



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

September 12, 2014

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 approve a loan agreement with the Loon Estates Cooperative, Inc. (VC#259095) Northwood, NH in the amount not to exceed \$50,000 to finance water system improvements subject to conditions as outlined in documents substantially in the form presented, under the provisions of RSA 486:14 and N.H. Code of Administrative Rules Env-Dw 1100 et seq. effective upon Governor & Council approval. 79% Federal Funds, 21% Capital (General) Funds.

Funding is available in the accounts as follows:

	<u>FY 2015</u>
03-44-44-441018-4789-301-500833 Dept Environmental Services, DWSRF Loans, Loans	\$39,500
03-44-44-441030-0956-034-500161 Dept Environmental Services, 11-253:1:VI-B, DWSRF Match	\$10,500

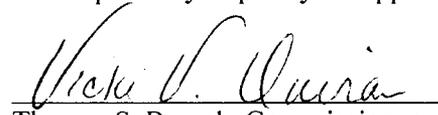
EXPLANATION

The purpose of this loan agreement is to authorize Loon Estates Cooperative, Inc. to borrow up to \$50,000 from the DWSRF to finance water system improvements. These improvements include installing a treatment system, storage tank and booster pump. The project will improve the quality and reliability of the water system.

The final loan amount will be based on the total DWSRF funds disbursed, and may be less than \$50,000. The loan interest rate may be adjusted downward if the DWSRF loan rate in effect upon project completion is less than the current rate of 1.06%. The Loon Estates Cooperative, Inc. is eligible for 100% principal forgiveness under the 2013 DWSRF Intended Use Plan.

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 has provided approximately \$116,135,038 to capitalize the DWSRF and the State has provided \$31,703,060 in required matching funds. There is currently a balance of \$4,292,747 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.

for 
Thomas S. Burack, Commissioner

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council

Page 2

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>DWSRF</u>
Federal Funds	\$116,135,038
Plus 20% State Match	\$31,703,060
Total Funds Authorized/Available	<u>\$147,838,098</u>
Less Loans Previously Approved	<u>\$143,545,351</u>
Funds Available for Loans	\$4,292,747
 New Loan(s) Being Requested	
Loon Estates Cooperative, Inc. (Project#: 1793020)	(50,000)
 Net Change to Loan(s)	<u>(\$50,000)</u>
 Balance Available After G & C Approval	<u><u>\$4,242,747</u></u>

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

<u>DWSRF Fund Available For Loans</u>	<u>Amount</u>
1997 - 2006 Capitalization Grants	\$84,740,500
Plus State Match	\$16,952,100
Less Setasides	<u>(\$18,990,542)</u>
Total 1997-2006 Funds Available for Loans	\$82,702,058
2007 Capitalization Grant	\$8,229,000
Plus State Match	\$1,646,160
Less Setasides	<u>(\$2,550,990)</u>
Total 2007 Funds Available for Loans	\$7,324,170
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	\$7,249,940
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	\$7,249,940
2010 Capitalization Grant	\$13,573,000
Plus State Match	\$2,714,600
Less Setasides	<u>(\$4,712,120)</u>
Total 2010 Funds Available for Loans	\$11,575,480
2011 Capitalization Grant	\$9,418,000
Plus State Match	\$1,883,600
Less Setasides	<u>(\$2,919,580)</u>
Total 2011 Funds Available for Loans	\$8,382,020
2012 Capitalization Grant	\$8,975,000
Plus State Match	\$1,795,000
Less Setasides	<u>(\$2,782,250)</u>
Total 2012 Funds Available for Loans	\$7,987,750
2013 Capitalization Grant	\$8,421,000
Plus State Match	\$1,684,200
Less Setasides	<u>(\$2,610,510)</u>
Total 2013 Funds Available for Loans	\$7,494,690
2014 Capitalization Grant	\$8,845,000
Plus State Match	\$1,769,000
Less Setasides	<u>(\$2,741,950)</u>
Total 2014 Funds Available for Loans	\$7,872,050
Total 1997-2014 Funds Available for Loans	\$147,838,098

