

Rothfelder Stern, L.L.C.  
407 Greenwood Avenue, #301  
Trenton, New Jersey 08609  
Attorneys for the Petitioners

**BEFORE THE  
STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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<b>I/M/O the Petition of Fayson Lake Water Company for Approval of a Financing Transaction</b>	<b>: : : :</b>	<b>Verified Petition Docket No. _____</b>
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**TO THE HONORABLE BOARD:**

The Fayson Lake Water Company (“Petitioner”) hereby petitions the Board of Public Utilities for approval of a financing undertaken for the purpose of funding construction to upgrade and improve its water utility system. This petition is filed pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9. Since funding for and completion of the upgrade and improvement have already occurred, Petitioner is requesting the Board’s approval, and to the extent necessary, approval *nunc pro tunc*.

In support of this petition, Petitioner states the following:

1. Petitioner is a New Jersey corporation with offices maintained at 160 Boonton Avenue, Kinnelon, New Jersey, 07405. Petitioner provides Board-regulated water utility service to approximately 890 customers, all of whom reside in the Fayson Lakes community located within the Borough of Kinnelon, Morris County.
2. Petitioner seeks the Board’s approval for a financing transaction whereby Petitioner can obtain a loan and draw up to the principal sum of \$1,415,000 to (a) finance the costs of the construction and installation of a new 8” and 6” water mains replacement for the Fayson Lakes community; and (b) finance the transaction closing costs. The

project involves the water mains and the line off the main to edge of the customers property on the streets by Lakeside Trail and Sylvan Trail. Replacement is necessitated by the fact that the pipe replaced had many leaks in this section, the old pipe was undersized, and included pipe that is galvanized, which is outdated due to concerns over lead. Many valves in the street did not work or leaked after turning them. The streets and pipes that were involved in this project are reflected in the shaded areas of the map depicted in Exhibit A.

3. The loan is initially an interest-only loan for the Construction Period for a period of one-year, which time period may be extended. Then, upon conversion, the loan becomes a Term Loan for an additional 15 years for the repayment of the financed principal plus interest thereon. Conversion of the Construction Period loan to the Term Loan requires full completion of the project, no events of default, and documented projected debt service coverage, based on the BPU approved rate increases, as further described herein. The loan is secured by a priority collateral pledge of all tangible and intangible assets and personal property of Petitioner and its parent, Fayson Lake Community, Inc., now owned or hereafter acquired, to encompass all business assets including but not limited to accounts, accounts receivables, equipment machinery, furniture, fixtures, etc.

4. Interest on drawdowns of principal during the Construction Period is equal to the Prime Rate, defined as the base rate on corporate loans posted by at least seventy percent (70%) of the nation's ten (10) largest banks as published in the Wall Street Journal, plus one hundred (100) basis points, provided the rate is not less than eight and one-quarter percent (8.25%) per annum.

5. Upon completion of construction and conversion to the 15-year Term Loan, the interest for the first five (5) years is at a fixed rate based on the Five-Year United States Treasury Note (“USTN”) in effect five (5) days before the date of the conversion from the Construction Period to the 15-year Term Loan and rounded up to the nearest one-eighth of one percent (0.125%), plus three hundred (300) basis points, provided the rate shall not be less than six percent (6.00%) per annum.

6. On the fifth (5<sup>th</sup>) anniversary of the conversion and every five (5) years thereafter until the Maturity Date (“Change Date”), the interest rate for the next five (5) year period shall be equal to the USTN in effect on the applicable Change Date, rounded up to one-eighth of one percent (0.125%), plus three hundred (300) basis points, provided the rate shall not be less than six percent (6.00%) per annum.

7. The conversion to the Term Loan is contingent on Petitioner demonstrating a projected 1.20:1.00 “pre-DSCR,” meaning Petitioner’s Debt Service Coverage Ratio (DSCR) calculated as Petitioner’s (i) net earnings before taxes excluding any gain or loss arising from extraordinary or non-recurring items, plus (ii) interest expense, plus (iii) depreciation expense, plus (iv) amortization expense, minus (v) cash taxes, divided by (vi) documented debt service payments and any additional debt associated with the property. In order to achieve the required pre-DSCR, Petitioner must have in place a sufficient revenue stream. Toward that end, Petitioner currently has before the Board a petition for a base rate increase, in Docket No. WR24030179. Upon and after the conversion to the Term Loan, Petitioner is obligated during the Term Loan to maintain at all times a minimum required DSCR of 1.20:1.00.

8. Petitioner has completed the construction of the water mains replacement, project described in paragraph 2 above, which is now in service. As of the date of this Petition, the principal drawdown during the Construction Period has summed to \$1,280,000, with interest thereon accrued at a rate of 9.5%. All of the funds were used in construction of the project.

9. In support of this Petition and pursuant to N.J.A.C. 14:1-5.9, Petitioner provides the following documents, which contain the above-stated terms and conditions, and additional terms and conditions of the financing transaction:

- Copy of the Loan Agreement by and between the Petitioner and Lakeland Bank, Oak Ridge, New Jersey, together with a Promissory Note, Promissory Note Rider and Security Agreement, all executed on October 4, 2023, contained in Exhibit B;
- Copy of a Guaranty, Indemnification Agreement, and Security Agreement, all executed on October 4, 2023, by the Fayson Lake Community, Inc., the sole shareholder of Petitioner, and which documents are also contained in Exhibit B; and
- Petitioner's audited financial statements for 2023 and 2022, contained in Exhibit C.

10. Correspondence concerning this petition will be received by:

Martin C. Rothfelder, Esq.  
Bradford M. Stern, Esq.  
Vitoria Veno  
Rothfelder Stern, L.L.C.  
407 Greenwood Avenue, #301  
Trenton, New Jersey 08609  
(609) 394-1000  
mrothfelder@rothfelderstern.com  
bstern@rothfelderstern.com  
vveno@rothfelderstern.com

Frank D. Demore, Business Manager  
Fayson Lake Water Company  
160 Boonton Avenue  
Kinnelon, N.J. 07405  
telephone 973 838 6226  
flwc@optonline.net

11. The verification of Frank D. Demore, the Business Manager of Petitioner, is attached hereto and states that the facts set forth in this petition are true and correct to the best of his knowledge, information, and belief.

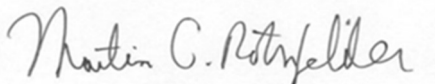
**WHEREFORE**, Petitioner respectfully requests that the Board:

1. Approve Petitioner's entering into and consummating the financial transaction as described herein, including, if necessary, on a *nunc pro tunc* basis; and
2. Grant such further relief that the Board deems reasonable, just, and consistent with the forgoing.

RESPECTFULLY SUBMITTED,

Rothfelder Stern, L.L.C.

Date: March 18, 2024

By:   
Martin C. Rothfelder

**BEFORE THE  
STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

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<b>I/M/O the Petition of Fayson Lake Water</b> :	<b>Verified Petition</b>
<b>Company for Approval of a Financing</b> :	<b>Docket No.</b> _____
<b>Transaction</b> :	
_____ :	
_____ :	

**VERIFICATION**

I, Frank D. Demore, of full age being duly sworn according to law upon my oath swear as follows:

1. I am the Business Manager of Fayson Lake Water Company, the Petitioner in this matter.
2. I have read the within petition and the exhibits thereto.
3. I believe that the information contained therein is true and correct to the best of my knowledge and belief.
4. I have not made an independent investigation of the matters noted herein.

Date: 3/15/2024

  
Frank D. Demore

**STATE OF NEW JERSEY**  
**BEFORE THE**  
**BOARD OF PUBLIC UTILITIES**

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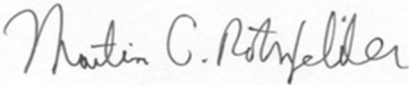
<b>In the Matter of the Petition of</b>	) <b>Verified Petition</b>
<b>Fayson Lake Water Company for Approval</b>	) <b>BPU Docket No. _____</b>
<b>of an Increase in Rates and Other</b>	)
<b>Appropriate Relief</b>	)

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**CERTIFICATE OF SERVICE**

I, Martin C. Rothfelder, upon my oath, duly state that I have sent or caused to be sent by electronic mail, unless otherwise noted, the attached Verified Petition for Approval to the persons set forth on the attached service list.

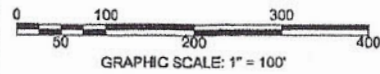
Date: March 18, 2024

  
\_\_\_\_\_  
Martin C. Rothfelder

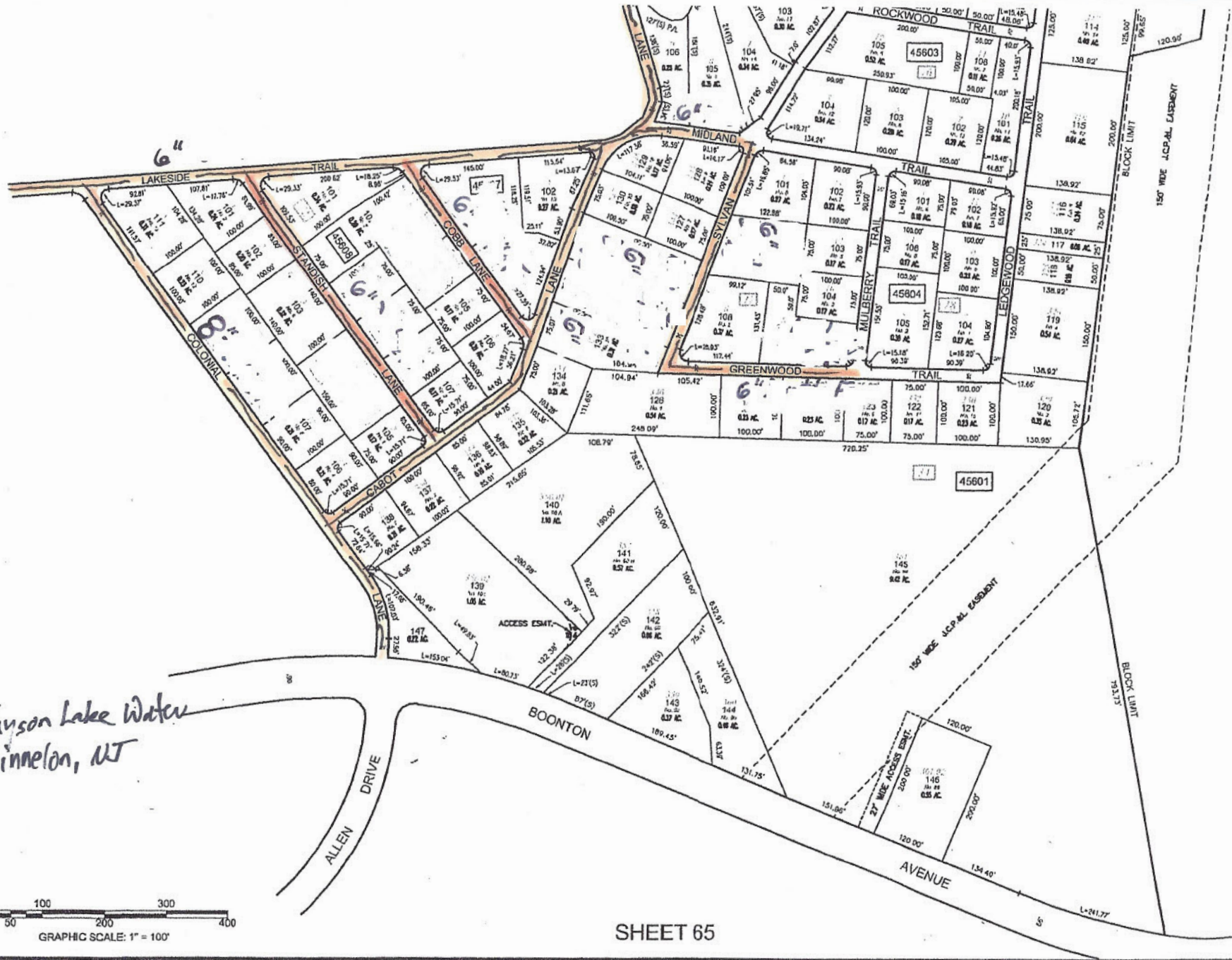
A



SHEET 56



Fayson Lake Water  
Kinnelon, NJ



SHEET 65

**B**

\$ 1,415,000.00

October 4, 2023  
Denville, New Jersey

## PROMISSORY NOTE

**FOR VALUE RECEIVED**, Fayson Lake Water Company (the “Borrower”), jointly and severally if more than one, promises to pay to the order of Lakeland Bank, its successors or assigns, at 250 Oak Ridge Rd., Oak Ridge, New Jersey 07438 (the “Lender”) or such other place as the Lender hereof may from time to time designate in writing, the principal sum of One Million Four Hundred Fifteen Thousand Dollars and No Cents (\$1,415,000.00), plus interest on the unpaid principal balance at the rate or rates specified below (the “Loan”).

**Term.** The Loan shall mature in sixteen (16) years with an initial twelve (12) month construction period (the “Construction Period”) followed by a fifteen (15) year term loan (the “Term Loan”) (the Construction Period and the Term Loan shall collectively be referred to as the “**Term**”). Interest only shall be payable monthly during the Construction Period, at the rate set forth below, on the first day of each month from and after the first disbursement of the Loan. Provided construction is substantially complete, defined as 80% completion, and there are no events of default, Lender may, in its sole discretion, extend the Construction Period for an additional six months. This will not extend the overall term of the loan and will instead reduce the amortizing term loan.

The 15-year Term Loan shall be an amortizing loan at the rate set forth below, with payments due on the first day of each month until the end of the Loan. Permanent loan conversion shall be subject to 100% completion, no events of default, and a documented projected 1.20x Pre-DSCR, as defined herein, based on the BPU approved rate increases (the “Conversion Date”).

At the end of the Term (the “Maturity Date”), all unpaid principal and accrued interest, together with all unpaid fees, expenses and other sums, if any, due under the Loan Documents (as hereafter defined) shall be due and payable. The date on which the Loan closes is the “Closing Date”.

**Call Option.** Notwithstanding anything to the contrary set forth in this Promissory Note, Lender shall have the right to call the Loan and demand payment in full of same on the tenth (10th) anniversary of the Term Loan (post-construction period) by providing Borrower with sixty (60) days prior written notice of Lender’s intention to call the Loan on such anniversary date.)

### **Loan Payments.**

**Construction Period.** The interest rate during the Construction Period shall equal the Prime Rate (as hereinafter defined) as it may vary from time to time which may be daily (the “**Index**”) plus one hundred (100) basis points. In no event, however, shall the interest rate payable on the Loan be less than eight and one-quarter (8.25%) percent per annum. If the Index is no longer available for reference, Lender will choose another comparable index and spread in Lender’s sole discretion. The **Prime Rate** is defined as the base

rate on corporate loans posted by at least seventy (70%) percent of the nation's ten (10) largest banks as published in the Wall Street Journal.

Interest shall be calculated on the basis of the actual days elapsed, divided by a three hundred sixty (360) day year.

**Term Loan.** The interest rate for the first five (5) years of the Term Loan shall be at a fixed rate of interest. This fixed rate of interest shall equal the interest rate based on the Five-Year United States Treasury Note (the "USTN") (the "Index") in effect five (5) business days before the Conversion Date rounded up to the nearest one-eighth of one percent (.125%) plus three hundred (300) basis points. If the specific term is not published by the USTN, Lender will use the next longest term provided by the USTN. If the Index is no longer available for reference, Lender will determine, in its sole discretion, a comparable index and spread for setting the new interest rate. In no event, however, shall the interest rate payable on the Loan be less than six (6.00%) percent per annum.

On the fifth (5th) anniversary of the Conversion Date and every five (5) years thereafter until the Maturity Date (the "Change Date"), the interest rate shall change for the next five (5) year period to an interest rate equal to the Index in effect on such Change Date rounded up to nearest one-eighth of one percent (.125%) plus three hundred (300) basis points. If the specific term is not published by the USTN, Lender will use the next longest term provided by the USTN. If the Index is no longer available for reference, Lender will determine, in its sole discretion, a comparable index and spread for setting the new interest rate. In no event, however, shall the interest rate payable on the Loan be less than six (6.00%) percent per annum.

Interest shall be calculated on the basis of the actual days elapsed, divided by a three hundred sixty (360) day year.

### **Repayment.**

**Construction Period.** Interest only shall be payable monthly during the initial twelve (12) month Construction Period, and an additional 6 months in the event the Construction Period is extended, on the first day of each month from and after the first disbursement of the Loan until the end of the Construction Period.

**Term Loan.** Commencing on the Conversion Date and continuing on the first day of each and every month thereafter, Borrower shall make principal and interest payments. This is a simple interest loan so the payment shall be applied first to accrued but unpaid interest, the unpaid principal amount then due and payable, any unpaid escrow charges, any late charges and any other fees payable to Lender. This payment is based upon a fifteen (15) year amortization period. The monthly payment shall be calculated based on the interest rate in effect five (5) business days before the Conversion Date, the principal amount of the Loan and an amortization period of fifteen years.

The monthly payment will be recalculated with each interest Change Date, as defined above.

The new monthly payment of principal and interest on the Loan shall be calculated based on the interest rate payable on the Loan on the Change Date, the unpaid principal balance of the Loan and the remaining amortization period. The new monthly payment will commence one (1) month after the Change Date. There

shall be a balloon payment of principal on the Maturity Date of the Loan together with all the accrued but unpaid interest and all other amounts due and payable under the Loan Documents.

**Prepayment Premium.**

**Construction Period.** One (1.00%) percent exit fee if loan is paid off before the Conversion Date.

**Term Loan.** If Borrower wishes to prepay any portion of the Loan during the Term Loan, in addition to the amount prepaid, Borrower also agrees to pay a prepayment premium in an amount as follows:

- a. Three (3.00%) percent of the principal balance prepaid if prepayment is made during the first year of the Term Loan;
- b. Two (2.00%) percent of the principal balance prepaid if prepayment is made during the second year of the Term Loan;
- c. One (1.00%) percent of the principal balance prepaid if prepayment is made during the third year of the Term Loan.

A year of the Term of the Loan shall commence on the Closing Date of the Loan or an anniversary date of such Closing Date, as the case may be and shall end on the day before the next anniversary date of the Closing Date.

In the event the Maturity Date of the Loan is accelerated following an Event of Default, any payment of principal necessary to satisfy the entire indebtedness made after such Event of Default shall be expressly deemed a voluntarily prepayment. In such case, to the extent permitted by applicable law, Lender shall be entitled to the amount necessary to satisfy the entire indebtedness plus the appropriate prepayment premium calculated in accordance with this Conditional Commitment and the Loan Documents.

**Application of Payments.** Prior to the occurrence of an event of default, all payments made hereunder shall be applied first to interest due and payable hereunder, then to principal, then to all amounts due hereunder other than interest and principal. If an event of default has occurred and is continuing, all payments made hereunder may be applied to the sums due hereunder or in the Loan Documents executed and delivered in connection with this Note, in a manner and order according to the sole discretion of the Lender. Any prepayment of principal shall be accompanied by a payment of all interest due on such Payment Date.

**Late Charges.** If any payment required to be paid by this Note is not paid in full within fifteen (15) days after its scheduled due date, the Lender hereof may assess a late charge in the amount of five percent (5%) of the unpaid amount of the payment, or the maximum permitted by applicable law, whichever is less.

**Default Interest.** This Note shall bear interest at the rate of five percent (5.0%) per annum above the interest rate otherwise payable under the terms of this Note, or the maximum permitted by applicable law, whichever is less (the "Default Rate"), after the Maturity Date hereof or following an event of default hereunder until paid in full.

Borrower Name: Fayson Lake Water Company

Loan Amount: \$1,415,000.00

Date: October 4, 2023

**"Maximum Lawful Rate"**. Regardless of any provision contained in this Note or any other document in connection with this Note, no Lender of this Note shall ever be entitled to receive, collect or apply, as interest on any amount owing hereunder, any amount in excess of the maximum nonusurious interest rate, if any, that at any time, or from time to time, may, under applicable law be contracted for, taken, reserved, charged or received on the indebtedness evidenced by this Note (the "Maximum Rate"). Accordingly, if, for any reason, the Borrower is required to pay, or has paid, interest on the principal amount due hereunder at a rate in excess of the Maximum Rate, then (i) the interest rate charged hereunder shall be deemed to be reduced, automatically and immediately, to the Maximum Rate, (ii) interest payable hereunder shall be computed and paid at the Maximum Rate, and (iii) the portion of all prior payments of interest in excess of the Maximum Rate shall be deemed to have been payments in reduction of the outstanding principal balance hereunder and applied as partial prepayments, notwithstanding any provision hereof prohibiting any prepayments. In such event, no Lender of this Note shall be subject to any penalties provided in any laws for contracting for, charging for, or receiving interest in excess of the Maximum Rate.

**UCC-1 as Security.** As security for payment of this Note, the Borrower is giving a first priority security interest in and lien against all tangible and intangible assets and personal property of Borrower and Fayson Lake Community, Inc. (the "Corporate Guarantor"), now owned or hereafter acquired, to encompass all business assets including but not limited to accounts, accounts receivables, equipment, machinery, furniture, fixtures, etc.

This Note shall evidence and the Security Agreement together with the duly filed UCC-1 financing statement shall secure the indebtedness described herein and any future loans or advances that may be made to or on behalf of the Borrower or by the Lender at any time or times hereafter under the Security Agreement and duly filed UCC-1 financing statement and any such loans or advances shall be added to and shall bear interest at the same rate per annum as the principal indebtedness hereunder subject to any increase expressly provided for in this Note or the Security Agreement.

