

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: December 20, 2019

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Dale R. Buys, Public Utilities Supervisor, Division of Accounting & Finance *DRB*

RE: Docket No. 20190083-GU - Application for rate increase in Highlands, Hardee, and Desoto Counties, by Sebring Gas System, Inc.

Please file the attached document, Staff Audit ACN 2019-170-1-1 Work Papers, pages 33-3 to 33-3.6, Heartland National Bank loan agreement with Sebring Gas, in the above referenced docket file.

Thank you for your assistance in this matter.

Attachment (7 pages)

RECEIVED-FPSC
2019 DEC 20 PM 3:04
COMMISSION
CLERK

Sebring Gas Company
Rate Case
Test Year Ended 12/31/18
Dkt: 20190083-GU; ACN: 2019170-1-1;
Description: long term debt

30/9



Heartland National Bank

July 11, 2013

Sebring Gas System, Inc.
3515 U.S. Highway 27 South
Sebring, Florida 33870

Atten: Jerry H. Melendy, Jr.

Gentlemen:

We are pleased to confirm that your requests for a secured term loan in the amount of \$2,400,000.00 and a secured revolving line of credit in the amount of \$250,000.00 have been approved, in principle, subject to the following terms and conditions:

TERM LOAN:

Borrower:	Sebring Gas System, Inc.
Guarantors:	Coker Fuel Inc and Jerry Hillman Melendy, Jr.
Amount:	\$2,400,000.00
Purpose:	Installation of natural gas to DeSoto and Hardee County Correctional Facilities and consolidation of existing loan with Wauchula State Bank
Interest Rate:	Variable rate of Wall Street Journal Prime Rate plus .500%, adjusted date of change, with an interest rate floor of 5.00% and a cap of 8.00% or a fixed rate of 6.25%
Payments:	Interest only payments due monthly for nine (9) months (during construction period) , then monthly payments of principal and interest based on a 15-year amortization with a balloon payment due at maturity



320 U.S. Hwy. 27 North • Sebring, FL 33870-2147 • 863-386-1300 • Fax: 863-386-1302
www.heartlandnb.com

33-3

NO
2019

Sebring Gas System, Inc.
July 11, 2013
Page Two

- Maturity/Term: Ten (10) years for variable rate loan or five (5) years for a fixed rate loan
- Collateral: Blanket lien on the assets of Sebring Gas System, Inc., including but not limited to accounts receivable, inventory, equipment, gas lines and infrastructure, assignment of easements and contracts to include assignment of Special Contracts between Sebring Gas System, Inc. and the Florida Department of Corrections for the Hardee and DeSoto County Correctional Facilities
- Conditions:
1. Receipt of annual financial statements and tax returns for Borrower and Guarantors.
 2. Receipt of an appraisal/valuation of the assets of Sebring Gas, Inc., acceptable to the bank, showing a maximum loan to value of 60%.
 3. Final underwriting and approval by the bank.

The estimated closing costs are as follows:

Documentary Stamps	\$8,400.00
Loan Fee	1,000.00
Appraisal	6,500.00
Recording UCC s	132.50 (estimate)
Record 5 vehicle liens	<u>386.25</u> (estimate)
Total:	\$16,418.75

REVOLVING LINE:

Borrower: Sebring Gas System, Inc.
Guarantors: Coker Fuel Inc and Jerry Hillman Melendy, Jr.
Amount: \$250,000.00 33-1



12076

Sebring Gas System, Inc.
July 11, 2013
Page Three

Purpose: Working capital and expansion

Interest rate: Variable rate of Wall Street Journal Prime Rate plus .500%, adjusted date of change, with an Interest rate floor of 5.00%

Payments: Quarterly payments of interest only with the balance due at maturity in one year

Collateral: Blanket lien on the assets of Sebring Gas System, Inc., including but not limited to accounts receivable, inventory, equipment, gas lines and infrastructure, assignment of easements and contracts to include assignment of Special Contracts between Sebring Gas System, Inc. and the Florida Department of Corrections for the Hardee and DeSoto County Correctional Facilities

Conditions: Valuation of assets showing a maximum loan to value ratio of 60%.

The estimated closing costs are as follows:

Doc Stamps	\$875.00
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If the foregoing meets with your approval, please sign the copy of this letter, where indicated, and return to the undersigned. This commitment will expire July 29, 2013.

We look forward to hearing from you.

Very truly yours,


JAMES B. BELFLOWER
Executive Vice President

JBB/lsc



SOURCE

33-32

Sebring Gas Company
Rate Case
Test Year Ended 12/31/18
Dkt: 20190083-GU; ACN: 2019170-1-1;
Description: 2009 term contract

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THE ABOVE TERMS AND CONDITIONS ARE AGREED TO.

SEBRING GAS SYSTEM, INC.

By: Jerry H. Melendy, Jr.
Jerry H. Melendy, Jr.





