



DEPARTMENT OF ENVIRONMENTAL SERVICES

Thomas S. Burack, Commissioner

62



Bank

April 6, 2015

Her Excellency, Governor Margaret Wood Hassan  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

**REQUESTED ACTION**

Authorize the Department of Environmental Services to amend a loan agreement with the Rockhouse Mountain Property Owners Association (VC#209652), Center Conway, NH by increasing the loan amount by \$600,000 from \$230,000 to \$830,000 to finance water system improvements under the provisions of RSA 486:14 and N.H. Code of Administrative Rules Env-Dw 1100 et seq. effective upon Governor & Council approval. The original loan agreement was approved on April 13, 2011, Item #60. 100% Drinking Water State Revolving Loan Fund (DWSRF) Repayment Funds.

Funding is available in the accounts as follows:

	<u>FY 2015</u>
03-44-44-441018-4791-301-500833	\$600,000
Dept Environmental Services, DWSRF Loan Repayments, Loans	

**EXPLANATION**

The purpose of this amendment is to authorize the Rockhouse Mountain Property Owners Association (RMPOA) to modify their original loan agreement approved by Governor and Council on April 13, 2011 as Item #60. The RMPOA had originally requested \$230,000 from the Drinking Water State Revolving Fund Program (DWSRF) to finance a project which includes the development of an additional well, construction of a pump house, and interconnection with the existing distribution system. The additional funds are necessary due to additional requirements by the town for drainage work, delays in land acquisition for the new well and underestimated increase in costs for construction. DES has sufficient funds at this time to meet the Association's request. This project will improve water quality and increase water service reliability.

The Repayment Account has an uncommitted balance of \$26,266,668.73 as of April 4, 2015 that has accumulated from repayment of loans to public water systems. New loans are made with these funds. Attached is a tabulation of the Repayment Account showing the effect of this loan on the funds available.

We respectfully request your approval.

  
Thomas S. Burack, Commissioner

Her Excellency, Governor Margaret Wood Hassan  
and the Honorable Council

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DEPARTMENT OF ENVIRONMENTAL SERVICES  
WATER DIVISION

DRINKING WATER STATE REVOLVING FUND

Supplemental information to Governor and Council request of the loan agreement(s) under RSA 486:14 and N.H. Code of Administrative Rules Env-Dw 1100 et seq. for the public water system(s) listed below.

This request will affect the balance of the loan funds as follows.

	<u>REPAYMENT</u>
Repayment Account (Balance as of 4/4/15)	<u>\$26,266,669</u>
Less Loans Previously Approved	<u>\$1,053,000</u>
Funds Available for Loans	\$25,213,669
 <b>Amendment Being Requested</b>	
Rockhouse Mountain Property Owners Association (Project #: 0512240-01)	(600,000)
 Net Change to Loan(s)	<u>(600,000)</u>
 <b>Balance Available After G &amp; C Approval</b>	<u><u>\$24,613,669</u></u>

**FIRST AMENDMENT TO LOAN AGREEMENT  
AND SECURITY INSTRUMENTS**

This First Amendment to Loan Agreement and Security Instruments is made this \_\_\_ day of \_\_\_\_\_, 2015 between Rock House Mountain Property Owners Association, Inc., a New Hampshire corporation with an address of P.O. Box 562, Center Conway, New Hampshire 03813 (the "Borrower") and the State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (hereinafter the "Lender") for themselves and their successors and assigns.

RECITALS

A. The Lender has provided a loan of up to \$230,000 (the "Loan") to the Borrower as evidenced by a Promissory Note of the Borrower dated June 2, 2011 in the original principal amount of \$230,000 (the "Note") pursuant to a Loan Agreement dated June 2, 2011 between the Borrower and the Lender (the "Loan Agreement") to finance the improvements to the Borrower's water system for Rock House Mountain Property Owners Association in Center Conway, New Hampshire;

B. The Loan is secured by certain Security Instruments (as defined in the Loan Agreement), including, without limitation, a Security Agreement dated June 2, 2011 between the Borrower and the Lender (the "Security Agreement"), a Collateral Assignment of Contracts, Plans and Permits dated June 2, 2011 between the Borrower and the Lender (the "Collateral Assignment of Contracts, Plans and Permits"), and a Mortgage and Security Agreement dated June 2, 2011 of the Borrower to the Lender;

C. The parties desire to increase the amount of the Loan to \$830,000 and are amending the Note pursuant to a Second Allonge to Promissory Note of even date to increase its principal amount and amend other terms (the "Allonge"); and

D. The parties desire to amend the Loan Agreement and certain Security Instruments in accordance with this agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree as follows:

1. Defined Terms. All capitalized terms used in this agreement shall have the meaning assigned to them in the Loan Agreement unless otherwise defined herein.

2. Amendment of the Loan Agreement.

(a) The second sentence of Recital Paragraph B on the first page of the Loan Agreement is hereby amended by replacing "\$230,000" with "\$830,000":

(b) Section 1 of the Loan Agreement is hereby amended by replacing the definition of "Note" with the following:

"Note" means the Borrower's Promissory Note dated June 2, 2011 in the original principal amount of \$230,000 payable to the order of the State in the form attached hereto as Exhibit C, as amended by a First Allonge to Promissory Note dated October 19, 2013 and a Second Allonge to Promissory Note dated \_\_\_\_\_, 2015 between the Borrower and the Lender."

(c) Section 5(a) is hereby amended to replace "by May 31, 2014" with "December 1, 2015".

(c) Exhibit C to the Loan Agreement is hereby amended by supplementing it with Exhibit C attached hereto.

3. Amendment of Security Instruments.

(a) Recital Paragraph B of the Security Agreement is hereby amended by replacing it with the following:

(b) The Secured Party has agreed to extend credit to the Borrower in the amount not to exceed Eight Hundred Thirty Thousand Dollars (\$830,000) in exchange for the Borrower's Promissory Note dated June 2, 2011, as amended by a First Allonge to Promissory Note dated October 19, 2013 and a Second Allonge to Promissory Note dated \_\_\_\_\_, 2015 between the Borrower and the Lender (as amended thereby and from time to time hereafter, the "Note").

(c) Section 1 of the Collateral Assignment, Plans and Permits is hereby amended by replacing it with the following:

1. Security. This Assignment is made as additional security for the performance of all the Assignor's obligations under the Loan Agreement, Assignor's Promissory Note in the original amount of \$230,000 as amended by a First Allonge to Promissory Note dated October 19, 2013 and a Second Allonge to Promissory Note dated

\_\_\_\_\_, 2015 increasing the principal amount thereof to \$830,000 and certain security instruments as described in the Loan Agreement (the "Security Instruments"), each dated as of even date and delivered to or to be delivered to Assignee.

5. Representations. The Borrower represents and warrants that the representation and warranties set forth in Section 2 of the Loan Agreement are true and correct as of the date hereof.

6. Ratification. The Borrower ratify and confirm all of the terms, conditions, covenants and provisions of the Loan Agreement, the Security Instruments, as amended hereby, the Note as amended by the Allonge, which shall remain in full force and effect.

7. Consent. The Borrower hereby consents to the First Amendment of Leasehold and Fee Interest Mortgage and Security Agreement of even date between the Borrower and the Lender.