**Defaults.** Each of the following shall constitute a "default " or "event of default" under this Note: (i) failure to make any payment under this Note when such payment is due, (ii) the occurrence of a default under any encumbrance or agreement securing this Note or under any agreement or instrument executed and delivered by the Borrower or any other party in connection with the Loan, or (iii) the occurrence of a default in any other obligation or liability owed to the Lender by the Borrower, whether now in existence or hereafter created, including any indebtedness evidenced by a promissory note or any document securing any such promissory note or executed and delivered by the Borrower in connection with such indebtedness or, (iv) the death, incompetency, dissolution or insolvency of the Borrower or any guarantor of this Note, or (v) the inability of the Borrower to pay debts as they mature, or (vi) an assignment by the Borrower for the benefit of creditors, or (vii) the institution of any proceeding by or against the Borrower (under the Bankruptcy Code or otherwise) seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee or custodian for itself or for all or a substantial part of its property, or (viii) any representation or warranty contained herein or in any other Loan Document delivered by or on behalf of the Borrower to Lender shall be false or misleading, or (ix) or there shall be a default or event of default under any indebtedness or obligation of guarantor or Borrower to any third party that causes that third party to declare such indebtedness or other obligation due

prior to its scheduled date of maturity, (x) if the Borrower is not an individual, the sale, pledge or assignment by the owners of the Borrower of any ownership interest of the Borrower without the prior written consent of Lender; the transfer of more than twenty percent (20%) of the value of the Borrower's assets not in the ordinary course of the Borrower's business; the merger or consolidation of the Borrower with another entity; the liquidation of the Borrower; or the issuance by Borrower of any new ownership interest, or (xi) A material change occurs in the Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Upon the occurrence of such a default or event of default, this Note, and the entire remaining principal, interest and other amounts due or outstanding hereunder shall be immediately due and payable in full, at the option of the Lender hereof, without notice or demand.

Any forbearance by Lender in exercising any right or remedy hereunder or under any Loan Document, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy; nor shall any single or partial exercise of any such right or remedy, or any abandonment or discontinuance of steps to enforce such a right or remedy, preclude any other or further exercise thereof or the exercise of any other right or remedy.

#### **Financial Statement Requirements.**

Borrower represents and warrants to Lender that all financial statements and credit applications delivered by Borrower to Lender accurately reflect the financial condition and operations of Borrower at the times and for the periods therein stated. So long as this Loan is in force and effect, Borrower agrees to deliver to Lender, within 90 days after the end of each of Borrower's fiscal years, a complete and accurate copy of Borrower's federal tax returns, including all schedules, certified by an officer of the Borrower, showing the consolidated financial position of Borrower at the close of such fiscal year, and concurrently therewith a certificate of its president or chief financial officer to the effect that such officer is not aware of any condition or event which constitutes a default under this Loan or a default under any lease to which Borrower is a party, or under any notes or obligations or which, with the mere passage of time or notice, or both, would constitute a default under this Loan or a default under any such lease or under any notes or obligations of the Borrower. Borrower hereby agrees to immediately notify Lender in writing as to the existence of any notes payable or other unpaid obligations by Borrower, or any related person or entity.

Borrower and Corporate Guarantor agree to furnish Lender with fiscal financial statements prepared on basis satisfactory to Lender, with footnotes, by an independent certified public accountant acceptable to Lender within ninety (90) days of the end of each fiscal year.

Lender reserves the right to require such other financial information from Borrower as Lender may deem necessary and appropriate. The form and content of all financial information submitted must be acceptable to Lender in all respects.

All financial information submitted to Lender must bear original signatures of the appropriate parties as required by banking law.

Borrower Name: Fayson Lake Water Company

Loan Amount: \$1,415,000.00

Date: October 4, 2023

**Waivers.** The Borrower and any endorser or guarantor of this Note hereby each waive presentment for payment, demand, protest, notice of non-payment or dishonor, notices of protest and all other demands and notices in connection with the delivery, performance and enforcement of this Note and waive all defenses that may be based on suretyship or impairment of collateral. The Borrower is bound as a principal and not as a surety.

**Attorney's Fees.** In the event Lender shall employ counsel to collect this obligation or to administer, protect or foreclose the security given in connection herewith, the Borrower, jointly and severally if more than one, agrees to pay reasonable attorney's fees for services of such counsel, whether or not suit is brought, plus costs incurred in connection therewith.

**Use of Proceeds.** The Borrower represent that the proceeds of the Loan evidenced by this Note will be used solely for business or commercial purposes.

**Loan Documents.** The Borrower has executed, among other documents, a security agreement and loan agreement dated of even date herewith (the "Loan Documents").

**Governing Law.** THIS NOTE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY.

**Jurisdiction; Service of Process.** If suit is instituted to enforce the terms of this Note, the Courts of the State of New Jersey (the "Forum State") and the Federal Courts located in such Forum State shall have non-exclusive personal jurisdiction over the Borrower, and the venue of the suit, at the option of the Lender of this Note, may be laid in New Jersey.

The Borrower and any endorser or guarantor of this Note each hereby agree not to claim that the Forum State is an inconvenient place for trial. Each of the Borrower and any endorser or guarantor of this Note (each an "Obligor") hereby agree and consent that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any state or federal court sitting in such Forum State may be made by certified or registered mail, return receipt requested, directed to the Borrower at the following address:

Fayson Lake Water Company  
160 Boonton Avenue  
Kinnelon, New Jersey 07405

**Right of Set Off.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrowers accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lenders option, to administratively freeze all such accounts to allow Lender to protect Lenders charge and setoff rights provided in this paragraph.



**Severability.** Should any term, provision, covenant or condition of this Promissory Note be held to be void or invalid, the same shall not affect any other term, provision, covenant or condition of this Promissory Note, but the remainder hereof shall be effective as though such term, provision, covenant or condition had not been contained herein.

THE OBLIGORS HEREBY EXPRESSLY AND IRREVOCABLY WAIVE ANY CLAIM OR DEFENSE IN ANY SUCH ACTION OR PROCEEDING BASED ON ANY ALLEGED LACK OF PERSONAL JURISDICTION, IMPROPER VENUE, FORUM NON CONVENIENS OR ANY SIMILAR BASIS. THE OBLIGORS SHALL NOT BE ENTITLED IN ANY SUCH ACTION OR PROCEEDING TO ASSERT ANY DEFENSE GIVEN OR ALLOWED UNDER THE LAWS OF ANY STATE OTHER THAN THE LAWS OF THE STATE OF NEW JERSEY UNLESS SUCH DEFENSE IS ALSO GIVEN OR ALLOWED BY THE LAWS OF THE STATE OF NEW JERSEY. NOTHING IN THIS NOTE SHALL AFFECT OR IMPAIR IN ANY MANNER OR TO ANY EXTENT THE RIGHT OF THE LENDER TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST AN OBLIGOR IN ANY OTHER JURISDICTION OR TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**Lost, Stolen or Destroyed Note.** If the Note is mutilated, lost, stolen or destroyed, then upon surrender thereof (if mutilated) or receipt of evidence and indemnity (if lost, stolen or destroyed), the undersigned shall execute and deliver a new note of like tenor, which shall show all payments which have been made on account of the principal hereof.


**JURY WAIVER; DAMAGES WAIVER.** THE UNDERSIGNED AND ANY ENDORSER OR GUARANTOR OF THIS NOTE EACH HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY AND ALL RIGHTS TO ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

**Riders.** This Promissory Note contains a Rider(s) which is attached hereto and incorporated herein.

**IN WITNESS WHEREOF,** the undersigned have executed this Note as of the date first above written.

FAYSON LAKE  
BORROWER: WATER COMPANY

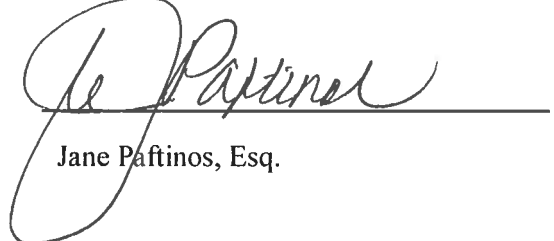
BY:



Print Name: Jeffrey Kalajian

Title: President

WITNESS/ATTEST



Jane Pafinos, Esq.

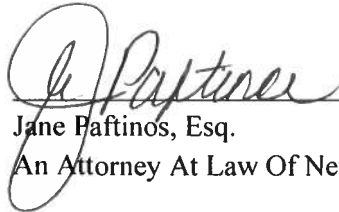
**ACKNOWLEDGMENT**

STATE OF NEW JERSEY

COUNTY OF MORRIS

On the 4<sup>th</sup> day of October, 2023, before me, an Attorney At Law of the State of New Jersey, personally appeared JEFFREY KALAJIAN, who acknowledged himself to be the President of FAYSON LAKE WATER COMPANY, a New Jersey corporation, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

Signature



Jane Paftinos, Esq.  
An Attorney At Law Of New Jersey

## **PROMISSORY NOTE RIDER**

### **COVENANTS:**

Borrower and its affiliates shall maintain a meaningful depository relationship with Lakeland Bank. A meaningful depository relationship shall be defined as the primary operating account of the Borrower and its affiliates and all security accounts related to the subject property. Monthly loan payments shall be automatically debited from the operating account.

There shall be no secondary financing or subordinate

liens or encumbrances created or permitted by Borrower during the Term of the Loan without the prior express written consent of Lender.

### **Debt Service Coverage Ratio:**

During the term of the Loan, Borrower will maintain a minimum Pre-Distribution Debt Service Coverage Ratio ("Pre-DSCR") of 1.20:1.00 prior to distributions. Compliance with the Pre-DSCR and Post-DSCR shall be determined on the basis of the Borrower's fiscal financial statements and/or Tax Returns, commencing with the 2024 fiscal year end, as completed by an acceptable Certified Public Accountant. If Borrower fails to maintain the minimum required Pre-DSCR or Post-DSCR, the Loan will be considered in default.

### **Pre-DSCR Definition:**

Debt Service Coverage Ratio (DSCR) means Borrower's (i) net earnings before taxes excluding any gain or loss arising from extraordinary or non-recurring items, plus (ii) interest expense, plus (iii) depreciation expense, plus (iv) amortization expense, minus (v) cash taxes, divided by (vi) documented debt service payments and any additional debt associated with the property.

### **Other Conditions:**

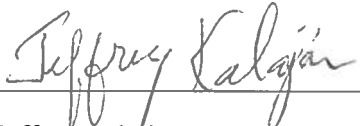
- Lender shall require, prior to closing, a current complete construction and development budget that shall be in form, substance and amounts satisfactory to Lender and shall be subject to review by the Lender's engineering consultant. Final Lender funding allocations shall be subject to final cost budget review and approval. Cost of the review shall be borne by borrower.
- Construction loan advances shall be subject to satisfactory inspection by Lender's engineering consultant. Construction to be managed by the Construction Administration Team. Borrower funded hard costs to be completed prior to Lender funding.
- There shall be 10% retainage held at each draw until the project is fully complete
- Construction loan advances shall be credited to a Lakeland Bank account and Borrower shall maintain its primary deposit relationship with Lender
- Borrower shall furnish complete construction plans, contracts, and budget on AIA form or format acceptable to the Lender.
- Borrower shall furnish all approvals from the BPU, including but not limited to: loan approval to execute loan documents, documentation of statute guaranteeing sufficient rates will meet DSCR requirement upon permanent phase, and schedule of rate increases.


Dated: October 4, 2023

**IN WITNESS WHEREOF**, the undersigned have executed this Promissory Note Rider as of the date first above written.

BORROWER: FAYSON LAKE  
WATER COMPANY

WITNESS/ATTEST

BY:   
Print Name: Jeffrey Kalajian  
Title: President

  
Jane Paftinos, Esq.

**LOAN AGREEMENT**

**by and among**

**FAYSON LAKE WATER COMPANY**

**a New Jersey corporation**

**and**

**LAKELAND BANK, a New Jersey bank**

**Dated: as of October 4, 2023**

## LOAN AGREEMENT

**THIS LOAN AGREEMENT** (“**Agreement**”) dated this 4<sup>th</sup> day of October, 2023 by and between **FAYSON LAKE WATER COMPANY**, a New Jersey corporation (“**Borrower**”), having a mailing address of 160 Boonton Avenue, Kinnelon New Jersey 07405,

and

**LAKELAND BANK**, a New Jersey bank (“**Lender**”), having a mailing address of 250 Oak Ridge Road, Oak Ridge, New Jersey 07438.

### Background

Borrower desires to borrow from Lender and Lender, subject to the terms and conditions set forth herein, is prepared to lend to Borrower the sum of ONE MILLION FOUR HUNDRED FIFTEEN THOUSAND (\$1,415,000.00) DOLLARS in order to (a) finance the costs of the construction and installation of a new 8” and 6” water main replacement for Fayson Lake Community; and (b) finance costs incurred in connection with the closing of the transaction contemplated herein (collectively, the “**Loan Purposes**”).

**NOW THEREFORE**, in consideration of the premises, and of the mutual promises and undertakings of the parties set forth herein, and with the intention of being legally bound hereby, the parties hereto agree as follows:

1. **The Loan.**

(a) Purpose and Amount. On the date hereof, Lender is lending to Borrower the sum of ONE MILLION FOUR HUNDRED FIFTEEN THOUSAND and 00/100 (\$1,415,000.00) DOLLARS (the “**Loan**”) for the Loan Purposes.

(b) Loan Documents; Security.

(i) Borrower's obligation to repay the Loan and any other sums loaned to Borrower by Lender hereunder is evidenced by Borrower's promissory note (the “**Note**”) dated this date providing for the payment of principal, together with interest thereon at the rate set forth therein, in such installments, at such times, and according to such further terms as set forth in the Note.

(ii) As security for the Note and all of Borrower's obligations thereunder and hereunder, Borrower shall execute and deliver to Lender or cause to be executed and delivered to Lender, as the case may be, the following:

(A) A Security Agreement (“**Security Agreement**”) executed by the Borrower and Guarantor, defined below, granting to the Lender a first priority security interest in all of the Borrower and Guarantor's assets and personal property (the “**Collateral**”).

(B) A Guaranty (the “**Guaranty**”) executed by Fayson Lake Community, Inc. (“**Guarantor**”) in favor of Lender pursuant to which the Guarantor guarantees the Liabilities as such term is defined in the Guaranty, all as more particularly set forth in the Guaranty.

(C) An Indemnification Agreement (“**Indemnity**”) executed by Fayson Lake Community, Inc. (“**Indemnitor**”) in favor of Lender pursuant to which Indemnitor(s), jointly

and severally will (i) indemnify, defend and hold harmless Lender from and against all costs, claims, liability or expense arising in connection with a Default as such term is defined in the Note, and (ii) guaranty the timely performance of all obligations of Borrower under the Loan Documents (as defined herein), all as more particularly set forth in the Indemnification Agreement.

(D) Uniform Commercial Code financing statements (the “UCCs”) delivered by Borrower in favor of Lender perfecting Lender's security interests in (x) the collateral described in the Security Agreement.

(iii) Borrower shall execute and deliver, or cause to be executed and delivered, such additional documents and instruments as Lender shall reasonably require in order to perfect Lender's interest in any of the foregoing property. The Note, Guaranty, Security Agreement, UCCs, Indemnity and other documents and instruments executed and delivered to Lender in connection with the Loan (all of which, together with this Agreement (as from time to time amended, restated and extended) and the Commitment are hereinafter collectively referred to as the “**Loan Documents**”) shall be in form and substance satisfactory to Lender, and all necessary filing and recording fees with respect thereto shall be paid by Borrower.

The term “**Obligor**” as used in this Agreement shall mean individually and collectively, Borrower, Guarantor and any Indemnitor.

2. **Representations and Warranties.** Borrower hereby represents and warrants to Lender (which representations and warranties shall survive until the Loan has been paid in full) that as of the date hereof:

(a) **Formation; Existence; Composition.** Borrower is a corporation validly existing and in good standing in the State of New Jersey and has the power and authority to own and operate its assets and personal property. Fayson Lake Community, Inc. is the only shareholder of Borrower. True and correct copies of Borrower's Certificate of Incorporation, Bylaws, together with all amendments thereto (“Organizational Documents”), have been furnished to Lender and the same are in full force and effect as of the date of this Agreement.

(b) **Power and Authority; Authorization; Enforceability.** Borrower has full power, authority and legal right to execute, deliver and comply with each of the Loan Documents to which they are parties and any other document or instrument relating to the Loan to be executed by Borrower, all actions of Borrower and other authorizations necessary or appropriate for the execution and delivery of and compliance with the Loan Documents and such other documents and instruments have been taken or obtained and the Loan Documents and such other documents and instruments constitute the respective valid and legally binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms.

(c) **Governmental Approval of Loan Documents.** No consent, approval, or other authorization of or by any court, administrative agency, or other governmental authority is required in connection with Borrower's execution and delivery of or compliance with any of the Loan Documents or any other document or instrument relating to the Loan executed by Borrower.

(d) **Conflict; Breach.** Borrower's execution and delivery of and compliance with the Loan Documents will not conflict with or result in a breach of any applicable law, judgment, order, writ, injunction, decree, rule, or regulation of any court, administrative agency, or other governmental authority, or of any provision of Borrower's Organizational Documents or of any agreement or other document or instrument to which Borrower is a party or by which Borrower or any of its property is bound, and such

actions by Borrower will not result in the creation or imposition of any lien, charge or encumbrance upon any property of Borrower or of anyone other than Lender.

(e) Litigation. There is no action, suit or proceeding pending or, to the knowledge of Borrower, threatened against or affecting Borrower or the Collateral before or by any court, administrative agency, or other governmental authority that is not fully covered by insurance, or which brings into question the validity of the transactions contemplated hereby.

(f) Compliance With Laws. The Collateral, and the use thereof, complies in all material respects with all applicable zoning, fire, electrical, safety, building and land use codes, laws and regulations and if damaged the Collateral can be replaced with insurance proceeds.

(g) Title to Personal Property. All Collateral with respect to which Borrower or Guarantor has granted to Lender a security interest pursuant to any of the Loan Documents is otherwise owned by such Borrower or Guarantor is free and clear of all liens, encumbrances, and security interests except for that certain prior lien in favor of Lakeland Bank.

(h) Bankruptcy; Insolvency. Neither Borrower nor any other Obligor, as the case may be, has applied for or consented to the appointment of a receiver, trustee or liquidator of itself, himself or herself or any of its, his or her property, admitted in writing its, his or her inability to pay its, his or her debts as they mature, made a general assignment for the benefit of creditors, been adjudicated as bankrupt or insolvent or filed a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it, him or her in any proceeding under any such law, and no action has been taken by it, him or her for the purpose of effecting any of the foregoing. No order, judgment or decree has been entered by any court of competent jurisdiction approving a petition seeking reorganization of Borrower, or any other Obligor, or all or a substantial part of the assets of Borrower, or any other Obligor, or appointing a receiver, sequestrator, trustee or liquidator of it, him or her or any of its, his or her property.

(i) No Default. Borrower is not in default in the payment or performance of any of its obligations or in the performance of any mortgage, indenture, lease, contract or other agreement or undertaking to which it is a party or by which it or any of its properties or assets may be bound, which default may materially affect its business, assets, liabilities, results of operations or financial condition. Borrower is not in default under any order, award or decree of any court, arbitrator, or governmental authority binding upon or affecting it or by which any of its properties or assets may be bound or affected, and no such order, award or decree, if any, materially and adversely affects the ability of Borrower to carry on its business as presently conducted or to perform its obligations under the Loan Documents.

(j) Tax Returns and Payments. All federal, state and other tax returns of each Obligor required by law to be filed have been duly filed or extensions obtained, and all federal, state and other taxes, assessments and governmental charges or levies upon such Obligor or any of its properties, income, profits or assets which are due and payable have been paid.

(k) Financial Statements. All financial statements furnished to Lender are true, correct and complete in all material respects and reflect all material direct and contingent liabilities of every kind required to be provided for on a balance sheet prepared in accordance with generally accepted accounting principles ("GAAP"), and fairly present the financial position and results of operations of Borrower on the dates and for the periods then ended, in accordance with GAAP, consistently applied throughout the periods involved.



(l) Financial Statements. All financial statements furnished to Lender are true, correct and complete in all material respects and reflect all material direct and contingent liabilities of every kind required to be provided for on a balance sheet prepared in accordance with generally accepted accounting principles (“GAAP”), and fairly present the financial position and results of operations of Borrower on the dates and for the periods then ended, in accordance with GAAP, consistently applied throughout the periods involved.

(l) No Adverse Changes. Since the date of the most recent financial information provided to Lender, no material adverse change has occurred in the business, assets, liabilities, financial condition, results of operations or business prospects of Borrower, and no event has occurred or failed to occur which has had or is likely to have a material adverse effect on the business, assets, liabilities, financial condition, results of operations or business prospects of Borrower.

(m) Accuracy and Completeness of Information. All information, reports and other papers and data furnished to Lender were, at the time the same were so furnished, complete and correct in all material respects. No document furnished or statement made to Lender in connection with the negotiation, preparation or execution of the Loan Documents contains or will contain any untrue statement of fact or omits or will omit to state a material fact necessary in order to make the statements contained therein not misleading. No fact is known to Borrower which has had, or may in the future have, a material adverse effect upon any Obligor’s business, assets, liabilities, condition, financial or otherwise, or results of operations, that has not been set forth in the financial statements furnished to Lender or other reports or other papers or data otherwise disclosed in writing to Lender.

3. Covenants. Borrower covenant(s) and agree(s) that, until the Loan has been paid in full:

(a) Compliance with Laws. The Collateral shall be operated and maintained in accordance with all applicable laws, rules and regulations relating thereto.

