



ASSET PURCHASE AGREEMENT

by and among

Lakes Region Water Co., Inc.

as Buyer

Dockham Shores Estates Water Company

as Seller

and

Colin F. Robertson

Mary R. Robertson

as Shareholders

Dated: April 29, 2016

ASSET PURCHASE AGREEMENT

AGREEMENT entered into as of April 29, 2016 by and among Lakes Region Water Co., Inc., a New Hampshire corporation with a principal place of business of Route 109, P.O. Box 389, Moultonborough, NH 03254 (“Buyer”), Dockham Shores Estates Water Company, Inc., a New Hampshire corporation with a principal place of business at 361 Weirs Road, Gilford, New Hampshire 03246 (“Seller”), and Colin F. Robertson and Mary R. Robertson, individuals with a mailing address of 361 Weirs Road, Gilford, New Hampshire 03249 (the “Shareholders”).

W I T N E S S E T H

WHEREAS, Seller is engaged in the business of, among other things, owning, constructing, operating, and managing facilities and plants for the distribution and sale of water as a public utility water system (the “Business”);

WHEREAS, subject to the terms and conditions hereof, Seller desires to sell the Business and substantially all of its properties and assets relating to the Business;

WHEREAS, subject to the terms and conditions hereof, Buyer desires to purchase all of the property and assets of Seller related to the Business for the consideration specified herein;

WHEREAS, the Shareholders own all of the issued and outstanding equity interests in the Seller; and

NOW, THEREFORE, in order to consummate said purchase and sale and in consideration of the mutual agreements set forth herein, the parties hereto agree as follows:

SECTION 1. PURCHASE AND SALE OF ASSETS

1.1 Purchased Assets. Subject to the provisions of this Agreement, Seller agrees to sell and Buyer agrees to purchase, at the Closing (as defined in Section 1.5 hereof), Seller’s Business and all of the properties and assets of every kind and description of Seller relating to such business, including, without limitation, those assets listed on Schedule 1.1 and particularly described below (however, excluding the Excluded Assets set forth in Section 1.2 hereof) (collectively, the “Purchased Assets”):

(a) all of Seller’s goodwill relating or attributable to or arising from Seller’s Business and the Purchased Assets;

(b) all of Seller’s property (both real and personal), plant and equipment, all as set forth on Schedule 1.1(b);

(c) all of Seller’s office supplies, machinery, office equipment, telephone equipment, furniture, furnishings, fixtures, computer hardware and other computer equipment (including any cell phones or other similar devices), tools, instruments, vehicles, and other tangible personal property, all as set forth on Schedule 1.1(c);

(d) all of Seller's contracts, agreements, commitments, claims and rights under any such orders, contracts and proposals set forth on Schedule 1.1(d) (the "Assumed Contracts");

(e) all franchise rights to operate the Seller's regulated utility service in its franchise areas;

(f) all contributions in aid of construction ("CIAC"), as set forth on Schedule 1.1(f);

(g) all construction work in process ("CWIP"), as set forth on Schedule 1.1(g);

(h) all inventory of the Seller as of the Closing Date as set forth on Schedule 1.1(h) identifying all of the inventory by product, location and Seller's cost of inventory;

(i) all of Seller's general and other intangibles, trade secrets and information, know-how, methods, processes, formulae, drawings, material and performance specifications and all computer software, owned or licensed;

(j) all of Seller's customer lists, lists of prospective customers, pending quotations, pending new business, files and records, personnel files and records;

(k) all of Seller's licenses and permits that can be transferred to Buyer as set forth on Schedule 1.1(k) together with, if any, all rights of renewal and amenities thereto;

(l) the use of Seller's mailboxes, telephone numbers (cellular and land line), facsimile numbers, electronic addresses and web sites, including passwords, user identifications and related information;

(m) all books and records of Seller relating to the assets being transferred including, without limitation, receivables journals and ledgers, invoices, receipts, canceled checks, repair and maintenance records, correspondence related to the operation of Seller's Business and correspondence and materials related to Seller's tax returns, including any declarations, reports or statements,

(n) all of Seller's intellectual property of every kind, including without limitation all trademarks, service marks, logos and marketing materials, and any trade names and designations relating to or used by Seller; and

(o) all domain names and web sites registered to the Seller or to the Shareholders that are related to the Business, including passwords, user identifications and related information.

It is expressly agreed that the assets and properties sold hereunder shall include all assets and properties needed by Buyer to own and operate the Business, whether or not listed in any Schedule hereto.

1.2 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the following items (the “Excluded Assets”):

(a) all cash on hand in Seller bank accounts;

(b) all accounts receivable of the Seller for services rendered by the Seller as of the Closing Date, all of which are set forth on Schedule 1.2(b) to be completed and delivered to the Buyer as of the Closing Date (the “Accounts Receivable”) identifying each account by customer and balance due, which Accounts Receivable the Buyer shall use reasonable efforts to assist the Seller in collection and remittance to the Seller within thirty (30) business days of the Buyer’s receipt thereof, and Buyer agrees (i) that monies received from a customer shall first be applied to the Accounts Receivable of such customer and (ii) to terminate the service of delinquent customers in accordance with NHPUC regulations;

(c) the prorated amount of all service in process covering the days prior to Closing (the “Prorated Service In Process”), which Prorated Service In Process the Buyer shall use reasonable efforts to assist the Seller in collection and remittance to the Seller within thirty (30) business days of the Buyer’s receipt thereof;

(d) all contracts other than the Assumed Contracts;

(e) the additional Excluded Assets set forth on Schedule 1.2(d) hereto.

1.3 Assumption of Liabilities. The Buyer will assume the following liabilities (the “Assumed Liabilities”):

(a) Seller’s obligations under the Assumed Contracts.

(b) Except for the Assumed Liabilities, Buyer will not assume any liabilities or obligations of the Seller of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown, in connection with the sale and purchase of the Purchased Assets, and is expressly not assuming any State of New Hampshire Drinking Water Revolving Loan Fund loans (“SRF Loans”) outstanding as of the Closing. Without limiting the preceding sentence, Buyer specifically disclaims any liability of any nature of the Seller in connection with any accounts payable and accrued expenses of the Seller or the Excluded Assets set forth in Section 1.2 and on Schedule 1.2(d).

1.4 Purchase Price.

(a) Payment of Purchase Price. The consideration for the Purchased Assets (the “Purchase Price”) shall be \$60,000. Buyer shall pay the Purchase Price to the Seller on the Closing Date, by wire transfer of immediately available funds, cashier’s or certified check, or such other form of payment as shall be acceptable to the Seller and Buyer.

(b) Except as otherwise provided herein, Seller and the Shareholders understand and agree that they are responsible for all taxes associated with the Purchase Price.

1.5 Time and Place of Closing. The closing of the purchase and sale provided for in this Agreement (herein called the “Closing”) shall be held at the offices of Upton & Hatfield, LLP, 10 Centre Street, Concord, New Hampshire, as soon as possible after the NHPUC Approval (as defined in Section 2.1(a) below), or at such other time and place as the parties may agree, but no later than thirty (30) business days after the NHPUC Approval. The date of the Closing is hereinafter referred to as the “Closing Date” and the effective time of the Closing of the purchase and sale under this Agreement shall be 11:59 p.m. on the Closing Date.

1.6 Further Assurances. Seller and the Shareholders from time to time after the Closing at the request of Buyer and without further consideration shall execute and deliver further instruments of transfer and assignment and take such other action (including, without limitation, providing any information regarding the Seller’s Business) as Buyer may reasonably require to more effectively transfer and assign to, and vest in, Buyer each of the Purchased Assets. Nothing herein shall be deemed a waiver by Buyer of its right to receive at the Closing an effective assignment of each of the leases, contracts, commitments or rights of Seller as otherwise set forth in this Agreement.

1.7 Allocation of Purchase Price. The Purchase Price will be allocated amongst the Purchased Assets as set forth on Schedule 1.7, which has been agreed to by all of the parties to this Agreement, and the parties shall file all local, state and federal tax returns, including Form 8594, consistent with such Schedule.

1.8 Sales and Transfer Taxes. All sales and transfer taxes (with the exception of New Hampshire real estate transfer taxes, which shall be paid equally by Seller and Buyer), fees and duties under applicable law incurred in connection with this Agreement or the transactions contemplated thereby will be borne and paid by Seller, and Seller shall promptly reimburse Buyer for the payment of any such tax, fee or duty which it is required to make under applicable law. Buyer shall pay the recording fees for the deeds associated with the Purchased Assets and attendant LCHIP fees, while Seller shall pay any fees to record any title or lien clearing documents and any attendant LCHIP fees.

SECTION 2. CLOSING OBLIGATIONS AND CONDITIONS

2.1 Conditions to Each Party’s Obligations to Effect the Closing. The respective obligations of each party to effect the transaction contemplated hereby are subject to the fulfillment or joint waiver by the parties at or prior to the Closing Date of the following conditions:

(a) Required Approvals. The Buyer, with the cooperation of the Seller and the Shareholders, shall have obtained all required regulatory approvals, specifically including

but not limited to the approval of the NHPUC to the acquisition of the assets and franchise of the Seller by the Buyer and the financing for the acquisition pursuant to RSA 369 (Ref: Section 3.5) (the “NHPUC Approvals”), and that all such approvals shall have become final orders, including the expiration of any applicable rehearing or statutory or regulatory appeal periods, and that such final orders shall not impose terms and conditions which, individually or in the aggregate, would have a material adverse effect on the transaction (each party agreeing to use its commercially reasonable efforts to obtain all such approvals);

(b) RESERVED;

(c) Material Adverse Changes. There shall have been no Material Adverse Changes as defined in Section 3.2 in the business prospects or condition, financial or otherwise, of the Business or the Purchased Assets, except as may be accepted or agreed by the Buyer and Seller and reflected in the Schedules to this Agreement prior to the Closing Date;

(d) Litigation. On the Closing Date no suit, action or other proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator, by which the petitioner or other party seeks to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby, which in the opinion of counsel for Buyer makes it inadvisable to proceed with the consummation of such transactions, except as may be accepted or agreed by the Buyer and Seller and reflected in the Schedules to this Agreement prior to the Closing Date; and

(e) Due Diligence Review. Buyer shall have completed to its satisfaction its due diligence review of the Business, including a review of the Seller’s December 31, 2015 year-end financial statements and the Seller’s financial statements for the month-end immediately preceding the Closing Date as well as the Real Property inspections and examination of title described in Sections 2.1(f) and 2.1(g) below.

(f) Inspections. Buyer shall have the right, upon reasonable notice to the Seller, to enter upon the Real Property at reasonable times and places, in order to conduct inspections, examinations and surveys of the Real Property, so long as said inspections do not unreasonably interfere with Seller’s operation and maintenance of the Business. Buyer shall be responsible for the conduct of its agents, employees and contractors and shall indemnify and hold harmless Seller from any and all claims made pursuant to said inspections and examinations. Buyer shall be entitled to an Inspection Period of 90 days from the effective date of this Agreement to conduct its due diligence on the Real Property and Personal Property of the Seller. Buyer may, for any or no reason, terminate this Agreement by giving written notice of termination (“Termination Notice”) to Seller on or before the expiration of the Inspection Period. Upon receipt by Seller of such Termination Notice, this Agreement shall be terminated and the parties shall have no further obligations to or recourse against each other.

(g) Examinations of Title. The Buyer shall have until the expiration of the Inspection Period to examine title to the Property, at the Buyer’s expense, and to make any

objections thereto to the Seller in writing. If Buyer fails to make any objections on or before the expiration of the Inspection Period, the Buyer shall be deemed to have accepted all exceptions to title that would have been shown in a title commitment, survey or UCC search, all such exceptions and matters and any matters caused by or through the Buyer shall be referred to herein as "Permitted Exceptions". If any objections to title, survey or a UCC search are made properly on or before the expiration of the Inspection Period, the Seller shall have the right, but not the obligation, exercisable by written notice to the Buyer within fourteen (14) days after delivery of Buyer's objections, to cure (by removal, endorsement over, or otherwise) such objections to the Buyer's reasonable satisfaction, on or before the Closing Date. If no such notice from the Seller concerning such election is received by the Buyer by such date, the Seller shall be deemed to have elected not to cure any such objections. If any such objections are not cured by the Seller by the scheduled Closing Date, the Buyer shall have the option to either terminate the Agreement and neither party shall thereafter have any claim against the other, or to accept the transfer of such title as the Seller is able to convey and pay the full Purchase Price thereof. At no cost to Seller, Buyer shall deliver to Seller's counsel a complete copy of the abstract of title and title opinion obtained or prepared for this transaction as soon as Buyer or Buyer's counsel receives it, or is entitled to receive it.

(h) Water Supplies/Sewage Disposal Disclosure: Attached hereto and incorporated herein as Exhibit A is the Water Supply and Sewage Disposal Disclosure made pursuant to New Hampshire RSA 477:4-c. The Buyer acknowledge receipt of this Disclosure and agrees that the Seller has complied with RSA 477:4-c.