8. Expenses. The Borrower shall pay for the endorsements to the Lender's title insurance policy insuring the Mortgage that the Lender reasonably requires.

EXECUTED on the day and year first above written.

BORROWER:

**ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name  
Title  
Duly Authorized

\_\_\_\_\_  
Witness

LENDER:

**THE STATE OF NEW HAMPSHIRE**

By: \_\_\_\_\_  
Thomas Burack, Commissioner  
Department of Environmental Services  
Duly Authorized

\_\_\_\_\_  
Witness

## SECOND ALLONGE TO PROMISSORY NOTE

Allonge made this \_\_\_\_ day of \_\_\_\_\_, 2015 between Rock House Mountain Property Owners Association, Inc., a New Hampshire corporation with an address of P.O. Box 562, Center Conway, New Hampshire 03813 (the "Maker"), and the State of New Hampshire with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (the "Payee") for themselves and their successors and assigns.

### RECITALS

A. Pursuant to a Loan Agreement dated June 2, 2011 between the Maker and the Payee (the "Loan Agreement"), the Payee agreed to provide a loan to the Maker of up to \$230,000, which is evidenced by the Promissory Note dated June 2, 2011 of the Maker in the principal amount of up to \$230,000 (the "Note");

B. The parties have amended the Loan Agreement and certain Security Instruments (as defined in the Loan Agreement) pursuant to a First Amendment to Loan Agreement and Security Instruments of even date among the Maker, the Payee (the "Amendment Agreement") and a First Amendment of Mortgage and Security Agreement and Collateral Assignment Leases and Rents of even date between the Maker and the Payee (the "Mortgage Amendment"); and

C. The parties desire to increase the amount of such loan evidenced by the Note to up to \$830,000 and to modify the terms of repayment of the Note pursuant to the terms of this Allonge.

NOW THEREFORE, the parties agree as follows:

1. The Note is hereby amended as follows:

(a) The face amount of the Note as expressed in the top left corner of the first page of the Note is hereby increased from \$230,000 to \$830,000.

(b) The amount of "Two Hundred Thirty Thousand Dollars (\$230,000)" in the fifth and sixth lines of the first paragraph of the Note is hereby replaced with "Eight Hundred Thirty Thousand Dollars (\$830,000)".

(c) "May 31, 2014" in the tenth and eleventh line of the first paragraph of the Note is hereby replaced with "December 1, 2015".

(d) Paragraph 1(b) of the Note is hereby amended by replacing  
“\$230,000” in each of the eleventh and twelfth lines with  
“\$830,000”.

2. The Note, as amended hereby, and the Loan Agreement and the Security Instruments, as amended by the Amendment Agreement and the Mortgage Amendment are hereby ratified and confirmed and shall remain in full force and effect.

Executed as of the day and year first above written.

**ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name  
Title  
Duly Authorized

**THE STATE OF NEW HAMPSHIRE**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Thomas S. Burack, Commissioner  
Department of Environmental Services  
Duly Authorized

**FIRST AMENDMENT  
TO  
MORTGAGE AND SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT OF  
ASSESSMENTS**

Amendment made this \_\_\_\_ day of \_\_\_\_\_, 2015 between Rock House Mountain Property Owners Association, Inc., a New Hampshire corporation with an address of P.O. Box 562, Center Conway, New Hampshire 03813 (the "Mortgagor"), and the State of New Hampshire with an address c/o the Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (the "Mortgagee").

**RECITALS**

1. On June 2, 2011 the Mortgagee agreed to lend to the Mortgagor up to \$230,000 pursuant to a Loan Agreement dated June 2, 2011 (the "Loan Agreement"), which loan is evidenced by the Promissory Note of the Mortgagor dated June 2, 2011 in the principal amount of \$230,000 (the "Note") and secured by certain security instruments (as defined in the Loan Agreement, the "Security Instruments"), including, without limitation, a Mortgage and Security Agreement dated June 2, 2011 between the Mortgagor and the Mortgagee, recorded at Carroll County Registry of Deeds at Book 2935, Page 0803, pursuant to which the Mortgagor granted a mortgage of certain real property of the Mortgagor situated in Conway, Carroll County, New Hampshire (the "Mortgage") and a Collateral Assignment of Assessments dated June 2, 2011 of the Mortgagor to the Mortgagee recorded at Book 2935, Page 0818 (the "Collateral Assignment"); and

2. The Mortgagee is willing to increase the amount of the loan evidenced by the Note to \$830,000; provided that the Note, the Loan Agreement and the Security Instruments are amended pursuant to a Second Allonge to Promissory Note of even date between the Mortgagor and the Mortgagee and an Amendment to Loan Agreement and Security Instruments of even date among the Mortgagee to reflect the increased amount of the loan, to provide for certain other amendments and to provide for the security of the increased amount of the loan and provided that the Mortgage and the Collateral Assignment are amended pursuant to this Amendment to

provide that the increased amount of the loan is secured by the Mortgage and the Collateral Assignment.

NOW THEREFORE, for consideration received, the Mortgagee agree as follows:

1. Amendment of Mortgage. Clause (i) of the first paragraph on page 1 of the Mortgage is hereby amended by replacing “Two Hundred Thirty Thousand Dollars (\$230,000.00)” with “Eight Hundred Thirty Thousand Dollars (\$830,000.00)” and by replacing “Promissory Note of the Mortgagor, in such principal amount of near or even date” with “Promissory Note dated June 2, 2011, as amended, in such principal amount”.

2. Amendment of Collateral Assignment. The first sentence of recital paragraph A on page 1 of the Collateral Assignment is hereby amended by replacing it with the following:

A. The Assignor has executed and delivered to the Assignee a certain Promissory Note in the principal amount of \$230,000, which amount has been increased to \$830,000 by a Second Allonge to Promissory Note dated \_\_\_\_\_, 2015 (as amended, the “Note”), to evidence a lona financing the construction of certain water system improvements owned or operated by the Assignor serving members of the Assignor, who own residences in a residential development in Conway, New Hampshire, which property is more particularly described in Exhibit A annexed hereto (the “Premises”).

3. Full Force. The Mortgage, as amended hereby, shall remain in full force and effect, and for consideration paid, the Mortgagor regrants with mortgage covenants the mortgage of the Premises as defined in the Mortgage is amended hereby.

Executed on the day and year first above written.

ROCK HOUSE MOUNTAIN PROPERTY OWNERS  
ASSOCIATION, INC.

By: \_\_\_\_\_  
Name  
Title

STATE OF NEW HAMPSHIRE

By: \_\_\_\_\_  
Thomas Burack  
Commissioner  
Department of Environmental Services

STATE OF NEW HAMPSHIRE  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2015 by \_\_\_\_\_, the \_\_\_\_\_ of Rock House Property Owners Association, Inc., a New Hampshire corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public/Justice of the Peace  
Name:  
My commission expires:  
[seal]

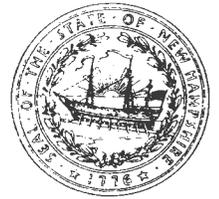
STATE OF NEW HAMPSHIRE  
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by Thomas Burack as Commissioner, New Hampshire Department of Environmental Services on behalf of the State of New Hampshire.