(b) Additional Financing. Borrower shall not incur any additional indebtedness (except trade payables and equipment financing) whether or not secured by any lien or security interest on the Collateral or any other property encumbered in favor of Lender to secure the Loan without obtaining Lender’s prior written consent thereto.

(c) Financial Information. The Borrower shall deliver or cause to be delivered the financial information set forth in the Note.

(d) Additional Financial Information. Borrower shall furnish to Lender such additional financial statements and reports, asset verification, and other information as Lender may request from time to time.

(e) Maintenance of Existence. Borrower shall maintain its existence as a corporation under the laws of the State of New Jersey, and shall maintain Fayson Lake Community, Inc. as its shareholder. Borrower shall not amend its Organizational Documents or change its fiscal year, without in each case obtaining the prior written approval of Lender.

(f) Single Purpose Entity; No Guaranties. Until the Loan is paid in full Borrower has not and shall not:

(A) engage in any business or activity other than the ownership, leasing and sale of the Collateral in connection with its operation as a water utility and any activities incidental thereto;

(B) acquire or own any assets other than (A) the Collateral, and (B) all personal and real property owned by Borrower in connection with its operation as a water utility or as may be otherwise be necessary for the ownership of the Collateral;

(C) merge into or consolidate with any person or entity, or dissolve, terminate, liquidate in whole or in part, transfer or otherwise dispose of all or substantially all of its assets or change its legal structure;

(D) fail to observe all organizational formalities or fail to preserve its existence as an entity duly organized, validly existing and in good standing (if applicable) under the applicable legal requirements of the jurisdiction of its organization or formation, or amend, modify, terminate or fail to comply with the provisions of its organizational documents;

(E) form or own any subsidiary or make any investment in any person or entity;

(F) co-mingle its assets with the assets of any other person or entity;

(G) incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation) other than (A) the Loan and/or (B) the prior Lakeland Bank loan and/or (C) trade and operational indebtedness incurred in the ordinary course of business with trade creditors on commercial reasonable terms and conditions;

(H) fail to maintain its records, books of account, bank accounts, financial statements, accounting records and other entity documents separate and apart from those of any other person or entity;

(I) enter into any contract or agreement with any general partner, member, shareholder, principal, Guarantor or any affiliate of the foregoing, except upon terms and conditions that are intrinsically fair, commercially reasonable and substantially similar to those that would be available on an arm's-length basis with unaffiliated third parties;

(J) maintain its assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual assets from those of any other person or entity;

(K) assume or guaranty the debts of any other person or entity, hold itself out to be responsible for the debts of any other person or entity, or otherwise pledge its assets for the benefit of any other person or entity or hold out its credit as being available to satisfy the obligations of any other person or entity.

(L) fail to file its own tax returns or file a consolidated federal income tax return with any person or entity (unless prohibited or required, as the case may be, by applicable legal requirements);

(M) fail to maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(N) fail to remain solvent or pay its own liabilities (including, without limitation, salaries of its own employees) only from its own funds;

(O) fail to remain in good standing under the laws of the State of New Jersey; and

(P) acquire obligations or securities of its partners, members, shareholders or other affiliates, as applicable.

(g) No Transfer of Equity Interest. No equity ownership in Borrower may be transferred, pledge or encumbered, directly or indirectly, without the prior written consent of Lender.

(h) Principal Office. Borrower shall maintain its principal office and/or the office where it keeps its books and records at 160 Boonton Avenue, Kinnelon, New Jersey 07405 unless it gives Lender prior written notice of any proposed change in location thereof.

(i) Books and Records. Borrower shall keep complete and accurate books and records in accordance with generally accepted accounting principles consistently applied. Borrower shall furnish to Lender all such written information relating to its affairs as may be reasonably requested by Lender from time to time.

(j) Audit. Lender shall have the right at any time and from time to time to audit the books and records of Borrower and Borrower shall be obligated to make available for any such audit all books, records and other information that Lender may reasonably request for such purpose and to cooperate fully with Lender in connection therewith.

(k) Changed Circumstances. Borrower shall promptly notify Lender of any change in any fact or circumstance represented or warranted by Borrower herein and in any other documents furnished to Lender in connection with this Agreement.

(l) Lender's Fees and Costs. Borrower shall pay or reimburse Lender for all other reasonable costs and expenses incurred by Lender in connection with the preparation, review, modification and enforcement of the Loan Documents and collection of the Loan.

(m) Bank Account(s). Borrower shall establish and maintain with Lender throughout the term of the Loan the accounts described in the Note.

(n) Intentionally Omitted.

(o) Further Documentation. At any time, and from time to time, upon Lender's written request and at Borrower's sole expense, Borrower will promptly and duly execute and deliver such further documents and instruments and do such further acts and things as Lender may reasonably request in order to obtain the full benefits of this Agreement and the Loan Documents and the rights and powers herein and therein granted, including the filing of any financing or continuation statements and amendments thereto. Borrower hereby authorizes Lender to file any financing or continuation statement and amendment thereto to the extent permitted by applicable law.

(p) Lender's Appointment as Attorney-in-Fact.

(i) Borrower hereby irrevocably constitutes and appoints Lender, and any officer or agent thereof, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Borrower and in the name of Borrower or in its own name, from time to time in Lender's discretion for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments

which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives Lender the power and right, on behalf of Borrower, without notice to or assent by Borrower, to do the following:

(A) to ask, demand, collect, receive and give acquittances and receipts for any and all monies due and to become due under or in connection with any Collateral (hereinafter defined) and, in the name of Borrower or its own name or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Lender for the purpose of collecting any and all such monies due under any Collateral whenever payable; and

(B) to direct any party liable for any payment under any of the Collateral to make payment of any and all monies due and to become due thereunder directly to Lender or as Lender shall direct; (A) to receive, open and dispose of all mail addressed to Borrower and to notify postal authorities to change the address for delivery thereof to such address as may be designated by Lender; (B) to receive payment of and receipt for any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (C) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents relating to the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any part thereof and to enforce any other right in respect of any Collateral; (E) to defend any suit, action or proceeding brought against Borrower with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described above and, in connection therewith, to give such discharges or releases as Lender may deem appropriate; (G) assign any copyright, license or trademark (along with the goodwill of the business to which such trademark pertains) for such term or terms, on such conditions, and in such reasonable manner as Lender shall determine in its sole and absolute discretion; and (H) generally, to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes, and to do, at Lender's option and Borrower's expense, at any time or from time to time, all acts and things which Lender deems necessary to protect, preserve or realize upon the Collateral and Lender's security interest therein, in order to effect the intent of this Agreement.

(ii) Borrower hereby ratifies all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(iii) The powers conferred on Lender hereunder are solely to protect the interests of Lender in the Collateral and shall not impose any duty upon it to exercise any such powers. Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, employees or agents shall be responsible to Borrower for any act or failure to act.

(q) Performance by Lender of Borrower's Obligations. If Borrower fails to perform or comply with any of its agreements contained herein following written demand therefor by Lender, and Lender, as provided for by the terms of this Agreement, shall perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of Lender incurred in connection with such performance or compliance (together with interest thereon at the Default Rate (as defined in the Note)) shall be payable by Borrower to Lender on demand and shall constitute Obligations secured hereby.

(r) Intentionally Omitted.

(s) Maintenance of Collateral. Borrower will maintain or cause to be maintained the Collateral in good condition and repair and shall make all necessary repairs, replacements, additions, betterments and improvements to the Collateral, so that the business carried may be properly conducted at all times.

(t) Accounting Methods. Borrower will maintain a system of accounting established and administered in accordance with GAAP, keep adequate records and books of account in which complete entries will be made in accordance with GAAP, make provision in their accounts in accordance with GAAP for reserves for depreciation, obsolescence and amortization and all other proper reserves and accruals which in accordance with GAAP should be established.

(u) Information Covenants. Borrower will furnish, or cause to be furnished, as the case may be, the following information to the Lender (which shall be in such form and in such detail as shall be satisfactory to the Lender) immediate notice of:

(i) the commencement of any proceeding or investigation by or before any governmental body and any action or proceeding in any court or before any arbitrator against or in any other way relating adversely to Borrower or the Collateral or which, if adversely determined, would singly or when aggregated with all other proceedings, investigations or actions, materially and adversely affect the financial condition of Borrower or the value of the Collateral;

(ii) any notice received from any administrative official or agency relating to any order, ruling, statute or other law or information which would materially and adversely affect the operations of the Collateral or the financial condition of Borrower;

(iii) any amendment of the Organizational Documents of Borrower;

(iv) any material adverse change with respect to the Collateral or its value or the financial condition, business prospects or results of operations of Borrower; and

(v) any Event of Default hereunder or any event of default under any other material agreement to which Borrower or any other Obligor is a party or by which any of their respective properties may be bound.

(v) Insurance. Borrower will maintain the financially sound and reputable insurance companies, insurance policies in accordance with the Security Agreement.

(i) Borrower shall give the Lender prompt notice of any and all insurance claims made by Borrower with respect to the Collateral.

(w) Sale of Assets; Merger. Borrower shall not: (a) sell, convey, transfer or assign its interest in the Collateral unless the Loan will be paid in full from the proceeds of such transaction; or (b) consolidate with or merge into any corporation or other organization or permit any corporation or other organization to merge into it.

(x) Guarantees. Neither Borrower nor any Guarantor shall without Lender's prior written consent, guaranty, endorse, become surety for, or otherwise in any way become or be responsible for the obligations of any other person or entity, for which neither Borrower nor any Guarantor has an ownership interest in said entity. For the sake of clarification, Guarantor may offer a guaranty for the obligation of an entity for which he possesses an ownership interest.

(y) Transactions with Affiliates. Borrower shall not enter into any transaction with any affiliate of Borrower or any Guarantor on terms which are less favorable to Borrower than if such transaction were a bona-fide arms-length transaction between unaffiliated parties.

(z) Accuracy and Completeness of Information. Borrower covenants that all information, reports, statements, and other papers and data furnished to Lender pursuant to any provision or term of this Agreement or any of the Loan Documents shall be, at the time the same is so furnished, complete and correct in all material respects.

4. Limitation of Lender's Liability. The rights and benefits of this Agreement shall not inure to the benefit of any third party. Notwithstanding anything to the contrary contained in this Agreement or in any of the other Loan Documents, or any conduct or course of conduct by Borrower or Lender or their respective affiliates, agents or employees, neither this Agreement nor any such Loan Documents shall be construed as creating any rights, claims or causes of action against Lender in favor of any person or entity other than Borrower.

5. Indemnity. Borrower, for itself and all those claiming under or through it, agrees to protect, indemnify, defend and hold Lender, and its respective directors, officers and employees harmless, from and against any and all liability, expense, or damage of any kind or nature and from any suits, claims or demands, including reasonable legal fees and expenses, arising out of this Agreement or in connection therewith including, without limitation, claims for brokerage and finder's fees in connection with the Loan. This obligation specifically shall survive the repayment of the Loan.

6. Default.

(a) Events of Default. The occurrence of any one or more of the following events shall, at the sole option of Lender, constitute an Event of Default hereunder:

(i) Borrower shall fail to make any payment of principal, and/or interest, and/or real estate taxes and insurance escrow, as applicable, due to Lender under the Note or under any of the other Loan Documents when such payment shall become due and payable, whether at maturity or by acceleration or otherwise;

(ii) Except as otherwise specifically provided for in this Agreement, Borrower shall fail to observe or perform any of the covenants or agreements on its part to be observed and performed under this Agreement or under any of the other Loan Documents within thirty (30) days after written notice from Lender of such non-compliance;

(iii) Any representation or warranty under any Loan Document shall be untrue in any material respect when made;

(iv) Any Event of Default shall occur under the terms of any Loan Document or under any document evidencing or securing any other loan or credit facility from Lender to Borrower;

(v) There shall be a material adverse change in the financial condition of Borrower or any other Obligor, as reasonably determined by Lender;

(vi) Borrower or any other Obligor shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself, himself or herself or any of its, his or her property, admit in writing its, his or her inability to pay its, his or her debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt, insolvent or file a voluntary petition in bankruptcy,

or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it, him or her in any proceeding under any such law, or if action shall be taken by Borrower or any other Obligor for the purpose of effecting any of the foregoing;

(vii) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or any other Obligor or of all or a substantial part of the assets of Borrower or any other Obligor, or appointing a receiver, sequestrator, trustee or liquidator of Borrower or any other Obligor or any of their property, and such order, judgment, or decree shall not be dismissed within sixty (60) days;

(viii) The Collateral shall be materially injured or destroyed by fire or other casualty for which the cost of restoration is not fully insured or, if fully insured, Borrower has failed to deposit or cause to be deposited with Lender sufficient funds to cover the cost of restoration with Lender in accordance with the terms of the Security Agreement;

(ix) Except as may be otherwise specifically permitted herein, any change in the ownership of the Collateral or the equity ownership of the Borrower without the prior written consent of Lender, which may be granted or withheld in Lender's sole judgment;

(x) The death or disability of any individual obligated for all or any portion of Borrower's obligations under the Loan.

(b) Acceleration and Remedies. Upon the occurrence of any Event of Default hereunder, in addition to any other rights or remedies available to it hereunder or under any other Loan Document or at law or in equity granted in any of the Loan Documents, Lender may declare the outstanding principal balance of the Loan, together with all accrued and unpaid interest thereon and all other sums due hereunder or under any of the other Loan Documents, to be immediately due and payable in full.

(c) Remedies Cumulative, etc.

(i) No right or remedy conferred upon or reserved to Lender under any of the Loan Documents, or with respect to any guaranty of payment of the Loan or of performance of any of Borrower's obligations under any of the Loan Documents or any collateral securing the payment of the Loan under any of the Loan Documents (such guaranty and such other collateral, collectively, the "**Collateral**"), now or hereafter existing at law or in equity or by statute or other legislative enactment, is intended to be or shall be deemed exclusive of any other such right or remedy, and each and every such right or remedy shall be cumulative and concurrent, and shall be in addition to every other such right or remedy, and may be pursued singly, concurrently, successively or otherwise, at the sole discretion of Lender, and shall not be exhausted by any one exercise thereof but may be exercised as often as occasion therefore shall occur. No act of Lender shall be deemed or construed as an election to proceed under any one such right or remedy to the exclusion of any other such right or remedy; furthermore, each such right or remedy of Lender shall be separate, distinct and cumulative and none shall be given effect to the exclusion of any other. The failure to exercise or delay in exercising any such right or remedy, or the failure to insist upon strict performance of any term of any of the Loan Documents, shall not be construed as a waiver or release of the same, or of any Event of Default thereunder, or of any obligation or liability of Borrower thereunder. Nothing herein, however, shall be construed to prevent Lender from waiving any condition, obligation or default it should so elect. In the event of such election by Lender, any waiver, in order to be effective, must be in writing and signed by Lender, and any such waiver shall be strictly limited

in its effect to the condition, obligation or default specified therein and shall not extend to any subsequent condition, obligation or default or impair any right of Lender with respect thereto.

(ii) The recovery of any judgment by Lender and/or the levy of execution under any judgment shall not affect in any manner or to any extent, liens or other security interests in any Collateral, or any rights, remedies or powers of Lender under any of the Loan Documents or with respect to any Collateral, but such liens and security interests, and such rights, remedies and powers of Lender shall continue unimpaired as before. Further, the entry of any judgment by Lender shall not affect in any way the interest rate payable under any of the Loan Documents on any amounts due to Lender, but interest shall continue to accrue on such amounts at the Default Rate (as defined in the Note).

(iii) Except as to notices that are specifically provided for herein or in any of the other Loan Documents, Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest, or other notice of dishonor, and any and all other notices in connection with any default in the payment of, or any enforcement of the payment of, the Loan. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

(iv) Borrower agrees that Lender may release, compromise, forbear with respect to, waive, suspend, extend or renew any of the terms of the Loan Documents (and Borrower hereby waives any notice of any of the foregoing), and that the Loan Documents may be amended, supplemented or modified by Lender and the other signatory parties and that Lender may resort to any Collateral in such order and manner as it may think fit, or accept the assignment, substitution, exchange, pledge, or release of all or any portion of any Collateral, for such consideration, or none, as it may require, without in any way affecting the validity of any liens over or other security interest in the remainder of any such Collateral (or the priority thereof or the position of any subordinate holder of any lien or other security interest with respect thereto); and any action taken by Lender pursuant to the foregoing shall in no way be construed as a waiver or release of any right or remedy of Lender, or of any Event of Default, or of any liability or obligation of Borrower, under any of the Loan Documents.

(d) Default Rate. Upon an Event of Default or after the Maturity Date, whether or not the Bank has elected to accelerate the indebtedness evidenced by the Note, the Loan shall bear interest, payable on demand, at a rate, per annum, determined on a daily basis, calculated at the Default Rate, but in no event more than the highest rate permitted by the applicable usury law in respect of the Borrower, until the unpaid balance of the Loan, interest and any charges shall have been paid in full. Borrower acknowledges that (i) the Default Rate is a material inducement to the Bank to make the Loan; (ii) the Bank would not have made the Loan in the absence of the agreement of Borrower to pay the Default Rate; (iii) the Default Rate represents compensation for increased risk to the Bank that the Loan will not be repaid; and (iv) the Default Rate is not a penalty and represents a reasonable estimate of (a) the cost to the Bank in allocating its resources (both personnel and financial) to the ongoing review, monitoring, administration and collection of the Loan, and (b) compensation to the Bank for losses that are difficult to ascertain.

(e) Costs and Expenses. Following the occurrence of any Event of Default, Borrower shall pay upon demand all reasonable costs and expenses (including all reasonable amounts paid to attorneys, accountants, real estate brokers, appraisers, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers under any of the Loan Documents, as a secured or unsecured creditor, as the case may be of Borrower, any general partner of Borrower or any other Obligor in any federal or state bankruptcy proceedings, or with respect to any Collateral with respect to such Event of Default, and any amount thereof not paid promptly following demand therefor together with interest thereon at the Default Rate from the date of such demand, shall become part of the Loan and shall be secured by the Security Agreement, UCC-1 financing statement and all other Collateral. In



connection with and as part of the foregoing, in the event that any of the Loan Documents is placed in the hands of an attorney for the collection of any sum payable thereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed under such Loan Document, as well as all costs, disbursements, and allowances provided by law, the payment of which sums shall be secured by the Security Agreement, UCC-1 financing statement and all other Collateral.

(f) Jurisdiction; Venue. Borrower agrees that any action or proceeding against it to enforce the Loan may be commenced in state or federal court in the State of New Jersey.

(g) **JURY TRIAL WAIVER. BORROWER AND LENDER HEREBY WAIVE ANY AND ALL RIGHTS THAT THEY MAY HAVE NOW OR HEREAFTER HAVE UNDER THE LAWS OF THE UNITED STATES OF AMERICA OR ANY STATE TO A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING EITHER DIRECTLY OR INDIRECTLY IN ANY ACTION OR PROCEEDING BETWEEN BORROWER AND LENDER OR THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, OUT OF OR IN ANY WAY CONNECTED WITH THE LOAN AGREEMENT. IT IS INTENDED THAT THIS WAIVER OF JURY TRIAL SHALL APPLY TO ANY AND ALL CLAIMS, DEFENSES, RIGHTS, AND/OR COUNTERCLAIMS IN ANY ACTION OR PROCEEDING.**

7. Further Assurances; Corrections. Borrower shall, within five (5) days of Lender's request, execute any documents, provide any lien or other searches, and do anything that Lender determines to be reasonably necessary to establish, perfect, assure, or maintain the existence and priorities of, Lender's liens against the Collateral, the reasonable costs of so doing to be paid by Borrower. In case of the occurrence of any errors in the execution of the Loan Documents, Borrower authorizes Lender to make all necessary corrections in order to cause the Loan Documents to conform to the terms and conditions agreed to by Borrower and Lender.

8. Material Adverse Change. means any set of circumstances or events which:

(a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of the Loan Documents,

(b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of Borrower taken as whole,

(c) impairs materially or could reasonably be expected to impair materially the ability of Borrower taken as a whole to duly and punctually pay or perform its obligations, or

(d) impairs materially or could be reasonably expected to impair materially the ability of Lender to enforce its legal remedies pursuant to the Loan Documents.

9. Miscellaneous.

(a) Time of the Essence. All dates and times for the performance of Borrower's obligations set forth herein shall be deemed to be of the essence of this Agreement.

(b) Severability. In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and

enforceable in all other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Successors and Assigns. This Agreement inures to the benefit of and binds the parties hereto and their respective successors and assigns, and the words "Borrower" and "Lender" whenever occurring herein shall be deemed to include such respective successors and assigns. However, Borrower shall not voluntarily, or by operation of law, assign or transfer any interest which it may have under this Agreement or convey the Collateral, or any part thereof, without the prior written approval of Lender. Lender may assign or otherwise transfer the Loan and any or all of the Loan Documents to any other person, and such other person shall thereupon become vested with all of the benefits in respect thereof granted to Lender herein or otherwise. Lender shall have the right to sell participations in the Loan to any other persons or entities without the consent of or notice to Borrower. Without the consent of or notice to Borrower, Lender may disclose to any prospective purchaser of any securities issued or to be issued by Lender, and any prospective or actual purchaser of any participation or other interest in the Loan or any other loans made by Lender to Borrower, any financial or other information, data or material in Lender's possession relating to Borrower, Guarantors or the Loan.

