

**Analysis of the "All in" costs of the \$5.1M portion of the Integrated Capital Finance Plan  
Credit Facility with TD Bank vs Taxable Bond Issuance**

Exhibit LDG (Supp) 1  
lg 7/16/14

	<u>Credit Facility</u>	<u>Taxable Bonds</u>
Issuance Costs:		
Costs of Issuance (estimate from Investment Bankers)		\$ 54,223.00
Underwriter's Discount		\$ 50,320.00
Loan Origination Fee (from Discussion Term Sheet)	\$ 25,000.00	
Estimated legal for documentation (per bank's attorney)	\$ 8,000.00	
<b>Subtotal Issuance Costs</b>	<b><u>\$ 33,000.00</u></b>	<b><u>\$ 104,543.00</u></b>
Interest Rates (rates used per analysis provided with data responses to original testimony):		
20-year Credit Facility (30-Day LIBOR plus 2.25%; interest rate protected with SWAP for at least 1st 9 years)	4.85%	
Taxable 30-year Bonds		4.75%
Annual Principal Payments	\$ 255,000.00	\$ 170,000.00
<u>Bullet Maturities:</u>		
Credit Facility - at year 10	\$ 2,500,000.00	
Taxable Bonds		\$ -
<u>Gross Debt Service:</u>		
Credit Facility (assuming credit facility renewed at year 10 for remaining 10 years of original term, at same interest rate)	\$8,080,970.00	
Taxable Bonds		\$9,671,046.00
<b>PV of \$5.1M debt obligation at designated interest rates and terms (assuming credit facility renewed at year 10 for remaining 10 years at same interest rate) <sup>Note 1</sup></b>	<b><u>\$5,706,297.41</u></b>	<b><u>\$5,581,176.19</u></b>
<b>"All in" cost of financing</b>	<b><u>\$ 5,739,297.41</u></b>	<b><u>\$ 5,685,719.19</u></b>

Note 1: Estimated Discount Rate of 3.57% for Credit Facility and 3.99% for Taxable Bonds based upon the forward looking yield curves for the 20 and 30 years terms, respectively.

Calculation of Negative Carry (net cost of drawing money in two tranches)

Length of Assumed "Construction Draw" between 2014 and 2015 Financing	1 Year
Par Amount	\$ 14,500,000
Borrowing Rate	5.50%
Current 1-Year Treasury Rate	0.11%
Pct. Difference / Pct. Negative Carry for 1 Year (Length of Construction Draw)	<u>5.39%</u>
Dollar Difference / Dollar Negative Carry for 1 Year (Length of Construction Draw)	\$ 781,550
Total 2014 Single Issuance Costs	\$ 1,240,467
Total 2014 and 2015 Separate Issuance Costs	<u>1,503,663</u>
Reduction due to Single Issuance	<u>\$ (263,196)</u>
Net Negative Carry for 2014 Single Issuance (Negative Carry minus Cost Reduction)	<u><u>\$ 518,354</u></u>

Analysis of Market Sensitivity to Negative Carry

<i>Item</i>	<u>2014 Only</u>	<u>Separate 2014 and 2015 Issuances</u>		
	Market	<u>Range of Interest Rate Changes in 1 Year</u>		
		No Change	+ 33 bps	+ 100 bps
Project Draws Funded in 2014	\$ 24,650,000	\$ 10,551,000	\$ 10,551,000	\$ 10,551,000
Project Draws Funded in 2015		14,099,000	14,099,000	14,099,000
Total Project Draws	<u>\$ 24,650,000</u>	<u>\$ 24,650,000</u>	<u>\$ 24,650,000</u>	<u>\$ 24,650,000</u>
Gross Total Debt Service	\$ 53,770,000	\$ 54,285,000	\$ 55,395,000	\$ 57,725,000
PV of Total Debt Service @ 5.50%	26,055,000	25,550,000	26,065,000	27,135,000
Total Gross Difference from Single 2014 Issuance		(515,000)	(1,625,000)	(3,955,000)
Total PV Difference from Single 2014 Issuance	-	505,000	<b>(10,000)</b>	(1,080,000)

Pennichuck Water Works, Inc.  
 Analysis of Value of Bond Insurance  
 Integrated Capital Finance Plan

	<u>Issuance including Bond Insurance</u>	<u>Issuance excluding Bond Insurance</u>
PV of Rate Differential for issuing bonds without bond insurance		\$ 1,008,954
Cost of bond insurance at 80 bps of the par amount of the bonds		\$ (654,723)
Net benefit of issuance including bond insurance <sup>NOTE 1</sup>		<u>\$ 354,231</u>
 <i>Proof of Net Benefit</i>		
Gross Total Debt Service <sup>Note 2</sup>	\$ 91,509,803	<u>\$ 92,010,953</u>
Difference		<u>\$ 501,150</u>
PV of Debt Service <sup>Note 3</sup>	\$ 60,752,983	<u>\$ 61,107,214</u>
Difference		<u>\$ 354,231</u>

NOTE 1: This preliminary determination based upon discussions with various parties and our advisors, and may be subject to change based on changes to market conditions prior to closing.

NOTE 2: Calculated using current indicative market rates, at the indicative bond rating with and without bond insurance.

NOTE 3: PV calculated using the forward looking yield curve for 18 years (3.43%), based upon the weighted average life of the principal sums outstanding.

**THE BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE**

**[\$19,500,000]  
Water Facility Revenue Bonds  
(Pennichuck Water Works, Inc. Project)  
Series 2014A**

**[\$23,375,000]  
Water Facility Refunding Revenue Bonds  
(Pennichuck Water Works, Inc. Project)  
Series 2014B**

**[\$5,100,000  
Water Facility Revenue Bonds (Taxable)  
(Pennichuck Water Works, Inc. Project)  
Series 2014C]**

**BOND PURCHASE AGREEMENT**

The Business Finance Authority  
of the State of New Hampshire  
2 Pillsbury Street, Suite 201  
Concord, New Hampshire 03301

Pennichuck Water Works, Inc.  
25 Manchester Street  
Merrimack, New Hampshire 03054

The undersigned, TD Securities (USA) LLC (the “Underwriter”), offers to enter into the following agreement with The Business Finance Authority of the State of New Hampshire (the “Issuer”) and Pennichuck Water Works, Inc. (the “Borrower”), which, upon acceptance of this offer by the Issuer and the Borrower, will be binding upon the Issuer and the Borrower and upon the Underwriter. This offer is made subject to acceptance of this Bond Purchase Agreement by the Issuer and the Borrower on or before 5:00 p.m., Boston, Massachusetts time, on the date set forth in item 1 of **Schedule A** attached hereto (the “date hereof”). Terms used herein and not otherwise defined shall have the same meanings assigned to them in the Official Statement (as hereinafter defined).

1. Purchase Price. Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from the Issuer for offering to the public and the Issuer hereby agrees to sell and deliver

to the Underwriter, all (but not less than all) of the Issuer's Water Facility Revenue Bonds, Series 2014A, [and] Water Facility Refunding Revenue Bonds, Series 2014B [and Water Facility Revenue Bonds (Taxable), Series 2014C (collectively, the "Series 2014 Bonds") on the date set forth in item 4 of **Schedule A** attached hereto or such other date as shall have been mutually agreed upon by the parties hereto (the "Date of the Closing"). The Series 2014 Bonds will be issued pursuant to a Loan and Trust Agreement dated as of \_\_\_\_\_, 2014 (the "Agreement"), by and among the Issuer, the Borrower and [The Bank of New York Mellon Trust Company, N.A.], as trustee (the "Trustee"). The aggregate principal amount of the Series 2014 Bonds, the date of the Series 2014 Bonds, the dates of maturity of the Series 2014 Bonds, the principal amount of the Series 2014 Bonds due on each maturity, the interest rates per annum for the Series 2014 Bonds due on each maturity, the public offering prices, the sinking fund installments and the optional redemption terms for the Series 2014 Bonds are set forth in item 2 of **Schedule A** attached hereto. The Series 2014 Bonds shall be subject to redemption as set forth in the Official Statement dated \_\_\_\_\_, 2014 (the "Official Statement") and shall in all other respects be the same Bonds described in the Official Statement. The purchase price to be paid by the Underwriter for the Series 2014 Bonds shall be as set forth in item 3 of **Schedule A** attached hereto.

2. The Financing Documents. On the date hereof, the Issuer and the Borrower shall deliver to the Underwriter a copy of the form of the Agreement and the Continuing Disclosure Agreement dated \_\_\_\_\_, 2014 (the "Continuing Disclosure Agreement"), intended to be executed between the Borrower and the Trustee (the Continuing Disclosure Agreement, the Agreement and this Bond Purchase Agreement are collectively referred to as the "Financing Documents").

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Series 2014 Bonds at a price not in excess of the respective public offering prices nor below the yields, as applicable, set forth in item 2 of **Schedule A** attached hereto. On or before the Date of the Closing, the Underwriter shall furnish to the Issuer a certificate acceptable to Edwards Wildman Palmer LLP ("Bond Counsel"), signed by the Underwriter setting forth the issue prices of and the calculation of the yield on the Series 2014 Bonds for purposes of Section 148 of the Internal Revenue Code of 1986 (the "Code"), certifying the amount of any reasonably required reserve and that the funding of such aggregate amount is a vital factor in marketing the Series 2014 Bonds at the prices and yields at which they were sold on the sale date and stating that the Issuer, the Borrower and Bond Counsel may rely on such certification for purposes of determining compliance with Sections 103 and of the Code.

4. Official Statement. In order to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and rules of the Municipal Securities Rulemaking Board (the "MSRB"), the Borrower shall provide to the Underwriter sufficient copies of the Official Statement, which the Issuer (only with respect to the statements therein with respect to the Issuer under the captions "THE ISSUER" and "LITIGATION") and the Borrower (with respect to all other statements therein) deem final as of its date, in sufficient time to accompany any confirmation that requires payment from any customer and in any event within seven (7) business days after the date of this Bond Purchase Agreement and in no event later than two (2) business days prior to the Date of the Closing. The Issuer and the Borrower hereby authorize the use of the Official Statement by the Underwriter in connection with the public

offering and sale of the Series 2014 Bonds. The Issuer and the Borrower hereby ratify and confirm the use by the Underwriter prior to the date hereof of the Preliminary Official Statement dated \_\_\_\_\_, 2014 (the “Preliminary Official Statement”) in connection with the public offering of the Series 2014 Bonds. The final Official Statement shall be substantially the same (except for insertions, deletions and changes contemplated in the Preliminary Official Statement and this Bond Purchase Agreement) as the Preliminary Official Statement and shall contain only those substantive changes as are approved by the Underwriter, which approval shall not be unreasonably withheld. The Preliminary Official Statement, as of its date, was deemed final (i) by the Issuer (but only with respect to the statements therein with respect to the Issuer under the captions “THE ISSUER” and “LITIGATION” (solely as it pertains to the Issuer) and (ii) by the Borrower (with respect to all other statements therein) for purposes of the Rule, except for permitted omissions set forth in the Rule.

The Underwriter agrees to provide a certificate at Closing (as defined herein) stating that it has filed a copy of the Official Statement with the MSRB in accordance with the Rule and stating whether or not the Underwriter retains any unsold balance of Series 2014 Bonds for sale to the public. In the event that it does so retain for sale to the public any such Bonds as of the Closing, the Underwriter agrees to promptly notify the Issuer and the Borrower of the date on which the Underwriter no longer retains any unsold balance of the Series 2014 Bonds for sale to the public.

5. Issuer’s Representations and Warranties. The Issuer hereby represents and warrants to, and agrees with each of the Borrower and the Underwriter as follows, all of which shall survive the Closing:

(a) The Issuer is a body corporate and politic, created and existing under New Hampshire RSA 162-A with the power to issue revenue bonds under RSA 162-I (collectively, the “Act”). The Issuer is authorized to issue the Bonds and loan the proceeds to the Borrower for the purpose of financing certain facilities used for the furnishing of water, to execute and deliver this Bond Purchase Agreement and the Agreement, to perform its obligations under each, and to issue and sell the Series 2014 Bonds pursuant hereto and to the Agreement.

(b) The Issuer has taken all necessary action and has complied with all provisions of the Constitution and laws of the State of New Hampshire, including the Act, including but not limited to the making of the findings required by the Act, required to make this Bond Purchase Agreement, the Agreement and the Series 2014 Bonds the valid obligations they purport to be; and when executed and delivered by the parties hereto and thereto, this Bond Purchase Agreement and the Agreement will constitute legal, valid and binding agreements of the Issuer and will be enforceable against the Issuer in accordance with their respective terms, except as enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors heretofore or hereafter enacted to the extent that the same may be constitutionally applied and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(c) When delivered to and paid for by the Underwriter in accordance with the terms of this Bond Purchase Agreement and the Agreement, the Series 2014 Bonds will constitute

legal, valid and binding special obligations of the Issuer enforceable against the Issuer in accordance with their terms, except as enforceability may be subject to the exercise of judicial discretion in accordance with general equitable principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors heretofore or hereafter enacted to the extent that the same may be constitutionally applied, and will be entitled to the benefits of the Agreement.

(d) The Issuer makes no representation or warranty that interest on the Series 2014 Bonds is or will continue to be exempt from federal or state income taxation.

(e) If, after the date of this Bond Purchase Agreement and until the earlier of (i) ninety (90) days after the Date of the Closing or (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the Date of the Closing, provided, however, that if the Underwriter provides a certificate on the Date of the Closing stating that it still holds Series 2014 Bonds for distribution to the public then such foregoing periods shall be extended until twenty-five (25) days after the “end of the underwriting period” (as such phrase is defined in the Rule), the Issuer becomes aware of any event that would cause the information appearing (i) under the caption “THE ISSUER” or (ii) under the caption “LITIGATION” (solely as it pertains to the Issuer) in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer agrees to notify the Underwriter (and for purposes of this paragraph to provide the Underwriter with such information as it may from time to time request), and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, at the Borrower’s expense to supplement or amend the Official Statement in a form and manner approved by the Underwriter, the Issuer and the Borrower and to furnish at the Borrower’s expense to the Underwriter a reasonable number of copies of such supplement or amendment.

(f) With respect to information therein under the headings “THE ISSUER” and “LITIGATION,” insofar as the information under such caption relates solely to the Issuer, the Official Statement is as of the date hereof and will be as of the Date of the Closing true, correct and complete in all material respects and did not, does not and will not omit any material statement which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary to make the statements as to such matters contained therein not misleading in light of the circumstances in which they were made. The Issuer has assumed no responsibility for providing or reviewing any information contained in the Official Statement other than under the captions “THE ISSUER” and “LITIGATION” insofar as they relate to the Issuer.

(g) The Issuer will, but at the expense of the Underwriter, furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Series 2014 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

6. Borrower Representations and Warranties. As an inducement to the Issuer and the Underwriter to enter into this Bond Purchase Agreement and to make the offering of the Series 2014 Bonds herein contemplated, the Borrower hereby represents, warrants and agrees with each of the Issuer and the Underwriter as follows, all of which shall survive the Closing:

(a) The Borrower is a corporation formed, in existence and in good standing under the laws of the State of New Hampshire. The Borrower is a “water facility” and an “eligible facility” within the meaning of the Act and has the corporate power and authority to execute and deliver the Financing Documents and to undertake and perform its obligations thereunder.

(b) The Borrower has duly authorized all necessary action to be taken by it for: (i) the loan to the Borrower of the proceeds from the issuance and delivery of the Series 2014 Bonds by the Issuer upon the terms set forth in this Bond Purchase Agreement and in the Official Statement; (ii) the approval of the Preliminary Official Statement and the Official Statement and the use by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the sale of the Series 2014 Bonds; and (iii) the execution, delivery and performance by the Borrower of and under the Financing Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the Borrower in order to carry out the transactions contemplated by such instruments and by the Official Statement. On the Date of the Closing, the Financing Documents will have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such instruments by the other parties thereto and their authority to perform such instruments, will constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by laws relating to bankruptcy, insolvency, reorganization or other similar laws of general application affecting the rights of creditors and general principles of equity and except as any indemnification or contribution provisions thereof may be limited under applicable securities laws.

(c) The execution and delivery of, and compliance with the terms and conditions of, the Financing Documents, and the carrying out and consummation of the transactions contemplated thereby and by the Official Statement, did not at the time of such execution and delivery, do not and will not violate or conflict with any of the terms and provisions of any statute, or any rule, order, regulation, judgment or decree of any court, agency, or other governmental or administrative board or body to which the Borrower is subject, or conflict with or constitute a breach of or a default under any provision of the Borrower’s articles of organization or by-laws, or any material agreement, indenture, mortgage, lease, deed of trust, or other instrument to which the Borrower is a party or by which the Borrower or its properties are bound, except for violations, conflicts, breaches or defaults that would not have a material adverse effect on the Borrower.

(d) The information under the headings “INTRODUCTION” (with respect to the Borrower and the Project), “PLAN OF FINANCE,” “ESTIMATED SOURCES AND USES OF FUNDS,” “ANNUAL DEBT SERVICE REQUIREMENTS” (with respect to the Borrower and the Project), “BONDHOLDERS’ RISKS” (as such statements relate to the Borrower or the Project), “LITIGATION” (with respect to the Borrower), “CONTINUING DISCLOSURE” (with respect to the Borrower), “MISCELLANEOUS” (with respect to the Borrower’s financial



statements) and in Appendices A and B of the Official Statement is, as of the date hereof, and will be, as of the Date of the Closing, true and correct in all material respects and did not, does not and will not omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Borrower has approved and consents to the use of the Preliminary Official Statement and the Official Statement by the Underwriter.

(e) The Borrower has previously complied with any undertaking in a written contract or agreement of the type specified in paragraph (b)(5)(i) of the Rule.

(f) Since December 31, 2013, there has been no material adverse change in the financial position of the Borrower not disclosed in writing to the Underwriter, nor has the Borrower incurred any material liabilities other than liabilities that have been incurred in the ordinary course of business or that are set forth in or contemplated by the Official Statement.