\_\_\_\_\_  
Notary Public/Justice of the Peace  
Name: \_\_\_\_\_  
My commission expires:  
[seal]



The State of New Hampshire  
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

March 18, 2011

His Excellency Governor John H. Lynch  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

4/13/11  
LB

REQUESTED ACTION

Authorize the Department of Environmental Services to approve a loan agreement with Rockhouse Mountain Property Owners Association (VC #209652) in the amount of \$230,000 to finance the development of an additional well project under the provision of RSA 486:14 and N.H. Code of Administrative Rules Env-Dw 1100 et seq. effective upon Governor & Council approval. 79% Federal Funds and 21% Capital (General) Funds.

Funding is available in the accounts as follows:

	<u>FY 2011</u>
03-44-44-442010-4789-301-500833	\$181,700
Dept Environmental Services, DWSRF Loans, Loans	
03-44-44-442030-0520-034-500161	\$48,300
Dept Environmental Services, 07264:1-VII, DWSRF Match	

EXPLANATION

The purpose of this loan agreement is to authorize Rockhouse Mountain Property Owners Association to borrow up to \$230,000 from the Drinking Water State Revolving Fund Program (DWSRF) to finance the development of an additional well. This project includes the development of an additional well, construction of a pump house, and interconnect with the existing distribution system. Completion of this project will provide a redundant and reliable source of water supply for the public water system serving the Rockhouse Mountain Property Owners Association.

The DWSRF is authorized by RSA 486:14 and N.H. Code of Administrative Rules Env-Dw 1100 et seq. The U. S. Environmental Protection Agency (EPA) has provided approximately \$88,850,652 to capitalize the DWSRF and the State has provided \$23,579,880 in required matching funds. There is currently a balance of \$6,857,888 in the DWSRF available for new loans.

Attached is a tabulation of the DWSRF showing the effect of this loan on the funds available for loans. We respectfully request your approval.

*Thomas S. Burack*  
Thomas S. Burack, Commissioner



NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES  
Drinking Water State Revolving Loan Program

<u>DWSRF Fund Available For Loans</u>	<u>Amount</u>
1997 - 2001 Capitalization Grants	\$34,395,188
Plus Amendments	\$9,490,812
Plus State Match	\$8,777,200
Less Setasides	<u>(\$9,803,881)</u>
Total 1997-2001 Funds Available for Loans	<b>\$42,859,319</b>
2002 Capitalization Grant	\$8,052,500
Plus State Match	\$1,610,500
Less Setasides	<u>(\$1,882,614)</u>
Total 2002 Funds Available for Loans	<b>\$7,780,386</b>
2003 Capitalization Grant	\$8,004,100
Plus State Match	\$1,600,820
Less Setasides	<u>(\$591,111)</u>
Total 2003 Funds Available for Loans	<b>\$9,013,809</b>
2004 Capitalization Grant	\$8,283,100
Plus State Match	\$1,660,620
Less Setasides	<u>(\$1,308,496)</u>
Total 2004 Funds Available for Loans	<b>\$8,635,224</b>
2005 Capitalization Grant	\$8,285,500
Plus State Match	\$1,657,100
Less Setasides	<u>(\$2,568,505)</u>
Total 2005 Funds Available for Loans	<b>\$7,374,095</b>
2006 Capitalization Grant	\$8,229,300
Plus State Match	\$1,645,860
Less Setasides	<u>(\$2,551,083)</u>
Total 2006 Funds Available for Loans	<b>\$7,324,077</b>
2007 Capitalization Grant	\$8,229,000
Plus State Match	\$1,645,800
Less Setasides	<u>(\$2,550,990)</u>
Total 2007 Funds Available for Loans	<b>\$7,323,810</b>
2008 Capitalization Grant	\$8,146,000
Plus State Match	\$1,629,200
Less Setasides	<u>(\$2,525,260)</u>
Total 2008 Funds Available for Loans	<b>\$7,249,940</b>
2009 Capitalization Grant	\$8,146,000
Plus State Match	\$1,629,200
Less Setasides	<u>(\$2,525,260)</u>
Total 2009 Funds Available for Loans	<b>\$7,249,940</b>
2010 Capitalization Grant (Partial)	\$8,617,900
Plus State Match	\$1,723,580
Less Setasides	<u>(\$2,671,549)</u>
Total 2010 Funds Available for Loans	<b>\$7,669,931</b>
Total 1997-2010 Funds Available for Loans	<b>\$112,430,532</b>

NEW HAMPSHIRE DEPARTMENT OF ENVIRONMENTAL SERVICES  
Drinking Water State Revolving Loan Program

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Total 2010 Funds Available for Loans	<b>\$7,669,931</b>
Total 1997-2010 Funds Available for Loans	<b>\$112,430,532</b>

## CLOSING AGENDA

### STATE OF NEW HAMPSHIRE DRINKING WATER STATE REVOLVING LOAN FUND

RE: LOAN TO ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.

DATE: March \_\_\_\_, 2010

1. State of New Hampshire "SNH"
2. Rock House Mountain Property Owners Association, Inc. "B"

<b>No.</b>	<b>Item:</b>	<b>Responsible Party:</b>
1.	Certified Copy of Articles of Agreement of Borrower	B
2.	Bylaws of Borrower certified by Borrower	B
3.	Certificate of Existence of Borrower	B
4.	Certificate of Corporate Resolutions of Members and Board of Directors of Borrower	B
5.	Borrower's Declaration of Covenants, as amended	B
6.	Schedule of Costs (Total Budget)	B
7.	Loan Agreement	SNH
8.	Promissory Note	SNH
9.	Collateral Assignment of Association Assessments	SNH
10.	Mortgage and Security Agreement	SNH
11.	Lender's Title Insurance Policy	B
12.	Security Agreement	SNH
13.	Collateral Assignment of Contracts, Plans and Permits	SNH
14.	UCC-1 Financing Statement	SNH
15.	UCC Search	SNH
16.	Insurance Certificate on Accord Form 27 addressed to State of New Hampshire	B
	a. Casualty(personalty) naming State as Loss Payee	
	b. Liability naming State as additional insured	
	c. Builders Risk (Post closing)	
17.	RSA 399-B Disclosure	SNH
18.	Governor and Council Approval	SNH

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF ENVIRONMENTAL SERVICES  
STATE DRINKING WATER REVOLVING LOAN FUND**

**Loan Agreement**

THIS LOAN AGREEMENT (the "Agreement"), dated April \_\_\_\_, 2011, has two parties:

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

Rock House Mountain Property Owners Association, Inc.  
P.O. Box 562  
Center Conway NH 03813  
(the "Borrower")

**FUNDAMENTAL PREMISES FOR THIS AGREEMENT**

A. Pursuant to New Hampshire Revised Statute Annotated ("RSA") 486:14 the State has established a revolving loan fund for financing water pollution control and drinking water improvement projects within the state.

B. The Borrower is an incorporated association, whose members are owners of 100 residential homes Conway, New Hampshire. The Borrower owns and operates a public water system serving its members. The Borrower intends to borrow up to \$230,000 to make improvements to its public water system including development of an additional groundwater supply and construction of a new pump house to serve the new well.

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

**TERMS AND CONDITIONS OF THIS AGREEMENT**

The State and the Borrower agree as follows:

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

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

“Contractor” means the contractor who enters into the Construction Contract.

“DWSRF” means the State of New Hampshire’s Drinking Water State Revolving Fund under RSA 486:14.

