

**HAMPSTEAD AREA WATER COMPANY INC
INTERNAL CONTROL REVISIONS
DW 08-065**

Audit Issue # 18:

Audit Comment - Audit recommends that the overhead calculation for rent should be shown as net of HAWC rent. The burden calculation should show N. Thayer with the proper burden rate and not estimated.

The Company has made the recommended changes to its Overhead calculation (see attached).

Audit Issue # 19:

Audit Recommendation - As Audit's random test show payroll differences for years 2006 and 2007 we conclude that there is an internal control weakness. The LBD Controller should be performing random invoice testing of charges to HAWC.

New controls implemented by Company:

1. The Controller will perform random quarterly testing of charges to HAWC to verify that the proper labor rates and overhead factors are being charged.
2. The payroll clerk will inform the office manager of any changes to pay rates. The office manager will verify that the pay change has been updated in the bills to HAWC.

Audit Issue # 20:

Audit Recommendation - LBD employee time records in which hours are chargeable to HAWC should be signed and approved by a supervisor.

New controls implemented by Company:

1. All payroll time cards in which hours are chargeable to HAWC are being signed by a supervisor. The time card of the employee (Legal Secretary) in question will be signed by the Controller or in-house Attorney.

Audit Issue #18

LBD Overhead

Background

Audit reviewed the Lewis Builders Overhead calculation of 20% used for the test year and 13% used for year 2006. These rates were based on financial data from Lewis Builders, Inc for years 2005 and 2006.

Exception

Starting with year 2006, rent was added to the overhead calculation in the amount of \$179,000. Audit notes that this should be reduced by the amount that HAWC pays per Schedule B of the Management, Services and Rental Agreement, or \$16,900.

The calculation also credits the salary and burden for N. Thayer, who works for Lewis Builders Property Management. The burden rate which was credited for the 2007 calculation was estimated at 40%, rather than the actual burden rate of 57%, thus overstating the LBD overhead percentage.

Recommendation

The above corrections change the Overhead calculation for the test year from 20% to 19% and for year 2006 from 13% to 12%.

Company Response

Company agrees with the recommendation but believes the changes are immaterial if you net them against the under billings of the Controller and Payroll Clerk during the test year. See Audit issue #19.

Audit Comment

Audit recommends that the overhead calculation for rent should be shown as net of HAWC rent. The burden calculation should show N. Thayer with the proper burden rate and not estimated.

Audit agrees that changing the test year overhead percentage along with correcting the LBD billings as described in Audit Issue #19 would be a major task. Audit's analysis of the LBD billings showed some employee labor charges were over billed and some were under billed. The Company provided a schedule after the draft report was completed suggesting that there was a test year under billing of (\$1,257). Audit did not request nor review the Company work papers supporting their conclusion.

Audit Issue #19

LBD Employee Rates Charged to HAWC

Background

Audit conducted an LBD payroll test to verify that the correct employee rates were being charged to HAWC. Audit used the LBD employee records jacket that contained pay rates and added burden and overhead. That rate was then compared to that for which LBD had invoiced or charged HAWC.

Exception

Audit's LBD payroll test found that there were instances in which the rate charged to HAWC by LBD was higher than the calculated rate, and in other instances the rate was lower. There were also instances in which the calculated rate by Audit tied to that for which LBD billed or charged HAWC.

When questioned about the above the LBD response was *"some of the bills that were sent mistakenly used a labor burden rate of 62% instead of 61%. A second issue was that the hourly rates billed for the Controller and an Accountant were too low"*. LBD provided a spreadsheet that showed that correcting the above would result in a small additional charge to HAWC.

Recommendation

As Audit's random test show payroll differences for years 2006 and 2007 we conclude that there is an internal control weakness. The LBD Controller should be performing random invoice testing of charges to HAWC.

Company Response

Company agrees with recommendation.

Audit Comment

Periodic reviews of LBD billings should be done.

Audit's test of the LBD invoices showed some employee labor rates were over billed and some were under billed. Correcting the above would include reviewing all LBD employee labor charges for the test year.

Audit Issue #20

LBD Employee #111

Background

LBD employee #111 performs many different tasks as Legal Secretary for which charges are made to HAWC.

Exception

Audit's review of many time records for employee #111 showed that no supervisory signature is approving this record.

Recommendation

LBD employee time records in which hours are chargeable to HAWC should be signed and approved by a supervisor.