(i) Radon Gas/Lead Paint: Attached hereto and incorporated herein as Exhibit B is the Radon Gas and Lead Paint Disclosure made pursuant to RSA 477:4-a. The Buyer acknowledge receipt of this Disclosure and agrees that the Seller has complied with RSA 477:4-a.

2.2 Seller's and Shareholders' Closing Deliverables. At or prior to the Closing, except as otherwise noted, Seller and the Shareholders shall deliver, or cause to be delivered, to Buyer the following documents in such form and substance as are reasonably satisfactory to Buyer and Buyer's counsel:

(a) Such executed and, as appropriate, notarized transfer documents as may be requested by Buyer or its counsel in order that good and marketable title to the Purchased Assets shall pass from Seller to Buyer;

(b) A Warranty Deed, unless otherwise agreed by the Buyer and Buyer's counsel, for each parcel of the Real Property (Ref: Section 3.6) running to the Buyer conveying good, clear, record, marketable and insurable title in fee simple absolute;

(c) Evidence satisfactory to Buyer and Buyer's counsel of Seller's agreement to discontinue the Dockham Shores Estates Water Company by: (i) amendment to its Articles of Incorporation to change its name from "Dockham Shores Estates Water Company" to a name that is substantially dissimilar; or (ii) terminate the Dockham Shores Estates Water Company, said discontinuance or termination to be completed and effective no later than one (1) year following the Closing;

(d) Pay-off letters and evidence of release of encumbrances on the Purchased Assets by the State of New Hampshire and any other third party;

(e) Certificate of good standing of Seller from the New Hampshire Secretary of State dated as of a date that is within ten (10) days of the Closing;

(f) Certificate of Secretary of Seller certifying (i) adoption of resolutions of the Board of Directors and the Shareholders of Seller approving and authorizing the Agreement and the transactions contemplated hereby, and (ii) the incumbency of the officers of Seller executing this Agreement and other documents delivered pursuant to this Agreement;

(g) A certificate signed by Seller's President and the Shareholders, dated as of the Closing Date, certifying that (i) all of the representations and warranties of Seller and the Shareholders hereunder are true and accurate on and as of the Closing Date and (ii) that all the covenants of Seller and the Shareholders have been duly performed on and as of the Closing Date;

(h) RESERVED;

(i) RESERVED;

(j) All of Seller's leases, contracts, commitments, agreements and rights relating to the Purchased Assets, with such assignments thereof and consents to assignments as are necessary to assure Buyer of the full benefit of the same;

(k) All of Seller's current business records, books and other data relating to the Purchased Assets shall be maintained in the Gilford, New Hampshire office of the Seller with Buyer's right to fully access such records, books, and data at any time;

(l) RESERVED;

(m) Seller shall have made all filings with and notifications of governmental authorities, regulatory agencies and other entities required to be made by Seller in connection with the execution and delivery of this Agreement, the performance of the transactions contemplated hereby and the continued operation of the Business of Seller by Buyer subsequent to the Closing; and Seller and Buyer shall have received all authorizations, waivers, consents and permits, in form and substance reasonably satisfactory to Buyer, from all third parties, including, without limitation, applicable governmental authorities, regulatory agencies, including the NHPUC, lessors, lenders and contract parties, required to permit the continuation of the Business of Seller and the consummation of the transactions contemplated by this Agreement, and in connection with the transfer of Purchased Assets or Seller's contracts, permits, leases, licenses and franchises, to avoid a breach, default, termination, acceleration or modification of any indenture, loan or credit agreement or any other agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award as a result of, or in connection with, the execution and performance of this Agreement; and

(n) Such other documents, agreements or instruments that Buyer may reasonably request that do not materially expand the Seller's obligations under this Agreement but rather only evidence Seller's or Shareholders' compliance with its terms.

2.3 Buyer's Closing Deliverables. At or prior to the Closing, except as otherwise noted, Buyer shall deliver, or cause to be delivered, to or on behalf of, Seller in such form and substance as are satisfactory to Seller and Seller's counsel:

(a) The Purchase Price, payable in accordance with Section 1.4;

(b) RESERVED;

(c) Certificate of the Secretary of Buyer certifying (i) adoption of resolutions of the Board of Directors of Buyer approving and authorizing the Agreement and the transactions contemplated hereby, (ii) the incumbency of the officers or managers of Buyer executing this Agreement and or the other documents delivered pursuant to this Agreement, as applicable;

(d) A certificate signed by Buyer's President, dated as of the Closing Date, certifying that all of the representations and warranties of Buyer hereunder are true and accurate on and as of the Closing Date; and

(e) Such other documents, agreements or instruments that Seller may reasonably request that do not materially expand the Buyer's obligations under this Agreement but rather only evidence Buyer's compliance with its terms.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF SELLER AND THE SHAREHOLDERS

3.1 Making of Representations and Warranties. As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, Seller and Shareholders jointly and severally hereby make to Buyer the representations and warranties contained in this Section 3.

3.2 Corporate Organization and Qualifications of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire. Seller has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified, either individually or in the aggregate, would not have a Material Adverse Effect on Seller. The terms "Material Adverse Effect" and "Material Adverse Change" as used in this Agreement means a material adverse effect or a material adverse change on the properties, business, assets, financial condition or prospects of the relevant party and its affiliates, taken individually or as a whole (whichever is greater), exceeds \$5,000. Seller is not in violation of any term of its Articles of Incorporation or Bylaws.

3.3 Capitalization. The Shareholders own beneficially and of record all of the issued and outstanding shares of capital stock of Seller. Seller does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments, rights agreements or agreements of any character calling for the purchase or issuance of any shares of its capital stock. There are no voting agreements, trusts, proxies or other agreements, instruments or undertakings with respect to the voting of Seller's capital stock to which Seller or Shareholders are a party. Shareholders hold their shares free and clear of all liens, charges, encumbrances and security interests, all such shares are, and as of the Closing, will be, duly authorized and validly issued and are fully paid, non-assessable and free of all preemptive rights, liens, charges, encumbrances and securities interests, of any kind or nature whatsoever, with no personal liability attaching to the ownership thereof.

3.4 Authority of Seller and the Shareholders. Seller has full right, authority and power to enter into this Agreement and each agreement, document and instrument to be executed and delivered by Seller pursuant to this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance by Seller of this Agreement and each such other agreement, document and instrument have been duly authorized by all necessary action of Seller and the Shareholders and no other action on the part of Seller or the Shareholders is required in connection therewith. This Agreement and all ancillary documents have been duly and validly executed and delivered by Seller and or the Shareholders as applicable, and this Agreement and the ancillary documents constitute valid, legal and binding obligations of Seller and Shareholders, and are enforceable against Seller and Shareholders in accordance with their terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally or general principles of equity.

3.5 Consents and Approvals; No Violation. Except as set forth on Schedule 3.5, the execution and delivery of this Agreement by Seller and Shareholders, the consummation of the transactions contemplated by this Agreement, the sale of the Purchased Assets, and the assumption of the Assumed Liabilities pursuant to the terms of this Agreement, do not require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority or any third party, and will not violate or breach any order, writ, injunction, decree, statute, contract, agreement, rule or regulation applicable to Seller, Shareholders, the Business, or any of the Purchased Assets.

3.6 Real and Personal Property.

(a) Seller owns the real property, easements and other interests in real estate described in the deeds attached hereto in Schedule 1.1(b) (the "Real Property"). The Real Property is not subject to any outstanding option, right of first refusal or agreement of sale, other than this Agreement. Neither the Seller nor Shareholders has received any notice from any governmental authority concerning, or has any knowledge of (A) any special tax, lien or other assessment to be levied against any of the Real Property or (B) any change in the tax assessment of any of the Real Property.

(b) Seller has not granted any other person any right to use or occupy any portion of the Real Property, except as such right to use or occupy is specifically identified and described in Schedule 1.1(b).

(c) To the best of the Seller's or Shareholders's knowledge, there is no action, pending or threatened, to change the zoning or building ordinances or any other laws, rules, regulations or ordinances affecting the Real Property.

(d) Seller has not received any notices of any violation of any applicable federal, state or local laws, ordinances or regulations with regard to the Real Property, which have not been finally resolved.

(e) There are no condemnation, environmental, zoning or other land use regulation proceedings, either instituted or, to the knowledge of the Seller or Shareholders, planned to be instituted, that would affect the Real Property.

(f) All buildings, structures, and equipment that are a part of the Purchased Assets and purportedly located within easements lie, where the easement is upon an expressly defined space, wholly within the boundaries of such easements.

(g) None of the buildings, structures or equipment that are a part of the Assets, nor the operation and maintenance thereof, violates any restrictive covenant other than such violations, if any, which are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect.

(h) Seller has obtained, possesses, and is in compliance with all licenses, permits, approvals, certificates, and other authorizations required by applicable laws for the use and occupancy of the Real Property as it is currently being utilized, including, without limitation, zoning variances. Seller has not granted any mortgage, pledge, lien, conditional sale agreement, security agreement, encumbrance or other charge on the Real Property which remains outstanding except as specifically disclosed in said Schedule.

(i) Personal Property. A complete description of all the tangible personal property owned or leased by Seller and used in connection with the Business is contained in Schedule 3.6(b). Except as specifically disclosed in said Schedule, Seller has good and marketable title to all of its owned and leased personal property. None of such personal property or assets is subject to any mortgage, pledge, lien, conditional sale agreement, security agreement, encumbrance or other charge except as specifically disclosed in said Schedule.

(j) Sufficiency of Assets. The Purchased Assets are all of the assets used or held for use in the operation of the Business of Seller as the same has been operating prior to the date hereof.

3.7 Intellectual Property. To Seller's knowledge, Seller has ownership of, or license to use, any patent, copyright, trade secret, trademark, trade name or other proprietary rights (collectively, "Intellectual Property") used or to be used in the Business of Seller as presently conducted or contemplated. Seller's rights in all of such Intellectual Property are freely transferable. To Seller's knowledge, Seller has the right to use, free and clear of all claims or

rights of other persons, all customer lists, lists of prospective customers, customer files and records, computer software, systems, data compilations, research results and other information required for or incident to its products or its Business as presently conducted or contemplated.

(a) To Seller's knowledge, the present and contemplated business, activities and products of Seller do not infringe any Intellectual Property of any other person. No proceeding charging Seller with infringement of any adversely held Intellectual Property has been filed or, to the best knowledge of Seller and the Shareholders, is threatened to be filed. Seller is not making unauthorized use of any confidential information or trade secrets of any person, including without limitation, any former employer of any past or present employee of Seller. To Seller's knowledge, none of Seller's employees have any agreements or arrangements with any persons other than Seller related to confidential information or trade secrets of such persons or restricting any such employee's ability to engage in business activities of any nature. The activities of their employees on behalf of Seller do not violate any such agreements or arrangements known to Seller or the Shareholders.

3.8 Financial Statements; Absence of Certain Changes. Seller has delivered to Buyer, or will deliver to the Buyer on or before the Closing Date, the following financial statements, copies of which are attached hereto as Schedule 3.8 (the "Financial Statements"):

(i) Financial statements of Seller for the twelve months ended December 31, 2015, and

(ii) Financial statements for year to date for the period ending the month immediately preceding the Closing Date.

Said financial statements have been prepared, are complete and correct in all material respects, and present fairly the financial condition of Seller at the dates of said statements and the results of its operations and its cash flows for the periods covered thereby.

Since December 31, 2015, (a) there has been no change in the assets, liabilities or financial condition of the assets of the Seller from that reflected in the Financial Statements except for changes in the ordinary course of business consistent with past practice and which have not had a Material Adverse Effect and (b) to the Seller's knowledge, none of the business, prospects, financial condition, operations, property or affairs of the Seller has been materially adversely affected by any occurrence or development, individually or in the aggregate, whether or not insured against.

(a) Except as set forth on Schedule 3.8, as of the Closing, Seller has no known liabilities of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, (including without limitation liabilities as guarantor or otherwise with respect to obligations of others, or liabilities for taxes due or then accrued or to become due or contingent or potential liabilities relating to activities of Seller or the conduct of its business prior to the Closing regardless of whether claims in respect thereof had been asserted as of such date).

3.9 Taxes. All tax returns required to be filed by Seller with respect to the Business and the Purchased Assets have been filed, including but not limited to any sales tax returns, and all taxes shown to be due on such tax returns have been paid in full. No notice of deficiency or

assessment has been received from any taxing authority with respect to liabilities for taxes of Seller with respect to the Business or the Purchased Assets or of the Shareholders, which have not been fully paid or finally settled. There are no outstanding agreements or waivers extending the applicable statutory periods of limitation for taxes of Seller associated with the Purchased Assets or the Business for any period.

