

WATER PURCHASE AGREEMENT

This Agreement (the "Agreement") is entered into effective on the 1st day of July, 2006, by and between Lakeview Waterworks, L.L.C., a Virginia limited liability company, (hereinafter "Lakeview Waterworks"), and Mallard Point Homeowners Association, a Virginia corporation (hereinafter called "MPHA"). Lakeview Waterworks and MPHA may be referred to collectively in this Agreement as "parties" or individually as a "party."

WITNESSETH:

WHEREAS, Lakeview Waterworks is the owner and operator of a water system which is located in Pulaski County, Virginia; and

WHEREAS, MPHA is a homeowner's association of a residential subdivision adjacent to Lakeview Waterworks known as "Mallard Point" and, in order to provide water to the residents of Mallard Point, MPHA desires to secure water service for residences within Mallard Point; and

WHEREAS, Lakeview Waterworks is willing to provide the necessary water for the Mallard Point residential units from two existing wells operated by Lakeview Waterworks;

NOW, THEREFORE, the parties, for and in consideration of the mutual benefits to each party, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged by the parties, do agree as follows:

1. **Water Service Area.** Lakeview Waterworks hereby agrees to deliver water to MPHA at the Mallard Point property line after passing through two meters located near the entrance to Mallard Point. Lakeview Waterworks may read such meters for purposes of monitoring the amount of water delivered through such meters. It is understood by the parties that the water provided to MPHA will subsequently be conveyed to the residential units in the Mallard Point development. Lakeview Waterworks shall not be required to deliver water from any source other than the two wells it currently operates.
2. **Purchase Price.** MPHA hereby agrees to pay Lakeview Waterworks for water supplied through the two meters at the entry point to Mallard Point property. MPHA will pay a flat fee for the water at an initial rate of \$640 per month. Payments shall be made quarterly with the first payment due on September 30, 2006, three months after the effective date of the agreement. Payments shall be due within 15 days of receipt of Lakeview's bill therefor and are subject to a 5% penalty on any outstanding balance paid more than 30 days after receipt of Lakeview's bill therefor. The flat fee may be adjusted by Lakeview Waterworks annually beginning January 1, 2008, but such adjustment shall not exceed a 5% increase in any twelve month period.
3. **Water Line Ownership.** Lakeview Waterworks will not assert any claim contrary to MPHA's acceptance of water lines on Mallard Point common property.

4. **Approvals.** This Agreement is contingent upon the parties obtaining any required and appropriate approvals from all applicable authorities. Lakeview Waterworks shall be responsible for obtaining any and all applicable approvals.

5. **Exceptional Circumstances.** If Lakeview Waterworks encounters difficulties with finances or operations due to unexpected water demand at MPHA, including but not limited to unexpected water demand due to watering grass and landscaping, or washing cars, boats or other vehicles, or pressure washing buildings or other structures, the parties hereto will review supporting data and negotiate a mutually agreeable resolution of such difficulties. Agreement to such a resolution shall not be unreasonably withheld or delayed by either party.

6. **Expenses.** Each party shall be responsible for and pay its legal, advisory, accounting and other fees and expenses incurred in connection with negotiation, documentation and closing of the transaction contemplated by this Agreement.

7. **Assignment.** MPHA shall be entitled to assign or transfer, in whole or in part, any right, duty, responsibility or obligation under this Agreement with the consent of Lakeview Waterworks, which consent shall not be unreasonably withheld. MPHA agrees to provide Lakeview Waterworks with 10 days written notice prior to any assignment or transfer under this provision.

Lakeview Waterworks may assign or transfer, in whole or in part, any right, duty, responsibility or obligation under this Agreement without the prior consent of MPHA. Lakeview Waterworks agrees to provide MPHA with 10 days written notice prior to any assignment or transfer under this provision.

8. **Entire Agreement.** This Agreement contains the entire understanding of the parties and nothing relating hereto, unless the same shall be reduced to writing and signed by the parties, shall be binding upon the parties, their successors and assigns.