7. Covenants of the Borrower. The Borrower covenants and agrees with the Issuer and the Underwriter as follows:

(a) If either during (i) the period between the date of this Bond Purchase Agreement and the Date of the Closing or (ii) the period between the Date of the Closing and the date ninety (90) days after the end of the underwriting period (as defined in the Rule) (or, if earlier, the date by which the Official Statement is available to any person from the MSRB, but in no event less than twenty-five (25) days after the end of the underwriting period (as defined in the Rule)), any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser true and correct in all material respects and with no omission of material facts necessary to make the statements therein, in light of the circumstances in which they were made not misleading, the Borrower will cooperate in the preparation of a revised Official Statement or amendments or supplements to the Official Statement so that the statements in the Official Statement, as revised, or the Official Statement, as so amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading. As required by Section 4 hereof, the Underwriter shall promptly notify the Borrower (i) if the date of the end of the underwriting period (as defined in the Rule) is more than ninety (90) days after the Closing Date, and (ii) regardless of the notice in clause (i) of this sentence, the date that is the end of the underwriting period. In the absence of such notice, the Borrower shall deem the end of the underwriting period to be ninety (90) days after the Date of the Closing; The Borrower will cooperate with the Underwriter and its counsel in any endeavor to qualify the Series 2014 Bonds for offering and sale under the securities or “Blue Sky” laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Borrower shall not be required to qualify as a foreign corporation or to file a general written consent to suit or service of process in any jurisdiction;

(b) between the date hereof and the Date of the Closing, the Borrower will not take any action that would cause the representations and warranties contained in Section 6 of this Bond Purchase Agreement to be untrue as of the Date of the Closing. On the Date of the Closing, the Borrower shall deliver or cause to be delivered all opinions, certificates and other documents to

be delivered by it or on its behalf as provided for in this Bond Purchase Agreement, and to deliver such additional certificates and other documents as the Underwriter or the Issuer may reasonably request to evidence performance of or compliance with the provisions of this Bond Purchase Agreement and the transactions contemplated by the Official Statement, and the Financing Documents, all such certificates and other documents to be reasonably satisfactory in form and substance to the Underwriter and the Issuer;

(c) in order to permit the Underwriter to satisfy its obligations under Section 4 of this Bond Purchase Agreement, the Borrower will furnish to the Underwriter copies of the Official Statement and any amendments and supplements thereto, in each case as soon as practicable, but in any event in the case of the Official Statement within seven (7) Business Days of the date of this Bond Purchase Agreement and in no event less than two (2) business days prior to Closing, which copies shall be furnished at a minimum in such quantities as shall be reasonably requested by the Underwriter to fulfill its obligations under paragraph (b)(4) of Rule 15c2-12;

(d) the Borrower shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) the Issuer, each officer, director, employee and agent of the Issuer and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act"), or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) any of such parties (hereinafter collectively called the "Issuer Indemnified Parties"), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of: (i) any breach by the Borrower of any of its representations and warranties as set forth in Section 6 hereof; and (ii) any allegation that there is as of the date hereof or as of the Date of the Closing any untrue statement of a material fact contained in the Indemnified Information (as defined below) or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against one or more of the Issuer Indemnified Parties, in respect of which indemnity may be sought against the Borrower, the Issuer Indemnified Party or Parties shall promptly notify the Borrower in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses. The Issuer Indemnified Party or Parties shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Issuer Indemnified Party unless (1) the retention of such counsel has been specifically authorized by the Borrower, (2) the Issuer Indemnified Party shall have reasonably concluded that there may be a conflict of interest between it and the Borrower in the conduct of the defense of such action, or (3) the Borrower shall not in fact have employed counsel reasonably satisfactory to such Issuer Indemnified Party. For the purposes of this paragraph and the next succeeding paragraph, the term "Indemnified Information" shall mean the statements and information contained in the Official Statement under the captions: "INTRODUCTION" (with respect to the Borrower and the Project), "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS," "ANNUAL DEBT SERVICE REQUIREMENTS" (with respect to the Borrower and the Project), "BONDHOLDERS' RISKS" (as such statements relate to the Borrower or the Project), "LITIGATION" (with respect to the Borrower), "CONTINUING DISCLOSURE" (with respect to the Borrower), "MISCELLANEOUS" (with respect to the Borrower's financial

statements) and in Appendices A and B, except for any projections and opinions of any entity other than the Borrower. The Borrower shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Borrower, or if there is final judgment for the plaintiff in any such action with or without consent, the Borrower agrees to indemnify and hold harmless the Issuer Indemnified Party or Parties from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Issuer Indemnified Parties in investigating the claim and in defending it if the Borrower declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing (as defined in Section 9 hereof); and

(e) the Borrower shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) the Underwriter, each officer, director, employee and agent of the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act or Section 20 of the Exchange Act) any of such parties (hereinafter collectively called the “Underwriter Indemnified Parties”), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of: (i) any breach by the Borrower of any of its representations and warranties as set forth in Section 6 hereof; or (ii) any allegation that there is any untrue statement of a material fact contained in the Indemnified Information or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against one or more of the Underwriter Indemnified Parties, in respect of which indemnity may be sought against the Borrower, the Underwriter Indemnified Party or Parties shall promptly notify the Borrower in writing setting forth the particulars of such claim or action and the Borrower shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses; provided, however, that failure to so notify the Borrower (1) will not relieve the Borrower from its liability unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the Borrower of substantial rights and defenses; and (2) will not, in any event, relieve the Borrower from any obligations to the Underwriter Indemnified Party or Parties other than the indemnification obligation. The Underwriter Indemnified Party or Parties shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Underwriter Indemnified Party unless (1) the retention of such counsel has been specifically authorized by the Borrower, (2) the Underwriter Indemnified Party shall have reasonably concluded that there may be a conflict of interest between it and the Borrower in the conduct of the defense of such action, or (3) the Borrower shall not in fact have employed counsel reasonably satisfactory to such Underwriter Indemnified Party. The Borrower shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Borrower, or if there is final judgment for the plaintiff in any such action with or without consent, the Borrower agrees to indemnify and hold harmless the Underwriter Indemnified Party or Parties from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Underwriter Indemnified Parties in investigating the claim and in defending it if the Borrower declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing.

7A. The Underwriter shall indemnify and hold harmless (except to the extent, if any, that a court of competent jurisdiction determines that such agreement to indemnify and hold harmless is not enforceable as a result of being contrary to law or public policy) (a) the Issuer Indemnified Parties and (b) the Borrower, each officer, director, employee and agent of the Borrower and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act or Section 20 of the Exchange Act) the Company (the “Borrower Indemnified Parties”), against any and all losses, claims, damages, liabilities, costs or expense whatsoever arising out of any allegation that there is any untrue statement of a material fact contained in the Official Statement under the Caption “UNDERWRITING” or the omission therefrom of any material fact necessary in order to make the statements made in light of the circumstances under which they were made not misleading. In case any claim shall be made or action brought against one or more of the Issuer Indemnified Parties or one or more of the Borrower Indemnified Parties, in respect of which indemnity may be sought against the Underwriter, the Issuer Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, shall promptly notify the Underwriter in writing setting forth the particulars of such claim or action and the Underwriter shall assume the defense thereof including the retention of counsel and the payment of all reasonable expenses. The Issuer Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, shall have the right to retain separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Issuer Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, unless (1) the retention of such counsel has been specifically authorized by the Underwriter, (2) the Issuer Indemnified Party or Borrower Indemnified Party, as the case may be, shall have reasonably concluded that there may be a conflict of interest between it and the Underwriter in the conduct of the defense of such action, or (3) the Underwriter shall not in fact have employed counsel reasonably satisfactory to such Issuer Indemnified Party or Borrower Indemnified Party, as the case may be,. The Underwriter shall not be liable for any settlement of such action effected without its consent, but if settled with the consent of the Underwriter, or if there is final judgment for the plaintiff in any such action with or without consent, the Underwriter agrees to indemnify and hold harmless the Issuer Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, from and against any loss or liability by reason of settlement or judgment to the extent set forth in this paragraph. The indemnity provided in this paragraph includes reimbursement for expenses reasonably incurred by the Issuer Indemnified Party or Parties or Borrower Indemnified Party or Parties, as the case may be, in investigating the claim and in defending it if the Underwriter declines to assume the defense. The indemnity provided in this paragraph shall survive the Closing.

7B. (a) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 7(d) above is for any reason held to be unavailable to the Issuer in accordance with its terms, the Borrower and the Issuer shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Borrower and the Issuer in such proportions such that the Issuer is responsible for that portion represented by the percentage that the Issuer’s issuance expenses (including legal, administrative, financing, and incidental expenses of the Issuer) bears to the initial public offering price appearing on the cover page of the Official Statement and the Borrower is responsible for the balance. In order to provide for just and equitable contribution in

circumstances in which the indemnity agreement provided for in Section 7(e) above is for any reason held to be unavailable to the Underwriter in accordance with its terms, the Borrower and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Borrower and the Underwriter in such proportions such that the Underwriter is responsible for that portion represented by the percentage that the Underwriter's discount on the sale of the Series 2014 Bonds bears to the initial public offering price appearing on the inside cover page of the Official Statement and the Borrower is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In addition, each person, if any, who controls either of the Issuer or the Underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Issuer or the Underwriter, as applicable.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in paragraph 7A above is for any reason held to be unavailable to the Issuer or the Borrower, as the case may be, in accordance with its terms, the Underwriter, on the one hand, and the Issuer or the Borrower, as the case may be, on the other hand, shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Issuer or the Borrower, as the case may be, and the Underwriter in such proportions such that the Underwriter is responsible for that portion represented by the percentage that the Underwriter's discount on the sale of the Series 2014 Bonds bears to the initial public offering price appearing on the inside cover page of the Official Statement and the Issuer or the Borrower, as the case may be, is responsible for the balance.

7C. Notwithstanding any other provision in this Bond Purchase Agreement to the contrary, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. In addition, each person, if any, who controls the Issuer, the Underwriter or the Borrower within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Issuer, the Underwriter or the Borrower, as applicable

8. The Series 2014 Bonds shall be in fully registered form, and one typewritten Bond in the aggregate principal amount of each maturity of each series of the Series 2014 Bonds shall be registered initially in the name of CEDE & Co. as nominee of the Depository Trust Company ("DTC").

9. On the Date of the Closing which is the date set forth in item 4 of **Schedule A** attached hereto, or such other date as shall have been mutually agreed upon, the Issuer and the Borrower will deliver to the Underwriter, by delivery of the Series 2014 Bonds to the Trustee as custodial agent for DTC, the Series 2014 Bonds in fully registered definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price of the Series 2014 Bonds as set forth in item 3 of **Schedule A** attached hereto. The Closing will be via the Fast Automated Securities Transfer program "FAST" of DTC and the Series 2014 Bonds will be held by the Trustee, as custodial agent for DTC. Payment for the Series 2014 Bonds as aforesaid shall be made at such place in Boston,

New Hampshire, as shall have been mutually agreed upon. This payment and delivery is herein called the “Closing.” The Series 2014 Bonds will be made available for examination in Boston, Massachusetts one (1) business day prior to the Closing.

10. The Underwriter’s obligations hereunder to purchase and pay for the Series 2014 Bonds shall be subject to the performance by the Issuer and the Borrower of their respective obligations to be performed hereunder at or prior to the Closing and the accuracy in all material respects of the representations and warranties contained herein as of the date hereof and as of the Closing and shall be subject to the following:

(a) that at the time of the Closing, (i) the Financing Documents shall be in full force and effect, and shall not have been amended, modified, or supplemented except as may have been agreed to by the Underwriter, the Issuer and the Borrower, and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, the Issuer, with respect to the information under the heading “THE ISSUER” and “LITIGATION” insofar as such information relates to the Issuer, and the Borrower; and (ii) that there shall have been taken in connection with the issuance of the Series 2014 Bonds such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate in connection with the transactions contemplated hereby; and

(b) that at or prior to the Closing the undersigned shall receive the following documents:

(i) executed copies of the Financing Documents;

(ii) an opinion of Edwards Wildman Palmer LLP, dated as of the Date of the Closing, in substantially the form attached as Appendix D to the Official Statement together with a reliance letter addressed to the Underwriter;

(iii) a certificate, dated as of the Date of the Closing, of an authorized officer of the Issuer, to the effect that (A) no litigation is pending or, to his or her knowledge, threatened against the Issuer (either in state or federal courts) seeking to restrain or enjoin the issuance, execution or delivery of the Series 2014 Bonds or in any manner questioning the proceedings or authority for the issuance of them or affecting directly or indirectly the validity of the Series 2014 Bonds or of any provisions made or authorized for their payment, including the Bond Purchase Agreement, and the Agreement or contesting the existence of the Issuer or the title of any of its members or officers to their respective offices (but in lieu of such certificate the Underwriter may accept an opinion of counsel to the Issuer in form and substance acceptable to the Underwriter, that in their opinion the issues raised in any such pending or threatened litigation are without substance or that the contentions of any plaintiffs therein are without merit); (B) that the representations and warranties of the Issuer contained in the Bond Purchase Agreement and the Agreement are true and correct in all material aspects as of the Closing; (C) that the resolutions with respect to the Series 2014 Bonds adopted by the Issuer were adopted in accordance with law and the by-laws of the Issuer and remain in full

force and effect in the form initially adopted; and (D) that the Agreement, the Bond Purchase Agreement and the Series 2014 Bonds were executed by duly authorized officers of the Issuer;

(iv) a supplemental opinion of Bond Counsel, dated as of the Date of the Closing and addressed to the Issuer and the Underwriter, in the form of Exhibit 1 hereto;

(v) the opinion, dated as of the Date of the Closing, of Rath, Young and Pignatelli, P.C., counsel to the Borrower, addressed to the Issuer, the Underwriter and Bond Counsel, substantially in the form of Exhibit 2 attached hereto;

(vi) a certificate of the Borrower, dated the Date of the Closing and signed by the President or other authorized officer of the Borrower, and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) each of the representations and warranties set forth in Section 6 hereof and in Article X of the Agreement is true and correct on and as of the Date of the Closing in all material respects; the Borrower is not in default with respect to any of the covenants set forth in Section 7 hereof on and as of the Date of the Closing; and no Event of Default by the Borrower under the Agreement or under any of the documents or agreements contemplated therein or under this Bond Purchase Agreement, and no event which but for the lapse of time or service of notice or both would constitute an Event of Default under the Agreement, has occurred and is continuing; (ii) since the date hereof, there has been no material adverse change in the business or property or financial condition of the Borrower, except as set forth in or contemplated by the Official Statement; (iii) since the date of the Official Statement, there has been no material change in, and no material change is contemplated in, the identity or control of the Borrower and no judicial or administrative action or proceeding is pending or threatened in writing affecting the Borrower's properties or assets which, if adversely determined, would materially adversely affect the security for the Series 2014 Bonds; (iv) there is no litigation, action, suit, proceeding, inquiry or investigation of any kind against the Borrower before or by any New Hampshire or federal court or governmental agency or body pending or, to the best knowledge and belief of the Borrower, threatened in writing (A) which in any case or in the aggregate, if adversely determined, would result in any material liability on the part of the Borrower or inability of the Borrower to conduct its business or perform the obligations contemplated in the Financing Documents, or (B) wherein an adverse decision, ruling or finding would (a) materially adversely affect the transactions contemplated by the Financing Documents or the security for the Series 2014 Bonds, or (b) adversely affect the validity or enforceability of the Series 2014 Bonds or the Financing Documents; (v) the information contained in the Official Statement, as of its date and as of the Date of the Closing, under the captions "INTRODUCTION" (with respect to the Borrower and the Project), "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS," "ANNUAL DEBT SERVICE REQUIREMENTS" (with respect to the Borrower and the Project), "BONDHOLDERS' RISKS" (as

such statements relate to the Borrower or the Project), “LITIGATION” (with respect to the Borrower), “CONTINUING DISCLOSURE” (with respect to the Borrower), “MISCELLANEOUS” (with respect to the Borrower’s financial statements) and in Appendices A and B was and is true and correct, and did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(vii) the Series 2014 Bonds;

(viii) copies of the resolutions adopted by the Board of Directors of the Borrower authorizing the execution and delivery of the Financing Documents and the approval of the Official Statement, certified by the Secretary of the Borrower as having been duly adopted and being in full force and effect;

(ix) a copy of the resolutions adopted by the Issuer authorizing the execution, issuance, sale and delivery of the Series 2014 Bonds, consent to the use of the Official Statement and the execution and delivery of the Agreement and this Bond Purchase Agreement, certified by an authorized officer of the Issuer as having been duly adopted and being in full force and effect;

(x) a certificate, of one or more duly authorized officers of the Trustee, dated the Date of the Closing, as to the due acceptance of the Agreement by the Trustee and the due authentication and delivery of the Series 2014 Bonds by the Trustee thereunder and as to payment for the Series 2014 Bonds;

(xi) a certificate, dated the Date of the Closing of an officer of the Trustee as to its due authorization and acceptance of duties with respect to the Agreement;

(xii) the opinion, dated the Date of the Closing, of Hinckley, Allen & Snyder LLP, addressed to the Underwriter, in form satisfactory to the Underwriter;

(xiii) a copy of the Preliminary Blue Sky Memorandum indicating the jurisdictions in which the Series 2014 Bonds may be sold in compliance with the “Blue Sky” or securities laws of such jurisdictions;

(xiv) a copy of the Final Blue Sky Letter; [and]

(xv) [a bond insurance policy in form satisfactory to the Issuer and the Underwriter from \_\_\_\_\_;] and

(xvi) other certificates of the Issuer and the Borrower listed on a closing memorandum to be approved by Bond Counsel and counsel to the Underwriter, including any certificates or representations of the Borrower or other parties required in order for Bond Counsel to deliver the opinion referred to in paragraph



(iv) above, as well as legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Issuer and the Borrower with legal requirements, the truth and accuracy, in all material respects as of the time of Closing, of the respective representations of the Issuer and of the Borrower contained herein and the due performance or satisfaction in all material respects by the Issuer and the Borrower at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer and the Borrower.