Company Response

Company agrees with recommendation.

Audit Comment

Audit concurs.

AGREEMENT

This AGREEMENT ("Agreement") is made as of January 1, 2009, by and between Hampstead Area Water Company, Inc. (HAWC), a New Hampshire corporation, located at 54 Sawyer Avenue, Atkinson, New Hampshire 03811 and Atkinson Concessions, Inc., d/b/a Atkinson Resort & Country Club (ARCC), a New Hampshire corporation located at 85 Country Club Drive, Atkinson, New Hampshire 03811. Therefore, for good and valuable consideration, the parties agree as follows:

1. Services:

- a. Telephone Answering Services. ARCC agrees to provide telephone answering services, including but not limited to emergency services, answering phones, dispatching on call staff, calling emergency services, and calling electric providers, to HAWC for those periods of time outside of the normal business hours of HAWC, including but not limited to nights, weekends, and holidays.
- b. Other Services. ARCC agrees to provide other clerical and administrative services as required by HAWC.

2. Compensation:

- a. Telephone Answering Services. In consideration of the services to be rendered by ARCC to HAWC, HAWC shall pay fees to ARCC for this service in the amount of \$200.00 per month payable on the 1st day of each month starting upon the execution of this Agreement.
- b. Other Services. In consideration of the services to be rendered by ARCC to HAWC, HAWC shall pay ARCC an hourly labor rate and charges for materials as adjusted for labor burden and overhead expense. These charge will be calculated as follows:
 - i. Labor Burden. For all labor costs which rates constitute the gross pay hourly/salary payments to the individual concerned, ARCC will add a "Labor Burden" rate which shall be the same rate as calculated in Exhibit 1 to Schedule A of the Lewis Builders Development, Inc. and HAWC Management Agreement, The Labor Burden rate for 2009 is sixty three percent (63%) of the direct labor rate paid to each employee of ARCC.
 - ii. Overhead Expense. For all costs (labor, materials & services), ARCC will add an "Overhead" expense rate (G&A) which shall be the same rate as calculated in Exhibit II to Schedule A of the Lewis Builders Development, Inc. and HAWC Management Agreement. For 2009, this rate is twenty percent (20%).

Both the Labor Burden Rate and Overhead Expense Rate shall be adjusted on or before April 1 of each year as shown in Schedule A of the Lewis Builders Development, Inc. and HAWC Management Agreement

3. Billing Procedure and Content:

- a. ARCC will bill HAWC monthly, in arrears, for the actual cost of all of the items set forth in "2" above.
- b. No supply, material cost, labor charge, overhead or labor burden shall include any profit or "mark up" to ARCC or to any related person or entity to either ARCC or HAWC.

4. Termination. This contract may be terminated upon thirty (30) days written notice by either party.

5. Miscellaneous Provisions. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New Hampshire. This Agreement constitutes the entire Agreement of the parties and supersedes all prior agreements. Neither this Agreement nor any provision may be amended, modified, or waived except in writing by the parties. No waiver by either party of any breach by the other or any provision of this Agreement shall be deemed to be a waiver of any later or other breach or as a waiver of any other provision of this Agreement. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement under seal on the date first above written.

Judith S. Armstrong
Witness

Hampstead Area Water Company, Inc.

Christine Lewis Morse
By: Christine Lewis Morse, Vice President

Judith S. Armstrong
Witness

Atkinson Concessions, Inc.

Christine Lewis Morse
By: Christine Lewis Morse, President

AGREEMENT

This AGREEMENT ("Agreement") is made as of January 1, 2009, by and between Hampstead Area Water Company, Inc. (HAWC), a New Hampshire corporation, located at 54 Sawyer Avenue, Atkinson, New Hampshire 03811 and Lewis Equipment Company, Inc (LEC), a New Hampshire corporation located at 54 Sawyer Road, Atkinson, New Hampshire 03811.

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

1. Services. LEC agrees to provide repair and maintenance services to HAWC for HAWC vehicles and rental of equipment, including but not limited to generators.
2. Compensation. In consideration of the services to be rendered by LEC to HAWC, HAWC shall pay LEC its hour labor rate and charges for materials as adjusted for labor burden and overhead expense. These charge will be calculated as follows:

- a. Labor Burden

For all labor costs which rates constitute the gross pay hourly/salary payments to the individual concerned, LEC will add a "Labor Burden" cost which shall be calculated in accordance with Exhibit 1 to Schedule A of the Lewis Builders Development, Inc. and HAWC Management Agreement, The Labor Burden for 2009 is sixty three percent (63%) of the direct labor rate paid to each employee of LEC

- b. Overhead Expense

For all costs (labor, materials & services), LEC will add "Overhead" expense factor (G&A) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following year, in accordance with the formula set forth on Exhibit II to Schedule A of the Lewis Builders Development, Inc. and HAWC Management Agreement. For 2009, this factor is twenty percent (20%).

