water and wastewater utility assets of the Plantation at Leesburg Limited Partnership ("Utility System"). In so doing, the Commission has employed engineering, legal and financial consultants to advise and make recommendations, in the form of a Public Briefing Document and other information, to the Commission with respect to the purchase of the Utility System; and

WHEREAS, the Commission has held a Public Hearing and received public comment on the purchase of the Utility System pursuant to Chapter 180.301, Florida Statutes and has determined that the purchase of the Utility System is in the public interest.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF LEESBURG, FLORIDA:

SECTION I: That the Public Briefing Document prepared by Boyle Engineering, Inc. and City staff, which includes a summary of the City's experience in water, wastewater and wastewater reuse utility operation and a showing of the City's financial ability to provide such service, is acknowledged and accepted into the record as the City's statement, as required by Section 180.301, Florida Statutes.

SECTION II: That the purchase, ownership, maintenance and operation of the Utility System is in the public interest and necessary and desirable to maintain and improve the quality of public water supply and sanitary wastewater utility service provided to the residents who live, work, or visit within the City and the businesses that operate within and without the City. In determining that the purchase of the Utility System is in the public interest, the Commission considered information that included, but was not limited to, the following (if applicable):

- (1) The most recent available income and expense statement for the utility;
- (2) The most recent available balance sheet for the utility, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon;
- (3) A statement of the existing rate base of the utility for regulatory purposes;
- (4) The physical condition of the utility facilities being purchased;
- (5) The reasonableness of the purchase price and terms;
- (6) The impacts of the purchase on utility customers, both positive and negative;
- (7) Any additional investment required and the ability and willingness of the City to make that investment;

- (8) The alternatives to the purchase and the potential impact on utility customers if the purchase is not made; and
- (9) The ability of the City to provide and maintain high-quality and cost-effective utility service.

SECTION III: The Commission hereby authorizes and approves the purchase of the Utility System and further approves the written Agreement of Purchase and Sale of Water and Wastewater Assets by and between the Plantation at Leesburg Limited Partnership and the City of Leesburg, Florida dated June 12, 2006 ("Purchase Agreement"). The Mayor and Clerk are hereby authorized and instructed to execute the Purchase Agreement, a copy of which is attached hereto as **Exhibit "A"** and incorporated herein by reference, and all documents referenced or contemplated therein.

SECTION IV: The Mayor and the Clerk are further authorized to execute any and all documents, papers or instruments, and to do or cause to be done any and all such other actions advisable or necessary to effectuate the purchase of the Utility System, to carry out the purposes and intent of the Purchase Agreement, to consummate the closing on the purchase of the Utility System, and to enable the City to fully and promptly perform all of its obligations under the Purchase Agreement including, but not limited to, all matters related to the issuance of debt instruments intended to finance the purchase of the Utility System.

SECTION V: This resolution shall take immediate effect upon its passage and approval.

DULY ADOPTED by the City Commission of the City of Leesburg, Florida, this 12th day of June, 2006.

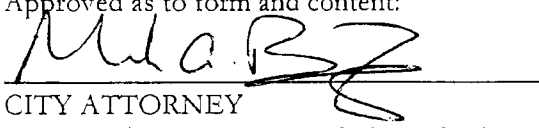
THE CITY OF LEESBURG, FLORIDA

BY: 
MAYOR

Attest:


CITY CLERK

Approved as to form and content:


CITY ATTORNEY

Lakeutility\Section 180 Resolution 6-01.doc



LEESBURG

The Lakefront City

4.B.12. AGENDA MEMORANDUM

Meeting Date:	June 12, 2006
From:	Ron Stock, City Manager
Subject:	Purchase of Water & Wastewater Utilities at Plantation at Leesburg

Staff Recommendation:

Staff recommends acceptance of the Public Briefing prepared by Boyle Engineering, Inc., relating to the purchase of the water, wastewater and wastewater reuse utility operations at Plantation at Leesburg, as required by §180.301, Fla. Stat. (2006), along with authorization and approval of the purchase of the utilities and execution of the Purchase Agreement attached.

