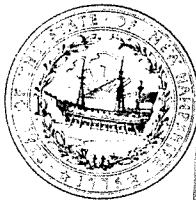


CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

ORIGINAL

N.H.P.U.C. Case No. DW 10-217

Exhibit No. # 5

Witness

DO NOT REMOVE FROM FILE

Tel. (603) 271-2431

FAX (603) 271-3878

DD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

December 20, 2011

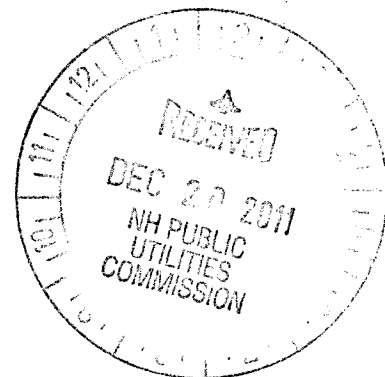
Ms. Debra A. Howland, Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 10-217: Tioga River Water Company, Inc. (Tioga or Company)
Staff Report on Final Audit Report and SRF Loan Documentation

Dear Ms. Howland:

The purpose of this correspondence is to report on two outstanding issues described in the Settlement Agreement that was presented in this docket at hearing on October 6, 2011. The first pertains to a Staff audit of certain plant additions placed into service by Tioga during 2010 which are the basis for Step Increases for both the Company's Tioga Division and GVWD Division. The second issue pertains to the final documentation relative to an SRF loan which financed the Company's 2010 construction projects. As of the date of the hearing, this final documentation had not yet been finalized by NHDES and the Company. The Settlement Agreement indicated that Staff would provide a report to the Commission on both of these issues as soon as they were resolved.

The Commission's Audit Staff completed its review of the 2010 plant additions and a Final Audit Report was issued on October 10, 2011. A copy of that Final Audit Report is attached to this correspondence. The only exception which results in potential adjustments to the respective project costs for each division pertains to Audit Issue # 5. In that audit issue, it was reported that certain newspaper advertising costs were overstated by \$482 for both the Tioga Division and the GVWD Division. Staff analyzed the effect of these potential adjustments on the proposed revenue requirements and rates for each division. Amended revenue requirement schedules are attached to this correspondence showing the effect of these cost revisions for each of Tioga's divisions.



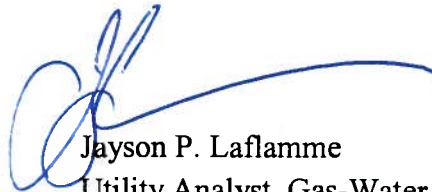
For the Tioga Division, a \$482 reduction in the project cost results in a \$50 decrease in the overall revenue requirement from \$20,769 to \$20,719. In terms of customer rates, the proposed fixed charge will remain the same at \$60 per quarter but the proposed consumption charge will decrease from \$0.1181 per CF to \$0.1177 per CF; a difference of \$0.0004 per CF. For an average customer in the Tioga Division, this adjustment translates into a \$2.25 overall decrease in rates on an annual basis from \$944.04 to \$941.79.

For the GVWD Division, a \$482 reduction in the project cost results in a \$47 decrease in the overall revenue requirement from \$26,786 to \$26,739. In terms of customer rates, the proposed fixed charge will decrease by \$0.10 per quarter from \$36.07 to \$35.97 and the proposed consumption charge will decrease by \$0.00001 per CF from \$0.0410 per CF to \$0.0409 per CF. For an average customer in the GVWD Division, this adjustment will result in an overall \$0.53 decrease in rates on an annual basis from \$304.38 to \$303.85.

With regard to the second issue pertaining to the SRF loan, Tioga forwarded copies of the finalized documentation to Staff on December 15, 2011. A copy of these documents is also attached to this correspondence. Staff reviewed the finalized terms of the SRF loan and found that they are consistent with the terms presented in the Settlement Agreement. Specifically, Tioga borrowed a total of \$230,000, of which 50% will be forgiven. The remaining principal will be paid over a term of 20 years at an interest rate of 2.864%.

In light of the respective adjustments in the costs of each of the Company's 2010 projects, it is Staff's recommendation that the Commission approve the revised revenue requirements and resulting customer rates indicated above. The Company has indicated that it concurs with Staff's recommendation. If you have any questions concerning this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jayson P. Laflamme", with a long horizontal flourish extending to the right.

Jayson P. Laflamme
Utility Analyst, Gas-Water Division

Attachments: Final Audit Report dated 10/10/11
SRF Loan Documentation
Amended Revenue Requirement Schedules

cc: Service List

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: October 10, 2011

AT (OFFICE): NHPUC

FROM: James Schuler, NHPUC Examiner

SUBJECT: Tioga River Water Company, Inc.
DW 10-217
2010 Plant Additions
Final Audit Report

TO: Mark Naylor, Director of Water and Gas Division
Stu Hodgdon, Chief Auditor
Jayson Laflamme, Utility Analyst

TIOGA RIVER WATER COMPANY 2010 PLANT ADDITIONS

Scope of Plant Audit

The PUC Audit Staff (Audit) was tasked to review Tioga River Water Company's Tioga Division (Tioga, Company) and Gilford Village Water District Division's (GVWD) 2010 water system improvement and booster station projects reported to be \$235,232. Audit reviewed contactor invoices, including those of affiliate Gilford Well Company, Inc. (Gilford Well) and Contractor Applications for Payment forms provided by the Company for both divisions.

Bidding

Two bids were awarded, one to James W. Bobotas for Tioga Division work and one to Englewood Construction for GVWD work. Both companies sub-contracted portions of the work to sub-contractors; Daniel's Electric, Gilford Well Company, T & L Concrete and Belknap Mountain Construction.

PLANT ADDITIONS

Engineering, \$29,609

Tioga Division, \$20,689

Provan & Lorber Inc. provided engineering services for the Booster Station and Treatment Facility totaling \$20,689 for Tioga Division exclusively. Invoices provided by the Company, show specific work assigned as survey & base plans, contract documents,

bidding assistance and construction administration. The invoices show employee, hours, rate and amount. Audit reviewed each invoice in detail. No exceptions were noted.

GVWD Division, \$8,920

Horizons Engineering PLLC provided engineering services for the GVWD exclusively for a total of \$8,920. The invoices show work assigned was for water system design and construction services. Each invoice shows the contract amount and then percent completed and amount now due.

General Contractors, \$192,765

Tioga Division, \$109,446

Support provided by the Company show that James W. Bobotas Custom Builders Inc. (Bobotas) was originally contracted to perform the work for the Tioga River Pump House project for the sum of \$113,846. However, support provided to Audit show some work was done by Gilford Well which was then invoiced to Bobotas.

Actual Bobotas invoices provided to Audit total \$83,696.30. The January invoice in the amount of \$19,443.30 shows work for building exterior, test pits, building interior and Gilford Well (mechanical + filters). The April invoice in the amount of \$45,861 shows work for electrical, site work and Gilford Well (mechanical + filters). The June invoice in the amount of \$6,392 shows work to include electrical site work and pumps & filters. **(Audit Issue #1).**

Support provided for the April Bobotas invoice in the amount of \$45,861 includes a Gilford Well invoice in the amount of \$22,185 for (mechanical + filters). Support provided to Audit for the Gilford invoice included a report to the U.S. Department of Labor. This report shows the individual's name, rate of pay and the number of hours worked for a particular week resulting in gross amount earned and net wages.

Audit however, notes that the above form also includes an amount substantially higher than labor. As examples:

Week end. 1/22/10 – Laborer, 1.75 hrs. @ \$16 = \$28. Gross amount charged \$687.11

Week end. 2/12/10 – Laborer, .5 hr. @ \$14 = \$7. Gross amount charged \$640.34

Week end. 3/26/10 – Laborer, 1 hr. @ \$16 = \$16. Gross amount charged \$707.11

Week end. 4/09/10 – Laborer, 3.5 hrs. @ \$38.20 = \$133.70. Gross amount charged \$976.81

Week end. 5/14/10 – Plumber, 1.5 hrs. @ \$38.20 = \$57.30. Gross amount charged \$962.41

Week end. 6/04/10 – Laborer, 1.5 hrs. @ \$16 = \$24. Gross amount charged \$815.11

When questioned, the Company responded; “These rates are not charged to either water system. These are actual pay rates which are paid to the employees of Gilford

Well. Gilford Well had a set contract price for the work done at each water system. Pay rates do not change the contract with any sub-contractor”.

Audit added all the Gilford gross amount earned labor, and that summed to \$2,967.71. Audit added all the higher gross amount charged, and that summed to \$15,369.52. **(Audit Issue #2).**

GVWD Division, \$83,319

Englewood Construction was contracted to GVWD for the Booster Pump Station Improvements project. The total contract amount was \$107,800. The Company provided Audit with Englewood Construction’s Contractor Application for Payment forms and the Payment Application Detail. No actual invoices were provided.

The last Application for Payment and Payment Application Detail shows the total completed to date to be \$92,576. The current payment due was \$37,750. The current amount due plus the previous application amount of \$45,568.63 equals the total of \$83,318.68.

The Payment Application Detail lists completed work to have included general conditions, site work, demolition, concrete work, carpentry, thermal & moisture, doors, finishes, mechanical and electrical.

Daniels Electric, \$9,000

A copy of an invoice from Daniels Electric to Tioga for electrical work performed for the GVWD Division in the amount of \$9,050 was provided to Audit. Support for the Daniels Electric invoice included labor derived from the timesheets totaling \$3,394. Audit could not identify the remaining amount of the invoice, \$5,606 (\$9000-\$3,394). **(Audit Issue #3).**

Gilford Well Company, \$2,206

The Company reports costs of \$2,206.14 for Gilford Well Company for the GVWD Division. Time sheets provided to Audit support straight time hours multiplied by the hourly rate summing to \$1,973.08. **(Audit Issue #4).**

Insurance Premiums, \$490

Audit submitted a request for an explanation as to why insurance premiums totaling \$490 should not be charged to account 924, Property Insurance. The Company responded that the insurance cost of \$490 was additional insurance that the State of New Hampshire DES required Tioga to carry while the construction projects were in progress. Audit verified the amount of \$490 to an insurance invoice which showed it relates to loans.

Newspaper Advertisements, \$1,162

Two subsequent newspaper ads related to the financing and approval of the SRF loans totaling \$482 should be booked to account 186, Miscellaneous Deferred Debits. This would be consistent with the first ad for \$482 referred to in the Company's previous response to Staff Request 1-3 in DW 10-217. Of the total invoices submitted, only one invoice for \$198 shows advertising for bidding (**Audit Issue #5**).

Company Summary:

<u>TIOGA</u>		Contractor Costs	Other Costs	Total Costs
304	Structures	\$55,000.00	\$10,811.95	\$65,811.95
309	Supply Main	200.00	39.32	239.32
311	Pumping Equipment	43,839.30	8,617.97	52,457.27
320	Filtration Equipment	<u>10,407.00</u>	<u>2,045.82</u>	<u>12,452.82</u>
	Total	\$109,446.30	\$21,515.06	\$130,961.36

<u>GVWD</u>		Contractor Costs	Other Costs	Total Costs
304	Structures	\$45,225.00	\$4,663.01	\$49,888.01
311	Pumping Equipment	31,500.00	3,247.87	34,747.87
320	Filtration Equipment	<u>17,800.00</u>	<u>1,835.30</u>	<u>19,635.30</u>
	Total	\$94,525.00	\$9,746.18	\$104,271.18

Additions to Tioga Division Plant	\$130,961
Additions to GVWD Division Plant	<u>\$104,271</u>
Total	\$235,232

Audit could not verify how the above costs were assigned. (**Audit Issue #6**).

EXIT AUDIT MEETING and SUMMARY

An exit audit meeting was held here at the PUC on 10/6/11. At that meeting Norman Harris, III, and Steve St. Cyr provided much additional information that was helpful to PUC Audit.

After reviewing invoices and all other information provided by the Company, Audit recommends revised plant additions as follows:

Revised Additions-Tioga Div. Plant; \$20,689+109,446+245+99=	\$130,479
Revised Additions-GVWD Div. Plant; \$8,920+83,319+9,000+2,206+245+99=	<u>\$103,789</u>

Final Revised Plant Total, Per PUC Audit	\$234,268
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AUDIT ISSUE #1

General Contractor Charges

Background:

James W. Bobotas Custom Builders Inc. was contracted to perform the work for the Tioga River Pump House project. The Company reports general contractor costs to have been \$109,446.30.

Exception:

The Company provided Audit with three invoices totaling \$83,696.30. An invoice dated February 1, 2009 for work incurred in January was provided in the amount of \$31,443. An invoice dated April 7, 2010 for work incurred in March was provided in the amount of \$45,861. An invoice dated June 7, 2010 for work incurred in May was provided in the amount of \$6,392.

Each Bobotas invoice contained some support but Audit was not provided exact details to support each payment. In addition, the three invoices provided do not total to the amount requested.

Conclusion:

The Company should provide Audit with detailed support for each Bobotas invoice. In addition, the Company must provide support for contractor costs of \$25,750 that Audit could not identify.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. At that time, the Company provided the Bobotas invoice dated 12/31/09 for \$25,750. In addition, the Company provided the agreement between the Company and Bobotas. It is not reasonable or possible for the Company to provide "detailed support" for each Bobotas invoice. The Company does not have access to Bobotas' labor, benefits, materials and supplies, equipment, etc.

Audit Staff's Exit Audit Comment:

Audit reviewed the contract agreement between the Company and Bobotas. Audit reviewed the additional Bobotas invoice for \$25,750 dated December 31, 2009. Audit confirms that the Bobotas invoices total \$109,446.30.

AUDIT ISSUE #2

Gilford Well Invoice to Bobotas

Background:

Support provided for the April Bobotas invoice in the amount of \$45,861 includes a Gilford Well invoice in the amount of \$22,185 for (mechanical + filters). Support provided to Audit for the Gilford invoice included a report to the U.S. Department of Labor. This report shows the individual's name, rate of pay and the number of hours worked for a particular week resulting in gross amount earned and net wages.

Exception:

Audit however, notes that the above form also includes an amount substantially higher than labor. As examples:

Week end. 1/22/10 – Laborer, 1.75 hrs. @ \$16 = \$28. Gross amount charged \$687.11

Week end. 2/12/10 – Laborer, .5 hr. @ \$14 = \$7. Gross amount charged \$640.34

Week end. 3/26/10 – Laborer, 1 hr. @ \$16 = \$16. Gross amount charged \$707.11

Week end. 4/09/10 – Laborer, 3.5 hrs. @ \$38.20 = \$133.70. Gross amount charged \$976.81

Week end. 5/14/10 – Plumber, 1.5 hrs. @ \$38.20 = \$57.30. Gross amount charged \$962.41

Week end. 6/04/10 – Laborer, 1.5 hrs. @ \$16 = \$24. Gross amount charged \$815.11

When questioned, the Company responded that these rates are not charged to either water system. These are actual pay rates which are paid to the employees of Gilford Well. The Company also stated that Gilford Well had a set contract price for the work done at each water system and that the pay rates do not change the contract with any sub-contractor

Audit added all the Gilford gross amount earned labor, and that summed to \$2,967.71. Audit added all the higher gross amount charged, and that summed to \$15,369.52

Conclusion:

Audit can't verify the amount of \$22,185 which Gilford Well has invoiced to Bobotas that is then included by the Company for construction costs.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. As indicated in the Company's Exit Audit Comment to Audit Issue #1, the Company

provided the agreement between the Company and Bobotas. It is not reasonable or possible for the Company to provide "detailed support" for each Bobotas invoice. The Company does not have access to Bobotas' labor, benefits, materials and supplies, equipment, etc. In this case, because Gilford Well is an affiliate of Tioga River Water Company, the Company provided the Gilford Well invoice for \$22,185. In addition, the Company provided the agreement between Gilford Well and Bobotas for mechanical work and the estimated costs.

Audit Staff's Exit Audit Comment:

Audit disagrees that it is not reasonable for the Company to provide detailed support. Audit routinely receives supportive documentation from sub-contractors in other rate case audits and step adjustment reviews. Audit is not implying that the Company does not know what the project cost components are, only that Bobotas's invoices which contained no approval signature for payment, date of payment or account designation are weak from an Audit standpoint. Therefore, Audit could not verify that the Company posted additions to the proper individual plant accounts.

A Gilford Well Company, Inc. letter dated 11/10/09 was presented to Audit that contains a description of work to be done. Audit notes that the Gilford Well Company, Inc. invoices show the customer to have been Bobotas and that they describe work done as "Progress Billing".

AUDIT ISSUE #3

Daniels Electric Charges

Background:

The Company provided a copy of an invoice from Daniels Electric to Tioga for electrical work performed for the GVWD Division in the amount of \$9,050.

Exception:

Support for the Daniels Electric invoice includes labor derived from the timesheets in the amount of \$3,394. The remaining amount of the \$5,606 (\$9000-\$3,394) could not be identified by Audit.

Conclusion:

Audit could not verify charges of \$5,606 from the Daniels Electric invoice dated June 18, 2010.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. At that time, the Company provided the purchase order from Gilford Village Water District ("GVWD") to Daniels Electric. Similar to the responses to Audit Issues 1 & 2, it is not reasonable or possible for the Company to provide "support" for the Daniel Electric invoice. The Company does not have access to Daniels' labor, benefits, materials and supplies, equipment, etc. In this case, GVWD had authorized Daniels to complete the electric work for an amount not to exceed the purchase order amount of \$9,050.

Audit Staff's Exit Audit Comment:

Refer to Audit Staff's Exit Audit Comments to Issue #2, paragraph one.

Audit reviewed the purchase order that described the work to be done by Daniels Electric Corporation as "Complete Electrical Work" and not to exceed \$9,050.

AUDIT ISSUE #4

Gilford Well Charges

Background:

The Company lists charges from Gilford Well Company of \$2,206 for GVWD Division.

Exception:

Time sheets provided to Audit support straight time hours multiplied by the hourly rate summing to \$1,973.08.

Conclusion:

The Company needs to provide support for \$233.06 of labor from the Gilford Well Company to the GVWD Division.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. At that time, the Company provided the agreement between the Company and Englewood Construction Company ("Englewood"). Unfortunately, Englewood did not finish the work and Gilford Well stepped in to complete the project. Gilford Well agreed to complete the work for the funds that were available and did so.

Audit Staff's Exit Audit Comment:

Audit concurs with the above Company statement.

AUDIT ISSUE #5

Newspaper Advertising Costs

Background:

Per the rate case DW 10-217, Staff 1-3, the Company provided Foster Daily Democrat invoices related the financing and approval of the SRF loans for the amount of \$482 which was posted to account 186, Miscellaneous Deferred Debits.

Exception:

Per the filing for the 2010 Additions, the Company has included the same invoice from Foster to be recovered again.

In addition, two other Foster invoices totaling \$482 related to the financing and approval of the SRF loans are included in the 2010 Additions filing.

Conclusion:

In total, the filing amount should be decreased by \$964 representing amounts related to the financing.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. After reviewing the Foster invoices, Foster originally billed Gilford Well (instead of the Tioga and GVWD divisions) for \$482. The Company asked Foster to rebill the \$482, \$241 to Tioga division and \$241 to GVWD division, which Foster did. The Company reflected such expenditures in both miscellaneous deferred debits and construction costs. As such, the Company agrees that the construction costs should be reduced by \$482.

Audit Staff's Exit Audit Comment:

Audit concurs with the Company that the construction costs be reduced by \$482. Therefore, Audit has reduced Tioga plant costs by \$241 and GVWD plant costs by \$241.

Per conversation with the Company following the exit audit, the Company has agreed with Audit that the invoice the Company originally asked Foster to rebill in the amount of \$482 is also included in the recovery amount for Newspaper Advertising of \$1,162. Therefore, the original invoice of \$482 and the two divisional invoices totaling \$482 determined to be related to financing should not be included for recovery. The Company has agreed that only one invoice for \$198 that shows advertising for bidding should be included for recovery.

AUDIT ISSUE #6

Account Distributions

Background:

Included in the filing was the Company's Assignment/Allocation of Total Project Costs to Plant Accounts sheet. This chart showed the plant account split between contractor's costs and other costs for a total account cost. This was presented for each of the two divisions.

Exception:

From the documentation provided to Audit in the form of Requests for ARRA Disbursements, Contractor Application for Payment forms, Contractor invoices and US Dept. of Labor Payroll Timesheets, Audit could not verify the account assignments. Invoice support provided does not clarify how amounts charged to structures, pumping equipment, supply main, and filtration equipment were determined.

Conclusion:

Audit could not verify the total amounts assigned to the plant accounts.

Company's Exit Audit Comment:

Following the hearing on October 6, 2011 the Company met with the Audit Staff. The Company reviewed the engineering plans and the contractor's construction costs and determined the costs associated with structures, pumping equipment, filtration equipment, etc. For those other costs such as engineering, insurance, advertisement (of the construction bid) and construction period interest, the Company summed such costs and allocated them to the various plant accounts on a prorated share.

Audit Staff's Exit Audit Comment:

Audit agrees that Mr. Harris has the expertise to assign costs to individual plant accounts and that those costs that were allocated were done in a reasonable method.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
DRINKING WATER STATE REVOLVING LOAN FUND
(with funding pursuant to the American Recovery and Reinvestment Act of 2009)**

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated _____, 2009, has two parties:

- (1) the State of New Hampshire (the "State"), whose address is c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire, 03302-0095, and
- (2) the following person which is borrowing funds from the State:

Tioga River Water Company, Inc.
1440 Lake Shore Road
Gilford NH 03249
(the "Borrower")

FUNDAMENTAL PREMISES FOR THIS AGREEMENT

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the state. This loan will also receive funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

B. The Borrower owns and operates community public water systems in Belmont and Gilford subject to regulation by the Public Utilities Commission ("PUC"). The Borrower has applied to borrow up to \$230,000 to finance capital improvements of the public water systems described below:

(i) The Borrower provides domestic water to residential services in Belmont, New Hampshire. Its planned improvements for this system include construction of a new pump house, and relocation of the existing storage tank.

(ii) The Borrower operates the Gilford Village Water District, which provides domestic water to approximately 37 services including an elderly housing complex in Gilford, New Hampshire. Its planned improvements for this system include replacement of the existing booster pumps, installation of iron and manganese treatment system, and a backup generator.

C. The State has determined that the Borrower's request for a loan financing the cost of the Project and made in accordance with this Agreement is eligible for funding from the Drinking Water Fund in accordance with guidelines adopted pursuant to RSA 486:14 and the

American Recovery and Reinvestment Act of 2009. Under the American Recovery and Reinvestment Act of 2009 the Borrower is eligible for up to 50% principal forgiveness as provided in section 12.

TERMS AND CONDITIONS OF THIS AGREEMENT

The State and the Borrower agree as follows:

1. **Definitions.** The following terms shall have the meanings indicated:

"ARRA Requirements" mean the requirements of the American Recovery and Reinvestment Act of 2009 and regulations and federal administrative pronouncements issued pursuant thereto and pertaining to the loan made pursuant to this Agreement and the design and construction of the improvements, which requirements are summarized in Exhibit D attached hereto.

"Construction Contract" means the agreement between the Borrower and a contractor for construction of the Improvements.

"Contractor" means the contractor who enters into the Construction Contract.

"DWSRF" means the State's Drinking Water State Revolving Fund under RSA 486:14.

"Engineering Contract" means the agreement between the Borrower and an engineer for engineering the design of the Improvements.

"Engineer" means the engineer who enters into the Engineering Contract.

"Event of Default" has the meaning provided in Section 8.

"Guarantor" means Norman H. Harris, Jr

"Guaranty" means the Guaranty of even date of the Guarantor

"Hazardous Materials" has the meaning provided in Section 10.1(a).

"Improvements" means the improvements to be constructed in accordance with the Plans.

"Legal Requirements" have the meaning provided in Section 10.1(b).

"Loan Proceeds" has the meaning provided in Section 2.

"Mortgage" means the Mortgage and Security Agreement of even date of the Borrower to the State mortgaging the Premises.

"Note" means the Borrower's Promissory Note of even date in the principal amount of

\$230,000.00 payable to the order of the State in the form attached hereto as Exhibit C.

"Permitted Encumbrances" have the meaning provided in Section 4(a).

"Plans" mean the plans, specifications, drawings and specifications furnished and acceptable to the State.

"Premises" mean the real property and real property interests described in Exhibit A attached hereto.

"Security Instruments" mean the Mortgage, the Collateral Assignment of Contracts, Plans and Permits of the Borrower to the State and the Security Agreement between the Borrower and the State and the Subordination Agreement between the Guarantor and the State, all of even date.

"State" means the State of New Hampshire.

"Title Insurance Company" means a title insurance company satisfactorily furnishing a title insurance policy insuring the Mortgage.

"Total Budget" means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B attached hereto.

2. State's Agreement to Disburse Proceeds. Provided the terms, covenants and agreements hereof shall be observed and performed, the State agrees to make disbursements to the Borrower of, and the Borrower agrees to borrow from the State, an amount not to exceed the total principal amount of the Note (such disbursements made, from time to time hereafter, being hereinafter referred to as the "Loan Proceeds").

3. Representations of Borrower. The Borrower represents and warrants as follows:

(a) Recitals. The Recitals set forth at the beginning of this Agreement are true and correct;

(b) Plans. The Borrower will file the Plans with all governmental authorities having jurisdiction with respect to the Improvements;

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits, approvals and licences for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements and the Borrower has obtained all necessary governmental approvals to borrow funds in accordance with the Agreement which approvals are in full force and effect;

(d) No Violation. Construction of the Improvements will not violate any zoning, environmental, subdivision or land use ordinance, regulation or law;

(e) [Intentionally left blank]

(f) No Litigation. No litigation or proceedings are pending or threatened against the Borrower or affecting the Premises or the Improvements that could affect the validity or priority of the lien of the Mortgage or other security for the Note or that could affect the Borrower's ability to perform its obligations under this Agreement;

(g) Financial Statements. The balance sheets and financial statements of Borrower, which were submitted in connection with Borrower's request for the loan contemplated herein, were prepared in accordance with generally accepted principles of accounting applied on a basis consistent with that of preceding periods and are complete and correct and fairly present the financial condition of the Borrower as of said dates. To the best of the Borrower's knowledge and belief, the Borrower does not have any contingent obligations, liabilities for taxes or unusual forward or long-term commitments except as in the foregoing financial statements specifically mentioned. Since the date of such financial statements, there has been no material adverse change in the financial condition of the Borrower;

(h) Due Organization and Authority. The Borrower is a duly organized and validly existing New Hampshire corporation and cooperative in good standing under the laws of the State of New Hampshire. The Borrower has the power and authority to own its properties and to carry on business as now being conducted and is qualified to do business in every jurisdiction where such qualification is necessary and has the power to execute and deliver, and perform its obligations under this Agreement, the Note and the Security Instruments;

(i) No Conflict; No Required Approvals. The execution and delivery and performance by the Borrower of its obligations under this Agreement, the Note and each of the Security Instruments have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which the Borrower is a party, or by which it is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under, or except as may be provided by this Agreement, result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower pursuant to, any such indenture, agreement or instrument. The Borrower is not required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency in connection with or as a condition to the execution, delivery or performance of this Agreement, the Note or the Security Instruments and, in addition, no litigation or proceedings are pending or threatened against Borrower or the Premises;

(j) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent; the Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and the Borrower has no knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statements referred to herein;

(k) No Material Misstatement. No statement of fact made by or on behalf of the

Borrower in this Agreement or in any certificate or schedule furnished to the State pursuant thereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower that has not been disclosed to the State that materially affects adversely, nor as far as the Borrower can foresee, will materially affect adversely the property, business, operations or conditions (financial or otherwise) of the Borrower;

(l) Taxes. The Borrower has filed all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments;

(m) Enforceability. This Agreement, the Note and each of the Security Instruments, upon delivery, will be the valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, and will not violate any other agreements or instruments to which the Borrower is a party or by which the Borrower is bound;

(n) No Broker. The making of the loan contemplated hereunder or the State's acquisition of the Note or any of the Security Instruments will not subject the State to any claim for a brokerage commission; and

(o) Total Budget. Borrower covenants and represents that Exhibit B attached hereto contains a complete and full enumeration of all costs (hard, soft and acquisition) that Borrower anticipates will be incurred in connection with the construction, the development and equipping of the Improvements and in connection with the starting up of the operation of the Improvements.