STATE OF NEW HAMPSHIRE

DEPARTMENT OF ENVIRONMENTAL SERVICES

STATE DRINKING WATER REVOLVING LOAN FUND

Loan Agreement

THIS LOAN AGREEMENT (the "Agreement"), dated _____, 2014, 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:

Loon Estates Cooperative, Inc.
PO Box 314
Northwood, NH 03261
(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. Federal financial assistance provided through Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468) may comprise all or a portion of the Principal Sum.

B. The Borrower owns and operates a community water system for a mobile home park located in Northwood, New Hampshire with 27 sites. Currently, the Borrower serves approximately 60 people. The Borrower intends to borrow up to \$50,000 to make improvements to the community water system. These improvements include installing a constant pressure pump and water treatment system at the Borrower's water system in Northwood, New Hampshire.

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.

“State” means the State of New Hampshire, Department of Environmental Services.

“DWSRF” means the State Drinking Water State Revolving Fund under RSA 486:14.

“Engineer” means the engineer or construction supervisor who enters into the Engineering Contract or is an employee of the Borrower and in either case is approved by the State.

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

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

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

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

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

“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 where the Improvements will be constructed or installed.

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

2. Loan and Debt Forgiveness.

2.1 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").

2.2 Debt Forgiveness. The loan evidenced by the Note is eligible for 100 percent forgiveness. In the absence of an Event of Default (as defined in section 8 of this Agreement), the forgiveness amount of each installment of principal due under the Note shall be forgiven from the amount of principal that would otherwise become due in each annual installment payment of principal and interest pursuant to the Note. In the Event of Default the remaining, unforgiven principal and accrued interest shall be due and payable.

3. Representations

3.1 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) 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;

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

(d) No Litigation. No litigation or proceedings are pending or threatened against the Borrower or the Premises;

(e) 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 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 the applicable dates. The Borrower has no 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;

(f) Due Organization and Authority. The Borrower is a corporation duly organized and 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 or the Note;

(g) No Conflict; No Required Approvals. The execution and delivery and performance by the Borrower of its obligations under this Agreement and the Note 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 or the Note except certain approvals of the Drinking Water and Groundwater Bureau of the New Hampshire Department of Environmental Services and certain local permits with respect to the construction of the Improvements;

(h) Bankruptcy. Any borrowings made by the Borrower under this Agreement do not and will not render the Borrower insolvent; the Borrower is contemplating 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;

(i) 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;

(j) 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;

(k) Enforceability. This Agreement and the Note, upon execution and 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; and

(l) Total Budget. Exhibit B attached hereto contains and will contain 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.

3.2 Survival of Representations. 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) Premises. The Borrower has acquired good and marketable title to the Premises, and the Borrower shall deliver an updated insurance certificate evidencing casualty and/ or builders risk insurance for the Premises;

(b) Loan Documents. The Borrower shall have executed and delivered to the State the Note;

(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 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;

(d) Engineering Contract. Unless the Engineer is an employee of the Borrower, the Borrower shall prepare a request for qualifications for the Engineering Contract; the Borrower shall have entered into the Engineering Contract in accordance with the requirements of such request;

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

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

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

(i) 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;

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 are forgiven

pursuant to Section 2.2, the Borrower shall:

(a) Construction. Enter into the Construction Contract, which shall be binding upon the Borrower and the Contractor and cause the Improvements and any utility facilities necessary for the operation of the Borrower's business or the occupancy of the Premises and the Improvements and not currently available to the Premises to be constructed, equipped and completed, with all reasonable dispatch, but in any event within twelve (12) 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 without first obtaining the written approval of the State and any governmental agency whose approval is required. Minor changes on project work that are consistent with the objectives of the project and within the scope of this agreement do not require the prior approval of the State;