11. The Underwriter may terminate this Bond Purchase Agreement by notification in writing or by facsimile to the Issuer if at any time subsequent to the date hereof and at or prior to the Closing:

(a) legislation shall be enacted by the State of New Hampshire or the United States or introduced in or favorably reported to either the United States House of Representatives or the United States Senate or a decision by a court of the United States or the United States Tax Court shall be rendered or a ruling or regulation (final, temporary or proposed) shall be made by or on behalf of the Treasury Department of the United States, or a release or official statement shall be issued by the President or the Treasury Department, that makes the revenues or other income of the general character expected to be derived by the Issuer under the Agreement, or the interest received on bonds of the general character of the Series 2014 Bonds [(other than the Water Facility Revenue Bonds (Taxable), Series 2014C)], subject to federal income taxation or New Hampshire personal income taxation which would have the effect of changing directly or indirectly the federal income taxation or New Hampshire personal income tax of interest on bonds of the general character of the Series 2014 Bonds [(other than the Water Facility Revenue Bonds (Taxable), Series 2014C)] in the hands of the owners thereof, which in the reasonable opinion of the Underwriter materially adversely affects the market price of the Series 2014 Bonds; or

(b) (i) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency or (ii) in the reasonable opinion of the Underwriter, there shall have occurred any other outbreak of hostilities, local, national or international, or an escalation thereof, the effect of which on the financial markets of the United States is such as would, in the reasonable opinion of the Underwriter, affect materially and adversely the ability of the Underwriter to market the Series 2014 Bonds; or

(c) there shall have occurred a general suspension of trading on the New York Stock Exchange or a general banking moratorium shall have been declared by federal or New York or New Hampshire state authorities; or

(d) any action is taken by the Securities and Exchange Commission or a court of competent jurisdiction that would require registration of the Series 2014 Bonds under the Securities Act in connection with the public offering thereof, or qualification of the Agreement under the Trust Indenture Act of 1939, as amended; or

(e) any event or condition occurs that, in the reasonable judgment of the Underwriter, renders untrue or incorrect, in any material respect as of the time to which the same

purports to relate, the information contained in the Official Statement, or that requires information not reflected in such Official Statement to be reflected therein in order to make the statements and information contained therein, in light of the circumstances under which they were made, not misleading in any material respect as of such time; provided that the Issuer, the Borrower and the Underwriter will use their best efforts to amend or supplement the Official Statement to reflect, to the satisfaction of the Underwriter, such changes in or additions to the information contained in the Official Statement.

If the obligations of the Underwriter to purchase and accept delivery of the Series 2014 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and no party shall be under further obligation hereunder; except that the obligations for the payment of expenses, as provided in Section 12 hereof, shall continue in full force and effect.

12. Payment of Expenses. All expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, sale and delivery of the Series 2014 Bonds to the Underwriter, specifically including, without limiting the generality of the foregoing, the cost of preparing, printing or reproducing the Series 2014 Bonds, the Preliminary Official Statement, the Official Statement, the Financing Documents, and all ancillary papers, and reasonable fees and expenses of Bond Counsel as previously agreed, shall be paid by the Borrower.

All expenses and costs incurred by the Borrower in connection with the transactions contemplated hereunder shall be paid by the Borrower. In addition, if the Closing does not occur as a result of the failure of the Borrower to meet its obligations hereunder, the Borrower shall reimburse the Underwriter for all reasonable out of pocket expenses, including but not limited to reasonable counsel fees, including the cost of producing this Bond Purchase Agreement, the fees and expenses for qualification of the Series 2014 Bonds for sale under state securities laws and preparation of the Blue Sky memoranda, incurred by them in connection with the contemplated transactions hereunder. The Underwriter shall pay all of the other costs and expenses incurred by it in connection with the public offering and distribution of the Series 2014 Bonds.

In order to ensure compliance with applicable state and/or local ethics statutes that may apply to employees of the Issuer as well as federal securities regulations that may apply to the Underwriter, the Issuer shall be responsible for and upon presentation by the Underwriter of a bill to the Issuer shall pay any expenses on behalf of the Issuer's employees that are incidental to implementing this Bond Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees.

13. Underwriter's Representations and Agreements. The Underwriter hereby represents, warrants and agrees as follows:

(a) The Underwriter has neither requested nor received from (nor does the Underwriter expect to receive from or have reviewed by) the Issuer or any of its directors, officers, employees or agents any information with respect to the Borrower, the Project, the Series 2014 Bonds or the security purported to be afforded by the Agreement, or otherwise, except for any such information that is included within the express representations and warranties of the Issuer in this

Bond Purchase Agreement or the Agreement or under the captions “THE ISSUER” and “LITIGATION” (solely with respect to the information pertaining to the Issuer) in the Preliminary Official Statement or the Official Statement or in any other instrument delivered to the Underwriter by or on behalf of the Issuer in connection with the transactions contemplated hereby or thereby.

(b) The Underwriter has not relied and does not rely on any findings or action taken by the Issuer or the findings made by the Issuer as required by the Act as constituting information with respect to the Borrower, the Project, the Series 2014 Bonds or the security purported to be afforded by the Agreement, or otherwise.

(c) Neither the Issuer nor any of its directors, officers, employees or agents shall have any responsibility to the Underwriter for the completeness of the information obtained by the Underwriter from any source with respect to the Borrower, its assets, businesses, circumstances, financial condition and properties, or with respect to the Project, the Series 2014 Bonds or the security purported to be afforded by the Agreement, or otherwise, or, subject only to the exceptions stated in paragraph (a) above, for the accuracy of such information and the Underwriter acknowledges that, as between itself and the Issuer, the Underwriter assumes responsibility for obtaining such information and making such investigation as it deems necessary or desirable in connection with its decision to purchase the Series 2014 Bonds.

14. Notices. Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to the Issuer at its address set forth above, Attn: Jack Donovan, Executive Director; any notice or other communication to be given to the Borrower under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to the Borrower at its address set forth above, Attn: Larry Goodhue, Chief Financial Officer; and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by mailing or delivering the same in writing to TD Securities (USA) LLC, 200 State Street, 10<sup>th</sup> Floor, Boston, Massachusetts 02109, Attn: Ike Papadopoulos, Director. All notices shall be effective upon delivery.

15. Parties. This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Underwriter (including the successors or assigns of any Underwriter) and the Borrower and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Issuer’s and Borrower’s representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter and delivery of and payment for the Series 2014 Bonds hereunder.

16. Underwriter’s Role. The parties to this Agreement acknowledge that the Underwriter does not have a fiduciary duty to the Issuer or the Borrower under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer or the Borrower without regard to its own financial or other interests.

17. Governing Law. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire and shall constitute an instrument under seal thereunder.

18. Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, all of which taken together shall be one and the same instrument, and any parties hereto may execute this agreement by signing any such counterpart.

19. Time of Execution. This Bond Purchase Agreement is executed at \_\_\_\_\_.m. on \_\_\_\_\_, 2014.

**\*Signatures on next page\***

Very truly yours,

TD SECURITIES (USA) LLC

---

By: Ike Papadopoulos  
Title: Director

Accepted and Agreed to as of the date hereof

THE BUSINESS FINANCE AUTHORITY  
OF THE STATE OF NEW HAMPSHIRE

---

Authorized Officer

Accepted and Agreed to as of the date hereof

PENNICHUCK WATER WORKS, INC.

---

By:  
Title:

[Signature page to Bond Purchase Agreement]

**SCHEDULE A**

**THE BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE**

**[\$19,500,000]**

**Water Facility Revenue Bonds  
(Pennichuck Water Works, Inc. Project) Series 2014A**

**[\$23,375,000]**

**Water Facility Refunding Revenue Bonds  
(Pennichuck Water Works, Inc. Project)  
Series 2014B**

**[\$5,100,000]**

**Water Facility Revenue Bonds (Taxable)  
(Pennichuck Water Works, Inc. Project) Series 2014C]**

Item  
Number

1. Date of this Bond Purchase Agreement – \_\_\_\_\_, 2014
2. (a) Aggregate principal amount of the Series 2014 Bonds – \$ \_\_\_\_\_  
(b) Date of the Series 2014 Bonds – \_\_\_\_\_, 2014  
(c) Date of Maturities of Series 2014 Bonds – \_\_\_\_\_  
(d) Years of maturity, principal amounts, interest rates, yields and public offering prices of Series 2014 Bonds:

**Series 2014A**

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Public Offering Price</u>
-----------------------------	-----------------------------	--------------------------	--------------	----------------------------------

**Series 2014B**

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Public Offering Price</u>
-----------------------------	-----------------------------	--------------------------	--------------	----------------------------------

**Series 2014C**

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Public Offering Price</u>
-----------------------------	-----------------------------	--------------------------	--------------	----------------------------------

(e)(1) Sinking fund installments – The sinking fund installments for the Series 2014A Bonds maturing on \_\_\_\_\_ shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

\_\_\_\_\_  
\*Final maturity.

(e)(2) Sinking fund installments – The sinking fund installments for the Series 2014A Bonds maturing on \_\_\_\_\_ shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

\_\_\_\_\_  
\*Final maturity.

(e)(3) Sinking fund installments – The sinking fund installments for the Series 2014A Bonds maturing on \_\_\_\_\_ shall be as follows:

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

\_\_\_\_\_  
\*Final maturity.

- (f) Optional Redemption of Series 2014A Bonds
  - (g) Optional Redemption of Series 2014B Bonds
  - (h) Optional Redemption of Series 2014C Bonds
3. Purchase price of the Series 2014 Bonds – \$\_\_\_\_\_ (par amount less underwriter's discount of \$\_\_\_\_\_ and net original issue discount/premium of \$\_\_\_\_\_.
  4. Date of the Closing – \_\_\_\_\_, 2014



**EXHIBIT 1**

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

**EXHIBIT 2**

**FORM OF OPINION OF BORROWER'S COUNSEL**

LOAN AND TRUST AGREEMENT

Among

BUSINESS FINANCE AUTHORITY OF THE STATE  
OF NEW HAMPSHIRE

And

PENNICHUCK WATER WORKS, INC.

And

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

Dated as of [October 1, 2014]

---

[\$19,500,000] Business Finance Authority  
of the State of New Hampshire  
Water Facility Revenue Bonds  
(Pennichuck Water Works, Inc. Project) Series 2014A  
dated as of their date of delivery

[\$23,375,000] Business Finance Authority  
of the State of New Hampshire  
Water Facility Revenue Bonds  
(Pennichuck Water Works, Inc. Project) Series 2014B (Non-AMT)  
dated as of their date of delivery

[\$5,100,000] Business Finance Authority  
of the State of New Hampshire  
Water Facility Revenue Bonds  
(Pennichuck Water Works, Inc. Project) Series 2014C (Federally Taxable)  
dated as of their date of delivery]

---

**TABLE OF CONTENTS [TO BE UPDATED]**

	<b>Page</b>
ARTICLE I: INTRODUCTION AND DEFINITIONS.....	1
Section 101. Description of the Agreement and the Parties .....	1
Section 102. Definitions.....	1
Section 103. Number and Gender, Connectives and Disjunctives .....	5
ARTICLE II: THE ASSIGNMENT AND PLEDGE .....	5
Section 201. Assignment and Pledge of the Authority .....	5
Section 202. Recording; Further Assurance .....	5
Section 203. Defeasance .....	5
Section 204. Corporate Existence .....	6
Section 205. Indemnification by the Borrower.....	6
ARTICLE III: THE BORROWING .....	7
Section 301. The Bonds .....	7
(a) Issue, Authentication and Form of Bonds.....	7
(b) Details of the Bonds.....	13
(c) Application of Bond Proceeds .....	13
(d) Reserved.....	14
(e) Exchange and Replacement Bonds.....	14
(f) Registration of Bonds in the Book-Entry Only System.....	14
Section 302. Bond Fund.....	15
(a) Establishment and Purpose .....	15
(b) Excess in Bond Fund .....	16
(c) Unclaimed Moneys .....	16
Section 303. Application of Moneys .....	16
Section 304. Payments by the Borrower.....	16
(a) Debt Service.....	16
(b) Additional Payments.....	17
Section 305. Unconditional Obligation.....	17
Section 306. Redemption of the Bonds.....	17
(a) Redemption Upon Certain Deposits into Bond Fund .....	17
(b) Redemption upon Determination of Taxability .....	17
(c) Redemption upon Condemnation of Principal Assets .....	17
(d) Optional Redemption .....	18
(e) Special Redemption .....	18
(f) Notice of Redemption .....	18
(g) Special Mandatory Redemption (or Purchase) by the Borrower in the Event of Death of a Beneficial Owner .....	19
Section 307. Investment of Moneys in Funds.....	22
(a) Investment.....	22

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
(b) Permitted Investments.....	22

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 308. Tax-Exempt Status of Bonds .....	23
Section 309. Rebate .....	23
Section 310. Bond Insurance Payment Procedures.....	23
Section 311. Rights of Bond Insurer.....	23
Section 312. Continuing Disclosure .....	23
ARTICLE IV: THE PROJECT .....	23
Section 401. Project Fund .....	23
Section 402. Disbursements from Project Fund .....	24
Section 403. Certificate of Completion .....	24
Section 404. Carrying Out the Project .....	24
Section 405. Compliance with Law .....	24
Section 406. Disposition .....	25
Section 407. Current Expenses .....	25
Section 408. Repair.....	25
Section 409. Insurance .....	25
(a) Coverage .....	25
(b) Policies.....	25
Section 410. Right of Access to the Project.....	25
Section 411. Condition of the Project.....	25
ARTICLE V: COVENANTS OF THE BORROWER.....	26
Section 501. Amendment.....	26
Section 502. Special Definitions.....	26
Section 503. Rate Covenants .....	27
Section 504. Merger or Consolidation .....	27
Section 505. Other Covenants.....	27
Section 506. Liens.....	28
Section 507. Borrowings.....	29
Section 508. First Mortgage Bonds .....	29
ARTICLE VI: DEFAULT AND REMEDIES.....	30
Section 601. Events of Default .....	30
(a) Debt Service.....	30
(b) Certain Obligations .....	30
(c) Representations .....	30
(d) Other Borrowings.....	30
(e) [Insurance Agreement.....	31
(f) Voluntary Bankruptcy.....	31
(g) Appointment of Receiver.....	31
(h) Involuntary Bankruptcy .....	31
(i) Judgments .....	31

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 602. Waiver.....	31

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 603. Remedies for Events of Default .....	31
(a) Acceleration .....	31
(b) Rights as a Secured Party.....	31
(c) Court Proceedings.....	32
Section 604. Application of Money Collected.....	32
Section 605. Performance of the Borrower’s Obligations .....	32
Section 606. Remedies Cumulative .....	32
Section 607. Consent of the Bond Insurer Upon Default .....	32
ARTICLE VII: THE TRUSTEE .....	32
Section 701. Rights and Duties of the Trustee.....	32
(a) Moneys to be Held in Trust .....	32
(b) Accounts .....	32
(c) Performance of the Authority’s Obligations.....	33
(d) Limitations on Actions.....	33
(e) Responsibility .....	33
(f) Financial Obligations .....	34
(g) Ownership of Bonds .....	34
(h) Surety Bond .....	34
Section 702. Fees and Expenses of the Trustee .....	34
Section 703. Resignation or Removal of the Trustee .....	34
Section 704. Successor Trustee.....	34
ARTICLE VIII: THE AUTHORITY .....	35
Section 801. Limited Obligation.....	35
Section 802. Rights and Duties of the Authority .....	35
(a) Remedies of the Authority .....	35
(b) Limitations on Actions.....	35
(c) Responsibility .....	36
Section 803. Expenses of the Authority.....	36
Section 804. Matters to be Considered by Authority.....	37
Section 805. Actions by Authority.....	37
ARTICLE IX: THE BONDOWNERS.....	37
Section 901. Action by Bondowners .....	37
Section 902. Proceedings by Bondowners.....	38
ARTICLE X: MISCELLANEOUS .....	38
Section 1001. Amendment.....	38
Section 1002. Successors and Assigns.....	38
Section 1001. Notices .....	38
Section 1002. Agreement Not for the Benefit of Other Parties .....	39



**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 1003. Severability .....	39
Section 1004. Counterparts .....	39
Section 1005. Captions .....	39
Section 1006. Governing Law .....	39

ARTICLE I: INTRODUCTION AND DEFINITIONS

Section 101. Description of the Agreement and the Parties. This Loan and Trust Agreement dated as of [October 1, 2014] is among the Business Finance Authority of the State of New Hampshire (the “Authority”), a body corporate and politic created under New Hampshire RSA 162-A:3; Pennichuck Water Works, Inc. (the “Borrower”), a public utility corporation organized under the laws of the State of New Hampshire, and The Bank of New York Mellon Trust Company, N.A. (with any successor Trustee hereunder, the “Trustee”), a national banking association, as Trustee and Paying Agent. This Agreement is a financing document combined with a security document as one instrument in accordance with the Act and provides for the following transactions:

- (a) the Authority’s issue of the Bonds;
- (b) the Authority’s loan of the proceeds of the Bonds to the Borrower for the purpose of financing and refinancing the Project;
- (c) the Borrower’s repayment of the loan of Bond proceeds from the Authority through payment to the Trustee of all amounts necessary to pay the Bonds issued by the Authority; and
- (d) the Authority’s assignment to the Trustee, in trust for the benefit and security of the Bondowners, of the Authority’s rights under this Agreement and the revenues to be received from the Borrower, except as otherwise provided herein.

[In connection with the issue of the Bonds, [\_\_\_\_\_] shall issue its financial guaranty insurance policy to secure payment of the Bonds.]

In consideration of the mutual agreements contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged, the Borrower, the Authority and the Trustee agree as set forth herein for their own benefit and for the benefit of the Bondowners.

Section 102. Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings in this Agreement, unless the context otherwise requires:

- (a) “1997 Bonds” means the \$2,600,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. – 1997 Issue), dated April 1, 1997, and any bond or bonds duly issued in exchange or replacement therefor.
- (b) “2005 Series BC-3 Bonds” means the \$7,475,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) 2005 Series BC-3, dated October 1, 2005, and any bond or bonds duly issued in exchange or replacement therefor.