(p) ARRA Conditions. To the knowledge of the Borrower the Plans, Construction Contract and Engineering Contract comply with the ARRA Requirements.

Each of the foregoing representations and warranties shall survive the making of the loan hereunder, and the Borrower shall indemnify and hold harmless the State from and against any loss, damage or liability attributable to the breach thereof, including all fees and expenses incurred in the defense or settlement of any claim arising therefrom against the State.

4. Conditions Precedent. The State's obligation to advance any of the Loan Proceeds shall be subject to the satisfaction of the following conditions precedent:

(a) Title. The Borrower shall have acquired good and marketable title to the Premises in fee simple and full possession thereof, free and clear of all liens and encumbrances except such encumbrances as are set forth in Exhibit A to the Mortgage (hereinafter referred to as the "Permitted Encumbrances") and the lien of the State created by the Mortgage shall be insured by a mortgagee's title insurance policy in form and substance satisfactory to the State and issued by the Title Insurance Company;

(b) Loan Documents. The Borrower and the Guarantor shall have executed and delivered to the State the Note, the Guaranty and each of the Security Instruments, each of which

shall be in form and substance satisfactory to State;

(c) Construction Contract. The Borrower shall prepare a public bid for the Construction Contract, which shall comply with the ARRA Requirements, shall require the Contractor to comply with the ARRA Requirements applicable to the Contractor, its performance of its obligations under the Construction Contract and its subcontractors, shall require the Contractor's subcontracts to require its subcontractors to comply with the ARRA Requirements, shall require the Contractor to provide the information concerning the Contractor and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements and shall have been reviewed and approved by the State. Such State approval shall not be construed as a waiver of any ARRA Requirements that apply to the Construction Contract. The Borrower shall request authorization from the State to award contract and enter into the Construction Contract with the Contractor in accordance with the requirements of such contract, and the Borrower shall have assigned its rights thereunder to State by an assignment in form and substance satisfactory to State. The Borrower shall enter into the Construction Contract on or before December 1, 2009. The State will not advance Loan Proceeds for "hard costs" of labor and materials of the Project for equipping and construction of the Improvements excluding land acquisition expenses, if applicable, prior to the execution and delivery of the Construction Contract, but the State may advance Loan Proceeds for "soft cost" in the Total Budget, such as engineering fees, closing expenses and publication expenses before execution and delivery of the Construction Contract;;

(d) Engineering Contract. The Borrower shall have prepared a request for proposals for the Engineering Contract that shall have been approved by the State. The Engineering Contract shall comply with the ARRA Requirements and shall require the Engineer to comply with the ARRA Requirements applicable to it, shall require the Engineer's subcontracts to require its subcontractors to comply with the ARRA Requirements, shall require the Engineer to provide the information concerning the Engineer and its subcontractors that the Borrower requires to fulfill its reporting obligations under the ARRA Requirements. Any approval or acquiescence of the State with respect to the Engineering Contract shall not be construed as a waiver of any ARRA Requirements that apply to the Engineering Contract, the Engineer or its subcontractors. The Borrower shall have decided upon and entered into the Engineering Contract in accordance with the requirements of such request for proposals;

(e) Assurances. The State shall receive written assurances from Engineer and the Contractor that the State shall have the same rights as the Borrower to the continued use of the Plans, and all services related thereto for the construction of the Improvements;

(f) [Intentionally left blank]

(g) Plans. The Borrower shall deliver a complete copy of the Plans to the State which Plans shall be satisfactory to the State in all respects;

(h) UCC Search. The State shall have received a satisfactory report concerning liens and security interests affecting property of the Borrower;

(i) Environmental Report. The State shall have received an environmental report with respect to the Premises satisfactory to the State;

(j) Additional Instruments. The State shall have received such additional instruments, certificates, opinions, surveys and other documents as the State may reasonably request;

(k) No Event of Default. No Event of Default (as defined herein) nor any event which with the giving of notice or passage of time, or both, would constitute an Event of Default shall have occurred;

(l) Mechanic's Lien Waivers. The Borrower shall provide the State with mechanic's lien waivers executed by the Contractor and all subcontractors relative to all work performed on Improvements before or as of the date hereof, together with the Borrower's written certification that it has complied with this paragraph (l); and

5. Covenants of the Borrower. Until payment in full of all sums required to be paid by the Borrower under the Note and pursuant to the provisions of this Agreement or any Security Instrument, the Borrower shall:

(a) Construction. Enter into the Construction Contract, which shall be binding upon the Borrower and the Contractor on or before December 1, 2009 and cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within Nine (9) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements, including without limitation, the ARRA Requirements;

(b) Changes. Make no significant changes in or amendments to the Plans and without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes in project work that are consistent with the objectives of the project and within the scope of this agreement do not require the approval of the State;

(c) Inspection. Permit the State and its representatives to enter upon the Premises and inspect the Improvements at all reasonable times and examine all detailed plans, drawings and specifications and any books and records relating to the Premises and the Improvements;

(d) Inadequate Loan Proceeds. If for any reason the amount of undistributed Loan Proceeds shall at any time be or become insufficient to pay for the completion of the Improvements, including (i) all items set forth in the Total Budget, (ii) all incurred cost overruns and incurred costs for items not included in the Total Budget and (iii) all cost overruns and costs not included in the Total Budget that the State deems likely to be incurred, (regardless of how such condition may be caused) then prior to any further disbursement of Loan Proceeds, either (A) expend from funds other than Loan Proceeds an amount equal to such deficiency for amounts shown on the Total Budget, or (B) provide State with an unconditional and irrevocable letter of

credit in an amount equal to such deficiency from a bank and in form and substance satisfactory to State;

(e) Sign. Erect a sign in accordance with the State specifications on the Premises at such location as the State in its reasonable discretion may determine, indicating that the Improvements are being financed by the State and with ARRA funding;

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance on the Improvements and any material or equipment stored on the Premises, and worker's compensation insurance with such companies, in such amounts and covering such risks as shall be satisfactory to the State and furnish such insurance policies to the State (premiums prepaid or, after default by the Borrower in so doing, the State may procure at the expense of the Borrower), insuring the interests of the Borrower and the State, as their respective interests may appear and, upon request, certificates evidencing such insurance coverage shall be promptly delivered to the State;

(g) Casualty. If the Improvements shall be damaged or destroyed by fire or any other casualty, and subject to the terms and conditions of the Mortgage, proceed with the restoration thereof and diligently prosecute the work of restoration to completion, provided that the Loan Proceeds shall not be advanced to pay any part of the cost of such restoration;

(h) No Purchase Money Security Agreements, Etc. Neither purchase nor install materials, equipment, fixtures, furnishings, or any other part of the Improvements under purchase money security agreements, conditional sales contracts or lease agreements, or other arrangements wherein title to or a security interest in such property is retained or the right is reserved or accrues to anyone to remove or repossess any such property;

(i) Expenses. Pay, as may be demanded by the State, (i) the State's extraordinary, reasonable expenses (including attorneys' fees) that State incurs in the approval, making and administration of the loan hereunder and (ii) the State's reasonable expenses that incurs in enforcement of this Agreement, the Note, and related documents;

(j) Cooperation. Cooperate fully with the State with respect to any proceedings before any court, board or governmental agency that may in any way affect the rights of the State hereunder or any rights obtained by the State under any of the Security Instruments and, in connection therewith, permit the State, at its election, to participate in any such proceedings;

(k) Preserve Licenses. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights, licenses, permits and franchises and comply with all laws and regulations applicable to it;

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so

long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

(m) Notice of Proceedings. Give prompt written notice to the State of any proceedings instituted against it by or in any federal or state court or before any commission or other regulatory body, whether federal, state or local, which, if adversely determined, would have an adverse effect upon its business, operations, properties, assets, or condition, financial or otherwise;

(n) Financial Statements and Audit. If requested by the State, furnish to the State such information regarding its operation, assets, business affairs and financial condition, as the State may reasonably request and in particular shall furnish to the State (i) within ninety (90) days of the close of each fiscal year during the term of the loan annual financial statements prepared in accordance with generally accepted accounting principles and certified by the Borrower as being correct in all material respects and otherwise in form and content reasonably acceptable to the State and (ii) as soon as practical after filing with the Internal Revenue Service a copy of its federal income tax return with all schedules thereto. If in any calendar year the Borrower expends more than \$500,000 in aggregate of the proceeds of the loan made pursuant to this Agreement together with proceeds of other loans and assistance provided with applicable funds from the United States federal government, whether for the Project or for other uses, the Borrower shall be subject to the requirements of the Single Audit Act of 1984, as amended, and regulations and other regulatory requirements promulgated thereunder, for that calendar year and the Borrower shall comply with those requirements at its expense;

(o) No Other Indebtedness. Not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness or liability, except:

- (i) indebtedness to the State; and
- (ii) indebtedness with respect to trade obligations and other normal accruals in the ordinary course of business not yet due and payable, or with respect to which it is contesting in good faith the amount or validity thereof by appropriate proceedings, and then only to the extent it has set aside on its books adequate reserves therefor;

(p) [Intentionally left blank]

(q) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and provide the State with written certification that the Borrower has complied with this paragraph; and

(r) Two Party Check Requirements. If any contract between the Borrower or its

agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such Agreement.

(s) ARRA Requirements. (i) Comply with the ARRA Requirements, cause the Construction Contract to comply with the ARRA Requirements and require the Contractor and their subcontractors to comply with the ARRA Requirements to the extent applicable to them and (ii) use reasonable efforts to cause the contractor and their subcontractors to comply with the ARRA Requirements.

6. Loan Disbursements.

6.1 Written Applications. Upon compliance with, and subject to, the provisions of this Agreement, and provided there shall exist no Event of Default under this Agreement and no condition or event which with the giving of notice or lapse of time would constitute such an Event of Default, the State shall, upon written application by the Borrower (made not less than fourteen (14) business days prior to the date of the requested disbursement under this Section 6 and made not more often than once every month), make disbursements to the Borrower from the Loan Proceeds in the amounts hereinafter specified, but not in any event to exceed in the aggregate the amount of the Loan Proceeds.

6.2 Amount of Disbursement. Each such disbursement for costs incurred by the Borrower shall be disbursed by the State from the Loan Proceeds to protect the priority of State's lien as required by New Hampshire Revised Statutes Annotated 447:12-a. The amount of each disbursement shall represent the total costs incurred by Borrower and approved by State in conformance with the Total Budget as of the date of the disbursement application, in excess of funds required to be provided and expended by Borrower under the terms hereof as of the date of said advance application, less any amounts previously advanced by State from the Loan Proceeds.

6.3 Application Documents. Each application for disbursement of the Loan Proceeds, must be accompanied by the following unless waived by the State in writing:

- (a) (i) Invoices from engineer or consultant for services in accordance with engineering contract; or
- (ii) Such other documentation, satisfactory to State, which will permit the Title Insurance Company to issue an endorsement covering the amount of the requested advance;
- (b) A completed disbursement request form signed by authorized representative by Borrower with contractor's payment estimate and invoices, in form approved by State and with such backup information as State may reasonably request;
- (c) [Intentionally left blank]

(d) The written endorsement of the title insurance policy issued by the Title Insurance Company, as of the date of the making of such advance, that there are no liens or other encumbrances on the Premises or Improvements (other than real estate taxes for the then current year, payment of which is not in default, the Permitted Encumbrances and the Security Instruments) nor any instruments of record under which such lien or encumbrance may be obtained;

(e) [Intentionally left blank]

(f) The Borrower's written certification that at least forty-eight (48) hours before the requested release of the advance the Borrower has posted a notice in a conspicuous place on the Premises of the anticipated funding date for the advance, together with a copy of such notice; and

(g) Any other documents that the State shall reasonably request the Borrower to provide to protect the priority of the lien of the Mortgage or other Security Instrument, including without limitation, lien waivers of the Contractor or subcontractors.

6.4 Lien Releases or Waivers. In connection with any disbursement of Loan Proceeds, the State may require lien releases or affidavits from, or the submission of other appropriate forms by, the Borrower, subcontractors or materialmen as may be required by the State or the Title Insurance Company.

6.5 Quality of Work. No disbursement shall be due unless all work usually done at the stage of construction when the disbursement is requested is done in a good and workmanlike manner and without defects, and all materials and fixtures usually furnished and installed at that time are furnished and installed, but the State may disburse all or part of any installments before the same shall become due if the State believes it advisable so to do, and all such disbursements or payments shall be deemed to have been made pursuant to this Agreement.

6.6 No Acceptance. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the State of the work theretofore done or of materials theretofore furnished.

6.7 Two Party Checks. Disbursements may be made, at the election of the State, by checks payable to the Borrower and the Contractor jointly and delivered, at the State's election, either to the Borrower or the Contractor or each subcontractor or vendor; provided, however, that disbursement shall be by check payable to the Borrower and any Contractor or subcontractor for which the Borrower or its agent has supplied the State with a copy of a contract as provided in Section 4(t).

6.8 Limited Duty. The Borrower agrees that the State shall assume no duty with respect to disbursement of the Loan Proceeds except to disburse upon the conditions as set forth in this Agreement and that any sums disbursed by the State in good faith and in reliance upon this Agreement, or the Security Instruments, shall be secured by the lien of the Security Instruments.

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of

this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this Agreement, and shall be charged against the Loan Proceeds and secured by the Security Instruments.

7. Completion of Improvements. Upon completion in full of the Improvements, the Borrower shall promptly deliver to the State:

(a) Engineer's Certificate. A written certificate of the inspecting engineer or construction supervisor that the construction of the Improvements has been fully completed in a good and workmanlike manner in accordance with the Plans;

(b) Title Insurance. A written endorsement of the Title Insurance Company insuring the Premises and Improvements against mechanics' and materialmen's liens;

(c) Project Costs. A certificate by the Borrower, in form and substance satisfactory to State, listing all categories of project costs and expenses in connection with the construction and completion of the Improvements and the amount paid by the Borrower with respect to each; and

(d) Permits. A copy of the applicable certificates, licenses, consents and approvals issued by governmental authorities with respect to the Improvements.

8. Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

(a) Title Insurance. The Title Insurance Company shall refuse to insure any advance made hereunder to be secured by the Mortgage as a valid first lien on the Premises and the Improvements, subject only to the Permitted Encumbrances;

(b) Assignment. The Borrower attempts to assign its rights under this Agreement or any advance made or to be made hereunder or any interest therein, or if the Premises are conveyed or encumbered in any way without the written consent of the State;

(c) Encroachment or Violation. Any survey, report or examination discloses that the Improvements or any portion thereof encroach upon or project over a street or upon or over adjoining property or violate any setback or other restriction, however created, or any zoning regulations or any building restriction of any governmental authority having jurisdiction with respect to the Improvements;

(d) Casualty. The Improvements or the Premises are materially damaged or destroyed by fire or other casualty or cause and the insurance proceeds therefrom (subject to the terms of the Mortgage) are inadequate to rebuild or restore the Improvements or the Premises to their condition immediately prior to such casualty;

(e) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans;

- (f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or misleading in any material respect;
- (g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements and shall not be discharged within thirty (30) days of such filing or such greater period of time as shall be permitted by the terms of the Mortgage or other Security Instrument;
- (h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement not otherwise specifically referred to in this Section 8;
- (i) Other Loan Documents. Any event of default as defined in the Note or any Security Instrument, or any event which, with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;
- (j) Cessation of Work. Any cessation occurs at any time in construction of the Improvements for more than one (1) week except for strikes, riots, or other causes beyond the Borrower's control, or if any substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;
- (k) Voluntary Bankruptcy. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent, or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;
- (l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;
- (m) Dissolution, Etc. The death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or a sale of assets of the Borrower out of the ordinary course of business without the prior written consent of the State;
- (n) Other Obligations to State. Default by the Borrower in the payment or performance of any other obligations of the Borrower owed to the State, whether created prior to,

concurrent with, or subsequent to the obligations arising out of this Agreement, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower in any other obligation for borrowed money in excess of Five Thousand Dollars (\$5,000.00);

(p) Judgment. Final judgment for the payment of money of more than Five Thousand Dollars (\$5,000.00) in excess of any insurance proceeds shall be rendered against the Borrower and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed; and

(q) Insecure. The State shall deem itself insecure within the meaning of New Hampshire RSA 382-A: 1-208.

9. State's Rights and Remedies Upon Default.

9.1 General State Rights. Upon the occurrence of any Event of Default, all obligations on the part of the State to make disbursements under this agreement shall, if the State so elects, cease, and, at the option of the State (but subject to the terms and conditions set forth in the Note and any applicable Security Instrument), the Note shall become immediately due and payable, and the State shall thereupon be authorized and empowered to exercise any rights of foreclosure or as otherwise provided for the realization of any security for the Note covered by any of the Security Instruments; but the State may make any disbursements or portions of disbursements, after the occurrence of any such Event of Default, without thereby waiving its right to demand payment of the Borrower's indebtedness evidenced by the Note and secured by the Security Instruments and without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 Possession. In addition to the remedies hereinabove provided by Section 9.1, upon the occurrence of any Event of Default, the State shall be authorized and empowered, at its election, (i) to enter upon the Premises and construct, equip and/or complete the Improvements in accordance with the Plans, with such changes therein as the State may from time to time, in its sole discretion, deem appropriate, and to appoint watchmen to protect the Improvements, all at the risk, cost and expense of the Borrower, (ii) to discontinue, at any time, any work with respect to the Improvements commenced by it or change any course of action undertaken by it in connection therewith, and shall not be bound by any limitations or requirements of time, whether set forth herein or otherwise, and/or (iii) to assume the Construction Contract or related agreement made by the Borrower in any way pertaining to the Improvements and to take over and use all or any part or parts of the labor, materials, supplies and equipment contracted for by the Borrower, whether or not previously incorporated into the Improvements, all in the sole discretion of the State.

9.3 Completion of Improvements. In connection with any construction, equipping and/or completion of the Improvements undertaken by the State pursuant to the provisions of Section 9.2 (but without intending hereby to limit the powers and discretions conferred by said section), the State may engage builders, contractors, architects and engineers and others for the

purposes of furnishing labor, materials and equipment for the Improvements; pay, settle or compromise all bills or claims which may become liens against the Improvements and the Premises or which have been or shall be incurred in any manner in connection with such construction, equipping and/or completion; and take such action or refrain from acting hereunder as the State may, in its sole discretion, from time to time determine.

9.4 Costs. The Borrower shall be liable to the State for all costs paid or incurred for the construction, completion and/or equipping of the Improvements, whether the same shall be paid or incurred pursuant to the provisions of Sections 9.2 or 9.3 or otherwise, and all payments made or liabilities incurred by the State hereunder of any kind whatsoever shall be paid by the Borrower to the State on demand, with interest at the rate specified in the Note to the date of payment.

9.5 Cumulative Rights. Upon the occurrence of any Event of Default, the rights, powers, privileges and other remedies available to the State under this Agreement or at law or in equity may be exercised by the State at any time and from time to time, whether or not the indebtedness evidenced and secured by the Note and the Security Instruments shall be due and payable, and whether or not the State shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Note or any of the Security Instruments.

9.6 Right of Set-Off. Any deposits or other sums at any time credited by or due from the State to the Borrower and any securities or other property of the Borrower at any time in possession of the State may at all times be held or treated as collateral security for the payment of the loan any and all liabilities of the Borrower or any Guarantor to the State. Upon an Event of Default the State may apply or set-off such deposits or other sums or property against such liabilities.

9.7 Power of Attorney. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by this Agreement, the Borrower hereby irrevocably constitutes and appoints the State its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts that are referred to herein in the name and behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and cannot be revoked.

10. Hazardous Materials Indemnification.

10.1 Definitions.

(a) The term "Hazardous Materials" shall mean and include asbestos, polychlorinated biphenyls ("PCB's"), other carcinogens, oil and other petroleum products, and any other hazardous or toxic materials, wastes and substances which are defined, determined or identified as such under RSA Chapters 146-A, 146-C, 147-A and 147-B, CERCLA, or any other applicable federal, state or local laws, rules, codes or regulations or any judicial or administrative interpretation thereof; and

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules,

codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

10.2 Indemnification. At all times, both before and after any conveyance or foreclosure of the Premises, the Borrower shall at its sole cost and expense indemnify, exonerate, protect and save the State harmless against and from any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgment, suits, proceedings, costs, disbursements or expenses of any kind or nature whatsoever, including without implied limitation, attorneys' and experts' fees and disbursements, which may at any time be imposed upon, incurred by or asserted or awarded against the State and arising from or out of:

- A. Any Hazardous Materials on, in, under or affecting all or any portion of the Premises or any areas surrounding the same before the Borrower is divested of title to the Property by conveyance or foreclosure or divested of possession of the Premises following an Event of Default;
- B. The violation by the Borrower of any Legal Requirements with respect to the Premises; or
- C. The enforcement of this paragraph 10 of the Agreement or the assertion by the Borrower of any defense to the obligations of an Indemnitor hereunder, whether any of such matters arise before or after foreclosure of the Mortgage or other taking of title to or possession of all or any portion of the Premises by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses A or B above:
 - (i) costs of removal of any and all Hazardous Materials from all or any portion of the Premises or any areas surrounding the same;
 - (ii) additional costs required to take necessary precautions to protect against the release of Hazardous materials on, in, under, or affecting, the Premises or into the air, any body of water or wetland, any other public domain, or any surrounding areas;
 - (iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Premises arising from any failure to comply with Legal Requirements;
 - (iv) costs incurred to comply with all Legal Requirements relating to the Premises or any other collateral for the Loan, including without implied limitation, fines, penalties or other charges imposed by any lawful authority; and
 - (v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Premises and

any remedial action taken on account thereof including, without implied limitation, the costs, fees and expenses of engineers, geologists, chemists, other scientists, attorneys, surveyors and other professionals, and testing and analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

11. Assignments. The State may assign, negotiate or pledge all or any portion of its rights under this Agreement or any of its rights or security with respect to the Note and the Security Instruments, and, in case of such assignment, the Borrower shall accord full recognition thereto. The Borrower hereby consents to the State's delivery of any and all financial or other information concerning the Borrower or the Guarantors to any assignee or participating lender. The Borrower shall not assign or attempt to assign directly or indirectly, any of its rights under this Agreement or under any instrument referred to herein without the prior written consent of the State.

12. Forgiveness of Principal. The Borrower is eligible for forgiveness of fifty percent (50%) of the amount of principal of the Note advanced pursuant to this Agreement pursuant to the State's ARRA Revolving Loan Program. In the absence of an Event of Default fifty percent of each installment of principal due under the Note shall be forgiven from the amount of principal that would otherwise become due in each monthly installment payment of principal and interest pursuant to the Note. Upon an Event of Default, the remaining amount of principal that has not been previously forgiven in accordance with this section and accrued interest shall be due and payable in accordance with Section 9.1.

13. General Provisions.

13.1 Captions. The captions in this instrument are for convenience and reference only and do not define, limit or describe the scope of the provisions hereof.

13.2 Number and Gender. Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural.

13.3 Binding Effect. The terms, covenants, agreements and conditions contained herein shall extend to, include, and inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the Borrower, as the case may be, and the successors and assigns of the State.

13.4 Notices. Any notice, demand, request or other communication given hereunder or in connection herewith shall be in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive the same at its address set forth above or at such other address as such party may hereafter designate by notice given in like fashion. Any such notice, demand, request or other communication shall be deemed given when mailed as aforesaid.

13.5 Governing Law. This Agreement has been made in the State of New Hampshire, and the provisions thereof shall be governed by and construed in accordance with the law of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

13.6 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note and the Security Instruments, contains the full, final and exclusive statement of the agreement of the parties with respect to the subject matter hereof and supersedes all prior understandings, representations or agreements, whether written or oral, with respect to such subject matter.

13.7 Amendment and Waiver. No amendment, modification, termination or waiver of any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and in the case of an amendment, modification or termination by the Borrower.

13.8 Consent to Jurisdiction. The Borrower hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any right of the State under the Note, this Agreement or any Security Instrument.

13.9 Joint and Several. If the Borrower consists of more than one person or entity, such persons and entities shall have joint and several liability hereunder.

13.10 Severability. If any provision or condition of this Agreement is prohibited or rendered invalid or unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Agreement.

13.11 Sovereign Immunity. Nothing contained in this Agreement, the Note or the Security Instruments shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State.

IN WITNESS WHEREOF, the State and the Borrower have each duly caused this Agreement to be executed, by their respective officers, thereunto duly authorized, as of the day and year indicated above.

THE STATE OF NEW HAMPSHIRE

Witness

By: _____
Thomas S. Burack, Commissioner
Department of Environmental Services

TIOGA RIVER WATER COMPANY, INC



Witness

By: Norman H. Harris, Jr.
Name: _____
Title: _____
Duly Authorized

↑
SIGN
HERE
CMTC

JOINDER OF GUARANTOR

The undersigned, being the person named as the Guarantor in the foregoing Loan Agreement, hereby joins therein and agrees to be legally and equitably bound by all of the terms, covenants, warranties, representations, conditions and thereof, this ____ day of _____, 2009.



Witness

Norman H. Harris, Jr.
Norman H. Harris, Jr

SUBORDINATION AGREEMENT

Agreement made this _____ day of _____, 2009 by Norman H. Harris, Jr, an individual with an address of _____, _____, New Hampshire _____ (hereinafter called the "Subordinated Creditor"), and the State of New Hampshire with an address c/o the Department of Environmental Services, 29 Hazen Drive, P. O. Box 95, Concord, New Hampshire 03302-0095 (hereinafter called the "State").

RECITALS

A. Tioga River Water Company, Inc. (the "Borrower") is obligated and is becoming obligated to the Subordinated Creditor under certain debt arrangements described below.

B. The State is extending a loan to the Borrower pursuant to a Loan Agreement of near or even date between the State and the Borrower (the "Loan Agreement") and as evidenced by the Promissory Note of the Borrower of near or even date (the "Note") in the original principal amount of \$230,000 (the "Loan"). The Subordinated Creditor has guaranteed the obligations of the Borrower with respect to the Loan pursuant to a Guaranty of the Subordinated Creditor of even date. (the Guaranty").