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

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

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

(f) Insurance. Maintain or cause to be maintained liability, casualty and/or builder's risk insurance (the latter to the extent commercially available and applicable) on the Improvements, any material or equipment stored on the Premises, with such companies, in such amounts and covering such risks as shall be satisfactory to the State, insuring the interests of the Borrower, 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, 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) Expenses. Pay the State's reasonable expenses (including attorneys' fees) that State incurs in the approval, making and administration of this loan if requested and itemized by the State, and in the enforcement of this Agreement and the Note;

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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 contract.

(n) DUNS Number. Shall obtain a Data Universal Numbering System (DUNS) number by visiting <http://fedgov.dnb.com/webform/>.

(o) Access to Records. Permit the Comptroller General of the United States, an appropriate Inspector General appointed under section 3 or 8G of the Inspector General Act of 1978 (5 U.S.C. App.), or an authorized representative of either of the foregoing officials, or of the State of New Hampshire to have access to and the right to:

(i) Examine any of the Borrower's, the contractor's or any subcontractor's records that pertain to and involve transactions relating to this Agreement, the Construction Contract, the Engineering Contract or a subcontract thereunder; and

- (ii) Interview any officer or employee regarding such transactions.

The Borrower shall insert subparagraphs (i). and (ii). in the Construction Contract and require the Contractor to insert subparagraphs (i). and (ii). in all subcontracts thereunder.

(p) Prevailing Wage Requirement. Davis-Bacon (DB) prevailing wage requirements apply to the construction of the Improvements in accordance with the federal fiscal year (FY) 2013 Consolidated and Further Continuing Appropriations Act (P.L. 113-6). The Borrower shall insert in full in any contract in excess of \$2,000 which is entered into for Project construction the standard Davis-Bacon contract clause as specified by 29 CFR §5.5(a). The Borrower shall obtain the wage determination for the locality in which a covered activity subject to DB will take place prior to issuing requests for bids, proposals, quotes or other methods for soliciting contracts (solicitation) for activities subject to DB. These wage determinations shall be incorporated into solicitations and any subsequent contracts. Prime contracts must contain a provision requiring that subcontractors follow the wage determination incorporated into the prime contract.

(q) American Iron and Steel. The Borrower agrees to comply with Section 436 of the Consolidated Appropriations Act, 2014 (P.L. 113-76), which requires that all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Borrower has requested and obtained a waiver from the Environmental Protection Agency pertaining to the Project or (ii) the State has otherwise advised the Borrower in writing that the American Iron and Steel Requirement is not applicable to the Project. The Borrower further agrees to maintain records documenting compliance with the American Iron and Steel Requirement, and to provide records and certifications to the State upon request.

(r) Debarment. Shall not knowingly award a construction contract to a contractor which has been debarred or suspended by the federal government. The Borrower or its agent shall compare the names of contractors who have bid on the project against the searchable list in the federal “Excluded Parties List System” (EPLS) database, which can be found at <https://www.epls.gov/>; and

(s) Utilization of Small, Minority and Women's Business Enterprises. Pursuant to 40 CFR, Section 33.301, the Borrower shall make good faith efforts to utilize small, minority and women’s business enterprises whenever procuring construction, equipment, services and supplies under an EPA financial assistance agreement, and to require that sub-recipients, loan recipients, and prime contractors also comply. Records documenting compliance with the six good faith efforts shall be retained.

(t) Single Audit Act. The Borrower acknowledges that by accepting the Loan it will be a sub-recipient of federal financial assistance and, as such, subject to requirements of the federal Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996 (the “SAA”). The Borrower further acknowledges that, if the Borrower expends more than \$500,000 in federal financial assistance from all sources in any fiscal year, it must perform an SAA audit

in accordance with the requirements of Office of Management and Budget Circular A-133. In that event, the Borrower shall provide the State with a copy of the SAA audit report within nine months of the end of the audit period.