- (c) “2005 Series BC-4 Bonds” means the \$12,125,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) 2005 Series BC-4, dated October 1, 2005, and any bond or bonds duly issued in exchange or replacement therefor.
- (d) “2005C Series Bonds” means the \$1,175,000 Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2005C, dated January 1, 2005, and any bond or bonds duly issued in exchange or replacement therefor.
- (e) “Act” means New Hampshire RSA 162-I, as amended.
- (f) “Authority’s Service Charge” means payments to the Authority for its own use consisting of \$ \_\_\_\_\_, payable on the date of original issuance of the Bonds.
- (g) “Bond Counsel” means a firm of nationally recognized attorneys-at-law experienced in legal work relating to the financing of facilities for non-exempt persons through the issuance of tax-exempt revenue bonds.
- (h) “Bond Fund” means the fund of that name established under Section 302 hereof.
- (i) [“Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.]
- (j) [“Bond Insurer” means [\_\_\_\_], a \_\_\_\_\_.]
- (k) [“Bond Insurer Event of Insolvency” means the occurrence and continuance of one or more of the following events: (a) the issuance, under the laws of the state of formation of or the laws of the state having primary regulatory jurisdiction over the Bond Insurer or any successor provision thereto (or any other law under which the Bond Insurer is at the time organized), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Bond Insurer that is not dismissed within 30 days; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Bond Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer to generally pay its debts or claims as they become due; or (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing.]
- (l) “Bonds” means, collectively, the Series A Bonds[,] [and] the Series B Bonds [and the Series C Bonds].

(m) “Bondowners” means the registered owners of the Bonds from time to time as shown in the bond register kept by the Trustee.

(n) “Borrower Representative” means \_\_\_\_\_ or an alternate or successor appointed by the Borrower with notice to the Trustee.

(o) “Business Day” means a day on which the banks in the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

(p) “Continuing Disclosure Agreement” means the Continuing Disclosure Agreement between the Borrower and the Trustee, as dissemination agent, dated as of [October 1, 2014], as originally executed and as it may be amended from time to time in accordance with the terms thereof.

(q) “Determination of Taxability” means, with respect to the Tax-Exempt Bonds, a determination that the interest income on any Bond does not qualify for exclusion from the gross income of a holder thereof for federal tax purposes (“exempt interest”) under IRC Section 103(a), for any reason other than that such holder is a “substantial user” of the facility being financed with the Bond proceeds or a “related person” under IRC Section 147(a), which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(i) the date on which the Borrower determines that the interest income on any Bond does not qualify as exempt interest, if such determination is supported by a written opinion to that effect of Bond Counsel satisfactory to the Trustee; or

(ii) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service has issued any private ruling, technical advice or any other written communication to the effect that the interest income on any Bond does not qualify as exempt interest; or

(iii) the date on which the Borrower shall receive notice from the Trustee in writing that the Trustee has been advised by any Bondowner that the Internal Revenue Service has issued a thirty-day letter or other notice which asserts that the interest on such Bond does not qualify as exempt interest; or

(iv) the date on which the Trustee receives notice that the Borrower or the Authority has taken any action inconsistent with, or has failed to act consistently with, the tax exempt status of the Bonds (unless the Trustee receives an opinion of Bond Counsel satisfactory to it to the effect that, notwithstanding such action or failure to act, the interest on the Bonds continues to qualify as exempt interest).]

(r) “Event of Default” has the meaning stated in Section 601, and “default” means any Event of Default hereunder without regard to any lapse of time or notice.

(s) “Federal Tax Statement” means the Tax Certificate and Agreement executed in connection with the issuance of the Tax-Exempt Bonds.

(t) “IRC” means the Internal Revenue Code of 1986, as amended from time to time.

(u) “Outstanding”, when used to modify Bonds, refers to Bonds issued under this Agreement, excluding: (i) Bonds that have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment; (ii) Bonds which have been paid in full; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) that for which there have been irrevocably set aside sufficient funds, or obligations issued or guaranteed by the United States bearing interest at such rates and with such maturities as will provide sufficient funds, to pay the principal of and interest on such Bonds; provided, however, that if any such Bonds are to be redeemed prior to maturity, the Borrower shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with this Agreement or irrevocable instructions so to mail shall have been given to the Trustee, and provided, further, that Bonds paid with the proceeds of the Bond Insurance Policy shall remain Outstanding for all purposes hereunder.

(v) “Project” means (i) with respect to the Series A Bonds [and the Series C Bonds], capital improvements to the Borrower’s water supply and water distribution installations, upgrades, replacements and rehabilitations and related support systems at project sites located in Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem, New Hampshire (including the project listed on Exhibit A hereto), and (ii) with respect to the Series B Bonds, portions of the projects financed and refinanced with the Refunded Bonds, including the Shakespeare Storage Tank, the Bowers Dam and Holt Pond and Dam. Project also means the water facilities which result or have resulted from the foregoing activities.

(w) “Project Costs” means the cost of issuing the Series A Bonds and the costs of carrying out the Project which may be paid from Bond proceeds under the Act, including interest during construction of the Series A Project but excluding the creation of reserves. Project Costs also shall be limited to costs which are permitted to be paid or reimbursed from Bond proceeds under the Federal Tax Statement.

(x) “Rebate Year” means the one year period (or shorter period beginning on the date of issue) ending on [December 31].

(y) “Refunded Bonds” means the 1997 Bonds, 2005 Series BC-3 Bonds, 2005 Series BC-4 Bonds and 2005 Series C Bonds.

(z) “Refunding Trust Agreement” means the Refunding Trust Agreement dated as of [October 1, 2014] among the Authority, the Borrower and The Bank of New York Mellon Trust Company, N.A., as Refunded Bond Trustee and related to the refunding of the Refunded Bonds.

(aa) “Series A Bonds” means the \$[19,500,000] Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014A, dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

(bb) “Series B Bonds” means the \$[23,375,000] Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014B (Non-AMT), dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.

(cc) [“Series C Bonds” means the \$[5,100,000] Business Finance Authority of the State of New Hampshire Water Facility Revenue Bonds (Pennichuck Water Works, Inc. Project) Series 2014C, dated their date of delivery, and any bond or bonds duly issued in exchange or replacement therefor.]

(dd) “State” means the State of New Hampshire.

(ee) “Tax-Exempt Bonds” means, collectively, the Series A Bonds and the Series B Bonds.

(ff) “UCC” means the New Hampshire Uniform Commercial Code, as amended.

Section 103. Number and Gender, Connectives and Disjunctives. Wherever appropriate (1) the singular and plural forms of words, (2) words of different gender and (3) the words “and” and “or” shall, within those respective classifications, be deemed interchangeable.

## ARTICLE II: THE ASSIGNMENT AND PLEDGE

Section 201. Assignment and Pledge of the Authority. The Authority, for consideration paid as hereinabove acknowledged, assigns and pledges to the Trustee in trust as provided above (i) all of the Authority’s rights to receive and enforce repayment of its loan to the Borrower and to enforce payment of the Bonds and all proceeds of such rights and loan and (ii) all funds and investments held from time to time in the Bond Fund established under Section 302, but not including funds received by the Authority for its own use, whether as the Authority’s Service Charge, reimbursement or indemnification or the rights thereto. The Borrower joins in the pledge of such funds and investments to the extent of its interest therein.

Section 202. Recording; Further Assurance. The Borrower will cause this Agreement and all amendments hereto and instruments of further assurance, including all required financing statements and continuation statements, to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, and will file such financing statements and cause to be issued and filed such continuation statements, all to the extent and in such manner and in such places as may be required by law fully to preserve and protect the rights of the Trustee and the Bondowners hereunder. The Borrower, the Authority and the Trustee will from time to time execute, deliver and record and file such instruments as the Trustee or the Bondowners may reasonably require to confirm, perfect or maintain the security created hereby and the transfer, assignment and grant of the rights hereunder.

Section 203. Defeasance. When the Bonds have been paid or redeemed in full or after there are in the Bond Fund sufficient funds, or noncallable obligations issued or guaranteed by the United States in such principal amounts, bearing interest at such rates and with such

maturities as will provide sufficient funds, to pay the principal of and interest on the Bonds; when all the rights hereunder of the Authority, the Trustee and the Bondowners have been adequately provided for, including the payment in full of the Authority's Service Charge; and when the rebate, if any, due to the United States under IRC §148 has been paid in full, the Bondowners and the Authority shall cease to be entitled to any benefit or security under this Agreement except the right to receive payment of any moneys deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof including rights under Subsection 304(b); the security interests created by this Agreement shall terminate; and the Trustee, upon the request of the Borrower, will execute and deliver such instruments as may be necessary to discharge any lien and security interests created hereunder; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Borrower shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with this Agreement or irrevocable instructions so to mail shall have been given to the Trustee. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose and moneys held for defeasance shall be invested only as provided above in this section. Any moneys or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, after satisfaction of all the rights of the Authority and the Trustee, be distributed to the Borrower upon such indemnification, if any, as the Authority or the Trustee may reasonably require. If Bonds are not presented for final payment when due and moneys are available in the hands of the Trustee therefor, the Trustee will continue to hold the moneys held for that purpose subject to Subsection 302(c), and interest shall cease to accrue on the principal amount represented thereby.

[Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge to the Trustee and all covenants, agreements and other obligations of the Borrower to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners.]

Section 204. Corporate Existence. The Borrower will maintain its corporate existence and good standing and qualification to do business in the State and will not, without the prior consent of the Authority and subject to any additional limitations contained in Section 504, merge or consolidate with any other person or transfer or dispose of all or any substantial portion of its assets.

Section 205. Indemnification by the Borrower. The Borrower, regardless of any agreement to maintain insurance, will indemnify the Authority, the Bondowners and the Trustee against (a) any and all claims by any person arising out of the participation of the Authority, the Trustee or the Bondowners in the transactions contemplated by this Agreement, including without limitation claims arising out of any condition of the Project or the construction, use, occupancy or management thereof; any accident, injury or damage to any person occurring in or about the Project site; any breach by the Borrower of its obligations under this Agreement; any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees relative to this Agreement or the Project; or the offering, issuance, sale or any resale of

the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon, provided that the person affected by any such claim cooperates with the Borrower. In case any action or proceeding is brought against the Authority, the Trustee or any Bondowner by reason of any such claim, the Borrower will defend the same at its expense upon notice from the affected person, provided that such person cooperates with the Borrower, at the expense of the Borrower in connection therewith. In such event, the Authority, Trustee or any Bondowner shall use its best efforts to cooperate with Borrower, in the prosecution, settlement or other disposition of any such claim, action or proceedings. The provisions of this section shall not apply to any claim, action or proceeding against the Trustee or any Bondowner which is based solely on the negligence, willful misconduct, bad faith, fraud or deceit of the Trustee and/or Bondowner.

ARTICLE III: THE BORROWING

Section 301. The Bonds.

(a) Issue, Authentication and Form of Bonds. Upon execution and delivery of this Agreement, the Authority will issue, and upon direction of the Authority, the Trustee will authenticate and deliver, the Bonds of each series in substantially the following form:

\$ \_\_\_\_\_

No. [A][B][C]R-1

The State of New Hampshire  
BUSINESS FINANCE AUTHORITY  
OF THE STATE OF NEW HAMPSHIRE  
WATER FACILITY REVENUE BOND

(Pennichuck Water Works, Inc. Project) Series 2005[A][B (Non-AMT)][C (Federally Taxable)]

REGISTERED OWNER: CEDE & CO.

CUSIP:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

INTEREST RATE: \_\_\_\_\_ PERCENT (\_\_\_%)

MATURITY DATE: \_\_\_\_\_, 1 20\_\_

DATE OF THIS BOND: [\_\_\_\_\_, 2014] (Date as of which bonds of this issue were initially issued)

INTEREST PAYMENT DATES: [July] 1 and [January] 1 (but not before [July] 1, 2015)

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF NEW HAMPSHIRE OR OF THE AUTHORITY EXCEPT TO THE EXTENT PERMITTED BY NEW HAMPSHIRE RSA 162-I. ALL AMOUNTS OWED HEREUNDER ARE PAYABLE ONLY FROM THE SOURCES PROVIDED IN THE LOAN AND TRUST AGREEMENT DESCRIBED BELOW, AND NO PUBLIC FUNDS MAY BE USED FOR THAT PURPOSE.



The Business Finance Authority of the State of New Hampshire (the “Authority”), for value received, promises to pay to the Registered Owner or registered assigns, but only from the special funds hereinafter described, upon presentation and surrender hereof, in lawful money of the United States of America, the Principal Amount on the Maturity Date, with interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the most recent Interest Payment Date to which interest has been paid, or duly provided for or, if no interest has been paid from the Date of This Bond of this bond, at the Interest Rate, payable semiannually on the Interest Payment Dates, until the date on which this bond becomes due, whether at maturity, upon redemption, by acceleration or otherwise. From and after that date, any unpaid principal will bear interest at the interest rate until paid or duly provided for. The principal or redemption price, if any, of this bond is payable at the corporate trust office of the Trustee (which shall mean The Bank of New York Mellon Trust Company, N.A., or its successors as Trustee under the Agreement referred to below). Interest is payable by check or draft mailed by the Trustee to the Registered Owner, determined as of the close of business on the applicable record date, at its address as shown on the registration books maintained by the Trustee. Notwithstanding the foregoing, any Registered Owner may, by prior written instructions filed with the Trustee (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that all payments prior to final maturity be made by wire transfer or other means acceptable to the Trustee.

The record date for payment of interest is the fifteenth day of the month preceding the date on which the interest is to be paid, provided that, with respect to overdue interest or interest payable on redemption of this bond other than on an Interest Payment Date or interest on any overdue amount, the Trustee may establish a special record date. The special record date shall be not more than twenty (20) days before the date set for payment. The Trustee will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date. A certificate of the Trustee shall conclusively establish the mailing of such notice for all purposes.

This bond is one of an issue of bonds (the “Bonds”) representing a borrowing of \$[[19,500,000]][[23,375,000]][[5,100,000]] under New Hampshire RSA 162-I and pursuant to a Loan and Trust Agreement (the “Agreement”) dated as of [October 1, 2014] among Pennichuck Water Works, Inc. (the “Borrower”), the Authority and the Trustee. Pursuant to the Agreement, the Borrower has agreed to repay such borrowing in the amounts and at the times necessary to enable the Authority to pay the principal and interest on this bond and the Authority has pledged such funds to the Trustee for the benefit of the bondowners. Reference is hereby made to the Agreement for the provisions thereof with respect to the rights, limitations of rights, duties, obligations and immunities of the Borrower, the Authority, the Trustee and the Registered Owner hereof, including the order of payments in the event of insufficient funds, the disposition of unclaimed moneys held by the Trustee and restrictions on the rights of the Registered Owner to bring suit. The Agreement may be amended to the extent and in the manner provided therein.

Upon the occurrence of an Event of Default as defined in the Agreement, the then outstanding principal amount of this bond together with accrued interest thereon may be declared due and payable in the manner and with the effect provided in the Agreement.

[The Bonds are secured by a municipal bond insurance policy issued by [\_\_\_\_\_].]

[The Bonds are subject to redemption as a whole at any time if a Determination of Taxability (as defined in the Agreement) occurs at a redemption price equal to 100% of their principal amounts plus accrued interest to the redemption date.]

[The Bonds are subject to redemption as a whole at any time when title to, or the temporary use of, all or substantially all of the Project, or any substantial part of the Capital Properties (as defined in the Agreement) shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, acting under governmental authority (or a bona fide sale in lieu of such taking shall have occurred). The Bonds shall be redeemed under this paragraph at a redemption price equal to 101% of their principal amount plus accrued interest to the redemption date if redeemed prior to \_\_\_\_\_, and thereafter at the price of 100% of their principal amount plus accrued interest to the redemption date.]

*Series A Bonds:*

The Bonds are subject to redemption prior to maturity at the option of the Borrower as a whole or in part at any time on or after \_\_\_\_\_ at 100% of their principal amount, plus accrued interest to the redemption date.

*Series B Bonds:*

The Bonds are subject to redemption prior to maturity at the option of the Borrower as a whole or in part at any time on or after \_\_\_\_\_ at 100% of their principal amount, plus accrued interest to the redemption date.

*[Series C Bonds:*

The Bonds are subject to redemption prior to maturity at the option of the Borrower as a whole or in part at any time on or after \_\_\_\_\_ at 100% of their principal amount, plus accrued interest to the redemption date.]

[The Bonds are subject to redemption at the option of the Borrower at any time at their principal amounts, without premium, plus accrued interest to the redemption date as a whole or in part from excess moneys in the Project Fund established by the Agreement or as a whole in the event the Project financed by the Bonds suffers substantial loss, is taken by eminent domain or becomes uneconomic, as provided in the Agreement.]

If less than all of the outstanding Bonds are to be called for redemption, the Bonds to be redeemed will be selected by the Trustee by lot or in any customary manner as determined by the Trustee.

In the event this bond is called for redemption, notice will be given by the Trustee by first-class mail, postage prepaid, not more than forty-five (45) nor less than thirty (30) days (five (5) days in the case of redemption as a result of a Determination of Taxability and five (5) days in the case of redemption as a result of condemnation of principal assets) prior to the redemption date to the Registered Owner at its address as shown on the registration books. Failure to mail notice to the owner of any other bond or any defect in the notice to such an owner shall not affect the redemption of this bond. Any notice of redemption may be conditional.

If this bond is of a denomination in excess of five thousand dollars (\$5,000), portions of the principal amount in the amount of five thousand dollars (\$5,000) or any multiple thereof may be redeemed. If less than all of the principal amount is to be redeemed, upon surrender of this bond to the Trustee, there will be issued to the Registered Owner at its option, without charge, a new bond or bonds for the unredeemed principal amount.

Notice of redemption having been duly given, this bond, or the portion called for redemption, will become due and payable on the redemption date at the applicable redemption price and, moneys for the redemption having been deposited with the Trustee, from and after the date fixed for redemption interest on this bond (or such portion) will no longer accrue.