3. Billing Procedure and Content

A. LEC will bill HAWC monthly, in arrears, for the actual cost of all of the items set forth in "2" above.

B. No supply, material cost, labor charge, overhead or labor burden shall include any profit or "mark up" to LEC or to any related person or entity to either LEC or HAWC.

4. Termination. This contract may be terminated upon thirty (30) days written notice by either party.
5. Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of New Hampshire.
6. Entire Agreement and Amendments. This Agreement constitutes the entire Agreement of the parties and supersedes all prior agreements. Neither this

Agreement nor any provision may be amended, , modified, or waived except in writing by the parties. No waiver by either party of any breach by the other or any provision of this Agreement shall be deemed to be a waiver of any later or other breach or as a waiver of any other provision of this Agreement.

7. Captions. The descriptive section headings herein have been inserted for convenience only and shall not be deemed to define, limit, or otherwise affect the construction of any provision hereof.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement under seal on the date first above written.

Hampstead Area Water Company, Inc.

Judith S. Armstrong
Witness

Christine Lewis Morse
By: Christine Lewis Morse, Vice President

Lewis Equipment Company, Inc.

Judith S. Armstrong
Witness

Christine Lewis Morse
By: Christine Lewis Morse, President

MANAGEMENT / SERVICE / RENTAL AGREEMENT

Agreement made as of January 1, 2009 by and between Hampstead Area Water Company, Inc. ("HAWC") and Lewis Builders Development, Inc. ("Lewis"), both New Hampshire corporations, both of 54 Sawyer Avenue, Atkinson, New Hampshire.

WHEREAS, HAWC, a New Hampshire public utility water company, operates systems in various Towns in New Hampshire and has need of certain management and other services and has need to rent certain office, storage and warehouse space in order for it to conduct its daily operations and whereas Lewis has the management, service and real estate facilities necessary to HAWC's daily operations, now therefore the parties agree as follows:

1. Services

Lewis will provide, on an as needed basis, those services as set forth on Schedule A at the hourly or other rate as set forth on Schedule A.

2. Rental

Lewis will provide on an annual basis the square footage of rental space for HAWC's office, storage and warehousing needs as set forth on Schedule B at the per square foot per year rental basis. All real estate taxes, utilities, telephone usage, use of copying and related office equipment (excluding copying costs for mass mailings which may be billed at 10 cents per copy) and maintenance costs are included in such per square foot per annum charge.

3. Office Supplies

a. Lewis will provide HAWC with office supplies at Lewis' cost, plus overhead.

4. Labor Burden

For all labor costs set forth on Schedule A, which rates constitute the gross pay hourly/salary payments to the individual concerned, Lewis will add a "Labor Burden" cost which represents the indirect cost of such labor, such as workers compensation

insurance, employee benefits, employer paid payroll taxes, etc. Such “Labor Burden” shall be calculated in accordance with Exhibit 1 to Schedule A and shall be calculated on or before April 1st of the following year as of December 31st of the previous year and shall apply to the following calendar year. The Labor Burden for 2009 is sixty three percent (63%) of the direct labor rate paid to each employee of Lewis.

5. Overhead Expense

For all costs (labor, materials & services) set forth on Schedule A, Lewis will add “Overhead” expense factor (G&A) multiplier calculated on or before April 1st of the following year as of December 31st each year to be applied to the following year, in accordance with the formula set forth on Exhibit II to Schedule A. For 2009, this factor is twenty percent (20%).

6. Billing Procedure and Content

A. Lewis will Bill HAWC monthly, in arrears, for the actual cost of all of the items set forth in “3” above, and on Schedule A and B incurred and consumed in the previous month. Item Schedule A.II will be billed in arrears on a monthly basis.

B. No supply material cost, rental rate, labor charge, overhead or labor burden shall include any profit or “mark up” to Lewis or to any related person or entity to either Lewis or HAWC.