3.10 Collectibility of Accounts Receivable. Attached hereto as Schedule 3.10 is a true, correct, and complete listing of all of the accounts receivable of the Business as of the Closing Date (the “Accounts Receivable”), including an aging showing how long the Accounts Receivable have been outstanding. To the best of Seller’s and the Shareholders’s knowledge, all of the Accounts Receivable of Seller shown or reflected on Schedule 3.10 or existing at the date hereof (less the reserve for bad debts set forth on the financial statements delivered under Section 3.8) are or will be at the Closing valid and enforceable claims, fully collectable and subject to no setoff or counterclaim. Except as set forth on Schedule 3.10, Seller does not have any accounts or loans receivable from any person, firm or corporation which is affiliated with Seller or from any director, officer or employee of Seller, and all accounts and loans receivable from any such person, firm or corporation shall be paid in cash prior to the Closing.

3.11 Accounts Payable. Attached hereto as Schedule 3.11 is a true, correct, and complete listing of all of the accounts payable of the Business as of the Closing Date (the “Accounts Payable”), including an aging showing when such amounts were due. All such Accounts Payable arose from bona fide transactions in the ordinary course of business. Except as set forth on Schedule 3.11, Seller and the Shareholders are not aware of any circumstance, situation, reason, or other basis that currently exists or is likely to arise which would or might reasonably result in any vendor or supplier failing or refusing to provide to Buyer the equipment, materials, or other supplies of the type and quantity provided by such vendor or supplier during the one (1) year period preceding the Closing Date, or to otherwise conduct business with Buyer after the Closing Date.

3.12 Contracts. Except as disclosed on Schedule 3.12 (true and complete copies of which have been delivered to Buyer), Seller is not a party to or subject to:

(a) any other contracts or agreements creating any obligations of Seller of \$2,500 or more with respect to any such contract or agreement not specifically disclosed elsewhere under this Agreement;

(b) any contract or agreement which by its terms does not terminate at the Closing or is not terminable without penalty by Seller or any successor or assign after the Closing;

(c) any contract or agreement for the sale or lease of its products or services not made in the ordinary course of business;

(d) any contract containing covenants limiting the freedom of Seller to compete in any line of business or with any person or entity;

(e) any license agreement (as licensor or licensee) except for off the shelf software used in connection with the Business;

(f) any indenture, mortgage, promissory note, loan agreement, guaranty or other agreement or commitment for the borrowing of money;

(g) any contract or agreement with any officer, employee, director or stockholder of Seller or with any persons or organizations controlled by or affiliated with any of them; or

(h) any employment contract or contract for services which is not terminable within 30 days by Seller without liability for any penalty or severance payment.

Seller is not in default under any such contracts, commitments, plans, agreements or licenses described in said Schedule including, without limitation, any record retention requirements, and neither Seller nor either Shareholders has any knowledge of conditions or facts which with notice or passage of time, or both, would constitute a default.

3.13 Litigation. Except as set forth on Schedule 3.13, there is no currently pending or, to the knowledge of Seller or either Shareholders, threatened litigation and governmental or administrative proceedings or investigations to which Seller or any Shareholders is a party. There is no litigation or governmental or administrative proceeding or investigation pending or, to the knowledge of Seller or Shareholders, threatened (including but not limited to any proceeding before the NHPUC) against Seller or to which Seller is a party (either as a named party or intervenor), any affiliate of Seller or any subsidiary of any affiliate of Seller which may have any adverse effect on Seller's properties, assets, prospects, financial condition or business or which would prevent or hinder the consummation of the transactions contemplated by this Agreement. To the knowledge of Seller or either Shareholders, there is no information, investigation, proceeding, accusation or inquiry relating to Seller or either Shareholders which may give rise to any claim which may have an adverse effect on the Purchased Assets. There are no existing claims under any errors and omissions insurance policy or policies naming the Seller or any Shareholders as an insured.

3.14 Compliance with Laws. To Seller's knowledge, Seller is in compliance with all applicable statutes, ordinances, orders, judgments, decrees and rules and regulations promulgated by any federal, state, municipal or other governmental authority which apply to Seller or to the conduct of its business, including, without limitations, environmental laws, anti-money laundering and privacy laws and regulations and any record retention requirement, and Seller has not received notice of a violation or alleged violation of any such statute, ordinance, order, rule or regulation.

3.15 Finder's Fee. Neither Seller nor either Shareholders has incurred any obligation or liability, contingent or otherwise, for brokerage or finder's fees or agent's commissions or other similar payments in connection with the sale of Seller's Business or the Purchased Assets or in connection with the transactions contemplated by this Agreement.

3.16 Employee Matters; Independent Contractors. No employee or other benefit plans of the Seller will be assumed by the Buyer and Seller shall remain responsible for any and all liabilities thereunder.

3.17 Permits; Burdensome Agreements. To Seller's knowledge, Seller has obtained all permits, registrations, licenses, franchises, certifications and other approvals (collectively, the "Approvals") required from federal, state or local authorities in order for Seller to conduct its business, which Approvals are set forth on Schedule 3.5. To Seller's knowledge, all such Approvals are valid and in full force and effect, and Seller is operating in compliance therewith. Seller has not received any notice of a violation or alleged violation of any such Approval. Such Approvals include, but are not limited to, those required under federal, state or local statutes, ordinances, orders, requirements, rules, regulations, or laws pertaining to environmental protection, public health and safety, worker health and safety, buildings, highways or zoning. Other than the agreements disclosed by Seller in any schedule or exhibit hereto, Seller is not subject to or bound by any agreement, judgment, decree or order which would have a Materially Adverse Effect.

3.18 Environmental Matters. The Company is in compliance with Environmental Laws (which compliance includes, but is not limited to, the possession by the Company of all permits and other governmental authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof). The Company has not received any written notice, report or other information regarding any actual or alleged material violation of Environmental Laws, or any material liabilities or potential material liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to the Company, the Business or any of the Company's facilities arising under Environmental Laws. There is no Environmental Claim pending or, to the knowledge of the Company, threatened against the Company. There are no past or present actions, activities, circumstances, conditions, events or incidents which reasonably would be expected to form the basis of an Environmental Claim against the Company. "Environmental Claim" means any action, investigation or notice by any person alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (i) the presence, release or threatened release of any hazardous materials at any location, whether or not owned or operated by the Company, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law. "Environmental Laws" means all applicable federal, state and local statutes or laws, judgments, orders, regulations, licenses, permits, rules and ordinances relating to pollution or protection of health, safety or the environment, including, but not limited to the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), Resources Conservation and Recovery Act (42 U.S.C. §6901 et. seq.), Safe Drinking Water Act (42 U.S.C. §3000(f) et. seq.), Toxic Substances Control Act (15 U.S.C. §2601 et seq.), Clean Air Act (42 U.S.C. §7401 et. seq.), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §9601 et seq.), and other similar state and local statutes.

3.19 Disclosure. The representations, warranties and statements contained in this Agreement and in the certificates, exhibits and schedules delivered by Seller and the Shareholders pursuant to this Agreement to Buyer do not contain any untrue statement of a material fact, and, when taken together, do not omit to state a material fact required to be stated therein or necessary in order to make such representations, warranties or statements not misleading in light of the circumstances under which they were made. To Seller's knowledge, there are no facts which presently or may in the future have a Material Adverse Effect on the

business, properties, prospects, operations or condition of Seller, Seller's Business being sold to Buyer, or the Purchased Assets, which have not been specifically disclosed herein or in a Schedule furnished herewith, other than general economic conditions affecting Seller's industry.

3.20 Transactions with Interested Persons. Except as set forth in Schedule 3.20, Seller is not a party to or subject to any loans, leases, or other agreements or transactions with any present or former stockholder, director, officer, affiliated entity or person, or employee of the Seller or, to the Seller's knowledge, any of their respective spouses or family members other than as has been disclosed and filed with the NHPUC pursuant to New Hampshire RSA 366. Neither Seller, Shareholders, nor any officer, supervisory employee or director of Seller or, to the knowledge of Seller and the Shareholders, any of their respective spouses or family members owns directly or indirectly on an individual or joint basis any material interest in, or serves as an officer or director or in another similar capacity of, any competitor, supplier or key customer of Seller, or any organization which has a material contract or arrangement with Seller.

3.21 Insurance. All of Sellers' tangible assets are insured with respect to loss due to fire and other risks in accordance with good industry practice and in amounts and with types of coverage adequate to insure fully against risks to which Seller and its assets are normally exposed in the operation of the Business. Neither Seller, the Shareholders, nor any officer, supervisory employee or director of Seller has received notice that any insurer under any policy referred to in this Section is denying liability with respect to a claim thereunder or defending under a reservation of rights clause.

SECTION 4. COVENANTS OF SELLER AND THE SHAREHOLDERS

4.1 Making of Covenants and Agreements. Seller and the Shareholders hereby make the respective covenants and agreements set forth in this Section 4.

4.2 Consummation of Agreement. Seller and the Shareholders shall use their best efforts to perform and fulfill all conditions and obligations on their parts to be performed and fulfilled under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out. To this end, Seller will obtain prior to the Closing all necessary authorizations or approvals of its Shareholders and Board of Directors.

4.3 Cooperation of Seller. Seller and the Shareholders shall cooperate with all reasonable requests of Buyer and Buyer's counsel in connection with the consummation of the transactions contemplated hereby. The Seller and the Shareholders shall be responsible for the costs of cooperation under this Agreement.

4.4 RESERVED.

4.5 NHPUC Petition. Promptly after execution of this Agreement by the parties, the Buyer shall prepare, the Seller shall sign, and the Buyer will file with the NHPUC a petition for approval of the proposed transfer of Purchased Assets, including financing approval, contemplated by this Agreement. The Buyer shall prosecute such petition, and the Seller and the Shareholders will cooperate and fully participate in the proceeding relating to such petition. The Buyer shall pay all costs and expenses of said petition and prosecution, except for (i) Seller's and

Shareholders's attorneys' fees, and (ii) Seller's or Shareholders's costs or fees associated with providing testimony or responding to data requests.

4.6 Taxes and Tax Returns. Seller, in accordance with applicable law, shall (i) promptly prepare and file on or before the due date or any extension thereof all federal, state and local tax returns required to be filed by it with respect to taxable periods of Seller that include any period ending on or before the Closing or including any income or gain relating to the sale of the Purchased Assets (including any reported under the installment method), and (ii) pay all taxes of Seller attributable to periods ending on or before the Closing or relating to the sale of the Purchased Assets (including any reported under the installment method).

SECTION 5. REPRESENTATIONS AND WARRANTIES OF BUYER

5.1 Making of Representations and Warranties. As a material inducement to Seller and the Shareholders to enter into this Agreement and consummate the transactions contemplated hereby, Buyer hereby makes the representations and warranties to Seller and the Shareholders contained in this Section 5.

5.2 Organization of Buyer. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of New Hampshire with full corporate power to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is conducted by it.

5.3 Authority of Buyer. Buyer has full right, authority and power to enter into this Agreement, and each agreement, document and instrument to be executed and delivered by Buyer pursuant to this Agreement and to carry out the transactions contemplated hereby. This Agreement and each other agreement, document and instrument executed and delivered by Buyer pursuant to this Agreement constitute, or when executed and delivered will constitute, valid and binding obligations of Buyer enforceable in accordance with their terms.

5.4 Litigation. There is no litigation or governmental or administrative proceeding or investigation pending or, to its knowledge, threatened against Buyer, which would prevent or hinder the consummation of the transactions contemplated by this Agreement.

5.5 NHPUC Petition. Promptly after execution of this Agreement by the parties and not later than thirty (30) calendar days, the Buyer shall prepare, the Seller shall sign, and the Buyer will file with the NHPUC a petition for approval of the proposed transfer of Purchased Assets, including financing approval, contemplated by this Agreement. The Buyer shall prosecute such petition, and the Seller and the Shareholders will cooperate and fully participate in the proceeding relating to such petition. The Buyer shall pay all costs and expenses of said petition and prosecution, except for (i) Seller's and Shareholders's attorneys' fees, and (ii) Seller's or Shareholders's costs or fees associated with providing testimony or responding to data requests.

SECTION 6. SURVIVAL; INDEMNIFICATION

6.1 Survival of Representations, Warranties, Etc. All representations and warranties herein or in any exhibit, schedule or certificate delivered by any party incident to the transactions contemplated hereby (except deeds) shall survive the Closing for a period of three (3) years, provided however that (a) the representations and warranties set forth in Sections 3.2 (Corporate Organization and Qualifications of the Seller), 3.4 (Authority of Seller and the Shareholders), 3.6 (Real and Personal Property), 3.20 (Transactions with Interested Persons), 5.2 (Organization of Buyer), and 5.3 (Authority of Buyer) shall survive the Closing indefinitely; (b) the representations and warranties set forth in Section 3.9 (Taxes) shall survive until the expiration of the applicable statute of limitations; and (c) the three (3) year time limit shall not apply to any breach of representations or warranties arising out of the fraudulent statements or intentional omissions of the Seller, the Shareholders, or the Buyer. Warranties in deeds shall continue as provided by law.