(d) Notices. Any notice, demand, or request hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when personally presented, or sent by any nationally recognized overnight courier to such party at its address set forth below or sent by certified or registered mail, return receipt requested, to such party at its address set forth below:

Borrower:                      Fayson Lake Water Company  
   160 Boonton Avenue  
   Kinnelon, New Jersey 07405

Lender:                         Lakeland Bank  
   5716 Berkshire Valley Rd.  
   Oak Ridge, New Jersey 07438  
   Attention: Stacey Moore

Such notice shall be deemed to be given when received if delivered personally, on the next business day if sent by an overnight commercial courier or three days after the date mailed if sent by certified or registered mail. Any notice of any change in such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

(e) Definitions; Number and Gender. For purposes of this Agreement, the singular shall be deemed to include the plural and the neuter shall be deemed to include the masculine and feminine, as the context may require.

(f) Conflicts Between Instruments. In the event of any conflict between the provisions of this Agreement and the provisions of any of the other Loan Documents, the provisions of this Agreement shall prevail.

(g) Captions. The captions or headings of the paragraphs of this Agreement are for convenience only and shall not control or affect the meaning or construction of any of the terms or provisions of this Agreement.

(h) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without giving effect to principles applicable to conflicts of laws.

(i) Counterparts. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signatures of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.

**SIGNATURES TO FOLLOW ON NEXT PAGE**

**IN WITNESS WHEREOF**, Borrower and Lender have executed or caused this Agreement to be executed on the date first above set forth.

**BANK:**

LAKELAND BANK

By: Stacey Moore  
Name: Stacey Moore  
Title: Vice President

**BORROWER:**

FAYSON LAKE WATER COMPANY

By: Jeffrey Kalajian  
Name: Jeffrey Kalajian  
Title: President

## GUARANTY

1. As an inducement for and in consideration of any loan(s), lease(s), or other financial accommodation(s) of even date herewith granted to Fayson Lake Water Company (hereinafter called "Borrower"), by Lakeland Bank (hereinafter called "Lender"), the undersigned Fayson Lake Community, Inc. (hereinafter called "Guarantor"), hereby, jointly and severally if more than one, unconditionally guarantees the full and prompt payment, observance and performance when due, whether at the stated time, by acceleration or otherwise, of all obligations of Borrower to Lender, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, whether or not of the same or similar class or of like kind to any indebtedness incurred contemporaneously with the execution of this Guaranty, and whether now or hereafter existing, or due or to become due, including without limitation, the following:

- a. Any and all amounts owed by Borrower under, in connection with, and/or pursuant to the indebtedness evidenced by that certain Promissory Note of even date herewith, in the original principal sum of One Million Four Hundred Fifteen Thousand Dollars (\$1,415,000.00) (the "Note"), with interest thereon according to the provisions thereof, and all obligations of Borrower thereunder, in connection therewith and/or pursuant to any and all agreements and other documents in connection therewith; and
- b. All sums advanced or expenses or costs paid or incurred (including without limitation reasonable attorneys' fees and other legal expenses) by Lender pursuant to or in connection with the Note or any agreements and other documents in connection therewith plus applicable interest on such sums, expenses or costs; and
- c. Any extensions, modifications, changes, substitutions, restatements, renewals or increases or decreases of any or all of the indebtedness referenced above; and
- d. Any and all other indebtedness, obligations and liabilities of any kind, of Borrower to Lender, now or hereafter existing, absolute or contingent, joint and/or several, due or not due, secured or unsecured, arising by operation of law or otherwise, direct or indirect, including without limitation indebtedness, obligations and liabilities of Borrower to Lender as a member of any partnership, syndicate or association or other group and whether incurred by Borrower as principal, surety, endorser, guarantor, accommodation party or otherwise, and any obligations which give rise to an equitable remedy for breach of performance if such breach gives rise to an obligation by Borrower to pay Lender.

2. All of the obligations described in paragraph 1, above, shall be referred to hereafter as the "Liabilities". In the event any of the Liabilities shall not be paid or performed according to their terms, Guarantor, shall immediately pay, perform or cause the performance of the same, this Guaranty being a guarantee of full payment and performance and not of collectability and in no way conditional or contingent. This Guaranty is an absolute, unconditional and continuing guarantee the Guarantor being jointly and severally liable with the Borrower and is in no way conditioned upon any requirement that Lender first attempt to collect payment or seek performances of any of the Liabilities from Borrower or any other obligor or guarantor, or resort to any other security or other means of obtaining payment or performance of any of the Liabilities, or upon any other contingency whatsoever.

3. Guarantor further agrees to pay all expenses (including reasonable attorneys' fees and legal expenses) paid or incurred by Lender in endeavoring to collect the Liabilities, or any part thereof, and in enforcing or defending this Guaranty, whether or not a lawsuit is commenced.

4. Guarantor represents and warrants that Guarantor is either financially interested in Borrower or will receive other material economic benefits as a result of any loan(s), leases(s) or other financial accommodation(s) made or granted to Borrower by Lender from time to time. Guarantor further represents and warrants that Guarantor is willing to enter into this Guaranty as a material inducement to Lender to extend loan(s) or other financial accommodation(s), or to enter into lease(s), from time to time to or with Borrower, and acknowledges that Lender would not be willing to extend any such loan(s) or other financial accommodation(s) or enter into such lease(s) absent this Guaranty. In any community property state, if Guarantor is married, Guarantor's promise is made for the benefit of Guarantor's marital community.

5. Guarantor agrees that the occurrence of any of the following events shall constitute a default under this Guaranty: (a) the failure of Guarantor to perform or observe any obligation under this Guaranty or (b) the death, incompetency, dissolution or insolvency of Borrower or Guarantor or any other guarantor of any of the Liabilities, or (c) the inability of Borrower or Guarantor or any other guarantor of any of the Liabilities to pay debts as they mature, or (d) an assignment by Borrower or Guarantor or any other guarantor of any of the Liabilities for the benefit of creditors, or (e) the institution of any proceeding by or against Borrower or Guarantor or any other guarantor of any of the Liabilities (under the Bankruptcy Code or otherwise) seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee or custodian for itself or for all or a substantial part of its property, or (f) the institution by Guarantor or any other person or entity of any liquidation, dissolution or reorganization proceedings with respect to Guarantor, or (g) the default by Borrower under any other agreement or document concerning or relating to the Liabilities, or (h) the default by Guarantor under the terms of any other obligation of Guarantor to Lender, or (i) any representation or warranty contained herein or in any other document delivered by or on behalf of Guarantor or Borrower to Lender shall be false or misleading, or (j) there shall be a default or event of default under any other agreement or document securing or guaranteeing any of the obligations secured by this Guaranty; or there shall be a default or event of default under any indebtedness or obligation of Guarantor or Borrower to any third party that causes that third party to declare such indebtedness or other obligation due prior to its scheduled date of maturity, or (k) if Guarantor is a corporation, the sale, pledge or assignment by the shareholders of Guarantor of any shares of the stock of Guarantor that results in a change of control of Guarantor and/or Borrower without the prior written consent of Lender; the transfer of more than twenty percent (20%) of the value of Guarantor's assets not in the ordinary course of the Guarantor's business; the merger or consolidation of Guarantor with another company or entity; the liquidation of Guarantor; or the issuance by Guarantor of any new stock or warrants, or the transfer of issued and outstanding treasury stock or warrants of Guarantor to any person other than an existing shareholder; or (l) if Guarantor is a partnership or joint venture, the sale, pledge, transfer or assignment by any of the partners or joint venturers of Guarantor of any of their partnership or joint venture interest in Guarantor; the withdrawal of any general partner(s) or joint venturer(s); or the admittance of any additional partner(s) or joint venturer(s) into Guarantor without the prior written consent of Lender. Upon and after the occurrence of a default hereunder, the Liabilities shall be automatically accelerated and shall become immediately due and payable by Guarantor, or Guarantor's successor or estate, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Guarantor.

6. Guarantor further agrees that this Guaranty shall continue to be effective or shall be reinstated, as the case may be, if at any time payment to or for the benefit of Lender of the Liabilities, or any part thereof, is rescinded or must otherwise be returned by Lender due to the insolvency, bankruptcy or reorganization of Borrower or otherwise, all as though such payment to or for the benefit of Lender had not been made.

7. Lender may, without demand or notice of any kind, at any time when any amount shall be due and payable hereunder by Guarantor, appropriate and apply toward the payment of such amount, and in such order of application as Lender may from time to time elect, any property, balances, credits, deposits, accounts, instruments or moneys of Guarantor in the possession or control of Lender for any purpose.

8. This Guaranty shall be a continuing, absolute and unconditional guaranty of payment and performance and not of collectability and shall remain in full force and effect as to Guarantor, subject to discontinuance only as follows: Guarantor, or any person duly authorized and acting on behalf of Guarantor, may give written notice to Lender of discontinuance of this Guaranty, but no such notice shall be effective in any respect until it is actually received by Lender and no such notice shall affect or impair the obligations hereunder of Guarantor with respect to any Liabilities existing at the date of receipt of such notice by Lender (or any Liabilities required or permitted to be advanced by Lender on or after such date), or for renewals or extensions of such Liabilities made after Lender receives Guarantor's notice, or any interest thereon or any expenses paid or incurred by Lender in endeavoring to collect such Liabilities, or any part thereof, or in enforcing this Guaranty against Guarantor. Any such notice of discontinuance by or on behalf of any Guarantor shall not affect, impair or release the obligations hereunder of any other guarantor with respect to any of the Liabilities.

9. Guarantor represents and warrants to Lender that all financial statements and credit applications delivered by Guarantor to Lender accurately reflect the financial condition and operations of Guarantor at the times and for the periods therein stated. So long as this Loan is in force and effect, Guarantor agrees to deliver to Lender, within 90 days after the end of each of Guarantor's fiscal years, a complete and accurate copy of Guarantor's federal tax returns, including all schedules, certified by an officer of the Guarantor, showing the consolidated financial position of Guarantor at the close of such fiscal year, and concurrently therewith a certificate of its president or chief financial officer to the effect that such officer is not aware of any condition or event which constitutes a default under this Loan or a default under any lease to which Guarantor is a party, or under any notes or obligations or which, with the mere passage of time or notice, or both, would constitute a default under this Loan or a default under any such lease or under any notes or obligations of the Guarantor. Guarantor hereby agrees to immediately notify Lender in writing as to the existence of any notes payable or other unpaid obligations by Guarantor, or any related person or entity. Lender reserves the right to require such other financial information from Guarantor as Lender may deem necessary and appropriate. The form and content of all financial information submitted must be acceptable to Lender in all respects. All financial information submitted to Lender must bear original signatures of the appropriate parties as required by banking law.

10. Lender may at any time and from time to time, without the consent of, or notice to, Guarantor, and without affecting, impairing or releasing the obligations of Guarantor hereunder, do any or all of the following: (a) retain or obtain a security interest in any property to secure any of the Liabilities or any obligations hereunder, (b) retain or obtain the primary or secondary liability of any party or parties, in addition to Guarantor, with respect to any of the Liabilities, (c) renew, extend (including extensions beyond

the original term), modify, alter, change the interest rate of, release or discharge any of the Liabilities, (d) settle, release or compromise any liability of any other guarantor of any of the Liabilities or any liability of any nature of any other party or parties with respect to the Liabilities or any security therefor, (e) accept partial payments of the Liabilities, (f) settle, release (by operation of law or otherwise), compound, compromise, collect or liquidate any of the Liabilities and any property securing any of the Liabilities, (g) consent to the transfer of any property securing any of the Liabilities, (h) resort to Guarantor for payment of any of the Liabilities, whether or not Lender shall have resorted to any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other guarantor or any other party primarily or secondarily liable on any of the Liabilities, (i) make any other changes in its agreements with Borrower, and (j) stop lending money or extending other credit to Borrower.

11. Any amount received by Lender from whatsoever source and applied by it to the payment of the Liabilities may be applied in such order of application as Lender may from time to time elect.

12. Guarantor is now adequately informed of Borrower's financial condition, and Guarantor agrees to keep so informed. Guarantor agrees that Lender has no obligation to provide Guarantor with any present or future information concerning the financial condition of Borrower. Guarantor has not relied on financial information furnished by Lender in deciding to execute this Guaranty.

13. Guarantor hereby agrees that any debt of Borrower to Guarantor is expressly subordinate to the right of Lender to payment of the Liabilities, and that Lender shall be entitled to full payment of all of the Liabilities prior to the exercise by Guarantor of any rights to payment or performance of any debt which the Borrower may owe Guarantor. Guarantor assigns to Lender all rights Guarantor may have in any proceeding under the Federal Bankruptcy Code or any receivership or insolvency proceeding of Borrower, including all rights of Guarantor to be paid by Borrower. This assignment does not prevent Lender from enforcing Guarantor's obligations hereunder in any way.

14. Guarantor hereby expressly waives: (a) notice of the acceptance of this Guaranty, (b) notice of the existence or creation of all or any of the Liabilities, (c) presentment, demand, notice of dishonor, protest, and all other notices whatsoever, (d) all diligence in collection or protection of or realization upon the Liabilities or any part thereof, any obligation hereunder, or any security for any of the foregoing, (e) all defenses based on suretyship or impairment of collateral, and (f) all events and circumstances which might otherwise constitute a defense or discharge of the obligations of Borrower, Guarantor or any other guarantor. Guarantor shall not be released or discharged, either in whole or in part, by Lender's failure to perfect, delay in perfection or failure to continue the perfection of any security interest in any property that secures any of the Liabilities or any obligation of Guarantor hereunder, or to protect the property covered by any such security interest.

15. Lender may, without notice to Guarantor or Borrower of any kind, sell, assign, or transfer all or any of the Liabilities, and in such event each and every immediate and successive assignee, transferee, or holder of all or any of the Liabilities shall have the right to enforce this Guaranty, by suit or otherwise, for the benefit of such assignee, transferee, or holder, as fully as if such assignee, transferee or holder were herein by named specifically given such rights, powers and benefits. Lender shall have an unimpaired right, prior and superior to that of any such assignee, transferee or holder, to enforce this Guaranty for the benefit of Lender as to so much of the Liabilities as it has not sold, assigned, or transferred. Lender reserves a right of setoff in all Guarantor's accounts with Lender. Guarantor authorizes Lender, to the extent permitted by



applicable law, to hold these funds if there is a default, and Lender may apply the funds in these accounts to pay what Guarantor owes under the terms of this Guaranty.

16. No delay on the part of Lender in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Lender of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy.

17. No action of Lender permitted hereunder shall in any way affect, impair or release this Guaranty.

18. For purposes of this Guaranty, Liabilities shall include all obligations of Borrower to Lender stated herein, notwithstanding any right or power of Borrower or anyone else to assert any claim or defense as to the payment or performance of such Liabilities, and no such claim or defense shall affect, impair or release the obligations of Guarantor hereunder.

19. This Guaranty shall be binding upon Guarantor and the heirs, legal representatives, successors and assigns of Guarantor. If more than one party shall execute this Guaranty, the term "Guarantor" shall mean all parties executing this Guaranty, and all such parties shall be jointly and severally obligated hereunder.

20. As further consideration for the loan(s), lease(s), or other financial accommodation(s) by Lender to Borrower and as a material inducement to Lender to make or enter into the loan(s), lease(s), or other financial accommodation(s) and accept this Guaranty, and notwithstanding anything to the contrary contained in this Guaranty or any other document delivered in connection with this Guaranty, Guarantor hereby irrevocably waives, disclaims and relinquishes any and all claims, rights or remedies which Guarantor may now have or hereafter acquire against Borrower that arise in connection with this Guaranty and/or the performance by Guarantor hereunder, including without limitation any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Lender against Borrower or any security which Lender now has or hereafter acquires, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

21. All notices pursuant to this Guaranty shall be in writing and shall be directed to the addresses set forth herein or such other address as may be specified in a notice given in accordance with the requirements of this paragraph. Except as otherwise specifically provided herein, notices shall be deemed to be given three (3) days after mailing by certified or registered mail, return receipt requested, or one (1) business day after deposit with a recognized overnight courier, or when personally delivered to and received at the required address.

22. In the event any provision contained in this Guaranty is invalid, illegal, or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired.

23. THIS GUARANTY IS GOVERNED BY THE LAW OF THE STATE OF NEW JERSEY, EXCLUDING ITS CONFLICTS OF LAWS PROVISIONS. GUARANTOR CONSENTS TO THE NON-EXCLUSIVE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF NEW JERSEY AND THE FEDERAL COURTS LOCATED IN NEW JERSEY SO THAT LENDER MAY SUE GUARANTOR IN NEW JERSEY TO ENFORCE THIS GUARANTY. GUARANTOR AGREES NOT TO CLAIM THAT NEW JERSEY IS AN INCONVENIENT PLACE FOR TRIAL. GUARANTOR



## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "Agreement"), made as of October 4, 2023, by FAYSON LAKE COMMUNITY, INC., having an address at 160 Boonton Avenue, Kinnelon, New Jersey 07405 (hereinafter referred to as "Indemnitor"), in favor of LAKELAND BANK, having an office at 250 Oak Ridge Road, Oak Ridge, New Jersey 07438, (hereinafter referred to as "Lender").

### WITNESSETH:

#### WHEREAS:

A. Fayson Lake Water Company, a New Jersey corporation (the "Borrower") has borrowed from Lender the sum of One Million Four Hundred Fifteen Thousand (\$1,415,000.00) Dollars, evidenced by its Note dated the date hereof in such sum (the "Note"), and secured by a first priority security interest in and lien against all tangible and intangible assets and personal property of Borrower and Indemnitor, now owned or hereafter acquired, to encompass all business assets including but not limited to accounts, accounts receivables, equipment, machinery, furniture, fixtures, etc. (the "Assets").

B. Indemnitor has consented to the execution and delivery of the Note and the Security Agreement;

C. There is now owing on the Note the unpaid principal amount of One Million Four Hundred Fifteen Thousand (\$1,415,000.00) Dollars, which together with interest and all other sums due or to become due thereunder is referred to herein as the "Indebtedness;"

D. Indemnitor has agreed to make this Agreement in consideration of the agreement of Lender to make the loan to Borrower evidenced by the Note and Security Agreement, as hereinafter provided; and

E. In order to induce Lender to accept the Note and Security Agreement, the Indemnitor herein executes the Agreement.

NOW, THEREFORE, in consideration of the premises and the sum of One Million Four Hundred Fifteen Thousand (\$1,415,000.00) Dollars, the receipt of which is hereby acknowledged, the undersigned agree as follows:

1. The Indemnitor does hereby indemnify, defend and save harmless the Lender against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including, without limitation, reasonable attorneys' fees which may be imposed upon or incurred by the Lender by reason of the following:

(a) Any representation, warranty, certification, or other information furnished by or on behalf of the Borrower or the Indemnitor which was fraudulent or a misrepresentation in any material respect when made;

(b) The Borrower's misapplication, conversion or misappropriation of property and/or funds;

(c) The Borrower undertaking secondary financing on the Borrower's or Indemnitor's Assets.

(d) The transfer of an interest in the ownership structure of the Borrower with the exception of any family gifting or estate planning transfers;

(e) A conveyance or transfer of any interest in the Assets;

(f) The voluntary bankruptcy of the Borrower or Indemnitor; and

2. Any waiver by Lender on an Event of Default of Borrower, or its successors or assigns, and any failure on the part of Lender to enforce its rights against Borrower, or its successors or assigns, shall not affect the liability of the Indemnitor. Any extensions of time granted by Lender to Borrower, or its successors or assigns, shall not release the Indemnitor from its obligations hereunder.

3. In addition to (but not in limitation of) all of the foregoing provisions, Lender may take any of the following actions (with or without notice to the Indemnitor) without affecting the liability of the Indemnitor in any way:

(a) release, exchange, increase or decrease, or surrender all or any part of the security held by it for the Indebtedness, or substitute new security for all or any portion thereof, whether or not the new security shall be equal in value with the security substituted;

(b) recast, extend or modify all or any portion of the Indebtedness;

(c) grant waivers, extensions, renewals or other indulgences under the Note;

(d) modify or amend any of the terms, provisions or agreements contained in the Note;

(e) vary, exchange, release or discharge, wholly or partially, or delay in or abstain from perfecting or enforcing any security or Agreement of the Note;

(f) accept partial payment or performance of the Note from the Borrower; or

(g) compromise or make any settlement or other arrangement with the Borrower.

4. Liability on this Agreement shall not be conditional or contingent upon the pursuance by Lender or anyone else of whatever remedies it may have against Borrower, or its successors or assigns, nor shall Lender be required to foreclose, exhaust, or in any other way look for the security which it now has or which it may obtain or in the future may acquire. Not in limitation of the generality of the foregoing, the liability of Indemnitor hereunder shall remain effective and enforceable even though Borrower's liability under the Note may be unenforceable, or recovery against the Borrower may be barred by a statute of limitations or other-wise, it being further understood and agreed that Indemnitor waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of the liability of Borrower.

5. Liability of the Indemnitor hereunder shall be a continuing one and shall extend to any and all notes or other evidences of indebtedness which may be given in extension or renewal of the present obligation by Borrower.