C. In consideration and as a condition of the State extending the above-described Loan to the Borrower, which Loan will benefit the Subordinated Creditor, the sole shareholder of the Borrower, by enhancing the financial condition of the Borrower, the Subordinated Creditor has agreed to enter into this agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. The payment of any and all Subordinated Debt is expressly subordinated to the extent and in the manner set forth in paragraphs 2 through 6, inclusive, hereof to Superior Indebtedness. The term "Subordinated Debt" shall mean and include any and all indebtednesses, liabilities and obligations of the Borrower to the Subordinated Creditor, absolute or contingent, direct or indirect, joint, several or independent, now outstanding or owing or that may hereafter be existing or incurred, arising by operation of law or otherwise, due or to become due, or held or to be held by the Subordinated Creditor, whether created directly or acquired by assignment, as a participation, conditionally, as collateral security from another or otherwise, including indebtednesses, obligations and liabilities of the Borrower to the Subordinated Creditor as a member of any partnership, syndicate, association or other group, and whether incurred by the Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise, including, without limiting the generality of the foregoing, all indebtednesses, liabilities and obligations of the Borrower to the Subordinated Creditor arising out of the following described promissory notes which are attached hereto:

[DESCRIBE]

The term "Superior Indebtedness" as used in this Subordination Agreement shall mean and include any and all indebtednesses, liabilities and obligations of the Borrower to the State pursuant to any document which evidences, secures or otherwise relates to the Loan, whether such amounts are absolute or contingent, direct or indirect, joint, several or independent, now outstanding or owing or that may hereafter be existing or incurred, arising by operation of law or otherwise, due or to become due, or held or to be held by the State.

2. If for any reason any of the Superior Indebtedness is not paid when due or is not paid on or before the maturity thereof, or if there shall occur and be continuing any event which with the giving of notice or lapse of time or both would constitute a default or event of default under any instrument or agreement now or hereafter executed evidencing, in connection with, as security for or providing for the issuance of any of the Superior Indebtedness, then, unless and until such event of default or default shall have been cured, or unless and until the Superior Indebtedness shall be paid in full, the Subordinated Creditor will not ask for, sue for, take, demand, receive or accept from the Borrower by setoff or in any other manner, any payment or distribution on account of the Subordinated Debt nor present any instrument evidencing the Subordinated Debt for payment (other than such presentment as may be necessary to prevent discharge of other liable parties on such instrument).

3. The Subordinated Creditor will not ask for, demand, sue for, take, receive or accept from the Borrower, by setoff or in any other manner, any payment or distribution on account of the Subordinated Debt, if the making of such payment would constitute or would result in the occurrence of a violation of the provisions of any instrument or agreement evidencing, in connection with, as security for or providing for the issuance of any Superior Indebtedness or would result in the occurrence of any event that with the giving of notice or lapse of time or both would constitute an event of default or default under the provisions of any such instrument or agreement.

4. If the Subordinated Creditor shall receive any payment or distribution on account of the Subordinated Debt that the Subordinated Creditor is not entitled to receive under the provisions of the foregoing paragraphs 2 or 3, the Subordinated Creditor will hold any amount so received in trust for the State and will forthwith turn over such payment to the State in the form received by Subordinated Creditor to be applied on the Superior Indebtedness.

5. The Subordinated Creditor will not commence any action or proceeding against the Borrower to recover all or any part of the Subordinated Debt or join with any other creditor unless the State shall also join in bringing any proceedings against the Borrower under any bankruptcy, reorganization, readjustment of debt, arrangement of debt, receivership, liquidation or insolvency law or statute of the federal or any state government unless and until all Superior Indebtedness shall have been paid in full.

6. In the event of any receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization or arrangement with creditors, adjustment of debt, whether or not pursuant to bankruptcy laws, the sale of all or substantially all of the assets, dissolution, liquidation or any other marshalling of the assets and liabilities of the Borrower, the Subordinated Creditor will at the State's request file any claim, proof of claim or other instrument of similar character necessary to enforce the obligations of the Borrower in respect of the Subordinated Debt and will hold in trust for the State and pay over to the State, in the form received, to be applied on the Superior Indebtedness, any and all monies, dividends or other assets received in any such proceedings on account of the Subordinated Debt unless and until the Superior Indebtedness shall be paid in full. If the Subordinated Creditor shall fail to take any such action requested by the State, the State may, as attorney-in-fact for the Subordinated Creditor take such action on behalf of the Subordinated Creditor, and the Subordinated Creditor hereby appoints the State as attorney-in-fact for the Subordinated Creditor to demand, sue for, collect and receive any and all such monies, dividends or other assets and give acquittance therefor and to file any claim, proof of claim or other instrument of similar character and to take such other proceedings in the State's own name or in the name of the Subordinated Creditor as the State may deem necessary or advisable for the enforcement of this Subordination Agreement; and the Subordinated Creditor will execute and deliver to the State such other and further powers of attorney and any other instruments as the State may request in order to accomplish the foregoing.

7. The State may, at any time, and from time to time, without the consent or notice to the Subordinated Creditor, without incurring responsibility to the Subordinated Creditor, and without impairing or releasing any of the State's rights or any of the obligations of the Subordinated Creditor under this Subordination Agreement:

(a) Change the manner, place or terms of payment, or change or extend for any period the time of payment of, or renewal or otherwise alter (other than to increase the principal amount due) the Superior Indebtedness or any instrument or agreement now or hereafter executed evidencing, in connection with, as security for or providing for the issuance of any of the Superior Indebtedness in any manner or enter into or amend in any manner any other agreement relating to the Superior Indebtedness (including provisions restricting or further restricting payment of Subordinated Debt);

(b) Sell, exchange, release or otherwise deal with all or any part of any property by whomsoever at any time pledged or mortgaged to secure howsoever securing, the Superior Indebtedness;

(c) Release anyone liable in any manner for payment or collection of the Superior Indebtedness;

(d) Exercise or refrain from exercising any rights against the Borrower or others (including the Subordinated Creditor); and

(e) Apply any sums received by the State, by whomsoever paid and however realized, to payment of the Superior Indebtedness in such a manner as the State, in its sole discretion, may deem appropriate.

8. The Subordinated Creditor will (i) cause all Subordinated Debt to be evidenced by a note, debenture or other instrument evidencing the Subordinated Debt, (ii) at the State's request promptly surrender or cause to be surrendered any such note, debenture, or instrument evidencing the Subordinated Debt so that a statement or legend may be entered thereon to the effect that such note, debenture, or other instrument is subordinated to Superior Indebtedness in favor of the State in the manner and to the extent set forth in this Subordination Agreement, (iii) mark the books of Subordinated Creditor to show that the Subordinated Debt is subordinated to the Superior Indebtedness in the manner and to the extent set forth in this Subordination Agreement; and (iv) cause all financial statements of the Subordinated Creditor hereafter prepared for delivery to any person to make specific reference to the provisions of this Subordination Agreement.

9. The Subordinated Creditor agrees to execute any and all other instruments necessary as required by the State to subordinate the Subordinated Debt to the Superior Indebtedness as herein provided. The Subordinated Creditor shall not amend the terms of the Subordinated Debt without the consent of the State.

10. The Subordinated Creditor will not assign or transfer to others any claim the Subordinated Creditor has or may have against the Borrower as long as any of the Superior Indebtedness remains outstanding unless such assignment or transfer is expressly made subject to this Subordination Agreement.

11. The Subordinated Creditor represents and warrants that (i) neither the execution nor delivery of this Subordination Agreement nor fulfillment of or compliance with the terms and provisions hereof will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Subordinated Creditor is now subject, and (ii) none of the Subordinated Debt is or will be subordinated to any other indebtedness of the Borrower other than the Superior Indebtedness unless otherwise agreed by the State.

12. Notice of acceptance of this Subordination Agreement is waived, acceptance on the part of the State being conclusively presumed by its request for this Subordination Agreement and delivery of the same to it.

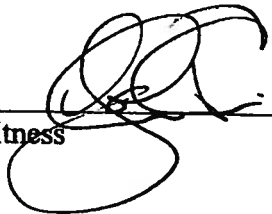
13. This Subordination Agreement may be assigned by the State in connection with any assignment or transfer of Superior Indebtedness.

14. This Subordination Agreement is executed and delivered in and shall be construed under and governed by the laws of the State of New Hampshire.

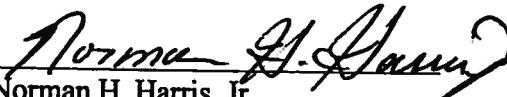
15. This Subordination Agreement may be amended only by a written instrument executed by the parties.

16 Nothing contained in this Subordination Agreement, the Loan Agreement, the Note, the Guaranty or the Security Instruments (as defined in the Loan Agreement) shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State.

Executed on the day and year first above written.



Witness



Norman H. Harris, Jr

← SIGN
HERE

EXHIBIT C

PROMISSORY NOTE

\$230,000

Concord, New Hampshire
_____, 2009

FOR VALUE RECEIVED, **Tioga River Water Company, Inc.**, a New Hampshire company with principal place of business at 1440 Lake Shore Road, Gilford, New Hampshire 03249 (the "Maker"), promises to pay to **State of New Hampshire c/o Department of Environmental Services** with an address of 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, or its order (the "Payee"), the sum of Two Hundred Thirty Thousand Dollars (\$230,000) or such lesser amount as shall be disbursed to the Maker by the Payee pursuant to a Loan Agreement of near or even date (the "Loan Agreement"), in lawful money of the United States, together with interest thereon at the Charge Rate, being the annual rate of one percent (1%) until the earlier of (i) the date of substantial completion of the Improvements (as defined in the Loan Agreement) as determined by the Payee or (ii) July 1, 2010 (such earlier date being the "Interest Rate Change Date") and commencing on the Interest Rate Change Date at the lower of (A) the annual rate of Three and Seven Hundred Forty-Four Thousandths percent (3.744%) or (B) 80 percent (80%) of the established 11 General Obligations Bond Index published during the first week of the month of October before the Interest Rate Change Date.

1. Payments. The interest and principal of this Note shall be paid as follows:

(a) Commencing on the first day of the seventh month after the Interest Rate Change Date, interest only shall be paid in six (6) consecutive monthly installments on the first day of each month.

(b) Commencing with the first day of the thirteenth month after the Interest Rate Change Date, the principal and interest of the Note shall be paid in Two Hundred and Forty (240) consecutive equal monthly installments of principal and interest on the first day of each month with the installment amount calculated to amortize the principal balance of the Note over the 240 month period at the applicable interest rate; provided, however, that the Maker shall have the option to elect prior to the first installment payment under paragraph 1(a) to have the interest accruing prior to the Interest Rate Change Date be capitalized and added to the principal amount of the Note rather than paid in the first installment of interest to be paid pursuant to paragraph 1(a); provided that the sum of the principal balance of the Note plus interest accruing prior to the Interest Rate Change Date (such sum being the "Capitalized Amortization Amount") shall not exceed \$230,000 and if the sum of unpaid principal plus interest accruing prior to the Interest Rate Change Date exceeds \$230,000, such excess amount of interest shall be due and payable with the first payment of interest pursuant to paragraph 1(a) above. If the Maker elects to have such interest capitalized, then the Capitalized Amortization Amount shall be paid in Two Hundred and Forty (240) consecutive equal monthly installments of principal with interest with the installments calculated to amortize the Capitalized Amortization Amount over such 240 month period.

2. Prepayment. The Maker shall have the right to prepay any or all sums due under

this Note without penalty. Prepayments shall be applied first to accrued interest and then to principal. Partial prepayments of principal shall be applied against the outstanding principal balance; provided, however, that the Maker shall continue to make principal payments in the amounts specified above and on the dates specified above, with interest on the outstanding principal balance recomputed accordingly, until the Maker's obligations under this Note are satisfied in full.

3. Collateral. This Note is secured by a Mortgage and Security Agreement of near or even date mortgaging the Mortgagor's real property in Belmont and Gilford, New Hampshire and other security instruments (collectively the "Security Instruments") described in the Loan Agreement.

4. Due Date. Late Payment. All payments of principal and interest shall be due on or before the due date specified above; provided, however, that the Maker shall not be deemed in default hereunder if payment is received by the Payee on or before 4:00 p.m. of the seventh day following the due date. The Maker agrees to pay a late charge of five percent (5%) of the amount of any payment due under this Note that is not paid within seven (7) days of its due date.

5. Applicable Interest. The Maker expressly agrees that the Interest Rate specified in this Note shall be the applicable interest rate due (i) on amounts outstanding during the term hereof, and (ii) with respect to any amount outstanding on and after the maturity date hereof.

6. Default; Acceleration. The Maker shall be in default of this Note, and all principal and accrued interest thereon shall immediately become due and payable, without notice or demand, upon the occurrence of any of the following events: a) failure to make payment of any principal or interest installment due hereunder (or within such grace period as may be provided herein), b) the failure of the Maker to observe or perform any of the other obligations to the Payee under this Note, c) a default under the Loan Agreement, any Security Instrument, or any guaranty guarantying this Note or d) a default in any other obligation of the Maker to the Payee, whether now existing or hereinafter incurred.

If the Maker shall file a petition under any section of the Bankruptcy Code, shall make an assignment for the benefit of creditors, shall have a receiver appointed over its affairs who shall not be discharged within sixty (60) days from the date of appointment, or shall have filed against it a petition under a section of the Bankruptcy Code, or any debtor-creditor act, which petition shall not be dismissed within sixty (60) days of the date of filing of the same, then the balance of principal and interest remaining unpaid on this Note shall become due and payable forthwith without demand or notice.

7. Costs of Collection. If this Note is not paid in full when it becomes due, or if any payment required hereunder shall not be paid when due, or within such grace period as may be expressly provided herein, the Maker agrees to pay all costs and expenses of collection, including attorneys' fees, regardless of whether legal proceedings have been formally commenced.

8. Waiver of Presentment. The Maker hereby waives presentment, demand for payment, notice of dishonor, and all other notices or demands in connection with the delivery,

acceptance, performance, default, or endorsement of this Note.

9. Non-Forfeiture of Rights. It is agreed and understood that the waiver by the Payee of any particular default in the terms of this Note shall not constitute waiver of any further default and that acceptance of any payment after it is due shall not be deemed a waiver of the right to require prompt payment when due on all other sums and that acceptance of any payment after default shall not cure said default or operate as a waiver of any rights of the Payee hereunder unless otherwise agreed in writing.

10. Payments, Notices. All payments due under this Note, and any notice required to be made hereunder shall be directed to the Payee or to the Maker, as the case may be, at the addresses above specified, or such other address as the Payee and the Maker may hereafter direct, in writing.



11. Binding on Successors, Etc. The obligation of this Note shall be binding upon the heirs, successors and assigns of the Maker herein and shall inure to the benefit of the successors or assigns of the Payee herein or any holder hereof.


12. Gender. Whenever the content so requires reference herein to the neuter gender shall include the feminine gender or the masculine or vice versa, and the singular shall include the plural and vice versa.

13. References. All references herein to the Loan Agreement and the Security Instruments shall be construed to refer to such instruments as they may be amended from time to time.

EXECUTED as of the day and year first above written.

TIOGA RIVER WATER COMPANY

Witness 


By: 
Name: _____
Title: _____

←
SIGN
HERE

GUARANTY

THIS GUARANTY is made this ____ day of _____ 2009 by Norman H. Harris, Jr. of _____, _____, New Hampshire _____ ("Guarantor"), to and with the State of New Hampshire with an address c/o the Department of Environmental Services of the State of New Hampshire with an address of 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 ("State").

WHEREAS, contemporaneously herewith, subject to certain terms and conditions, State has agreed to loan to Tioga River Water Company, Inc., a corporation ("Borrower"), the principal sum of Two Hundred Thirty Thousand Dollars (\$230,000), which is to be repaid with interest in accordance with the terms of a certain promissory note of even date issued by Borrower to State (the "Note") in said principal amount;

WHEREAS, Guarantor is sole shareholder of corporation;

WHEREAS, State has advised Guarantor that it will not engage in the aforesaid transactions unless, among other things, Guarantor guarantees all obligations of Borrower under the Note, including but not limited to the punctual payment of both principal and interest to be paid, as hereinafter set forth;

WHEREAS, Guarantor is willing and has agreed to guarantee the payment of the aforesaid obligations as hereinafter provided; and

WHEREAS, Guarantor will benefit from the loan evidenced by the Note;

NOW THEREFORE, in order to induce State to engage in the aforesaid loan transaction and to make said loan to Borrower and in consideration of the premises stated above and for other good and valuable consideration, the receipt of which is hereby acknowledged, Guarantor agrees as follows:

1. Guarantor hereby unconditionally and irrevocably, guarantees: (i) the due and punctual payment in full (and not merely the collectability) of the principal of the Note and the interest thereon, when due and payable, according to the terms of the Note; (ii) the due and punctual payment in full (and not merely the collectability) of all other sums and charges which may at any time be due and payable in accordance with, or under the terms of the Note; (iii) the accuracy of the representations and warranties made by Borrower in the Loan Agreement of even date between State and Borrower (the "Loan Agreement"), certain security instruments described in the Loan Agreement (the "Security Instruments") and certain affidavits and certificates delivered by Borrower to State on or about the date hereof and (iv) the due and punctual performance and observance of all of the other terms, covenants and conditions contained in the Note, the Loan Agreement, the Security Instruments and any other obligations of Borrower to State of every kind and description, whether direct or indirect, absolute or contingent, primary or secondary, joint or several, due or to become due, or now existing or hereafter arising or acquired and whether by way of loan, discount, letter of credit, lease or otherwise (collectively, the "Guaranteed Obligations").

2. Guarantor expressly agrees that State may, in its sole and absolute discretion,

without notice to or further assent of Guarantor, and without in any way releasing, affecting or impairing the obligations and liabilities of Guarantor, hereunder: (i) waive compliance with, or any default under, or grant any other indulgences with respect to, the Note or any instrument or agreement securing the Note; (ii) modify, amend or change any provisions of the Note (other than to increase the principal amount due under the Note); (iii) grant extensions or renewals of or with respect to the Note, and/or effect any release, compromise or settlement in connection therewith; (iv) agree to the substitution, exchange, release or other disposition of all or any part of any collateral securing the Note; (v) make advances for the purpose of performing any term or covenant contained in the Note or any instrument securing the Note, with respect to which Borrower shall be in default; (vi) assign or otherwise transfer the Note and any other instrument or agreement securing the Note, including without limitation this Guaranty, or any interest therein; and (vii) deal in all respects with Borrower as if this Guaranty were not in effect. The obligations of Guarantor under this Guaranty shall be unconditional, irrespective of the genuineness, validity, regularity or enforceability of the Note or any security given therefor or in connection therewith or any other circumstances that might otherwise constitute a legal or equitable discharge of a surety or guarantor.

3. The liability of Guarantor under this Guaranty shall be primary, direct and immediate and not conditional or contingent upon pursuit by State of any remedies it may have against Borrower or any other party with respect to the Note or any instrument or agreement securing the Note, whether pursuant to the terms thereof or otherwise. No exercise or nonexercise by State of any right given to it under this Guaranty, the Note or any instrument or agreement securing the Note, and no change, impairment or suspension of any right or remedy of State shall in any way affect any of Guarantor's obligations hereunder or give Guarantor any recourse against State. Without limiting the generality of the foregoing, State shall not be required to make any demand on Borrower and/or any other party, or otherwise pursue to exhaustion its remedies against Borrower or any other party, before, simultaneously with or after, enforcing its rights and remedies hereunder against Guarantor. Any one or more successive and/or concurrent actions may be brought hereon against Guarantor, either in the same action, if any, brought against Borrower and/or any other party, or in separate actions, as often as State, in its sole discretion, may deem advisable.

4. Guarantor hereby expressly waives: (i) presentment and demand for payment and protest of nonpayment; (ii) notice of acceptance of this Guaranty and of presentment, demand and protest; (iii) notice of any default hereunder or under the Note or under any other agreement executed in connection with the Note and of all indulgences; (iv) demand for observance or performance of, or enforcement of, any terms or provisions of this Guaranty or the Note, or any instrument or agreement securing the Note; and (v) all other notices and demands otherwise required by law that Guarantor may lawfully waive.

5. Any claim against the Borrower or any guarantor to which Guarantor may be or become entitled (including, without limitation, claims by subrogation or otherwise by reason of any payment or performance by Guarantor in satisfaction and discharge, in whole or in part, of his obligations under this Guaranty) shall be and hereby is made subject and subordinate to the

prior payment or performance in full of the Guaranteed Obligations. Nothing herein contained shall be construed to give Guarantor any right of subrogation in and to the rights of State under the Note or any instrument or agreement securing the Note until all amounts owing to State under the Note have been paid in full.

In addition to any other security given by Guarantor to State, State is hereby authorized and empowered, at its option, to appropriate and apply to the payment and extinguishment of the Guaranteed Obligations, at any time after such liability becomes payable, any and all moneys or other property of Guarantor and any proceeds thereof (including proceeds of sales provided for below) now or hereafter in the possession of State for any purpose, including safekeeping or pledge for this or any other liability of Guarantor, and including any balance on deposit or otherwise for the account of, to the credit of, or belonging to Guarantor.

6. Any notice, demand, request or other communication given hereunder or in connection herewith (hereinafter "Notices") shall be deemed sufficient if in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive such Notice at its address first above set forth or at such other address as such party may hereafter designate by Notice given in like fashion. Notices shall be deemed given when mailed.

7. Any payments made by Guarantor under the provisions of this Guaranty shall, if made to State, be made at its address first set forth above, unless some other address is hereafter designated by State.

8. All rights and remedies afforded to State by reason of this Guaranty and the Note and any instrument or agreement securing the Note, or by law, are separate and cumulative and the exercise of one shall not in any way limit or prejudice the exercise of any other such rights or remedies. No delay or omission by State in exercising any such right or remedy shall operate as a waiver thereof. No waiver of any rights and remedies hereunder, and no modification or amendment hereof, shall be deemed made by State unless in writing and duly executed. Any such written waiver shall apply only to the particular instance specified therein and shall not impair the further exercise of such right or remedy or of any other right or remedy of State, and no single or partial exercise of any right or remedy hereunder shall preclude further exercise of any other right or remedy.

9. The obligations of Guarantor to make payment in accordance with the terms of this Guaranty shall not be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Borrower or its estate in bankruptcy or reorganization resulting from the operation of any present or future provision of federal bankruptcy laws or other statute or from the decision of any court.

10. Guarantor hereby covenants and agrees that Guarantor will, at Guarantor's his expense, annually deliver to State on or before April 15 of each year financial statements in form and content satisfactory to State accurately reflecting all changes in net worth for the preceding year and, as soon as practicable after filing with the Internal Revenue Service, each year,

Guarantor's complete federal income tax return with the schedules thereto.

11. This Guaranty shall remain in full force and effect until State is given written notice of Guarantor's intention to discontinue this Guaranty, notwithstanding any intermediate or temporary payment or settlement of the whole or any part of the Guaranteed Obligations. No such notice shall be effective unless received and acknowledged by an officer of State at its head office or at the branch of State where this Guaranty is given. No such notice shall affect any rights of State or of any affiliate hereunder including, without limitation, the rights set forth in Sections 2, 4, 5 and 9 with respect to Guaranteed Obligations incurred prior to the receipt of such notice or Guaranteed Obligations incurred pursuant to any contract or commitment in existence prior to such receipt. This Guaranty shall continue to be effective or be reinstated, notwithstanding any such notice, if at any time any payment made or value received with respect to a Guaranteed Obligation is rescinded or must otherwise be returned by State upon the insolvency, bankruptcy or reorganization of Borrower, or otherwise, all as though such payment had not been made or value received.

12. Guarantor agrees that if this Guaranty shall be enforced by suit or otherwise, or if State shall exercise or endeavor to exercise any of its remedies under the Note, the Guarantor will reimburse State, upon demand, for all expenses incurred in connection therewith, including, without limitation, reasonable attorney's fees.

13. This Guaranty shall be construed in accordance with the laws of the State of New Hampshire.

14. This Guaranty shall inure to the benefit of, and be enforceable by, State and its successors and assigns, and shall be binding upon, and enforceable against, Guarantor and his personal representatives, heirs, and assigns.

15. Whenever the context so requires reference herein to the masculine gender shall include the feminine gender or the neuter or vice versa; and the singular shall include the plural and vice versa.

16. If more than one person executes this Guaranty, the liability of all such persons hereunder shall be joint and several.

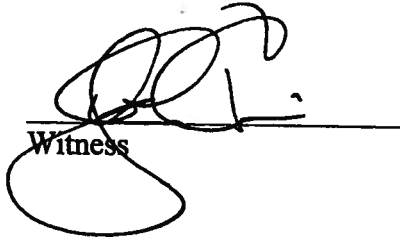
17. Guarantor hereby consents to the jurisdiction of all state and local courts of the State of New Hampshire and the United States District Court of the District of New Hampshire in connection with any suit to enforce any rights of the Lender under this Guaranty.

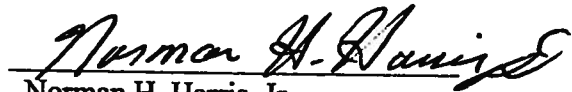
18. All references herein to the Loan Agreement, the Note and the Security Instruments shall be deemed to include such instruments as they may be amended from time to time.

19. If any provision or condition of this Guaranty is prohibited or rendered invalid or

unenforceable, such prohibition, invalidity or unenforceability shall not affect the validity or enforceability of any other provisions and conditions of this Guaranty.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the day and year first above written.


Witness


Norman H. Harris, Jr



Return to:

Barbara R. Luther

MORTGAGE AND SECURITY AGREEMENT

Tioga River Water Company, Inc., a New Hampshire company with a principal place of business at 1440 Lake Shore Road, Gilford, New Hampshire 03249 (the "Mortgagor"), for consideration paid, grants to the State of New Hampshire with an address c/o Department of Environmental Service, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (the "Mortgagee"), with MORTGAGE COVENANTS, to secure (i) the payment of Two Hundred Thirty Thousand Dollars (\$230,000) with interest and other charges as provided in the Mortgagor's Promissory Note of even date and any and all amendments, deferrals, extensions, renewals and thereof and therefor (collectively, the "Note"), including without limitation, the future advances and readvances evidenced by the Note; (ii) the payment of all other sums with interest thereon advanced in accordance herewith to protect the security and priority of this Mortgage and Security Agreement (the "Mortgage"); and (iii) the performance of all of the Mortgagor's agreements, obligations and covenants as contained in the Note, the Mortgage, a certain Construction Loan Agreement of even date by and between the Mortgagor and the Mortgagee (the "Loan Agreement") and certain security instruments described with more particularity in the Loan Agreement (the "Security Instruments"), (the Note, the Loan Agreement and the Security Instruments are collectively the "Loan Documents") the following:

Certain tracts or parcels of land together with all buildings and improvements thereon and appurtenances thereto located in ~~Gilford~~ and Belmont, New Hampshire, more particularly described in Exhibit A, attached hereto and made a part hereof (the "Premises"); together with all fixtures, machinery and all other tangible personal property intended for use in the building and other improvements on said premises, now or hereafter owned by the Mortgagor and now affixed or to be affixed, or now hereafter located upon said land, including all appurtenant easements;

Also conveying and granting hereby as part of the realty and as property mortgaged hereunder, all of the following articles now and hereafter on the above-described premises or used therewith: All water storage tanks and facilities, water pipes and booster pumps, water treatment equipment and facilities, power generators, plumbing, heating, lighting, refrigerating, ventilating, and air conditioning apparatus and equipment, elevators and elevator machinery, boilers, tanks, motors, sprinkler and fire extinguishing systems, alarm systems, screens, awnings, screen doors, storm and other detachable windows and doors mantels, built-in cases, counters, trees, hardy shrubs and perennial flowers, and other equipment, machinery, furniture and furnishings, fixtures,

and articles of personal property now and hereafter owned by the Mortgagor and now and hereafter affixed to, placed upon or used in connection with the operation of said premises for commercial uses, and all other purposes whether or not included in the foregoing enumeration, together with cash proceeds and non-cash proceeds of all of the foregoing, all of which are covered by this Mortgage, whether or not such property is subject to prior conditional sales agreements, chattel mortgages or other liens, excepting inventory and personal property to be consumed or sold in the normal course of business of the Mortgagor. If the lien of this mortgage on any fixtures or personal property is subject to a conditional sales agreement or chattel mortgage or security agreement covering such property, then in the event of any default hereunder all the rights, title and interest of the Mortgagor in and to any and all deposits made thereon or therefor are hereby assigned to the Mortgagee, together with the benefit of any payments now or hereafter made thereon. There are also transferred, set over and assigned to the Mortgagee, its successors and assigns hereby all conditional sales agreements, leases and use agreements of machinery, equipment and other personal property of the Mortgagor in the categories hereinabove set forth and now and hereafter affixed to, placed upon or used in connection with the operation of said premises under which the Mortgagor is the lessee of, or entitled to use, such items, and the Mortgagor agrees to execute and deliver to the Mortgagee specific separate assignments thereof to the Mortgagee of such leases and agreements when requested by the Mortgagee; and nothing herein shall obligate the Mortgagee to perform any obligations of the Mortgagor under such leases or agreements, unless it so chooses, which obligations the Mortgagor hereby covenants and agrees to well and punctually perform.