This bond is transferable by the Registered Owner, in person or by its attorney duly authorized in writing, at the corporate trust office of the Trustee, upon surrender of this bond to the Trustee for cancellation. Upon the transfer, a new bond or bonds of the same aggregate principal amount will be issued to the transferee at the same office. No transfer will be effective unless represented by such surrender and reissue. This bond may also be exchanged at the corporate trust office of the Trustee for a new bond or bonds of the same aggregate principal amount without transfer to a new Registered Owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Trustee will not be required to make an exchange or transfer of this bond during the forty-five (45) days preceding any date fixed for redemption if this bond (or any part thereof) is eligible to be selected or has been selected for redemption.

The Bonds are issuable only in fully registered form in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof.

The Authority and the Trustee may treat the Registered Owner as the absolute owner of this bond for all purposes, notwithstanding any notice to the contrary.

No director, officer, employee or agent of the Authority nor any person executing this bond shall be personally liable, either jointly or severally, hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This bond shall not be valid until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Business Finance Authority of the State of New Hampshire has caused its seal to be affixed hereto and this bond to be signed by its authorized officers.

Dated: \_\_\_\_\_

BUSINESS FINANCE AUTHORITY OF THE  
STATE OF NEW HAMPSHIRE

(Seal)

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

By: \_\_\_\_\_  
Executive Director

Certificate of Trustee

This bond is one of the Bonds described in the Agreement.

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., Trustee

By: \_\_\_\_\_  
Authorized Officer

Date of Registration:

Assignment

For value received the undersigned sells, assigns and transfers this bond to

\_\_\_\_\_  
(Name and Address of Assignee)

\_\_\_\_\_

\_\_\_\_\_  
Social Security or Other Identifying Number of Assignee

and irrevocably appoints \_\_\_\_\_ attorney-in-fact to transfer it on  
the books kept for registration of the bond, with full power of substitution.

\_\_\_\_\_  
NOTE: The signature to this assignment must correspond with the name as written on the face of the bond without alteration or enlargement or other change.

Date:

Signature Guaranteed:

\_\_\_\_\_  
Participant in a Recognized  
Signature Guarantee Medallion  
Program

By: \_\_\_\_\_  
Authorized Signature

STATEMENT OF INSURANCE

[To come, if applicable]

[END OF BOND FORM]

(b) Details of the Bonds. Each series of Bonds shall be issued in fully registered form and shall be numbered from AR1, BR1 or CR1, as applicable, upwards in the order of their issuance, or in any other manner determined by the Trustee. The Bonds of each series shall be in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof. The Bonds of each series shall be dated their date of delivery. The interest on the Bonds until they come due shall be payable on July 1 and January 1 of each year, beginning on July 1, 2015. [Interest on the Series C Bonds shall be included in income for federal tax purposes; provisions herein relating to exemption from taxation shall apply only to the Tax-Exempt Bonds.]

In case any officer of the Authority whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery thereof, such signature or facsimile shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until after such delivery. Additional details of the Bonds shall be as stated in the Bond form in Subsection 301(a).

(c) Application of Bond Proceeds. The Authority shall loan the proceeds of the Bonds to the Borrower as follows:

(i) Proceeds of the Series A Bonds [and Series C Bonds] shall be deposited in the Project Fund and will be used to pay Project Costs. Accrued interest, if any, with respect to the Series A Bonds shall be deposited in the Bond Fund. [SEPARATE ACCOUNTS; REIMBURSEMENT FOR SERIES C?]

(ii) Proceeds of the Series B Bonds will be deposited as required under the Refunding Trust Agreement and will be applied according to the Refunding Trust Agreement to redeem the Refunded Bonds.

(d) Reserved.

(e) Exchange and Replacement Bonds. The Bonds may be exchanged as provided in the Bond form in Subsection 301(a), and exchange Bonds shall be issued in fully registered form substantially as set forth therein. Replacement Bonds shall be issued pursuant to applicable law as a result of the destruction, loss, wrongful taking or mutilation of the Bonds. The costs of a replacement shall be paid or reimbursed by the registered owner of the replacement Bond, who shall indemnify the Authority, the Trustee and the Borrower in such manner as they may require against all liability and expense in connection therewith.

(f) Registration of Bonds in the Book-Entry Only System. (i) The provisions of this Subsection 301(f) shall apply with respect to any Bond registered to CEDE & CO. or any other nominee of The Depository Trust Company ("DTC") while the Book-Entry Only System

(meaning the system of registration described in paragraph (ii) of this Subsection 301(f)) is in effect.

(ii) The Bonds shall be issued in the form of a separate single authenticated fully registered Bond in substantially the form set forth in Subsection 301(a) and in the amount of each separate stated maturity of Bonds. On the date of original delivery thereof, the Bonds shall be registered in the registry books of the Paying Agent in the name of CEDE & CO., as nominee of DTC as agent for the Authority in maintaining the Book-Entry Only System. With respect to Bonds registered in the registry books kept by the Paying Agent in the name of CEDE & CO., as nominee of DTC, the Authority, the Paying Agent, the Borrower and the Trustee shall have no responsibility or obligation to any Participant (which means securities brokers and dealers, banks, trust companies, clearing corporations and various other entities, some of whom or their representatives own DTC) or to any Beneficial Owner (which means, when used with reference to the Book-Entry Only System, the person who is considered the beneficial owner of the Bonds pursuant to the arrangements for book entry determination of ownership applicable to DTC) with respect to the following: (A) the accuracy of the records of DTC, CEDE & CO. or any Participant with respect to any ownership interest in the Bonds, (B) the delivery to any Participant, any Beneficial Owner or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant, any Beneficial Owner or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Paying Agent shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective fully to satisfy and discharge the Authority's obligations with respect to the principal of and interest on such Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond evidencing the obligation of the Authority to make payments of principal of and interest pursuant to this Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Agreement shall refer to such new nominee of DTC.

(iii) Upon receipt by the Authority and the Trustee of written notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities, the Paying Agent shall issue, transfer and exchange Bonds as requested by DTC in appropriate amounts, and whenever DTC requests the Authority, the Paying Agent and the Trustee to do so, the Trustee, the Paying Agent and the Authority will cooperate with DTC in taking appropriate action after reasonable notice (A) to arrange for a substitute bond depository willing and able upon reasonable and customary terms to maintain custody of the Bonds or (B) to make available Bonds registered in whatever name or names the Bondowners transferring or exchanging such Bonds shall designate.

(iv) In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bond certificates, the Authority may so notify DTC, the Paying Agent and the Trustee, whereupon DTC will notify the Participants of the availability through DTC of Bond certificates. In such event, the Paying Agent shall issue, transfer and exchange Bond certificates as requested by DTC in

appropriate amounts and in authorized denominations. Whenever DTC requests the Authority and the Paying Agent to do so, the Paying Agent and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to make available Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging Bonds shall designate.

(v) Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of CEDE & CO., as nominee of DTC, all payments with respect to the principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the Representation Letter from the Authority to the DTC.

(vi) Notwithstanding any provision in Section 306 to the contrary, so long as all of the Bonds Outstanding are held in the Book-Entry Only System, if less than all of such Bonds of any one maturity are to be redeemed upon any redemption of Bonds hereunder, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

#### Section 302. Bond Fund.

(a) Establishment and Purpose. A Bond Fund is hereby established with the Trustee for the account of the Borrower, and moneys shall be deposited therein as provided in this Agreement. The moneys in the Bond Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided, shall be applied by the Trustee solely to the payment of the principal of and interest on the Bonds and to the charges and disbursements of the Trustee and the Authority in accordance with this Agreement. When moneys in the Bond Fund are to be applied to the payment of the Bonds, such moneys shall be transferred by the Trustee to itself for the account of the Authority and shall then be so applied.

(b) Excess in Bond Fund. If at any time the amount in the Bond Fund exceeds the amount necessary to pay or redeem the Bonds in full, and all amounts owing or to be owing to the Trustee, the Authority, and the Bondowners under this Agreement have been paid or provided for to the satisfaction of the Trustee, the Authority and the Bondowners, as the case may be, the excess shall be paid to the Borrower.

(c) Unclaimed Moneys. Except as may otherwise be required by applicable law, in case any moneys deposited with the Trustee for the payment of the principal of, or interest on, any Bond remain unclaimed for three years after such principal or interest has become due and payable, the Trustee may and upon receipt of a request of the Borrower will pay over to the Borrower the amount so deposited and thereupon the Trustee and the Authority shall be released from any further liability with respect to the payment of principal or interest and the owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Borrower as an unsecured creditor for the payment thereof.

Section 303. Application of Moneys. If available moneys are not sufficient on any day to pay all principal and interest on the Bonds then due or overdue, they shall, after payment of all other amounts owing to the Trustee and the Authority under this Agreement, be applied first to



the payment of interest, including interest on overdue principal, in the order in which the same became due and second to the payment of principal without regard to the order in which the same became due, in each case pro rata among Bondowners. Whenever moneys are to be applied by the Trustee pursuant to this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first day of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When only interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment.

Section 304. Payments by the Borrower.

(a) Debt Service. The Borrower will pay to the Trustee for deposit in the Bond Fund at least two (2) Business Days before each date on which any payment of principal of and interest on, the Bonds shall become due, whether at maturity, upon redemption, upon acceleration or otherwise, an amount in funds available on such Bond payment date equal to the payment then coming due less the amount, if any, then in the Bond Fund and available to pay the same. At any time when any principal of the Bonds is overdue, the Borrower shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal, but the payments required under this section shall not otherwise bear interest. The Borrower may make payments to the Bond Fund earlier than required by this section, but such payments shall not affect the accrual of interest except to the extent that Bonds are prepaid. If at any time there are insufficient funds to pay or prepay principal of and interest on the Bonds when due, the Borrower shall supply the deficiency.

(b) Additional Payments. In addition to the payments required under Subsection 304(a), the Borrower will pay to the Trustee, the Authority and the Bondowners when due all amounts owing to them respectively under this Agreement, including without limitation in the case of the Authority, the Authority's Service Charge and all other amounts which the Authority is entitled to receive hereunder as reimbursement or indemnity.

Section 305. Unconditional Obligation. The obligations of the Borrower hereunder, including the obligation of the Borrower to make all payments under Section 304, shall be unconditional and shall be binding and enforceable in all circumstances whatsoever as provided in the Act and shall not be subject to setoff, recoupment or counterclaim. The Borrower shall be obligated to make the payments under Section 304 whether or not the Project has come into existence or become functional and whether or not the Project has ceased to exist or to be functional to any extent and from any cause whatsoever. The Borrower shall be obligated to make such payments regardless of whether the Borrower is in possession or is entitled to be in possession of the Project or any part thereof.

Section 306. Redemption of the Bonds. The Bonds shall be subject to redemption prior to maturity under the circumstances, in the manner and subject to the conditions provided in this

section and in the form of Bonds. Whenever Bonds are called for redemption, the accrued interest thereon shall become due on the redemption date. Transfers and payments for the purpose of redeeming Bonds under this Agreement shall be made on behalf of the Authority, and the Authority hereby consents to any redemption of Bonds in accordance herewith. If less than all of the Bonds are to be redeemed, the Bonds to be redeemed shall be selected by the Trustee by lot or in any customary manner as determined by the Trustee. For this purpose each \$5,000 portion of a Bond shall be treated as a separate Bond. [CONFIRM REDEMPTION PROVISIONS AND DETERMINATION OF TAXABILITY]

(a) Redemption Upon Certain Deposits into Bond Fund. If moneys are transferred to the Bond Fund pursuant to Section 403, the same shall be used to the maximum extent possible to redeem Bonds in integral multiples of \$5,000 on the earliest date permitted by the notice requirements of subsection (f) at their principal amounts, without premium, plus accrued interest to the redemption date without regard to Section 303; provided however, that if the aggregate amount of such moneys to be so applied at any one time is less than \$5,000, such moneys (as well as amounts in excess of integral multiples of \$5,000) shall be applied on the next interest payment date to the payment of principal or interest on the Bonds then coming due. Any moneys held in the Bond Fund for redemption under this subsection shall be invested at a yield (as defined in IRC § 148(f)) at or below the yield on the Bonds.

(b) [Redemption upon Determination of Taxability. The Bonds shall be redeemed as a whole within fifteen (15) days following receipt by the Trustee of written notice of the occurrence of a Determination of Taxability, at a redemption price equal to 100% of their principal amounts plus accrued interest to the redemption date.]

(c) Redemption upon Condemnation of Principal Assets. The Borrower shall notify the Trustee, [the Bond Insurer] and the Authority immediately, in writing, when title to, or the temporary use of, all or substantially all of the Project, or any substantial part of the Capital Properties (as defined in Section 502(a)) shall have been taken under the exercise of the power of eminent domain by any governmental body or by any person, acting under governmental authority (or a bona fide sale in lieu of such taking shall have occurred). The Bonds shall be redeemed as a whole within fifteen (15) days following receipt by the Trustee of such written notice from the Borrower, at a redemption price equal to 101% of their principal amount plus accrued interest to the redemption date if redeemed prior to \_\_\_\_\_, and thereafter at the price of 100% of their principal amount plus accrued interest to the redemption date.

(d) Optional Redemption. The Bonds are subject to redemption at the option of the Borrower as a whole or in part as provided in the form of Bond.

(e) Special Redemption. The Bonds are subject to special redemption at the direction of the Borrower as a whole at any time at their principal amounts plus accrued interest to the redemption date on [the next redemption date permitted by subsection (d) or next calendar quarter] following the occurrence of any of the following events:

(i) the Project shall have been damaged or destroyed to such extent that, in the Borrower's judgment, (A) it cannot be reasonably restored within a period of twelve

months to substantially the same condition existing immediately preceding such damage or destruction, (B) the normal operations of the Project will thereby be prevented for a period of twelve months or more, or (C) the cost of restoration thereof would exceed by \$100,000 the net proceeds of insurance carried thereon, plus amounts deductible under such insurance; or

(ii) any Federal, state or local body exercising governmental or judicial authority shall have taken any action which results in unreasonable burdens or excessive liabilities, including without limitation taxes not presently levied, with respect to the Project or the ownership or operation thereof, which in the Borrower's judgment render the Project impractical or uneconomic; if, in each case, as a result the Project is rendered unusable by the Borrower or is abandoned by the Borrower.

(f) Notice of Redemption. To cause Bonds to be redeemed pursuant to Subsections 306(a), (b), (c), (d) or (e), the Borrower shall furnish to the Trustee and the Authority a direction specifying the principal amount of Bonds to be redeemed (if all Bonds are not required to be redeemed) and an appropriate redemption date which allows the Trustee sufficient time to provide the Bondholders with any required notice, and if such direction is in connection with special redemption upon the occurrence of an extraordinary event described in subsection (e), accompanied by (x) a certificate executed by an officer of the Borrower specifying such event and stating that the conditions set forth in the applicable paragraph of subsection (e) have been met, and (y) evidence satisfactory to the Trustee of the occurrence of such event. When Bonds are to be redeemed, the Trustee shall give notice as provided in the form of Bond in the name of the Authority, which notice shall identify the Bonds to be redeemed, state the date fixed for redemption and the place or places of payment of the redemption price. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that when moneys available therefor have been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue.

Section 307. Investment of Moneys in Funds.

(a) Investment. Pending their use under this Agreement, moneys in the Bond Fund shall be invested by the Trustee at the direction of the Borrower in the Permitted Investments described in subsection (b), with maturities or subject to redemption or put at the option of the Trustee at or before the time when such moneys are required to be available if no Event of Default known to the Trustee then exists. If an Event of Default known to the Trustee exists, the Trustee shall use its own discretion as to such investment, but its holding and investment of such moneys shall be subject to such actual or imputed yield restrictions as Bond Counsel may determine are necessary to preserve the exemption of interest on the Bonds from federal income taxation. Any interest realized thereon and any profit realized upon the sale or other disposition thereof shall be credited to such Fund and any loss shall be charged thereto.

(b) Permitted Investments. Permitted Investments are: [ARE THERE ADDITIONAL INVESTMENTS THAT THE PARTIES WOULD LIKE TO INCLUDE?]

(i) obligations issued or guaranteed by the United States;

(ii) dollar-denominated certificates of deposit of, banker's acceptances drawn on and accepted by, and interest bearing deposit accounts of, a bank or trust company organized in the United States which has a rating on its short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poors Ratings Group ("S&P") and "P-1" by Moody's Investors Services, Inc. ("Moody's") and which mature within 360 days of their date of purchase;

(iii) investment agreements, repurchase agreements or other forms of investment approved in writing by [the Bond Insurer];

(iv) commercial paper rated at least "A-1+" by S&P and "P-1" by Moody's at the time of the acquisition thereof and maturing within two hundred seventy (270) days after the acquisition thereof; and

(v) shares of any so-called money market fund that rated "AAAm" or "AAAm-G" or better by S&P,

provided, however, that permitted investments shall not include the following investments except to the extent that the Trustee is advised by Bond Counsel that such investment would not result in a "prohibited payment," as defined in applicable regulations under §103(c)(6) of the Internal Revenue Code of 1954 or other applicable regulations:

(A) obligations issued or guaranteed by the United States or any agency of the United States, certificates of deposit and banker's acceptances, in each case with yields lower than the yield available on comparable obligations offered by the United States Treasury;

(B) interest bearing bank accounts exceeding an aggregate amount of \$25,000 at any time, taking into account all funds invested under this Agreement; and

(C) repurchase agreements and shares of any money market fund which has more than 10% of its assets invested in repurchase agreements.

Any investment may be purchased from or through the Trustee or any Bondowner or any affiliate of either of them.

Section 308. Tax-Exempt Status of Bonds. The Borrower will perform its obligations and agreements contained in the Federal Tax Statement as if they were set forth herein. The Authority will cooperate with the Bondowners to the extent deemed necessary or permitted by law in the opinion of Bond Counsel to the Authority in order to preserve the tax-exempt status of the Bonds. Provisions relating to the tax-exempt status of the Bonds shall only relate to the Series A Bonds and the Series B Bonds. [Interest on the Series C Bonds is taxable for federal income tax purposes.]

Section 309. Rebate. The Borrower covenants to pay when due any rebate due to the United States under IRC §148(f).

Section 310. Bond Insurance Payment Procedures. [As long as the Bond Insurance Policy shall be in full force and effect, the Borrower, the Trustee and any Paying Agent agree to comply with the following provisions:]

- (a) [To Come, if applicable].