6. The Indemnitor hereby represents and warrants that:

(a) The Indemnitor has no offsets, counterclaims or defenses against the Indebtedness or its obligations under this Agreement, and has the legal capacity to enter into this Agreement and to perform their obligations hereunder;

(b) This Agreement constitutes the legal, valid and binding obligation of the Indemnitor enforceable against them in accordance with its terms;

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending, or within the knowledge of the Indemnitor threatened, wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of this Agreement or the Security Agreement;

(d) Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereunder nor the fulfillment of or compliance with the terms and conditions obtained herein is prevented or limited by, or would be prevented or limited by, or conflict with, or breach, the terms, conditions or provisions of any law, rule, regulations, order of any court or governmental agency, or any evidence of indebtedness, agreement or instrument of whatever nature to which the Indemnitor (or any company, corporation or other business entity controlled by the Indemnitor or affiliated with any one of them) is now a party, or to which the Indemnitor or any such entity is bound, or constitutes a default under any of the foregoing. Such execution, delivery, consummation and performance will not result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Indemnitor or any such entity, except as contemplated by the Security Agreement;

(e) Neither this Agreement nor any other document, certificate or statement furnished to the Lender by or on behalf of the Borrower or the Indemnitor contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete; and

(f) The proceeds of the Note are to be applied by the Borrower to its business purposes and no part thereof shall be used for the personal, household or consumer purposes of the Indemnitor.

7. The Indemnitor shall cause the Borrower to fully perform and observe all of the covenants, agreements and obligations of the Borrower under the Note.

8. The Indemnitor waives and relinquishes any right of subrogation or other right of reimbursement from the Borrower or the Borrower's estate and any other right or payment from the Borrower or the Borrowers' estate, arising out of or on account of any sums paid or agreed to be paid by Indemnitor under this Agreement, whether any such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured. The provisions of this subparagraph are made for the express benefit of Borrower as well as Lender and may be enforced independently by Borrower.

9. Any one or more of the following shall constitute an "Event of Default" hereunder:

(a) The Indemnitor shall have applied for or consented to the appointment of a custodian, trustee or liquidator, or other court appointed fiduciary of all or a substantial part of his properties; or a custodian, trustee or liquidator or other court appointed fiduciary shall have been appointed with or without

the consent of the Indemnitor, or the Indemnitor is generally not paying their debts as they become due by means of available assets or due to the failure of credit, or has made a general assignment for the benefit of creditors; or the Indemnitors have committed an act of bankruptcy, or has filed a voluntary petition of bankruptcy, or a petition or answer seeking an arrangement with creditors or seeking to take advantage of any insolvency law, or an answer admitting the material allegations of a petition in any bankruptcy or insolvency proceeding or has taken action for the purpose of effecting any of the foregoing; or if within sixty (60) days after the commencement of any proceeding against the Indemnitor seeking any rehabilitation, arrangement, composition, readjustment, liquidation, or similar relief under the federal bankruptcy code or any present or future applicable federal, state or other statute or law, such proceeding shall not have been dismissed or if, within sixty (60) days after the appointment of any trustee, custodian, liquidator or other court appointed fiduciary of the Indemnitor or of all or any substantial part of his properties or assets, such order or appointment shall not have been vacated or stayed on appeal or otherwise, or if, within sixty (60) days after the expiration of such stay, such order or appointment shall not have been vacated;

(b) Failure of the Indemnitor to make any payments or perform their obligations pursuant to the terms hereof; or

(c) If any representation or warranty made by the Indemnitor pursuant to or in connection with this Agreement or any report, certificate, financial statement or other instrument or document furnished by the Indemnitor hereunder shall prove to be false or misleading in any material respect.

10. If any one or more Events of Default shall occur under this Agreement, then in each case, the Lender shall have all rights and remedies, including, but not limited to, the right to (i) cause all amounts payable hereunder and pursuant to this Agreement to be immediately due and payable; (ii) take any other action available either in law or in equity to enforce performance or collect any amounts due or thereafter to become due under this Agreement or the Security Agreement and exercise all rights and remedies of the Lender thereunder; or (iii) enforce the observance of any of the covenants or obligations of the Indemnitor under this Agreement.

11. This Agreement also includes all reasonable attorneys' fees and expenses and disbursements incurred by Lender in the collection or enforcement of payment or performance by Indemnitor hereunder.

12. Any waiver by Lender of any default shall be limited to that particular instance and shall not operate or be deemed to waive any future default or defaults.

13. This Agreement shall continue in full effect notwithstanding any insolvency or bankruptcy of the Borrower.

14. The Indemnitor hereby irrevocably waives:

(a) Notice of acceptance of this Agreement and notice that the Note has been accepted by the Lender in reliance hereon;

(b) Notice of any amendment or any change in the terms of the Note or any other present or future agreement relating directly or indirectly thereto;

(c) Notice of any default under the Note, or any other present or future agreement relating directly or indirectly thereto;

(d) Demand for performance or observance of and enforcement of any provisions of the Note or the Security Agreement or any pursuit or exhaustion of any rights or remedies against the Borrower thereunder, or any other obligor who becomes liable in any manner for any of the obligations, and any requirement of diligence or promptness on the part of the Lender in connection therewith;

(e) Diligence, presentment, protest, notice of dishonor and notice of default in the payment of any amount at any time payable by the Borrower under or in connection with the Note;

(f) The benefit of any statute of limitations affecting its liability hereunder or the enforcements thereof, and agrees that any payment of any indebtedness or other act which shall toll any statute of limitations applicable thereto shall similarly operate to toll such statute of limitations applicable to the Indemnitor's liability hereunder; or

(g) The benefit of laws exempting property from levy or execution.

15. The parties hereto agree that this Agreement shall bind and inure to the benefit of their respective heirs, executors, administrators, successors and assigns.

16. This Agreement shall be governed by the substantive law of New Jersey.

17. Lender may assign this Agreement in whole or in part to a party to whom the Note is assigned.

18. Reference to the Indemnitor shall mean each Indemnitor named above. The obligations of the Indemnitor hereunder shall be joint and several. When such interpretation is appropriate, all words in the singular used herein shall include the plural, and all words in the masculine shall also mean the feminine, as the case may be.

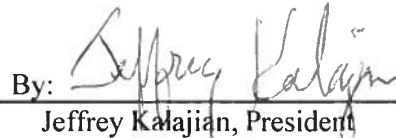
19. If any term, provision, covenant or condition hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all other provisions, covenants and conditions hereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

20. The Indemnitor shall make all payments required hereunder, free of any deductions, and without abatement, deduction, or setoff. The Indemnitor has executed this Agreement on the day and year first above written.

WITNESS

  
\_\_\_\_\_  
Jane Paftinos, Esq.

INDEMNITOR  
FAYSON LAKE COMMUNITY, INC.

By:   
\_\_\_\_\_  
Jeffrey Kalajian, President

**ACKNOWLEDGMENT**

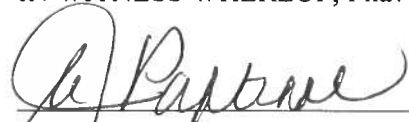
STATE OF NEW JERSEY :

SS.

COUNTY OF MORRIS :

On the 4<sup>th</sup> day of October, 2023, before me, an Attorney of the State of New Jersey, personally appeared **JEFFREY KALAJIAN**, who acknowledged himself to be the President of **FAYSON LAKE COMMUNITY, INC.**, a New Jersey corporation, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Jane Paftinos, Esq.

An Attorney At Law of New Jersey



## SECURITY AGREEMENT

This Security Agreement (hereinafter called "Agreement") is between Fayson Lake Community, Inc. (hereinafter called "Debtor") and Lakeland Bank, a New Jersey state bank (hereinafter called "Secured Party").

1. Grant of Security Interest. Subject to the terms and conditions of this Agreement, Debtor, for consideration, and to secure the full and prompt payment, observance and performance when due of all present and future obligations and indebtedness of Debtor to Secured Party, whether at the stated time, by acceleration or otherwise, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, whether or not of the same or similar class or of like kind to any indebtedness incurred contemporaneously with the execution of this Agreement, and whether now or hereafter existing, or due or to become due, and whether such indebtedness from time to time is reduced and thereafter increased, or entirely extinguished and thereafter reincurred, including without limitation, the following:

(a) Any and all amounts owed by Debtor under, in connection with, and/or pursuant to the indebtedness evidenced by that certain Promissory Note of even date herewith, in the original principal sum of One Million Four Hundred Fifteen Thousand Dollars (\$1,415,000.00) (the "Note"), with interest thereon according to the provisions thereof, and all obligations thereunder, in connection therewith and/or pursuant to any and all agreements and other documents in connection therewith; and

(b) All sums advanced or expenses or costs paid or incurred (including without limitation reasonable attorneys' fees and other legal expenses) by Secured Party pursuant to or in connection with the Note or any other agreements and documents in connection therewith plus applicable interest on such sums, expenses or costs; and

(c) Any extensions, modifications, changes, substitutions, restatements, renewals or increases or decreases of any or all of the indebtedness referenced above; and

(d) Any and all other indebtedness, obligations and liabilities of any kind, of Debtor to Secured Party, now or hereafter existing, absolute or contingent, joint and/or several, due or not due, secured or unsecured, arising by operation of law or otherwise, direct or indirect, including without limitation indebtedness, obligations and liabilities of Debtor to Secured Party as a member of any partnership, syndicate or association or other group and whether incurred by Debtor as principal, surety, endorser, guarantor, accommodation party or otherwise, and any obligations which give rise to an equitable remedy for breach of performance if such breach gives rise to an obligation by Debtor to pay Secured Party;

hereby grants to Secured Party a security interest in the collateral described in Schedule A to this Agreement and made a part hereof (hereinafter collectively called the "Collateral").

2. Representations, Warranties and Covenants of Debtor. Debtor expressly represents, warrants and covenants as follows:

(a) The address appearing with Debtor's signature below is the address of Debtor's chief executive office at which location the Collateral is located.

(b) Debtor shall keep the records concerning the Collateral and concerning accounts, general intangibles, mobile goods and contract rights at the address appearing below.

(c) Debtor will give Secured Party sixty (60) days prior written notice of any change in (i) Debtor's chief executive office (or, if Debtor has no place of business, Debtor's residence), the location of the Collateral or the location of the records described above, or (ii) the ownership of Debtor's business, (iii) the principals responsible for the management of Debtor's business, (iv) Debtor's corporate structure or identity, or (v) Debtor's name or trade name, or prior to commencing to use an assumed name not set forth in this Agreement.

(d) Intentionally Omitted.

(e) Intentionally Omitted.

(f) Without the prior written consent of Secured Party, Debtor will not move, sell, lease, permit any encumbrance on or otherwise dispose of the Collateral, other than its inventory in the ordinary course of its business. Debtor represents and warrants that Debtor is the sole owner of the Collateral, free and clear of all liens, charges, interests, and encumbrances, other than in favor of Secured Party, that no other person or other entity has any interest in the Collateral whatsoever, and that Debtor will defend same against all adverse claims and demands.

(g) Debtor will keep the Collateral insured by such companies, in such amounts and against such risks as shall be acceptable to Secured Party, with loss payable and additional insured clauses in favor of Secured Party as are satisfactory to Secured Party. Debtor will deposit such insurance policies with Secured Party. Debtor hereby assigns to Secured Party and grants to Secured Party a security interest in any return of unearned premium due upon cancellation of any such insurance and directs the insurer thereunder to pay to Secured Party all amounts so due. All amounts received by Secured Party in payment of insurance losses or return of unearned premium may, at Secured Party's option, be applied to the indebtedness by Secured Party, or all or any part thereof may be used for the purpose of repairing, replacing or restoring the Collateral. If Debtor fails to maintain satisfactory insurance, Secured Party shall have the option, but not the obligation, to obtain such insurance in such amounts as Secured Party deems necessary, and Debtor agrees to repay, with interest at the highest rate applicable to any indebtedness which this Agreement secures, all amounts so expended by Secured Party.

(h) Secured Party shall not be deemed to have waived any of its rights in any Collateral unless such waiver is in writing and signed by an authorized representative of Secured Party. No delay or omission by Secured Party in exercising any of Secured Party's rights shall operate as a waiver thereof or of any other rights. Secured Party shall have, in addition to all other rights and remedies provided by this Agreement or applicable law, the rights and remedies of a secured party under the Uniform Commercial Code.

(i) Debtor will maintain the Collateral in good condition and repair and will pay promptly all taxes, levies, and encumbrances and all repair, maintenance and preservation costs pertaining to the Collateral. If Debtor fails to make such payments, Secured Party shall have the option, but not the obligation, to pay the same and Debtor agrees to repay, with interest at the highest rate applicable to any indebtedness which this Agreement secures, all amounts so expended by Secured Party. Debtor will at any time and from time to time, upon request of Secured Party, give any representative of Secured Party access during normal business hours to inspect the Collateral or the books and records thereof.

(j) Debtor agrees to pay to Secured Party on demand all expenses, including reasonable attorney fees and expenses, incurred by Secured Party in protecting or enforcing its rights in the Collateral or otherwise under this Agreement. After deducting all said expenses, the remainder of any proceeds of sale or other disposition of the Collateral shall be applied to the indebtedness due Secured Party in such order of preference as Secured Party shall determine.

(k) Debtor hereby agrees to faithfully preserve and protect Secured Party's security interest in the Collateral at all times, and further agrees to execute and deliver, from time to time, any and all further, or other, documents, instruments, continuation statements and perform or refrain from performing such acts, as Secured Party may reasonably request to effect the purposes of this Agreement and to secure to Secured Party the benefits of all the rights, authorities and remedies conferred upon Secured Party by the terms of this Agreement. Debtor shall permit, or cause to be permitted, at Debtor's expense, representatives of Secured Party to inspect and make copies of the books and records of Debtor relating to the Collateral at any reasonable time or times upon prior notice.

3. Defaults. The occurrence of any of the following events shall constitute a default hereunder:

(a) The failure of Debtor to make any payment when due on any indebtedness to Secured Party whether pursuant to the Note or any other obligation to Secured Party, or a default in any provision of the Note or any other agreement or document secured hereby or any other encumbrance or agreement securing the Note;

(b) The breach of or failure to perform promptly any obligation or covenant set forth in this Agreement, the Note or any other agreement secured hereby or securing the Note;

(c) The suspension of business, insolvency, failure generally to pay debts as they became due, or the commission of any act constituting or resulting in a business failure, in each case on the part of Debtor's business; the concealment or removal of any substantial portion of Debtor's property with the intent to hinder, delay or defraud any one or more creditors, or the making of any other transfer which is fraudulent or otherwise voidable under the Bankruptcy Code or other applicable federal or state law; the existence or creation of any lien, including without limitation any tax or judgment lien, upon the Collateral or any substantial part of Debtor's property; an assignment for the benefit of creditors; the commencement of any proceedings by or against Debtor (under the Bankruptcy Code or otherwise) seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee or custodian for Debtor or for the Collateral or a substantial part of the property of Debtor; or the institution by Debtor or any other person or entity of any liquidation, dissolution or reorganization proceedings with respect to Debtor;

(d) The failure to effectively and promptly discharge, stay or indemnify against, to Secured Party's satisfaction, any lien or attachment against any of Debtor's property or the Collateral;

(e) Any representation or warranty contained herein or in any other document delivered by or on behalf of Debtor to Secured Party shall be false or misleading when made;

(f) If Secured Party, in good faith, believes the prospect of payment secured by this Agreement is impaired, or believes that any of the Collateral is in danger of loss, misuse, seizure or confiscation;

(g) The failure of Debtor or Debtor's assignee to fully perform any and all covenants and agreements under any lease and all amendments, modifications and revisions thereto;

(h) Any guaranty of the obligations described herein ceases to be effective, except pursuant to a written release from Secured Party, or any guarantor denies liability thereunder, or

one of the events described in Paragraph 3(c) hereof occurs with respect to any guarantor, or any default occurs under any such guaranty;

(i) If Debtor is a corporation, the occurrence of any of the following without the Secured Party's written consent: the sale, pledge or assignment by the shareholders of Debtor of any shares of the stock representing twenty percent (20%) or more of the outstanding stock of Debtor; the transfer of more than twenty percent (20%) of the value of Debtor's assets not in the ordinary course of Debtor's business; the merger or consolidation of Debtor with another company or entity; the change of the Debtor's name; the liquidation of Debtor; or the issuance by Debtor of any new stock or warrants, or the transfer of issued and outstanding treasury stock or warrants of Debtor. If Debtor is a partnership or joint venture, the occurrence of any of the following without Secured Party's written consent: the sale, pledge, transfer or assignment by any of the partners or joint ventures of Debtor of any of their partnership or joint venture interest in Debtor; the withdrawal of any general partner(s) or joint venturer(s); or the admittance of any additional partner(s) or joint venturer(s) into Debtor;

(j) The occurrence of any default or event of default under any other document or agreement securing or guaranteeing any of the obligations secured by the Agreement; or the occurrence of any default or event of default due to any material indebtedness or obligation of Debtor to any third party that causes such third party to declare such indebtedness or other obligation due prior to its scheduled date of maturity; or

#### 4. Remedies.

(a) Upon the occurrence of any default under this Agreement, Secured Party is authorized in its discretion to declare any or all of the indebtedness to be immediately due and payable without demand or notice to Debtor, and may exercise any one or more of the rights and remedies granted pursuant to this Agreement or given to a secured party under applicable law, including without limitation the Uniform Commercial Code, such rights and remedies to include without limitation the right to take possession and sell, lease or otherwise dispose of the Collateral. If reasonable notice of any disposition of Collateral or other enforcement is required, such requirement will be met if such notice is mailed, postage pre-paid, to the address of Debtor shown below Debtor's signature on this Agreement at least fifteen (15) days prior to the time of disposition or other enforcement. Debtor agrees that upon demand by Secured Party after default, Debtor will promptly assemble the Collateral and make the Collateral available to Secured Party at a place convenient to Secured Party.

(b) Debtor agrees that all of the Collateral and all of the other security which may be granted to Secured Party in connection with the obligations secured hereby constitute equal security for all of the obligations secured hereby, and agrees that Secured Party shall be entitled to sell, retain or otherwise deal with any or all of the Collateral, in any order or simultaneously as Secured Party shall determine in its sole and absolute discretion, free of any requirement for the marshaling of assets or other restriction upon Secured Party in dealing with the Collateral or such other security.

(c) Upon the occurrence of any default under this Agreement, Debtor hereby irrevocably constitute and appoints Secured Party (and any employee or agent of Secured Party) as Debtor's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, at Debtor's cost and expense, to exercise the following powers with respect to the Collateral:

1. To demand, sue for collection, receive, and give acquittance for any and all monies due or owing with respect to the Collateral;

2. To receive, take, endorse Debtor's name on, assign and deliver any checks, notes, drafts, documents or other instruments taken or received by Secured Party in connection with the Collateral;

3. To settle, compromise, prosecute, or defend any action or proceeding with respect to the Collateral;

4. To sell, transfer, assign or otherwise deal in or with the Collateral or the proceeds thereof, as fully as if Secured Party were the absolute owner thereof.

5. To sign Debtor's name to and file financing statements or such other documents and instruments as Secured Party may deem appropriate.

6. To take any and all action that Secured Party deems necessary or proper to preserve its interest in the Collateral, including without limitation, the payment of debts of Debtor that might impair the Collateral or Secured Party's security interest therein, the purchase of insurance on the Collateral, the repair or safeguard of the Collateral, or the payment of taxes thereon.

7. To notify account debtors of Secured Party's security interest in Debtor's accounts and to instruct them to make payment directly to Secured Party.

(d) Debtor agrees that the powers of attorney granted herein are coupled with an interest and shall be irrevocable until full, final and irrevocable payment and performance of the indebtedness secured hereby; and that neither Secured Party nor any officer, director, employee or agent of Secured Party shall be liable for any act or omission, or for any mistake or error of judgment, in connection with any such powers.

(e) Notwithstanding the foregoing, Secured Party shall be under no duty to exercise any such powers, or to collect any amount due on the Collateral, to realize on the Collateral, to keep the Collateral, to make any presentment, demand or notice of protest in connection with the Collateral, or to perform any other act relating to the enforcement, collection or protection of the Collateral.

(f) This Agreement shall not prejudice the right of Secured Party at its option to enforce the collection of any indebtedness secured hereby or any other instrument executed in connection with this transaction, by suit or in any other lawful manner. No right or remedy is intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative to every other right or remedy herein or conferred in any other agreement or document for the benefit of Secured Party, or now or hereafter existing at law or in equity.

5. Miscellaneous.

(a) This Agreement and the security interest in the Collateral created hereby shall terminate when the indebtedness has been fully, finally and irrevocably paid and all other obligations of Debtor to Secured Party have been performed in full. Prior to such termination, this shall be a continuing agreement.

(b) **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, EXCEPT TO THE EXTENT THE LAWS OF ANOTHER JURISDICTION ARE MANDATORILY APPLICABLE. DEBTOR CONSENTS TO THE NON-EXCLUSIVE PERSONAL JURISDICTION**

**OF THE COURTS OF THE STATE OF NEW JERSEY AND THE FEDERAL COURTS LOCATED IN NEW JERSEY SO THAT SECURED PARTY MAY SUE DEBTOR IN NEW JERSEY TO ENFORCE THIS AGREEMENT. DEBTOR AGREES NOT TO CLAIM THAT NEW JERSEY IS AN INCONVENIENT PLACE FOR TRIAL. DEBTOR HEREBY IRREVOCABLY AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO DEBTOR AT THE ADDRESS PROVIDED FOR NOTICES UNDER THIS AGREEMENT.**

**(c) DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY ACTION UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, AND IN NO EVENT SHALL SECURED PARTY BE LIABLE FOR PUNITIVE OR CONSEQUENTIAL DAMAGES.**

(d) This Agreement shall inure to the benefit of Secured Party, its successors and assigns and to any other holder who derives from Secured Party title to or an interest in the indebtedness which this Agreement secures, and shall be binding upon Debtor, its successors and assigns.

(e) In case any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been included.