As further security for payment of the indebtedness and performance of the obligations, covenants and agreements secured hereby, the Mortgagor hereby transfers, sets over and assigns to the Mortgagee:

(a) All rents, security deposits, issues and profits, revenues, royalties, bonuses, rights and benefits under any and all leases or tenancies now existing or hereafter created of the Premises or any part thereof, with the right to receive and apply the same to said indebtedness, and the Mortgagee may demand, sue for and recover such payments, but shall not be required to do so; provided, however, that so long as the Mortgagor is not in default hereunder, the right to receive and retain such rents, issues and profits is reserved to the Mortgagor. To carry out the foregoing, the Mortgagor agrees (1) to execute and deliver to the Mortgagee such conditional assignments of leases and rents applicable to the Premises as the Mortgagee may from time to time request, while this Mortgage and the debt secured hereby are outstanding, and further (2) not to cancel, accept a surrender of, reduce the rentals under, anticipate any rentals under, or modify any such leases or tenancies, or consent to an assignment or subletting thereof, in whole or in part, without the Mortgagee's written consent. Nothing herein shall obligate the Mortgagee to perform the duties of the Mortgagor as landlord or lessor under any such leases or tenancies, which duties the Mortgagor hereby covenants and agrees to well and punctually perform.

(b) All judgments, awards of damages and settlements hereinafter and as a result or in lieu of any taking of the premises or any interest therein or part thereof under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Premises or the

improvements thereon or any part thereof, including any award for change of grade of streets. The Mortgagee may apply all such sums or any part thereof so received on the indebtedness secured hereby in such manner as it elects, or, at its option, the entire amount or any part thereof so received may be released. The Mortgagor hereby irrevocably authorizes and appoints the Mortgagee its attorney-in-fact to collect and receive any such judgments, awards and settlements from the authorities or entities making the same, to appear in any proceeding therefor, to give receipts and acquittances therefore, and to apply the same to payment on account of the debt secured hereby, whether then matured or not; and the Mortgagor will execute and deliver to the Mortgagee on demand such assignments and other instruments as the Mortgagee may require for said purposes and will reimburse the Mortgagee for its cost (including reasonable counsel fees) in the collection of such judgments and settlements.

Receipt of rents, awards, and any other monies or evidences thereof, pursuant to the provisions of the foregoing paragraphs (a) and (b) and any disposition of the same by the Mortgagee shall not constitute a waiver of the right of foreclosure by the Mortgagee in the event of default or failure of performance by the Mortgagor of any covenant or agreement contained herein or the Note, the Loan Agreement or the Security Document.

TO HAVE AND TO HOLD the aforegranted and bargained premises with all privileges and appurtenances thereof, to the said Mortgagee and its successors and assigns, to its and their use and behalf forever, And the said Mortgagor, for itself and its successors and assigns, does hereby covenant, grant and agree to and with the Mortgagee and its successors and assigns, that until the delivery hereof it is the lawful owner of the said granted premises seized and possessed thereof in its own right in fee simple, has full power and lawful authority to grant and convey the same in manner aforesaid, that the premises are free and clear from any encumbrance whatsoever, except as otherwise recited in Schedule A, that it and its successors shall warrant and defend the same to the said Mortgagee and its successors and assigns against the lawful claims and demands of any person or persons whatsoever, except as otherwise herein recited; and that it will not cause or permit any lien to arise against the premises that is superior to the lien of this Mortgage.

The Mortgagor further covenants and agrees with the said Mortgagee, its successors and assigns, as follows:

1. Payment and Performance. The Mortgagor shall pay the Note hereby secured and interest thereon as the same shall become due and payable, and also any other indebtedness that may accrue to the Mortgagee under the terms of this Mortgage, and to perform all other agreements set forth herein and in said Note, the Loan Agreement and the Security Instruments. The Mortgagor has no right of setoff with respect to the Note, and the Mortgagor must pay all sums due without deduction for any.

2. Insurance. The Mortgagor will keep the buildings, improvements and personal property now existing or hereafter erected or located on the Premises and the interests and liabilities incident to the ownership thereof insured against loss by fire and such other hazards, casualties and contingencies, and in manner, form and companies as may be required by the

Mortgagee. In no event shall the amount of coverage be less than one hundred percent (100%) of the insurable value based on replacement cost, and in default thereof the Mortgagee shall have (in addition to other rights set forth herein) the right to obtain such insurance at the cost of Mortgagor, such cost to be secured hereby. Such policy shall be endorsed with the standard New Hampshire mortgagee clause with loss payable to the Mortgagee, as its interest may appear, and shall be deposited with the Mortgagee, and the Mortgagor shall deliver to the Mortgagee a new policy as replacement for any expiring policy at least fifteen (15) days before the date of such expiration; all such policies will contain a provision or endorsement that they may not be canceled without sixty (60) days written notice from the insurer to the Mortgagee; all amounts recoverable under any policy are hereby assigned to the Mortgagee. In event of a loss, the amount collected may, at the option of the Mortgagee, be used in any one or more of the following ways: (1) applied upon the indebtedness then matured or unmatured; (2) used to fulfill any of the covenants contained herein as the Mortgagee may determine; (3) used to replace or restore the property to a condition satisfactory to the Mortgagee; or (4) released to the Mortgagor; the Mortgagee is hereby irrevocably appointed by the Mortgagor as attorney-in-fact of the Mortgagor to assign any policy in the event of the foreclosure of this mortgage or other extinguishment of the indebtedness secured hereby. The insurance carrier providing the insurance shall be a carrier qualified to write such insurance in the State of New Hampshire and shall be chosen by the Mortgagor subject to the approval of the Mortgagee. Additionally the Borrower shall maintain or cause to be maintained public liability insurance on the Premises in an amount acceptable to the Mortgagee (in no event less than \$1,000,000.00) from a carrier acceptable to Mortgagee. If the Premises are located in an area which has been identified by the Secretary of Housing and Urban Development as a flood hazard area it will keep the Premises insured against loss by flood for the term of the Notes, in an amount at least equal to the outstanding principal balance of the Notes or the maximum limit of coverage available for the Premises under the National Flood Insurance Act of 1968, whichever, is less.

3. Taxes and Assessments. The Mortgagor will pay, before the same become delinquent or any penalty attached thereto for nonpayment, all taxes, assessments and charges of every nature that may now or hereafter be levied or assessed, upon the Premises or any part thereof, or upon the rents, issues, income or profits thereof, whether any or all of said taxes, assessments or charges be levied directly or indirectly, and will pay, before the same become delinquent or any penalty attached thereto for the nonpayment, all taxes that by reason of nonpayment create a lien prior to the lien of the Mortgage; and will thereon submit to the Mortgagee such evidence of the due and punctual payment of such taxes, etc. as the Mortgagee may require, and the Mortgagor will also pay all taxes, assessments or charges that may be levied on the Note secured hereby, or on the interest thereon, excepting the federal income tax imposed under the laws of the United States of America or any future general income tax levied by the State of New Hampshire.

4. Maintenance of the Premises. The Mortgagor will keep protected in good order, repair and condition (reasonable wear and tear and casualty insured against excepted) at all times the buildings and improvements (including the Mortgagor's fixtures) now standing or hereafter erected or placed upon the Premises and any and all of the Mortgagor's appurtenances, apparatus

and articles of personal property, including, but not limited to, furniture, furnishings and equipment, now or hereafter in or attached to or used in connection with said buildings or improvements, promptly replacing any of the aforesaid that may become lost, destroyed or unsuitable for use; will always maintain in good order and condition all the facilities, easements, works, and ways set forth in the description and easements of the Mortgage, whether located upon the premises hereby mortgaged or elsewhere; and will not commit or suffer any strip or waste of the Premises, or any violation of any law, regulation, ordinance or contract affecting the Premises, and will not commit or suffer any demolition, removal or material alteration of any buildings or improvements (including fixtures) on the Premises without the written consent of the Mortgagee. The Mortgagor shall maintain and preserve the parking areas, passageways and drives now or hereafter existing on the Premises, and, without prior written consent of the Mortgagee, no building or other structure other than those designated on the project layout plans shall be erected thereon and no new buildings or additions to existing buildings shall be erected on the remainder of the Premises herein mortgaged without prior written consent of Mortgagee.

5. Actions of the Mortgagee. If the Mortgagor shall neglect or refuse to keep in good repair the property conveyed by this Mortgage and Security Agreement, to replace the same as herein agreed, to maintain and pay the premiums for insurance that may be required under Paragraph 2, or to pay and discharge all taxes, assessments and charges of every nature and to whomever assessed, as provided for in Paragraph 3, the Mortgagee may, at its election, cause such repairs or replacements to be made, obtain such insurance or pay said taxes, assessments and charges, and any amounts paid as a result thereof, together with interest thereon at the highest rate of interest specified in the Note secured hereby from the date of payment, shall be immediately due and payable by the Mortgagor to the Mortgagee, and until paid shall be added and become part of the principal debt secured hereby, and the same may be collected as a part of said principal debt in any suit herein or upon the Note; or the Mortgagee, by the payment of any tax, assessment or charge, may if it sees fit if allowed by law, be thereby subrogated to the rights of the state, county, village and all political or governmental subdivisions. No such actions or advances shall be deemed to relieve the Mortgagor of any default hereunder or impair any right or remedy consequent thereon, and the exercise of the rights to make advances granted in this paragraph shall be optional with the Mortgagee and not obligatory, and the Mortgagee shall not in any case be liable to the Mortgagor for a failure to exercise any such right. Mortgagee shall have no responsibility with respect to the legality, validity and priority of any such claim, lien, encumbrance, tax, assessment and premium, and of the amount necessary to be paid in satisfaction thereof.

6. Tax and Insurance Escrow. The Mortgagor shall, upon written request therefor by the Mortgagee, which request may be withdrawn and remade from time to time at the discretion of the Mortgagee, pay to the Mortgagee on a monthly basis as hereafter set forth a sum equal to the municipal and other governmental real estate taxes, assessed against the Premises and all premiums next due for fire and other casualty insurance required of Mortgagor hereunder, less all sums already paid therefor, divided by the number of months to lapse not less than one (1) month prior to the date when said taxes and assessments will become delinquent and when such premiums will become due. Such sums as estimated by the Mortgagee shall be paid with monthly

payments due under the Note, and such sums shall be held by the Mortgagee to pay said taxes, assessments and premiums before the same become delinquent. The Mortgagor agrees that should there be insufficient funds so deposited with the Mortgagee for said taxes, assessments and premiums when due, it will upon demand by the Mortgagee promptly pay to the Mortgagee amounts necessary to make such payments in full; any surplus funds may be applied toward the payment of the indebtedness secured by the Mortgage or credited toward future such taxes, assessments and premiums. If the Mortgagee shall have commenced foreclosure proceedings, the Mortgagee may apply such funds toward the payment of the mortgage indebtedness without causing thereby a waiver of any rights, statutory or otherwise, and specifically such application shall not constitute a waiver of the right of foreclosure hereunder. The Mortgagor hereby assigns to the Mortgagee all the foregoing sums so held hereunder for such purposes.

7. Security Agreement and Financing Statement. The Mortgagor further covenants and agrees that the Mortgage shall constitute a security agreement and financing statement with respect to any and all machinery, equipment, chattels, articles of personal property, and fixtures described and included in the Mortgage, and all additions, accessions, substitutions and replacements thereto and therefor, together with the proceeds thereof, and all of which are hereinafter referred to as the collateral, and the Mortgagor hereby grants and conveys to the Mortgagee, its successors and assigns, a security interest therein. The Mortgagee warrants that for purposes of the Uniform Commercial Code its state of organization and its principal place of business are as stated in the first paragraph of this Mortgage and agrees that it shall not change such state of organization or principal place of business without providing thirty (30) days advance written notice to the Mortgagee. Upon default of any term, condition or covenant of the Mortgage and acceleration of any indebtedness hereby secured, the Mortgagee may, at its discretion, require the Mortgagor to assemble the collateral and make it available to the Mortgagee at a place reasonably convenient to both parties to be designated by the Mortgagee. The Mortgagee shall give the Mortgagor notice, by registered mail, postage prepaid, of the time and place of any public sale of any of the collateral or of the time any private sale or other intended disposition thereof is to be made by sending notice to the Mortgagor at least ten (10) days before the time of the sale or other disposition, which provisions for notice the Mortgagor and the Mortgagee agree are reasonable; provided, however, that nothing herein shall preclude the Mortgagee from proceeding as to both real and personal property in accordance with Mortgagee's rights and remedies in respect of the real property. The Mortgagee shall have all of the remedies of a secured party under the Uniform Commercial Code as now in effect in the State of New Hampshire, and such further remedies as may from time to time hereafter be provided in New Hampshire for a secured party. The Mortgagor agrees that all rights of the Mortgagee as to said collateral and as to said real estate, and rights and interest appurtenant thereto, may be exercised together or separately and further agrees that in exercising its power of sale as to said collateral and as to said real estate, and rights and interests appurtenant thereto, the Mortgagee may sell the collateral or any part thereof, either separately from or together with the sale of the real estate, rights and interests appurtenant thereto, or any part thereof, all as the Mortgagee may in its discretion elect.

8. Books and Records. The Mortgagor shall maintain full and correct books and records showing in detail the earnings and expenses of the Premises; will permit the Mortgagee and its representatives to examine said books and records and all supporting vouchers and data any time from time to time upon request by the Mortgagee. The Mortgagor shall provide financial statements of the Premises to the Mortgagee at least annually.

9. Other Proceedings. If any action or proceeding be commenced, to which action or proceeding the Mortgagee is made a party by reason of the execution of the Mortgage or the Note that it secures, or in which it becomes necessary to defend or uphold the lien of the Mortgage, all sums paid by the Mortgagee for the expense of any litigation to prosecute or defend the rights and lien created hereby including attorneys' fees, shall be paid by the Mortgagor, together with interest thereon from date of payment at the highest rate specified in the Note secured hereby, and any such sum, and the interest thereon, shall be immediately due and payable and be secured hereby, having the benefit of the lien hereby created, as a part thereof and of its priority.

10. Releases, Etc. Without affecting the liability of the Mortgagor or any other person (except any person expressly released in writing) for payment of any indebtedness secured hereby or for performance of any obligation contained herein, and without affecting the rights of the Mortgagee with respect to any security not expressly released in writing, the Mortgagee may at any time and from time to time, either before or after the maturity of the Note and without notice or consent:

a. Release any person liable for payment of all or any part of the indebtedness or for performance of any obligation.

b. Make any agreement extending the time or otherwise altering the terms of payment of all or any part of the indebtedness, or modifying or waiving any obligation, or subordinating, modifying or otherwise dealing with the lien or charge hereof.

c. Exercise or refrain from exercising or waive any right the Mortgagee may have.

d. Accept additional security of any kind.

e. Release or otherwise deal with any property, real or personal, securing the indebtedness, including all or any part of the property mortgaged hereby.

11. Zoning and Other Law. If at any time the then-existing use or occupancy of the mortgaged premises shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, that the Mortgagor shall not cause or permit such use or occupancy to be discontinued without the prior written consent of the Mortgagee.

12. Leases. The Mortgagee must examine and approve (which approval will not be unreasonably withheld) in writing prior to execution, delivery and commencement thereof, all leases, tenancies and occupancies of the Premises entered into by the Mortgagor; and the Mortgagor at its cost and expense, upon request of the Mortgagee, shall cause any parties in possession of the premises under any such leases, tenancies and occupancies, not so approved, to vacate the premises immediately; and the Mortgagor acknowledges that the Mortgagee may from time to time at its option enter upon the Premises and take any other action in court or otherwise to cause such parties to vacate the premises; the costs and expenses of the Mortgagee in so doing shall be paid by the Mortgagor to the Mortgagee on demand thereof and shall be part of the indebtedness secured by the Mortgage as costs and expenses incurred to preserve and protect the security; such rights of the Mortgagee shall be in addition to all its other rights as the Mortgagee, including the right of foreclosure, for breach by the Mortgagor in the requirements of this paragraph.

13. Receipt of Rents, Etc. Receipt and disposition of rents, income of the Premises, insurance proceeds, eminent domain awards, or any other sums under the provisions of the Mortgage, the Note, the Loan Agreement, or the Security Instruments by Mortgagee shall not be a waiver or release of any rights of the Mortgagee, including but not limited to, the right of foreclosure or acceleration of the Note, whether such receipt or disposition shall be before or after exercise of any such rights.

14. Assignment. This Mortgage is not assignable or assumable by the Mortgagor and if all or any part of the Premises is sold or conveyed or if there are transfers of any interests in the Mortgagor, then the Mortgagee may, at its option, require immediate payment in full of all sums secured by this Mortgage.

15. No Junior Security Interests. The Mortgagor shall not, without the prior written consent of the Mortgagee, grant any other mortgage, lien or security interest in the Premises.

16. Default; Remedies.

(a) The Mortgagor shall be in default under this Mortgage upon the occurrence of an event of default under any of the Loan Documents, including the Loan Agreement and the expiration of the grace period as specified in the applicable Loan Document (herein called the "Events of Default"). Such Events of Default shall include without limitation, the following:

(i) Default in the due and punctual payment of any payment of principal or of premium, if any, or interest on the Note and such default shall continue beyond the expiration of the applicable period of grace, if any; or

(ii) Default in payment or performance under any of the obligations under the Loan Documents, and such default shall continue beyond the expiration of the applicable period of grace, if any; or

(iii) Default in the due performance or observance of any covenant or provision of this Mortgage and such default shall continue beyond the expiration of the applicable period of grace, if any.

(b) Upon the occurrence of an Event of Default which has not been cured within any applicable remedy period or demand under any demand instrument, and at the option of the Mortgagee, (i) the Mortgagee may declare the obligations of the Mortgagor to the Mortgagee to be immediately due and payable, (ii) the Mortgagee may immediately take possession of the Premises by forcible entry if necessary without being guilty of trespass or other claim by the Mortgagor or other party in possession, and (iii) the Mortgagee may forthwith exercise all other rights and remedies provided herein, or in any of the other Loan Documents, or which may be available to the Mortgagee by law, including without limitation, the STATUTORY POWER OF SALE;

(c) Notwithstanding any other provision set forth herein and not in limitation thereof, this Mortgage is upon the STATUTORY CONDITIONS as well as the other terms and conditions hereof, for any breach of which the Mortgagee shall have the STATUTORY POWER OF SALE; and

(d) All rights and remedies set forth herein shall be cumulative and concurrent, and may be pursued singly, successively, or together, at the Mortgagee's sole discretion, and may be exercised as often as occasion thereof shall occur.

(e) If the Mortgagor, its successors or assigns, pays the Mortgagee, all amounts under the Loan Documents, complies with and performs all terms and obligations as set forth in the Note and the Loan Documents, pays all taxes, insurance premiums, escrow deposits and assessments on the Premises, to whomsoever laid or assessed, and shall not commit nor suffer any strip or waste of the Premises, nor default in any of the Mortgagor's covenants or obligations, nor commit any breach of any covenant herein contained, then the Mortgage shall be void; otherwise it shall remain in full force and effect.

17. Possession by Mortgagee.

(a) If the Mortgagee shall take possession of the Premises as permitted hereby, then in addition to, and not in limitation of, the Mortgagee's STATUTORY POWER OF SALE, Mortgagee may:

(i) hold, manage, operate, and lease the Premises to the Mortgagor or to any other entity on such terms and for such period(s) of time as the Mortgagee may deem proper, and the provisions of any lease made by the Mortgagee pursuant hereto shall be valid and binding upon Mortgagor notwithstanding the fact that the Mortgagee's right of possession may terminate or this Mortgage may be satisfied of record prior to the expiration of the term of such lease;

(ii) make such alterations, additions, improvements, renovations, repairs, and replacements to the Premises as the Mortgagee may deem proper;

(iii) remodel such improvements so as to make the same available in whole or in part for business purposes;

(iv) collect the rents, issues, and profits arising from the Premises, past due and thereafter becoming due, and apply the same, in such order of priority as the Mortgagee may determine, to the payment of all charges and commissions incidental to the collection of rents, the management of the Premises, and the obligations and all sums or charges required to be paid by the Mortgagor hereunder;

(v) take any other action the Mortgagee deems necessary or appropriate in its sole discretion to preserve, protect, or improve the Premises;

(b) All monies advanced by the Mortgagee for the above purposes and not repaid out of the rents collected shall immediately and without demand be repaid by the Mortgagor to the Mortgagee, together with interest thereon at the same rate as provided in the Note, and shall be added to the principal indebtedness secured hereby; and

(c) The taking of possession and the collection of rents by the Mortgagee as described above shall not be construed to be an affirmation of any lease of the Premises or any part thereof, and the Mortgagee, or any purchaser at any foreclosure sale, may terminate any such lease at any time, whether or not such taking of possession and collection of rents has occurred.

18. Foreclosure Pursuant to Power of Sale.

(a) Upon default, the Mortgagee or its legal representatives or assigns may on such terms and conditions as the Mortgagee deems appropriate in its sole discretion and pursuant to the POWER OF SALE, sell the Premises by public sale to the highest bidder as provided herein and in N.H. RSA 479:25-27a, as such statutes may be amended from time to time;

(b) If the Mortgagee invokes the POWER OF SALE, the Mortgagee may, without further demand upon the Mortgagor, sell the Premises or any estate therein, in one or more parcels, to the highest bidder for cash or other consideration acceptable to the Mortgagee at public sale to be held upon the Premises;

(c) If the Mortgagee seeks to enforce its rights and remedies hereunder, Mortgagor shall fully cooperate with Mortgagee in any foreclosure of the Premises scheduled by Mortgagee, including without limitation; (i) providing Mortgagee with any information concerning the Premises reasonably requested by Mortgagee, such as rental income information, taxes, water assessment charges and any maintenance costs associated with the Premises; (ii) arranging with the Mortgagee two (2) preview dates, each three hours in length, prior to the dates of any

foreclosure sale; and (iii) granting the Mortgagee unlimited access to the Premises on the date of the foreclosure sale for one hour before and one hour after the foreclosure sale. In addition, the Mortgagor shall, without waiving its right to enjoin a foreclosure under RSA Chapter 479 or under the federal bankruptcy code, 11 U.S.C., Section 101, et seq, under no circumstances and in event in any way interfere with, any foreclosure sale of the Premises scheduled by the Mortgagee.

(d) The deed given by reason of such sale shall convey to the purchaser an indefeasible title to the Premises, discharged of all rights of redemption with respect to this mortgage by the Mortgagor and its successors or assigns, or any person claiming from or under it or them. The Mortgagee shall apply the proceeds of such sale first to all costs of notice and sale of the Premises including reasonable attorneys', accountants' and appraisers' fees, then to any and all accrued but unpaid interest due to the Mortgagee, and thereafter to the principal indebtedness evidenced by the Note and secured hereby, and to the other indebtedness secured hereby. Any excess may be paid to others having a lien on the Premises not having priority over this Mortgage and if none, then to the Mortgagor. Mortgagor shall be liable for any deficiency;

(e) In the event of foreclosure, at the option of the Mortgagee, the interest of each of the Mortgagor and the Mortgagee herein may be sold as a single unit together with the collateral as may secure the Note or be secured by the Loan Documents; and

(f) If the provisions of the Uniform Commercial Code apply, any property or security given to secure the indebtedness secured hereby may be sold with or as a part of the Premises, or any part thereof, at one or more foreclosure sales, and any notice required under such provisions shall be fully satisfied by the notice provided to be given hereby in execution of the POWER OF SALE.

19. Appointment of Receiver. The Mortgagee may, at any time following an Event of Default hereunder which has not been cured within any applicable remedy period or demand under any demand instrument (subject to any limitations in the Loan Documents), apply to any court having jurisdiction for appointment of receiver. That court shall promptly appoint a receiver of the Premises, who shall be authorized to receive and apply the income, profits, issues, rents and revenues from whatever source derived. The rents, profits, income, issues, and residues shall be applied by the receiver according to the lien of this Mortgage and the practice of the court. The appointment of the receiver shall be made by such court as an admitted equity in a matter of absolute right to the Mortgagee, and without references to the adequacy or inadequacy of the value of the Premises or to the solvency or insolvency of the Mortgagor or any co-borrower or guarantor of the obligations secured hereby.

20. Notice. Any demand, notice or request by either party to the other shall be sufficiently given if delivered to the party intended to receive the same, or if mailed by registered or certified mail addressed to such party at the address of such party stated above, or at such other address as may be stated in a notice delivered or mailed as herein provided.

21. Binding Effect. The covenants and agreements herein contained shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and permitted assigns of the Mortgagor and Mortgagee.

22. Conflicting Provisions; References. In the event of any conflict between the terms, covenants, conditions and restrictions contained in this Mortgage, the Note, the Loan Agreement and the Security Instruments, the term, covenant and condition or restriction that imposes the greater burden or obligation upon the Mortgagor shall control. The determination as to which term, covenant, condition or restriction is the more burdensome or imposes the greater obligation shall be made by the Mortgagee in its sole discretion. All references herein to the Note, the Loan Agreement and the Security Instruments shall be construed to include such instruments as they may be amended from time to time. Wherever used the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders as the context requires.


23. Invalidity. In any case where any one or more of the provisions of this Mortgage are held to be invalid, illegal or enforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof.

24. Homestead; Exemptions. This is not homestead property. Mortgagor, for the consideration aforesaid, hereby waives all rights of exemption in the Premises as the same are now or hereafter provided by virtue of the Bankruptcy provisions of the United States Code, including, without limitation, 11 U.S.C. §522.

25. Sovereign Immunity. Nothing herein contained or contained in the Loan Agreement, the Note or any other Security Instrument shall be deemed to constitute a waiver of the sovereign immunity of the Mortgagee, which immunity is hereby reserved to the Mortgagee.

Dated this 2nd day of November, 2009.

TIOGA RIVER WATER COMPANY, INC.

By: 
Name: Norman H. Harris, IV
Title: Agent

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this 2nd day of November, 2009, by Norman H. Harris, IV, Agent of Tioga River Water Company, Inc., a New Hampshire corporation, on behalf of said company.