9. **Authority.** This Agreement shall be construed according to the laws of the Commonwealth of Virginia without any regard to its conflict of laws principles that might apply the laws of another jurisdiction.

10. **Jurisdiction.** The parties consent to the jurisdiction of the courts of the Commonwealth of Virginia and agree that venue shall be proper in Pulaski County, Virginia if suit is filed relating to this Water Purchase Agreement.

11. **Force Majeure.** Neither party shall be liable under this Agreement for delays, failures to perform, damages, losses or destruction, or malfunction of any equipment, or any consequence thereof, caused by, or due to causes beyond its reasonable control, such as acts of war, or terrorism, fire, earthquake, flood, water, the elements, acts of God, third party labor disputes, utility curtailments, line cuts, power failures, explosions, civil disturbances, vandalism, governmental actions, shortages of equipment or supplies, unavailability of transportation, acts of omissions of third parties.

12. Independent Contractors. Nothing in this Agreement, or in the course of dealing between the parties pursuant to this Agreement, shall be deemed to create between the parties (including their respective affiliates, directors, officers, employees and agents) a partnership, joint venture, association, employment relationship or any other relationship, other than that of independent contractors with respect to each other. Neither party shall have the authority to commit or legally bind the other party in any manner whatsoever, including, but not limited to, the acceptance or making of any agreement, representation or warranty.

13. Period of Agreement. The effective date of this agreement shall be July 1, 2006, provided that the agreement is executed on or before September 30, 2006. This agreement shall run for five (5) years from its effective date and is automatically renewed for succeeding five year periods unless either party notifies the other party in writing at least one year in advance of the expiration of a five year period that such party will not renew this agreement.

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

15. Headings. The headings preceding each of the paragraphs of this Agreement are for convenient reference only and are not intended to form any part of this Agreement nor as any aid to the construction of this Agreement.

16. Notices. All notices, requests, consents, waivers and other communications required, permitted or desired to be given under this Agreement shall be deemed duly given when received after being delivered by hand, by reputable overnight delivery service, or upon receipt when sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to MPHA:

Raines Property Management
318 N. Main Street
Blacksburg, Virginia 24069

and

Mallard Point Homeowners Association
Mallard Point Way,
Mallard Point Box 34
Dublin, Virginia 24084

If to Lakeview Waterworks:

William Cunningham
4800 Lakeland Road
Dublin, VA 24084

Each party may change its address for purposes of notification hereunder by giving written notice of such change to the other party in the manner provided herein.

WITNESS the following signatures and seals as of the day and year first hereinabove written:

MALLARD POINT HOMEOWNERS ASSOCIATION

BY Walter S. Myster (SEAL)
ITS President.

LAKEVIEW WATERWORKS, L.L.C.

BY William C. [Signature] 9-26-06 (SEAL)
ITS PRESIDENT

Marc A. Tufaro
Division of Energy Regulation
State Corporation Commission
P. O. Box 1197
Richmond, Virginia 23218

Dear Mr. Tufaro:

This letter is in response to your letter of February 13, 2006 to Mr. Clifford L. Harrison, counsel to Lakeview Waterworks, LLC. ("Lakeview") concerning a complaint letter sent by Mallard Point Homeowners Association ("MPHA") counsel to the State Corporation Commission Staff. Lakeview and MPHA appreciate the patience of the Commission Staff in allowing the parties time to try to resolve the matter informally.

Lakeview and MPHA are happy to report that they have been able to resolve the matter to their mutual satisfaction. An agreement between the parties has been executed that will involve the delivery of water to MPHA by Lakeview, but Lakeview will only have a responsibility to deliver water to MPHA at the boundary of the Mallard Point property.

In light of this agreement of the parties, MPHA withdraws its complaint letter to the Staff.

MALLARD POINT HOMEOWNERS ASSOCIATION

By: Warren J. Stupman 9/26/06

LAKEVIEW WATERWORKS, LLC.

By: Willie Cough 9-26-06