6.2 Indemnification by the Seller and Shareholders. The Seller and the Shareholders will jointly and severally indemnify, defend and hold harmless the Buyer from and against any and all claims, demands or suits, losses, liabilities, damages (including consequential or special damages), obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) asserted against or suffered by the Buyer relating to, resulting from or arising out of the following:

- (a) the operation of the Business before the Closing Date;
- (b) any breach by the Seller or any Shareholders, of any covenant, representation, warranty, or agreement of the Seller, or the Shareholders, contained in this Agreement;
- (c) any and all liabilities and obligations of, or claims against, the Seller or the Shareholders not expressly assumed by Buyer under this Agreement.

6.3 Indemnification by the Buyer. The Buyer will indemnify, defend and hold harmless the Seller and the Shareholders, from and against any and all claims, demands or suits, losses, liabilities, damages (including consequential or special damages), obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) asserted against or suffered by the Seller or the Shareholders, relating to, resulting from or arising out of the following:

- (a) the operation of the Business after the Closing Date; and
- (b) any breach by the Buyer of any covenant, representation, warranty, or agreement of the Buyer contained in this Agreement.

6.4 Indemnification Procedures. The expiration, termination or extinguishment of any covenant, representation, warranty, or agreement shall not affect the parties' obligations under this Section 6 if the party to be indemnified provided the party required to provide indemnification under this Agreement with proper notice of the claim or event for which indemnification is sought prior to such expiration, termination or extinguishment. The procedure set forth below shall be followed with respect to every claim for indemnification.

(a) Notice. The party seeking indemnification (the "Indemnified Party") shall give to the party from whom indemnification is sought (the "Indemnifying Party") written notice of any claims for which indemnity is sought under Section 6.2 or 6.3 promptly, but in any event within thirty (30) calendar days after the Indemnified Party receives notice thereof; provided, however, that failure by the Indemnified Party to give such notice shall not relieve the Indemnifying Party from any liability it shall otherwise have pursuant to this Agreement, except to the extent that the Indemnifying Party is actually prejudiced by such failure. Such notice shall set forth in reasonable detail the basis for such potential claims and shall be given in accordance with Section 8.4 below. The indemnification period provided for herein shall be tolled for a particular claim for the period beginning on the date that the Indemnified Party receives written notice of such claims until the final resolution thereof;

(b) Defense and Control of Third Party Claims. The Indemnifying Party shall have the right, at its option, to be represented by counsel of its choice and to assume the defense or otherwise control the handling of any third party claims for which indemnity is sought by notifying the Indemnified Party in writing to such effect within thirty (30) business days of receipt of such notice. If the Indemnifying Party does not give timely notice in accordance with the preceding sentence, the Indemnifying Party shall be deemed to have given notice that it does not wish to control the handling of such third party claims for which indemnity is sought. In the event the Indemnifying Party elects (by written notice within such thirty (30) business-day period) to assume the defense of or otherwise control the handling of any such third party claims for which indemnity is sought, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against all claims suffered therefrom. In the event that the Indemnifying Party does not assume the defense or otherwise control the handling of third party claims for which the Indemnified Party is entitled to indemnification hereunder, the Indemnified Party may retain counsel, as an indemnifiable expense, to defend such third party claims.

(c) Cooperation. The parties shall cooperate in the defense of any third party claims and each shall make available all books and records which are relevant in connection with such third party claims. The Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to any matter which does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld.

(d) Limitation of Liability. The Shareholders' aggregate liability to the Buyer under Section 6.2 shall be limited to the Purchase Price (the "Indemnification Cap"),

provided however, that the Indemnification Cap shall not apply to any indemnification claims under Section 6.2 arising out of any fraudulent statements or intentional misstatements or omissions of the Seller or the Shareholders or any indemnification claims arising out of the gross negligence or willful misconduct of the Seller or the Shareholders, or the Seller's directors, officers, employees, consultants, or agents.

SECTION 7. RIGHTS AND OBLIGATIONS SUBSEQUENT TO CLOSING

7.1 Collection of Assets.

(a) Subsequent to the Closing, Buyer shall have the right and authority to collect all receivables and other items transferred and assigned to it by Seller hereunder and to endorse with the name of Seller any checks received on account of such receivables or other items, and Seller agrees that it will promptly transfer or deliver to Buyer from time to time (no later than thirty days following receipt thereof), any cash or other property that Seller may receive with respect to any claims, contracts, licenses, leases, commitments, sales orders, purchase orders, receivables of any character or any other items included in the Purchased Assets. This authority shall remain in effect until the earlier of: (i) collection of all receivables identified in the Schedules to this Agreement; or (ii) the expiration of the applicable statute of limitations for collection of said receivables.

(b) Seller hereby irrevocably appoints Buyer or any officers of Buyer, each acting singularly, as its attorney-in-fact with full power and authority to endorse and deposit checks and any other assets transferred hereunder and to execute and deliver forms and documents necessary to effect the conveyance and transfer of the Purchased Assets, as fully as Seller could or might do if present.

7.2 Payment of Obligations. Seller shall pay all of its liabilities in the ordinary course of business as they become due.

7.3 Proration of Expenses. All expenses relating to the Purchased Assets attributable to the period prior to the Closing Date shall be borne by Seller and all such expenses attributable to the period on or after the Closing Date shall be borne by Buyer. Each of Seller and the Shareholders (on the one hand) and Buyer (on the other hand) shall cooperate with the other party to effect the proration of expenses set forth in the preceding sentence and shall promptly reimburse the other party for any expenses of such first party that have been paid by such other party.

SECTION 8. GENERAL PROVISIONS

8.1 Expenses. Unless otherwise expressly provided in this Agreement, whether or not this Agreement and the transactions contemplated hereby are consummated, Buyer, Seller and the Shareholders will each pay their respective expenses in connection with this Agreement and the transactions contemplated hereby.

8.2 Termination of Agreement. This Agreement may be terminated:

(a) By Buyer upon the material breach by the Seller or Shareholders of any representation, warranty, covenant, agreement, undertaking, or restriction contained in this Agreement, which has not been cured by the thirtieth (30th) day after the giving of notice by Buyer to the Seller or Shareholders of such breach; or

(b) By the Seller or Shareholders upon the material breach by Buyer of any representation, warranty, covenant, agreement, undertaking, or restriction contained in this Agreement, which has not been cured by the thirtieth (30th) day after the giving of notice by Seller or Shareholders to Buyer of such breach;

(c) By Buyer, upon the failure of the Seller or Shareholders to satisfy any of the conditions required to be satisfied by the Seller or Shareholders pursuant to this Agreement;

(d) By the Seller or Shareholders, upon the failure of the Buyer to satisfy any of the conditions required to be satisfied by Buyer pursuant to this Agreement; or

(e) By mutual agreement of the parties in writing.

8.3 Governing Law. This Agreement shall be construed under and governed by the internal laws of the State of New Hampshire without regard to its conflict of laws provisions.

8.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation), or delivered by an express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Buyer, to:

Thomas Mason, President
Lakes Region Water Co., Inc.
Route 109, P.O. Box 389
Moultonborough, NH 03254
Lrwh2oserv@yahoo.com

with a copy to:

Justin C. Richardson
Upton & Hatfield, LLP
159 Middle Street
Portsmouth, NH 03801
jrichadson@uptonhatfield.com

(b) if to Seller or the Shareholders, to:

Dockham Shores Estates Water Company, Inc.
361 Weirs Road
Gilford, NH 032469

(603) 527 – 8177 (facsimile)

with a copy to:

Patrick Wood, Esq.
Patrick Wood Law Offices
605 Main Street
Laconia, N.H. 03246
phwood@patrickwoodlaw.com

8.5 Entire Agreement. This Agreement, including the schedules and exhibits referred to herein and the other writings specifically identified herein or contemplated hereby, is complete, reflects the entire agreement of the parties with respect to its subject matter, and supersedes all previous written or oral negotiations, commitments and writings. No promises, representations, understandings, warranties and agreements have been made by any of the parties hereto except as referred to herein or in such schedules and exhibits or in such other writings; and all inducements to the making of this Agreement relied upon by either party hereto have been expressed herein or in such schedules or exhibits or in such other writings.

8.6 Assignability; Binding Effect. This Agreement shall only be assignable by Buyer to a corporation or other entity controlled by or under common control with Buyer upon written notice to Seller and the Shareholders, and such assignment shall not relieve Buyer of any liability hereunder. This Agreement may not be assigned by Seller or the Shareholders without the prior written consent of Buyer. This Agreement shall be binding upon and enforceable by, and shall inure to the benefit of, the parties hereto and their respective successors and permitted assigns.

8.7 Publicity. Except as otherwise required by law, so long as this Agreement is in effect, neither Seller nor the Shareholders shall issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement without the consent of the Buyer, which consent shall not be unreasonably withheld.

8.8 Captions and Gender. The captions in this Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision hereof. The use in this Agreement of the masculine pronoun in reference to a party hereto shall be deemed to include the feminine or neuter, as the context may require.

8.9 Execution in Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

8.10 Amendments. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by each party hereto, or in the case of a waiver, the party waiving compliance.

8.11 Consent to Jurisdiction. Solely for the purpose of allowing a party to enforce its indemnification and other rights hereunder, each of the parties hereby consents to personal jurisdiction, service of process and venue in the federal or state courts of New Hampshire.

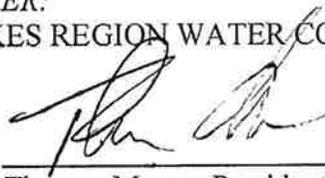
8.12 Non-Disclosure and Confidentiality. Buyer and Seller will keep Confidential Information (as hereinafter defined) confidential and will not disclose it to any person or entity, except for required disclosures: (a) regulatory officials having jurisdiction over the party; (b) to the party's Representatives (as hereinafter defined) who reasonably need to know such Confidential Information in connection with the performance of such party's obligation under this Agreement (it being understood that such Representatives shall be informed of the confidential nature of such Confidential Information and shall be required by the party to treat such Confidential Information confidentially); (c) as otherwise required by law or legal process; or (d) as otherwise authorized by the other parties in writing. If a party is requested to disclose any Confidential Information pursuant to subpart (c) above, such party shall make reasonable efforts to notify the other parties of the request, if lawfully permitted to do so, so that such other parties may attempt, if desired, to seek a protective order with regard to the disclosure of such Confidential Information. The confidentiality and nondisclosure provisions of this Section shall not apply to any information that: (i) is or becomes generally available to the public other than as a result of a breach of this Agreement by a party or any Representative of a party; (ii) is or becomes available to a party or its Representatives from a source (other than one of the other parties) that is not known by the first party or its Representatives to be subject to a duty of confidentiality with respect thereto; or (iii) is or was independently developed by the party or its Representatives without using any Confidential Information. The confidentiality and non-disclosure provisions of this Section shall survive closing and terminate three (3) years from the date hereof.

For purposes herein, "Confidential Information" shall include, but not be limited to, the fact of negotiations between the parties for the purchase and sale of assets contemplated hereby, any versions of or excerpts from any draft documents associated with the transactions contemplated hereby, any communications between the parties in connection with such negotiations, any trade secrets or non-public information respecting Dockham Shores Estates Water Company or the Business, finances, marketing plans, strategies, methods, know-how, formulae, techniques, systems, processes, customer/account lists, projects, pricing methodologies, prospects, plans and proposals, in each case respecting Dockham Shores Estates Water Company, its affiliates, and the Business, whether disclosed prior to or during the negotiation of this Agreement. Also for purposes herein, "Representatives" shall mean each party and its respective affiliates, and its and their respective directors, officers, members, managers, employees, agents, accountants, legal counsel, auditors, business consultants, appraisers, environmental consultants and similar professional advisors.

[Signature page follows.]

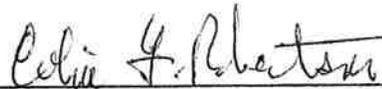
IN WITNESS WHEREOF, Buyer, Seller and the Shareholders have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

BUYER:
LAKES REGION WATER CO., INC.

By: 

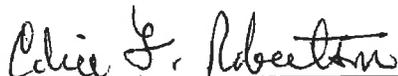
Thomas Mason, President

SELLER:
DOCKHAM SHORES ESTATES WATER
COMPANY, INC.