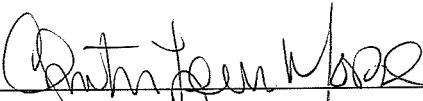
C. In the event any employee of HAWC or any equipment belonging to HAWC is used by Lewis in any or for any work or project other than HAWC’s operations, Lewis shall pay to HAWC the cost of such, including the then “Labor Burden” and overhead rates.

D. The Agreement may be cancelled at any time by either party upon thirty (30) days notice to the other, without penalty, and will be automatically renewed from year to year until and unless such notice is given.

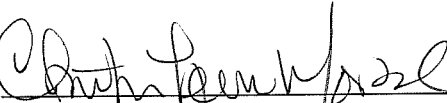
E. This Agreement and any amendment or changes thereto are subject to the prior approval of the New Hampshire Public Utilities Commission.

F. This Agreement supersedes and replaces any and all previous "Management Agreements" between the parties, which previous agreement shall be deemed to have been terminated as of December 31, 2008.

HAMPSTEAD AREA WATER COMPANY, INC.

By: 
Christine Lewis Morse, Vice President

LEWIS BUILDERS DEVELOPMENT COMPANY, INC.

By: 
Christine Lewis Morse, President

SCHEDULE A

I. Services (to be billed out as used)

<u>Services</u>	<u>Present Employee / Entity</u>	<u>To be Billed at Actual Rate paid to Employee</u>	
1. Accounting	John Sullivan	+ Burden + G&A	Hourly Basis
2. Legal Advice	Robert Levine, Esquire	+ Burden + G&A	Hourly Basis
3. Legal Secretary	Judy Armstrong	+ Burden + G&A	Hourly Basis
4. Payroll & Misc. Office Work	Various employees	+ Burden + G&A	Hourly Basis
5. Mailing Costs (actual)			

II. Management

Harold J. Morse, President,	\$100,000 per year
Christine Lewis Morse, Vice President	
Scott Tosti, IT	\$10,000 per year

LEWIS BUILDERS DEVELOPMENT INC.

10/23/2009

**Labor Burden & Overhead
FOR THE YEAR 2009**

Exhibit 1

Per Trial Balance 12/31/08:

1-10-4100	401 K Expense		28,600.82
1-10-4140	Builders Risk Insurance		6,653.00
1-10-4220	Equipment Expense - Fuel		279,443.63
1-10-4280	Health Insurance		216,226.64
1-10-4300,530	(Holiday\Vacation\Sick		151,765.38
1-10-4320	Life Insurance - Field		5,842.36
1-10-4360	Misc Tools and Supplies		48,073.20
1-10-4365	Recycling Charges		523.45
1-10-4370	Permit, approval, etc		1,297.70
1-10-4380	Misc Utilities		0.00
1-10-4400	Payroll Taxes		135,761.45
1-10-4420	Employee Disability Insurance		(15.90)
1-10-4440	Purchase Discounts		(14,846.42)
1-10-4475	Books, Plans, Estimating, Misc		1,091.25
1-10-4485	Cell Phones, Pagers		14,822.65
1-10-4500	Workers Comp Insurance		76,857.35
1-10-4510	Safety		10,212.93
1-10-5280	Engineering & Other Payroll		7,217.73
1-90-5420	Real estate Taxes (Misc Land)		5,089.00
	Porton of Chris\Harold salary assigned to Labor Burden		100,000.00
	401k - field included in G & A	n\la	0.00
	Life Insurance - Field included in G & A	n\la	0.00
	1/2 of Insurance in Account 1-90-5160		26,763.99
	Less: G & A Workers Compensation	n\la	0.00

Adjusted Indirect Overhead

1,101,380.21**Total Direct Labor 1-10-4040**

1,745,841.90**Labor Burden %**

63%

10/26/2009

LEWIS BUILDERS DEVELOPMENT INC.