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

“Engineer” means the engineer who enters into the Engineering Contract.

“Event of Default” has the meaning provided in Section 8.

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

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

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

“Loan Proceeds” has the meaning provided in Section 2.

“Note” means the Borrower’s Promissory Note of even date in the principal amount of \$230,000 payable to the order of the State in the form attached hereto as Exhibit C.

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

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

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

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

“Security Instruments” mean the Mortgage, the Collateral Assignment of Association Assessments of the Borrower to the State, the Security Agreement between the Borrower and the State and the Collateral Assignment of Contracts, Plans and Permits of the Borrower to the State, all of even date between the Borrower and the State.

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

“Total Budget” means the budget for all costs of constructing and equipping the Improvements set forth in Exhibit B.

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

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

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

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

(c) Approvals. The Borrower will obtain all necessary approvals of the Plans and all necessary permits for the construction of the Improvements from all governmental authorities having jurisdiction over the Improvements;

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

(e) [Intentionally left blank]

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

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

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

(i) No Conflict, No Required Approvals. The execution and delivery and

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

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

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

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

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

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

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

Improvements.

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

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

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

(b) Loan Documents. The Borrower shall have executed and delivered to the State the Note and each of the Security Instruments, each of which shall be in form and substance satisfactory to State;

(c) Construction Contract. The Borrower shall prepare a public bid offer for the Construction Contract, which shall be reviewed and approved by the State. The Borrower shall request and receive authorization to award contract from the State and enter into the Construction Contract with the Contractor in accordance with the requirements of such contract, and the Borrower shall have assigned its rights thereunder to State by an assignment in form and substance satisfactory to State;

(d) Engineering Contract. The Borrower shall have entered into an Engineering Contract and shall have assigned its rights thereunder to the State by an assignment in form and substance satisfactory to State;

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

(f) [Intentionally left blank]

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

(h) [Intentionally left blank]

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

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

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

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

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

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

(a) Construction. Cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within nine (9) months from the date hereof, in accordance with the Plans and all laws, rules, regulations and requirements of governmental authorities having jurisdiction with respect to the Improvements;

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

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

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

(e) Construction Contract and Engineering Contract. The Borrower shall provide the public bid offer for the Construction Contract for review and approval by the State; the Borrower shall request authorization to award contract from the State and enter into the Construction Contract with the Contractor in accordance with the State's requirements for such a contract, and enter into such contract only after receiving such authorization and the Borrower shall have assigned its rights thereunder to State by an assignment in form and substance satisfactory to State; and the Borrower shall enter into an Engineering Contract, which shall be in form and substance acceptable to the State and shall assign its rights thereunder to the State by an assignment in form and substance satisfactory to State;

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

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

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

(i) Expenses. Pay the State's extraordinary, reasonable expenses (including attorneys' fees) that State incurs in the approval, making and administration of this loan;

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

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

(l) Taxes. Pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges or levies imposed upon it or upon its respective income and profits or upon any of its property, real, personal or mixed, or upon any part thereof, before

the same shall become in default; provided that the Borrower shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as the validity thereof shall be contested in good faith by appropriate proceedings and it shall have set aside on its books adequate reserves with respect to any such tax, assessment, charge, levy or claim, so contested; and provided, further, that payment with respect to any such tax, assessment, charge, levy or claim shall be made before any of its property shall be seized or sold in satisfaction thereof;

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

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

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

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

(p) [Intentionally left blank]

(q) Construction Loan Notice. Within five (5) business days after execution of this Agreement post a notice provided by the State in a conspicuous place on the Premises and

provide the State with written certification that the Borrower has complied with this paragraph;  
and

(r) Two Party Check Requirements. If any contract between the Borrower or its agent and any person furnishing services, material, supplies or other things shall provide that the disbursement of construction funds to pay such persons shall be by two-party check, the Borrower shall provide, or cause its agent to provide, the State with a copy of such Agreement.

6. Loan Disbursements.

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

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

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

- (a) (i) Invoices from engineer or consultant for services in accordance with engineering contract; or
- (ii) Such other documentation, satisfactory to State, which will permit the Title Insurance Company to issue an endorsement covering the amount of the requested advance;
- (b) A completed disbursement request form signed by authorized representative by Borrower with contractor's payment estimate and invoices, in form approved by State and with such backup information as State may reasonably request;
- (c) [Intentionally left blank]
- (d) The written endorsement of the title insurance policy issued by the Title Insurance Company, as of the date of the making of such advance, that there are no liens or other

encumbrances on the Premises or Improvements (other than real estate taxes for the then current year, payment of which is not in default, the Permitted Encumbrances and the Security Instruments) nor any instruments of record under which such lien or encumbrance may be obtained;

(e) [Intentionally left blank]

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

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

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

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

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

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

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

6.9 Deemed Disbursements. Any sum which, in accordance with any provision of this Agreement shall be payable by the Borrower to the State shall, at the election of the State, be deemed a disbursement by the State to the Borrower pursuant to the provisions of this

Agreement, and shall be charged against the Loan Proceeds and secured by the Security Instruments.

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

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

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

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

(d) [Intentionally left blank]

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

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

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

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

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

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

(f) Misrepresentation. Any representation or warranty made herein or in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or any advances made hereunder, by or in behalf of the Borrower, shall prove to be false or

misleading in any material respect;

(g) Mechanics' Liens. Any mechanics', laborers', materialmen's or similar statutory liens, or any notice thereof, shall be filed against the Premises and/or the Improvements and shall not be discharged within thirty (30) days of such filing or such greater period of time as shall be permitted by the terms of the Mortgage or other Security Instrument;

(h) Other Defaults. The Borrower shall default in the due observance or performance of any covenant, condition or agreement to be observed or performed by the Borrower under this Agreement not otherwise specifically referred to in this Section 8;

(i) Other Loan Documents. Any event of default as defined in the Note or any Security Instrument, or any event which, with the giving of notice or passage of time, or both, would become an event of default under such instruments shall occur;

(j) Cessation of Work. Any cessation occurs at any time in construction of the Improvements for more than one (1) week except for strikes, riots, or other causes beyond the Borrower's control, or if any substantial change is made in the schedule for the construction of the Improvements from that provided in the Plans or this Agreement without the approval of the State;

(k) Voluntary Bankruptcy. The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated as bankrupt or insolvent, or (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law;

(l) Involuntary Bankruptcy. A petition, order, judgment or decree shall be entered, without the application, approval or consent of the Borrower by any court of competent jurisdiction, approving a petition seeking reorganization or approving the appointment of a receiver, trustee or liquidator of the Borrower of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days;

(m) Dissolution, Etc. The death, dissolution, termination of existence, merger or consolidation (as applicable) of the Borrower or a sale of assets of the Borrower out of the ordinary course of business without the prior written consent of the State;

(n) Other Obligations to State. Default by the Borrower in the payment or performance of any other obligations of the Borrower owed to the State, whether created prior to, concurrent with, or subsequent to the obligations arising out of this Agreement, provided such default continues after any applicable notice and expiration of any applicable grace period;

(o) Other Obligations. Default by the Borrower in any other obligation for borrowed

money in excess of Twenty-Five Thousand Dollars (\$25,000.00);

(p) Judgment. Final judgment for the payment of money of more than Twenty-Five Thousand Dollars (\$25,000.00) in excess of any insurance proceeds shall be rendered against the Borrower and shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed; and

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

9. State's Rights and Remedies Upon Default.

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

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

9.3 Completion of Improvements. In connection with any construction, equipping and/or completion of the Improvements undertaken by the State pursuant to the provisions of Section 8.2 (but without intending hereby to limit the powers and discretions conferred by said section), the State may engage builders, contractors, architects and engineers and others for the purposes of furnishing labor, materials and equipment for the Improvements; pay, settle or compromise all bills or claims which may become liens against the Improvements and the Premises or which have been or shall be incurred in any manner in connection with such construction, equipping and/or completion; and take such action or refrain from acting hereunder

as the State may, in its sole discretion, from time to time determine.