Section 311. Rights of Bond Insurer.

- (a) [To Come, if applicable].

Section 312. Continuing Disclosure. The Borrower and the Trustee hereby covenant and agree that each will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. The Authority shall have no liability to the owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Agreement, failure of the Borrower or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any owner (including a Beneficial Owner) of Bonds may, seek specific performance of the Borrower's obligations to comply with its obligations under the Continuing Disclosure Agreement or this Section 312 and not for money damages in any amount.

#### ARTICLE IV: THE PROJECT

Section 401. Project Fund. A Project Fund is hereby established with the Trustee for the account of the Borrower. The proceeds of the sale of the Series A Bonds [and the Series C Bonds] (except accrued interest, if any, which shall be deposited in the Bond Fund) shall be promptly deposited in the Project Fund constituting the loan of the proceeds of the Series A Bonds [and the Series C Bonds] by the Authority to the Borrower. The moneys in the Project Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in this Agreement, shall be applied by the Trustee solely to the payment or reimbursement of Project Costs in accordance with Section 402.

Section 402. Disbursements from Project Fund. The Trustee will pay from the Project Fund established under Section 401 without requisition the costs of issuing the Series A Bonds including the fees and expenses of Bond Counsel and the Authority and any recording or similar fees, and the fees and expenses of the Trustee in connection with the issue of the Series A Bonds and interest on the Series A Bonds not otherwise provided for incurred prior to the completion of the Series A Project in accordance with this Agreement. Other disbursements from the Project Fund shall be made by the Trustee to pay directly or to reimburse the Borrower for Series A Project Costs or indebtedness incurred to pay Series A Project Costs, as directed by requisitions signed on behalf of the Borrower by the Borrower Representative setting forth the amount of the payment or reimbursement due, the nature of the goods or other property or services received in reasonable detail, and the name and address of the person to whom payment or reimbursement is due. Each requisition shall include a certificate signed on behalf of the Borrower by the Borrower Representative that (i) after giving effect to the payment of the requisition, the use of all funds disbursed from the Project Fund complies with the limitations contained in the Federal Tax Statement; (ii) such payment or reimbursement is for Series A Project Costs and the

obligations have not been the basis for a prior requisition which has been paid; (iii) no Event of Default hereunder and no event or condition which, after notice or lapse of time or both, would become an Event of Default hereunder exists; and (iv) the payment or reimbursement requested by the requisition is due for work actually performed or materials or property actually supplied prior to the date of the requisition. [INCLUDE SERIES C IF NECESSARY]

Section 403. Certificate of Completion. Completion of the Series A Project shall be evidenced by the filing with the Trustee of a certificate signed by the Borrower Representative stating that the Series A Project has been substantially completed and paid for. The date of filing of such certificate shall be treated as the close of a “Rebate Year” for purposes of Subsection 309(a). The balance, if any, in the Project Fund after any transfer to the Rebate Fund required by Subsection 309(a) shall be transferred to the Bond Fund to be applied in accordance with Subsection 306(a).

Section 404. Carrying Out the Project. The Borrower will diligently carry out the Project. Contracts for carrying out the Project and purchases in connection therewith shall be made by the Borrower in its own name. To the extent that the Project Fund is insufficient to complete the Series A Project, the Borrower shall use its best efforts to complete the Series A Project at its own expense. [INCLUDE SERIES C IF NECESSARY]

Section 405. Compliance with Law. In the maintenance, improvement and operation of the Project, the Borrower will comply in all material respects with all applicable building, zoning, subdivision, environmental protection, sanitary and safety and other land use laws, rules and regulations and will not permit any nuisance thereon. It shall not be a breach of this section if the Borrower fails to comply with such laws, rules and regulations during any period in which the Borrower shall in good faith be diligently contesting the validity thereof.

Section 406. Disposition. Without the prior consent of the Trustee and the Authority, the Borrower will not sell, lease or otherwise dispose of, or place any other person in possession of, the real property included in the Project or any portion thereof or interest therein or make any material change in the purposes for which the Project is used.

Section 407. Current Expenses. The Borrower will pay all costs and expenses of operation, maintenance and upkeep of the Project including without limitation all taxes, excises and other governmental charges lawfully levied thereon or with respect to the Borrower’s interest therein or use thereof. It shall not be a breach of this subsection if the Borrower fails to pay any such taxes or charges during any period in which the Borrower shall in good faith be diligently contesting the validity or amount thereof, unless the procedures applicable to such contest require payment thereof and proceedings for their refund or abatement.

Section 408. Repair. The Borrower will keep the Project in good order, repair and condition, damage from casualty expressly not excepted, and not permit or commit waste thereon. The Borrower may at its own expense alter, remodel or improve the Project, provided that such alteration or remodeling shall not damage the basic structure thereof or materially decrease its value or cause the Project to violate zoning or other land use restrictions.

Section 409. Insurance.

(a) Coverage. The Borrower will maintain insurance against liability for injuries to and death of persons in the minimum amount of \$1,000,000 per occurrence and for damages to property in the minimum amount of \$500,000 per occurrence. Any such policy may exclude the first \$25,000 of loss so that the Borrower is its own insurer to that extent. Substitutions for or omissions from the required coverage may be made with the consent of the Trustee.

(b) Policies. A duplicate copy or certificate of each policy of insurance shall be furnished to the Trustee and, at its request, to the Authority. All insurance carried under this section shall be in the appropriate New Hampshire standard form and shall be with responsible and reputable companies authorized to transact business in New Hampshire reasonably satisfactory to the Trustee. All policies of insurance shall contain a provision forbidding cancellation of such insurance by either the carrier or the insured until at least fifteen days after written notice of the proposed cancellation is given to the Trustee; and when any insurance is to expire other than by cancellation, the duplicate or certificate of the new policy shall be furnished to the Trustee at least twenty days before such expiration date.

Section 410. Right of Access to the Project. The Authority and the Trustee and their respective duly authorized agents shall have the right at all reasonable times upon reasonable notice to enter upon the Project for the purpose of inspection or to carry out their powers hereunder.

Section 411. Condition of the Project. The Borrower acknowledges that it is fully familiar with the physical condition of the Project and is not relying on any representation of any kind by any other party hereto or any Bondowner as to the nature or the condition thereof. No other parties hereto nor any Bondowner shall be liable to the Borrower or to any other person for any latent or patent defect in the Project.

ARTICLE V: COVENANTS OF THE BORROWER

Section 501. Amendment. The provisions of this Article V may be amended by the Borrower and the Trustee (with the consent of the Bondowners if required by Section 1001) without the consent of the Authority.

Section 502. Special Definitions. For the purposes of this Article V, the following terms have the following meanings unless the context otherwise requires:

(a) “Capital Properties” means all tangible property of the Borrower used or useful in the Borrower’s business as a water company, including construction work in progress, and which are properly chargeable to the capital account of the Borrower in conformity with any applicable rules and regulations of government authorities having jurisdiction, as shown on the books of the Borrower.

(b) “Deposited Cash” means all amounts on deposit from time to time in a bank account of the Borrower with The Bank of New York Mellon Trust Company, N.A., New

Hampshire, which account is separate from all other bank accounts of the Borrower, maintained for the benefit of the holders of Funded Debt of the Borrower, from which account withdrawals may be made by the Borrower only when the sum of 85% of its Net Amount of Capital Properties, the value of its MARA and its Deposited Cash remaining after such withdrawal shall equal or exceed its Funded Debt outstanding immediately after such withdrawal after giving effect to any application of the cash so withdrawn to said Funded Debt.

(c) “Effective Date” means [October 1, 2014].

(d) “Fiscal Year” means the calendar year.

(e) “Funded Debt” means debt maturing, or which the Borrower has a right to extend or renew so that it will mature, more than twelve months after it first became debt of the Borrower, including the Bonds as well as the present value (discounted future value) of all future rentals and lease payments under lease agreements with final terms of over three years’ duration to the extent that such discounted future value exceeds 25% of the sum of preferred stock capital, common stock capital and all surplus accounts. “Funded Debt” shall not include accounts payable, customers’ deposits and advances, accrued wages and similar obligations incurred in the ordinary course of business.

(f) “MARA” means the Municipal Asset Regulatory Asset, as shown on the books of the Borrower.

(g) “Net Amount of Capital Properties” means the amount of Capital Properties minus the amount of depreciation or retirement reserve applicable thereto as shown by the books of the Borrower. It shall be calculated as of the end of the last preceding quarter and shall reflect amounts as recorded or required to be recorded on the books of the Borrower in accordance with applicable rules and regulations of governmental authorities having jurisdiction, or, in the absence thereof, generally accepted accounting principles.

(h) “Net Revenues” means the excess of (i) all operating and non-operating revenues of the Borrower over (ii) all operating expenses of the Borrower, including taxes (except any allowance for income, excess profits and other taxes measured by or dependent on net taxable income for the period for which the earnings are being computed) but not including interest expenses or any allowances for depreciation or amortization, all as determined in accordance with applicable rules and regulations of governmental authorities having jurisdiction, or, in the absence thereof, generally accepted accounting principles.

(i) “NHPUC” means the New Hampshire Public Utilities Commission.

(j) “Short-Term Debt” means all debt other than Funded Debt maturing, whether by renewal or otherwise, not more than twelve months after it first became the debt of the Borrower, excluding accounts payable, customers’ deposits and advances, accrued wages and similar obligations incurred in the ordinary course of business.

Section 503. Rate Covenant. If during any Fiscal Year (the “Test Year”), Borrower’s Net Revenues for such Fiscal Year shall not equal at least one and one-tenth (1 1/10) times all amounts paid or required to be paid by Borrower during the Test Year with respect to Funded



Debt, then Borrower shall undertake reasonable efforts to initiate a rate-making proceeding with the NHPUC that will result, if approved by the NHPUC, in Borrower's having Net Revenues in the next succeeding Fiscal Year equal to at least one and one-tenth (1 1/10) times all amounts required to be paid by Borrower during such next succeeding Fiscal Year with respect to Funded Debt. Borrower shall not be required to initiate a new rate-making procedure with the NHPUC pursuant to this Section 503 as long as an issue of law or fact substantially the same to that which would be raised by any such new rate-making proceeding is then pending or has been decided pursuant to a non-appealable order of the NHPUC that prevents raising such issue in subsequent proceedings on appeal or such an issue of law or fact was previously determined adversely on appeal. In addition, Borrower shall not be required to initiate a new rate-making proceeding with the NHPUC pursuant to this Section 503 if Borrower receives an order from the NHPUC within one-hundred twenty (120) days after the end of the Test Year establishing rates, fees and other charges such that, had such rates, fees and other charges been in effect for the entirety of the Test Year, Borrower would have had Net Revenues in the Test Year equal to at least one and one-tenth (1 1/10) times all amounts paid or required to be paid by Borrower during the Test Year with respect to Funded Debt. Notwithstanding anything in this Section 503 to the contrary, all obligations of Borrower under this Section 503 are subject to compliance by Borrower with any legislation of the United States, the State or other governmental body, or any regulation or other action taken by the federal government, any State agency, including, without limitation, the NHPUC, or any political subdivision of the State pursuant to any such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of rates, fees and other charges due to Borrower, and, in all events, the establishment of new rates, fees and other charges by Borrower is subject to the approval of the NHPUC.

Section 504. Merger or Consolidation. The Borrower agrees that it will not become a party to any merger or consolidation unless (i) (A) the prepayment of the principal of and interest of the Bonds shall occur concurrently with said merger or consolidation, or (B) the Bonds are no longer deemed Outstanding under this Agreement, or (ii) such merger or consolidation is with a water utility and (A) for twelve consecutive months out of the fifteen months next preceding the merger or consolidation, the combined Net Revenues of the companies which are parties to the merger or consolidation shall have been at least one and one-tenth (1 1/10) times the annual amount of interest which the resulting or continuing corporation will be obligated to pay after the merger or consolidation is effected on account of Funded Debt that was incurred on or after the Effective Date and (B) the merger or consolidation shall not result in the resulting or continuing corporation having an amount of Funded Debt which is in excess of the sum of the value of the MARA, Deposited Cash and 85% of the Net Amount of Capital Properties, or its having outstanding any Funded Debt which the Borrower would not have been permitted to incur immediately prior to the transaction, or (iii) such merger or consolidation is with a water utility and (A) the Trustee on behalf of the Bondowners would in connection therewith receive, as security for the Bonds, bonds of the resulting corporation under a mortgage creating a lien on substantially all of the Capital Properties of said resulting corporation, which bonds and mortgage shall contain provisions comparable to the provisions of the Bonds (allowing for appropriate adjustments in form and substance to reflect the different nature of the securities), (B) for twelve (12) consecutive months out of the fifteen (15) months next preceding the merger or consolidation, the combined Net Revenues of the companies which are parties to the merger or consolidation shall have been at least one and one-tenth (1 1/10) times the annual amount of

interest which the resulting or continuing corporation will be obligated to pay after the merger or consolidation is effected on account of Funded Debt incurred on or after the Effective Date, and (C) the merger or consolidation shall not result in the resulting corporation having an amount of Funded Debt which is in excess of the sum of the value of the MARA, Deposited Cash and 85% of its Net Amount of Capital Properties.

Section 505. Other Covenants. The Borrower agrees that it will:

- (a) Not make any investments in securities of any corporation or make any advance, extend credit or issue any guaranty to any corporation, firm or individual, except among affiliates and except in the ordinary course of business.
- (b) Reserved.
- (c) Not change the general nature of its business; nor make any sale or disposition of Capital Properties which will materially adversely affect the operation of its water business.
- (d) Annually, as an operating expense, provide for depreciation of its properties and record the same on its books in an amount computed at a rate acceptable to the New Hampshire Public Utilities Commission, but in any event equal to not less than 1 1/4% of its depreciable properties as of the preceding December 31, provided however, that any such provisions made subsequent to December 31, 1985, in excess of the amount required under the provisions of this subsection in the year in which made, to the extent that it is determined such excess provision was unnecessary in accordance with generally accepted accounting principles, may be applied toward satisfying any requirement of this subsection in respect of any calendar year succeeding the calendar year in which made.
- (e) Not declare or pay any dividends or make any distributions on any shares of its common stock or purchase, acquire or otherwise retire for a consideration any shares of its common stock, if immediately thereafter its net worth would be less than \$4,500,000. "Net worth" means the excess of assets (including, without limitation, the MARA, Deposited Cash and Capital Properties) over all liabilities (including liabilities with respect to the Bonds) as determined by generally accepted accounting principles consistently applied.

Section 506. Liens. (a) The Borrower agrees that it will not pledge or place or suffer to exist any mortgage or other encumbrance or lien of any kind upon Capital Properties or any part thereof, except (i) encumbrances permitted by subsection (b) below, (ii) a mortgage securing its first mortgage bonds as provided in Section 508, and (iii) purchase money or construction mortgages or security interests, or mortgages or security interests existing on the Capital Properties at the time of acquisition thereof, or created for the purpose of financing such acquisition, and renewals or replacements of such mortgages or security interests, provided that (x) no such mortgage or security interest shall affect any Capital Properties other than those being so acquired or constructed, (y) the indebtedness being secured by such mortgage or security agreement shall not exceed 85% of the cost to the Borrower of such acquisition or construction and (z) the total indebtedness being secured by such mortgages and security agreements at any one time shall not exceed Five Million Dollars (\$5,000,000).

(b) Subsection (a) shall not apply to (i) liens for taxes payable without penalty or interest or being contested in good faith and for which the Borrower has provided an adequate reserve by proper charges to income or earned surplus; (ii) mechanics' liens and similar liens incurred in the ordinary course of business to secure debts of the Borrower not yet due; (iii) attachments against which the Borrower is adequately covered by insurance or which are discharged within sixty (60) days from the making thereof and liens of judgments or awards adequately covered by insurance or which have been in force for less than the applicable appeal period so long as execution is not levied thereunder or in respect of which an appeal or proceedings for review are pending and a stay of execution shall have been secured pending such appeal or review, provided, however, that such attachments, judgments or awards do not exceed in the aggregate the amount of \$1,000,000; and (iv) other encumbrances which in the aggregate do not materially detract from the value of said properties and assets or materially impair their use in the operation of the business.

Section 507. Borrowings.

(a) The Borrower agrees that it will not create, issue, incur, assume or guarantee: (i) any Short-Term Debt if thereby as of the date of such creation, issuance, incurring, assumption or guarantying the sum of Short-Term Debt and Funded Debt of the Borrower will exceed 85% of the sum of its Short-Term Debt, its Funded Debt, the value of its MARA and its capital stock and all surplus accounts (which term here and elsewhere herein includes the retained earnings account), unless any Short-Term Debt in excess of said 85% is subordinated to the Bonds as to claims for the payment of principal and interest thereunder (the limitations imposed by this subsection are not to apply to any renewal or extension of Short-Term Debt of the Borrower which was not in excess of said 85% when originally issued and such limitations to terminate upon the securing of the Bonds with first mortgage bonds pursuant to Section 508); or (ii) any new Funded Debt (A) if thereby the total outstanding Funded Debt of the Borrower will exceed the sum of its MARA, Deposited Cash and 85% of its Net Amount of Capital Properties and (B) unless Net Revenues shall equal for at least twelve (12) consecutive months of the fifteen (15) months next preceding the creation of any debt, one and one-tenth (1 1/10) times all amounts of interest for which the Borrower will annually thereafter be obligated on account of Funded Debt incurred on or after the Effective Date, including such new Funded Debt thereafter to be outstanding.

(b) The Bonds shall be ranked equally with other Funded Debt. Subject to Sections 506 and 508, no Funded Debt which is senior to the Bonds shall be issued as long as the Bonds are outstanding.