(f) Any provision to the contrary notwithstanding contained herein or in the Note or in any other instrument now or hereafter evidencing, securing or otherwise relating to any secured indebtedness, neither Secured Party nor any other holder of the secured indebtedness shall be entitled to receive or collect, nor shall Debtor be obligated to pay, interest on any of the secured indebtedness in excess of the maximum rate of interest at the particular time in question, if any, which, under applicable law, may be charged to Debtor (herein the "Maximum Rate"), provided that the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to Debtor from time to time as of the effective time of each change in the Maximum Rate, and if any provision herein or in the Note or in such other instrument shall ever be construed or held to permit the collection or to require the payment of any amount of interest in excess of that permitted by applicable law, the provisions of this paragraph shall control and shall override any contrary or inconsistent provision herein or in the Note or in such other instrument. The intention of the parties being to conform strictly to the usury limitations under applicable law, the Note, this Agreement, and each other instrument now or hereafter evidencing or relating to any secured indebtedness shall be held subject to reduction to the amount allowed under said applicable law as now or hereafter construed by the courts having jurisdiction.

(g) All notices pursuant to this Security Agreement shall be in writing and shall be directed to the addresses set forth below or such other address as may be specified in writing, by certified or registered mail, return receipt requested by the party to which or whom notices are to be given. Notices shall be deemed to be given three (3) days after mailing by depositing same in any United States post office station or letter box in a postage-paid envelope.


(h) The singular used herein shall include the plural.

(i) If more than one party shall execute this Agreement as "Debtor", the term "Debtor" shall mean all such parties executing this Agreement, and all such parties shall be jointly and severally obligated hereunder.

(j) A photocopy or other reproduction of this Agreement or of any financing statement is sufficient as a financing statement and may be filed as a financing statement in any government office.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the date written below.

Dated: October 4, 2023  
DEBTOR: FAYSON LAKE COMMUNITY, INC.

By:   
Title: Jeffrey Kalajian  
Address of Debtor: 160 Boonton Avenue  
Kinnelon, New Jersey 07405

## **SCHEDULE A TO SECURITY AGREEMENT**

This is Schedule A to the Security Agreement dated October 4, 2023 between Lakeland Bank ("Secured Party") and Fayson Lake Community, Inc. ("Debtor").

Debtor hereby grants to Secured Party a security interest in all of the following:

All equipment, machinery, furniture, fixtures and tools of Debtor, and all documents, instruments, documents of title and policies and certificates of insurance relating thereto, all accessions, parts, accessories, attachments and appurtenances thereto, substitutions therefor and replacements thereof, and all proceeds and products of all of the foregoing, including, without limitation, insurance proceeds; in all cases whether now owned or hereafter acquired by Debtor and wherever located.



## SECURITY AGREEMENT

This Security Agreement (hereinafter called "Agreement") is between Fayson Lake Water Company (hereinafter called "Debtor") and Lakeland Bank, a New Jersey state bank (hereinafter called "Secured Party").

1. Grant of Security Interest. Subject to the terms and conditions of this Agreement, Debtor, for consideration, and to secure the full and prompt payment, observance and performance when due of all present and future obligations and indebtedness of Debtor to Secured Party, whether at the stated time, by acceleration or otherwise, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, whether or not of the same or similar class or of like kind to any indebtedness incurred contemporaneously with the execution of this Agreement, and whether now or hereafter existing, or due or to become due, and whether such indebtedness from time to time is reduced and thereafter increased, or entirely extinguished and thereafter reincurred, including without limitation, the following:

(a) Any and all amounts owed by Debtor under, in connection with, and/or pursuant to the indebtedness evidenced by that certain Promissory Note of even date herewith, in the original principal sum of One Million Four Hundred Fifteen Thousand Dollars (\$1,415,000.00) (the "Note"), with interest thereon according to the provisions thereof, and all obligations thereunder, in connection therewith and/or pursuant to any and all agreements and other documents in connection therewith; and

(b) All sums advanced or expenses or costs paid or incurred (including without limitation reasonable attorneys' fees and other legal expenses) by Secured Party pursuant to or in connection with the Note or any other agreements and documents in connection therewith plus applicable interest on such sums, expenses or costs; and

(c) Any extensions, modifications, changes, substitutions, restatements, renewals or increases or decreases of any or all of the indebtedness referenced above; and

(d) Any and all other indebtedness, obligations and liabilities of any kind, of Debtor to Secured Party, now or hereafter existing, absolute or contingent, joint and/or several, due or not due, secured or unsecured, arising by operation of law or otherwise, direct or indirect, including without limitation indebtedness, obligations and liabilities of Debtor to Secured Party as a member of any partnership, syndicate or association or other group and whether incurred by Debtor as principal, surety, endorser, guarantor, accommodation party or otherwise, and any obligations which give rise to an equitable remedy for breach of performance if such breach gives rise to an obligation by Debtor to pay Secured Party;

hereby grants to Secured Party a security interest in the collateral described in Schedule A to this Agreement and made a part hereof (hereinafter collectively called the "Collateral").

2. Representations, Warranties and Covenants of Debtor. Debtor expressly represents, warrants and covenants as follows:

(a) The address appearing with Debtor's signature below is the address of Debtor's chief executive office at which location the Collateral is located.

(b) Debtor shall keep the records concerning the Collateral and concerning accounts, general intangibles, mobile goods and contract rights at the address appearing below.

(c) Debtor will give Secured Party sixty (60) days prior written notice of any change in (i) Debtor's chief executive office (or, if Debtor has no place of business, Debtor's residence), the location of the Collateral or the location of the records described above, or (ii) the ownership of Debtor's business, (iii) the principals responsible for the management of Debtor's business, (iv) Debtor's corporate structure or identity, or (v) Debtor's name or trade name, or prior to commencing to use an assumed name not set forth in this Agreement.

(d) Intentionally Omitted.

(e) Intentionally Omitted.

(f) Without the prior written consent of Secured Party, Debtor will not move, sell, lease, permit any encumbrance on or otherwise dispose of the Collateral, other than its inventory in the ordinary course of its business. Debtor represents and warrants that Debtor is the sole owner of the Collateral, free and clear of all liens, charges, interests, and encumbrances, other than in favor of Secured Party, that no other person or other entity has any interest in the Collateral whatsoever, and that Debtor will defend same against all adverse claims and demands.

(g) Debtor will keep the Collateral insured by such companies, in such amounts and against such risks as shall be acceptable to Secured Party, with loss payable and additional insured clauses in favor of Secured Party as are satisfactory to Secured Party. Debtor will deposit such insurance policies with Secured Party. Debtor hereby assigns to Secured Party and grants to Secured Party a security interest in any return of unearned premium due upon cancellation of any such insurance and directs the insurer thereunder to pay to Secured Party all amounts so due. All amounts received by Secured Party in payment of insurance losses or return of unearned premium may, at Secured Party's option, be applied to the indebtedness by Secured Party, or all or any part thereof may be used for the purpose of repairing, replacing or restoring the Collateral. If Debtor fails to maintain satisfactory insurance, Secured Party shall have the option, but not the obligation, to obtain such insurance in such amounts as Secured Party deems necessary, and Debtor agrees to repay, with interest at the highest rate applicable to any indebtedness which this Agreement secures, all amounts so expended by Secured Party.

(h) Secured Party shall not be deemed to have waived any of its rights in any Collateral unless such waiver is in writing and signed by an authorized representative of Secured Party. No delay or omission by Secured Party in exercising any of Secured Party's rights shall operate as a waiver thereof or of any other rights. Secured Party shall have, in addition to all other rights and remedies provided by this Agreement or applicable law, the rights and remedies of a secured party under the Uniform Commercial Code.

(i) Debtor will maintain the Collateral in good condition and repair and will pay promptly all taxes, levies, and encumbrances and all repair, maintenance and preservation costs pertaining to the Collateral. If Debtor fails to make such payments, Secured Party shall have the option, but not the obligation, to pay the same and Debtor agrees to repay, with interest at the highest rate applicable to any indebtedness which this Agreement secures, all amounts so expended by Secured Party. Debtor will at any time and from time to time, upon request of Secured Party, give any representative of Secured Party access during normal business hours to inspect the Collateral or the books and records thereof.

(j) Debtor agrees to pay to Secured Party on demand all expenses, including reasonable attorney fees and expenses, incurred by Secured Party in protecting or enforcing its rights in the Collateral or otherwise under this Agreement. After deducting all said expenses, the remainder of any proceeds of sale or other disposition of the Collateral shall be applied to the indebtedness due Secured Party in such order of preference as Secured Party shall determine.

(k) Debtor hereby agrees to faithfully preserve and protect Secured Party's security interest in the Collateral at all times, and further agrees to execute and deliver, from time to time, any and all further, or other, documents, instruments, continuation statements and perform or refrain from performing such acts, as Secured Party may reasonably request to effect the purposes of this Agreement and to secure to Secured Party the benefits of all the rights, authorities and remedies conferred upon Secured Party by the terms of this Agreement. Debtor shall permit, or cause to be permitted, at Debtor's expense, representatives of Secured Party to inspect and make copies of the books and records of Debtor relating to the Collateral at any reasonable time or times upon prior notice.

3. Defaults. The occurrence of any of the following events shall constitute a default hereunder:

(a) The failure of Debtor to make any payment when due on any indebtedness to Secured Party whether pursuant to the Note or any other obligation to Secured Party, or a default in any provision of the Note or any other agreement or document secured hereby or any other encumbrance or agreement securing the Note;

(b) The breach of or failure to perform promptly any obligation or covenant set forth in this Agreement, the Note or any other agreement secured hereby or securing the Note;

(c) The suspension of business, insolvency, failure generally to pay debts as they became due, or the commission of any act constituting or resulting in a business failure, in each case on the part of Debtor's business; the concealment or removal of any substantial portion of Debtor's property with the intent to hinder, delay or defraud any one or more creditors, or the making of any other transfer which is fraudulent or otherwise voidable under the Bankruptcy Code or other applicable federal or state law; the existence or creation of any lien, including without limitation any tax or judgment lien, upon the Collateral or any substantial part of Debtor's property; an assignment for the benefit of creditors; the commencement of any proceedings by or against Debtor (under the Bankruptcy Code or otherwise) seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or seeking the appointment of a receiver, trustee or custodian for Debtor or for the Collateral or a substantial part of the property of Debtor; or the institution by Debtor or any other person or entity of any liquidation, dissolution or reorganization proceedings with respect to Debtor;

(d) The failure to effectively and promptly discharge, stay or indemnify against, to Secured Party's satisfaction, any lien or attachment against any of Debtor's property or the Collateral;

(e) Any representation or warranty contained herein or in any other document delivered by or on behalf of Debtor to Secured Party shall be false or misleading when made;

(f) If Secured Party, in good faith, believes the prospect of payment secured by this Agreement is impaired, or believes that any of the Collateral is in danger of loss, misuse, seizure or confiscation;

(g) The failure of Debtor or Debtor's assignee to fully perform any and all covenants and agreements under any lease and all amendments, modifications and revisions thereto;

(h) Any guaranty of the obligations described herein ceases to be effective, except pursuant to a written release from Secured Party, or any guarantor denies liability thereunder, or

one of the events described in Paragraph 3(c) hereof occurs with respect to any guarantor, or any default occurs under any such guaranty;

(i) If Debtor is a corporation, the occurrence of any of the following without the Secured Party's written consent: the sale, pledge or assignment by the shareholders of Debtor of any shares of the stock representing twenty percent (20%) or more of the outstanding stock of Debtor; the transfer of more than twenty percent (20%) of the value of Debtor's assets not in the ordinary course of Debtor's business; the merger or consolidation of Debtor with another company or entity; the change of the Debtor's name; the liquidation of Debtor; or the issuance by Debtor of any new stock or warrants, or the transfer of issued and outstanding treasury stock or warrants of Debtor. If Debtor is a partnership or joint venture, the occurrence of any of the following without Secured Party's written consent: the sale, pledge, transfer or assignment by any of the partners or joint ventures of Debtor of any of their partnership or joint venture interest in Debtor; the withdrawal of any general partner(s) or joint venturer(s); or the admittance of any additional partner(s) or joint venturer(s) into Debtor;

(j) The occurrence of any default or event of default under any other document or agreement securing or guaranteeing any of the obligations secured by the Agreement; or the occurrence of any default or event of default due to any material indebtedness or obligation of Debtor to any third party that causes such third party to declare such indebtedness or other obligation due prior to its scheduled date of maturity; or

#### 4. Remedies.

(a) Upon the occurrence of any default under this Agreement, Secured Party is authorized in its discretion to declare any or all of the indebtedness to be immediately due and payable without demand or notice to Debtor, and may exercise any one or more of the rights and remedies granted pursuant to this Agreement or given to a secured party under applicable law, including without limitation the Uniform Commercial Code, such rights and remedies to include without limitation the right to take possession and sell, lease or otherwise dispose of the Collateral. If reasonable notice of any disposition of Collateral or other enforcement is required, such requirement will be met if such notice is mailed, postage pre-paid, to the address of Debtor shown below Debtor's signature on this Agreement at least fifteen (15) days prior to the time of disposition or other enforcement. Debtor agrees that upon demand by Secured Party after default, Debtor will promptly assemble the Collateral and make the Collateral available to Secured Party at a place convenient to Secured Party.

(b) Debtor agrees that all of the Collateral and all of the other security which may be granted to Secured Party in connection with the obligations secured hereby constitute equal security for all of the obligations secured hereby, and agrees that Secured Party shall be entitled to sell, retain or otherwise deal with any or all of the Collateral, in any order or simultaneously as Secured Party shall determine in its sole and absolute discretion, free of any requirement for the marshaling of assets or other restriction upon Secured Party in dealing with the Collateral or such other security.

(c) Upon the occurrence of any default under this Agreement, Debtor hereby irrevocably constitute and appoints Secured Party (and any employee or agent of Secured Party) as Debtor's true and lawful attorney-in-fact with full power of substitution, in Secured Party's name or Debtor's name or otherwise, for Secured Party's sole use and benefit, at Debtor's cost and expense, to exercise the following powers with respect to the Collateral:

1. To demand, sue for collection, receive, and give acquittance for any and all monies due or owing with respect to the Collateral;

2. To receive, take, endorse Debtor's name on, assign and deliver any checks, notes, drafts, documents or other instruments taken or received by Secured Party in connection with the Collateral;

3. To settle, compromise, prosecute, or defend any action or proceeding with respect to the Collateral;

4. To sell, transfer, assign or otherwise deal in or with the Collateral or the proceeds thereof, as fully as if Secured Party were the absolute owner thereof.

5. To sign Debtor's name to and file financing statements or such other documents and instruments as Secured Party may deem appropriate.

6. To take any and all action that Secured Party deems necessary or proper to preserve its interest in the Collateral, including without limitation, the payment of debts of Debtor that might impair the Collateral or Secured Party's security interest therein, the purchase of insurance on the Collateral, the repair or safeguard of the Collateral, or the payment of taxes thereon.

7. To notify account debtors of Secured Party's security interest in Debtor's accounts and to instruct them to make payment directly to Secured Party.

(d) Debtor agrees that the powers of attorney granted herein are coupled with an interest and shall be irrevocable until full, final and irrevocable payment and performance of the indebtedness secured hereby; and that neither Secured Party nor any officer, director, employee or agent of Secured Party shall be liable for any act or omission, or for any mistake or error of judgment, in connection with any such powers.

(e) Notwithstanding the foregoing, Secured Party shall be under no duty to exercise any such powers, or to collect any amount due on the Collateral, to realize on the Collateral, to keep the Collateral, to make any presentment, demand or notice of protest in connection with the Collateral, or to perform any other act relating to the enforcement, collection or protection of the Collateral.

(f) This Agreement shall not prejudice the right of Secured Party at its option to enforce the collection of any indebtedness secured hereby or any other instrument executed in connection with this transaction, by suit or in any other lawful manner. No right or remedy is intended to be exclusive of any other right or remedy, but every such right or remedy shall be cumulative to every other right or remedy herein or conferred in any other agreement or document for the benefit of Secured Party, or now or hereafter existing at law or in equity.

5. Miscellaneous.

(a) This Agreement and the security interest in the Collateral created hereby shall terminate when the indebtedness has been fully, finally and irrevocably paid and all other obligations of Debtor to Secured Party have been performed in full. Prior to such termination, this shall be a continuing agreement.

(b) **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW JERSEY IN ALL RESPECTS, INCLUDING MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, EXCEPT TO THE EXTENT THE LAWS OF ANOTHER JURISDICTION ARE MANDATORILY APPLICABLE. DEBTOR CONSENTS TO THE NON-EXCLUSIVE PERSONAL JURISDICTION**

**OF THE COURTS OF THE STATE OF NEW JERSEY AND THE FEDERAL COURTS LOCATED IN NEW JERSEY SO THAT SECURED PARTY MAY SUE DEBTOR IN NEW JERSEY TO ENFORCE THIS AGREEMENT. DEBTOR AGREES NOT TO CLAIM THAT NEW JERSEY IS AN INCONVENIENT PLACE FOR TRIAL. DEBTOR HEREBY IRREVOCABLY AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO DEBTOR AT THE ADDRESS PROVIDED FOR NOTICES UNDER THIS AGREEMENT.**

**(c) DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY ACTION UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, AND IN NO EVENT SHALL SECURED PARTY BE LIABLE FOR PUNITIVE OR CONSEQUENTIAL DAMAGES.**

(d) This Agreement shall inure to the benefit of Secured Party, its successors and assigns and to any other holder who derives from Secured Party title to or an interest in the indebtedness which this Agreement secures, and shall be binding upon Debtor, its successors and assigns.

(e) In case any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been included.

(f) Any provision to the contrary notwithstanding contained herein or in the Note or in any other instrument now or hereafter evidencing, securing or otherwise relating to any secured indebtedness, neither Secured Party nor any other holder of the secured indebtedness shall be entitled to receive or collect, nor shall Debtor be obligated to pay, interest on any of the secured indebtedness in excess of the maximum rate of interest at the particular time in question, if any, which, under applicable law, may be charged to Debtor (herein the "Maximum Rate"), provided that the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to Debtor from time to time as of the effective time of each change in the Maximum Rate, and if any provision herein or in the Note or in such other instrument shall ever be construed or held to permit the collection or to require the payment of any amount of interest in excess of that permitted by applicable law, the provisions of this paragraph shall control and shall override any contrary or inconsistent provision herein or in the Note or in such other instrument. The intention of the parties being to conform strictly to the usury limitations under applicable law, the Note, this Agreement, and each other instrument now or hereafter evidencing or relating to any secured indebtedness shall be held subject to reduction to the amount allowed under said applicable law as now or hereafter construed by the courts having jurisdiction.

(g) All notices pursuant to this Security Agreement shall be in writing and shall be directed to the addresses set forth below or such other address as may be specified in writing, by certified or registered mail, return receipt requested by the party to which or whom notices are to be given. Notices shall be deemed to be given three (3) days after mailing by depositing same in any United States post office station or letter box in a postage-paid envelope.

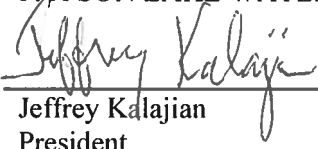
(h) The singular used herein shall include the plural.

(i) If more than one party shall execute this Agreement as "Debtor", the term "Debtor" shall mean all such parties executing this Agreement, and all such parties shall be jointly and severally obligated hereunder.

(j) A photocopy or other reproduction of this Agreement or of any financing statement is sufficient as a financing statement and may be filed as a financing statement in any government office.

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement as of the date written below.

Dated: October 4, 2023  
DEBTOR: FAYSON LAKE WATER COMPANY

By:   
Title: Jeffrey Kalajian  
Address of 160 Boonton Avenue  
Debtor: Kinnelon, New Jersey 07405

## **SCHEDULE A TO SECURITY AGREEMENT**

This is Schedule A to the Security Agreement dated October 4, 2023 between Lakeland Bank ("Secured Party") and Fayson Lake Water Company ("Debtor").

Debtor hereby grants to Secured Party a security interest in all of the following:

All equipment, machinery, furniture, fixtures and tools of Debtor, and all documents, instruments, documents of title and policies and certificates of insurance relating thereto, all accessions, parts, accessories, attachments and appurtenances thereto, substitutions therefor and replacements thereof, and all proceeds and products of all of the foregoing, including, without limitation, insurance proceeds; in all cases whether now owned or hereafter acquired by Debtor and wherever located.



## ASSIGNMENT OF CONSTRUCTION AND DEVELOPMENT DOCUMENTS

**THIS ASSIGNMENT OF CONSTRUCTION AND DEVELOPMENT DOCUMENTS** (this “**Assignment**”) is made as of the 4<sup>th</sup> day of October, 2023, by **FAYSON LAKE WATER COMPANY** (the “**Borrower**”), with an address at 160 Boonton Avenue, Kinnelon, New Jersey 07405, in favor of **LAKELAND BANK** (the “**Bank**”), with an address at 250 Oak Ridge Road, Oak Ridge, New Jersey 07438.