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

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

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

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

10. Hazardous Materials Indemnification.

10.1 Definitions.

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

(b) The term "Legal Requirements" shall mean all federal, state or local laws, rules, codes or regulations, or any judicial or administrative interpretation thereof, including, without limitation, all orders, decrees, judgments and rulings imposed through any public or private

enforcement proceedings, relating to Hazardous Materials or the existence, use, discharge, release, containment, transportation or disposal thereof.

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

- A. Any Hazardous Materials on, in, under or affecting all or any portion of the Premises or any areas surrounding the same before the Borrower is divested of title to the Property by conveyance or foreclosure or divested of possession of the Premises following an Event of Default;
- B. The violation by the Borrower of any Legal Requirements with respect to the Premises; or
- C. The enforcement of this paragraph 9 of the Agreement or the assertion by the Borrower of any defense to the obligations of an Indemnitor hereunder, whether any of such matters arise before or after foreclosure of the Mortgage or other taking of title to or possession of all or any portion of the Premises by the State, and specifically including therein, without limitation, the following to the extent they are a result of the matters described in clauses A or B above:
  - (i) costs of removal of any and all Hazardous Materials from all or any portion of the Premises or any areas surrounding the same;
  - (ii) additional costs required to take necessary precautions to protect against the release of Hazardous materials on, in, under, or affecting, the Premises or into the air, any body of water or wetland, any other public domain, or any surrounding areas;
  - (iii) costs incurred to avoid the imposition of, or to discharge, any lien on the Premises arising from any failure to comply with Legal Requirements;
  - (iv) costs incurred to comply with all Legal Requirements relating to the Premises or any other collateral for the Loan, including without implied limitation, fines, penalties or other charges imposed by any lawful authority; and
  - (v) costs and expenses incurred in ascertaining the existence or extent of any asserted violation of any Legal Requirements relating to the Premises and any remedial action taken on account thereof including, without implied limitation, the costs, fees and expenses of engineers, geologists, chemists,

other scientists, attorneys, surveyors and other professionals, and testing and analyses performed in connection therewith. The foregoing shall not apply to precautionary testing which is not in response to a specific identified potential release at the Premises.

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

12. General Provisions.

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

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

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

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

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

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

12.7 Amendment and Waiver. No amendment, modification, termination or waiver of

any provision of this Agreement or the Note shall be effective unless it is in a writing executed by the State and in the case of an amendment, modification or termination by the Borrower.

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

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

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

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

[Remainder of page intentionally blank; signature page follows]

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

**THE STATE OF NEW HAMPSHIRE**

Roberta J. Benedict  
Witness

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

**ROCK HOUSE MOUNTAIN PROPERTY OWNER'S ASSOCIATION**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name:  
Title:  
Duly Authorized

**ROCK HOUSE MOUNTAIN PROPERTY OWNER'S ASSOCIATION**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name:  
Title:  
Duly Authorized

**LIST OF EXHIBITS**

- |           |                             |
|-----------|-----------------------------|
| Exhibit A | Description of the Premises |
| Exhibit B | Total Budget                |
| Exhibit C | Form of Promissory Note     |

## EXHIBIT C

### PROMISSORY NOTE

\$230,000

Concord, New Hampshire  
April \_\_, 2011

FOR VALUE RECEIVED, **Rock House Mountain Property Owners Association, Inc.**, a New Hampshire corporation with principal place of business at P.O. Box 562, Center Conway NH, New Hampshire 03813 (the "Maker"), promises to pay to **State of New Hampshire** c/o Department of Environmental Services with an address of 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095, or its order (the "Payee"), the sum of Two Hundred Thirty Thousand Dollars (\$230,000) or such lesser amount as shall be disbursed to the Maker by the Payee pursuant to a Loan Agreement of near or even date (the "Loan Agreement"), in lawful money of the United States, together with interest thereon at the Charge Rate, being the annual rate of one percent (1%) until the earlier of (i) the date of substantial completion of the Improvements (as defined in the Loan Agreement) as determined by the Payee or (ii) December 1, 2011 (such earlier date being the "Interest Rate Change Date") and commencing on the Interest Rate Change Date at the lower of (A) the annual rate of Two and Eight Hundred Sixty-Four Thousandths percent (2.864%) or (B) 80 percent (80%) of the established 11 General Obligations Bond Index published during the first week of the month of October before the Interest Rate Change Date.

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

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

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

amounts owed pursuant to the terms of this Note shall be due and payable on the date that the 240<sup>th</sup> such installment is due.

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

3. Collateral. This Note is secured by a Collateral Assignment of Association Assessments of the Maker of near or even date herewith with respect to assessments made by the Maker against the house lots of the Maker's members, by a Mortgage and Security Agreement of the Maker of even date mortgaging its real property in Conway, New Hampshire and by other security instruments (collectively the "Security Instruments") described in the Loan Agreement.

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

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

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

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

7. Costs of Collection. If this Note is not paid in full when it becomes due, or if any

payment required hereunder shall not be paid when due, or within such grace period as may be expressly provided herein, the Maker agrees to pay all costs and expenses of collection, including attorneys' fees, regardless of whether legal proceedings have been formally commenced.

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

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

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

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

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

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

14. Sovereign Immunity. Nothing contained in this Note, the Loan Agreement, any guaranty guarantying this Note or any Security Instruments shall be deemed to constitute a waiver of the sovereign immunity of the Payee, which immunity is hereby reserved to the Payee.

EXECUTED as of the day and year first above written.

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name:  
Title:

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name:  
Title:

## COLLATERAL ASSIGNMENT OF ASSASSMENTS

THIS COLLATERAL ASSIGNMENT OF ASSESSMENTS made as of the \_\_\_\_ day of April, 2011, by **Rock House Mountain Property Owners Association, Inc.**, a New Hampshire corporation (the "Assignor"), having a mailing address of P.O. Box 562, Center Conway, New Hampshire 030813, to the **State of New Hampshire**, c/o New Hampshire Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (the "Assignee").

### RECITALS

A. Concurrently herewith, the Assignor has executed and delivered to the Assignee a certain Promissory Note in the principal amount of \$230,000 (the "Note"), to evidence a loan financing the construction of certain water system improvements situated on and in the real property and improvements owned or operated by the Assignor serving members of the Assignor, who own residences in a residential development located in Conway, New Hampshire, which property of the Assignor is more particularly described in Exhibit A annexed hereto (the "Premises"). The Assignor provides water to residential house lots (the "Lots") of members that are all subject to a Declaration of Renewal of Covenants and Restrictions, Rock House Mountain Property Owner's Association, Inc. dated August 6, 1988, recorded at Carroll County Registry of Deeds at Book 1348, Page 136, as it may have been amended and supplemented or hereafter amended and supplemented (the "Declaration"). The Declaration empowers the Assignor to collect assessments for water service expenses and common maintenance expenses of the property subject to the Declaration.