JOHN P. GIERE
Justice of the Peace - State of New Hampshire
My Commission Expires February 7, 2012



Justice of the Peace/Notary Public
My commission expires: _____
[Seal]

EXHIBIT A - LEGAL DESCRIPTION

TRACT I:

A certain tract or parcel of land being Lot #9 as shown on the plan entitled "Plan showing Subdivision of land for Walter Quinn, Tioga Road and Route 140, Belknap County, Belmont, New Hampshire, June 1976" recorded in the Belknap County Registry of Deeds in Book 58, Pages 45 and 46.

Beginning at an iron pin located on the southerly sideline of Tioga Road, said pin is located at the northeasterly corner of the common area as shown on said plan;

thence running South $22^{\circ}42'16''$ East along the easterly sideline of the common area as shown on said plan a distance of 149.13 feet to an iron pin, said iron pin is located on the northerly boundary of Lot #10 as shown on said plan;

thence turning and running North $63^{\circ}36'36''$ East along the northerly boundary of said Lot #10 a distance of 270.00 feet to an iron pin, said pin is located on the westerly sideline of Lot #8 as shown on said plan;

thence turning and running North $20^{\circ}22'39''$ West along the westerly sideline of said Lot #8 a distance of 150.00 feet to an iron pin, said pin is located on the southerly sideline of said Tioga Road;

thence turning and running South $66^{\circ}43'08''$ West along the sideline of Tioga Road a distance of 74.89 feet to a point;

thence continuing along the southerly sideline of Tioga Road along a curve having a radius of 537.50 feet a distance of 45.92 feet to a point;

thence continuing along the said southerly sideline of Tioga Road South $61^{\circ}49'25''$ West a distance of 144.06 feet to a point;

thence continuing along the southerly sideline of Tioga Road along a curve having a radius of 650 feet a distance of 11.46 feet to the point of beginning.

TRACT II:

A certain parcel or tract of land shown as the "common area" as shown on the plan entitled "Plan Showing Subdivision of Land for Walter Quinn, Tioga Road and Route 140, Belknap County, Belmont, New Hampshire June 1976", recorded in the Belknap County Registry of Deeds in Book 58, Pages 45 and 46, and more particularly bounded and described as follows:

Beginning at a concrete bound, said bound located on the southerly sideline of Tioga Road and the easterly edge of Tioga River;

thence running North $66^{\circ}12'17''$ East along the southerly sideline of Tioga Road a distance of 261 feet more or less to a point;

thence continuing along the southerly sideline of Tioga Road along a curve having a radius of 650 feet, a distance of 38.24 feet to an iron pin, said pin located at the northwesterly corner of Lot #9 as shown on said plan;

thence turning and running South 22° 42' 16" East along the westerly sideline of said Lot #9 a distance of 149.13 feet to an iron pin, said iron pin located on the northerly sideline of Lot #10 as shown on said plan;

thence turning and running South 63° 36' 36" West along the northerly sideline of said Lot #10 a distance of 84.71 feet to an iron pin, said iron pin located at the edge of Tioga River;

thence turning and running in a generally northwesterly direction along the river as shown on said plan a distance of 638 feet more or less to the point of beginning.

Meaning and intending to convey Lot #9 and the common area as shown on said plan and being a portion of the property as set forth in the deed from William Perrier and Michael Normandin to New Living Concepts, Inc., said deed dated November 3, 1981 and recorded in the Belknap County Registry of Deeds in Book 814, Page 571.

The use of the said Lot #9 and common area will be restricted and the use will specifically be limited to purposes associated with the establishment and operation of a community water system and that the herein grantee will not construct any building or any structure on the said parcels of land except those buildings or structures associated with the community water system; will not construct a waste water disposal system and except construction which is necessary for the construction and operation of the community water system, the property will be left in its natural state. This restriction will run with the land and be binding upon the grantees, its successors and assigns.

The conveyance of the common area is subject to easements of record including but not limited to any rights or easements to use the common area as depicted on said plan by lot owners of Tioga River Estates and including but not limited to the easement set forth in the deed from Walter P. Quinn to Richard F. LaPlante, Jr. and Daphne C. LaPlante, said deed dated October 28, 1981, and recorded in the Belknap County Registry of Deeds in Book 814, Page 263.

The use of Lot #9, the common area and the easement set forth below is for the sole purpose set forth above, thus this conveyance is not subject to the restrictions as set forth in the deed of Walter P. Quinn d/b/a Tioga River Estates to Arthur Scott by deed dated May 9, 1980 and recorded in the Belknap County Registry of Deeds in Book 788, Page 749.

Included herewith is a fifteen (15) foot easement with the right to lay, relay, maintain and repair water pipeline and to enter upon said land for that purpose to the following parcel or tract of land.

Reference is made to the plan entitled "Location Plan Tioga River Water Company, Inc., Tioga Road & New Hampshire Route 140, Belmont, County of Belknap, New Hampshire" and to be recorded in the Belknap County Registry of Deeds for the following easements:

- A. A fifteen (15) foot wide easement across Lot #10 as shown on said plan from the northerly sideline of Lot #10 across Lot #10 to the southerly sideline of Lot #10, thence running along the southerly sideline of Lot #10 to Tioga Drive. Said easement is shown on said plan.
- B. A fifteen (15) foot wide easement located on the northwesterly sideline of Lot #25 as shown on said plan.
- C. A fifteen (15) foot wide easement located on a portion of the easterly sideline of Lot #26 where Lot #26 bounds Lot #4 and Lot #5 as shown on said plan.
- D. A fifteen (15) foot wide easement located on the westerly sideline of Lot #23 as shown on said plan.

SECURITY AGREEMENT

THIS AGREEMENT is made this ____ day of _____, 2009 between **Tioga River Water Company, Inc.**, a New Hampshire corporation with a place of business at 1440 Lake Shore Road, Gilford, New Hampshire 03249 (sometimes hereinafter called the "Debtor"), and the **State of New Hampshire** with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (hereinafter the "Secured Party") for themselves and their successors and assigns.

RECITALS

A. The Debtor and the Secured Party have entered into a Loan Agreement of near or even date (the "Loan Agreement"), which Agreement sets forth certain undertakings and obligations of the Debtor to the Secured Party.

B. Pursuant to the Loan Agreement, the Secured Party has agreed to extend credit to the Debtor in an amount not to exceed Two Hundred Thirty Thousand Dollars (\$230,000), in exchange for the Debtor's promissory note (the "Note") to the Secured Party.

C. To secure the obligations it has undertaken under the Loan Agreement and the Note and certain security instruments described in the Loan Agreement and to secure the payment of said sum to the Secured Party and to secure any other obligations of the Debtor to the Secured Party of every kind and description, whether direct or indirect, absolute or contingent, primary or secondary, joint or several, due or to become due, or now existing or hereafter arising or acquired and whether by way of loan, discount, letter of credit, lease or otherwise (collectively the "Obligations"), the Debtor desires to create in the Secured Party a security interest in accordance with the terms of the Uniform Commercial Code, N.H.R.S.A. 382-A.

NOW, THEREFORE the Debtor agrees as follows:

1. Collateral. The Debtor, for valuable consideration received from the Secured Party, hereby grants to the Secured Party to secure all the foregoing Obligations a security interest in the following property (the "Collateral"):

(a) All the Debtor's goods, machinery, equipment, including, without limitation, water pipes, storage and treatment equipment and facilities and electricity generation equipment, furnishings and fixtures, motor vehicles, and personal property, including but not limited to such property located on the Debtor's premises in Gilford and Belmont, New Hampshire, (the Debtor's "Business Premises") or used in connection with the Debtor's business conducted at said Business Premises, and in all inventory including, without limitation, all items held for sale or lease or furnished or to be furnished under contracts of service, or used or consumed in the Debtor's business (all hereinafter called the "Inventory"), and in contract rights with respect thereto and proceeds thereof, all whether now owned or hereafter acquired. The above collateral is now kept and, in the absence of written notice from the Debtor to the Secured Party, will always be kept only at the Debtor's Business Premises.

(b) The Debtor, for valuable consideration received from the Secured Party, hereby also conveys to the Secured Party a security interest in all the Debtor's accounts, accounts receivable, contract rights, notes, personal property leases, mailing lists and customer lists, rents receivable, choses in action, drafts, acceptances, instruments, investment property, letter of credit rights, chattel paper, general intangibles, cash and all other forms of obligations due or to become due to the Debtor, whether now existing or hereafter arising and whether joint, several, or joint and several, and proceeds of any of the foregoing, arising from or relating to the Debtor's business.

The Secured Party, by virtue of this Agreement, in addition to any other security or collateral that it may hold, shall have a continuing security interest in said Collateral and in contract rights with respect thereto and proceeds of both, to secure payment and performance of the liabilities and obligations of the Debtor to the Secured Party hereunder.

2. Records and Audits. The Debtor will keep an accurate record of the Collateral, and all additions thereto, and removals therefrom, and of any of its accounts, accounts receivable, contract rights, leases, general intangibles, rents receivable, notes and choses in action, as they from time to time exist, and the proceeds received or receivable therefrom, and will deliver a copy of such records to the Secured Party at such regular intervals as the Secured Party reasonably may require. When requested by the Secured Party the Debtor shall, at the Debtor's own expense, cause a verification of the Collateral to be made by some independent appraiser approved by the Secured Party and an audit of the accounts receivable, contract rights and proceeds of both, to be made by some independent auditor.

3. Maintenance and Insurance. The Debtor agrees to keep the Collateral in good condition, deterioration resulting from normal use excepted, and also to keep it insured against loss from such hazards and in such amounts as the Secured Party may require and in such companies as the Secured Party may approve, payable in case of loss to the Secured Party as its interest may appear, and the policies evidencing such insurance, or certificates thereof, shall, upon request, be deposited with the Secured Party.

4. No Liens. The Debtor represents and warrants that its title to the Collateral is free and clear of any liens or encumbrances except those listed in Schedule 4 and agrees to keep the Collateral free and clear of any future lien or encumbrance unless it obtains the advance consent of the Secured Party for any such lien or encumbrance.

5. Sale and Use in the Ordinary Course. Until Default the Debtor may sell or lease the Collateral in the ordinary course of business and may also use or consume any raw materials and supplies, the use and consumption of which is necessary in order to carry on the Debtor's business.

6. Lists of Accounts and Proceeds. Upon request of the Secured Party at any time after Default, the Debtor will deliver to the Secured Party lists or copies of all accounts promptly after they arise and will deliver to the Secured Party, promptly upon receipt, all rents and other proceeds received by the Debtor including proceeds of the accounts referred to above and

proceeds of any insurance policies in the exact form in which they are received. The Secured Party in its discretion may apply cash proceeds to the payment of any obligations secured hereby or may release such cash proceeds to the Debtor for use in the operation of the Debtor's business.

7. Default. The Debtor shall be deemed in "Default" of this Agreement:

(a) if the Debtor fails to observe or perform any of the Debtor's agreements expressed herein;

(b) upon default of the Debtor under the terms of any Obligation of the Debtor to the Secured Party secured hereby, or if notice or lapse of time, or both, are therein provided, then upon such notice or lapse of time, or both;

(c) upon the loss, unauthorized sale, unauthorized removal of the Collateral from the locations specified in Section 1, or the theft, damage or destruction of the Collateral;

(d) if the Secured Party shall deem the Collateral in danger of misuse or loss or removal from this State; or

(e) if the Debtor changes its name or state of organization without at least thirty (30) days prior notice.

8. Remedies. Upon a Default the Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code to the same extent as if they were expressly set forth herein in addition to the remedies provided herein or in any other instrument or paper executed by the Debtor, as well as the right to sell all or part of the Collateral, pursuant to New Hampshire law. In such event the Debtor shall pay all the Secured Party's costs of repossession, collection, custody, storage, sale or other dispossession and delivery, (including reasonable attorneys' fees), all of which the Secured Party may deduct from the proceeds. If the Secured Party seeks to take possession of any or all of the Collateral by judicial process, the Debtor hereby irrevocably waives any requirement of bonds, surety or security, whether required by statute, court rule or otherwise, as an incident to such possession and waives any requirement for demand for possession before the commencement of any suit or action to recover with respect thereto.

9. Certain Remedies. The Secured Party may at any time after Default notify the Debtor's account debtors, or persons otherwise indebted to the Debtor whose obligations are covered by this Agreement, that the Collateral has been assigned to the Secured Party and that payment shall be made directly to the Secured Party. Upon request of the Secured Party at any time after Default, the Debtor will so notify such debtors and will indicate on all billings to such debtors that their accounts must be paid to the Secured Party. The Secured Party shall have full power to collect, compromise, endorse, sell or otherwise deal with the Collateral or proceeds thereof in its own name or in the name of the Debtor. The Debtor shall pay to the Secured Party on demand a collection charge on all accounts collected, that shall include all reasonable attorneys' fees and expenses, and all other reasonable expenses of like or unlike nature that may be expended by the Secured Party to obtain or enforce payment of any account either as against

the account debtor, the Debtor or any guarantor or surety of the Debtor or in the prosecution or defense of any action or concerning any matter arising out of or connected with the subject matter of this Agreement, the obligations secured hereby, or the Collateral, or any of Secured Party's rights or interests therein or thereto, including, without limiting the generality of the foregoing any reasonable counsel fees or expenses incurred in any bankruptcy or insolvency proceedings.

10. Power of Attorney. The Debtor does hereby make, constitute and appoint any officer of the Secured Party as the Debtor's true and lawful attorney-in-fact, with power, in the event of a default, to endorse the name of the Debtor or any of the Debtor's officers or agents upon any notes, checks, drafts, money orders, or other instruments of payment (including payments payable under any policy of insurance on the Collateral) or Collateral that may come into possession of the Secured Party in full or part payment of any amounts owing to the Secured Party, to sign and endorse the name of the Debtor or any of the Debtor's officers or agents upon any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices, in connection with accounts, and any instrument or document relating thereto or to the Debtor's rights therein; to give written notice to such office and officials of the United States Post Office to effect such change or changes of address so that all mail addressed to the Debtor may be delivered directly to the Secured Party; granting upon the Debtor's said attorney full power to do any and all things necessary to be done in and about the premises fully and effectually as might or could be done, and hereby ratifying all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the term of this Agreement and all transactions hereunder as long as the Debtor may be indebted to the Secured Party.

11. Cooperation; Secured Party Sales; No Waiver. The Debtor covenants that it will execute any documents requested by the Secured Party to perfect its security interest in the Collateral. When requested by the Secured Party following a Default by the Debtor, the Debtor shall cooperate in the Secured Party's repossession of the Collateral and will assemble the Collateral and make it available to the Secured Party at such place as the Secured Party shall designate which shall be reasonably convenient to both parties. The Secured Party may dispose of the Collateral by public or private sale, upon the place where it is then located, and the Secured Party itself may acquire the Collateral at any such sale. The Debtor agrees that notice of ten (10) days prior to such sale shall constitute reasonable notice thereof, but that if the Collateral is perishable or threatens to decline quickly in value or is a kind customarily sold on a recognized market, the Secured Party may provide shorter notice or no notice of the sale. The Secured Party shall also have the right to remove the Collateral. No waiver of the Secured Party of any defaults hereunder shall constitute a waiver of any other default or of the same default upon a future occasion.

12. Reinstatement. If after receipt of any payment of, or the proceeds of any Collateral for, all or any part of the Obligations, the Secured Party is compelled to surrender or voluntarily surrenders such payment or proceeds to any person because such payment or application of proceeds is or may be avoided, invalidated, recaptured, or set aside as a preference, fraudulent conveyance, impermissible setoff or for any other reason, whether or not such surrender is the result of (i) any judgment, decree or order of any court or administrative body having jurisdiction over the Secured Party, or (ii) any settlement or compromise by the Secured

Party of any claim as to any of the foregoing with any person (including the primary obligor with respect to any of the Obligations), then the Obligations or part thereof affected shall be reinstated and continue and this Agreement shall be reinstated and continue in full force as to such Obligations or part thereof as if such payment or proceeds had not been received, notwithstanding any previous cancellation of any instrument evidencing any such Obligation or any previous instrument delivered to evidence the satisfaction thereof or the termination of this Agreement.

13. Governing Law. This Agreement shall be governed by and be construed in accordance with New Hampshire law.

14. Amendment. This Agreement may be amended only by a written instrument executed by the parties.

15. Notice. Any demand, notice or request by either party to the other shall be sufficiently given if delivered to the party intended to receive the same, or if mailed by registered or certified mail addressed to such party at the address of such party stated above, or at such other address as may be stated in a notice delivered or mailed as herein provided.

16. Binding Effect. The covenants and agreements herein contained shall bind, and the benefits and advantages thereof shall inure to, the respective heirs, executors, administrators, successors and permitted assigns of the Debtor and the Secured Party.

17. Conflicting Provisions; References. In the event of any conflict between the terms, covenants, conditions and restrictions contained in this Agreement, the Note, the Loan Agreement and the Security Instruments, the term, covenant and condition or restriction that imposes the greater burden or obligation upon the Debtor shall control. The determination as to which term, covenant, condition or restriction is the more burdensome or imposes the greater obligation shall be made by the Secured Party in its sole discretion. All references herein to the Note, the Loan Agreement and the Security Instruments shall be construed to include such instruments as they may be amended from time to time. Wherever used the singular number shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders as the context requires.


18. Invalidity. In any case where any one or more of the provisions of this Agreement are held to be invalid, illegal or enforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof.

19. Sovereign Immunity. Nothing contained in this Agreement, the Loan Agreement, the Note or the other Security Instruments shall be deemed to constitute a waiver of the sovereign immunity of the Secured Party, which immunity is hereby reserved to the Secured Party.


Executed on the day and year first of written.

Debtor:

TIOGA RIVER WATER COMPANY, INC.



Witness

By: 
Name:
Title:

←
SIGN
HERE

SCHEDULE 4
LIENS AND ENCUMBRANCES

The Collateral is subject to no liens or encumbrances.

**ALLONGE TO
PROMISSORY NOTE AND AMENDMENT OF LOAN AGREEMENT**

Allonge and Amendment made this _____ day of _____, 2011, effective as of December 1, 2010, between Tioga River Water Company, Inc., a New Hampshire company with principal place of business at 1440 Lake Shore Road, Gilford, New Hampshire 03249 (the "Maker"), and the State of New Hampshire with an address of c/o Department of Environmental Services, P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095 (the "Payee").

RECITALS

A. Pursuant to a Loan Agreement dated November 2, 2009 between the Payee and the Maker (as amended, the "Loan Agreement"), the Payee agreed to lend to the Maker up to \$230,000 to finance the water system improvements which loan is evidenced by the promissory note from the Maker to the Payee dated November 2, 2009 in the principal amount of \$230,000 (as amended, the "Note");

B. The Payee has advanced the full amount of the loan to the Maker pursuant to the Loan Agreement required for the construction of the Improvements (as defined in the Note), and the Improvements have been substantially completed; no further advances of loan funds are necessary;

C. The parties desire to clarify the respective rights and obligations of the Payee and the Maker regarding repayment by amending the Note and the Loan Documents pursuant to the terms of this allonge;

NOW THEREFORE, the parties agree as follows:

1. The Note is hereby amended as follows:
 - (a) to provide that the Interest Rate Change Date, as defined in the ninth, tenth and eleventh lines of the initial paragraph of the Note, is December 1, 2010, and
 - (b) by replacing "the lower of (A) the annual rate of Three and Seven Hundred Forty-Four Thousandths percent (3.744%) or (B) Eighty percent (80 %) of the established 11 General Obligations Bond Index published during the first week of the month of October before the Interest Rate Change Date" in the initial paragraph of the Note with "Two and Eight Six Hundred Sixty-four Thousandths percent (2.864%)".
 - (c) Section 1 of the Note is hereby amended by striking the section in its entirety and replacing it with the following:

"1. Payments.

- (a) Commencing June 1, 2011, interest only shall be paid in six (6) consecutive monthly installments on the first day of each month and (the first such payment shall include all previously accrued interest), and
- (b) Commencing December 1, 2011, the interest and principal of this Note shall be paid in Two Hundred and Forty (240) consecutive monthly payments in the amounts provided in the column entitled "Total Payment" in the amortization schedule attached hereto as Schedule A upon the dates set forth therein opposite each payment (for each due date in Schedule A the amounts shown in the column captioned "Total Payment" is the sum of the amount in the column captioned "Principal Payment" plus the amount in the column captioned "Interest Payment" plus the amount in the column captioned "Administrative Fee" because the Charge Rate has been divided into two parts, an interest rate of 0.864 percent and an administrative fee of 2.0 percent, solely for administrative purposes of the Payee.) The loan evidenced by the Note qualifies for Fifty percent (50%) debt forgiveness under regulations of the State of New Hampshire, Department of Environmental Services. Schedule A provides for a portion of the principal amount of the Note to be forgiven at the time the initial principal payment is paid. If the remaining balance of the Note is prepaid or required to be prepaid for any reason, including without limitation upon acceleration after a default as provided in Section 6 of the Note, the full remaining amount of principal, without regard to amounts scheduled to be forgiven in connection with payments not yet paid, whether otherwise due or not, together with accrued interest and other charges, shall be due and payable, and
- (c) On November 1, 2031, all remaining unpaid principal together with accrued interest and any other unpaid charges shall be due and payable, and
- (d) All payments shall be applied first to accrued interest and then principal."

- 2. Each of the Loan Documents other than the Note is hereby amended to change all references to the Note therein to include the Note as hereby amended and by any future amendments of the Note.**
- 3. All terms of the Note and the Loan Documents that are not amended hereby shall remain in full force and effect.**

(Signature page follows)

Executed as of the day and year first above written.

Witness

TIOGA RIVER WATER COMPANY, INC.

By: N. H. Hami
Title: _____
Duly Authorized

THE STATE OF NEW HAMPSHIRE

Witness

By: Thomas S. Burack, Commissioner
Department of Environmental Services

Executed as of the day and year first above written.

Thomas A. Burack
Witness

TIOGA RIVER WATER COMPANY, INC.

By: N. N. Hami
Title:
Duly Authorized

THE STATE OF NEW HAMPSHIRE

Witness

By: _____
Thomas S. Burack, Commissioner
Department of Environmental Services

SRF Interest Computation from Loan Origination

Tioga River Water Company

Loan No. 0202030 ARRA - based on Actual Disbursements

New pump station, iron manganese treatment

Interest is charged and paid during construction.
Day of the month interest is calculated: 1st
Construction period interest rate on disbursements: 1.00000%

Disb. Number	Principal Beginning Balance	Principal Disbursed	Date Paid	Interest Rate	Beginning Period	Ending Period	Number of Days	Total Interest Due	Fee Rate	Total Fee Due	Total Interest and Fee Due	Interest Added to Principal	Principal Ending Balance
1 & 2	0.00	39,950.00	2/4/2010	1.00000	2/4/2010	12/1/2010	297	329.59	0.00000	0.00	329.59	0.00	39,950.00
3	39,950.00	42,906.43	3/10/2010	1.00000	3/10/2010	12/1/2010	261	311.07	0.00000	0.00	311.07	0.00	82,856.43
4	82,856.43	45,934.38	4/8/2010	1.00000	4/8/2010	12/1/2010	233	297.30	0.00000	0.00	297.30	0.00	128,790.81
5	128,790.81	83,611.05	5/14/2010	1.00000	5/14/2010	12/1/2010	197	457.54	0.00000	0.00	457.54	0.00	212,401.86
6	212,401.86	6,392.00	7/14/2010	1.00000	7/14/2010	12/1/2010	137	24.33	0.00000	0.00	24.33	0.00	218,793.86
Construction Period:		218,793.86						1,419.83		0.00	1,419.83	0.00	
1 & 2-6	218,793.86	0.00	12/1/2010	0.86400	12/1/2010	6/1/2011	180	945.19	2.00000	2,187.94	3,133.13	0.00	218,793.86
7	218,793.86	11,206.14	5/18/2011	0.86400	5/18/2011	6/1/2011	13	3.50	2.00000	8.09	11.59	0.00	230,000.00
Loan Period:		11,206.14						948.69		2,196.03	3,144.72	0.00	
Project Totals:		230,000.00						2,368.52		2,196.03	4,564.55	0.00	

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%
 Term: 20 Years

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
1	6/1/2011		230,000.00	0.00	0.00	2,368.51	0.8640	2,196.03	4,564.54	230,000.00
2	7/1/2011		230,000.00	0.00	0.00	165.60	0.8640	383.33	548.93	230,000.00
3	8/1/2011		230,000.00	0.00	0.00	165.60	0.8640	383.33	548.93	230,000.00
4	9/1/2011		230,000.00	0.00	0.00	165.60	0.8640	383.33	548.93	230,000.00
5	10/1/2011		230,000.00	0.00	0.00	165.60	0.8640	383.33	548.93	230,000.00
6	11/1/2011		230,000.00	0.00	0.00	165.60	0.8640	383.33	548.93	230,000.00
7	12/1/2011		230,000.00	81.00	115,000.00	165.60	0.8640	383.33	629.93	114,919.00
8	1/1/2012		114,919.00	357.00	0.00	82.74	0.8640	191.53	631.27	114,562.00
9	2/1/2012		114,562.00	358.00	0.00	82.48	0.8640	190.94	631.42	114,204.00
10	3/1/2012		114,204.00	359.00	0.00	82.23	0.8640	190.34	631.57	113,845.00
11	4/1/2012		113,845.00	360.00	0.00	81.97	0.8640	189.74	631.71	113,485.00
12	5/1/2012		113,485.00	361.00	0.00	81.71	0.8640	189.14	631.85	113,124.00
13	6/1/2012		113,124.00	362.00	0.00	81.45	0.8640	188.54	631.99	112,762.00
14	7/1/2012		112,762.00	362.00	0.00	81.19	0.8640	187.94	631.13	112,400.00
15	8/1/2012		112,400.00	363.00	0.00	80.93	0.8640	187.33	631.26	112,037.00
16	9/1/2012		112,037.00	364.00	0.00	80.67	0.8640	186.73	631.40	111,673.00
17	10/1/2012		111,673.00	365.00	0.00	80.40	0.8640	186.12	631.52	111,308.00
18	11/1/2012		111,308.00	366.00	0.00	80.14	0.8640	185.51	631.65	110,942.00
19	12/1/2012		110,942.00	367.00	0.00	79.88	0.8640	184.90	631.78	110,575.00
20	1/1/2013		110,575.00	368.00	0.00	79.61	0.8640	184.29	631.90	110,207.00
21	2/1/2013		110,207.00	368.00	0.00	79.35	0.8640	183.68	631.03	109,839.00
22	3/1/2013		109,839.00	369.00	0.00	79.08	0.8640	183.07	631.15	109,470.00
23	4/1/2013		109,470.00	370.00	0.00	78.82	0.8640	182.45	631.27	109,100.00
24	5/1/2013		109,100.00	371.00	0.00	78.55	0.8640	181.83	631.38	108,729.00
25	6/1/2013		108,729.00	372.00	0.00	78.28	0.8640	181.22	631.50	108,357.00
26	7/1/2013		108,357.00	373.00	0.00	78.02	0.8640	180.60	631.62	107,984.00
27	8/1/2013		107,984.00	374.00	0.00	77.75	0.8640	179.97	631.72	107,610.00
28	9/1/2013		107,610.00	375.00	0.00	77.48	0.8640	179.35	631.83	107,235.00
29	10/1/2013		107,235.00	376.00	0.00	77.21	0.8640	178.73	631.94	106,859.00
30	11/1/2013		106,859.00	376.00	0.00	76.94	0.8640	178.10	631.04	106,483.00
31	12/1/2013		106,483.00	377.00	0.00	76.67	0.8640	177.47	631.14	106,106.00
32	1/1/2014		106,106.00	378.00	0.00	76.40	0.8640	176.84	631.24	105,728.00
33	2/1/2014		105,728.00	379.00	0.00	76.12	0.8640	176.21	631.33	105,349.00
34	3/1/2014		105,349.00	380.00	0.00	75.85	0.8640	175.58	631.43	104,969.00
35	4/1/2014		104,969.00	381.00	0.00	75.58	0.8640	174.95	631.53	104,588.00
36	5/1/2014		104,588.00	382.00	0.00	75.30	0.8640	174.31	631.61	104,206.00
37	6/1/2014		104,206.00	383.00	0.00	75.03	0.8640	173.68	631.71	103,823.00
38	7/1/2014		103,823.00	384.00	0.00	74.75	0.8640	173.04	631.79	103,439.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%
 Term: 20 Years