(u) Asset Management. The Borrower is required to develop and implement a system improvement and financing plan that ensures future funding for anticipated needs. The Borrower must complete an asset management business plan consistent with New Hampshire Administrative Rule Env-Dw 601 and 602 Capacity Assurance for Proposed and Existing Public Water Systems.

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 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 a 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 maximum 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 in such a manner as 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 any such 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) Invoices from engineer or consultant for services in accordance with the Engineering Contract, if any;
- (b) A completed disbursement request form signed by an authorized representative of Borrower with the contractor's payment estimate and invoices, in form approved by State and with such backup information as State may reasonably request;
- (c) A certificate of the Engineer selected by or satisfactory to State, that all work performed at the site of construction as of the date the disbursement is requested has been performed in good and workmanlike manner, that all materials and fixtures usually furnished and installed at that time have been furnished and installed, all in accordance with the Plans, and that sufficient Loan Proceeds remain undisbursed to complete the Improvements in accordance with the Plans and the Total Budget;

(d) A written certificate of the Borrower and the Contractor that each of them has received no affidavits or other notices in connection with the obtaining of a mechanic's lien by any contractor, subcontractor, materialman or laborer; and

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

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

6.5 Quality of Work. No disbursement shall be made 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 any 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 5(r).

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.

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) 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

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

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

(a) 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 Improvements or the Premises are conveyed or encumbered in any way without the written consent of the State;

(b) Casualty. The Improvements 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 to their condition immediately prior to such casualty;

(c) Failure to Construct. The Borrower or the Contractor does not construct the Improvements in accordance with the Plans by September 1, 2015;

(d) 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;

(e) 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;

(f) 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, provided in the case of a default the Borrower's obligations under Section 5(h) such default shall continue for more than thirty (30) days after written notice of such default;

(g) Other Loan Documents. Any default as defined in the Note shall occur;

(h) Cessation of Work. Any substantial cessation occurs at any time in construction of the Improvements 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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.

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), the Note shall become immediately due and payable, 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 without becoming liable to make any other or further advances as hereinabove contemplated by this Agreement.

9.2 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 by the Note shall be due and payable, and whether or not the State shall have instituted any action for the enforcement of its rights under the Note or this Agreement.

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 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.

10. 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, 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 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.

11. General Provisions.

11.1 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.

11.2 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.

11.3 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 and the Guarantor, as the case may be, and the successors and assigns of the State.

11.4 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 herein 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.

11.5 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).

11.6 Entire Agreement. This Agreement, together with any and all schedules and exhibits hereto and the Note, 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.

11.7 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.

11.8 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 or, this Agreement.

11.9 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.

11.10 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.

11.11 References. All references herein to the Note shall be construed to refer to the Note as it may be amended from time to time.

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

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

THE STATE OF NEW HAMPSHIRE

Witness

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

LOON ESTATES COOPERATIVE, INC.

Witness

By: _____
Richard Bojko
Vice President

Witness

By: _____
Carole Delisle
Secretary

Witness

By: _____
Jo Evans
Treasurer

EXHIBIT C

PROMISSORY NOTE

\$50,000

Concord, New Hampshire
_____, 2014

FOR VALUE RECEIVED Loon Estates Cooperative, Inc., a New Hampshire corporation with a principal place of business at P.O. Box 314, Northwood, New Hampshire 03261 (“Borrower”), promises to pay to 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, or its order (“State”), the sum of Fifty Thousand Dollars (\$50,000) or such lesser amount as shall be disbursed to Borrower by State pursuant to a Loan Agreement of near or even date by and between Borrower and State (the “Loan Agreement”), in lawful money of the United States, together with interest thereon at 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 State or (ii) September 1, 2015 (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 1.06% or (B) twenty five percent (25%) of the established market rate in effect at the time of the Note published on the State of New Hampshire Department of Environmental Services website at www.des.nh.gov. Capitalized terms used but not defined herein have the meaning given to them in the Loan Agreement.