B. As additional security for the Note and the obligations of the Assignor thereunder and related documents, the Assignor has executed and delivered to the Assignee this Collateral Assignment of Assessments.

NOW, THEREFORE, in consideration of Assignee making the loan evidenced by the Note, the Assignor agrees as follows:

1. The Assignor does hereby transfer, assign, deliver and grant a security interest to the Assignee in all of the right, title and interest of the Assignor in and to, all sums now or hereafter assessed by the Assignor against the real property lots that are subject to the Declaration for water and other services and expenses (the "Assessments") and any statutory or other liens that the Assignor may now or hereafter have against the real property lots subject to the Declaration securing such assessments, all payments of such assessments due or payable and to become due and payable by virtue of such assessments and proceeds of any of the foregoing (collectively, the "Collateral").

TO HAVE AND TO HOLD the same unto the Assignee, its successors and assigns, for the purpose of securing (1) payment of the Note together with the interest thereon; (2) payment of all other sums, with interest thereon, to become due and payable to the Assignee hereunder, or

under instrument securing the Note; and (3) performance and discharge of each and every obligation, covenant and agreement of the Assignor contained herein, or in the Note, the Loan Agreement of near or even date between the Assignor and the Assignee (the "Loan Agreement"), or any Security Instrument (as defined in the Loan Agreement) (said obligations are hereinafter collectively referred to as the "Obligations").

2. Assignor's License to Operate if No Default. So long as no Event of Default (as defined under the Obligations) or other default in the performance of the Obligations shall exist (hereinafter referred to as an "Event of Default"), the Assignor shall have a license to manage and operate the Premises and to collect, receive and apply for its own account all Assessments, and to execute and deliver proper receipts and acquittances therefor, provided, however, that without the written consent of the Assignee the Assignor shall not collect any installment of Assessments in advance of the respective dates assessed.

3. Assignee's Rights in Event of Default.

3.1 Immediately upon the occurrence of any Event of Default, in addition to any other remedies of the Assignee, upon notice from Assignee to each owner of a Lot, all Assessments thereafter payable to Assignor shall be paid to Assignee.

3.2 The Assignor does hereby constitute and appoint the Assignee, irrevocably, with full power of substitution and revocation, effective upon an Event of Default, its true and lawful attorney, for it and in its name, place and stead, to do and perform any or all of the actions that Assignor is entitled to perform in connection with making, collection and enforcement of the Assessments, as fully, to all intents and purposes, as it could do if personally present, hereby ratifying and confirming all that its said attorney or its substitute shall lawfully do or cause to be done by virtue hereof. Any action, or failure or refusal to act, by the Assignee under this Section 3.2 shall be at its election and without any liability on its part.

3.3 The Assignee shall, to the full extent permitted by law, apply the net amount realized from the Collateral received by it from the owners of the Lots, in the following order of priority: (i) to payment of all proper costs and charges (including any liability, loss, expense or damage hereinafter referred to in Section 5.1 hereof), (ii) to the payment of all accrued but unpaid interest due under the Note, (iii) to the payment of principal under the Note to be applied to principal installments in the inverse order of maturity, (iv) to the payment of any other amounts owed to Assignee and secured by the Security Instruments, and (v) to the payment of water and other service expenses and common area expenses, (vi) to the Assignor or such persons legally entitled thereto. In its discretion, the Assignee may apply a portion of any Assessment to the Obligations and release the remainder to the Assignor for payment of designated association expenses without waiving the Event of Default, its security interest in Assessments or its remedies.

3.4 The rights and powers of the Assignee hereunder shall continue and remain in full force and effect until all amounts secured hereby are paid in full.

4. Covenants of Assignor. The Assignor, for itself and for its successors and assigns, agrees and warrants as follows:

(a) that the Assignor has not sold, assigned, transferred, mortgaged or pledged any of the Collateral or any part thereof, whether now or hereafter to become due, to any person, firm or corporation other than the Assignee;

(b) that no Assessments, or any part thereof, becoming due subsequent to the date hereof have been collected nor has payment of any of the same been anticipated, waived, released, discounted or otherwise discharged or compromised;

(c) that it will not assign, pledge or otherwise encumber the Collateral unless the prior written consent of the Assignee shall have been obtained thereto;

(d) that it will not, without in each case having obtained the prior written consent of the Assignee, amend or modify, directly or indirectly in any respect whatsoever, cancel, compromise, terminate, or any Assessments or the liens therefor;

(e) that it will not waive or give any consent with respect to any default or variation in the payment of an Assessment by a Lot, but will at all times take proper steps to enforce all of the provisions and conditions thereof;

(f) that it will, upon written request by the Assignee, serve such written notices upon any Unit owner concerning this assignment, and make, execute and deliver all such powers of attorney, instruments of pledge or assignment, and such other instruments or documents as the Assignee may reasonably request at any time for the purpose of securing its rights hereunder;

(g) that it will furnish to the Assignee, on demand, true copies of all Assessments hereafter executed;

(h) that, it will provide Assignee with a statement of aging Assessments, dated as of the end of each fiscal quarter and certified as correct by the chief financial officer of Assignor, stating with respect to each unit the name of the owner thereof, the Assessment paid by such owner, the date to which such Assessment is paid, and listing all overdue Assessments by date and amount of such owner; and

(i) that it will not enter into any agreement with any management agent or firm with respect to the Premises or the Assessments unless such agent or firm first agrees with Assignee to recognize Assignee's rights under this Collateral Assignment of Association Assessments and further agrees to transfer all Assessment payments or proceeds received by such agent or firm directly to Assignee upon Assignee's demand therefor.

5. Indemnification.

5.1 The Assignor hereby agrees to indemnify and hold the Assignee harmless against and from (a) any and all liability, loss, damage and expense, including reasonable attorneys fees, which it may or shall incur or which may be asserted under or in connection with any of the Assessments, or by reason of any of the Obligations, or by reason of any action taken or expenses incurred or paid by the Assignee under this Collateral Assignment of Association Assessments or under any of the Obligations (including without limitation any action which the Assignee in its discretion may take to protect its interest in the Premises or the Assessments), and (b) any and all claims and demands whatsoever which may be incurred by or asserted against the Assignor by reason of any alleged obligations or undertakings on its part to perform or discharge any of its claims relating to any of the Assessments.

5.2 Should the Assignee incur any such liability as described in Section 5.1, the amount thereof, together with interest thereon at the rate as set forth in the Note shall be payable by the Assignor to the Assignee immediately upon demand, or at the option of the Assignee, the Assignee may reimburse itself therefor out of any Assessments collected by the Assignee.

5.3 Nothing contained herein shall operate or be construed to obligate the Assignee to perform any of the obligations of the Assignor, or to take any measures, legal or otherwise, to enforce collection of any of the Assessments or other payments, or otherwise to impose any obligation upon the Assignee with respect to any of the Assessments.