Labor Burden & Overhead
FOR THE YEAR 2009

EXHIBIT 2

Revenue for 2008 (all 3000 accts)

10,843,893.12**G & A Expenses:**

1-90-5280	Admin Payroll	323,625.34
1-90-5300,430	(Holiday\Vacation\Sick	62,354.87
1-90-5320	Marketing Payroll	106,646.00
1-90-5340	Officer's Salary	1,000,000.00
1-90-5120	Misc Employee Benefits	2,296.02
1-90-5140	Health Insurance	74,304.48
1-90-5220	Marketing Misc	102,133.31
1-90-5225	Marketing - Advertsing	12,603.96
1-90-4400	Payroll Taxes	61,751.23
1-90-4440	Purchase Discounts	(0.31)
1-90-4500	Workers Comp - Admin	1,694.65
1-90-5520	Utilities	27,017.34
1-90-5000	Accounting Fees	199,435.00
1-90-5180	Legal	46,823.54
1-90-5200	Life Insurance - Admin	2,418.43
1-90-5400	Professional Development	2,260.00
1-90-5260	Office Expenses	19,727.76
1-90-5430	Rent	178,999.92
	Rent paid by HAWC	(16,900.00)
1-90-5480	Telephone	8,576.13
1-90-4100	401 K Expense - Admin	7,972.13
1-90-5380	Postage	16,911.81
	Less Postage billed to HAWC	(9,717.42)
see comment	Misc	12,634.02
1-90-4040	Admin OT Payroll	9,737.54
1-90-5060	Depreciation	15,373.80
1-90-5050	Computer Expense	61,573.10
1-90-5160	1/2 of Insurance	26,763.99
Less:	Chris\Harold salary included in Labor Burden	(100,000.00)
Less:	Wages - Thayer	(47,452.50)
Less:	Burden for above wages - as above	(29,895.08)

Adjusted G & A expenses2,179,669.07**Overhead %**20%

SCHEDULE B

<u>Type of Rental</u>	<u>Per Square Foot Rental Per Year</u>	<u>Square Foot Used by HAWC</u>	<u>Total Rental Per Year</u>
Office	\$ 12.00 *	575 sf	\$ 6,900.00
Storage	\$ 5.00 *	1,238 sf	\$ 6,190.00
Warehouse	\$ 5.00 *	762 sf	\$ 3,810.00
Other (description) _____	\$ *		\$
Grand Total:			\$ 16,900.00

* Gross Rent includes real estate taxes, utilities, maintenance.

**HYDROLOGY
PROMISSORY NOTE**

Initial Interest Rate 5.50%
Principle Balance: \$162,069
Date: July 1, 2006
Term: Five (5) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of One Hundred and Sixty Two Thousand Sixty Nine and 00/100th Dollars (\$162,069) ("Principal"), plus interest calculated from the date of this note at the rate of Five and 50/100th (5.50%) percent, and payable as follows:

In Sixty (60) monthly installments of \$3,095.71 commencing on July 1, 2006 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY _____
Christine Lewis Morse, its Vice President duly authorized

