

LAKES REGION WATER COMPANY, INC. WATER SUPPLY AGREEMENT
WITH PROPERTY OWNERS ASSOCIATION AT SUISSEVALE, INC.

Agreement made and entered into this 22nd day of September 2006 ("Agreement") by and between Lakes Region Water Company, Inc. ("Lakes Region"), a duly established public utility in the state of New Hampshire, and Property Owners Association at Suissevale, Inc. ("POASI"), a New Hampshire corporation.

Recitals

1. Lakes Region is a public utility in the state of New Hampshire which is obligated to provide safe and adequate service to its customers. POASI is a customer of Lakes Region.
2. POASI is an association of home owners located in Moultonborough, New Hampshire which owns and operates its own water distribution system for the sole purpose of providing water to its members. The New Hampshire Department of Environmental Services determined that POASI is not a public water system within the meaning of RSA 485:1-a, XV.
3. Lakes Region has supplied water to POASI since 1994 through one meter point.
4. Lakes Region and POASI have determined to enter into this legally binding agreement to establish conditions for the supply of water.
5. ~~Special circumstances exist to justify a departure from Lakes Region's rate schedules of general application. This Agreement will be submitted to the New Hampshire Public Utilities Commission pursuant to RSA 378:18 for and subject to its approval.~~
6. Lakes Region and POASI intend to enter into a separate agreement (the Capital Project Contribution Agreement) under which POASI will agree to provide a one time proportionate share financial contribution to help defray the cost to Lakes Region of constructing a water storage facility which will be used to serve POASI and other customers of Lakes Region's Paradise Shores System. As of the date of this Agreement negotiations as to the exact amount of the POASI contribution has not yet been made due to circumstances described in section 9.7 of this Agreement. To date POASI has made contributions totaling \$86,795.

Now, therefore, in consideration of the mutual promises and covenants herein set forth, and in order to secure the services described below, the parties hereto, each binding itself, its respective representatives, successors, and assigns agree as follows:

1. Incorporation of Recitals. The Recitals listed above shall be made a part of this Agreement as if made in the Agreement itself.
2. Short Title. This Agreement may be referred to as the "POASI Water Supply Agreement".
3. Definitions. For the purposes of this Agreement, including any amendments, the terms shall have the meanings set forth below.

3.1 "Lakes Region" means the Lakes Region Water Company, Inc., a public utility in the state of New Hampshire.

3.2 "NHPUC" means the New Hampshire Public Utilities Commission.

3.3 "POASI" means and the Property Owners Association at Suissevale, Inc.

4. Construction. This Agreement, except where the context clearly indicates otherwise, shall be construed as follows: definitions include both singular and plural and pronouns include both singular and plural and include both genders.
5. Governing Law. This Agreement shall be governed by the laws of the State of New Hampshire.
6. Terms of Supply.

6.1 Obligations of POASI. POASI agrees to the following obligations and limitations made in return for Lakes Region's agreement to supply water to POASI:

6.1.1 POASI agrees to make timely payment of all charges described in this Agreement in accordance with Sections 8.1 and 8.2 below.

6.1.2 POASI agrees to operate its water system in accordance with customary engineering practices and with the guidelines set forth below.

6.1.3 POASI shall minimize wasteful use of water within its service area and if necessary shall exercise conservation measures that are consistent with those required of other Lakes Region's Paradise Shores Systems.

6.1.4 POASI shall notify Lakes Region of any new service connections to POASI's internal distribution system. POASI agrees that only POASI members within POASI's Suissevale Development shall be connected to its internal distribution system and that POASI shall not permit any service connections to non-members outside of the Suissevale Development, other than the two non-members who were being served by POASI as of the effective date of this agreement.

6.2 Obligations of Lakes Region. Lakes Region agrees to the following obligations and limitations made in return for POASI's agreement to pay the charges specified in this Agreement.

6.2.1 Lakes Region agrees to supply water meeting the drinking water quality criteria established from time to time by the United States Environmental Protection Agency and the State of New Hampshire.

6.2.2 Lakes Region shall supply water to POASI in the vicinity of Eden Lane in Balmoral Estates where there shall be a meter as described below. Additional metering points may be added by mutual agreement and subject to the provisions of this Agreement.

6.2.3 The measurement of water delivered to POASI shall be undertaken by Lakes Region. Such flow measurement shall be made by one or more metering devices.

6.2.4 Lakes Region owns and is responsible for water system facilities up to and including the so-called POASI Master Meter. Water facilities beyond the POASI Master Meter are the responsibility of POASI. Any and all connections between Lakes Region and POASI, including modifications or upgrades which may be necessary to effectuate this Agreement, including but not limited to meter vaults and metering devices, shall be designed and constructed by Lakes Region and/or any subcontractors Lakes Region shall choose to employ. The cost of all construction undertaken with regard to the connection of Lakes Region to POASI, including the purchase of metering devices and appurtenances, shall be paid by Lakes Region.