5.4 Without actual entry into and taking possession of the Premises by the Assignee, this assignment shall not operate to place upon the Assignee any responsibility for the operation, control, care, management or repair of the Premises, and the execution of this assignment by the Assignor shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Premises is and shall be that of the Assignor prior to such actual entry and taking of possession.

6. Exercise of Remedies. Failure of the Assignee to avail itself of any of the terms, covenants and conditions of this assignment for any period of time, or at any time or times, shall not be construed or deemed to be a waiver of any of its rights hereunder. The rights and remedies of the Assignee under this assignment are cumulative and are not in lieu of but are in addition to any other rights and remedies which the Assignee shall have under or by virtue of any other of the Obligations. The rights and remedies of the Assignee hereunder may be exercised from time to time and as often as such exercise is deemed expedient.

7. Termination of this Agreement. Upon payment in full of the Obligations, the Assignee shall execute and deliver a termination or discharge of this Assignment.

8. Notice. Any notice, demand, request or other communication given hereunder or in connection herewith (hereinafter "Notices") shall be deemed sufficient if in writing and sent by certified mail, postage prepaid, return receipt requested, addressed to the party to receive such

Notice at its address first set forth above or at such other address as such party may hereafter designate by Notice given in like fashion. Notices shall be deemed given when mailed. Notwithstanding the foregoing, routine communications such as ordinary distribution checks, copies of documents, etc. may be sent by ordinary first class mail.

9. Miscellaneous Provisions.

9.1 Whenever the context so requires, reference herein to the neuter gender shall include the masculine and/or feminine gender, and the singular number shall include the plural. References herein to the Note, the Loan Agreement and the Security Instruments shall be construed to include such instruments as they may be amended from time to time.

9.2 This assignment shall be construed and enforced in accordance with and governed by the laws of the State of New Hampshire.

9.3 No change, amendment, modification, cancellation or discharge hereof, or of any part hereof, shall be valid unless the Assignee shall have consented thereto in writing.

9.4 The terms, covenants, and conditions contained herein shall inure to the benefit of, and bind the Assignee and the Assignor and their respective successors and assigns.

9.5 The captions of this assignment are for convenience and reference only and neither in any way define, limit, or describe the scope or interest of this assignment nor in any way affect this assignment.

9.6 Nothing contained in this assignment, the Loan Agreement, the Note, any guaranty guarantying the Note or the other Security Instruments shall be deemed to constitute a waiver of the sovereign immunity of the Assignee, which immunity is hereby reserved to the Assignee.

*(Signature page follows)*

IN WITNESS WHEREOF, the Assignor has caused these presents to be executed by its duly authorized officer on the day and year first above written.

**ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name:  
Title:

STATE OF NEW HAMPSHIRE  
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of March, 2011, by \_\_\_\_\_, \_\_\_\_\_ of Rock House Mountain Association, Inc., a New Hampshire corporation, on behalf of the corporation.

\_\_\_\_\_  
Justice of the Peace/Notary Public  
My Commission expires:

STATE OF NEW HAMPSHIRE  
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of March, 2011, by \_\_\_\_\_, \_\_\_\_\_ of Rock House Mountain Association, Inc., a New Hampshire corporation, on behalf of the corporation.

\_\_\_\_\_  
Justice of the Peace/Notary Public  
My Commission expires:

Return to:

## MORTGAGE AND SECURITY AGREEMENT

Rock House Mountain Property Owners Association, Inc., a duly organized corporation with a principal address of P.O. Box 562, Center Conway, New Hampshire 03813 (the "Mortgagor" ), for consideration paid, grants to the State of New Hampshire with an address c/o Department of Environmental Service, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (the "Mortgagee"), with MORTGAGE COVENANTS, to secure (i) the payment of Two Hundred Thirty Thousand Dollars (\$230,000) with interest and other charges as provided in the Mortgagor's Promissory Note of even date and any and all amendments, deferrals, extensions, renewals and thereof and therefor (collectively, the "Note"), including without limitation, the future advances and readvances evidenced by the Note; (ii) the payment of all other sums with interest thereon advanced in accordance herewith to protect the security and priority of this Mortgage and Security Agreement (the "Mortgage"); and (iii) the performance of all of the Mortgagor's agreements, obligations and covenants as contained in the Note, the Mortgage, a certain Construction Loan Agreement of even date by and between the Mortgagor and the Mortgagee (the "Loan Agreement") and certain security instruments described with more particularity in the Loan Agreement (the "Security Instruments"), (the Note, the Loan Agreement and the Security Instruments are collectively the "Loan Documents") the following:

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

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

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

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

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

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

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

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

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

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

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

2. Insurance. The Mortgagor will keep the buildings, improvements and personal property now existing or hereafter erected or located on the Premises and the interests and liabilities incident to the ownership thereof insured against loss by fire and such other hazards,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Accept additional security of any kind.

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

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

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

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

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

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

16. Default; Remedies.

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

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

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

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

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

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

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

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

17. Possession by Mortgagee.

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

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

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

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

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

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

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

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

18. Foreclosure Pursuant to Power of Sale.

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

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

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

the Mortgagee two (2) preview dates, each three hours in length, prior to the dates of any foreclosure sale; and (iii) granting the Mortgagee unlimited access to the Premises on the date of the foreclosure sale for one hour before and one hour after the foreclosure sale. In addition, the Mortgagor shall, without waiving its right to enjoin a foreclosure under RSA Chapter 479 or under the federal bankruptcy code, 11 U.S.C., Section 101, et seq, under no circumstances and in event in any way interfere with, any foreclosure sale of the Premises scheduled by the Mortgagee.

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

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

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

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

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

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

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

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

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

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.

By: \_\_\_\_\_

Name:

Title:

ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.

By: \_\_\_\_\_

Name:

Title:

STATE OF NEW HAMPSHIRE  
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011, by \_\_\_\_\_, \_\_\_\_\_ of Rock House Mountain Property Owners Association, Inc., a New Hampshire corporation.

\_\_\_\_\_  
Justice of the Peace/Notary Public

My commission expires: \_\_\_\_\_

[Seal]

STATE OF NEW HAMPSHIRE  
COUNTY OF MERRIMACK

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2011, by \_\_\_\_\_, \_\_\_\_\_ of Rock House Mountain Property Owners Association, Inc., a New Hampshire corporation.

\_\_\_\_\_  
Justice of the Peace/Notary Public

My commission expires: \_\_\_\_\_

[Seal]

**EXHIBIT A**

## SECURITY AGREEMENT

THIS AGREEMENT is made this \_\_\_\_\_ day of April, 2011 between **Rock House Mountain Property Owners Association, Inc.**, a New Hampshire corporation with a place of business at P.O. Box 562, Center Conway, New Hampshire 03813 (sometimes hereinafter called the "Debtor"), and the **State of New Hampshire** with an address of c/o Department of Environmental Services, 29 Hazen Drive, P.O. Box 95, Concord, New Hampshire 03302-0095 (hereinafter the "Secured Party") for themselves and their successors and assigns.