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
39	8/1/2014		103,439.00	385.00	0.00	74.48	0.8640	172.40	631.88	103,054.00
40	9/1/2014		103,054.00	386.00	0.00	74.20	0.8640	171.76	631.96	102,668.00
41	10/1/2014		102,668.00	386.00	0.00	73.92	0.8640	171.11	631.03	102,282.00
42	11/1/2014		102,282.00	387.00	0.00	73.64	0.8640	170.47	631.11	101,895.00
43	12/1/2014		101,895.00	388.00	0.00	73.36	0.8640	169.83	631.19	101,507.00
44	1/1/2015		101,507.00	389.00	0.00	73.09	0.8640	169.18	631.27	101,118.00
45	2/1/2015		101,118.00	390.00	0.00	72.80	0.8640	168.53	631.33	100,728.00
46	3/1/2015		100,728.00	391.00	0.00	72.52	0.8640	167.88	631.40	100,337.00
47	4/1/2015		100,337.00	392.00	0.00	72.24	0.8640	167.23	631.47	99,945.00
48	5/1/2015		99,945.00	393.00	0.00	71.96	0.8640	166.58	631.54	99,552.00
49	6/1/2015		99,552.00	394.00	0.00	71.68	0.8640	165.92	631.60	99,158.00
50	7/1/2015		99,158.00	395.00	0.00	71.39	0.8640	165.26	631.65	98,763.00
51	8/1/2015		98,763.00	396.00	0.00	71.11	0.8640	164.61	631.72	98,367.00
52	9/1/2015		98,367.00	397.00	0.00	70.82	0.8640	163.95	631.77	97,970.00
53	10/1/2015		97,970.00	398.00	0.00	70.54	0.8640	163.28	631.82	97,572.00
54	11/1/2015		97,572.00	399.00	0.00	70.25	0.8640	162.62	631.87	97,173.00
55	12/1/2015		97,173.00	400.00	0.00	69.96	0.8640	161.96	631.92	96,773.00
56	1/1/2016		96,773.00	401.00	0.00	69.68	0.8640	161.29	631.97	96,372.00
57	2/1/2016		96,372.00	401.00	0.00	69.39	0.8640	160.62	631.01	95,971.00
58	3/1/2016		95,971.00	402.00	0.00	69.10	0.8640	159.95	631.05	95,569.00
59	4/1/2016		95,569.00	403.00	0.00	68.81	0.8640	159.28	631.09	95,166.00
60	5/1/2016		95,166.00	404.00	0.00	68.52	0.8640	158.61	631.13	94,762.00
61	6/1/2016		94,762.00	405.00	0.00	68.23	0.8640	157.94	631.17	94,357.00
62	7/1/2016		94,357.00	406.00	0.00	67.94	0.8640	157.26	631.20	93,951.00
63	8/1/2016		93,951.00	407.00	0.00	67.64	0.8640	156.59	631.23	93,544.00
64	9/1/2016		93,544.00	408.00	0.00	67.35	0.8640	155.91	631.26	93,136.00
65	10/1/2016		93,136.00	409.00	0.00	67.06	0.8640	155.23	631.29	92,727.00
66	11/1/2016		92,727.00	410.00	0.00	66.76	0.8640	154.55	631.31	92,317.00
67	12/1/2016		92,317.00	411.00	0.00	66.47	0.8640	153.86	631.33	91,906.00
68	1/1/2017		91,906.00	412.00	0.00	66.17	0.8640	153.18	631.35	91,494.00
69	2/1/2017		91,494.00	413.00	0.00	65.88	0.8640	152.49	631.37	91,081.00
70	3/1/2017		91,081.00	414.00	0.00	65.58	0.8640	151.80	631.38	90,667.00
71	4/1/2017		90,667.00	415.00	0.00	65.28	0.8640	151.11	631.39	90,252.00
72	5/1/2017		90,252.00	416.00	0.00	64.98	0.8640	150.42	631.40	89,836.00
73	6/1/2017		89,836.00	417.00	0.00	64.68	0.8640	149.73	631.41	89,419.00
74	7/1/2017		89,419.00	418.00	0.00	64.38	0.8640	149.03	631.41	89,001.00
75	8/1/2017		89,001.00	419.00	0.00	64.08	0.8640	148.34	631.42	88,582.00
76	9/1/2017		88,582.00	420.00	0.00	63.78	0.8640	147.64	631.42	88,162.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%
 Term: 20 Years

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
77	10/1/2017		88,162.00	421.00	0.00	63.48	0.8640	146.94	631.42	87,741.00
78	11/1/2017		87,741.00	422.00	0.00	63.17	0.8640	146.24	631.41	87,319.00
79	12/1/2017		87,319.00	423.00	0.00	62.87	0.8640	145.53	631.40	86,896.00
80	1/1/2018		86,896.00	424.00	0.00	62.57	0.8640	144.83	631.40	86,472.00
81	2/1/2018		86,472.00	425.00	0.00	62.26	0.8640	144.12	631.38	86,047.00
82	3/1/2018		86,047.00	426.00	0.00	61.95	0.8640	143.41	631.36	85,621.00
83	4/1/2018		85,621.00	427.00	0.00	61.65	0.8640	142.70	631.35	85,194.00
84	5/1/2018		85,194.00	428.00	0.00	61.34	0.8640	141.99	631.33	84,766.00
85	6/1/2018		84,766.00	429.00	0.00	61.03	0.8640	141.28	631.31	84,337.00
86	7/1/2018		84,337.00	430.00	0.00	60.72	0.8640	140.56	631.28	83,907.00
87	8/1/2018		83,907.00	431.00	0.00	60.41	0.8640	139.85	631.26	83,476.00
88	9/1/2018		83,476.00	432.00	0.00	60.10	0.8640	139.13	631.23	83,044.00
89	10/1/2018		83,044.00	433.00	0.00	59.79	0.8640	138.41	631.20	82,611.00
90	11/1/2018		82,611.00	434.00	0.00	59.48	0.8640	137.69	631.17	82,177.00
91	12/1/2018		82,177.00	435.00	0.00	59.17	0.8640	136.96	631.13	81,742.00
92	1/1/2019		81,742.00	436.00	0.00	58.85	0.8640	136.24	631.09	81,306.00
93	2/1/2019		81,306.00	437.00	0.00	58.54	0.8640	135.51	631.05	80,869.00
94	3/1/2019		80,869.00	439.00	0.00	58.23	0.8640	134.78	632.01	80,430.00
95	4/1/2019		80,430.00	440.00	0.00	57.91	0.8640	134.05	631.96	79,990.00
96	5/1/2019		79,990.00	441.00	0.00	57.59	0.8640	133.32	631.91	79,549.00
97	6/1/2019		79,549.00	442.00	0.00	57.28	0.8640	132.58	631.86	79,107.00
98	7/1/2019		79,107.00	443.00	0.00	56.96	0.8640	131.85	631.81	78,664.00
99	8/1/2019		78,664.00	444.00	0.00	56.64	0.8640	131.11	631.75	78,220.00
100	9/1/2019		78,220.00	445.00	0.00	56.32	0.8640	130.37	631.69	77,775.00
101	10/1/2019		77,775.00	446.00	0.00	56.00	0.8640	129.63	631.63	77,329.00
102	11/1/2019		77,329.00	447.00	0.00	55.68	0.8640	128.88	631.56	76,882.00
103	12/1/2019		76,882.00	448.00	0.00	55.36	0.8640	128.14	631.50	76,434.00
104	1/1/2020		76,434.00	449.00	0.00	55.03	0.8640	127.39	631.42	75,985.00
105	2/1/2020		75,985.00	450.00	0.00	54.71	0.8640	126.64	631.35	75,535.00
106	3/1/2020		75,535.00	451.00	0.00	54.39	0.8640	125.89	631.28	75,084.00
107	4/1/2020		75,084.00	452.00	0.00	54.06	0.8640	125.14	631.20	74,632.00
108	5/1/2020		74,632.00	453.00	0.00	53.74	0.8640	124.39	631.13	74,179.00
109	6/1/2020		74,179.00	455.00	0.00	53.41	0.8640	123.63	632.04	73,724.00
110	7/1/2020		73,724.00	456.00	0.00	53.08	0.8640	122.87	631.95	73,268.00
111	8/1/2020		73,268.00	457.00	0.00	52.75	0.8640	122.11	631.86	72,811.00
112	9/1/2020		72,811.00	458.00	0.00	52.42	0.8640	121.35	631.77	72,353.00
113	10/1/2020		72,353.00	459.00	0.00	52.09	0.8640	120.59	631.68	71,894.00
114	11/1/2020		71,894.00	460.00	0.00	51.76	0.8640	119.82	631.58	71,434.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Term: 20 Years

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
115	12/1/2020		71,434.00	461.00	0.00	51.43	0.8640	119.06	631.49	70,973.00
116	1/1/2021		70,973.00	462.00	0.00	51.10	0.8640	118.29	631.39	70,511.00
117	2/1/2021		70,511.00	463.00	0.00	50.77	0.8640	117.52	631.29	70,048.00
118	3/1/2021		70,048.00	464.00	0.00	50.43	0.8640	116.75	631.18	69,584.00
119	4/1/2021		69,584.00	465.00	0.00	50.10	0.8640	115.97	631.07	69,119.00
120	5/1/2021		69,119.00	467.00	0.00	49.77	0.8640	115.20	631.97	68,652.00
121	6/1/2021		68,652.00	468.00	0.00	49.43	0.8640	114.42	631.85	68,184.00
122	7/1/2021		68,184.00	469.00	0.00	49.09	0.8640	113.64	631.73	67,715.00
123	8/1/2021		67,715.00	470.00	0.00	48.75	0.8640	112.86	631.61	67,245.00
124	9/1/2021		67,245.00	471.00	0.00	48.42	0.8640	112.08	631.50	66,774.00
125	10/1/2021		66,774.00	472.00	0.00	48.08	0.8640	111.29	631.37	66,302.00
126	11/1/2021		66,302.00	473.00	0.00	47.74	0.8640	110.50	631.24	65,829.00
127	12/1/2021		65,829.00	474.00	0.00	47.40	0.8640	109.72	631.12	65,355.00
128	1/1/2022		65,355.00	476.00	0.00	47.06	0.8640	108.93	631.99	64,879.00
129	2/1/2022		64,879.00	477.00	0.00	46.71	0.8640	108.13	631.84	64,402.00
130	3/1/2022		64,402.00	478.00	0.00	46.37	0.8640	107.34	631.71	63,924.00
131	4/1/2022		63,924.00	479.00	0.00	46.03	0.8640	106.54	631.57	63,445.00
132	5/1/2022		63,445.00	480.00	0.00	45.68	0.8640	105.74	631.42	62,965.00
133	6/1/2022		62,965.00	481.00	0.00	45.33	0.8640	104.94	631.27	62,484.00
134	7/1/2022		62,484.00	482.00	0.00	44.99	0.8640	104.14	631.13	62,002.00
135	8/1/2022		62,002.00	484.00	0.00	44.64	0.8640	103.34	631.98	61,518.00
136	9/1/2022		61,518.00	485.00	0.00	44.29	0.8640	102.53	631.82	61,033.00
137	10/1/2022		61,033.00	486.00	0.00	43.94	0.8640	101.72	631.66	60,547.00
138	11/1/2022		60,547.00	487.00	0.00	43.59	0.8640	100.91	631.50	60,060.00
139	12/1/2022		60,060.00	488.00	0.00	43.24	0.8640	100.10	631.34	59,572.00
140	1/1/2023		59,572.00	489.00	0.00	42.89	0.8640	99.29	631.18	59,083.00
141	2/1/2023		59,083.00	491.00	0.00	42.54	0.8640	98.47	632.01	58,592.00
142	3/1/2023		58,592.00	492.00	0.00	42.19	0.8640	97.65	631.84	58,100.00
143	4/1/2023		58,100.00	493.00	0.00	41.83	0.8640	96.83	631.66	57,607.00
144	5/1/2023		57,607.00	494.00	0.00	41.48	0.8640	96.01	631.49	57,113.00
145	6/1/2023		57,113.00	495.00	0.00	41.12	0.8640	95.19	631.31	56,618.00
146	7/1/2023		56,618.00	496.00	0.00	40.76	0.8640	94.36	631.12	56,122.00
147	8/1/2023		56,122.00	498.00	0.00	40.41	0.8640	93.54	631.95	55,624.00
148	9/1/2023		55,624.00	499.00	0.00	40.05	0.8640	92.71	631.76	55,125.00
149	10/1/2023		55,125.00	500.00	0.00	39.69	0.8640	91.88	631.57	54,625.00
150	11/1/2023		54,625.00	501.00	0.00	39.33	0.8640	91.04	631.37	54,124.00
151	12/1/2023		54,124.00	502.00	0.00	38.97	0.8640	90.21	631.18	53,622.00
152	1/1/2024		53,622.00	504.00	0.00	38.61	0.8640	89.37	631.98	53,118.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011

Total Disbursed: 230,000

Interest rate: 0.8640%

Administrative Fee: 0%

Term: 20 Years

Borrower: Tioga River Water Company

Project Number: 0202030 ARRA

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
153	2/1/2024		53,118.00	505.00	0.00	38.24	0.8640	88.53	631.77	52,613.00
154	3/1/2024		52,613.00	506.00	0.00	37.88	0.8640	87.69	631.57	52,107.00
155	4/1/2024		52,107.00	507.00	0.00	37.52	0.8640	86.85	631.37	51,600.00
156	5/1/2024		51,600.00	508.00	0.00	37.15	0.8640	86.00	631.15	51,092.00
157	6/1/2024		51,092.00	510.00	0.00	36.79	0.8640	85.15	631.94	50,582.00
158	7/1/2024		50,582.00	511.00	0.00	36.42	0.8640	84.30	631.72	50,071.00
159	8/1/2024		50,071.00	512.00	0.00	36.05	0.8640	83.45	631.50	49,559.00
160	9/1/2024		49,559.00	513.00	0.00	35.68	0.8640	82.60	631.28	49,046.00
161	10/1/2024		49,046.00	514.00	0.00	35.31	0.8640	81.74	631.05	48,532.00
162	11/1/2024		48,532.00	516.00	0.00	34.94	0.8640	80.89	631.83	48,016.00
163	12/1/2024		48,016.00	517.00	0.00	34.57	0.8640	80.03	631.60	47,499.00
164	1/1/2025		47,499.00	518.00	0.00	34.20	0.8640	79.17	631.37	46,981.00
165	2/1/2025		46,981.00	519.00	0.00	33.83	0.8640	78.30	631.13	46,462.00
166	3/1/2025		46,462.00	521.00	0.00	33.45	0.8640	77.44	631.89	45,941.00
167	4/1/2025		45,941.00	522.00	0.00	33.08	0.8640	76.57	631.65	45,419.00
168	5/1/2025		45,419.00	523.00	0.00	32.70	0.8640	75.70	631.40	44,896.00
169	6/1/2025		44,896.00	524.00	0.00	32.33	0.8640	74.83	631.16	44,372.00
170	7/1/2025		44,372.00	526.00	0.00	31.95	0.8640	73.95	631.90	43,846.00
171	8/1/2025		43,846.00	527.00	0.00	31.57	0.8640	73.08	631.65	43,319.00
172	9/1/2025		43,319.00	528.00	0.00	31.19	0.8640	72.20	631.39	42,791.00
173	10/1/2025		42,791.00	529.00	0.00	30.81	0.8640	71.32	631.13	42,262.00
174	11/1/2025		42,262.00	531.00	0.00	30.43	0.8640	70.44	631.87	41,731.00
175	12/1/2025		41,731.00	532.00	0.00	30.05	0.8640	69.55	631.60	41,199.00
176	1/1/2026		41,199.00	533.00	0.00	29.66	0.8640	68.67	631.33	40,666.00
177	2/1/2026		40,666.00	534.00	0.00	29.28	0.8640	67.78	631.06	40,132.00
178	3/1/2026		40,132.00	536.00	0.00	28.90	0.8640	66.89	631.79	39,596.00
179	4/1/2026		39,596.00	537.00	0.00	28.51	0.8640	65.99	631.50	39,059.00
180	5/1/2026		39,059.00	538.00	0.00	28.12	0.8640	65.10	631.22	38,521.00
181	6/1/2026		38,521.00	540.00	0.00	27.74	0.8640	64.20	631.94	37,981.00
182	7/1/2026		37,981.00	541.00	0.00	27.35	0.8640	63.30	631.65	37,440.00
183	8/1/2026		37,440.00	542.00	0.00	26.96	0.8640	62.40	631.36	36,898.00
184	9/1/2026		36,898.00	543.00	0.00	26.57	0.8640	61.50	631.07	36,355.00
185	10/1/2026		36,355.00	545.00	0.00	26.18	0.8640	60.59	631.77	35,810.00
186	11/1/2026		35,810.00	546.00	0.00	25.78	0.8640	59.68	631.46	35,264.00
187	12/1/2026		35,264.00	547.00	0.00	25.39	0.8640	58.77	631.16	34,717.00
188	1/1/2027		34,717.00	549.00	0.00	25.00	0.8640	57.86	631.86	34,168.00
189	2/1/2027		34,168.00	550.00	0.00	24.60	0.8640	56.95	631.55	33,618.00
190	3/1/2027		33,618.00	551.00	0.00	24.20	0.8640	56.03	631.23	33,067.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%
 Term: 20 Years

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
191	4/1/2027		33,067.00	553.00	0.00	23.81	0.8640	55.11	631.92	32,514.00
192	5/1/2027		32,514.00	554.00	0.00	23.41	0.8640	54.19	631.60	31,960.00
193	6/1/2027		31,960.00	555.00	0.00	23.01	0.8640	53.27	631.28	31,405.00
194	7/1/2027		31,405.00	557.00	0.00	22.61	0.8640	52.34	631.95	30,848.00
195	8/1/2027		30,848.00	558.00	0.00	22.21	0.8640	51.41	631.62	30,290.00
196	9/1/2027		30,290.00	559.00	0.00	21.81	0.8640	50.48	631.29	29,731.00
197	10/1/2027		29,731.00	561.00	0.00	21.41	0.8640	49.55	631.96	29,170.00
198	11/1/2027		29,170.00	562.00	0.00	21.00	0.8640	48.62	631.62	28,608.00
199	12/1/2027		28,608.00	563.00	0.00	20.60	0.8640	47.68	631.28	28,045.00
200	1/1/2028		28,045.00	565.00	0.00	20.19	0.8640	46.74	631.93	27,480.00
201	2/1/2028		27,480.00	566.00	0.00	19.79	0.8640	45.80	631.59	26,914.00
202	3/1/2028		26,914.00	567.00	0.00	19.38	0.8640	44.86	631.24	26,347.00
203	4/1/2028		26,347.00	569.00	0.00	18.97	0.8640	43.91	631.88	25,778.00
204	5/1/2028		25,778.00	570.00	0.00	18.56	0.8640	42.96	631.52	25,208.00
205	6/1/2028		25,208.00	571.00	0.00	18.15	0.8640	42.01	631.16	24,637.00
206	7/1/2028		24,637.00	573.00	0.00	17.74	0.8640	41.06	631.80	24,064.00
207	8/1/2028		24,064.00	574.00	0.00	17.33	0.8640	40.11	631.44	23,490.00
208	9/1/2028		23,490.00	575.00	0.00	16.91	0.8640	39.15	631.06	22,915.00
209	10/1/2028		22,915.00	577.00	0.00	16.50	0.8640	38.19	631.69	22,338.00
210	11/1/2028		22,338.00	578.00	0.00	16.08	0.8640	37.23	631.31	21,760.00
211	12/1/2028		21,760.00	580.00	0.00	15.67	0.8640	36.27	631.94	21,180.00
212	1/1/2029		21,180.00	581.00	0.00	15.25	0.8640	35.30	631.55	20,599.00
213	2/1/2029		20,599.00	582.00	0.00	14.83	0.8640	34.33	631.16	20,017.00
214	3/1/2029		20,017.00	584.00	0.00	14.41	0.8640	33.36	631.77	19,433.00
215	4/1/2029		19,433.00	585.00	0.00	13.99	0.8640	32.39	631.38	18,848.00
216	5/1/2029		18,848.00	587.00	0.00	13.57	0.8640	31.41	631.98	18,261.00
217	6/1/2029		18,261.00	588.00	0.00	13.15	0.8640	30.44	631.59	17,673.00
218	7/1/2029		17,673.00	589.00	0.00	12.72	0.8640	29.46	631.18	17,084.00
219	8/1/2029		17,084.00	591.00	0.00	12.30	0.8640	28.47	631.77	16,493.00
220	9/1/2029		16,493.00	592.00	0.00	11.87	0.8640	27.49	631.36	15,901.00
221	10/1/2029		15,901.00	594.00	0.00	11.45	0.8640	26.50	631.95	15,307.00
222	11/1/2029		15,307.00	595.00	0.00	11.02	0.8640	25.51	631.53	14,712.00
223	12/1/2029		14,712.00	596.00	0.00	10.59	0.8640	24.52	631.11	14,116.00
224	1/1/2030		14,116.00	598.00	0.00	10.16	0.8640	23.53	631.69	13,518.00
225	2/1/2030		13,518.00	599.00	0.00	9.73	0.8640	22.53	631.26	12,919.00
226	3/1/2030		12,919.00	601.00	0.00	9.30	0.8640	21.53	631.83	12,318.00
227	4/1/2030		12,318.00	602.00	0.00	8.87	0.8640	20.53	631.40	11,716.00
228	5/1/2030		11,716.00	603.00	0.00	8.44	0.8640	19.53	630.97	11,113.00

New Hampshire Department of Environmental Services

Drinking Water SRF Loan Schedule

Print Date: 11/2/2011
 Total Disbursed: 230,000
 Interest rate: 0.8640%
 Administrative Fee: 0%

Borrower: Tioga River Water Company
 Project Number: 0202030 ARRA

Term: 20 Years

Ref Num	Due Date	Date Received	Beginning Balance	Principal Payment	Principal Forgiven	Interest Payment	Interest Rate %	Administrative Fees	Total Payment	Ending Balance
229	6/1/2030		11,113.00	605.00	0.00	8.00	0.8640	18.52	631.52	10,508.00
230	7/1/2030		10,508.00	606.00	0.00	7.57	0.8640	17.51	631.08	9,902.00
231	8/1/2030		9,902.00	608.00	0.00	7.13	0.8640	16.50	631.63	9,294.00
232	9/1/2030		9,294.00	609.00	0.00	6.69	0.8640	15.49	631.18	8,685.00
233	10/1/2030		8,685.00	611.00	0.00	6.25	0.8640	14.48	631.73	8,074.00
234	11/1/2030		8,074.00	612.00	0.00	5.81	0.8640	13.46	631.27	7,462.00
235	12/1/2030		7,462.00	614.00	0.00	5.37	0.8640	12.44	631.81	6,848.00
236	1/1/2031		6,848.00	615.00	0.00	4.93	0.8640	11.41	631.34	6,233.00
237	2/1/2031		6,233.00	617.00	0.00	4.49	0.8640	10.39	631.88	5,616.00
238	3/1/2031		5,616.00	618.00	0.00	4.04	0.8640	9.36	631.40	4,998.00
239	4/1/2031		4,998.00	620.00	0.00	3.60	0.8640	8.33	631.93	4,378.00
240	5/1/2031		4,378.00	621.00	0.00	3.15	0.8640	7.30	631.45	3,757.00
241	6/1/2031		3,757.00	622.00	0.00	2.71	0.8640	6.26	630.97	3,135.00
242	7/1/2031		3,135.00	624.00	0.00	2.26	0.8640	5.23	631.49	2,511.00
243	8/1/2031		2,511.00	626.00	0.00	1.81	0.8640	4.19	632.00	1,885.00
244	9/1/2031		1,885.00	627.00	0.00	1.36	0.8640	3.14	631.50	1,258.00
245	10/1/2031		1,258.00	628.00	0.00	0.91	0.8640	2.10	631.01	630.00
246	11/1/2031		630.00	630.00	0.00	0.45	0.8640	1.05	631.50	0.00
				115,000.00	115,000.00	14,225.15			29,642.09	158,867.24

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE REVENUE REQUIREMENT

Average Rate Base per Staff (Att A; Sch 2; Col 6)	\$ 27,058
Rate of Return (Att A; Sch 1a)	<u>6.00%</u>
Operating Income Requirement	1,622
Adjusted Net Operating Income per Staff (Att A; Sch 3; Col 6)	<u>12,625</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(11,003)
Divided by Tax Factor (Att A; Sch 1b)	<u>100.00%</u>
Revenue Deficiency / (Surplus)	(11,003)
Pro-forma Test Year Water Sales per Company (Att A; Sch 3; Col 6)	<u>23,825</u>
Revenue Requirement from Water Sales per Staff	12,822
Less: Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	<u>(10,490)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>\$ 2,332</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>22.23%</u></u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure			Interest Expense			Amortization Expense			Cost Rate	Weighted Average Cost
	Actual @ 10/31/09	Adjustments Per Co Filing	Adjusted @ 10/31/09	Actual @ 10/31/09	Adjustments Per Staff	Adjusted @ 10/31/09	Actual @ 10/31/09	Adjustments Per Co Filing	Adjusted @ 10/31/09		
Long-term Debt - Tioga Division:											
2002 Note - Tioga to Norm Harris, Jr	\$ 6,391	\$ 75,500	\$ 6,391	\$ 383	\$ 2,827	\$ 383	\$ -	\$ -	\$ -	6.00%	6.00%
2010 SRF Loan - Tioga	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Total Long-term Debt - Tioga Division	\$ 6,391	\$ 75,500	\$ 6,391	\$ 383	\$ 2,827	\$ 383	\$ -	\$ 57	\$ (57)	6.00%	6.00%
Long-term Debt - GWWD Division											
2002 Note - GWWD to Norm Harris, Jr	\$ 15,350	-	\$ 15,350	\$ 921	-	\$ 921	\$ -	\$ -	\$ -	6.00%	1.90%
2006 Note - GWWD to Gifford Well	12,810	-	12,810	1,153	37	1,190	-	-	-	9.25%	2.45%
2007 Note - GWWD to Norm Harris, Jr	11,828	-	11,828	1,074	45	1,119	-	-	-	9.38%	2.31%
2008 Note - GWWD to Norm Harris, Jr	8,429	-	8,429	316	(218)	541	-	-	-	6.42%	1.12%
2010 SRF Loan - GWWD	-	57,500	-	-	2,153	-	-	43	-	0.00%	0.00%
Total Long-term Debt - GWWD Division	\$ 48,517	\$ 57,500	\$ 48,517	\$ 3,464	\$ (2,289)	\$ 3,771	\$ -	\$ 43	\$ (43)	7.77%	7.77%
Total Long-term Debt	\$ 54,908	\$ 133,000	\$ 54,908	\$ 3,847	\$ 5,423	\$ 4,154	\$ -	\$ 100	\$ (100)	7.57%	7.57%
Common Equity											
Common Stock	200	-	200	-	-	-	-	-	-	-	-
Additional Paid-in Capital	50,522	-	50,522	-	-	-	-	-	-	-	-
Retained Earnings	(65,853)	-	(65,853)	-	-	-	-	-	-	-	-
Total Common Equity	(15,131)	-	(15,131)	-	-	-	-	-	-	9.75%	0.00%
Total Capitalization	\$ 39,777	\$ 133,000	\$ 39,777								7.57%