This Note is subject to section 2.2 of the Loan Agreement.

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

(a) Commencing with the first day of the thirteenth month after the Interest Rate Change Date (the “Conversion Date”) and each anniversary of the Conversion Date, the interest of the Note together with one fifth of the principal amount of the Note as of the Conversion Date shall be paid in Five (5) consecutive annual installments over the 5 year period at the Applicable Interest Rate.

2. Due Date; Late Payment. All payments of principal and interest shall be due on or before the due date specified above; provided, however, that Borrower shall not be deemed in default hereunder if payment is received by State on or before 4:00 p.m. of the seventh day following the due date. Borrower 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.

3. Applicable Interest. Borrower expressly agrees that the Applicable 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. The interest payable on this Note shall be calculated on the basis of an annual rate of interest applied to twelve thirty-day months over a three hundred sixty (360) day year.

4. Default; Acceleration. Borrower 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 prompt payment of any principal or interest installment due hereunder (or within such grace period as may be provided herein), (b) the failure of Borrower to observe or perform any of the other obligations to State under this Note, and the same remains unremedied for a period of thirty (30) days after the date of notice thereof to Borrower by State, (c) the occurrence of an Event of Default under the Loan Agreement, (d) a default or event of default under any Security Instrument or (e) a default in any other obligation of Borrower to State, whether now existing or hereinafter incurred.

If Borrower 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.

5. 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, Borrower agrees to pay all costs and expenses of collection, including attorneys' fees, regardless of whether legal proceedings have been formally commenced.

6. Waiver of Presentment. Borrower 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.

7. Non-Forfeiture of Rights. It is agreed and understood that the waiver by State 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 State hereunder unless otherwise agreed in writing.

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

9. Binding on Successors, Etc. The obligation of this Note shall be binding upon the heirs, successors and assigns of Borrower herein and shall inure to the benefit of the successors or assigns of State herein or any holder hereof. Notwithstanding the preceding sentence, Borrower shall not assign this Note without the prior written consent of State.

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

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

12. Governing Law. The Note has been made in the State of New Hampshire, and the provisions hereof shall be governed by and construed in accordance with the laws of the State of New Hampshire (excluding the laws applicable to conflicts or choice of laws).

13. Jurisdiction. 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 rights of State under this Note.

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

EXECUTED as of _____, 2014.

LOON ESTATES COOPERATIVE, INC.

Witness

By: _____
Richard Bojko
Vice President

Witness

By: _____
Carole Delisle
Secretary

Witness

By: _____
Jo Evans
Treasurer

DISCLOSURE OF FINANCE CHARGES
STATE DRINKING WATER REVOLVING LOAN FUND

Pursuant to New Hampshire RSA Chapter 399-B:2

TO: LOON ESTATES COOPERATIVE, INC.

DATE: _____, 2014

Amount of Loan: \$50,000

Payable: 5 annual installments of interest and principal as further provided in the Promissory Note of even date of the Borrower (the "Note"), subject to section 2.2 of the Loan Agreement of even date between the Borrower and the State of New Hampshire.

Finance Charges: 1% until the Interest Rate Change Date (as defined in the Note) then lower of (A) 1.06% or (B) 25 percent of the established 11 General Obligations Bond Index published during the first week of October before the Interest Rate change Date (including a 2% administrative fee),as provided in the Note

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

Above interest is based on the number of days elapsed over a 360 day year.

Recording and filing fees:	\$ 0
Title search fee:	\$ 0
Environmental Site Assessment:	\$ 0
Appraisal:	\$ 0

Acknowledged.

LOON ESTATES COOPERATIVE, INC.
Borrower

By: _____
Richard Bojko
Vice President

By: _____
Carole Delisle
Secretary

By: _____
Jo Evans
Treasurer