HAWC
HYDROLOGY

PRINCIPAL: \$162,069.00
 INTEREST RATE: 5.500%
 NO. OF MONTHS: 60
 PAYMENT/MO.: \$3,095.71
 PAYMENT/YR.: \$37,148.52

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE
1	\$2,352.89	\$742.82	\$3,095.71	\$159,716.11
2	\$2,363.68	\$732.03	\$3,095.71	\$157,352.43
3	\$2,374.51	\$721.20	\$3,095.71	\$154,977.92
4	\$2,385.39	\$710.32	\$3,095.71	\$152,592.53
5	\$2,396.33	\$699.38	\$3,095.71	\$150,196.20
6	\$2,407.31	\$688.40	\$3,095.71	\$147,788.89
7	\$2,418.34	\$677.37	\$3,095.71	\$145,370.55
8	\$2,429.43	\$666.28	\$3,095.71	\$142,941.12
9	\$2,440.56	\$655.15	\$3,095.71	\$140,500.56
10	\$2,451.75	\$643.96	\$3,095.71	\$138,048.81
11	\$2,462.99	\$632.72	\$3,095.71	\$135,585.82
12	\$2,474.27	\$621.44	\$3,095.71	\$133,111.55
13	\$2,485.62	\$610.09	\$3,095.71	\$130,625.93
14	\$2,497.01	\$598.70	\$3,095.71	\$128,128.92
15	\$2,508.45	\$587.26	\$3,095.71	\$125,620.47
16	\$2,519.95	\$575.76	\$3,095.71	\$123,100.52
17	\$2,531.50	\$564.21	\$3,095.71	\$120,569.02
18	\$2,543.10	\$552.61	\$3,095.71	\$118,025.92
19	\$2,554.76	\$540.95	\$3,095.71	\$115,471.16
20	\$2,566.47	\$529.24	\$3,095.71	\$112,904.69
21	\$2,578.23	\$517.48	\$3,095.71	\$110,326.46
22	\$2,590.05	\$505.66	\$3,095.71	\$107,736.41
23	\$2,601.92	\$493.79	\$3,095.71	\$105,134.49
24	\$2,613.84	\$481.87	\$3,095.71	\$102,520.65
25	\$2,625.82	\$469.89	\$3,095.71	\$99,894.83
26	\$2,637.86	\$457.85	\$3,095.71	\$97,256.97
27	\$2,649.95	\$445.76	\$3,095.71	\$94,607.02
28	\$2,662.09	\$433.62	\$3,095.71	\$91,944.93
29	\$2,674.30	\$421.41	\$3,095.71	\$89,270.63
30	\$2,686.55	\$409.16	\$3,095.71	\$86,584.08
31	\$2,698.87	\$396.84	\$3,095.71	\$83,885.21
32	\$2,711.24	\$384.47	\$3,095.71	\$81,173.97
33	\$2,723.66	\$372.05	\$3,095.71	\$78,450.31
34	\$2,736.15	\$359.56	\$3,095.71	\$75,714.16
35	\$2,748.69	\$347.02	\$3,095.71	\$72,965.47
36	\$2,761.28	\$334.43	\$3,095.71	\$70,204.19
37	\$2,773.94	\$321.77	\$3,095.71	\$67,430.25
38	\$2,786.65	\$309.06	\$3,095.71	\$64,643.60
39	\$2,799.43	\$296.28	\$3,095.71	\$61,844.17
40	\$2,812.26	\$283.45	\$3,095.71	\$59,031.91
41	\$2,825.15	\$270.56	\$3,095.71	\$56,206.76
42	\$2,838.10	\$257.61	\$3,095.71	\$53,368.66
43	\$2,851.10	\$244.61	\$3,095.71	\$50,517.56
44	\$2,864.17	\$231.54	\$3,095.71	\$47,653.39
45	\$2,877.30	\$218.41	\$3,095.71	\$44,776.09
46	\$2,890.49	\$205.22	\$3,095.71	\$41,885.60

HAWC HYDROLOGY

PRINCIPAL: \$162,069.00
 INTEREST RATE: 5.500%
 NO. OF MONTHS: 60
 PAYMENT/MO.: \$3,095.71
 PAYMENT/YR.: \$37,148.52

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE
47	\$2,903.73	\$191.98	\$3,095.71	\$38,981.87
48	\$2,917.04	\$178.67	\$3,095.71	\$36,064.83
49	\$2,930.41	\$165.30	\$3,095.71	\$33,134.42
50	\$2,943.84	\$151.87	\$3,095.71	\$30,190.58
51	\$2,957.34	\$138.37	\$3,095.71	\$27,233.24
52	\$2,970.89	\$124.82	\$3,095.71	\$24,262.35
53	\$2,984.51	\$111.20	\$3,095.71	\$21,277.84
54	\$2,998.19	\$97.52	\$3,095.71	\$18,279.65
55	\$3,011.93	\$83.78	\$3,095.71	\$15,267.72
56	\$3,025.73	\$69.98	\$3,095.71	\$12,241.99
57	\$3,039.60	\$56.11	\$3,095.71	\$9,202.39
58	\$3,053.53	\$42.18	\$3,095.71	\$6,148.86
59	\$3,067.53	\$28.18	\$3,095.71	\$3,081.33
60	\$3,081.59	\$14.12	\$3,095.71	(\$0.26)

**2008 ADDITIONS
PROMISSORY NOTE**

Initial Interest Rate 5.50%
Principle Balance: \$94,232.09
Date: October 1, 2009
Term: Twenty (20) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Ninety Four Thousand Two Hundred Thirty Two and 09/100th Dollars (\$94,232.09) ("Principal"), plus interest calculated initially from the date of this note at the rate of Five and 50/100th (5.50%) percent, and payable as follows:

In Two Hundred and Forty (240) monthly installments of \$648.21 commencing on October 1, 2009 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full. The interest rate shall be adjusted on October 1, 2012 and every three (3) years thereafter, to be calculated in the amount of Two and one-quarter (2-1/4%) plus the Prime Rate as published in the Wall Street Journal on the last business day of each calendar year.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Judith S. Armstrong
Witness:

By: Christine Lewis Morse
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY Christine Lewis Morse
Christine Lewis Morse, Its President duly authorized