**WHEREAS**, the Bank has agreed to make available to the Borrower (a) a certain commercial loan in an amount not to exceed One Million Four Hundred Fifteen Thousand and 00/100 (\$1,415,000.00) Dollars (the “**Loan**”), which Loan is evidenced by a Commitment Letter between the Bank and the Borrower dated July 14, 2023, as may have been amended (the “**Agreement**”), and secured by the other agreements, instruments and documents referred to therein or delivered in connection therewith, as the same may be amended, renewed or supplemented from time to time (collectively, the “**Loan Documents**”);

**WHEREAS**, the Borrower has entered into a contract with contractor(s) (the “**Contractor**”) for the construction and installation of a new 8” and 6” water main replacement (the “**Improvements**”) for Fayson Lake Community (the “**Construction Contract**”) and such other professionals or contractors (collectively, “the **Contractors**”); and

**WHEREAS**, the Improvements will be constructed by the Contractor in accordance with the Construction Contract, plans, all consents, licenses, permits, authorizations and approvals relating to the construction, completion, management and use of the Improvements and all other instruments, documents and rights required or in any way relating to the design, construction, renovation, use, occupancy or ownership of the Improvements, whether now existing or hereafter arising (the “**Development Documents**”); and

**WHEREAS**, the Bank has requested and the Borrower has agreed to assign the Development Documents to the Bank as collateral for the Loans on the terms and conditions of this Assignment;

**NOW, THEREFORE**, the Borrower, in consideration of the Bank’s extension of the Loans and for other good and valuable consideration, and intending to be legally bound, hereby agrees in favor of the Bank as follows:

1. **Assignment.** For the purpose of securing the payment and performance of the Obligations of the Borrower to the Bank pursuant to the Loans Documents, the Borrower hereby assigns, transfers and sets over unto the Bank and grants a security interest in all of the Borrower’s right, title and interest in and to the Development Documents, including (a) the Construction Contract, (b) all contracts with other professionals, contractors and subcontractors, (c) the Plans, (d) the Architect’s Agreement, and (e) all consents, licenses, permits, authorizations and approvals relating to the construction, completion, use and occupancy of the Improvements. The Borrower agrees that at any time after the occurrence of an Event of Default under the Note or any of the other Loans Documents, the Bank may, upon written notice to the Borrower, either exercise in the name and right of the Borrower, or in the name and right of the Bank as assignee hereunder, all rights and remedies of the Borrower under the Construction Contract and the Architect’s Agreement, or any of them.

2. **Representations and Warranties.** The Borrower hereby warrants and represents to the Bank that (a) a copy of the Construction Contract, the Architect’s Agreement, and the Plans delivered to the Bank by the Borrower was then and is now a true and correct copy thereof and includes any and all

amendments and modifications thereto through the date of this Assignment, (b) the Construction Contract and the Architect's Agreement are in full force and effect, and are the valid and binding obligations of each of the parties thereto, enforceable against each of them, respectively, in accordance with their terms, (c) the Borrower has not previously assigned, sold, pledged, transferred, mortgaged, hypothecated or otherwise encumbered the Construction Contract or the Architect's Agreement, or any of them, or its right, title and interest therein, nor agreed to do so in the future to a party other than the Bank, (d) the Borrower is not in default under the Construction Contract or the Architect's Agreement, and no other party to any thereof is in default thereunder, and (e) the Borrower is the owner of the Plans and no previous assignment of any interest in the Plans has been made.

**3. Actions Regarding Development Documents.** The Borrower agrees with the Bank that the Borrower will not, without the Bank's prior written consent, cancel, terminate, amend or modify or consent to any cancellation, termination, amendment or modification of any Development Document. The Borrower agrees to provide the Bank with copies of all notices from any surety or contractor with respect to any default under any Development Document promptly upon the receipt of such notices. The Borrower further agrees that it will at its own expense conform and comply with all of the terms and conditions of the Development Documents and will take all action to that end as the Bank may request from time to time. The Borrower agrees to execute and deliver such instruments and documents as the Bank may from time to time request in order to further effect the purposes of the assignment contained in this Assignment. The Borrower further agrees that it will not, without the Bank's prior written consent, change, amend or modify or consent to any change, amendment or modification of the Plans, other than as expressly permitted hereunder. The Borrower agrees not to assign, pledge, transfer or otherwise encumber its interest in the Plans so long as this Assignment remains in effect.

**4. Appointment of Bank as Attorney in Fact.** The Borrower hereby irrevocably appoints the Bank as its attorney-in-fact, coupled with an interest, to exercise the rights and remedies contained in this Assignment at any time after the occurrence of an Event of Default under the Loans Documents.

**5. Notices.** All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the parties may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purposes in accordance with this section.

**6. Preservation of Rights.** No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity.

**7. Changes in Writing.** No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Assignment will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case will entitle the Borrower to any other or further notice or demand in the same, similar or other circumstance.

**8. Entire Agreement.** This Assignment (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

9. **Successors and Assigns.** This Assignment will be binding upon and inure to the benefit of the Borrower and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Borrower may not assign this Assignment in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Assignment in whole or in part.

10. **Interpretation.** In this Assignment, unless the Bank and the Borrower otherwise agree in writing, the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to articles, sections (or subdivisions of sections) or exhibits are to those of this Assignment; and references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement. Section headings in this Assignment are included for convenience of reference only and shall not constitute a part of this Assignment for any other purpose. Unless otherwise specified in this Assignment, all accounting terms shall be interpreted and all accounting determinations shall be made in accordance with GAAP. If this Assignment is executed by more than one party as Borrower, the obligations of such persons or entities will be joint and several.

11. **Governing Law and Jurisdiction.** This Assignment has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS ASSIGNMENT WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE PARTIES HERETO DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Assignment will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Bank and the Borrower agree that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Assignment.

12. **WAIVER OF JURY TRIAL.** **EACH OF THE BORROWER AND THE BANK IRREVOCABLY WAIVES ANY AND ALL RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS ASSIGNMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS ASSIGNMENT OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE BORROWER AND THE BANK ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.**


**The Borrower acknowledges that it has read and understood all the provisions of this Assignment, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.**

**WITNESS** the due execution hereof as a document under seal, as of the date first written above.

**Witness:**

  
\_\_\_\_\_  
Jane Paftinos, Esq.

**BORROWER:**  
**FAYSON LAKE WATER COMPANY**

By:   
\_\_\_\_\_  
Jeffrey Kalajian, President

**ERRORS AND OMISSIONS  
CORRECTION AGREEMENT**

**LENDER: LAKELAND BANK  
250 OAK RIDGE ROAD  
OAK RIDGE, NEW JERSEY 07438**

**LOAN NUMBER:    LOAN AMOUNT: \$1,415,000.00**

**BORROWER: FAYSON LAKE WATER COMPANY**

**GUARANTOR: FAYSON LAKE COMMUNITY, INC.**

**LOAN DATE: OCTOBER 4, 2023**

For a good and valuable consideration, and as a condition of the extension of credit evidenced by the above reference loan, the Borrower(s) agree, if requested by the Note holder, Lender, Representative or Agent for Lender, and/or Mortgage Broker (herein "Lender") to cooperate as hereinafter set forth.

In the event any of the documents evidencing and/or securing the above referenced loan referred to above misstate or inaccurately reflect the true and correct terms and provisions of the loan, Borrower(s) shall, upon request by Lender and in order to correct such misstatement or inaccuracy, execute such new documents or initial such corrected original documents as Lender may deem necessary to remedy said inaccuracy or mistake.

The agreements contained herein shall apply whether said misstatement or inaccuracy is due to unilateral mistake on the part of the Lender or Borrower(s), mutual mistakes on the part of Lender and Borrower(s), or clerical error on the part of any party to the transaction.

Failure by any party to initial or execute such documents as and when requested hereunder shall constitute a breach of the contractual agreement evidenced hereby and shall also constitute a default under the Note evidencing and Mortgage and/or Security Instrument securing the loan.

This agreement shall be binding on the signatories hereto, their heirs and assigns, and shall inure to the benefit of Lender, its successors and assigns.

Time is of the essence concerning all agreements contained herein.

Dated the 4<sup>th</sup> day of October, 2023

**BORROWER:**  
**FAYSON LAKE WATER COMPANY**

By: Jeffrey Kalajian  
Jeffrey Kalajian, President

**GUARANTOR:**  
**FAYSON LAKE COMMUNITY, INC.**

By: Jeffrey Kalajian  
Jeffrey Kalajian, President



### Banking Resolution

**CUSTOMER**

This Banking Resolution establishes authority to transact business, including but not limited to: the opening, closing and maintenance of savings, checking and other deposit accounts; executing agreements for electronic banking services; and borrowing, pledging collateral, guaranteeing and/or obtaining other financial accommodations from Lakeland Bank (the "Bank") whether secured or unsecured, for the Entity listed below.

RESOLVED, that the Entity shall from time to time enter into such agreements with the Bank as any person(s) named below deems appropriate to facilitate banking services for the management of the Entity's borrowing needs and cash resources.

Entity Name Fayson Lake Community, Inc. which is a

Corporation       Unincorporated Association       Sole Proprietorship       Government/BOE       Trust  
 Limited Liability Company (LLC)       Limited Liability Partnership (LLP)       Partnership       Other \_\_\_\_\_

**RESOLUTIONS**

**IF A CORPORATION:**  
I, James Jacobus, certify that I am Secretary or \_\_\_\_\_ of the above named Corporation organized under the laws of New Jersey, engaged in business under the trade name of Fayson Lake Community, Inc., and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Board of Directors of the Corporation duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A LIMITED LIABILITY COMPANY (LLC):**  
I, \_\_\_\_\_, certify that I am a Manager or Designated Member of the above named Limited Liability Company organized under the laws of \_\_\_\_\_, engaged in business under the trade name of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of all members of the Limited Liability Company, or the person or persons designated by the members of the Limited Liability Company, to manage the Limited Liability Company as provided for in the articles of organization or an operating agreement, duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A PARTNERSHIP, LIMITED PARTNERSHIP OR LIMITED LIABILITY PARTNERSHIP:**  
The above partnership consists of the following partners (or, if a limited partnership or a limited liability partnership, the following general partners):  
\_\_\_\_\_  
\_\_\_\_\_

The above named parties represent that they constitute all of the partners of the partnership designated above, or if a limited partnership or a limited liability partnership constitute all of the general partners of the partnership designated above.

**IF A SOLE PROPRIETORSHIP:**  
I, \_\_\_\_\_, certify that I am the sole owner of the above named sole proprietorship, engaged in business under the trade name of \_\_\_\_\_.

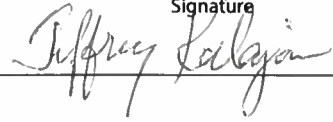
**IF AN UNINCORPORATED ASSOCIATION OR ORGANIZATION:**  
I, \_\_\_\_\_, certify that I am a Secretary or \_\_\_\_\_ of the above named association organized under the laws of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Association duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A MUNICIPALITY OR BOARD OF EDUCATION**  
I, \_\_\_\_\_, certify that I am Clerk/Secretary of the above named (State, County, Municipal) Government Entity/Board of Education organized under the laws of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the board officers duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A TRUST:**  
I, \_\_\_\_\_, certify that I am a current Trustee(s) designated to act on behalf of the above named Trust, which is duly organized, validly existing and in good standing under the laws of \_\_\_\_\_, and is duly qualified, validly existing and in good standing in all jurisdictions where Trust operates, owns or leases property. Trust has the power and authority to provide this Authorization and to carry on Trust's activities as now being conducted.

**IF OTHER:**  
I, \_\_\_\_\_, certify that I am a party designated to act on behalf of the above named entity, which is duly organized, validly existing and in good standing under the laws of \_\_\_\_\_. I have the power and authority to provide this Authorization.

Resolved further, that the appointed Authorized Agents of the Entity are authorized to act on behalf of this Entity as described below, and to do all other acts they deem necessary or appropriate in connection therein as more specifically described later herein, at any time or times with the Bank.  
Resolved further, that the following named individuals are hereby appointed Authorized Agents of the Entity.

Name	Title	Signature
A. Jeffrey Kalajian	President	
B. _____	_____	_____
C. _____	_____	_____
D. _____	_____	_____
E. _____	_____	_____

Resolved further, that said Authorized Agents are authorized, directed and empowered to:


Description of Powers	Authorized Agent(s) (A, B, C, D and/or E)	Number of Agents Required to Exercise Powers
1. Exercise ALL powers listed herein.	A	1
2. Open deposit accounts in the name of the Entity.	_____	_____
3. Authorize individuals, by way of designation on separate account signature card(s), to endorse checks, execute orders of payment, authorize electronic debits and credits, and transfer funds to accounts in the name of the Entity held at the Bank.	_____	_____
4. Execute electronic banking agreements and appoint a designated party to administer electronic banking services and perform requested and approved electronic banking services as indicated in the Bank's Online Banking Agreement, including establishing and maintaining additional users and assigning electronic banking service rights and privileges to those users.	_____	_____
5. Execute and deliver to the Bank such notes and other evidences of indebtedness for any monies borrowed and for any financial accommodation extended, with such interest, and upon such terms, as the Entity and the Bank may agree.	_____	_____
6. Convey, grant, assign, transfer, pledge, mortgage, hypothecate, and deliver by such instruments or otherwise as may be demanded by the Bank, security interests or other liens or encumbrances upon any of the property equity or interests of the Entity whether arising pursuant to this resolution, pursuant to past transactions or pursuant to future transactions between the Entity and the Bank.	_____	_____
7. Perform all other related acts and execute and deliver all other instruments, or contracts, including but not limited to, any indemnification, waiver of Entity rights, warrants of attorney to confess judgment, contracts of surety or guaranty, release of claims, compromises or settlements of claims, subordination agreements, and such extensions, renewals, or substitutions of evidence of indebtedness or collateral as may be required and identified, authorized, and designated by letter or other writing to the Bank.	_____	_____
8. Discount with, negotiate, assign to, or sell to the Bank security agreements, negotiable or non-negotiable instruments, contract rights, chattel paper, subordination agreements, documents, accounts receivable, leases, accounts, and evidences of indebtedness payable to the Entity, upon such terms as may be agreed upon between the Entity and the Bank, and to guarantee the payment of or act as surety for the payment of the same to the Bank.	_____	_____
9. Other _____	_____	_____

Resolved further, that all prior actions of any Authorized Agent of the Entity in negotiating loans with the Bank are hereby ratified and confirmed, that this resolution will be governed by the laws of the State of New Jersey, and this resolution will continue in full force and effect until the Bank shall receive official notice from the Entity of the revocation hereof by a resolution duly adopted by the authorized owners/managers of the Entity.

I, James Jacobus,  Secretary  Partner  Member  Manager  Trustee  Owner of the Entity, do hereby certify that the foregoing is a full, true and correct copy of a resolution of the Board of Directors/Members/Partners/Trustees/Owners of the Entity, duly adopted on this day of October 4, 2023 in accordance with the laws of the State of New Jersey and the organizing documents of the Entity as amended to date.

I further certify that said resolutions are still in full force and effect and have not been amended or revoked, and that the signatures appearing above are of the Authorized Agents authorized to sign on behalf of the Entity by virtue of said resolution.

In witness whereof, I have here on to set my hand as such  Secretary  Partner  Member  Manager  Trustee  Owner of the Entity this 4th day of October, 20 23.

Signature:  Print Name: James Jacobus Title: Secretary

AUTHORIZED INDIVIDUALS



CUSTOMER

This Banking Resolution establishes authority to transact business, including but not limited to: the opening, closing and maintenance of savings, checking and other deposit accounts; executing agreements for electronic banking services; and borrowing, pledging collateral, guaranteeing and/or obtaining other financial accommodations from Lakeland Bank (the "Bank") whether secured or unsecured, for the Entity listed below.

RESOLVED, that the Entity shall from time to time enter into such agreements with the Bank as any person(s) named below deems appropriate to facilitate banking services for the management of the Entity's borrowing needs and cash resources.

Entity Name Fayson Lake Water Company which is a  
 Corporation       Unincorporated Association       Sole Proprietorship       Government/BOE       Trust  
 Limited Liability Company (LLC)       Limited Liability Partnership (LLP)       Partnership       Other \_\_\_\_\_

RESOLUTIONS

**IF A CORPORATION:**

I, James Jacobus, certify that I am Secretary or \_\_\_\_\_ of the above named Corporation organized under the laws of New Jersey, engaged in business under the trade name of Fayson Lake Water Company, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Board of Directors of the Corporation duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A LIMITED LIABILITY COMPANY (LLC):**

I, \_\_\_\_\_, certify that I am a Manager or Designated Member of the above named Limited Liability Company organized under the laws of \_\_\_\_\_, engaged in business under the trade name of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of all members of the Limited Liability Company, or the person or persons designated by the members of the Limited Liability Company, to manage the Limited Liability Company as provided for in the articles of organization or an operating agreement, duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A PARTNERSHIP, LIMITED PARTNERSHIP OR LIMITED LIABILITY PARTNERSHIP:**

The above partnership consists of the following partners (or, if a limited partnership or a limited liability partnership, the following general partners):  
 \_\_\_\_\_

The above named parties represent that they constitute all of the partners of the partnership designated above, or if a limited partnership or a limited liability partnership constitute all of the general partners of the partnership designated above.

**IF A SOLE PROPRIETORSHIP:**

I, \_\_\_\_\_, certify that I am the sole owner of the above named sole proprietorship, engaged in business under the trade name of \_\_\_\_\_.

**IF AN UNINCORPORATED ASSOCIATION OR ORGANIZATION:**

I, \_\_\_\_\_, certify that I am a Secretary or \_\_\_\_\_ of the above named association organized under the laws of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Association duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

**IF A MUNICIPALITY OR BOARD OF EDUCATION**

I, \_\_\_\_\_, certify that I am Clerk/Secretary of the above named (State, County, Municipal) Government Entity/Board of Education organized under the laws of \_\_\_\_\_, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the board officers duly and properly called and held on \_\_\_\_\_. These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

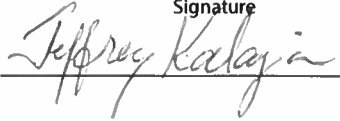
**IF A TRUST:**

I, \_\_\_\_\_, certify that I am a current Trustee(s) designated to act on behalf of the above named Trust, which is duly organized, validly existing and in good standing under the laws of \_\_\_\_\_, and is duly qualified, validly existing and in good standing in all jurisdictions where Trust operates, owns or leases property. Trust has the power and authority to provide this Authorization and to carry on Trust's activities as now being conducted.

**IF OTHER:**

I, \_\_\_\_\_, certify that I am a party designated to act on behalf of the above named entity, which is duly organized, validly existing and in good standing under the laws of \_\_\_\_\_. I have the power and authority to provide this Authorization.

Resolved further, that the appointed Authorized Agents of the Entity are authorized to act on behalf of this Entity as described below, and to do all other acts they deem necessary or appropriate in connection therein as more specifically described later herein, at any time or times with the Bank.  
Resolved further, that the following named individuals are hereby appointed Authorized Agents of the Entity.

Name	Title	Signature
A. <u>Jeffrey Kalajian</u>	<u>President</u>	
B. _____	_____	_____
C. _____	_____	_____
D. _____	_____	_____
E. _____	_____	_____

Resolved further, that said Authorized Agents are authorized, directed and empowered to:

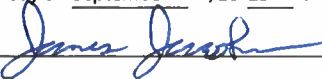
Description of Powers	Authorized Agent(s) (A, B, C, D and/or E)	Number of Agents Required to Exercise Powers
1. Exercise ALL powers listed herein.	<u>A</u>	<u>1</u>
2. Open deposit accounts in the name of the Entity.	_____	_____
3. Authorize individuals, by way of designation on separate account signature card(s), to endorse checks, execute orders of payment, authorize electronic debits and credits, and transfer funds to accounts in the name of the Entity held at the Bank.	_____	_____
4. Execute electronic banking agreements and appoint a designated party to administer electronic banking services and perform requested and approved electronic banking services as indicated in the Bank's Online Banking Agreement, including establishing and maintaining additional users and assigning electronic banking service rights and privileges to those users.	_____	_____
5. Execute and deliver to the Bank such notes and other evidences of indebtedness for any monies borrowed and for any financial accommodation extended, with such interest, and upon such terms, as the Entity and the Bank may agree.	_____	_____
6. Convey, grant, assign, transfer, pledge, mortgage, hypothecate, and deliver by such instruments or otherwise as may be demanded by the Bank, security interests or other liens or encumbrances upon any of the property equity or interests of the Entity whether arising pursuant to this resolution, pursuant to past transactions or pursuant to future transactions between the Entity and the Bank.	_____	_____
7. Perform all other related acts and execute and deliver all other instruments, or contracts, including but not limited to, any indemnification, waiver of Entity rights, warrants of attorney to confess judgment, contracts of surety or guaranty, release of claims, compromises or settlements of claims, subordination agreements, and such extensions, renewals, or substitutions of evidence of indebtedness or collateral as may be required and identified, authorized, and designated by letter or other writing to the Bank.	_____	_____
8. Discount with, negotiate, assign to, or sell to the Bank security agreements, negotiable or non-negotiable instruments, contract rights, chattel paper, subordination agreements, documents, accounts receivable, leases, accounts, and evidences of indebtedness payable to the Entity, upon such terms as may be agreed upon between the Entity and the Bank, and to guarantee the payment of or act as surety for the payment of the same to the Bank.	_____	_____
9. Other _____	_____	_____

Resolved further, that all prior actions of any Authorized Agent of the Entity in negotiating loans with the Bank are hereby ratified and confirmed, that this resolution will be governed by the laws of the State of New Jersey, and this resolution will continue in full force and effect until the Bank shall receive official notice from the Entity of the revocation hereof by a resolution duly adopted by the authorized owners/managers of the Entity.

I, James Jacobus,  Secretary  Partner  Member  Manager  Trustee  Owner of the Entity, do hereby certify that the foregoing is a full, true and correct copy of a resolution of the Board of Directors/Members/Partners/Trustees/Owners of the Entity, duly adopted on this day of September 11, 2023 in accordance with the laws of the State of New Jersey and the organizing documents of the Entity as amended to date.

I further certify that said resolutions are still in full force and effect and have not been amended or revoked, and that the signatures appearing above are of the Authorized Agents authorized to sign on behalf of the Entity by virtue of said resolution.

In witness whereof, I have here on to set my hand as such  Secretary  Partner  Member  Manager  Trustee  Owner of the Entity this 11th day of September, 2023.