Section 508. First Mortgage Bonds. The Borrower, at its option, may at any time secure the Bonds with first mortgage bonds of the Borrower of a like principal amount, bearing interest at the same rate and maturing on the same date as the Bonds and registered in the name of and delivered to the Trustee, provided that the Borrower shall, prior to or at the time of such securing enter into an indenture of mortgage with a corporation organized and doing business under the laws of the United States or any State or territory thereof or the District of Columbia and authorized to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, as trustee for the holders of said bonds, which indenture shall convey to such trustee a first mortgage lien in substantially all of the Capital Properties of the Borrower as

security for the payment of the bonds and the performance by the Borrower of its obligations under the indenture. The first mortgage bonds and indenture of mortgage shall contain terms and covenants substantially the same as the Bonds and this Agreement, respectively (allowing for differences in form and minor substance and with appropriate adjustments to reflect the different nature of the securities), shall be in such form and contain such provisions as are acceptable to the Trustee and as are customary for first mortgage bonds issued by corporations in the water utility industry and shall not restrict the Borrower in the operations of its business to any substantially greater extent than the Borrower is so restricted by the provisions of this Agreement and of the Bonds. Without limiting the generality of the foregoing, (i) the indenture of mortgage shall permit the issuance of additional first mortgage bonds thereunder, equally and ratably secured by the lien thereof, to the same extent as the Borrower is permitted to issue Funded Debt by the terms of this Agreement and the Bonds, and shall not limit the creation by the Borrower of indebtedness other than first mortgage bonds; and (ii) the indenture of mortgage shall not prohibit liens on Capital Properties of the Borrower junior to the lien of said indenture of mortgage. Notwithstanding anything herein to the contrary, the Borrower may not issue or permit to remain outstanding any first mortgage bonds unless all of the Bonds are fully secured by same.

(a) The Borrower shall give at least thirty (30) days written notice to the Trustee, by registered or certified mail, of the effective date of such securing of the Bonds with first mortgage bonds, specifying the effective date.

(b) Prior to or on the effective date of the issue of first mortgage bonds, and as a condition to the effectiveness of such issue, the indenture of mortgage shall be duly recorded, and financing statements shall be duly filed in respect thereof, to the extent required by law to perfect the lien of the mortgage in the Capital Properties, and the Borrower shall deliver to the trustee for the first mortgage bonds and the Trustee an opinion of counsel (who may be counsel to the Borrower) satisfactory to the Trustee as to the validity and binding effect of the first mortgage bonds and indenture of mortgage and the title of the Borrower to its Capital Properties free and clear of all encumbrances except those permitted by the indenture of mortgage.

## ARTICLE VI: DEFAULT AND REMEDIES

Section 601. Events of Default. “Event of Default” in this Agreement means any one of the following events:

(a) Debt Service. Any principal of or interest on any Bond shall not be paid or the Borrower shall fail to make any payment or prepayment required under Subsection 304(a) or Section 306, in each case within three days after the same becomes due and payable, whether at maturity, by acceleration, pursuant to any prepayment requirement or otherwise.

(b) Certain Obligations. The Borrower shall fail to make any other payment required hereunder to the Trustee or any Bondowner and such failure is not remedied within seven days after written notice thereof is given by the Trustee to the Borrower; or the Borrower shall fail to observe or perform any of its other obligations under this Agreement and such failure is not remedied within thirty days after notice thereof is given by the Trustee to the Borrower;

*provided, however*, that no Event of Default shall be deemed to have occurred by reason of any failure by the Borrower to comply with the terms of Section 503 as long as Borrower is making all payments required to be made by Borrower to the Trustee under Section 304(a) or Section 306 as and when any such payments are required to be made.

(c) Representations. Any representation or warranty made by the Borrower herein or in any document or instrument furnished to the Bondowners in connection with the initial purchase of the Bonds or pursuant to this Agreement is false or misleading in any material respect on the date it was intended to be effective.

(d) Other Borrowings. The Borrower shall default in the payment of any material obligations aggregating at least \$1,000,000 for borrowed money or the deferred purchase of property, including without limitation leases which should be capitalized in accordance with generally accepted accounting principles and guarantees and other contingent obligations in respect of obligations for borrowed money of others, beyond any applicable grace period, or fail to observe or perform any provision contained in any instrument evidencing, relating to or securing any such obligation, which failure causes such obligation to become due prior to its stated maturity and such failure is not waived.

(e) [Insurance Agreement. The Bond Insurer shall have notified the Trustee of the occurrence of an “Event of Default” under, and as such term is defined in, the Insurance Agreement, dated as of [October 1, 2014], between the Borrower and the Bond Insurer.]

(f) Voluntary Bankruptcy. The Borrower shall commence a voluntary case under the federal bankruptcy laws, or shall admit in writing its insolvency or its inability to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property or shall generally not pay its debts as they become due.

(g) Appointment of Receiver. A trustee, receiver, custodian or similar official or agent shall be appointed for the Borrower or any substantial part of its property.

(h) Involuntary Bankruptcy. The Borrower shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty days.

(i) Judgments. One or more final judgments not subject to appeal or extension for payment of money exceeding in the aggregate \$500,000 in excess of the amount of insurance coverage available therefor shall be rendered against the Borrower and shall remain undischarged for a period of sixty days during which execution shall not be effectively stayed.

Section 602. Waiver. Any default and the consequences thereof, including any acceleration, may be waived by the Bondowners with notice to the Trustee and the Authority, provided that no such waiver shall affect the right of the Authority to enforce any of its rights hereunder which have not been assigned to the Trustee.

Section 603. Remedies for Events of Default. If an Event of Default exists, the Trustee may exercise any or all of the following remedies:

(a) Acceleration. The Trustee may[, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer] by written notice to the Borrower[, the Bond Insurer] and the Authority declare immediately due and payable the then outstanding principal amount of the Bonds and the payments to be made by the Borrower therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice.

(b) Rights as a Secured Party. The Trustee may exercise all of the rights and remedies of a secured party under the UCC with respect to any property as to which a security interest has been granted hereunder which is or may be treated as collateral under the UCC.

(c) Court Proceedings. The Trustee may enforce the provisions of this Agreement by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of the provisions hereof, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing the obligations of the Borrower hereunder.

Section 604. Application of Money Collected. Any money collected by the Trustee pursuant to this Article together with any other funds pledged as security hereunder, less all charges and expenses of the Trustee and the Authority in connection therewith shall be applied (i) to payment into the Rebate Fund of an amount equal to the difference, if any, between the amount then on deposit and the amount that would be required to be paid to the United States under Subsection 309(a) if the Bonds were paid in full, (ii) then as provided in Section 303 and (iii) then to the Borrower without interest except as may otherwise be required by law.

Section 605. Performance of the Borrower's Obligations. If the Borrower shall fail to pay or perform any obligation under this Agreement the Trustee or the Authority may pay or perform such obligation in its own name. The reasonable cost of any such action by the Trustee or the Authority shall be paid or reimbursed by the Borrower with interest at the rate specified in Section 702.

Section 606. Remedies Cumulative. The rights and remedies under this Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any obligation of the Borrower or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance by the Borrower or of the right to exercise any remedy for the same or any other violation.

Section 607. [Consent of the Bond Insurer Upon Default. Anything in this Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondowners or the Trustee for the benefit of the Bondowners under this Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as

described in this Agreement, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of defaults.]

## ARTICLE VII: THE TRUSTEE

### Section 701. Rights and Duties of the Trustee.

(a) Moneys to be Held in Trust. All moneys deposited with the Trustee under this Agreement shall be held by the Trustee in trust and applied subject to the provisions of this Agreement, but need not be segregated from other funds except as required by law.

(b) Accounts. The Trustee will keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection by the Authority, the Borrower, any Bondowner and their representatives duly authorized in writing.

(c) Performance of the Authority's Obligations. If the Authority shall fail to perform any obligation under this Agreement, the Trustee may take whatever legal proceedings may be required to compel full performance by the Authority thereof, and in addition, the Trustee may, to whatever extent it deems appropriate for the protection of the Bondowners, itself or the Borrower, perform any such obligation in the name of the Authority and on its behalf.

(d) Limitations on Actions. The Trustee shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. Upon a failure of the Borrower to make a payment required of it under Subsection 304(a) within seven days after the same becomes due and payable, the Trustee shall give notice to the Bondowners. The Trustee shall not be required to take notice of any other breach or default except when given written notice thereof by the owners of at least twenty-five per cent in principal amount of the Outstanding Bonds. The Trustee shall give default notice under Subsection 601(b) when instructed to do so by the written direction of the owners of at least twenty-five per cent in principal amount of the Outstanding Bonds. The Trustee shall proceed under Sections 603 and 604 for the benefit of the Bondowners in accordance with the written direction of the owners of a majority in principal amount of the Outstanding Bonds. The Trustee shall not be required, however, to take any remedial action (other than the giving of notice) unless indemnity reasonably satisfactory to it is furnished for any expense or liability to be incurred therein. The Trustee shall be entitled to reimbursement pursuant to Section 702 to the extent that it acts without previously obtaining full indemnity.

Upon receipt of notice, direction, instruction and indemnity as provided above and after making such investigation, if any, as it deems appropriate to verify the occurrence of any event of which it is notified by the Bondowners, the Trustee will promptly pursue the remedy provided by this Agreement or any of such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Bondowners, and in its actions under this sentence, the Trustee will act for the protection of the Bondowners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's affairs.

(e) Responsibility. The Trustee shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by the Trustee is called for by this Agreement, the Trustee may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Trustee shall in no event be liable for the application or misapplication of funds, or for other acts or defaults, by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Borrower, the Authority or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Trustee unless such claim is based upon the bad faith, fraud or deceit of such person. For purposes of this Agreement, matters shall not be considered to be known to the Trustee unless they are known to an officer in its corporate trust department.

(f) Financial Obligations. Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project except from moneys received under the provisions of this Agreement or from the exercise of the Trustee's rights hereunder other than moneys received for its own purposes.

(g) Ownership of Bonds. The Trustee or any affiliate of the Trustee may be or become the owner of Bonds with the same rights as if it were not Trustee.

(h) Surety Bond. The Trustee shall not be required to furnish any bond or surety.

Section 702. Fees and Expenses of the Trustee. Except to the extent the Trustee has been paid or reimbursed from the Project Fund, the Borrower will pay to the Trustee reasonable compensation for its services and prepay or reimburse the Trustee for its reasonable expenses and disbursements, including attorney's fees, hereunder. Any fees, expenses, reimbursements or other charges which the Trustee may be entitled to receive from the Borrower hereunder, if not paid when due, shall bear interest at the "Base Rate" of The Bank of New York Mellon Trust Company, N.A., and if not otherwise paid, shall be a first lien upon any moneys or other property then or thereafter held hereunder by the Trustee. The Trustee may apply any such moneys to any of the foregoing items, and immediately upon such application, the Borrower shall be obligated to restore the moneys so applied.



Section 703. Resignation or Removal of the Trustee. The Trustee may resign on not less than thirty days' written notice to the Authority, the Borrower and the Bondowners, but such resignation shall not take effect until a successor has been appointed. If no successor is appointed within sixty days after the date of notice of resignation, the Trustee may appoint its own successor with notice to the Authority, the Bondowners and the Borrower, provided such successor meets the qualifications under Section 704. The Trustee may be removed by written notice from the Bondowners to the Trustee, the Authority and the Borrower.

Section 704. Successor Trustee. Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Trustee under this Agreement, without any further act or conveyance.

In the event of the resignation or removal of the Trustee or a vacancy from any other cause, a successor may be appointed by written notice from the Bondowners to the Authority and the Borrower. Any successor Trustee appointed under this section shall be a bank or trust company eligible to serve as Trustee under the Act having a capital and surplus of not less than \$75,000,000. Any such successor Trustee shall notify the Authority, the Borrower and the Bondowners of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder, and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

## ARTICLE VIII: THE AUTHORITY

Section 801. Limited Obligation. Under no circumstances shall the Authority be obligated directly or indirectly to pay principal of and interest on the Bonds, or expenses of operation, maintenance and upkeep of the Project except from Bond proceeds or from funds received under this Agreement, exclusive of funds received hereunder by the Authority for its own use. This Agreement does not create any debt of the State with respect to the Project other than a special obligation of the Authority acting on behalf of the State pursuant to the Act. Nothing contained herein shall in any way obligate the State to raise any money by taxation or use other public funds for any purpose in relation to the Project. Neither the State nor the Authority shall pay or promise to pay any debt or meet any financial obligation to any person at any time in relation to the Project except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Authority's rights hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Authority to operate the Project itself or to conduct any business enterprise in connection therewith.

Section 802. Rights and Duties of the Authority.

(a) Remedies of the Authority. Notwithstanding any contrary provision in this Agreement, the Authority shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Authority and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Authority may enforce its rights under this Agreement which have not been assigned to the Trustee by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Authority under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Authority shall not be required to monitor the financial condition of the Borrower or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Authority shall not be required to take notice of any breach or default except when given notice thereof by the Trustee or the Bondowners, as the case may be. The Authority shall not be responsible for the payment of any rebate to the United States under IRC §148(f), except that it shall pay any required rebate with respect to moneys and investments held for its own account. Notwithstanding the foregoing sentence, the Authority shall not be liable to any party hereto, any Bondowner, or any other person for damages incurred by them as a consequence of the Authority's failure to pay any such rebate to the United States. The Authority shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Authority, upon written request of the Bondowners or the Trustee, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Trustee to exercise any power granted to the Trustee by this Agreement. The Authority shall be entitled to reimbursement pursuant to Section 903 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Authority shall be entitled to the advice of counsel (who may be counsel for any party or for any Bondowner) and shall be wholly protected as to any action taken or omitted to be taken in good faith in reliance on such advice. The Authority may rely conclusively on any notice, certificate or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Authority shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Authority is called for by this Agreement, the Authority may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Authority shall in no event be liable for the application or misapplication of funds, or for other acts or defaults

by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Borrower, the Trustee or any Bondowner for any claim based on this Agreement or the Bonds against any director, officer, employee or agent of the Authority unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Authority contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Authority in his individual capacity, and no person executing a Bond shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 803. Expenses of the Authority. Except to the extent paid or reimbursed from the Project Fund, the Borrower shall pay when due the Authority's Service Charge and shall prepay or reimburse the Authority within thirty days after notice for all expenses (including reasonable attorney's fees) incurred by the Authority in connection with the issuance and carrying of the Bonds and all expenses reasonably incurred or advances reasonably made in the exercise of the Authority's rights or the performance of its obligations hereunder. Any fees, expenses, reimbursements or other charges which the Authority may be entitled to receive from the Borrower hereunder, if not paid when due, shall bear interest at the rate specified in Section 802.

Section 804. Matters to be Considered by Authority. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Authority may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto and the Bondowners; provided, however, nothing herein shall be construed as conferring on any person other than the other parties and the Bondowners any right to notice, hearing or participation in the Authority's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Authority will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 805. Actions by Authority. Any action which may be taken by the Authority hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other member, officer or agent whom it may designate from time to time.

## ARTICLE IX: THE BONDOWNERS

Section 901. Action by Bondowners. Any request, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by the Bondowners shall, except as otherwise expressly provided, require the concurrence of the registered owners of Bonds representing more than fifty per cent of the Outstanding principal amount of the Bonds and may be contained in and evidenced by one or more writings of substantially the same tenor signed by such Bondowners or their authorized representatives. In taking or refraining from any such actions, each Bondowner may act in its sole and absolute discretion. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Agreement (except as otherwise herein

expressly provided) if made in the following manner, but the Authority or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(i) The fact and date of the execution by any Bondowner or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Authority or to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

(ii) The authority of the person or persons executing any such instrument on behalf of a corporate Bondowner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registration books.

Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond. Bonds owned or held by or for the account of the Authority or the Borrower shall not be deemed Outstanding Bonds for the purpose of any consent or other action by Bondowners.

Section 902. Proceedings by Bondowners. No Bondowner shall have any right to institute any legal proceedings for the enforcement of this Agreement or any remedy hereunder unless an Event of Default has occurred and is continuing of which the Trustee is required to take notice under Subsection 701(d), the Bondowners have directed the Trustee to act and furnished the Trustee indemnity as provided therein and have afforded the Trustee reasonable opportunity to proceed, and the Trustee shall thereafter fail or refuse to take such action. Subject to the foregoing, any Bondowner may by any available legal proceedings enforce and protect its rights hereunder and under the laws of the State.

## ARTICLE X: MISCELLANEOUS

Section 1001. Amendment. This Agreement may be amended by the parties [with the written consent of Bond Insurer] but without Bondowner consent for any of the following purposes: (a) to subject additional property to the lien of this Agreement; (b) to add to the obligations of the Borrower or to surrender or limit any right or power of the Borrower; or (c) to cure any ambiguity or defect, or to add provisions which are not inconsistent with this Agreement and which in either case do not materially adversely affect the interests of the Bondowners.

Except as provided in the foregoing sentence, this Agreement may be amended by the parties only with the written consent of the [ Bond Insurer and the] Bondowners holding a

majority in outstanding principal amount of; provided, however, no amendment of this Agreement may be made without the unanimous written consent of the affected Bondowners for any of the following purposes: (1) to extend the maturity of any Bond, (2) to reduce the principal amount or interest rate of any Bond, (3) to make any Bond prepayable other than in accordance with the terms hereof, (4) to create a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (5) to reduce the percentage of the outstanding principal amount of the Bonds required to be represented by the Bondowners giving their consent to any amendment.

Section 1002. Successors and Assigns. The rights and obligations of the parties to this Agreement shall inure to and be binding upon their respective successors and permitted assigns.

Section 1001. Notices. Any request, authorization, direction, notice, consent, waiver or other document provided by this Agreement shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during business hours as follows: (i) to the Authority at Two Pillsbury Street, Suite 201, Concord, New Hampshire 03301-4954 attention of Executive Director, (ii) to the Trustee at \_\_\_\_\_ attention of Corporate Trust Department, (iii) to the Borrower at 25 Manchester Street, Merrimack, New Hampshire 03054, attention of Treasurer, and (iv) to the Bondowners at their addresses appearing in the bond register, or, as to all of the foregoing, to such other address as the addressee shall have given in writing to the one giving notice. Notice hereunder may be waived prospectively or retroactively by the person entitled to the notice, but no waiver shall affect any notice requirement as to other persons. All notices shall be effective upon receipt. [PLEASE PROVIDE FAX AND EMAIL ADDRESSES IF DESIRED]

Section 1002. Agreement Not for the Benefit of Other Parties. This Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the Authority, the Borrower, the Trustee, the Paying Agent, the Bond Insurer and the Bondowners.