By: 

Colin F. Robertson, President

SHAREHOLDERS:



Name: Colin F. Robertson, Shareholder



Name: Mary R. Robertson, Shareholder

LIST OF SCHEDULES AND EXHIBITS

Schedules

- 1.1 Purchased Assets
- 1.1 (b) Seller’s Real and Personal Property, Plant, and Equipment
- 1.1 (c) Seller’s Office Supplies, Furniture, and Office Equipment
- 1.1 (d) Assumed Contracts

- 1.1 (f) CIAC (contributions in aid of construction)
- 1.1 (g) CWIP (construction work in process)
- 1.1 (h) Inventory

- 1.1(k) Transferable Licenses and Permits

- 1.2(b) Accounts Receivable (to be provided as of the Closing Date)
- 1.2(d) Excluded Assets

- 1.4(a) Recovery Rate Case Expense (to be provided as of the Closing Date)

- 3.5 Consents and Approvals
- 3.6(b) Seller’s Personal Property

- 3.8 Financial Statements
- 3.10 Accounts Receivable
- 3.11 Accounts Payable (to be provided as of the Closing Date)
- 3.12 Contracts

- 3.13 Litigation

- 3.20 Transactions with Interested Persons

Exhibits

- Exhibit A Water Supply and Sewage Disposal Disclosure
- Exhibit B Radon Gas and Lead Paint Disclosure

Schedule 1.1Purchased Assets1.1(b) Net Plant, Property and Equipment

All Plant, Personal Property, Inventory, Equipment and other Property of the Seller.

All real property rights, appurtenances, improvements to real property, easements, licenses, covenants, declarations, reservations, and all other interests in real estate of the Seller of any kind whatsoever, including, without limitation, the following:

1. All of the Seller's rights in the *Declaration of Covenants, Easements and Restrictions* dated March 15, 1976 and recorded in the Belknap County Registry of Deeds at **Book 673, Page 283**, as amended, related to the protection, operation, maintenance, replacement and improvement of the water supply, including but not limited to the right to enforce the *Declaration of Covenants, Easements and Restrictions* as Buyer or its successors and assigns reasonably deem necessary for the protection, operation, maintenance, replacement and improvement of the water supply.
2. All of the Seller's rights or benefits of the Community Water Wells Protective Area, the Easement of Use, and all other easement rights shown on or related to the plan recorded at the Belknap County Registry of Deeds at **Plan Book 132, Page 91** and entitled *Community Water Wells Protective Area, Dockham Shore Estates, Gilford, New Hampshire* dated November 13, 1985, including but not limited to the right to enforce the *Community Water Wells Protective Area* as Buyer or its successors and assigns reasonably deem necessary for the protection, operation, maintenance, replacement and improvement of the water supply.
3. All of the Seller's rights to protect, operate, maintain, repair and replace water lines and other water system improvements within the Dockham Shore Estates subdivision, as amended.
4. All of the Seller's rights to protect, operate, maintain, repair and replace water lines and other water system improvements within the Dockham Shore Estates subdivision, as amended, as the successor to CMR Development Inc.
5. All of the Seller's rights to protect, operate, maintain, repair and replace water lines and other water system improvements within the Dockham Shore Estates subdivision, as amended, as the successor to Colin F. Robertson and Mary R. Robertson.
6. All easements, licenses or other rights in real property reserved by the Seller or its predecessors on, in or over lots within the Dockham Shore Estates subdivision.
7. All rights or benefits of the *Declaration of Easement* dated November 4, 1986 and recorded in the Belknap County Registry of Deeds at **Book 973, Page 794**.

8. All rights or benefits of the Community Water Wells Protective Area, the Easement of Use, and all other water easement rights shown on or related to the plan recorded at the Belknap County Registry of Deeds at **Plan Book 133, Page 53** and entitled *Subdivision Plan, Lot 64, Dockham Shore Estates, Gilford, New Hampshire* dated November 24, 1986.
9. All rights or benefits of the Community Water Wells Protective Area, the Easement of Use, and all other water easement rights shown on or related to the plan recorded at the Belknap County Registry of Deeds at **Plan Book 138, Page 77** and entitled *Subdivision Plan of Dockham Shore Estates, Gilford, New Hampshire, Section 4A* dated June 4, 1987.
10. All rights or benefits of the *Easement Agreement* dated July 25, 2000 and recorded in the Belknap County Registry of Deeds at **Book 1597, Page 533**.
11. All other real property rights, appurtenances, improvements to real property, easements, licenses, covenants, declarations, reservations, and all other interests in real estate of the Seller related to the Dockham Shores Estates water system.
12. An assignment of the Seller's right to collect any outstanding liens for water service provided by the Seller prior to the Closing Date to be collected by the Buyer.

The foregoing list of interests in real property shall be updated by the Buyer prior to closing as of the closing date based on the Buyer's examination of title.

Schedule 1.1(c)

Office Equipment, Vehicles, and Other Tangible Property

All Office Equipment, Vehicles and Other Tangible Property of the Seller. This Schedule is to be updated prior to closing as of the Closing Date.

Schedule 1.1(d)

Assumed Contracts

None.

Schedule 1.1(f)

Contributions in Aid of Construction

All Contributions in Aid of Construction of the Seller. This Schedule is to be updated prior to closing as of the Closing Date.

Schedule 1.1(g)

Construction Work in Process

All Construction Work in Progress of the Seller. This Schedule is to be updated as of the Closing Date.

Schedule 1.1(h)

Inventory

All Inventory of the Seller. This Schedule is to be updated prior to closing as of the Closing Date. Schedule 1.1(k)

Licenses and Permits

DES Permit to Operate

Schedule 1.2

Excluded Assets

(a) all cash on hand in Seller bank accounts;

(b) all accounts receivable of the Seller for services rendered by the Seller as of the Closing Date, all of which are set forth on Schedule 1.2(b) to be completed and delivered to the Buyer as of the Closing Date (the "Accounts Receivable") identifying each account by customer and balance due, which Accounts Receivable the Buyer shall use reasonable efforts to assist the Seller in collection and remittance to the Seller within thirty (30) business days of the Buyer's receipt thereof, and Buyer agrees (i) that monies received from a customer shall first be applied to the Accounts Receivable of such customer and (ii) to terminate the service of delinquent customers in accordance with NHPUC regulations;

(c) the prorated amount of all service in process covering the days prior to Closing (the "Prorated Service In Process"), which Prorated Service In Process the Buyer shall use reasonable efforts to assist the Seller in collection and remittance to the Seller within thirty (30) business days of the Buyer's receipt thereof;

Schedule 1.7

Allocation of Purchase Price

To be completed prior to closing as of the Closing Date.

Schedule 3.5

Consents and Approvals

As provided, *inter alia*, by Sections 2.1, 3.5 and 4.5 of this Agreement:

- (1) Approval by the Public Utilities Commission to transfer the Seller's water utility assets and franchise to the Buyer pursuant to RSA 374:22 & 30;
- (2) Approval by the Public Utilities Commission to discontinue the Buyer's operation as a public water utility following the transfer pursuant RSA 374:28;
- (3) Approval by the Public Utilities Commission of long-term financing for the acquisition of the Seller's utility assets and franchise which may include financing for the construction improvements to the Seller's existing water system pursuant to RSA 369:1 & 2; and
- (4) Approval by the Department of Environmental Services of the transfer of the Seller's Permit to Operate to the Buyer pursuant to RSA 485.

Schedule 3.6

Seller's Personal Property

Reference Schedule 1.1 (b).

To be completed prior to closing as of the Closing Date.

Schedule 3.8

Seller's Financial Statements

Reference the Seller's Annual Report to the Public Utilities Commission for the Year Ending 12/31/2015.

To be completed prior to closing as of the Closing Date.

Schedule 3.10

Seller's Accounts Receivable

To be completed prior to closing as of the Closing Date.

Schedule 3.11

Seller's Accounts Payable

To be completed prior to closing as of the Closing Date.

Schedule 3.12

Seller's Contracts.

None.

To be updated prior to closing as of the Closing Date.

Schedule 3.13

Litigation

None.

To be updated prior to closing as of the Closing Date.

Schedule 3.20

Transactions with Interested Persons.

None.

To be updated prior to closing as of the Closing Date.

Schedule 4.8 Assumed Contracts

None.

LAKES REGION WATER COMPANY INC.

420 Governor Wentworth Highway, PO Box 389
Moultonborough, NH 03254
Telephone: 603-476-2348, Fax: 603-476-2721

DOCKHAM SHORES ESTATES PROPOSED CAPITAL IMPROVEMENTS

WELL FIELD

Beginning at the well field, the source meters for each well are 20+ yrs. old. These meters are located in concrete pits and are confined spaces. This makes reading not only difficult but dangerous for any operator. Meters proposed are able to be installed above ground in the building proposed. This allows not only better monitoring, but the ability to view the meters on Telemetry. The wells run currently on a float system in the Atmospheric Storage tank. Unfortunately the signal wire that is DIRECTLY buried in the ground has long outlived its life expectancy. Moving to a wireless signal system (Devar) enables the well cycles to accurately run without the use of a buried cable.

PUMP STATION

The existing pump station, though semi-functional, is in EXTREME need of improvement. It is in a “confined space”, OSHA requirements are similar to NHDES and for good reason. A bulkhead can be easily installed to comply with requirements. The existing station is also very wet due to ground water. All electrical panels and controls should be moved upstairs to the proposed building. This prevents premature failure of electronics due to dampness and corrosion. The proposed panel will also be able to run both well pumps, boosters, monitor tank height, pressure, and outbound flow and send alarms to operators upon ANY system problems.

IN CLOSING

Dockham Shores system is outdated in many ways and needs upgrading- it has functioned for 40+ years. Customers will have a more reliable, worry free infrastructure with these proposed improvements. This translates to quicker response to problems, less down time to customers and overall a better view of the system parameters.

IMPROVEMENTS WILL ADDRESS

- Confined space hazard in well meter pits and pump station
- Inadequate components: buried signal wire to wells from pump station (900' plus of 40 yr old wire), well meters way past expected life (inaccurate source readings) and existing well panel near wells has rodents living inside it.
- Telemetry makes monitoring the system easier.
- Badger meters will create accurate readings.
- Electrical panel will be moved to a dry location.

Justin Benes
Field Supervisor





The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner

Exhibit C



December 8, 2015

via E-mail

COLIN ROBERTSON
DOCKHAM SHORES ESTATES WATER CO
361 WEIRS RD
GILFORD NH 03249

Subject: **CWS: GILFORD: DOCKHAM SHORES ESTATES: PWS # 0882190**
SANITARY SURVEY

Dear Mr Robertson:

On November 23, 2015, the New Hampshire Department of Environmental Services, Drinking Water & Groundwater Bureau (DES) performed a sanitary survey inspection of the subject public water system (PWS) pursuant to RSA 485 and Env-Dw 717 and 720. Under these statutes and rules, DES has the responsibility and authority to conduct sanitary surveys of public water systems in New Hampshire.

A sanitary survey consists of a physical review of the main elements of the water system to verify its capability to reliably produce safe drinking water. The eight sanitary survey elements evaluated are: well sources, treatment, distribution, storage, pumping, data records, management and operations.

In attendance at time of the inspection: Amy Rousseau, DES Sanitary Surveyor
Colin Robertson, Dockham Shores Estates Water Co.

SIGNIFICANT DEFICIENCIES

Pursuant to Env-Dw 103.52, a significant deficiency is one that "...can directly and adversely affect a public water system's water quality or that can reduce the water system's reliability and ability to deliver safe drinking water to its customers...". During the survey, the significant deficiencies listed below were observed.

- **Atmospheric Tank Emergency Fill Pipe** - All community water systems with atmospheric storage are required to have the means of accepting an emergency bulk water delivery in the event of pump failure, distribution piping leaks etc. The atmospheric storage tank should be equipped with a capped filler pipe (lockable, if on the exterior) to accommodate water delivery by tank truck. Currently, the filler pipe is covered with a torn careen that can allow the potential entry of contaminants (dirt, water, insects, snakes, rodents, etc.) into the tank.

In order to avoid a violation: within 30 days of the date of the sanitary survey, all significant deficiencies must be corrected or have a Corrective Action Plan (CAP) submitted to the Department for approval. A CAP identifies the work that will be performed, along with a time frame by which the work will be completed.

Env-Dw 717.21 requires that the PWS owner notify us in writing upon the correction of significant deficiencies. Notification must be made within 30 days of completing the corrective action. We request that you provide a photograph with your submittal. Notifications by email submittals are preferred but not required.

SYSTEM DESCRIPTION

Dockham Shores Estates obtains its water from two bedrock wells. Bedrock well # 1 (BRW 1-001), located 50 feet north of bedrock well # 2 is 295 feet deep and yields 30 gallons per minute. The well casing is six inches in diameter and is 42 feet in length. Bedrock well # 2 (BRW 2-002), located 1,000 feet west of the pump house, is 290 feet deep and yields 50 gallons per minute. That well casing is also six inches in diameter with an unknown length. The wells are located about 250-300 feet off Route 11B, out behind house #375. At this site there is a wooden boxed electrical panel, a metering pit, and a yard hydrant source sampling faucet for each well.

Water is pumped from the two bedrock wells, through the metering pit, past the source sampling tap yard hydrants, and over to the underground pump house located on the corner of Margaret Way and Robertson Drive. In the pump house, water passes through ultraviolet radiation for disinfection and a cartridge filter for particulate removal prior to entering a 16,000 gallon atmospheric storage tank. Duplicate 5 HP variable frequency drive booster pumps transfer water to a WellxTrol WX-251 (62 gallon) pre-charged pressure storage tank followed by a DEP sample tap. Treated water is distributed to 60 single family residences serving approximately 150 people.