6.2.5 Any and all metering devices installed pursuant to this Agreement shall be inspected and calibrated in the manner provided by rules of the NHPUC at Lakes Region's expense. A copy of any inspection and calibration reports shall be kept at Lakes Region's offices and shall be available for examination by POASI during normal business hours. Such metering device shall meet all the requirements of state and federal law.

6.2.6 POASI may request Lakes Region to test and certify as to the accuracy of any metering device at any time in accordance with NHPUC rules.

6.2.7 In the case of missing or inaccurate flow records due to faulty metering device operation or other circumstances an estimate of flow shall be made by Lakes Region based on past records for a comparable period. The estimates shall be used to calculate the payments due from POASI.

6.2.8 Lakes Region shall maintain records of meter readings and these records shall be available for inspection by POASI at the office of Lakes Region during normal business hours.

6.2.9 Lakes Region is obligated to provide safe and adequate service to POASI as a public utility customer up to and including the said POASI Master Meter.

6.2.10 Lakes Region shall supply water to POASI with a minimum pressure of 60 psi at the said POASI Master Meter. The parties hereto acknowledge that increases from current pressures may not be available until the Emerson Path water tank and mains are completed.

7. Notices. All notices and other writings sent pursuant to this Agreement shall be addressed to the President of Lakes Region at:

Lakes Region Water Co., Inc.
P.O. Box 389
Moultonboro, NH 03254

And to POASI Administrator at:

Property Owners Association at Suissevale, Inc.
P.O. Box 113
Moultonboro, NH 03254

or such other address as is indicated by written notice to the other party.

8. Payment for Services.

8.1. Basis for Payments. Based upon the worksheet attached hereto as Appendix A, the rate for calendar year 2006 was calculated to be 4.39404. For purposes of this agreement, POASI shall pay Lakes Region monthly in arrears for each 100 cubic feet of water supplied to POASI at the location stated in section 6.2.2 the rate of \$4.20 per 100 cubic feet for calendar year 2006. In addition POASI shall pay a fixed charge of \$366.41 per calendar year 2006. The volume of water for the purpose of these payments shall be determined by means of the metering device referred to in section 6.2.3.

8.2. Adjustments in Rate. The rate for each 100 cubic feet of water and the fixed charge established in section 8.1 may be adjusted in accordance with this section. Within 10 days after Lakes Region files its annual report with the NHPUC it shall provide POASI with a copy of that annual report and a worksheet in the form attached hereto as Appendix A which calculates the actual expenses Lakes Region incurred during the prior calendar year to supply water to POASI ("Actual Expense"). Lakes Region shall also submit a copy of the worksheet to the NHPUC. POASI shall then have 30 days to review the Actual Expense worksheet. If POASI agrees with Lakes Region's Actual Expense calculations, the Actual Expense shall be used to recalculate the rate provided for under section 8.1. POASI shall begin paying the new rate with its next payment. The new rate

shall be applicable to water used during the entire calendar year during which the new rate is imposed and any difference between payments received and the amount owed based on the recalculated rate shall be calculated and resolved following the conclusion of the calendar year in accordance with section 8.3. Lakes Region shall notify the NHPUC of any changes in rates that result from this section. Any contributions in aid of construction which POASI makes to Lakes Region shall be included in the POASI only column on Appendix A and shall be counted as a benefit for the purposes of fixed rate #2 on Appendix A.

8.3 Payment. For the duration of this Agreement POASI shall pay Lakes Region monthly one twelfth of Lakes Region's estimate of what the total bill for the year shall be. The estimate will be based on the prior year's usage and the rate calculated in Sections 8.1 and 8.2. Lakes Region will bill POASI monthly in arrears. Within 30 days of the conclusion of the calendar year, the payments will be reconciled to the actual usage and the difference will either be refunded to POASI in the form of credit toward the next payment or payments due, or POASI will pay Lakes Region the difference.

9. Assignment, Amendment and Termination.

9.1. Amendment. The provisions, terms and conditions of this Agreement may be modified only by written amendments, executed with the same formality as this Agreement.

9.2. Assignment. No assignment by either party of its rights or duties under this Agreement shall be binding on the other party unless that party consents.

9.3 Waiver. Failure of either party to exercise any right under this Agreement shall not be deemed a waiver of such party to exercise at some future time said rights or another right it may have hereunder.