Section 1003. Severability. In case any provision of this Agreement or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1004. Counterparts. This Agreement may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original; but such counterparts together shall constitute one and the same instrument.

Section 1005. Captions. The captions and table of contents of this Agreement are for convenience only and shall not affect the construction hereof.

Section 1006. Governing Law. This Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed under seal as of the date stated above.

BUSINESS FINANCE AUTHORITY (SEAL)  
OF THE STATE OF NEW HAMPSHIRE

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

Attest: \_\_\_\_\_  
Executive Director

PENNICHUCK WATER WORKS, INC. (SEAL)

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

THE BANK OF NEW YORK MELLON TRUST (SEAL)  
COMPANY, N.A., as Trustee

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

EXHIBIT A

- Water treatment media and miscellaneous water supply upgrades
- Harris Pond Dam spillway replacement
- Main replacement and rehab
- Booster station replacement and rehab, storage tank maintenance/replacement, back-up generation installation and pump and system operational improvements
- Service, hydrant and meter replacement or rehab
- Rolling stock and equipment replacement or rehab
- Customer service support applications, financial accounting and other applications and water system monitoring upgrades and enhancements
- Data presentation and collection system
- Geographical information systems
- Asset management system

<b>SCENARIO 1: Single 2014 Financing, expenses (one tranche)</b>		<b>SCENARIO 2: Separate 2014 / 2015 Financings, Expenses (two tranches)</b>	
<i>Underwriter's Discount</i>		<i>Underwriter's Discount</i>	
Average Takedown	\$ 514,875.00	Average Takedown	\$ 517,070.00
Underwriter's Counsel	45,000.00	Underwriter's Counsel	90,000.00
IPREO	3,005.03	IPREO	3,018.93
DTC	800.00	DTC	1,600.00
CUSIP	999.00	CUSIP	999.00
Expenses (Travel, Printing, etc.)	5,000.00	Expenses (Travel, Printing, etc.)	10,000.00
<b>TOTAL</b>	<b>\$ 569,679.03</b>	<b>TOTAL</b>	<b>\$ 622,687.93</b>
<i>Costs of Issuance</i>		<i>Costs of Issuance</i>	
Bond Counsel	\$ 50,000.00	Bond Counsel	\$ 100,000.00
Issuer Counsel (including fees related to NHPUC filing process)	140,000.00	Issuer Counsel (including fees related to NHPUC filing process)	190,000.00
Issuer Fee	364,687.50	Issuer Fee	366,375.00
Trustee Fees	7,600.00	Trustee Fees	8,600.00
Ratings Agency (Moody's)	45,000.00	Ratings Agency (Moody's)	90,000.00
Ratings Agency (S&P)	45,000.00	Ratings Agency (S&P)	90,000.00
Internet Roadshow	7,500.00	Internet Roadshow	15,000.00
POS and OS Mailing	5,000.00	POS and OS Mailing	10,000.00
Miscellaneous	5,000.00	Miscellaneous	10,000.00
Escrow Agent Fees	1,000.00	Escrow Agent Fees	1,000.00
<b>TOTAL</b>	<b>\$ 670,787.50</b>	<b>TOTAL</b>	<b>\$ 880,975.00</b>
<b>TOTAL ISSUANCE EXPENSES</b>	<b>\$ 1,240,466.53</b>	<b>TOTAL ISSUANCE EXPENSES</b>	<b>\$ 1,503,662.93</b>

NOTE: The cost of bond insurance is not included in these estimated costs, and would be incremental if deemed to economically advantageous to be procured.



**Pennichuck Water Works, Inc.**  
**BALANCE SHEET**  
**ASSETS AND DEFERRED CHARGES**  
**For the Twelve Months Ended December 31, 2013**

Schedule LDG-1  
Page 1 of 2

Pro Forma

	Account Number	12/31/2013	Pro Forma Adjustments	12/31/2013
<b><u>PLANT ASSETS</u></b>				
Plant in Service	301 to 348	172,641,985	19,618,000 (1)	192,259,985
Work in process	105	1,752,214	-	1,752,214
Utility Plant		174,394,199	19,618,000	194,012,199
Accumulated depreciation	108	42,687,140	879,181 (2)	43,566,320
Net Plant		131,707,059	18,738,819	150,445,879
Net Acquisition Adjustment	114 & 115	426,767	-	426,767
Total Net Utility Plant		131,280,292	18,738,819	150,019,111
<b><u>CURRENT ASSETS</u></b>				
Cash	131 & 133	6,000	-	6,000
Restricted Cash - RSF	131	5,562,819	-	5,562,819
Accounts receivable-billed, net	141 & 143	1,670,543	-	1,670,543
Accounts receivable-unbilled, net	173	1,579,350	-	1,579,350
Accounts receivable-other	142	-	-	-
Inventory	151	735,996	-	735,996
Prepaid expenses	162	431,171	-	431,171
Prepaid property taxes	163 & 236	812,765	-	812,765
Prepaid taxes	162.3	-	-	-
		10,798,643	-	10,798,643
<b><u>OTHER ASSETS</u></b>				
Debt issuance expenses	181	3,474,262	1,190,517 (3)	4,664,778
Acquisition Premium - MARA	186	75,450,818	-	75,450,818
Other & Deferred Charges	182,184,186	5,805,714	-	5,805,714
		84,730,793	1,190,517	85,921,310
<b>TOTAL ASSETS</b>		<b>\$ 226,809,728</b>	<b>\$ 19,929,336</b>	<b>\$ 246,739,064</b>

**Notes:**

- (1) To record the assets related to the new proposed loan for 2014 to 2016 capital assets.
- (2) To record the impact of full year depreciation related to 2014 to 2016 capital assets.  
Additionally, to record 1/2 year additional depreciation on 2013 net plant additions.
- (3) To record the debt issuance costs net of amortization on the new and refinanced debt.

**Pennichuck Water Works, Inc.**  
**BALANCE SHEET**  
**EQUITY AND LIABILITIES**  
**For the Twelve Months Ended December 31, 2013**

Schedule LDG-1  
Page 2 of 2

	Account Number	12/31/2013	Pro Forma Adjustments		Pro Forma 12/31/2013
<b>STOCKHOLDERS' EQUITY</b>					
Common stock	201	\$ 30,000	\$ -		\$ 30,000
Paid in capital	211	124,070,662	-		124,070,662
Comprehensive Income	219	-	-		-
Retained earnings	215	1,535,203	(1,734,531)	(2)	(199,328)
		125,635,866	(1,734,531)		123,901,335
<b>LONG TERM DEBT</b>					
Bonds, notes and mortgages	221	50,575,169	24,600,000	(1)	75,175,169
Intercompany advances	223	(5,502,812)	(2,936,133)	(3)	(8,438,945)
Other Long Term Debt	224	-	-		-
<b>CURRENT LIABILITIES</b>					
Accounts payable	231	596,078	-		596,078
Accrued property taxes	236	-	-		-
Accrued interest payable	237	556,503	-		556,503
Other accrued expenses	241	4,070,042	-		4,070,042
Accrued taxes	236	6,452	-		6,452
Customer deposits	235	108,954	-		108,954
		5,338,030	-		5,338,030
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>					
Deferred income taxes & liability	282	18,574,875	-		18,574,875
Customer advances	252	84,000	-		84,000
CIAC, net	271 & 272	25,539,086	-		25,539,086
Pension Liability	241	5,256,919	-		5,256,919
Other deferred credits	251 to 255	1,308,597	-		1,308,597
		50,763,476	-		50,763,476
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 226,809,728</b>	<b>\$ 19,929,336</b>		<b>\$ 246,739,064</b>

**Notes:**

(1) To record the new Debt as follows:

Tax Exempt Bonds	\$ 19,500,000
Taxable Bonds	\$ 5,100,000
<b>Total New Debt</b>	<b>\$ 24,600,000</b>

(2) To record the impact of interest, depreciation, property taxes and income tax benefit on retained earnings.

(3) To record the net source/use of funds through the intercompany debt

**Pennichuck Water Works, Inc.**  
**OPERATING INCOME STATEMENT**  
**For the Twelve Months Ended December 31, 2013**

Schedule LDG-2

	Account Number	TWELVE MONTHS 12/31/13	Add'l 1/2 year Depreciation on 2013 net additions	New Debt and Assets Pro Forma	Refinanced Debt Pro Forma	PRO FORMA 12 MONTHS 12/31/13
Water Sales	460 to 462	\$ 27,336,440		\$ -		\$ 27,336,440
Jobbing Net and Other Revenues	415, 416, 471	418,433		-		418,433
Total Revenues		27,754,873		-		27,754,873
Production Expenses	601 to 652	3,869,154		-		3,869,154
Transmission & Distribution Expenses	660 to 678	1,547,952		-		1,547,952
Engineering Expenses	660	833,292		-		833,292
Customer Acct & Collection Exp	902 to 904	436,394		-		436,394
Administrative & General Expense	920 to 950	6,386,960		-		6,386,960
Inter Div Management Fee	930	(1,966,838)		-		(1,966,838)
Total Operating Expense		11,106,913		-		11,106,913
Dep Exp/Acq Adj Expense	403 & 406	4,225,860	62,266	816,915		(2) 5,105,041
Amortization Expense:CIAC	405	(557,366)		-		(557,366)
Amortization Expense	407	2,073,013		-		2,073,013
Gain on Debt Forgiveness	414	(53,925)		-		(53,925)
Property Taxes	408.1	4,123,297		474,938		(2) 4,598,235
Income Tax	409 to 410	2,512,870		(1,074,880)	(21,964)	(3) 1,416,025
Total Operating Deductions		12,323,749	62,266	216,973	(21,964)	12,581,024
Net Operating Income		4,324,211	(62,266)	(216,973)	21,964	4,066,936
Other Income and Deductions	421, 426	(14,069)		-		(14,069)
Interest Expenses	427 to 429	2,774,938		1,400,625	26,681	(1) 4,202,244
Debt Issuance Costs (New)				21,181	28,769	(4) 49,950
Net Income		1,535,203	(62,266)	(1,638,779)	(33,487)	(199,328)

**Notes:**

- 1 - To record the change in interest expense associated with financing.
- 2 - To record the impact of assets on depreciation and property taxes for 2014 thru 2016 net plant additions.  
 Additionally, to record 1/2 year additional depreciation on 2013 net plant additions.
- 3 - To record the tax impact resulting from additional expenses.
- 4 - To record the amortization of new debt issuance costs

**Pennichuck Water Works, Inc.**  
**OPERATING INCOME STATEMENT**  
For the Twelve Months Ended December 31, 2013

Schedule LDG-2  
Page 2 of 2

**Supporting Calculations:**

**Interest Expense:**

	Debt Amount	Interest	
		Rate	Amount
New tax exempt bond debt	\$ 19,500,000	5.875%	\$ 1,145,625
New taxable bond debt	\$ 5,100,000	5.000%	\$ 255,000
Refinanced tax exempt bond debt	\$ 23,375,000	5.500%	\$ 1,285,625
<b>Retired Debt:</b>			
1997 AMT Bonds	\$ (2,600,000)	6.300%	\$ (163,800)
2005C Bonds	\$ (1,175,000)	4.500%	\$ (52,875)
2005 BC-3 Bonds	\$ (7,475,000)	5.000%	\$ (373,750)
2005 BC-4 Bonds	\$ (12,125,000)	5.375%	\$ (651,719)
<b>Net Debt</b>	<b>\$ 24,600,000</b>		
2014 Payment on 1997 AMT Bonds	\$ (200,000)	6.300%	\$ (12,600)
2013 Payment on 1997 AMT Bonds (January thru April 2013)	\$ (200,000)	6.300%	\$ (4,200)
<b>Net Interest</b>			<b>\$ 1,427,306</b>

**Debt issuance amortization**

	Costs	Amortization	
		Rate	Amount
New tax exempt bond debt	\$ 504,202	3.33%	\$ 16,790
New taxable bond debt	\$ 131,868	3.33%	\$ 4,391
Refinanced tax exempt bond debt	\$ 604,396	4.76%	\$ 28,769
<b>Total Debt Issuance Costs</b>	<b>\$ 1,240,467</b>	<b>Amortization</b>	<b>\$ 49,950</b>

**Depreciation**

**Additions:**

	Asset Cost	Depreciation	
		Rate	Amount
Structures & Improvements - Bldg	\$ 248,000	3.17%	\$ 7,862
Transmission & Distribution Mains	\$ 8,234,000	1.50%	\$ 123,510
Collecting and Impounding Reservoirs	\$ 1,450,000	1.79%	\$ 25,955
Pumping Equipment	\$ 1,512,000	4.40%	\$ 66,528
Water Treatment Equipment	\$ 970,000	3.31%	\$ 32,107
Transportation Equipment	\$ 1,936,000	9.44%	\$ 182,758
Meters	\$ 2,314,000	4.78%	\$ 110,609
Information Systems	\$ 2,954,000	14.29%	\$ 422,127
<b>Totals</b>	<b>\$ 19,618,000</b>		<b>\$ 971,456</b>

**Retirements (Estimates):**

	Asset Cost	Depreciation	
		Rate	Amount
Transmission & Distribution Mains	\$ 82,340	1.50%	\$ 1,235
Collecting and Impounding Reservoirs	\$ 35,445	1.79%	\$ 634
Pumping Equipment	\$ 136,080	4.40%	\$ 5,988
Meters	\$ 1,157,000	4.78%	\$ 55,305
Transportation Equipment	\$ 968,000	9.44%	\$ 91,379
<b>Totals</b>	<b>\$ 2,378,865</b>		<b>\$ 154,541</b>

**Net Additions** \$ 17,239,135

**Net Depreciation** \$ 816,915

**Property Taxes**

Nashua	\$ 20.95
State of New Hampshire	\$ 6.60
<b>Total Tax Rate</b>	<b>\$ 27.55</b>
<b>Property Taxes</b>	<b>\$ 474,938</b>

**Pennichuck Water Works, Inc.**  
**Pro Forma Capital Structure for Ratemaking Purposes**  
**For the Twelve Months Ended December 31, 2013**

Schedule LDG-3

	<u>Pro Forma</u> <u>2013</u>	<u>Pro Forma</u> <u>Eliminations</u>	<u>Pro Forma 2013</u> <u>with</u> <u>Eliminations</u>	<u>Component</u> <u>Ratio</u>
Long-term Debt	75,175,169	-	75,175,169	100.27%
Intercompany Debt	\$ -	-	-	0.00%
<u>Common Equity:</u>				
Common Stock	30,000	(30,000) (1)	-	
Paid In Capital	124,070,662	(124,070,662) (1)	0	
Comprehensive Income	-	-	-	
Retained Earnings	(199,328)		(199,328)	
Total Common Equity	<u>123,901,335</u>		<u>(199,327)</u>	-0.27%
Total Capital	<u>\$ 199,076,504</u>		<u>\$ 74,975,842</u>	100.00%

**Notes:**

(1) Per Order 25,292 in DW 11-026, eliminate the MARA and related equity:

MARA	78,783,384
Equity as of 1/25/12	9,863,910
Paid In Capital as of 1/25/12	<u>39,011,140</u>
	127,658,434
Less: Dividends Paid in Feb 2013	<u>(3,587,772)</u>
	<u>124,070,662</u>

Pennichuck Water Works, Inc.  
 Summary of 2013-2016 Water Facilities Capital Expenditures  
 (In thousands of dollars)

Schedule LDG-4

	Item	Amount Related to Taxable Bond Funding	Amounts Relating to Tax-exempt Bonding				Grand Totals
		Total Amounts Spent in 2013, subject to Reimbursement Financing	Total Net Budget for 2014	Total Planned in 2015 for New Projects	Total Planned in 2016 for New Projects	Total Planned 2014 to 2016 New Projects	
<b>Water Supply</b>		<b>1</b>					
Water Treatment Media and Miscellaneous Water Supply Upgrades	1a	\$ 1,686	\$ 310	\$ 645	\$ 15	\$ 970	\$ 2,656
Harris Pond Dam Spillway Replacement	1b	-	-	200	1,250	1,450	\$ 1,450
<b>Water Supply - Total</b>	<b>1</b>	<b>1,686</b>	<b>310</b>	<b>845</b>	<b>1,265</b>	<b>2,420</b>	<b>4,106</b>
<b>Water Distribution</b>		<b>2</b>					
Main Replacement and Rehabilitation	2a	1,163	1,333	4,749	2,152	8,234	\$ 9,397
Booster Station Replacement and Rehabilitation, Storage Tank Maintenance/Replacement, Back-up Generator Installation and Pump and System Operational Improvements	2b	350	879	565	68	1,512	\$ 1,862
Service, Hydrant and Meter Replacements or Rehabilitation	2c	714	752	769	793	2,314	\$ 3,028
Rolling Stock and Equipment Replacements or Rehabilitation	2d	-	813	533	590	1,936	\$ 1,936
Will Street Replacement Facility - Planning, Design and Construction <sup>(Note 1)</sup>	2e	-	248	-	-	248	\$ 248
<b>Water Distribution - Total</b>	<b>2</b>	<b>2,227</b>	<b>4,025</b>	<b>6,616</b>	<b>3,603</b>	<b>14,244</b>	<b>16,471</b>
<b>Support Services</b>		<b>3</b>					
Customer Service Support Applications, Financial Accounting and other Applications and Water System Monitoring upgrades and enhancements	3a	307	197	85	25	307	\$ 614
Dpac (Data Presentment and Collection) System	3b	491	267	264	236	767	\$ 1,258
Geographical Information Systems	3c	309	-	-	-	-	\$ 309
Asset Management System	3d	12	720	670	490	1,880	\$ 1,892
<b>Support Services - Total</b>	<b>3</b>	<b>1,119</b>	<b>1,184</b>	<b>1,019</b>	<b>751</b>	<b>2,954</b>	<b>4,073</b>
<b>Total Bondable Amounts</b>		<b>\$ 5,032</b>	<b>\$ 5,519</b>	<b>\$ 8,480</b>	<b>\$ 5,619</b>	<b>\$ 19,618</b>	<b>\$ 24,650</b>