SANITARY PROTECTIVE AREA

All public water supply system wells require a sanitary protective area (SPA) or protective well radius, under the control of the well owner, within which no septic tanks, leach fields, oil, debris or other hazardous materials may be located or stored. The SPA for your water system is a 200' radius around the well. Currently, the area contains residences 165' from the well heads. Per Env-DW 406.12 (f), permanent buildings are an acceptable use of the SPA and will not be sited as a significant deficiency.

The water system's potential for reduced monitoring and future waivers from a portion of its chemical monitoring requirements shall be diminished by the location of buildings, roadways, parking lots, and other such construction within the well's protective radius.

OPERATOR CERTIFICATION VERIFICATION

Required Certification Grade(s) For Water System: D / T 1A

| | | |
|---------------------------|-------------------|---------------------------------|
| <u>System's operator:</u> | <u>License #:</u> | <u>Certification Grade (s):</u> |
| Colin Robertson | 863 | D 11, T 1 |

PWS #0882190 Dockham Shores Estates - SSL
December 8, 2015
Page 3 of 3

FUTURE CONSTRUCTION OR EXPANSION

Be advised that, under RSA 485:8 (Approval of Construction or Alteration), no new construction, addition or alteration involving the source, treatment, distribution or storage of water in any public water supply system can begin without approval by the Department.

In addition to any significant deficiencies listed above, enclosed are recommendations for system improvements. The ownership and operation of a public water supply system involve many significant responsibilities. Our main concern is to protect the public health. It is also our intention to work with you in solving any water related problems that your system may have. Should you have any questions, please contact me at 603-271-0893 or by e-mail at amy.rousseau@des.nh.gov.

Sincerely,



Amy Rousseau
Drinking Water and Groundwater Bureau

Enclosed: Recommendations for System Improvements

December 8, 2015

CWS: GILFORD: DOCKHAM SHORES ESTATES: PWS # 0882190

RECOMMENDED SYSTEM IMPROVEMENTS

The following recommended system improvements and operation and maintenance procedures are noted below to assist you in improving the water system's reliability in providing water to its users.

Frost Free Yard Hydrants

Your water system was observed to include frost free hydrants (stop and waste valves) at the well heads for obtaining source samples from each of your two wells. Beginning July 2011, the NHDES, with reference to the International Plumbing Code (IPC) recognizes such a fixture as a cross connection, and the distribution system would need to be protected with an appropriate backflow device. **The following excerpt is from the 2015 IPC:**

608.7 Valves and outlets prohibited below grade. Potable water outlets and combination stop and waste valves shall not be installed underground or below grade. Freeze proof yard hydrants that drain the riser into the ground are considered to be stop-and-waste valves.

Exception: Freeze proof yard hydrants that drain the riser into the ground shall be permitted to be installed, provided that the potable water supply to such hydrants is protected upstream of the hydrants in accordance with Section 608 and the hydrants are permanently identified as nonpotable outlets by approved signage that reads as follows: "Caution, Nonpotable Water. Do Not Drink".

The NHDES is currently advising systems of the risks associated with these fixtures and recommending that systems consider alternative fixtures. NHDES is also researching policies used by other states relative to the prohibition of such devices in the distribution system and may develop a policy for prohibiting these fixtures.

Gate Valves

To ensure that gate valves are in working order, routine maintenance and exercising are required. Frequently, in older systems, there is an inadequate knowledge of valve location, or if known, these valves have become inaccessible due to subsequent construction, (i.e. buried under roadways). This makes routine maintenance impossible and greatly slows down emergency response. If a break occurs in a water main, crews must first locate nearby valves before they can shut the section down. This increases both the amount of time that the system is inoperable and the danger of extensive contamination to the system.

It is therefore recommended that routine valve inspections be conducted once a year in which the following tasks are performed:

1. Verify the exact location of all valves boxes.
2. Inspect the valve stem and nut for damage and possible leakage.
3. Close the valve fully, and record the number of turns to the fully closed position.
4. Reopen the valve and reestablish flow.
5. Clean the valve box cover seat.

Records should be upgraded to include a means to easily identify the location of all valves. Records should also include measurements from at least two reference points, the type of valve, and the number of turns required to open or close the valve.

Flushing

Distribution systems are normally flushed once a year through the blow-offs. In some water systems, the flushing must be done more often to keep sediment and sand in the piping under control. The flushing should be done during time of minimum water use. The frequency of flushing should be such that it prevents legitimate consumer complaints. Each gate valve on the water system should be turned annually to counteract mineral buildup and the subsequent jamming of the valve.

Leak Detection Survey

At least once a year the system should be checked for leakage. This can be accomplished in the following way. The water system's customers should be asked not to use any water between midnight to 6:00 A.M. on a particular evening. The water system operator should check system usage during this period by noting the usage on the meter or any change in the water level in your vented storage tanks (supply sources turned off). If there is any significant system demand, this can be attributed to leakage.

It is important to note that the force from this leakage sets in motion sand particles in the soil that will abrade the general area of the pipe ultimately to the point of total failure. The noise of this running water can normally be heard through the use of geophones, even though the leak has not surfaced. Intermediate and larger municipal water systems in your area likely have geophones and may be willing to loan them to you. If not, please contact our office for a list of contractors with this or more specialized types of equipment.

Lakes Region Water Company

SPS 1-1

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Balance Sheet

Assets and Other Debits

| Line No. (a) | Account Title (Number) (b) | 2015 Year End Balance (c) | Adjustments (d) | 2005 Proformed Year End Balance (e) |
|---------------------------------------|--|---------------------------|-------------------|-------------------------------------|
| UTILITY PLANT | | | | |
| 1 | Utility Plant (101-106) | \$ 5,338,898 | \$ 218,973 | \$ 5,557,871 |
| 2 | Less: Accumulated Depr. and Amort. (108-110) | \$ 1,734,957 | \$ 71,028 | 1,805,985 |
| 3 | Net Plant | \$ 3,603,941 | \$ 147,946 | \$ 3,751,887 |
| 4 | Utility Plant Acquisition Adj. (Net) (114-115) | (76,261) | 28,943 | (105,204) |
| 5 | Total Net Utility Plant | \$ 3,527,680 | \$ 119,003 | \$ 3,646,683 |
| OTHER PROPERTY AND INVESTMENTS | | | | |
| 6 | Nonutility Property (121) | | | |
| 7 | Less: Accumulated Depr. and Amort. (122) | | | |
| 8 | Net Nonutility Property | | | |
| 9 | Investment in Associated Companies (123) | | | |
| 11 | Utility Investments (124) | | | |
| 12 | Other Investments | 1,049 | | 1,049 |
| 13 | Special Funds(126-128) | | | |
| 14 | Total Other Property & Investments | \$ 1,049 | | \$ 1,049 |
| CURRENT AND ACCRUED ASSETS | | | | |
| 16 | Cash (131) | 37,980 | (12,955) | 25,025 |
| 17 | Special Deposits (132) | | | |
| 18 | Other Special Deposits (133) | | | |
| 19 | Working Funds (134) | | | |
| 20 | Temporary Cash Investments (135) | | | |
| 21 | Accounts and Notes Receivable-Net (141-144) | 112,040 | | 112,040 |
| 22 | Accounts Receivable from Assoc. Co. (145) | 19,673 | | 19,673 |
| 23 | Notes Receivable from Assoc. Co. (146) | | | |
| 24 | Materials and Supplies (151-153) | 7,350 | | 7,350 |
| 25 | Stores Expense (161) | | | |
| 26 | Prepayments-Other (162) | 25,328 | | 25,328 |
| 27 | Prepaid Taxes (163) | 13,553 | | 13,553 |
| 28 | Interest and Dividends Receivable (171) | | | |
| 29 | Rents Receivable (172) | | | |
| 30 | Accrued Utility Revenues (173) | | | |
| 31 | Misc. Current and Accrued Assets (174) | | | |
| 32 | Total Current and Accrued Assets | \$ 215,924 | \$ (12,955) | \$ 202,969 |
| DEFERRED DEBITS | | | | |
| 32 | Unamortized Debt Discount & Expense (181) | 24,976 | 8,123 | 33,099 |
| 33 | Extraordinary Property Losses (182) | | | |
| 34 | Prelim. Survey & Investigation Charges (183) | | | |
| 35 | Clearing Accounts (184) | | | |
| 36 | Temporary Facilities (185) | | | |
| 37 | Miscellaneous Deferred Debits (186) | 122,026 | | 122,026 |
| 38 | Research & Development Expenditures (187) | | | |
| 39 | Accumulated Deferred Income Taxes (190) | | | |
| 40 | Total Deferred Debits | \$ 147,002 | \$ 8,123 | \$ 155,125 |
| TOTAL ASSETS AND OTHER DEBITS | | \$ 3,891,655 | \$ 114,170 | \$ 4,005,825 |

Lakes Region Water Company

SPS 1-2

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Balance Sheet

Equity Capital and Liabilities

| Line No. (a) | Account Title (Number) (b) | 2015 Year End Balance (c) | Adjustments (f) | 2015 Proformed Year End Balance (g) |
|---|---|---------------------------|-----------------|-------------------------------------|
| EQUITY CAPITAL | | | | |
| 1 | Common Stock Issued (201) | \$ 10,000 | | \$ 10,000 |
| 2 | Preferred Stock Issued (204) | | | |
| 3 | Capital Stock Subscribed (202,205) | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | |
| 5 | Premium on Capital Stock (207) | | | |
| 6 | Installments Received On Capital Stock (208) | | | |
| 7 | Other Paid-In Capital (209,211) | 1,217,810 | | 1,217,810 |
| 8 | Discount on Capital Stock (212) | | | |
| 9 | Capital Stock Expense(213) | (5,519) | | (5,519) |
| 10 | Retained Earnings (214-215) | 705,123 | (2,351) | 702,772 |
| 11 | Reacquired Capital Stock (216) | | | |
| 12 | Total Equity Capital | \$ 1,927,414 | \$ (2,351) | \$ 1,925,063 |
| LONG TERM DEBT | | | | |
| 13 | Bonds (221) | 830,160 | 116,521 | 946,681 |
| 14 | Reacquired Bonds (222) | | | |
| 15 | Advances from Associated Companies (223) | | | |
| 16 | Other Long-Term Debt (224) | 94,757 | | 94,757 |
| 17 | Total Long-Term Debt | \$ 924,917 | \$ 116,521 | \$ 1,041,438 |
| CURRENT AND ACCRUED LIABILITIES | | | | |
| 18 | Accounts Payable (231) | 204,323 | | 204,323 |
| 19 | Notes Payable (232) | | | - |
| 20 | Accounts Payable to Associated Co. (233) | | | |
| 21 | Notes Payable to Associated Co. (234) | | | |
| 22 | Customer Deposits (235) | 1,956 | | 1,956 |
| 23 | Accrued Taxes (236) | 10,485 | | 10,485 |
| 24 | Accrued Interest (237) | 3,370 | | 3,370 |
| 25 | Accrued Dividends (238) | | | |
| 26 | Matured Long-Term Debt (239) | | | |
| 27 | Matured Interest (240) | | | |
| 28 | Misc. Current and Accrued Liabilities (241) | | | - |
| 29 | Total Current and Accrued Liabilities | \$ 220,134 | \$ - | \$ 220,134 |
| DEFERRED CREDITS | | | | |
| 30 | Unamortized Premium on Debt (251) | | | |
| 31 | Advances for Construction (252) | | | |
| 32 | Other Deferred Credits (253) | | | |
| 33 | Accumulated Deferred Investment Tax Credits (255) | | | |
| 34 | Accumulated Deferred Income Taxes: | | | |
| 35 | Accelerated Amortization (281) | | | |
| 36 | Liberalized Depreciation (282) | 214,663 | | 214,663 |
| 37 | Other (283) | | | |
| 38 | Total Deferred Credits | \$ 214,663 | \$ - | \$ 214,663 |
| OPERATING RESERVES | | | | |
| 39 | Property Insurance Reserve (261) | | | |
| 40 | Injuries and Damages Reserve (262) | | | |
| 41 | Pensions and Benefits Reserves (263) | | | |
| 42 | Miscellaneous Operating Reserves (265) | | | |
| 43 | Total Operating Reserves | | | |
| CONTRIBUTIONS IN AID OF CONSTRUCTION | | | | |
| 44 | Contributions In Aid of Construction (271) | 870,878 | | 870,878 |
| 45 | Accumulated Amortization of C.I.A.C. (272) | 266,351 | | 266,351 |
| 46 | Total Net C.I.A.C. | \$ 604,527 | \$ - | \$ 604,527 |
| 46 | TOTAL EQUITY CAPITAL AND LIABILITIES | \$ 3,891,655 | \$ 114,170 | \$ 4,005,825 |