9.4. Date Effective, Supersession and Duration. Subject to approval of the NHPUC this Agreement shall be effective October 1, 2006. Upon receipt of NHPUC approval, this Agreement shall supersede and replace all prior agreements between the parties with respect to the subject matter hereof. This Agreement shall be in full force and effect and shall be exclusive and binding on the parties for 30 years from the effective date. POASI shall have the right to extend the Agreement for an additional five years provided that it notifies Lakes Region at least two years prior to the expiration of the Agreement, and to extend the Agreement in a similar manner for three more five year periods, provided it gives notice at least two years prior to the expiration of the Agreement under each or any of such five year extensions.

9.5. Termination. The parties may terminate by mutual agreement or as otherwise provided in this Agreement.

9.6 Breach. Either party may terminate this Agreement prior to the time specified in section 9.4 if the other party has violated any of the covenants undertaken herein, or any of the duties imposed upon it by this Agreement; provided that the party seeking to terminate for such cause shall give the offending party sixty days written notice specifying the particulars of the violation claimed and if at the end of such time the party so notified has not removed the cause of complaint, or remedied the purported violation, then the termination of this Agreement shall be deemed complete.

9.7 Supply of Water. POASI is aware and acknowledges that Lakes Region had constructed water storage tanks that were needed to meet current demand for water supply and that due to design and or construction defects, the storage tanks are unusable. POASI is aware and acknowledges that Lakes Region has claims pending against the engineering firm that designed the tanks and against the contractor that constructed them and that that litigation could take some time to resolve and that the process of that litigation is only partially within Lakes Region's control and is subject to Court schedules and to the actions of the other parties to the litigation. POASI is also aware that it is unlikely that Lakes Region will be in a position to rebuild those tanks to obtain the needed storage while that litigation is pending. In the event that Lakes Region has insufficient water due to the lack of storage or for other reasons such as drought or water supply issues beyond Lakes Region's clear control, Lakes Region shall use all reasonable efforts to meet the needs of all of its customers, including POASI. If, however, Lakes Region is unable to meet the needs of all of its customers and has to impose conservation measures or to curtail water supply, Lakes Region will follow the procedures contained in PUC 604.07, Shortage of Supply. Reasonable efforts do not require Lakes Region to attempt to build alternative storage tanks while the above-referenced litigation is pending. POASI agrees not to assert claims, in court or otherwise against Lakes Region (or its officers, directors and employees) for damages, injunctive or other relief provided that Lakes Region follows the procedures outlined in this section, the statutes and the rules of the Commission.

10. Miscellaneous Provisions.

10.1 Severability. If any clause or provision of this Agreement or application thereof shall be held invalid or unlawful, no other clause or provision or its application shall be affected, and this Agreement shall be construed and enforced as if such unlawful or invalid clause or provision had not been contained herein.

10.2 Dispute Resolution. The parties shall first attempt to resolve any dispute with regard to the terms of this Agreement between themselves informally by negotiation between themselves or by non-binding mediation as described herein. Either party may initiate non-binding mediation of a dispute arising between the parties, by giving the other party written notice to mediate setting forth a list of no more than 3 names and qualifications of neutrals who the initiating party believes would be qualified as a mediator for the dispute. Within 15 calendar days after the

delivery of the mediation notice, the receiving party shall provide notice to the initiating party designating a person to serve as the mediator from among the 3 persons listed by the initiating party. If no response is received, the initiating party may select the neutral from among the list of 3. The mediator shall schedule the mediation session within 2 weeks of being contacted. The parties shall make themselves available to attend the mediation session as scheduled by the mediator. The mediation shall be conducted according to the procedures determined by the mediator selected. All disclosures, discussions and any determinations or proposals by the mediator made pursuant to this mediation clause are confidential and shall be treated as compromise and settlement negotiations and both parties hereby stipulate and agree shall not be offered or be admissible as evidence in any other proceeding. The expenses of the mediation shall be shared by the parties equally. In the event that the mediation session is unsuccessful, the parties to this Agreement shall ask the NHPUC to resolve the dispute.

10.3 POASI not a Public Water System. Nothing in this Agreement is intended to make POASI a public water system under New Hampshire RSA 485:1-a, XV.

~~In Witness Whereof, this Agreement is executed in multiple counterparts each of which shall be deemed an original this 22nd day of September 2006.~~

In the presence of

Lakes Region Water Company, Inc.

Barbara G. Mason
Witness

By: [Signature]

In the presence of

Property Owners Association at Suissevale, Inc.

Witness

By: _____

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In the presence of

Lakes Region Water Company, Inc.

Witness

By: _____

In the presence of

Property Owners Association at Suissevale, Inc.

Dale R Prescott
Witness

By: Neal E Prescott