### RECITALS

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

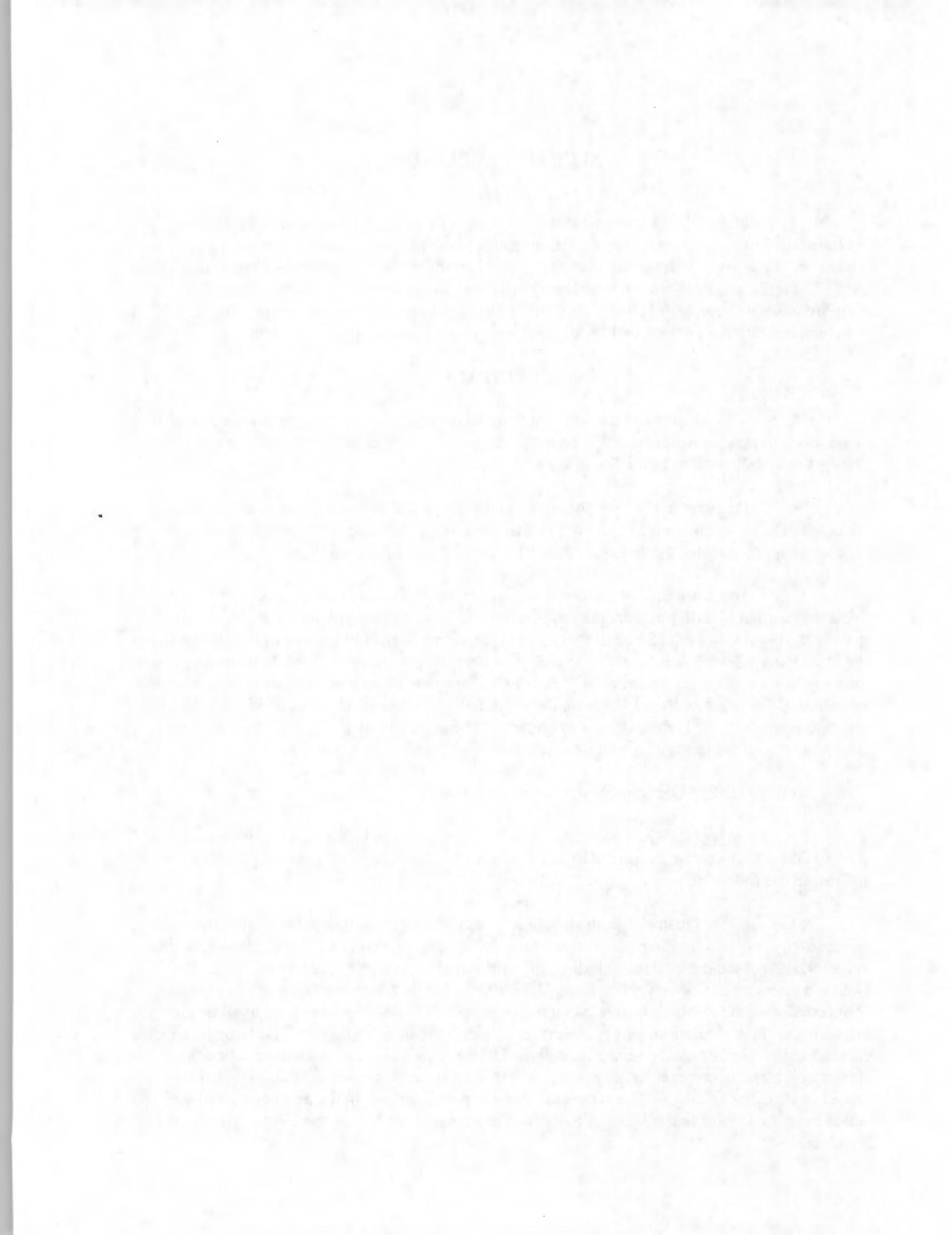
B. Pursuant to the Loan Agreement, the Secured Party has agreed to extend credit to the Debtor in an amount not to exceed Two Hundred Thirty Thousand Dollars (\$230,000), in exchange for the Debtor's promissory note (the "Note") to the Secured Party.

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

NOW, THEREFORE the Debtor agrees as follows:

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. Cooperation; Secured Party Sales; No Waiver. The Debtor covenants that it will execute any documents requested by the Secured Party to perfect its security interest in the Collateral. The Secured Party is authorized to take any and all action that it determines necessary to perfect its security interest in the Collateral, including without limitation, the filing of UCC financing statements, amendments and continuation statements. When requested by the Secured Party following a Default by the Debtor, the Debtor shall cooperate in the Secured Party's repossession of the Collateral and will assemble the Collateral and make it available to the Secured Party at such place as the Secured Party shall designate which shall be reasonably convenient to both parties. The Secured Party may dispose of the Collateral by public or private sale, upon the place where it is then located, and the Secured Party itself may acquire the Collateral at any such sale. The Debtor agrees that notice of ten (10) days prior to such sale shall constitute reasonable notice thereof, but that if the Collateral is perishable or threatens to decline quickly in value or is a kind customarily sold on a recognized market, the Secured Party may provide shorter notice or no notice of the sale. The Secured Party shall also have the right to remove the Collateral. No waiver of the Secured Party of any defaults hereunder shall constitute a waiver of any other default or of the same default upon a future occasion.

12. Reinstatement. If after receipt of any payment of, or the proceeds of any Collateral for, all or any part of the Obligations, the Secured Party is compelled to surrender or voluntarily surrenders such payment or proceeds to any person because such payment or application of proceeds is or may be avoided, invalidated, recaptured, or set aside as a preference, fraudulent conveyance, impermissible setoff or for any other reason, whether or not such

surrender is the result of (i) any judgment, decree or order of any court or administrative body having jurisdiction over the Secured Party, or (ii) any settlement or compromise by the Secured Party of any claim as to any of the foregoing with any person (including the primary obligor with respect to any of the Obligations), then the Obligations or part thereof affected shall be reinstated and continue and this Agreement shall be reinstated and continue in full force as to such Obligations or part thereof as if such payment or proceeds had not been received, notwithstanding any previous cancellation of any instrument evidencing any such Obligation or any previous instrument delivered to evidence the satisfaction thereof or the termination of this Agreement.

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

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

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

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

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

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

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

Executed on the day and year first of written.

Debtor:

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
Witness

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
Witness

**SCHEDULE 4**

**Liens and Encumbrances**

The Collateral is subject to no liens or encumbrances other than the security interests of Laconia Savings Bank.

DISCLOSURE OF FINANCE CHARGES  
STATE DRINKING WATER REVOLVING LOAN FUND

Pursuant to New Hampshire RSA Chapter 399-B:2

TO: **ROCK HOUSE MOUNTAIN PROPERTY OWNERS ASSOCIATION, INC.** (the  
"Borrower")

DATE: April \_\_, 2011

Amount of Loan: \$230,000

Payable: As provided in the Borrower's Promissory Note of even date in the original principal amount of \$230,000.

Finance Charges: 1 percent until the interest Rate Change Date (as defined in the Note) then the lower of (A) 2.864 percent, or (B) 80 percent of the established 11 General Obligations Bond Index published during the first week of October before the Interest Rate Change Date.

Late fee: 5 percent of a payment will be assessed if not paid within 7 days of its due date.

Recording and filing fees:	\$ _____
Title search fee:	\$ _____
Title insurance premium:	\$ _____
Environmental Site Assessment:	\$ 0

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**ROCK HOUSE MOUNTAIN PROPERTY  
OWNERS ASSOCIATION, INC.**

By: \_\_\_\_\_  
Name:  
Title: