

REPORT FOR THE MONTH ENDING JANUARY 31, 2014

1. Capital Improvements Plan (CIP): A detailed plan identifying priority capital improvements was provided by the Company in its July and October Reports. The Company has updated the Plan to identify capital projects to be completed in 2014 and 2015 based a budget of approximately \$250,000 for 2014 and 2015.

The purpose of the plan is to identify the highest priority projects. However, the timing and execution of projects is dependent on system needs, available funding and several other factors. For example, during the month of November 2013, the Company committed \$9,000 for an ultra violet water treatment at Hidden Valley that was not contained in its prior CIP but deemed to be the best use of funds for capital projects.

The updated CIP is \$173,500 which is approximately \$75,000 less than the Capital Budget in the Company's Proforma Cash Flow provided in DW 13-335 (financing). The Company views the \$75,000 difference as a contingent reserve should unanticipated projects arise. This also can be used to fund projects that may assist it in satisfying its negative contingency required by CoBank.

2. Board of Directors: A Board meeting was held 1/21/14. The following items were discussed. Items requiring a vote were approved unanimously.

- Review Preliminary 2013 Financial Statements
- Review Capital Budget (2014 & 2015)
- Approval of Resolution to Refinance with CoBank
- Accounting firm engagement
- Review and Approval Hidden Valley Property Sale

3. Financial Review: The Accounting Firm (Leone, McDonnell & Roberts) will conduct a financial review on the Company's books and records commencing in late February.

4. Efforts to reduce overall costs: The Company continues to explore opportunities to reduce costs and improve its processes. During the month of November, the Company had a demonstration at its headquarters from a software vendor Continental Utility System (CUS). CUS provides utilities with work order and billing process solutions. The Company plans a second visit with the Hampstead Area Water Company (HAWC) to get an opinion on the system's capabilities.

5. Efforts to reduce Payables: See the attached detail of A/P as of 1/31/14. For the month ending 12/31/13 the A/P balance was \$584,093 as compared to \$568,224 at 1/31/14. The statement of A/P for 1/31/2014 does not reflect the sale of the Hidden Valley surplus lots approved in DW 13-308, the proceeds of which were used to reduce A/P, including tax liability. As noted in DW 13-335, the Company anticipates further reductions of approximately \$112,000 following approval of refinancing with CoBank.

6. Federal Income Tax Obligations: In December of 2013, the Company paid approximately \$10,000 towards its 2013 FIT liability. On November 13, 2013 the Company received its Release of its Federal Tax Lien from the IRS.

The Company also worked with Leone, McDonnell & Roberts to review and prepare a preliminary estimate of the Company's 2013 Tax Liability. The Company estimates that its Federal and State tax liability will be approximately \$93,000. Based on consultation with representatives of Leone, McDonnell & Roberts and CoBank, the Company has proposed to pay its 2013 estimated FIT liability using a 5 year fixed note as part of the Company's refinancing of A/P as proposed in DW 13-335. The primary benefits of this approach are: (a) elimination of any risk of non-deductible under-payment penalties; and (b) realization of tax deductions for the interest on debt used to pay the 2013 FIT liability.

7. Efforts to Obtain outside Capital: The Company has continued to refinance with CoBank, a large financial institution located in Colorado that provides financing to utilities throughout the United States, including New Hampshire. In December 2013 and January 2014, the Company worked on response to 21 Staff Data Requests. Responses were provided on December 23, 2013, January 15, 2014, and subsequently revised and updated on February 10, 2014. Two additional data requests were received today.

8. Update on how Lakes Region will use outside consultants: The Company has limited its use of consultants to support technical areas, including tax filings, engineering and legal matters. As noted above, the Company has retained and executed the engagement letter from the accounting firm of Leone, McDonnell, & Roberts located in Wolfeboro, NH. The scope of their work includes: providing a review of the company's 2013 financials as required by CoBank and preparing federal and state income tax returns.

Short Term Capital Improvemet Plan

Lake Region Water Systems

Division	Project	<u>Estimate</u> Cost
Far Echo	Remove and replace plumbing	\$ 8,000.00
	Renovate pumphouse	\$ 5,000.00
	Excavate storage tank	\$ 2,500.00
	Potentially expand building	\$ 20,000.00
Paradise Shores	Complete Mt Roberts, New well pumps,drives,meters,undergorund power, siding	\$ 30,000.00
West Point	Clean up around upper pump house, replace door in upper, side pumphouses	\$ 5,500.00
	Replace interior of lower station,side,roof	\$ 6,500.00
White Mountain Gateway	Drives and plumbing	\$ 5,800.00
Hidden Valley	Upper Pumphouse needs generator, new entry, finish vfd/telem install	\$ 15,000.00
Wentworth Cove	New entry	\$ 10,000.00
	Excavate and locate obstruction in water main on WC road	\$ 3,000.00
Pendelton Cove	Vfd drives	\$ 3,000.00
Deer Run	Extend driveway and clear brush	\$ 2,000.00
Woodland Grove	Install new stair entry and catwalk for chemcals	\$ 2,700.00
Echo Lake Woods	New entry	\$ 5,000.00
Brake Hill	Add generator	\$ 8,000.00
Gusnstock Glen	Add telemetry	\$ 2,500.00
Tamworth	Install new outgoig meter and source meter	\$ 5,000.00
175 Estates	Install telemetry and analyze current treatment	\$ 5,500.00
Deer Cove		\$ -
Lake Ossipee Village	Add telemetry	\$ 3,500.00
Indian Mound	Replace water line on Ossipee Lake drive 750 feet @ 100	\$ 25,000.00
Total 2014 / 2015		\$ 173,500.00

Lakes Region Water Company, Inc. Accounts Payable Aging as of 1/31/14													
12/31/2013	Increase	Vendor_Name	1/31/2014	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7-12 Months	13-24 Months	25-36 Months	Over 3 Years
Balance	(Decrease)	Total	0-30	31-60	61-90	91-120	121-150	151-180	181-365	366-730	731-1095	>1095	
1,613.00	0.00	City of Laconia	1,613.00	-	265.00	1,348.00	-	-	-	-	-	-	-
1,993.00	0.00	Town of Conway	1,993.00	-	-	-	1,993.00	-	-	-	-	-	-
2,104.00	0.00	Town of Freedom	2,104.00	-	-	2,104.00	-	-	-	-	-	-	-
1,353.00	0.00	Town of Gilford	1,353.00	-	-	1,353.00	-	-	-	-	-	-	-
2,486.00	0.00	Town of Moultonboro	2,486.00	-	-	2,486.00	-	-	-	-	-	-	-
608.00	(608.00)	Town of Ossipee - Tax Dept.	-	-	-	-	-	-	-	-	-	-	-
2,055.00	0.00	Town of Tamworth	2,055.00	-	-	2,055.00	-	-	-	-	-	-	-
1,193.00	0.00	Town of Thornton	1,193.00	-	-	1,193.00	-	-	-	-	-	-	-
1,658.00	0.00	Town of Tuftonboro	1,658.00	-	-	1,658.00	-	-	-	-	-	-	-
15,063.00	(608.00)	Total Property Taxes	14,455.00	-	265.00	12,197.00	1,993.00	-	-	-	-	-	-
4,012.27	(2,102.77)	NHEC	1,909.50	640.84	1,268.66	-	-	-	-	-	-	-	-
3,686.63	(2,442.75)	PSNH	1,243.88	433.75	810.13	-	-	-	-	-	-	-	-
7,698.90	(4,545.52)	Total Electric Utility Bills	3,153.38	1,074.59	2,078.79	-	-	-	-	-	-	-	-
18,716.00	0.00	State of New Hampshire	18,716.00	-	18,716.00	-	-	-	-	-	-	-	-
37,278.16	0.00	Internal Rev. Service	37,278.16	-	-	-	-	-	-	-	37,278.16	-	-
55,994.16	0.00	Total State of NH Property and Other Taxes	55,994.16	-	18,716.00	-	-	-	-	-	37,278.16	-	-
877.80	(877.80)	Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-
		Total Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-
10,556.46	(540.00)	AAA Financial Services	10,016.46	-	225.31	240.10	205.35	204.32	248.53	4,791.01	1,123.47	338.74	2,639.63
0.00	500.00	Balmoral Improv. Assoc.	500.00	500.00	-	-	-	-	-	-	-	-	-
		Barbara Mason	-	-	-	-	-	-	-	-	-	-	-
0.00	3,978.80	Caroline Maher	3,978.80	3,978.80	-	-	-	-	-	-	-	-	-
347.00	(347.00)	Eastern Analytical Inc.	-	-	-	-	-	-	-	-	-	-	-
344.21	(344.21)	F.W. Webb Co.	-	-	-	-	-	-	-	-	-	-	-
0.00	34.24	Fair Point Communications- WP	34.24	-	34.24	-	-	-	-	-	-	-	-
0.00	4,245.00	Generating Solutions, LLC	4,245.00	-	4,245.00	-	-	-	-	-	-	-	-
939.1	(939.10)	GM Cardmember Services	-	-	-	-	-	-	-	-	-	-	-
100.26	(100.26)	Henley Enterprises, Inc.	-	-	-	-	-	-	-	-	-	-	-
113.36	(113.36)	Indian Mound Hardware	-	-	-	-	-	-	-	-	-	-	-
5,121.44	(5,121.44)	IPFS Corp.	-	-	-	-	-	-	-	-	-	-	-
0.00	43.13	John Dawson III	43.13	43.13	-	-	-	-	-	-	-	-	-
856.40	(162.68)	Leone, McDonnell & Roberts	693.72	-	693.72	-	-	-	-	-	-	-	-
211.67	(211.67)	LR Communications inactive	-	-	-	-	-	-	-	-	-	-	-
35,323.50	(600.00)	LRW Water Services, Inc.	34,723.50	-	3,509.00	26,272.00	750.00	-	-	-	3,600.00	592.50	-
435.57	(435.57)	Mark Richter Repair	-	-	-	-	-	-	-	-	-	-	-
0.00	5,000.00	Michael J Quinn Builder	5,000.00	5,000.00	-	-	-	-	-	-	-	-	-
1,468.40	(358.97)	Murphy's Village Store	1,109.43	-	-	1,109.43	-	-	-	-	-	-	-
95.00	0.00	NEWWA	95.00	-	-	95.00	-	-	-	-	-	-	-
45.65	637.00	Northern Data Systems Inc.	682.65	-	682.65	-	-	-	-	-	-	-	-
0.00	370.99	Purchase Power	370.99	370.99	-	-	-	-	-	-	-	-	-
1,806.98	2,928.48	R E Prescott	4,735.46	3,398.77	1,336.69	-	-	-	-	-	-	-	-
159,220.00	(5,000.00)	Roberge, Norman E.	154,220.00	-	5,880.00	4,000.00	4,480.00	3,840.00	4,420.00	32,660.00	53,780.00	45,160.00	-
2,367.38	0.00	Sands, David S	2,367.38	-	(175.46)	-	-	-	(307.33)	916.08	(65.91)	1,000.00	1,000.00
2,204.14	0.00	Shaheen & Gordon, P.A.	2,204.14	-	-	-	-	-	-	-	-	2,204.14	-
2,016.75	(1,552.63)	Skelly's Market	464.12	-	464.12	-	-	-	-	-	-	-	-
1,780.50	0.00	Skillings & Sons Inc.	1,780.50	-	-	-	-	-	-	302.80	1,477.70	-	-
13,916.04	0.00	St Cyr, Stephen P	13,916.04	-	-	-	201.25	-	-	2,271.25	3,412.50	2,231.25	5,799.79
1,850.00	(1,850.00)	Sunday Paving & Sealing	-	-	-	-	-	-	-	-	-	-	-
435.20	(435.20)	Tim Christian Electric	-	-	-	-	-	-	-	-	-	-	-
16,952.12	1,364.00	Upton & Hatfield LLP	18,316.12	-	1,364.00	-	5,501.00	2,123.50	391.00	3,152.44	5,784.18	-	-
		U.S.Postal Serive	-	-	-	-	-	-	-	-	-	-	-
1,033.09	(1,033.09)	Verizon Wireless	-	-	-	-	-	-	-	-	-	-	-
6,386.86	(2,561.51)	Water Industries	3,825.35	396.96	3,428.39	-	-	-	-	-	-	-	-

