

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Docket No. DW 13-041

Lakes Region Water Company, Inc.

ORIGINAL	
N.H.P.U.C. Case No.	DW 13-041
Exhibit No.	# 8 Supplemental
Witness	Panel 1 Response
DO NOT REMOVE FROM FILE	

Date Request Received: March 8, 2012

Date of Response: 3/22/2013

Record Request No. 8

Witness: Thomas A. Mason

REQUEST 8: "Minutes of Board of Directors meeting authorizing the payment to Mrs. Mason shown in the Company's response to Staff 1-4, Exhibit 4, Page 164."

OBJECTION: The Commission's rules prohibit the introduction of information that is the subject of settlement discussions. Puc 203.20 (a) ("All participants in settlement conferences shall treat discussions at settlement conferences as confidential and shall not disclose the contents of such discussions to third parties or seek to introduce them into evidence."). The Company's response therefore redacts information that pertains to settlement discussions in DW 10-141. Lakes Region has objected for the purpose of avoiding the introduction of evidence which is prohibited by rule.

RESPONSE 8: Please see minutes attached.

SUPPLEMENTAL RESPONSE (4/10/2013): Since providing the August 30, 2011 Minutes of the Board of Directors, above, the Company's accountant, Norman Roberge, located a Memo he prepared dated June 21, 2011. This Memo was presented to the Board at the time it approved the payments to the Company's shareholders on August 30, 2011.

The Memo is also relevant because it explains the Board's understanding that, following the Board's approval of the accounting treatment of the Mason Note and cash payments, the Company would "amend [its] tax returns and correct the amount of loss carry forwards that we have and present a better historical picture than if we made all the changes effective 12/31/10."

Board of Directors Meeting – Lakes Region Water Co., Inc.

Members Present: Amy Mason, Barbara Mason, Thomas Adam Mason, Susan Mason,

Others Present: Thomas Albert Mason

Date of Meeting: August 30, 2011

Item: Status of PUC Filings

Discussion: Tom Jr. updated the board on settlement discussions [REDACTED]
[REDACTED]
[REDACTED]

Item: Legal Issues

Discussion: Don Crandlemire feels [REDACTED]
[REDACTED] Feels [REDACTED] Indicated
[REDACTED]

Item: Rate Case Expense

Discussion: Rate Case expense has exceeded \$150,000.00. Tom Jr. has shared monthly updates of the excessive costs with the Staff and OCA .

Item: Pension Expense

Discussion: Lakes Region Water has agreed with Staff and OCA to reclassify pensions to Capital Reduction.

Item: Thomas Adam and Barbara Mason's Financial and Health Care Expenses

Discussion: Lakes Region needs to provide the Masons with living and health care compensation. The Board voted unanimously to allow payments to the Masons and to be recorded in the Capital Reduction account.

Item: Bob Montville (Financial Advisor)

Discussion: Mr. Montville has inspected Lakes Region's books and practices. He has assured the Board that the practices are sound but the current Utility Rate System is unsustainable for a small utility.

(D)

June 21, 2011

MEMO

To: Thomas Adam & Barbara G Mason, Stockholders LRWC (T&B Mason)
Donald Crandlemire, Esq. (Don)
Thomas Albert Mason, Pres. LRWC (Tommy)

From: Norman Roberge (Norm)

Subject: Conversion of outstanding notes payable of T&B Mason to equity and relinquishment of claims on accrued interest on current outstanding notes payable

As part of the current negotiations between the NHPUC and LRWC the subject of outstanding notes payable due T&B Mason by LRWC and accrued interest on these notes has been discussed. Following is a schedule by year of outstanding amounts for both note payable and accrued interest as of December 31, 2010

	Year	Note Annual Activity	Note Balance End of Year	Accrued Interest Annual Activity	Accr. Int. Balance End of Year
	12/31/2006	n/a	\$ 118,307.12	n/a	\$ 4,545.00
Total Advances to LRWC	12/31/2007	\$ 224,703.96	\$ 343,011.08	\$ 18,019.00	\$ 22,564.00
Total Capitalized Debt	12/31/2008	\$ 579,406.00	\$ 922,417.08	n/a	
Cash Pymts to T & B Mason	12/31/2008	\$ (724,430.00)	\$ 197,987.08	n/a	
	12/31/2008	\$ (59,248.00)	\$ 138,739.08	\$ 40,108.00	\$ 62,672.00
	12/31/2009	\$ 52,116.00	\$ 190,855.08	\$ 18,331.00	\$ 81,003.00
	12/31/2010	\$ 65,346.00	\$ 256,201.08	\$ 20,688.00	\$ 101,691.00

From the discussions that I have had with Tommy and Don, and short conversations with Diane Levine at TD Bank I believe that we should have an agreement by T & B Mason whereby they retroactively convert outstanding debt to equity (paid in capital) on the following schedule and that such conversion will remove all accrued interest except for the balance of \$4,545 in existence at 12/31/06.

The following schedule will take into account the fact that \$724,430 was capitalized in 2008. This will just reshuffle that amount into different years. After this agreement is officially in place I can then complete that financials for 2010 and amend 2009 financials for comparison and adjust retained earnings for changes in interest expense in years 2007 and 2008.

After reviewing above schedule the debt holders, Thomas Adam & Barbara G Mason agree to retroactively: capitalize certain note balances and relinquish all claims on certain accrued interest as stated below, the Company LRWC accepts the recapitalization and relinquishment of accrued interest claims by the debt holders.

- 1/1/2007 Capitalize outstanding \$118,307.12 in debt
- 1/1/2007 No action is taken on 12/31/06 balance of accrued interest in the amount of \$4,545 and this amount remains a liability of the Company
- 12/31/2007 Capitalize amounts advanced during the year of 2007 in the amount of \$224,703.96
- 12/31/2007 Relinquish all claims to \$18,019.00 of interest accrued by LRWC during 2007
- 12/31/2008 Capitalize amounts advanced during the year 2008 in the amount of \$579,406.00
- Entries by the Company (LRWC) will reflect the fact that T & B Mason agreed in DW 08-070 to capitalize \$724,430 of the then outstanding debt.

(11)

(D) 12/31/2008 Relinquish all claims on \$40,108.00 of interest accrued by LRWC during 2008.

12/31/2009 Capitalize amounts advance during the year 2009 in the amount of \$52,116.

12/31/2009 Relinquish all claims on \$18,331 of Interest accrued by LRWC during 2009.

12/31/2010 Capitalize amounts advance during the year 2010 in the amount of \$65,346

12/31/2010 Relinquish all claims on \$20,688 of interest accrued by LRWC during 2010

These changes will improve the equity of the Company by \$256,201 of Note reductions and \$97,146 of reduction in accrued interest.

Going back to 2007 with these changes allows LRWC to amend tax returns and correct the amount of loss carry forwards that we have and present a better historical picture than if we made all the changes effective 12/31/10

This is being sent to All parties mentioned above - T & B Mason, Don and Tommy

Comment and action is required