Lakes Region Water Company

SPS 2

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Statement of Income

| Line No. (a) | Account Title (Number) (b) | 2015 Year End Balance (c) | Dockhan Shores 2015 Rev and Exp (d) | Adjustments (e) | 2015 Proformed Year End Balance (f) |
|--------------|--|---------------------------|-------------------------------------|-----------------|-------------------------------------|
| | UTILITY OPERATING INCOME | | | | |
| 1 | Operating Revenues(400) | \$ 1,287,146 | \$ 31,149 | \$ 6,620 | \$ 1,324,915 |
| 2 | Operating Expenses: | | | | |
| 3 | Operating and Maintenance Expense (401) | 883,344 | 22,191 | - | 905,535 |
| 4 | Depreciation Expense (403) | 178,347 | 5,761 | 998 | 185,106 |
| 5 | Amortization of Contribution in Aid of Construction (405) | (17,048) | (104) | | (17,152) |
| 6 | Amortization of Utility Plant Acquisition Adjustment (406) | (5,708) | | | (5,708) |
| 7 | Amortization Expense-Other (407) | | | | |
| 8 | Taxes Other Than Income (408.1-408.13) | 87,105 | 374 | 1,305 | 88,784 |
| 9 | Income Taxes (409.1, 410.1, 411.1, 412.1) | 29,710 | 792 | | 30,502 |
| 10 | Total Operating Expenses | \$ 1,155,750 | \$ 29,014 | \$ 2,303 | \$ 1,187,067 |
| 11 | Net Operating Income (Loss) | 131,396 | 2,135 | 4,317 | 137,848 |
| 12 | Income From Utility Plant Leased to Others (413) | | | | |
| 13 | Gains(Losses) From Disposition of Utility Property (414) | | | | |
| 14 | Net Water Utility Operating Income | \$ 131,396 | \$ 2,135 | \$ 4,317 | \$ 137,848 |
| | OTHER INCOME AND DEDUCTIONS | | | | |
| 15 | Revenues From Merchandising, Jobbing and Contract Work (415) | | | | |
| 16 | Costs and Expenses of Merchandising, Jobbing and Contract Work (416) | | | | |
| 17 | Equity in Earnings of Subsidiary Companies (418) | | | | |
| 18 | Interest and Dividend Income (419) | 4,196 | | | 4,196 |
| 19 | Allow. for funds Used During Construction (420) | | | | |
| 20 | Nonutility Income (421) | | | | |
| 21 | Gains (Losses) Form Disposition Nonutility Property (422) | | | | |
| 22 | Miscellaneous Nonutility Expenses (426) | (3,969) | | | (3,969) |
| 23 | Total Other Income and Deductions | \$ 227 | \$ - | \$ - | \$ 227 |
| | TAXES APPLICABLE TO OTHER INCOME | | | | |
| 24 | Taxes Other Than Income (408.2) | | | | |
| 25 | Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3) | | | | |
| 26 | Total Taxes Applicable To Other Income | | | | |
| | INTEREST EXPENSE | | | | |
| 27 | Interest Expense (427) | 55,216 | | 6,241 | 61,457 |
| 28 | Amortization of Debt Discount & Expense (428) | 863 | | 428 | 1,291 |
| 29 | Amortization of Premium on Debt (429) | | | | |
| 30 | Total Interest Expense | \$ 56,079 | \$ - | \$ 6,669 | \$ 62,748 |
| 31 | Income Before Extraordinary Items | 75,544 | 2,135 | (2,351) | 75,328 |
| | EXTRAORDINARY ITEMS | | | | |
| 32 | Extraordinary Income (433) | | | | |
| 33 | Extraordinary Deductions (434) | | | | |
| 34 | Income Taxes, Extraordinary Items (409.3) | | | | |
| 35 | Net Extraordinary Items | | | | |
| | NET INCOME (LOSS) | \$ 75,544 | \$ 2,135 | \$ (2,351) | \$ 75,328 |

SPSt. Cyr
5/25/2016

Lakes Region Water Company

SPS 3

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Capital Structure

| Line No. (a) | Account Title (Number) (b) | Adjusted 12/31/2015 (c) | Proforma Adjustments (d) | Proformed 12/31/2015 (e) |
|-----------------------------|--|-------------------------|--------------------------|--------------------------|
| EQUITY CAPITAL | | | | |
| 1 | Common Stock Issued (201) | \$ 10,000 | | \$ 10,000 |
| 2 | Preferred Stock Issued (204) | | | |
| 3 | Capital Stock Subscribed (202,205) | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | |
| 5 | Premium on Capital Stock (207) | | | |
| 6 | Installments Received On Capital Stock (208) | | | |
| 7 | Other Paid-In Capital (209,211) | 1,217,810 | | 1,217,810 |
| 8 | Discount on Capital Stock (212) | | | |
| 9 | Capital Stock Expense(213) | (5,519) | | (5,519) |
| 10 | Retained Earnings (214-215) | 705,123 | (2,351) | 702,772 |
| 11 | Reacquired Capital Stock (216) | | | |
| 12 | Total Equity Capital | \$ 1,927,414 | \$ (2,351) | \$ 1,925,063 |
| LONG TERM DEBT | | | | |
| 13 | Bonds (221) | 830,160 | 116,521 | 946,681 |
| 14 | Reacquired Bonds (222) | | | |
| 15 | Advances from Associated Companies (223) | | | |
| 16 | Other Long-Term Debt (224) | 94,757 | | 94,757 |
| 17 | Total Long-Term Debt | \$ 924,917 | \$ 116,521 | \$ 1,041,438 |
| Total Capitalization | | \$ 2,852,331 | \$ 114,170 | \$ 2,966,501 |

Capitalization Ratios

| Line No. | Account Title (Number) (a) | 12/31/2004 | Proforma Adjustments | Proformed 12/31/2008 |
|-----------------------------|--|------------|----------------------|----------------------|
| EQUITY CAPITAL | | | | |
| 1 | Common Stock Issued (201) | 0.35% | | 0.34% |
| 2 | Preferred Stock Issued (204) | | | |
| 3 | Capital Stock Subscribed (202,205) | | | |
| 4 | Stock Liability for Conversion (203, 206) | | | |
| 5 | Premium on Capital Stock (207) | | | |
| 6 | Installments Received On Capital Stock (208) | | | |
| 7 | Other Paid-In Capital (209,211) | 42.70% | | 41.05% |
| 8 | Discount on Capital Stock (212) | | | |
| 9 | Capital Stock Expense(213) | -0.19% | | -0.19% |
| 10 | Retained Earnings (214-215) | 24.72% | -2.06% | 23.69% |
| 11 | Reacquired Capital Stock (216) | | | |
| 12 | Total Equity Capital | 67.57% | -2.06% | 64.89% |
| LONG TERM DEBT | | | | |
| 13 | Bonds (221) | 29.10% | 102.06% | 31.91% |
| 14 | Reacquired Bonds (222) | | | |
| 15 | Advances from Associated Companies (223) | | | |
| 16 | Other Long-Term Debt (224) | 3.32% | | 3.19% |
| 17 | Total Long-Term Debt | 32.43% | 102.06% | 35.11% |
| Total Capitalization | | 100.00% | 100.00% | 100.00% |

Lakes Region Water Company

SPS 4

2016 Financing with CoBank - Dockham Shore acquisition and improvements

| Journal Entries | | | | Impact on NI |
|--|-----|---------------------------------|---------|-----------------|
| JE#1 | Dr. | Miscellaneous Deferred Debits | 8,550 | |
| | Cr. | Cash | | 8,550 |
| To record costs associated with financing and step increase (See SPS 10) | | | | |
| JE#2 | Dr. | Cash | 120,000 | |
| | Cr. | Other Long Term Debt | | 120,000 |
| To record receipt of cash and additional long term debt (See SPS 9) | | | | |
| JE#3 | Dr. | Accumulated Depreciation | | |
| | Cr. | Plant | | 0 |
| To record retirement of Dockham Shores plant | | | | |
| JE#4 | Dr. | Plant | 120,000 | |
| | Cr. | Cash | | 120,000 |
| To record additional investment in plant (See SPS 7) | | | | |
| JE#5 | Dr. | Depreciation Expense | 998 | |
| | Cr. | Accumulated Depreciation | | 998 |
| To record annual depreciation expense (See SPS 7) | | | | |
| JE#6 | Dr. | Operating Expenses | | |
| | Cr. | Cash | | 0 |
| To record increase in operating expenses | | | | |
| JE#7 | Dr. | Taxes other than Income - State | 389 | (389) |
| | Dr. | Taxes other than Income - Local | 916 | (916) |
| | Cr. | Cash | | 1,305 |
| To record increase in property taxes (See SPS 8) | | | | |
| JE#8 | Dr. | Other Long Debt | 3,479 | |
| | Dr. | Interest Expense | 6,241 | |
| | Cr. | Cash | | 9,720 |
| To record year 1 repayment of principal and interest on \$120,000 of CoBank Note | | | | |
| JE#9 | Dr. | Amortization of Debt Expense | 428 | |
| | Cr. | Miscellaneous Deferred Debt | | 428 |
| To record amortization of debt expense | | | | |
| JE#10 | Dr. | Cash | 6,620 | |
| | Cr. | Revenue | | 6,620 |
| To record receipt of revenue (See SPS 5) | | | | |
| Total Impact on Net Income | | | | (2,351) |
| Impact on Cash | | | 126,620 | 139,575 |
| Net Impact on Cash | | | | (12,955) |

SPSt. Cyr
5/25/2016

Lakes Region Water Co., Inc.**SPS 5****2016 Financing with CoBank - Dockham Shore acquisition and improvements****Preliminary Calculation of Revenue Requirement**

Plant Additions/Retirements:

Plant Additions

| | | | |
|-----|---------------------------|----|---------------|
| 304 | Panel, Devar & GS400 | \$ | 15,300 |
| 311 | 2 - 2" Badger Meters | | 4,400 |
| 304 | Building | | 10,000 |
| 304 | Electrical and Plumbing | | 9,000 |
| 304 | Pump Station Improvements | | 13,000 |
| 311 | Bulkhead / Building | | 2,200 |
| 304 | 1 - 2" Badger Meter | | 1,600 |
| 304 | Exhaust Fan & Transducer | | 1,500 |
| 304 | Plumbing | | <u>3,000</u> |
| | TOTAL | \$ | <u>60,000</u> |

| | | | |
|-------------------|--|--|----------|
| Plant Retirements | | | <u>0</u> |
|-------------------|--|--|----------|

| | | | |
|---------------------------|--|--|----------|
| Net Additions/Retirements | | | \$60,000 |
|---------------------------|--|--|----------|

| | | | |
|----------------------------------|--|--|---|
| Add: Accum Depr on Retired Plant | | | 0 |
|----------------------------------|--|--|---|

| | | | |
|-------------------------------|--|--|--------------|
| Less: Accum Depr on New Plant | | | <u>(998)</u> |
|-------------------------------|--|--|--------------|

| | | | |
|-----------|--|--|-----------------|
| Net Plant | | | <u>\$59,003</u> |
|-----------|--|--|-----------------|

| | | | |
|-----------------------|--|--|----------|
| Plus: Working Capital | | | <u>0</u> |
|-----------------------|--|--|----------|

| | | | |
|----------------------------|--|--|----------|
| Total Additional Rate Base | | | \$59,003 |
|----------------------------|--|--|----------|

| | | | |
|----------------|--|--|--------------|
| Rate of Return | | | <u>5.63%</u> |
|----------------|--|--|--------------|

| | | | |
|--|--|--|----------------|
| Additional Net Operating Income Required | | | <u>\$3,320</u> |
|--|--|--|----------------|

| | | | |
|----------------------------------|--|--|-------|
| Increase in Depreciation Expense | | | 1,995 |
|----------------------------------|--|--|-------|

| | | | |
|---|--|--|-----|
| Increase in Taxes other than Income - State | | | 389 |
|---|--|--|-----|

| | | | |
|--|--|--|------------|
| Increase in Taxes other than Income - Town | | | <u>916</u> |
|--|--|--|------------|

| | | | |
|--------------------------------------|--|----|--------------|
| Total Increase in Operating Expenses | | \$ | <u>3,300</u> |
|--------------------------------------|--|----|--------------|

| | | | |
|-----------------------------------|--|--|---------|
| Total Additional Revenue Required | | | \$6,620 |
|-----------------------------------|--|--|---------|

| | | | |
|-------------------------|--|--|---------------|
| 2015 Operating Revenues | | | <u>31,149</u> |
|-------------------------|--|--|---------------|

| | | | |
|------------------------|--|--|-----------------|
| Total Revenue Required | | | <u>\$37,769</u> |
|------------------------|--|--|-----------------|

| | | | |
|------------------------------|--|--|---------------|
| Percentage Increase Required | | | <u>21.25%</u> |
|------------------------------|--|--|---------------|

SPSt. Cyr
5/25/2016

Lakes Region Water Company**SPS 6****2016 Financing with CoBank - Dockham Shore acquisition and improvements****Cost Rate for Step Adjustment on Dockham Shores improvements**

| <u>Debt Holder</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Interest Expense</u> | <u>Amortization of Fin Costs</u> | <u>Total Interest</u> | <u>Cost Rate</u> |
|--------------------|-----------------|----------------------|-------------------------|----------------------------------|-----------------------|------------------|
| CoBank | <u>\$60,000</u> | 5.27% | <u>\$3,162</u> | <u>\$214</u> | <u>\$3,376</u> | 5.63% |
| Total Cost of Debt | <u>\$60,000</u> | | <u>\$3,162</u> | <u>\$214</u> | <u>\$3,376</u> | 5.63% |

Lakes Region Water Co., Inc.