Lakes Region Water Company, Inc. Accounts Payable Aging as of 1/31/14													
12/31/2013	Increase		1/31/2014	1 Month	2 Months	3 Months	4 Months	5 Months	6 Months	7-12 Months	13-24 Months	25-36 Months	Over 3 Years
Balance	(Decrease)	Vendor_Name	Total	0-30	31-60	61-90	91-120	121-150	151-180	181-365	366-730	731-1095	>1095
39.49	(39.49)	Town of Wolfeboro	-	-	-	-	-	-	-	-	-	-	-
393.39	(393.39)	Laconia Electric Supply	-	-	-	-	-	-	-	-	-	-	-
266,359.96	(3,037.93)	Total General Operating and Capital Asset	263,322.03	13,688.65	21,687.66	31,716.53	11,137.60	6,167.82	4,752.20	44,093.58	69,111.94	51,526.63	9,439.42
				-	-	-	-	-	-	-	-	-	-
21,680.00	(1,840.00)	Norman Roberge (rce)	19,840.00	-	-	-	-	-	-	2,880.00	4,440.00	12,520.00	-
60,384.31	0.00	Shaheen & Gordon, P.A. (rce)	60,384.31	-	-	-	-	-	-	-	-	60,384.31	-
53,881.99	(2,730.00)	St Cyr, Stephen P (rce)	51,151.99	-	-	-	-	-	-	4,542.50	11,646.25	18,322.67	16,640.57
102,153.48	(2,230.00)	Upton & Hatfield LLP (rce)	99,923.48	-	-	-	1,620.00	2,295.00	762.00	34,992.54	55,431.64	4,822.30	-
238,099.78	(6,800.00)	Total Rate Case	231,299.78	-	-	-	1,620.00	2,295.00	762.00	42,415.04	71,517.89	96,049.28	16,640.57
		Summary											
		Total Property Taxes	14,455	-	265	12,197	1,993	-	-	-	-	-	-
		Total Electric Utility Bills	3,153	1,075	2,079	-	-	-	-	-	-	-	-
		Total State of NH Property and Other Taxes	55,994	-	18,716	-	-	-	-	-	37,278	-	-
		Total Payroll Taxes	-	-	-	-	-	-	-	-	-	-	-
		Total General Operating and Capital Asset	263,322	13,689	21,688	31,717	11,138	6,168	4,752	44,094	69,112	51,527	9,439
		Total Rate Case	231,300	-	-	-	1,620	2,295	762	42,415	71,518	96,049	16,641
584,093.6	(15,869.25)	Total All Payables	568,224.35	14,763.24	42,747.45	43,913.53	14,750.60	8,462.82	5,514.20	86,508.62	177,907.99	147,575.91	26,079.99
FOOTNOTE: RELATIVE TO A/P CHANGE OVER PRIOR MONTH \$15,869'													
Decrease attributed to \$6,800 paydown in Rate Case Expenses, net paydown of \$3,000 in General													
Operating A/P and a paydown of \$4,500 in Utility Bills Payable													