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>100.00%</u></u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att A; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 45,634	\$ 151,000	\$ 196,634	\$ (155,648)	1 - 2	\$ 40,986
Less: Accumulated Depreciation	(18,831)	(3,709)	(22,540)	6,679	3 - 4	(15,861)
Net Plant in Service	26,803	147,291	174,094	(148,968)		25,126
Contributions in Aid of Construction (CIAC)	-	(75,500)	(75,500)	75,500	5	-
Accumulated Amortization of CIAC	-	1,855	1,855	(1,855)	6	-
Net Contributions in Aid of Construction	-	(73,645)	(73,645)	73,645		-
Net Plant in Rate Base	26,803	73,646	100,449	(75,323)		25,126
<u>Working Capital</u>						
Cash Working Capital	1,944	-	1,944	(45)	7	1,899
Prepaid Expenses	83	83	166	(133)	8 - 9	33
Unamortized Deferred Expenses	-	-	-	-		-
Accrued Utility Revenue	-	-	-	-		-
Total Working Capital in Rate Base	2,027	83	2,110	(177)		1,933
Total Average Rate Base	\$ 28,830	\$ 73,729	\$ 102,559	\$ (75,501)		\$ 27,058

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

1	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	\$ (151,000)
2	To adjust test year average plant in service to amount computed by Staff (Att A; Sch 2b; Col 8)	<u>(4,648)</u>
	Total Adjustments - Plant in Service	<u>\$ (155,648)</u>

Accumulated Depreciation

3	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	\$ 3,709
4	To adjust test year average accumulated depreciation to amount computed by Staff (Att A; Sch 2b; Col 8).	<u>2,970</u>
	Total Adjustments - Accumulated Depreciation	<u>\$ 6,679</u>

Contributions in Aid of Construction (CIAC)

5	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	<u>\$ 75,500</u>
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Accumulated Amortization - CIAC

6	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 2; Col 2).	<u>\$ (1,855)</u>
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Proforma Adjustments to Working Capital:

Cash Working Capital

7	To adjust Co's cash working capital component to amount calculated per Staff (Att A; Sch 2b; Col 8).	<u>\$ (45)</u>
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Prepaid Expenses

8	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att A; Sch 2; Col 2).	\$ (83)
9	To adjust test year average prepaid expense to amount computed by Staff (Att A; Sch 2b; Col 8).	<u>(50)</u>
	Total Adjustments - Prepaid Expenses	<u>\$ (133)</u>

Net Rate Base Adjustments per Staff	<u><u>\$ (75,501)</u></u>
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Quarter Ending Balance Per Staff				5-Quarter Average Per Staff	Year End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Adjustment # (Att A; Sch 2a)
	10/31/08	01/31/09	04/30/09	07/31/09	10/31/09			
Plant in Service (Att A; Sch 2c)	\$ 40,899	\$ 40,899	\$ 40,899	\$ 41,117	\$ 41,117	\$ 45,634	\$ (4,648)	2
Accumulated Depreciation (Att A; Sch 2c)	(15,219)	(15,539)	(15,859)	(16,182)	(16,504)	(18,831)	2,970	4
Contributions in Aid of Construction (CIAC)	-	-	-	-	-	-	-	-
Accumulated Amortization - CIAC	-	-	-	-	-	-	-	-
Cash Working Capital					(a)	1,944	(45)	7
Prepaid Expenses	-	-	-	-	166	83	(50)	9
Unamortized Deferred Expenses	-	-	-	-	-	-	-	-
Accrued Utility Revenue	-	-	-	-	-	-	-	-
Total Average Rate Base						\$ 28,830	\$ (1,772)	

(a) Adjustment of Co's Cash Working Capital Component:

Test Year O & M Expenses per Staff (Att A; Sch 3; Col 6)	\$ 9,244
Cash Working Capital % (75 days / 365 days)	20.55%
Adjusted Cash Working Capital Component per Staff	\$ 1,899

DW 10-217
TOGA RIVER WATER COMPANY, INC.
TOGA DIVISION
ANALYSIS OF FIXED PLANT AND DEPRECIATION

PLANT ACCOUNTS & ASSET DESCRIPTIONS

	ACTUAL @ 10/31/09			ADJUSTMENTS @ 10/31/09			ADJUSTED @ 10/31/09		
	Acq	Fixed Plant Cost	Life %	Acq	Fixed Plant Cost	Life %	Acq	Fixed Plant Cost	Life %
303 Land & Land Rights									
Land Improvements	1889	1,005	N/A	1889	0	N/A	1889	1,005	N/A
304 Structures & Improvements									
Power & Pumping Station									
(Power Board - Meg Starter)	1882	2,110	40 2.50%	1882	0	40 2.50%	1882	2,110	40 2.50%
	1887	(230)	40 2.50%	1887	0	40 2.50%	1887	(230)	40 2.50%
Power Board - Meg Starter	1887	1,880	40 2.50%	1887	0	40 2.50%	1887	1,880	40 2.50%
Tank	1887	1,555	40 2.50%	1887	0	40 2.50%	1887	1,555	40 2.50%
Sump Pump	2008	(1,555)	40 2.50%	2008	0	40 2.50%	2008	(1,555)	40 2.50%
	1887	758	40 2.50%	1887	0	40 2.50%	1887	758	40 2.50%
	1,217	30	0 (18)	1,217	0	0 (18)	1,217	30	0 (18)
	350	77	0 (25)	350	0	0 (25)	350	77	0 (25)
307 Wells & Springs									
Well # 1	1882	2,371	40 2.50%	1882	0	40 2.50%	1882	2,371	40 2.50%
Well # 2 (asset not in service)	1889	4,735	40 2.50%	1889	(4,735)	40 2.50%	1889	0	40 2.50%
	7,106	0	0	7,106	0	0	7,106	0	0
311 Pumping Equipment									
Electric Pumping Equipment									
Pumping Equipment	1882	5,324	10 10.00%	1882	0	10 10.00%	1882	5,324	10 10.00%
	2004	(950)	10 10.00%	2004	0	10 10.00%	2004	(950)	10 10.00%
Well Pump	1885	1,178	10 10.00%	1885	0	10 10.00%	1885	1,178	10 10.00%
(Sump Pump)	1887	(378)	10 10.00%	1887	0	10 10.00%	1887	(378)	10 10.00%
(Well Pump)	2002	(801)	10 10.00%	2002	0	10 10.00%	2002	(801)	10 10.00%
Well Pump	1889	1,355	10 10.00%	1889	0	10 10.00%	1889	1,355	10 10.00%
Well Pump/Motor	2002	(1,873)	10 10.00%	2002	0	10 10.00%	2002	(1,873)	10 10.00%
Well Pump/Motor	2007	(1,873)	10 10.00%	2007	0	10 10.00%	2007	(1,873)	10 10.00%
Pumping Equipment	2004	1,567	10 10.00%	2004	0	10 10.00%	2004	1,567	10 10.00%
Pumping Equipment	2006	(548)	10 10.00%	2006	0	10 10.00%	2006	(548)	10 10.00%
Pumping Equipment	2006	500	10 10.00%	2006	0	10 10.00%	2006	500	10 10.00%
Pumping Equipment	2007	3,536	10 10.00%	2007	0	10 10.00%	2007	3,536	10 10.00%
	10,784	0	0	10,784	0	0	10,784	0	0
330 Distribution Reservoirs & Standpipes									
Standpipes	1882	4,194	50 2.00%	1882	0	50 2.00%	1882	4,194	50 2.00%
(Tank)	1887	(777)	50 2.00%	1887	0	50 2.00%	1887	(777)	50 2.00%
2 Tanks	2008	3,091	40 2.50%	2008	0	40 2.50%	2008	3,091	40 2.50%
	6,508	0	0	6,508	0	0	6,508	0	0
331 Transportation & Distribution Mains									
Mains	1882	7,502	50 2.00%	1882	0	50 2.00%	1882	7,502	50 2.00%
Mains - Blow off valve (3)	1889	2,485	50 2.00%	1889	0	50 2.00%	1889	2,485	50 2.00%
	9,987	0	0	9,987	0	0	9,987	0	0
333 Services									
341 Shut-offs									
	1882	807	40 2.50%	1882	0	40 2.50%	1882	807	40 2.50%
	2003	(217)	40 2.50%	2003	0	40 2.50%	2003	(217)	40 2.50%
	590	0	0	590	0	0	590	0	0
	1,459	0	0	1,459	0	0	1,459	0	0
334 Meters & Meter Installations									
Meters (22)	2000	5,787	22 4.50%	2000	0	22 4.50%	2000	5,787	22 4.50%
Meters	2006	(524)	22 4.50%	2006	0	22 4.50%	2006	(524)	22 4.50%
Meters	2006	445	22 4.50%	2006	0	22 4.50%	2006	445	22 4.50%
Meters (Audit Issue # 4)	2009	0	0 0.00%	2009	0	0 0.00%	2009	0	0 0.00%
	5,688	0	0	5,688	0	0	5,688	0	0
	15,218	1,285	0 10.504	15,218	0	0 10.504	15,218	1,285	0 10.504

*** Asset placed in service during the last year.

a Disposed in 2010
b Per Co. Act 304 = \$1,942; Difference of \$1,155. Equals two 1887 disposals.
Act 311 Sump Pump - \$378 and Act 330 Tank - \$777 that are no longer being accounted for by Co

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att A; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 10,490	\$ 13,335	\$ 23,825			\$ 23,825	\$ (11,003)	\$ 12,822
Other Operating Revenues	-	-	-			-		-
Total Operating Revenues	<u>10,490</u>	<u>13,335</u>	<u>23,825</u>	<u>-</u>		<u>23,825</u>	<u>(11,003)</u>	<u>12,822</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	-	-	-			-		-
Pumping Expenses	3,817	-	3,817	(218)	10	3,599		3,599
Water Treatment Expenses	1,812	-	1,812			1,812		1,812
Transmission & Distribution Expenses	-	-	-			-		-
Customer Accounts Expenses	495	-	495			495		495
Administrative & General Expenses	3,338	-	3,338			3,338		3,338
Total Operation & Maintenance Expenses	<u>9,462</u>	<u>-</u>	<u>9,462</u>	<u>(218)</u>		<u>9,244</u>	<u>-</u>	<u>9,244</u>
Depreciation Expense	1,426	7,418	8,844	(7,554)	11 - 13	1,290		1,290
Amortization Expense - CIAC	-	(3,709)	(3,709)	3,709	14	-		-
Amortization Expense - Other	-	-	-			-		-
Taxes other than Income	588	3,526	4,114	(3,448)	15 - 16	666		666
Total Operating Expenses	<u>11,476</u>	<u>7,235</u>	<u>18,711</u>	<u>(7,511)</u>		<u>11,200</u>	<u>-</u>	<u>11,200</u>
Net Operating Income / (Loss)	(986)	6,100	5,114	7,511		12,625	(11,003)	1,622
Before Income Taxes								
Income Taxes	-	-	-	-	Att A; Sch 3b	-	-	-
Net Operating Income (Loss)	<u>\$ (986)</u>	<u>\$ 6,100</u>	<u>\$ 5,114</u>	<u>\$ 7,511</u>		<u>\$ 12,625</u>	<u>\$ (11,003)</u>	<u>\$ 1,622</u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #

Proforma Adjustments to Operating Expenses:

Pumping Expenses

10	To reclassify cost of meter replacement from expense to fixed plant per Audit Issue # 4.	\$	(218)
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Depreciation Expense

11	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2).	\$	(7,418)
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12	To adjust test year depreciation expense to amount computed by Staff (Att A; Sch 2c).		(141)
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13	To increase annual depreciation expense for asset placed in service during the test year (See Att A; Sch 2c).		5
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Total Adjustments - Depreciation Expense	\$	(7,554)
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Amortization Expense - CIAC

14	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2).	\$	3,709
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Taxes Other than Income

15	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att A; Sch 3; Col 2).	\$	(3,526)
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16	To reflect 2010 property tax assessment for test year pro-forma expense:		
	2010 Town of Belmont Property Taxes (Staff DR 1-11)	\$	498
	2010 State Utility Property Tax - Tioga Division:		
	2010 Total Company State Utility Property Tax (Staff DR 1-11)	\$	426
	Tioga Division Net Plant per 2009 Annual Report	\$	41,997
	Total Company Net Plant per 2009 Annual Report	+	\$ 106,463
			39.45%
	2010 Total Property Tax Expense - Tioga Division	\$	666
	Less: 2009 Total Property Tax Expense - Tioga Division		(588)
			78

Total Adjustments - Taxes Other than Income	\$	(3,448)
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Net Operating Expense Adjustments per Staff	\$	(7,511)
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Operating Revenues:

Total Proforma Adjustments to Water Revenues	\$ -
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Operating Expenses:

Total Proforma Adjustments to Source of Supply Expenses	-
Total Proforma Adjustments to Pumping Expenses	218
Total Proforma Adjustments to Water Treatment Expenses	-
Total Proforma Adjustments to Transmission & Distribution Expenses	-
Total Proforma Adjustments to Customer Accounts Expenses	-
Total Proforma Adjustments to Administrative & General Expenses	-
Total Proforma Adjustments to Depreciation Expense	7,554
Total Proforma Adjustments to Amortization Expense - CIAC	(3,709)
Total Proforma Adjustments to Amortization Expense - Other	-
Total Proforma Adjustments to Taxes other than Income	<u>3,448</u>
Marginal Revenue (Expense) Subject to Income Taxes	7,511
Less: New Hampshire Business Profits Tax @ 0.0%	<u>-</u>
Amount Subject to Federal Income Tax	7,511
Less: Federal Income Tax @ 0.0%	<u>-</u>
Proforma Adjustments net of Income Taxes	<u><u>\$ 7,511</u></u>

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att A; Sch 4a)	\$ 133,604
Less: Accumulated Depreciation (Att A; Sch 4a)	<u>(3,746)</u>
Net 2010 Plant in Service	<u>129,857</u>
2010 Contributions in Aid of Construction (CIAC) (Att A; Sch 4a)	(61,894)
Less: Accumulated Amortization of CIAC (Att A; Sch 4a)	<u>1,735</u>
Net 2010 CIAC	<u>(60,159)</u>
Net 2010 Plant in Rate Base	\$ 69,699
Annual Cost of Debt (Att A; Sch 4c)	<u>3.221%</u>
Increase in Operating Income Requirement	<u>\$ 2,245</u>

Net Increase in Operating Expenses:

Net Increase in Depreciation Expense:		
Annual Depreciation Expense - 2010 Plant Additions (Att A; Sch 4a)	\$ 7,492	
Less: Annual Depreciation Expense - 2010 Plant Retirements (Att A; Sch 4a)	<u>(306)</u>	\$ 7,186
Annual Amortization of CIAC on 2010 CIAC Additions (Att A; Sch 4a)		(3,471)
Net Increase in Property Tax Expense (Att A; Sch 4b)		<u>1,937</u>
Net Increase in Operating Expenses		<u>\$ 5,652</u>
Step Increase in Revenue Requirement		\$ 7,897
Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)		<u>\$ 10,490</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales		<u>75.28%</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

2010 Plant Additions (a):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ 10/31/10	Net Plant in Service @ 10/31/10
304: Structures & Improvements	\$ 67,140	2.50%	\$ 1,678	\$ (839)	\$ 66,301
309: Supply Mains	244	2.00%	5	(2)	241
311: Pumping Equipment	53,515	10.00%	5,352	(2,676)	50,840
320: Treatment Equipment	12,704	3.60%	457	(229)	12,476
	<u>\$ 133,604</u>		<u>\$ 7,492</u>	<u>\$ (3,746)</u>	<u>\$ 129,857</u>

2010 Plant Retirements (Att A; Sch 2c):

Account	Amount	Depreciation Rate	Annual Depreciation	Accumulated Depreciation @ Retirement	Net Plant @ Retirement
304: Structures & Improvements	\$ (3,097)	2.50%	\$ (77)	\$ 441	\$ (2,656)
311: Pumping Equipment	(7,248)	10.00%	(152)	5,166	(2,082)
330: Distribution Reservoirs & Standpipes	(3,091)	2.50%	(77)	155	(2,936)
	<u>\$ (13,436)</u>		<u>\$ (306)</u>	<u>\$ 5,762</u>	<u>\$ (7,674)</u>

2010 CIAC Additions (b):

Account	Amount	Amortization Rate	Annual Amortization	Accumulated Amortization @ 10/31/10	Net CIAC @ 10/31/10
304: Structures & Improvements	\$ (31,104)	2.50%	\$ (778)	\$ 389	\$ (30,715)
309: Supply Mains	(113)	2.00%	(2)	1	(112)
311: Pumping Equipment	(24,792)	10.00%	(2,479)	1,240	(23,552)
320: Treatment Equipment	(5,885)	3.60%	(212)	106	(5,780)
	<u>\$ (61,894)</u>		<u>\$ (3,471)</u>	<u>\$ 1,735</u>	<u>\$ (60,159)</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

(a) Includes allocation of Construction Interest and removal of \$482 newspaper ad cost as follows:

	Cost of Construction	Allocation of Eliminated Ad Cost	Adjusted Cost of Construction	%	Allocation of Construction Interest	Total Cost
# 304: Structures & Improvements	\$ 65,812	\$ (242)	\$ 65,570	27.99%	\$ 1,570	\$ 67,140
# 309: Supply Mains	239	(1)	238	0.10%	6	244
# 311: Pumping Equipment	52,457	(193)	52,264	22.31%	1,252	53,515
# 320: Treatment Equipment	12,453	(46)	12,407	5.30%	297	12,704
Total Tioga Division	130,961	(482)	130,479	55.70%	3,125	133,604
Total GVWD Division	104,271	(482)	103,789	44.30%	2,485	106,274
Total Company	<u>\$ 235,232</u>	<u>\$ (964)</u>	<u>\$ 234,268</u>	<u>100.00%</u>	<u>\$ 5,610</u>	<u>\$ 239,878</u>

(b) Allocation of CIAC:

	Adjusted Cost of Construction	%	Allocation of Principal Forgiveness
# 304: Structures & Improvements	\$ 65,570	50.25%	\$ (31,104)
# 309: Supply Mains	238	0.18%	(113)
# 311: Pumping Equipment	52,264	40.06%	(24,792)
# 320: Treatment Equipment	12,407	9.51%	(5,885)
Total Tioga Division	<u>130,479</u>	<u>100.00%</u>	<u>\$ (61,894)</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Belmont:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att A; Sch 4a)	\$ 129,857	
2010 Net Plant Retirements (Att A; Sch 4a)	<u>(7,674)</u>	\$ 122,183

Municipal Valuation Factor:

2010 Municipal Valuation - Tioga Division (Staff DR 1-11)	\$ 26,600	
Net Utility Plant per 2009 Annual Report - Tioga Division	÷ \$ 41,997	x 63.34%

Estimated Municipal Valuation of Net Additions to Plant in 2010	\$ 77,388
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2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)	x \$ 18.71
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Estimated Municipal Taxes on Net Additions to Plant in 2010	<u>\$ 1,448</u>
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State Utility Property Taxes:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att A; Sch 4a)	\$ 129,857	
2010 Net Plant Retirements (Att A; Sch 4a)	<u>(7,674)</u>	\$ 122,183

State Valuation Factor:

2010 State Valuation - Total Company (Staff DR 1-11)	\$ 64,584	
Net Utility Plant per 2009 Annual Report - Total Company	÷ \$ 106,463	x 60.66%

Estimated State Valuation of Net Additions to Plant in 2010	\$ 74,121
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2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11)	x \$ 6.60
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Estimated State Taxes on Net Additions to Plant in 2010	<u>\$ 489</u>
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Net Increase in Property Tax Expense for Net Additions to Plant in 2010	<u><u>\$ 1,937</u></u>
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The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
STEP INCREASE COST OF DEBT CALCULATION

	Total Amount Borrowed	Anticipated Principal Forgiveness	Net Principal Amount Due	Percentage of Total	Anticipated Interest Rate	Annual Interest	Annual Amortization of Loan Cost	Total Annual Debt Expense	Annual Cost of Debt	Weighted Average Cost
2010 SRF Loan - Tioga (Per Company)	\$ 123,788	\$ (61,894)	\$ 61,894	94.53%	2.864%	\$ 1,773	\$ 172	\$ 1,945	3.142%	2.97%
2010 Gifford Well Co. Loan (Per Company)	3,580	-	3,580	5.47%	4.580%	164	-	164	4.580%	0.25%
Totals	\$ 127,368	\$ (61,894)	\$ 65,474	100.00%		\$ 1,937	\$ 172	\$ 2,109		3.22%

Total Loan Cost (Per Company)	\$ 6,880
Allocated to Tioga Division	50.00%
Tioga Division's Loan Cost	\$ 3,440
Amortization Period (Yrs)	+ 20
Annual Amortization	\$ 172

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
TIOGA DIVISION
CALCULATION OF CUSTOMER RATES**

Adjusted Test Year Water Sales (Att A; Sch 3; Col's 1 & 4)	\$ 10,490	
Proposed Increase in Revenue Requirement from Permanent Rates (Att A; Sch 1)	2,332	
Proposed Step Increase in Revenue Requirement (Att A; Sch 4)	7,897	
Total Proposed Revenue Requirement	<u>\$ 20,719</u>	
Current Fixed Charge per Quarter (per Tariff)	\$ 39.93	per Customer per Quarter
Increase in Fixed Charge per Quarter	20.07	
Proposed Fixed Charge per Quarter	<u>\$ 60.00</u>	per Customer per Quarter
Billing Periods per Year	x 4	Billing Quarters
Proposed Fixed Charge per Year	<u>\$ 240.00</u>	per Customer per Year
Number of Customers	x 22	
Total Annual Revenue Derived from Fixed Charge	<u>\$ 5,280</u>	
Total Annual Revenue Derived from Consumption Charge (\$ 20,719 - \$ 5,280)	=	\$ 15,439
CF Consumption for the fiscal year ended 10/31/09	+ 131,178	CF
Proposed Consumption Charge (per CF)	<u>\$ 0.1177</u>	per CF

Analysis of Proposed Rate Impact:

	Current Rates	Proposed Rates
Consumption Charge per CF	\$ 0.0525	\$ 0.1177
Average Annual Usage Per Customer (CF)	<u>5,962.64</u>	<u>5,962.64</u>
Average Annual Consumption Charge	\$ 313.04	\$ 701.79
Annual Fixed Charge per Customer	<u>\$ 159.72</u>	<u>\$ 240.00</u>
Total Annual Charge per Customer	<u>\$ 472.76</u>	<u>\$ 941.79</u>
Percentage Increase in Customer Rates		<u><u>99.21%</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE REVENUE REQUIREMENT

Average Rate Base per Staff (Att B; Sch 2; Col 6)	\$ 38,759
Rate of Return (Att B; Sch 1a)	<u>7.77%</u>
Operating Income Requirement	3,013
Adjusted Net Operating Income per Staff (Att B; Sch 3; Col 6)	<u>13,995</u>
Revenue Deficiency / (Surplus) Before Income Taxes	(10,983)
Divided by Tax Factor (Att B; Sch 1b)	<u>100.00%</u>
Revenue Deficiency / (Surplus)	(10,983)
Pro-forma Test Year Water Sales per Company (Att B; Sch 3; Col 6)	<u>32,017</u>
Revenue Requirement from Water Sales per Staff	21,034
Less: Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	<u>(12,722)</u>
Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>\$ 8,312</u></u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales	<u><u>65.34%</u></u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure			Interest Expense			Amortization Expense			Adjusted			Total Annual			Weighted		
	Actual	Adjustments	Adjusted	Actual	Adjustments	Adjusted	Actual	Adjustments	Adjusted	Actual	Adjustments	Adjusted	Actual	Adjustments	Adjusted	Cost	Average	Cost
	@ 10/31/09	Per Co Filing	@ 10/31/09	@ 10/31/09	Per Co Filing	@ 10/31/09	@ 10/31/09	Per Co Filing	@ 10/31/09	@ 10/31/09	Per Staff	@ 10/31/09	@ 10/31/09	Per Staff	@ 10/31/09	Rate	Rate	Rate
Long-term Debt - Tioga Division																		
2002 Note - Tioga to Norm Harris, Jr	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	6.00%	6.00%	6.00%
2010 SRF Loan - Tioga	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	\$ 6,391	\$ 75,500	\$ 6,391	0.00%	0.00%	0.00%
Total Long-term Debt - Tioga Division	\$ 12,782	\$ 151,000	\$ 12,782	\$ 12,782	\$ 151,000	\$ 12,782	\$ 12,782	\$ 151,000	\$ 12,782	\$ 12,782	\$ 151,000	\$ 12,782	\$ 12,782	\$ 151,000	\$ 12,782	6.00%	6.00%	6.00%
Long-term Debt - GVWD Division:																		
2002 Note - GVWD to Norm Harris, Jr	\$ 15,350	\$ -	\$ 15,350	\$ 15,350	\$ -	\$ 15,350	\$ 15,350	\$ -	\$ 15,350	\$ 15,350	\$ -	\$ 15,350	\$ 15,350	\$ -	\$ 15,350	6.00%	1.90%	1.90%
2006 Note - GVWD to Gilford Well	\$ 12,810	\$ -	\$ 12,810	\$ 12,810	\$ -	\$ 12,810	\$ 12,810	\$ -	\$ 12,810	\$ 12,810	\$ -	\$ 12,810	\$ 12,810	\$ -	\$ 12,810	9.29%	2.45%	2.45%
2007 Note - GVWD to Norm Harris, Jr	\$ 11,928	\$ -	\$ 11,928	\$ 11,928	\$ -	\$ 11,928	\$ 11,928	\$ -	\$ 11,928	\$ 11,928	\$ -	\$ 11,928	\$ 11,928	\$ -	\$ 11,928	9.38%	2.31%	2.31%
2008 Note - GVWD to Norm Harris, Jr	\$ 8,429	\$ -	\$ 8,429	\$ 8,429	\$ -	\$ 8,429	\$ 8,429	\$ -	\$ 8,429	\$ 8,429	\$ -	\$ 8,429	\$ 8,429	\$ -	\$ 8,429	6.42%	1.12%	1.12%
2010 SRF Loan - GVWD	\$ 48,517	\$ 57,500	\$ 48,517	\$ 48,517	\$ 57,500	\$ 48,517	\$ 48,517	\$ 57,500	\$ 48,517	\$ 48,517	\$ 57,500	\$ 48,517	\$ 48,517	\$ 57,500	\$ 48,517	7.77%	0.00%	0.00%
Total Long-term Debt - GVWD Division	\$ 54,908	\$ 133,000	\$ 54,908	\$ 54,908	\$ 133,000	\$ 54,908	\$ 54,908	\$ 133,000	\$ 54,908	\$ 54,908	\$ 133,000	\$ 54,908	\$ 54,908	\$ 133,000	\$ 54,908	7.77%	7.77%	7.77%
Total Long-term Debt	\$ 182,790	\$ 284,000	\$ 182,790	\$ 182,790	\$ 284,000	\$ 182,790	\$ 182,790	\$ 284,000	\$ 182,790	\$ 182,790	\$ 284,000	\$ 182,790	\$ 182,790	\$ 284,000	\$ 182,790	7.57%	7.57%	7.57%
Common Equity																		
Common Stock	200	-	200	200	-	200	200	-	200	200	-	200	200	-	200	0.00%	0.00%	0.00%
Additional Paid-in Capital	50,522	-	50,522	50,522	-	50,522	50,522	-	50,522	50,522	-	50,522	50,522	-	50,522	0.00%	0.00%	0.00%
Retained Earnings	(65,853)	-	(65,853)	(65,853)	-	(65,853)	(65,853)	-	(65,853)	(65,853)	-	(65,853)	(65,853)	-	(65,853)	0.00%	0.00%	0.00%
Total Common Equity	\$ 84,669	\$ -	\$ 84,669	\$ 84,669	\$ -	\$ 84,669	\$ 84,669	\$ -	\$ 84,669	\$ 84,669	\$ -	\$ 84,669	\$ 84,669	\$ -	\$ 84,669	0.00%	0.00%	0.00%
Total Capitalization	\$ 267,459	\$ 284,000	\$ 267,459	\$ 267,459	\$ 284,000	\$ 267,459	\$ 267,459	\$ 284,000	\$ 267,459	\$ 267,459	\$ 284,000	\$ 267,459	\$ 267,459	\$ 284,000	\$ 267,459	7.57%	7.57%	7.57%