Heartland National Bank

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Sebring Gas Company
Rate Case
Test Year Ended 12/31/18
Dkt: 20190083-GU; ACN: 2019170-1-1;
Description: long term debt

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07/19

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initial
\$2,250,000.00	07-18-2013	07-18-2023	[REDACTED]	4/12		JBB	[Signature]

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: SEBRING GAS SYSTEM, INC.
3515 U.S. HIGHWAY 27 SOUTH
SEBRING, FL 33870

Lender: HEARTLAND NATIONAL BANK
SEBRING BRANCH
320 HWY 27 NORTH
SEBRING, FL 33870

Principal Amount: \$2,250,000.00

Date of Note: July 18, 2013

PROMISE TO PAY. SEBRING GAS SYSTEM, INC. ("Borrower") promises to pay to HEARTLAND NATIONAL BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Million Two Hundred Fifty Thousand & 00/100 Dollars (\$2,250,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Subject to any payment changes resulting from changes in the Index, Borrower will pay this loan in accordance with the following payment schedule, which calculates interest on the unpaid principal balances as described in the "INTEREST CALCULATION METHOD" paragraph using the interest rates described in this paragraph: 9 monthly consecutive interest payments, beginning August 18, 2013, with interest calculated on the unpaid principal balances using an interest rate based on the HIGHEST BASE RATE ON CORPORATE LOANS AT LARGE U.S. MONEY CENTER COMMERCIAL BANKS THAT THE WALL STREET JOURNAL PUBLISHES AS THE PRIME RATE AND IS PUBLISHED DAILY IN THE WALL STREET JOURNAL (currently 3.250%), plus a margin of 0.500 percentage points, the sum rounded to the nearest 0.125, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 5.000% per annum based on a year of 360 days; 110 monthly consecutive interest payments, beginning May 18, 2014, with interest calculated on the unpaid principal balances using an interest rate based on the HIGHEST BASE RATE ON CORPORATE LOANS AT LARGE U.S. MONEY CENTER COMMERCIAL BANKS THAT THE WALL STREET JOURNAL PUBLISHES AS THE PRIME RATE AND IS PUBLISHED DAILY IN THE WALL STREET JOURNAL (currently 3.250%), plus a margin of 0.500 percentage points, the sum rounded to the nearest 0.125, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 5.000% per annum based on a year of 360 days; 110 monthly consecutive principal payments of \$12,500.00 each, beginning May 18, 2014, during which interest continues to accrue on the unpaid principal balances using an interest rate based on the HIGHEST BASE RATE ON CORPORATE LOANS AT LARGE U.S. MONEY CENTER COMMERCIAL BANKS THAT THE WALL STREET JOURNAL PUBLISHES AS THE PRIME RATE AND IS PUBLISHED DAILY IN THE WALL STREET JOURNAL (currently 3.250%), plus a margin of 0.500 percentage points, the sum rounded to the nearest 0.125, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 5.000% per annum based on a year of 360 days; and one principal and interest payment of \$878,645.83 on July 18, 2023, with interest calculated on the unpaid principal balances using an interest rate based on the HIGHEST BASE RATE ON CORPORATE LOANS AT LARGE U.S. MONEY CENTER COMMERCIAL BANKS THAT THE WALL STREET JOURNAL PUBLISHES AS THE PRIME RATE AND IS PUBLISHED DAILY IN THE WALL STREET JOURNAL (currently 3.250%), plus a margin of 0.500 percentage points, the sum rounded to the nearest 0.125, adjusted if necessary for the minimum and maximum rate limitations for this loan, resulting in an initial interest rate of 5.000% per annum based on a year of 360 days. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled and that the Index does not change; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under this Note. Notwithstanding the foregoing, the rate of interest accrual described for the principal only payment stream applies only to the extent that no other interest rate for any other payment stream applies. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the HIGHEST BASE RATE ON CORPORATE LOANS AT LARGE U.S. MONEY CENTER COMMERCIAL BANKS THAT THE WALL STREET JOURNAL PUBLISHES AS THE PRIME RATE AND IS PUBLISHED DAILY IN THE WALL STREET JOURNAL (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. If the Index becomes unavailable during the term of this loan, Lender may designate a substitute index after notifying Borrower. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each DATE OF CHANGE. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 3.250% per annum. The interest rate or rates to be applied to the unpaid principal balance during this Note will be the rate or rates set forth herein in the "Payment" section. Notwithstanding any other provision of this Note, after the first payment stream, the interest rate for each subsequent payment stream will be effective as of the due date of the last payment in the just-ending payment stream. NOTICE: Under no circumstances will the effective rate of interest on this Note be less than 5.000% per annum or more than (except for any higher default rate shown below) the lesser of 8.000% per annum or the maximum rate allowed by applicable law. Whenever increases occur in the interest rate, Lender, at its option, may do one or more of the following: (A) increase Borrower's payments to ensure Borrower's loan will pay off by its original final maturity date, (B) increase Borrower's payments to cover accruing interest, (C) increase the number of Borrower's payments, and (D) continue Borrower's payments at the same amount and increase Borrower's final payment.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: HEARTLAND NATIONAL BANK, 320 HWY 27 NORTH SEBRING, FL 33870.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled

SOURCE

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PROMISSORY NOTE
(Continued)

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payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased to 18.000% per annum based on a year of 360 days. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Change In Ownership. Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender the amount of these costs and expenses, which includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Florida without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Florida.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of HIGHLANDS County, State of Florida.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracies should be sent to Lender at the following address: HEARTLAND NATIONAL BANK, SEBRING BRANCH, 320 HWY 27 NORTH, SEBRING, FL 33870.

2019/8/19

Loan No: 160076970

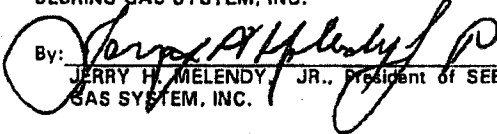
GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Florida (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

SEBRING GAS SYSTEM, INC.

By: 
JERRY H. MELEUDY, JR., President of SEBRING
GAS SYSTEM, INC.

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Florida Documentary Stamp Tax Required by
Law in the Amount of \$ 7,875.00
has been Paid or Will Be Paid Directly to
The Department of Revenue
Certificate of Registration No. 593584666-38-001

SOURCE 

333.6