SPS 7

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Plant

Preliminary Accumulated Depreciation and Depreciation Expense

| <u>PUC</u> <u>Acct. No.</u> | <u>Description</u> | <u>Cost</u> | <u>Depr.</u> <u>Rate</u> | <u>Annual</u> <u>Cost</u> | <u>Accum</u> <u>Depr.</u> |
|--------------------------------|------------------------------|-------------------|-----------------------------|------------------------------|------------------------------|
| | <u>Acquisition</u> | | | | |
| 101 | Plant in Service | \$ 158,973 | | | |
| 108 | Accumulated Depreciation | (70,030) | | | |
| | Net Utility Plant | \$ 88,943 | | | |
| 114 | Plant Acquisition Adjustment | <u>\$(28,943)</u> | | | |
| | Total Net Utility Plant | <u>\$ 60,000</u> | | | |

Note: Plant, A/D & Acq. Adj. are reflected on B/S & I/S. As such, no additional depreciation expense and accumulated depreciation is required on the acquisition.

| <u>PUC</u> <u>Acct. No.</u> | <u>Description</u> | <u>Cost</u> | <u>Depr.</u> <u>Rate</u> | <u>Annual</u> <u>Cost</u> | <u>Accum</u> <u>Depr.</u> |
|--------------------------------|----------------------------------|------------------|-----------------------------|------------------------------|------------------------------|
| | <u>Well Improvements</u> | | | | |
| 304 | Panel, Devar & GS400 | \$ 15,300 | 2.50% | \$ 383 | \$ 191 |
| 311 | 2 - 2" Badger Meters | 4,400 | 10.00% | 440 | 220 |
| 304 | Building | 10,000 | 2.50% | 250 | 125 |
| 304 | Electrical and Plumbing | 9,000 | 2.50% | 225 | 113 |
| | <u>Pump Station Improvements</u> | | | | |
| 304 | Bulkhead / Building | 13,000 | 2.50% | 325 | 163 |
| 311 | 1 - 2" Badger Meter | 2,200 | 10.00% | 220 | 110 |
| 304 | Exhaust Fan & Transducer | 1,600 | 2.50% | 40 | 20 |
| 304 | Plumbing | 1,500 | 2.50% | 38 | 19 |
| 304 | Miscellaneous Labor | <u>3,000</u> | 2.50% | <u>75</u> | <u>38</u> |
| | Total Improvements | <u>\$ 60,000</u> | | <u>\$ 1,995</u> | <u>\$ 998</u> |

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5/25/2016

Lakes Region Water Company

SPS-8

2016 Financing with CoBank - Dockham Shore acquisition and improvements

Taxes

| | Total Projected Costs |
|--|-----------------------------|
| <u>State Property Taxes on Wells and Pump Station Improvements</u> | |
| Total Project Costs | \$60,000 |
| Accumulated Depreciation | <u>(998)</u> |
| Net Plant | <u>\$59,003</u> |
| Thousand Dollars of Assessed Value | \$59 |
| Property Tax Rate | <u>6.60</u> |
| State Property Taxes | <u>\$389</u> |
| <u>Local Property Taxes</u> | |
| Total Project Costs | \$60,000 |
| Accumulated Depreciation | <u>(998)</u> |
| Net Plant | <u>\$59,003</u> |
| Thousand Dollars of Assessed Value | \$59 |
| Property Tax Rate | <u>15.52</u> |
| Local Property Taxes | <u>\$916</u> |

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5/25/2016

Lakes Region Water Company

SPS 9

2016 Financing with CoBank - Dockham Shore acquisition and improvements

| | |
|-------------------------|------------------|
| Total Costs of Projects | <u>\$120,000</u> |
|-------------------------|------------------|

Source of Funds:

| | |
|-----------------------|-------------------|
| CoBank | <u>120,000</u> |
| Total Source of Funds | <u>\$ 120,000</u> |

Use of Funds:

| | |
|----------------------------------|-------------------|
| 2016 Dockham Shore's acquisition | \$ 60,000 |
| 2016 Well Improvements | 38,700 |
| 2016 Pump Station Improvements | <u>21,300</u> |
| Total Use of Funds | <u>\$ 120,000</u> |

SPSt. Cyr
5/25/2016

Lakes Region Water Company**SPS 10****2016 Financing with CoBank - Dockham Shore acquisition and improvements****Estimated Financing Costs on portion of the CoBank Loan**

| | |
|-----------------------------------|----------------|
| CoBank * | \$ 1,800 |
| Upton & Hatfield * | 4,500 |
| Stephen P. St. Cyr & Associates * | <u>2,250</u> |
| Total Financing Costs | \$ 8,550 |
| Life of Loan | <u>20 Yrs.</u> |
| Annual Amortization Expense | <u>\$ 428</u> |

* Reflects 30% of the proposed total 2016 CoBank Financing Costs of \$28,500.

SPSt. Cyr
5/25/2016

2016 Lakes Region Water Capital Estimates +/-

| | |
|---|-------------------|
| Dockham Shores Purchase | 60,000.00 |
| Well Improvements | |
| Panel, Devar, & GS400 | 15,300.00 |
| 2- 2" Badger Meters | 4,400.00 |
| Building | 10,000.00 |
| Electrical and Plumbing | 9,000.00 |
| Pump Station Improvements | |
| Bulkhead/Building | 13,000.00 |
| 1- 2" Badger Meter | 2,200.00 |
| Exhaust fan & Transducers | 1,600.00 |
| Plumbing | 1,500.00 |
| Misc. Labor | 3,000.00 |
| Improvement Total | 60,000.00 |
| Total Dockham Shores | 120,000.00 |
| White Mtn Gateway 001 | |
| Pump Station Improvements | |
| Bulkhead/Building | 9,300.00 |
| Booster Pumps | 4,500.00 |
| Exhaust fan/transducers | 1,100.00 |
| REPCO Panel | 10,000.00 |
| 1- 2" Badger Meter | 2,200.00 |
| 1- 1" Badger Meter | 1,500.00 |
| 2" Pressure reducing valve | 550.00 |
| RTV w/Power Supply | 2,500.00 |
| Plumbing | 1,500.00 |
| Elctrical/Labor | 16,850.00 |
| Total White Mtn Gateway Project | 50,000.00 |
| Wentworth Cove Pump Station Upgrades | |
| GS400 | 3,800.00 |
| 1- 2" Badger Meter | 2,200.00 |
| 1- 1" Badger Meter | 1,500.00 |
| Bulkhead/Building | 13,200.00 |
| Exhaust fan/transducers | 1,100.00 |
| Manganese filtration | 10,000.00 |
| Misc. Plumbing | 3,000.00 |
| Electrical/Labor | 12,200.00 |
| Total Wentworth Cove Project | 47,000.00 |
| Main Office Renovations | |

| | |
|--|-----------------------|
| Contstruction of additional 2,316 sq ft (+/-) of office space and shop work area. | 130,000.00 |
| Furnishing for additonal 4 desks, chairs and conference table. | 4,000.00 |
| Misc. items, wiring , and office equipment. | 6,000.00 |
| Total Main Office Renovations | 140,000.00 |
| <hr/> | |
| CoBank Refinance | |
| <hr/> | |
| Origination fee 06/24/14 | 6,000.00 |
| Mt. Roberts improvements 07/15/14 (various vendors) | 25,000.00 |
| NDS Payment 01/12/15 | 2,000.00 |
| LRWS Payment 04/15/15 | 10,000.00 |
| Total CoBank | 43,000.00 |
| TOTAL LOAN AMOUNT | 400,000.00 |



6340 South Fiddlers Green Circle
Greenwood Village, CO 80111
800-542-8072
www.cobank.com

May 2, 2016

Mr. Thomas Mason, President and CEO
Lakes Region Water Company, Inc.

Dear Mr. Mason:

The following information proposal is for informational purposes only and is not a commitment to lend.

Borrower: Lakes Region Water Company, Inc. (“Borrower”)

Type of Credit Facility: A secured term loan of up to 20 years and a maximum \$400,000 (the “Loan”).

Purpose: To finance various capital projects, acquisition of Dockham Shores Water system, term out of line of credit and miscellaneous closing and financing costs.

Availability: Up to 8 months after closing.

Interest: In accordance with one or more of the following interest rate options, as selected by the Borrower:

Weekly Quoted Variable Rate Option: Under this option, balances may be fixed at a rate established by CoBank on the first "Business Day" (to be defined) of each week. The rate established shall be effective until the first Business Day of the next week. The interest rate under this option as of 4-29-16 is 2.94%.

Quoted Fixed Rate Option: At one or more rates to be quoted by CoBank. Under this option, rates can be fixed: (1) on balances of \$100,000 or more; (2) for periods of, 6 months to the final maturity of the Loan; and (3) for each facility, on no more than 5 separate balances at any one time. The interest rate for a 20 year fully amortizing loan as of 4-29-16 is 5.27%.

Patronage: The above quoted interest rate is stated prior to the payment of patronage under CoBank’s patronage program. Patronage will lower the effective interest rate by 75 basis points per annum based on the current program. The patronage program can be

modified at any time by a vote of CoBank's board of directors, thus patronage payments are not guaranteed.

Interest will be calculated on the basis of a year consisting of 360 days and shall be payable monthly in arrears by the 20th day of the following month.

Notwithstanding the foregoing, during the continuance of a default, interest shall accrue at 4% in excess of the rates that would otherwise be in effect.

Origination Fees:

Four thousand dollars payable at closing.

Principal Repayment:

In consecutive monthly installments, each due on the 20th of the month, with the first installment due on the 20th day of the second month following the month in which the availability period ends. The amount of each installment shall be the same principal amount that would be due and payable if the Loan was payable in level installments of principal and interest and such schedule was calculated using the "CoBank Base Rate" (to be defined) on the date of the loan agreement; provided, however, that if on the date the Loan is made, the Borrower fixes the rate of interest on the entire principal amount of the Loan to the final maturity date thereof, then the rate utilized in calculating the amortization schedule shall be the rate of interest accruing on the Loan.

Prepayment:

Balances bearing interest at the Weekly Quoted Variable Rate Option may be prepaid without premium. Balances bearing interest at the Quoted Fixed Rate Option may be prepaid upon payment of a premium equal to the present value of CoBank's "Funding Losses" as defined in the Master Loan Agreement (MLA) plus a yield of .50% on a per annum basis.

Capitalization:

The Loan will be capitalized in accordance with CoBank's bylaws and its capital plan. As such it will be eligible for patronage refunds.

Collateral:

The Loan will be secured by a perfected priority lien on and security interest in all real and personal, tangible and intangible, present and future assets of the Borrower including a deed of trust or mortgage with evidence of title (in a form to be determined by CoBank) subject only to those exceptions approved by CoBank.

Documentation:

The Loan would be subject to the negotiation, execution, delivery, and, where appropriate, recording of loan and loan related documentation (including exhibits, opinions, and security documentation) satisfactory to CoBank and its counsel in its or their sole discretion. In addition, all other matters whatsoever relating to the credit or the closing thereof must be approved by CoBank and its counsel in its or their sole discretion. Without limiting the foregoing,

the loan documentation shall include conditions precedent, representations and warranties, covenants, events of default, remedies upon default, and various miscellaneous provisions.

Representations and Warranties:

Including, without limitation, representations and warranties as to organization; good standing and qualification; authorization of borrowing; compliance with law; financial condition; title to properties; liens; no material adverse change; litigation; payment of taxes; governmental regulations; disclosure; licenses; trademarks; and patents.

Financial Covenants:

As stated in the existing MLA

Negative Covenants:

As stated in the existing MLA.

Reporting Requirements:

The Borrower will be required to deliver:

- Annual reviewed financial statements within 120 days of each fiscal year end.
- If requested by CoBank - Quarterly, company prepared, interim financial statements within 60 days of close of the 1st, 2nd and 3rd fiscal quarters.

Expenses and Indemnification:

The Borrower will indemnify CoBank against all losses, liabilities, claims, damages, or expenses relative to the Credit Facility or the use of loan proceeds. All reasonable costs and expenses incurred by CoBank in connection with this transaction including, without limitation, all legal fees and expenses for CoBank's legal counsel, shall be paid by the Borrowers.

Defaults:

As stated in the existing MLA.