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
EFFECTIVE TAX FACTOR

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u><u>0.00%</u></u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u><u>100.00%</u></u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE AVERAGE RATE BASE

	(1) Year End Average Per Company	(2) Pro-forma Adjustments Per Company	(3) Pro-forma Rate Base Per Company	(4) Staff Adjustments (Att B; Sch 2a)	(5) Adj #	(6) Pro-forma Rate Base Per Staff
<u>Plant in Service</u>						
Plant in Service	\$ 81,826	\$ 115,000	\$ 196,826	\$ (122,029)	17 - 18	\$ 74,797
Less: Accumulated Depreciation	(22,367)	(4,288)	(26,655)	4,228	19 - 20	(22,427)
Net Plant in Service	59,459	110,712	170,171	(117,800)		52,371
Contributions in Aid of Construction (CIAC)	(26,099)	(57,500)	(83,599)	57,500	21	(26,099)
Accumulated Amortization of CIAC	5,699	2,144	7,843	(1,575)	22 - 23	6,268
Net Contributions in Aid of Construction	(20,400)	(55,356)	(75,756)	55,925		(19,831)
Net Plant in Rate Base	39,059	55,356	94,415	(61,875)		32,540
<u>Working Capital</u>						
Cash Working Capital	3,536	-	3,536	(518)	24	3,018
Prepaid Expenses	136	136	272	(218)	25 - 26	54
Unamortized Deferred Expenses	-	-	-	3,147	27	3,147
Accrued Utility Revenue	503	504	1,007	(1,007)	28 - 29	-
Total Working Capital in Rate Base	4,175	640	4,815	1,404		6,219
Total Average Rate Base	\$ 43,234	\$ 55,996	\$ 99,230	\$ (60,471)		\$ 38,759

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Proforma Adjustments to Plant in Service:

Plant in Service

17	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ (115,000)
18	To adjust test year average plant in service to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(7,029)</u>
Total Adjustments - Plant in Service		<u>\$ (122,029)</u>

Accumulated Depreciation

19	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ 4,288
20	To adjust test year average accumulated depreciation to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(60)</u>
Total Adjustments - Accumulated Depreciation		<u>\$ 4,228</u>

Contributions in Aid of Construction (CIAC)

21	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	<u>\$ 57,500</u>
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Accumulated Amortization - CIAC

22	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 2; Col 2).	\$ (2,144)
23	To Adjust Accumulated Amortization - CIAC to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>569</u>
Total Adjustments - Accumulated Amortization - CIAC		<u>\$ (1,575)</u>

Proforma Adjustments to Working Capital:

Cash Working Capital

24	To adjust Co's cash working capital component to amount calculated per Staff (Att B; Sch 2b; Col 8).	<u>\$ (518)</u>
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE AVERAGE RATE BASE

Adj#

Prepaid Expenses

25	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att B; Sch 2; Col 2).	\$ (136)
26	To adjust test year average prepaid expense to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(82)</u>
Total Adjustments - Prepaid Expenses		<u>\$ (218)</u>

Unamortized Deferred Debits

27	To record unamortized portion of expenses deemed by the Audit Report as non-recurring (Att B; Sch 2b; Col 8).	<u>\$ 3,147</u>
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Accrued Utility Revenue

28	To eliminate Co's pro-forma adj to reflect year-end balance in rate base (Att B; Sch 2; Col 2).	\$ (504)
29	To adjust test year average accrued utility revenue to amount computed by Staff (Att B; Sch 2b; Col 8).	<u>(503)</u>
Total Adjustments - Accrued Utility Revenue		<u>\$ (1,007)</u>

Net Rate Base Adjustments per Staff		<u><u>\$ (60,471)</u></u>
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DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
CONVERSION OF RATE BASE COMPONENTS FROM YEAR-END AVERAGE TO 5-QUARTER AVERAGE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	10/31/08	01/31/09	04/30/09	07/31/09	10/31/09	5-Quarter Average Per Staff	Year-End Average Per Company	To Adjust Rate Base to 5-Quarter Avg	Adjustment # (Att B, Sch 2a)
Plant in Service (Att B, Sch 2c)	\$ 74,306	\$ 74,306	\$ 75,125	\$ 75,125	\$ 75,125	\$ 74,797	81,826	\$ (7,029)	18
Accumulated Depreciation (Att B, Sch 2c)	(20,534)	(21,472)	(22,424)	(23,376)	(24,328)	(22,427)	(22,367)	(60)	20
Contributions in Aid of Construction (CIAC) (Att B, Sch 2c)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	(26,099)	-	
Accumulated Amortization - CIAC (Att B, Sch 2c)	5,559	5,914	6,268	6,623	6,977	6,268	5,699	569	23
Cash Working Capital						3,018	3,536	(518)	24
Prepaid Expenses	-	-	-	-	272	54	136	(82)	26
Unamortized Deferred Debits	3,776	3,461	3,147	2,832	2,518	3,147	-	3,147	27
Accrued Utility Revenue	-	-	-	-	-	-	503	(503)	29
Total Average Rate Base						\$ 38,759	\$ 43,234	\$ (4,475)	

(a) Adjustment of Co's Cash Working Capital Component:

Test Year O & M Expenses per Staff (Att B, Sch 3, Col 6)	\$ 14,688
Cash Working Capital % (75 days / 365 days)	20.55%
Adjusted Cash Working Capital Component per Staff	\$ 3,018

DW 10-217
TOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
ANALYSIS OF FIXED PLANT AND DEPRECIATION

PLANT ACCOUNTS & ASSET DESCRIPTIONS

	ACTUAL @ 10/31/09			ADJUSTMENTS @ 10/31/09			ADJUSTED @ 10/31/09		
	Acq	Cost	Life %	Acq	Cost	Life %	Acq	Cost	Life %
304 Structures and Improvements	108	54	0 162	2007 (1,089)	40 2 50%	13	26	0 39	
307 Wells & Springs	1,140	0	0 1,140	1997 0 5 20.00%	0	0	0	0	
Well	560	80	0 640	2002 0 30 3.30%	(418)	(58)	0	(477)	
Well	580	414	0 994	2007 (4,144)	30 3.30%	(98)	210	0 467	
	2,328	484	0 3,022	(4,144)		(221)	212	0 (8)	
308 Supply Mains	263	19	0 282	1999 0 50 2.00%	(68)	(0)	0	(87)	
Supply Main	196	131	0 327	2007 (1,889)	50 2.00%	(56)	(37)	0 (93)	
Supply Main	459	150	0 609	(1,889)		(142)	(38)	0 (180)	
311 Pumping Equipment	1,842	0	0 1,842	1997 0 10 10.00%	38	0	0	38	
Pumping Equipment	1,050	0	0 1,050	2004 0 10 10.00%	38	0	0	38	
Pump & Motor	2,372	11	0 2,372	1998 0 10 10.00%	11	(11)	0	0	
Pumping Equipment	3,350	0	0 3,350	2008 0 10 10.00%	0	0	0	0	
Pumping Equipment	2,022	11	0 2,022	2002 0 10 10.00%	11	(11)	0	0	
Pumping Equipment	2,814	402	0 3,216	2002 0 10 10.00%	585	123	0 718		
Pumping Equipment	285	225	0 510	2004 0 10 10.00%	380	(79)	0 281		
Pumping Equipment	1,172	760	0 1,932	2007 0 10 10.00%	(2)	0	(2)		
Pumping Equipment	205	410	0 615	2008 0 10 10.00%	(0)	(1)	0 (1)		
Pumping Equipment	0	41	0 41	2008 0 10 10.00%	0	(0)	0 (0)		
	7,069	1,869	0 8,938	0	1,002	32	0 1,034		
330 Distribution Reservoirs & Standpipes	196	28	0 224	2002 0 40 2.50%	(17)	(1)	0 (18)		
Tanks									
331 Transportation & Distribution Mains	8,546	711	0 9,257	1997 0 15 6.70%	(340)	0	0 (340)		
T&D Mains	(217)	0	0 (217)	1999 0 15 6.70%	0	0	0 0		
T&D Mains	8,339	711	0 9,050	2002 0 50 2.00%	(340)	0	0 (340)		
T&D Mains	288	38	0 326	2002 0 50 2.00%	(192)	(27)	0 (219)		
	8,595	749	0 9,344	0	(531)	(27)	0 (558)		
333 Services	1,278	186	0 1,462	2002 0 40 2.50%	(61)	0	0 (61)		
Services	(181)	0	0 (181)	2003 0 40 2.50%	0	0	0 0		
Services	1,095	186	0 1,271	2003 0 40 2.50%	(61)	0	0 (61)		
Services	1,04	19	0 123	2003 0 40 2.50%	1	0	0 2		
	1,189	205	0 1,394	0	(59)	0	0 (59)		
334 Meters & Meter Installations	223	19	0 242	1997 0 22 4.50%	(78)	(6)	0 (82)		
Meters	182	28	0 210	2002 0 22 4.50%	(4)	(1)	0 (5)		
Meters	405	47	0 452	0	(79)	(7)	0 (86)		
	82,236	3,596	0 85,832	(7,111)	(35)	186	0 163		
307 Wells & Springs	140	20	0 160	2002 0 30 3.30%	(11)	(0)	0 (12)		
Well	517	345	0 862	2007 0 30 3.30%	(16)	(3)	0 (19)		
Well	637	365	0 1,002	0	0	0	0 0		
311 Pumping Equipment	2,737	381	0 3,118	2002 0 10 10.00%	604	123	0 727		
Pumping Equipment	565	390	0 955	2007 0 10 10.00%	0	0	0 0		
Pumping Equipment	3,322	781	0 4,103	0	604	123	0 727		
330 Distribution Reservoirs & Standpipes	196	28	0 224	2002 0 40 2.50%	(17)	(1)	0 (18)		
Tanks									
333 Services	875	125	0 1,000	2002 0 40 2.50%	(83)	0	0 (83)		
Services	5,050	1,289	0 6,339	0	508	119	0 628		
	26,096	0	26,096						
*** Asset Placed in service during the last year.									

a Disposed in 2010
b Portion (\$325) disposed in 2010

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
PERMANENT RATE OPERATING INCOME STATEMENT

	(1) Per Test Year	(2) Pro-forma Adjustments Per Company	(3) Adjusted Test Year Per Company	(4) Staff Adjustments (Att B; Sch 3a)	(5) Adj #	(6) Adjusted Test Year Per Staff	(7) Revenue Deficiency / (Surplus)	(8) Revenue Requirement
Operating Revenues								
Water Sales	\$ 13,121	\$ 19,295	\$ 32,416	\$ (399)	30	\$ 32,017	\$ (10,983)	\$ 21,034
Other Operating Revenues	-	-	-	-	-	-	-	-
Total Operating Revenues	<u>13,121</u>	<u>19,295</u>	<u>32,416</u>	<u>(399)</u>		<u>32,017</u>	<u>(10,983)</u>	<u>21,034</u>
Operating Expenses								
Operation & Maintenance Expenses:								
Source of Supply Expenses	-	-	-	-	-	-	-	-
Pumping Expenses	5,852	-	5,852	(1,495)	31	4,357	-	4,357
Water Treatment Expenses	4,985	-	4,985	-	-	4,985	-	4,985
Transmission & Distribution Expenses	2,585	-	2,585	(1,023)	32	1,562	-	1,562
Customer Accounts Expenses	-	-	-	-	-	-	-	-
Administrative & General Expenses	3,783	-	3,783	-	-	3,783	-	3,783
Total Operation & Maintenance Expenses	<u>17,205</u>	<u>-</u>	<u>17,205</u>	<u>(2,517)</u>		<u>14,688</u>	<u>-</u>	<u>14,688</u>
Depreciation Expense	3,595	8,576	12,171	(8,337)	33 - 35	3,834	-	3,834
Amortization Expense - CIAC	(1,299)	(4,288)	(5,587)	4,169	36 - 37	(1,418)	-	(1,418)
Amortization Expense - Other	-	-	-	-	-	-	-	-
Taxes other than Income	1,303	2,376	3,679	(2,761)	38 - 39	918	-	918
Total Operating Expenses	<u>20,804</u>	<u>6,664</u>	<u>27,468</u>	<u>(9,446)</u>		<u>18,022</u>	<u>-</u>	<u>18,022</u>
Net Operating Income / (Loss)	(7,683)	12,631	4,948	9,047		13,995	(10,983)	3,013
Before Income Taxes	-	-	-	-	Att B; Sch 3b	-	-	-
Income Taxes	-	-	-	-		-	-	-
Net Operating Income (Loss)	<u>\$ (7,683)</u>	<u>\$ 12,631</u>	<u>\$ 4,948</u>	<u>\$ 9,047</u>		<u>\$ 13,995</u>	<u>\$ (10,983)</u>	<u>\$ 3,013</u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE OPERATING REVENUES AND EXPENSES

Adj #

Pro-forma Adjustments to Operating Revenues:

30	To adjust test year operating revenues per Audit Issue # 3.	<u>\$</u>	<u>(399)</u>
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Proforma Adjustments to Operating Expenses:

Pumping Expenses

31	To amortize over a 3-year period a repair cost deemed to be non-recurring per the Staff Audit:		
	Repair Expense recorded during test year	\$	2,242
	Amortization Period	+	3
	Annual Amortized Expense	<u>\$</u>	<u>747</u>
	Less: Repair Expense recorded during test year	<u>(2,242)</u>	<u>\$ (1,495)</u>

Transmission & Distribution Expenses

32	To amortize over a 3-year period generator rental/labor costs deemed to be non-recurring per the Staff Audit:		
	Generator Rental/Labor Expense recorded during test year	\$	1,534
	Amortization Period	+	3
	Annual Amortized Expense	<u>\$</u>	<u>511</u>
	Less: Generator Rental/Labor Expense recorded during test year	<u>(1,534)</u>	<u>\$ (1,023)</u>

Depreciation Expense

33	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 3; Col 2).	<u>\$</u>	<u>(8,576)</u>
34	To adjust test year depreciation expense to amount computed by Staff (Att B; Sch 2c).		198
35	To increase annual depreciation expense for asset placed in service during the test year (See Att B; Sch 2c).		<u>41</u>
	Total Adjustments - Depreciation Expense	<u>\$</u>	<u>(8,337)</u>

Amortization Expense - CIAC

36	To eliminate Co's pro-forma adj relative to plant placed in service after the test year (Att B; Sch 3; Col 2).	<u>\$</u>	<u>4,288</u>
37	To adjust test year amortization of CIAC to amount computed by Staff (Att B; Sch 2c).		<u>(119)</u>
	Total Adjustments - Amortization Expense - CIAC	<u>\$</u>	<u>4,169</u>

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STAFF PRO-FORMA ADJUSTMENTS TO PERMANENT RATE INCOME TAXES

INCOME TAXES

To reflect the income tax effect of proforma adjustments to revenue and expenses:

Operating Revenues:

Total Proforma Adjustments to Water Revenues	\$ (399)
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Operating Expenses:

Total Proforma Adjustments to Source of Supply Expenses	-
Total Proforma Adjustments to Pumping Expenses	1,495
Total Proforma Adjustments to Water Treatment Expenses	-
Total Proforma Adjustments to Transmission & Distribution Expenses	1,023
Total Proforma Adjustments to Customer Accounts Expenses	-
Total Proforma Adjustments to Administrative & General Expenses	-
Total Proforma Adjustments to Depreciation Expense	8,337
Total Proforma Adjustments to Amortization Expense - CIAC	(4,169)
Total Proforma Adjustments to Amortization Expense - Other	-
Total Proforma Adjustments to Taxes other than Income	<u>2,761</u>
Marginal Revenue (Expense) Subject to Income Taxes	9,047
Less: New Hampshire Business Profits Tax @ 0.0%	<u>-</u>
Amount Subject to Federal Income Tax	9,047
Less: Federal Income Tax @ 0.0%	<u>-</u>
Proforma Adjustments net of Income Taxes	<u><u>\$ 9,047</u></u>

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE**

Increase in Net Income Requirement:

2010 Plant Additions (Att B; Sch 4a)	\$ 106,274
Less: Accumulated Depreciation (Att B; Sch 4a)	(2,767)
Net 2010 Plant in Service	<u>103,508</u>
2010 Contributions in Aid of Construction (CIAC) (Att B; Sch 4a)	(53,106)
Less: Accumulated Amortization of CIAC (Att B; Sch 4a)	1,382
Net 2010 CIAC	<u>(51,723)</u>
Net 2010 Plant in Rate Base	\$ 51,784
Annual Cost of Debt (Att B; Sch 4c)	<u>3.188%</u>
Increase in Operating Income Requirement	<u>\$ 1,651</u>

Net Increase in Operating Expenses:

Net Increase in Depreciation Expense:		
Annual Depreciation Expense - 2010 Plant Additions (Att B; Sch 4a)	\$ 5,533	
Less: Annual Depreciation Expense - 2010 Plant Retirements (Att B; Sch 4a)	<u>(679)</u>	\$ 4,854
Net Increase in Amortization of CIAC:		
Annual Amortization of CIAC on 2010 CIAC Additions (Att B; Sch 4a)	(2,765)	
Annual Amortization of CIAC on 2010 CIAC Retirements (Att B; Sch 4a)	<u>522</u>	(2,243)
Net Increase in Property Tax Expense (Att B; Sch 4b)		<u>1,442</u>
Net Increase in Operating Expenses		<u>\$ 4,054</u>
Step Increase in Revenue Requirement		\$ 5,704
Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)		<u>\$ 12,722</u>
Percent Increase / (Decrease) in Revenue Requirement from Water Sales		<u><u>44.84%</u></u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

2010 Plant Additions (a):

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ 10/31/10</u>	<u>Net Plant in Service @ 10/31/10</u>
304: Structures & Improvements	\$ 50,847	2.50%	\$ 1,271	\$ (636)	\$ 50,211
311: Pumping Equipment	35,416	10.00%	3,542	(1,771)	33,645
320: Treatment Equipment	20,012	3.60%	720	(360)	19,652
	<u>\$ 106,274</u>		<u>\$ 5,533</u>	<u>\$ (2,767)</u>	<u>\$ 103,508</u>

2010 Plant Retirements (Att B; Sch 2c):

<u>Account</u>	<u>Amount</u>	<u>Depreciation Rate</u>	<u>Annual Depreciation</u>	<u>Accumulated Depreciation @ Retirement</u>	<u>Net Plant @ Retirement</u>
311: Pumping Equipment	\$ (9,668)	10.00%	\$ (671)	\$ 7,723	\$ (1,945)
330: Distribution Reservoirs & Standpipes	(325)	2.50%	(8)	65	(260)
	<u>\$ (9,993)</u>		<u>\$ (679)</u>	<u>\$ 7,788</u>	<u>\$ (2,205)</u>

2010 CIAC Additions (b):

<u>Account</u>	<u>Amount</u>	<u>Amortization Rate</u>	<u>Annual Amortization</u>	<u>Accumulated Amortization @ 10/31/10</u>	<u>Net CIAC @ 10/31/10</u>
304: Structures & Improvements	\$ (25,408)	2.50%	\$ (635)	\$ 318	\$ (25,091)
311: Pumping Equipment	(17,697)	10.00%	(1,770)	885	(16,813)
320: Treatment Equipment	(10,000)	3.60%	(360)	180	(9,820)
	<u>\$ (53,106)</u>		<u>\$ (2,765)</u>	<u>\$ 1,382</u>	<u>\$ (51,723)</u>

2010 CIAC Retirements (Staff G2c):

<u>Account</u>	<u>Amount</u>	<u>Amortization Rate</u>	<u>Annual Amortization</u>	<u>Accumulated Amortization @ Retirement</u>	<u>Net CIAC @ Retirement</u>
311: Pumping Equipment	\$ 5,140	10.00%	\$ 514	\$ (4,112)	\$ 1,028
330: Distribution Reservoirs & Standpipes	325	2.50%	8	(65)	260
	<u>\$ 5,465</u>		<u>\$ 522</u>	<u>\$ (4,177)</u>	<u>\$ 1,288</u>

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PLANT / CIAC ADDITIONS AND RETIREMENTS

(a) Includes allocation of Construction Interest and removal of \$482 newspaper ad cost as follows:

	Cost of Construction	Allocation of Eliminated Ad Cost	Adjusted Cost of Construction	%	Allocation of Construction Interest	Total Cost
# 304: Structures & Improvements	\$ 49,888	\$ (231)	\$ 49,657	21.20%	\$ 1,189	\$ 50,847
# 311: Pumping Equipment	34,748	(161)	34,587	14.76%	828	35,416
# 320: Treatment Equipment	19,635	(91)	19,544	8.34%	468	20,012
Total GVWD Division	104,271	(482)	103,789	44.30%	2,485	106,274
Total Tioga Division	130,961	(482)	130,479	55.70%	3,125	133,604
Total Company	<u>\$ 235,232</u>	<u>\$ (964)</u>	<u>\$ 234,268</u>	<u>100.00%</u>	<u>\$ 5,610</u>	<u>\$ 239,878</u>

(b) Allocation of CIAC:

	Adjusted Cost of Construction	%	Allocation of Principal Forgiveness
# 304: Structures & Improvements	\$ 49,657	47.84%	\$ (25,408)
# 311: Pumping Equipment	34,587	33.32%	(17,697)
# 320: Treatment Equipment	19,544	18.83%	(10,000)
Total GVWD Division	<u>103,789</u>	<u>100.00%</u>	<u>\$ (53,106)</u>

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**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE PROPERTY TAX CALCULATION**

Municipal Taxes - Town of Gilford:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att B; Sch 4a)	\$ 103,508	
2010 Net Plant Retirements (Att B; Sch 4a)	<u>(2,205)</u>	\$ 101,303

Municipal Valuation Factor:

2010 Municipal Valuation - GVWD Division (Staff DR 1-11)	\$ 43,900	
Net Utility Plant per 2009 Annual Report - GVWD Division	<u>÷ \$ 64,466</u>	x 68.10%

Estimated Municipal Valuation of Net Additions to Plant in 2010 \$ 68,985

2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11) x \$ 15.03

Estimated Municipal Taxes on Net Additions to Plant in 2010 \$ 1,037

State Utility Property Taxes:

Net Additions to Plant in 2010:

2010 Net Plant Additions (Att B; Sch 4a)	\$ 103,508	
2010 Net Plant Retirements (Att B; Sch 4a)	<u>(2,205)</u>	\$ 101,303

State Valuation Factor:

2010 State Valuation - Total Company (Staff DR 1-11)	\$ 64,584	
Net Utility Plant per 2009 Annual Report - Total Company	<u>÷ \$ 106,463</u>	x 60.66%

Estimated State Valuation of Net Additions to Plant in 2010 \$ 61,454

2010 Municipal Tax Rate (per \$1,000 of Valuation) (Staff DR 1-11) x \$ 6.60

Estimated State Taxes on Net Additions to Plant in 2010 \$ 406

Net Increase in Property Tax Expense for Net Additions to Plant in 2010 \$ 1,442

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
STEP INCREASE COST OF DEBT CALCULATION

2010 SRF Loan - GVWD (Per Company)	Total Amount Borrowed		Anticipated Principal Forgiveness		Net Principal Amount Due		Anticipated Interest Rate		Annual Interest		Annual Amortization of Loan Cost		Total Annual Debt Expense		Annual Cost of Debt	
	\$	106,212	\$	(53,106)	\$	53,106		2.864%	\$	1,521	\$	172	\$	1,693		3,188%

Total Loan Cost	\$	6,880
Allocated to GVWD Division		50.00%
GVWD Division's Loan Cost	\$	3,440
Amortization Period (Yrs)	+	20
Annual Amortization	\$	172

The amounts reflected on this schedule are currently estimates. It is anticipated that these amounts will be finalized when the SRF loan documentation has been completed and when the cost of construction has been audited by the Commission Staff.

**DW 10-217
TIOGA RIVER WATER COMPANY, INC.
GILFORD VILLAGE WATER DISTRICT DIVISION
CALCULATION OF CUSTOMER RATES**

Adjusted Test Year Water Sales (Att B; Sch 3; Col's 1 & 4)	\$ 12,722	
Proposed Increase in revenue Requirement from Permanent Rates (Att B; Sch 1)	8,312	
Proposed Step Increase in Revenue Requirement (Att B; Sch 4)	5,704	
Total Proposed Revenue Requirement	<u>\$ 26,739</u>	
Current Fixed Charge per Quarter (per Tariff)	\$ 14.87	per Customer per Quarter
Increase in Fixed Charge per Quarter	21.10	
Proposed Fixed Charge per Quarter	<u>\$ 35.97</u>	per Customer per Quarter
Billing Periods per Year	x 4	Billing Quarters
Proposed Fixed Charge per Year	<u>\$ 143.88</u>	per Customer per Year
Number of Customers	x 88	
Total Annual Revenue Derived from Fixed Charge	<u>\$ 12,662</u>	
Total Annual Revenue Derived from Consumption Charge (\$ 26,739 - \$ 12,662)	= \$ 14,077	
CF Consumption for the fiscal year ended 10/31/09	+ <u>343,856</u>	CF
Proposed Consumption Charge (per CF)	<u>\$ 0.0409</u>	per CF

Analysis of Proposed Rate Impact:

	<u>Current Rates</u>	<u>Proposed Rates</u>
Consumption Charge per CF	\$ 0.0213	\$ 0.0409
Average Annual Usage Per Customer (CF)	<u>3,907.45</u>	<u>3,907.45</u>
Average Annual Consumption Charge	\$ 83.35	\$ 159.97
Annual Fixed Charge per Customer	<u>\$ 59.48</u>	<u>\$ 143.88</u>
Total Annual Charge per Customer	<u>\$ 142.83</u>	<u>\$ 303.85</u>
Percentage Increase in Customer Rates		<u><u>112.74%</u></u>

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