Analysis:

The Plantation at Leesburg operates water, wastewater and wastewater reuse utilities for its residents. The development is nearly built out and the developers wish to sell the utilities.

Staff believes it to be in the best interests of the City of Leesburg to purchase the utilities for several reasons: incorporation of the utilities into the City's system will facilitate long term improvements of the systems running South along U.S. 27 down to Royal Highlands; acquiring these operations will secure an additional customer base for the City system and the long term revenues associated with the customer base; and the acquisition will also prevent encroachment into the City's service areas to the South by another utility company which might otherwise purchase these systems and expand them to serve areas outside the Plantation development itself.

After review of the most recent income and expense statements, balance sheets and statements of existing rate base of these utilities, along with an on site inspection of the physical condition of the utility facilities, the City agreed to a purchase price of \$12 million, with \$4 million down at closing and a deferred payment of \$8 million at the end of three years, at an interest rate of 3% payable quarterly, secured by the revenues of the Plantation system only, without creating any lien or encumbrance on other utility revenues of the City and without pledging the City's full faith and credit or obligating its ad valorem taxing powers.

Staff feels the City has the ability to provide and maintain high quality, cost effective utility service to the Plantation development.

Options:

1. Approval of staff recommendation to purchase the utility systems at the price and terms described above and reflected in greater detail in the Purchase Agreement; or
2. Such alternative action as the Commission deems appropriate.

Fiscal Impact:

The City is seeking financing by way of a bond anticipation note from a bank or other institutional third party lender, for the \$4 million down payment or a significant portion of it. The deferred payment of \$8 million at the end of three years is anticipated to come from a larger utility improvement bond issue which in addition to funding the balance due on this transaction will provide revenue to construct substantial improvements to the City's overall water, wastewater and reuse systems, especially in the South Highway 27 corridor and to serve projected development in the CR 470 corridor.

The City will be required to make the quarterly interest payments from available revenues in each fiscal year, with an anticipated impact of \$240,000.00 per year or \$60,000.00 per each quarterly interest payment.

Submission Date and Time: 6/7/2006 3:57 PM

Department: _____ Prepared by: _____ Attachments: Yes ___ No ___ Advertised: ___ Not Required ___ Dates: _____ Attorney Review: Yes ___ No ___ _____ Revised 6/10/04	Reviewed by: Dept. Head _____ Finance Dept. _____ Deputy C.M. _____ Submitted by: City Manager _____	Account No. _____ Project No. _____ WF No. _____ Budget _____ Available _____
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OUR REF. NUMBER	YOUR INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT TAKEN	NET CHECK AMOUNT
		Gross Receipts Tax July 1, 2006 - July 31, 2006			600-2005.100	6,226.16
					600-2005.200	5,962.95
		Account Numbers WS 619-06-W-2-R WS 619-06-S-2-R				
		Final Payment - Lake Utility Company				

THE PLANTATION AT LEESBURG
MANAGERS ACCOUNT
 25201 US HIGHWAY 27
 LEESBURG, FL. 34748

WACHOVIA BANK, N.A.
 LEESBURG, FL 34748


68-751
 631

10594

CHECK DATE	CONTROL NUMBER	AMOUNT
8/2/06	10594	\$ 12,189.11

PAY Twelve thousand one hundred eighty-nine and 11/100 dollars

TO THE ORDER OF Florida Public Service Commission
 2540 Shumard Oak Blvd.
 Tallahassee, FL 32399-0876



⑈010594⑈ ⑆063107513⑆ 14572001565⑈

Security features are included. Details on back.

MP

Lake Utility Company
Final Payment of PSC Gross Receipts Tax
As of 7/31/06
Date of Sale to City of Leesburg

Sales Revenue:

Billing 7/18/06	\$ 177,719.55
Unbilled Revenue Paid at Closing	<u>\$ 93,149.55</u>
Total 7/1/06 - 7/31/06	<u><u>\$ 270,869.10</u></u>
Gross Receipts Tax @ 4.5%	<u><u>\$ 12,189.11</u></u>