Signature:  Print Name: James Jacobus Title: Secretary

AUTHORIZED INDIVIDUALS

**AGREEMENT TO PROVIDE INSURANCE  
\$1,415,000.00 COMMERCIAL MORTGAGE LOAN**

**Insurance Requirements.** FAYSON LAKE WATER COMPANY as (“Borrower”) and FAYSON LAKE COMMUNITY, INC. as (“Grantor”) understand that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodation to Borrower by Lakeland Bank (“Lender”). These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the “Collateral”).

Property Address: 160 Boonton Avenue, Kinnelon, New Jersey – General Liability naming Lakeland Bank as Additional Insured.

Property Address: 160 Boonton Avenue, Kinnelon, New Jersey – Property Insurance (hazard) naming Lakeland Bank as Lender’s Loss Payee.

**Insurance Company.** Borrower may obtain insurance from any insurance company that is acceptable to Lender.

**Failure to Provide Insurance.** Borrower agrees to deliver to Lender, evidence of the required insurance as provided above, with an effective date of the Promissory Note or earlier. Borrower acknowledges and agrees that if Borrower fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Borrower’s expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. BORROWER ACKNOWLEDGES THAT IF LENDER SO PURCHASED ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, BORROWER’S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

**Authorization.** For purposes of insurance coverage on the Collateral, Borrower authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the collateral, the loan or other financial accommodations, or both.

Borrower acknowledges having read all the provisions of this agreement to provide insurance and agrees to its terms. This agreement is dated October 4, 2023.

**Borrower:**

**FAYSON LAKE WATER COMPANY**

By: Jeffrey Kalajian  
Jeffrey Kalajian, President

**Grantor:**

**FAYSON LAKE COMMUNITY, INC.**

By: Jeffrey Kalajian  
Jeffrey Kalajian, President

## CLOSING STATEMENT

**BORROWER:** **FAYSON LAKE WATER COMPANY**  
**CLOSING DATE:** **October 4, 2023**  
**LOAN AMOUNT:** **\$1,415,000**  
**LENDER:** **Lakeland Bank**  
**SETTLEMENT AGENT:** **Jane Paftinos, Esq.**  
**PLACE OF SETTLEMENT:** **4 Second Ave, Suite 204, Denville, New Jersey**

Cost, Fees and Invoices:

Lakeland Bank <i>(Loan Origination Fee)</i>	\$7,075.00
Lakeland Bank <i>(Plan &amp; Cost Review)</i>	\$1,000.00
Jane Paftinos, Esq. <i>(Bank Attorney Fee)</i>	\$6,000.00
<b>TOTAL:</b>	<b>\$14,075.00</b>

**BORROWER:**  
**FAYSON LAKE WATER COMPANY**

By:   
Jeffrey Kalajian  
Title: President

C

**FAYSON LAKE WATER COMPANY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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**FAYSON LAKE WATER COMPANY  
FINANCIAL STATEMENTS**

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**WIELKOTZ & COMPANY** LLC  
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA  
MATTHEW B. WIELKOTZ, CPA, PSA  
PAUL J. CUVA, CPA, RMA, PSA  
JAMES J. CERULLO, CPA, RMA, PSA  
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WWW.W-CPA.COM

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Fayson Lake Water Company

**Report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Fayson Lake Water Company, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of Fayson Lake Water Company as of December 31, 2023 and 2022, and the results of their operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fayson Lake Water Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.





## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fayson Lake Water Company's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fayson Lakes Water Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Wielkocz & Company, LLC*

WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

February 5, 2024



**FAYSON LAKE WATER COMPANY  
BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$145,750	\$173,191
Accounts receivable (net of allowance for doubtful accounts)	159,850	164,093
Prepaid Federal Income Taxes	14,073	15,395
Intercompany Loan Receivable FLCI	94,000	100,000
Total Current Assets	<u>413,673</u>	<u>452,679</u>
<b>PROPERTY, PLANT AND EQUIPMENT - NET</b>	<u>2,531,369</u>	<u>2,018,247</u>
Other Deferred Debits- Preliminary Survey, Investigative Plans and Costs	<u>166,559</u>	<u>166,559</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,111,601</u></u>	<u><u>\$2,637,485</u></u>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Note payable	\$641,580	\$97,260
Accrued taxes	1,638	1,182
Accounts payable	38,306	11,476
Total Current Liabilities	<u>681,524</u>	<u>109,918</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable	621,818	722,913
Deferred revenue	35,937	59,895
Total Long-term Liabilities	<u>657,755</u>	<u>782,808</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock - no par; 2,500 shares authorized, 100 shares issued and outstanding	88,000	88,000
Additional paid-in capital	798,874	798,874
Retained Earnings	885,448	857,885
Total Stockholders' Equity	<u>1,772,322</u>	<u>1,744,759</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$3,111,601</u></u>	<u><u>\$2,637,485</u></u>

The accompanying Notes to Financial Statements  
are an integral part of these financial statements.

**FAYSON LAKE WATER COMPANY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
OPERATING REVENUES	\$828,157	\$867,634
PLANT OPERATION AND MAINTENANCE EXPENSES		
Salaries	160,356	116,000
Utilities	38,882	42,031
Repairs and maintenance	47,068	74,647
Chemicals	8,097	6,855
Water Analysis	12,252	10,842
Auto and truck expense	3,959	3,233
Depreciation and amortization	127,023	128,666
Total Plant Operation and Maintenance Expenses	397,637	382,274
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries	1,920	1,760
Franchise gross receipts and excise taxes	94,711	97,394
Real estate and water taxes	21,432	22,342
Payroll, other taxes, and licenses	34,512	25,181
Professional fees	23,506	18,500
Contract management and outside services	93,823	78,433
Office supplies and general expenses	23,195	28,005
Insurance	61,224	61,925
Pension	3,541	3,812
Bad Debt Expense		4,791
Miscellaneous expense	3,727	3,039
	361,591	345,182
TOTAL EXPENSES	759,228	727,456
OPERATING INCOME	68,929	140,178
NON-OPERATING INCOME (EXPENSE)		
Interest and other income	29	29
Interest expense	(34,068)	(38,357)
Total Other Income (Expense)	(34,039)	(38,328)
NET INCOME BEFORE INCOME TAXES	34,890	101,850
INCOME TAXES	(7,327)	(21,389)
NET INCOME	\$27,563	\$80,461

The accompanying Notes to Financial Statements  
are an integral part of these financial statements.

**FAYSON LAKE WATER COMPANY**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
<b>Stockholders Equity - December 31,2021</b>	\$88,000	\$798,874	\$777,424	\$1,664,298
Net Income\Loss)			80,461	\$80,461
<b>Stockholders Equity - December 31,2022</b>	<u>88,000</u>	<u>798,874</u>	<u>857,885</u>	<u>1,744,759</u>
Net Income\Loss)			27,563	27,563
<b>Stockholders Equity - December 31,2023</b>	<u><u>\$88,000</u></u>	<u><u>\$798,874</u></u>	<u><u>\$885,448</u></u>	<u><u>\$1,772,322</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**FAYSON LAKE WATER COMPANY**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Net Income/(Loss)	\$27,563	\$80,461
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	127,023	128,666
Changes in assets and liabilities affecting operations:		
Accounts receivable	4,243	6,796
Prepaid Federal Income Taxes	1,322	(15,395)
Intercompany loan payable	6,000	
Accounts payable	26,830	(1,476)
Accrued taxes	456	(19,420)
Deferred Revenue	(23,958)	(23,958)
Net Cash Provided by Operating Activities	169,479	155,674
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</b>		
Capital expenditures	(640,145)	2,779
Net Cash Provided by (Used For) Investing Activities	(640,145)	2,779
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</b>		
Notes payable	443,225	(92,586)
Net Cash Provided by (Used For) Financing Activities	443,225	(92,586)
NET (DECREASE) INCREASE IN CASH	(27,441)	65,867
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	173,191	107,324
CASH AND CASH EQUIVALENTS, END OF YEAR	\$145,750	\$173,191
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Income Taxes Paid	(\$7,327)	(\$21,389)
Interest Paid	(\$34,068)	(\$38,357)

The accompanying Notes to Financial Statements  
are an integral part of these financial statements.

**FAYSON LAKE WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 1 - DESCRIPTION OF BUSINESS**

**Nature of Activities**

The Fayson Lake Water Company (the "Company") is a privately owned water utility which provides water services to the communities of Fayson Lakes, Lynnview, Stonybrook, Highlands, Round Hill, Saw Mill Estates Section I, II and III, Crispin Woods, Summerdowne One, Forest Ridge Estates and Kayhart Drive/Hidden Acres Drive and Rainetree areas of the Borough of Kinnelon, Morris County, New Jersey.

The Company is wholly owned by Fayson Lake Community, Inc. ("FLCI"), its parent Company.

The Company is regulated by the Board of Public Utilities and the State of New Jersey Statutes.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These financial statements include the accounts of the Company. The Company's accounting policies comply with the uniform system of accounts prescribed by the New Jersey Board of Public Utilities ("BPU") and conform to accounting principles generally accepted in the United States of America ("GAAP"), as applied to rate regulated utilities. The Company follows Accounting Standards Codification topic ("ASC") 980, Regulated Operations. ASC 980 sets forth the accounting for the effects of certain types of regulation, including the recognition of regulatory assets and liabilities that are allowed by state regulators and are considered probable of recovery or refund.

**Accrual Basis**

The Company's financial statements conform to GAAP in which it reports income and expenses on the accrual basis of accounting, that is, income is recorded when earned and expenses when incurred.

**Property, Plant and Equipment**

Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the related assets. Maintenance and repairs are charged to appropriate expense accounts in the period incurred. Cost of major replacements and renewals are capitalized. Upon retirement or other disposition of equipment and improvements, the costs and related depreciation are removed from the respective accounts and any gain or loss is recognized.

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Property, Plant and Equipment, (continued)**

Buildings are being depreciated on the straight-line basis. All other property and equipment is depreciated on the straight-line method.

**Inventories of Supplies**

The costs of inventories of supplies are recorded as expenditures at the time individual items are purchased.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of highly liquid investments with an initial maturity of three months or less. Fair value approximates the carrying amounts.

**Allowance for Doubtful Receivables**

At each reporting date, the Company evaluates the recoverability of customer receivables and record allowances for doubtful receivables based on experience. These allowances are based on, amongst other things, customer category and consideration of actual collection history. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

**Deferred Revenue**

The Company reports advances of cell tower revenue for T-Mobile as deferred revenue as a liability and realizes the revenue over a period of the cell tower lease term.

**Accounts Receivable**

Accounts receivable are measured at fair value, less any impairment for irrecoverable amounts. Estimated irrecoverable amounts are based on historical experience of the receivables balance.

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**Use of Estimates**

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period could be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

**New Accounting Pronouncements**

The Company has reviewed all new Financial Accounting Standards Board Pronouncements and has determined there is no Pronouncements that would have a material impact on the Company's financial statements.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

As of December 31, 2023, cash and cash equivalents of the Fayson Lake Water Company consisted of the following:

	<u>Cash and Cash Equivalents</u>
Checking Account	88,055
Business Savings Account	<u>57,695</u>
	<u>\$145,750</u>



**FAYSON LAKE WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(continued)**

**NOTE 3 - CASH AND CASH EQUIVALENTS, (continued)**

During the period ended December 31, 2023 the Company did not hold any investments. The carrying amount of the Authority's cash and cash equivalents at December 31, 2023 was \$145,750 and the bank balance was \$145,750. The Federal Depository Insurance Corporation insures \$250,000 of this balance and \$-0- was uninsured.

The Company deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

Category 1 - Insured or collateralized with securities held by the Company or its agent in the Company's name.

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or agent in the Company's name.

Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Company's name.

	Category			<u>Carrying Amount</u>	<u>Fair Value</u>
	(1)	(2)	(3)		
Deposits	\$88,055			\$88,055	\$88,055
Business Savings Account	<u>57,695</u>			<u>57,695</u>	<u>57,695</u>
	<u>\$145,750</u>	<u>\$</u>	<u>\$</u>	<u>\$145,750</u>	<u>\$145,750</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of the following:

	<u>2023</u>	<u>2022</u>
Customer:		
Accounts Receivable - billed	\$165,459	\$175,516
Less: Allowance for Doubtful Receivables	<u>(5,609)</u>	<u>(11,423)</u>
Customer Accounts Receivable, Net	<u>\$159,850</u>	<u>\$164,093</u>

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 4 - ACCOUNTS RECEIVABLE, (continued)**

The Company's policy is to bill customers quarterly on the first (1st) of April, July, October and December.

The Company's policy on bad debts specifies that uncollectible accounts are to be directly written-off against accounts receivable as the accounts are determined by management to be uncollectible. The allowance for doubtful accounts was \$5,609 at December 31, 2023 and \$11,423 at December 31, 2022.

**NOTE 5 - INTERCOMPANY LOAN RECEIVABLE-FLCI**

The Company made a loan to the Company's Parent FLCI in the amount of \$94,000.

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, stated at cost less accumulated depreciation and amortization is comprised of the following:

	Balance Dec. 31, <u>2022</u>	Additions	Deletions	Balance Dec. 31, <u>2023</u>
Buildings	\$128,192	\$	\$	\$128,192
Wells and springs	440,418			440,418
Transmission and distribution system	2,878,564			2,878,564
Office equipment	38,882			38,882
Trucks	34,662			34,662
Telemetry and Other Equipment	357,530	71,308		428,838
Capitalized rate case	90,936			90,936
Water Tank	<u>365,045</u>			<u>365,045</u>
Total Cost	4,334,229	<u>71,308</u>	<u>      </u>	4,405,537
Less: Accumulated depreciation and amortization	<u>2,335,649</u>	<u>127,023</u>	<u>      </u>	<u>2,462,672</u>
	1,998,580	(55,715)		1,942,865
Construction in Process		568,837		568,837
Land	<u>19,667</u>	<u>      </u>	<u>      </u>	<u>19,667</u>
Property and Equipment - Net	<u>\$2,018,247</u>	<u>\$513,122</u>	<u>\$0</u>	<u>\$2,531,369</u>

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT, (continued)**

	<u>Balance</u> <u>Dec. 31,</u> <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31,</u> <u>2022</u>
Buildings	\$128,192	\$	\$	\$128,192
Wells and springs	440,418			440,418
Transmission and distribution system	2,878,564			2,878,564
Office equipment	38,882			38,882
Trucks	34,662			34,662
Telemetry and Other Equipment	357,530			357,530
Capitalized rate case	90,936			90,936
Water Tank	<u>365,045</u>	<u>      </u>	<u>      </u>	<u>365,045</u>
Total Cost	4,334,229	0		4,334,229
Less: Accumulated depreciation and amortization	<u>2,206,982</u>	<u>128,667</u>	<u>      </u>	<u>2,335,649</u>
	2,127,247	(128,667)		1,998,580
Construction in Process	2,778		2,778	0
Land	<u>19,667</u>	<u>      </u>	<u>      </u>	<u>19,667</u>
Property and Equipment - Net	<u>\$2,149,692</u>	<u>(\$128,667)</u>	<u>\$2,778</u>	<u>\$2,018,247</u>

Fayson Lake Water Company is depreciating its property and equipment using the methods and useful lives described below:

	<u>Method</u>	<u>Life (Years)</u>
Water Tank	Straight Line	25
Water Mains and Wells	Straight Line	25-40
Plant Improvements	Straight Line	25-39
Telemetry and Other Equipment	Straight Line	5-10
Truck	Straight Line	5
Meters	Straight Line	10

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 7 - OTHER DEFERRED DEBITS**

The Company has incurred preliminary survey, investigative and planning costs related to the Galloway Water Storage Tank Project in the amount of \$166,659. These costs were previously listed as regulatory assets; however, after conferring with BPU, they were reclassified as per the September 13, 2018 Stipulation of Settlement.

**NOTE 8 - NOTE PAYABLE**

Changes in note payable amounts for the year were as follows:

	Balance Dec. 31, <u>2022</u>	<u>Additions</u>	<u>Payments</u>	Balance Dec. 31, <u>2023</u>	Current <u>Portion</u>
Long-term debt:					
Notes payable:					
Lakeland Bank	<u>\$820,173</u>	<u>\$540,000</u>	<u>\$96,775</u>	<u>\$1,263,398</u>	<u>\$641,580</u>
Total notes payable	<u>\$820,173</u>	<u>\$ -0-</u>	<u>\$96,775</u>	<u>\$1,263,398</u>	<u>\$641,580</u>
	Balance Dec. 31, <u>2021</u>	<u>Additions</u>	<u>Payments</u>	Balance Dec. 31, <u>2022</u>	Current <u>Portion</u>
Long-term debt:					
Notes payable:					
Lakeland Bank	<u>\$912,759</u>	<u>\$ -0-</u>	<u>\$92,586</u>	<u>\$820,173</u>	<u>\$97,260</u>
Total notes payable	<u>\$912,759</u>	<u>\$ -0-</u>	<u>\$92,586</u>	<u>\$820,173</u>	<u>\$97,260</u>

**Long-term Note**

On April 7, 2016, the Company converted its short-term note to permanent financing with Lakeland Bank (formerly Highlands State Bank). The permanent note was issued to refinance its existing note and provide permanent financing of its capital projects. The note was for an amount not to exceed \$1,550,000. The note was made in advances drawn down by the Company. At April 7, 2015, the Company had requested \$1,416,285 in advances.

The Company has elected to convert the note to a fifteen year permanent loan.

The term of the Permanent Portion of the Note is for fifteen (15) years.

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 8 - NOTE PAYABLE, (continued)**

The initial interest rate of 5.04% on the Permanent Note was fixed thirty (30) days prior to the conversion date of the Construction Loan to the Permanent Note based on the Index (as defined below) plus three hundred basis points (300) with the resulting number being rounded up to the nearest one-eighth of one percentage point (0.125) and was based upon an amortization over the remaining term of the Permanent Note. The initial monthly payment of principal and interest will be payable commencing the first day of the second month immediately following the conversion date of the Construction Loan to a Permanent Note (herein "Initial Payment Date of the Permanent Note").

The interest rate and the amount of the monthly payment will be reset on the first day of the Fifty-ninth (59<sup>th</sup>) month following the Initial Payment Date of the Permanent Note and on the five (5) year anniversary date thereafter (such date being called a "Change Date"). The adjusted interest rate and monthly principal and interest payments shall be based on the Index (as defined below) as of thirty (30) days prior to each Change Date plus three hundred basis points (300) ("Margin"), with the resulting interest rate being rounded up to the nearest one-eighth of one percentage point (0.125%) with principal payments based upon an amortization over the remaining term of the Permanent Note portion of the Note.

The "Index" is the Federal Home Loan Bank of New York fixed rate advanced for five (5) year maturity.

Interest shall be calculated on the basis of a year of three hundred sixty (360) days comprised of twelve (12) thirty (30) day months.

The term of the Permanent portion of the Note shall expire fifteen (15) years from the Initial Payment Date of the Permanent Note when all remaining principal and accrued interest and all other sums owing under this Note and the Mortgage securing same shall be due and payable in full.

The long-term note matures on April 1, 2030.

On April 1, 2020, the interest rate on the Note decreased to 4.375%.

**FAYSON LAKE WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(continued)**

**NOTE 8 - NOTE PAYABLE, (continued)**

Presented below is a summary of the next five years annual debt service payments:

<u>Year</u>	Lakeland Bank <u>Amount</u>	<u>Total</u>
2023	\$131,208	\$131,208
2024	131,208	131,208
2025	131,208	131,208
2026	131,208	131,208
2027	131,208	131,208

The Lakeland Bank loans are secured by liens on the land, buildings, water rents and rights, leases, fixtures and other property of the Company.

Short-term Note

The Company issued a Note on October 4, 2023 in an amount up to \$1,415,000 to finance the costs of the construction and installation of a new 8" and 6" water main replacement for Fayson Lake Community.

The loan is for a period of 16 years with an initial 12 month construction period followed by a 15 year term loan. The rate on the construction loan is 8.25% which is being drawn down as the cost of construction is being paid, as of December 31, 2023 the Company had received \$540,000 of loan proceeds. The Company is currently only paying interest on the outstanding amount. This interest is being capitalized into the cost of the construction project until the project is completed.

Once the project is completed the loan will convert to a term loan with interest for the first five years equal to the Five-Year United States Treasury Note rounded up to the nearest one-eighth of one percent plus 300 basis points. The rate is subject to change every five years thereafter at the same rate calculated for the initial payment period.

The loan is security by UCC-1 against all tangible, intangible and personal property owned or hereafter acquired to encompass all business assets including but not limited to accounts receivables, equipment, machinery, furniture, fixtures, etc.

During the term of the loan the Company shall maintain a Debt Service Ratio Coverage of 1.2:1.0 calculated on net earnings before taxes excluding any gain or loss from extraordinary items plus interest expense, depreciation, amortization minus cash taxes divided by debt service payments and any additional debt associated with the property.

**FAYSON LAKE WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**  
**(continued)**

**NOTE 9 - INCOME TAXES**

The Company is taxed as a corporation for federal income tax purposes and is exempt from New Jersey Corporation Business Income Taxes. The exemption is the result of the Company being assessed a franchise and gross receipts tax based on gross receipts.

The Company overpaid their federal income taxes for 2023 in the amount of \$14,073. This overpayment is being applied to the 2023 federal income taxes and is being shown as prepaid on the December 31, 2023 Balance Sheet.

The Company's tax returns are subject to examination, generally three years after they are filed. As of December 31, 2023, the tax years 2023, 2022, 2021 and 2020 were subject to examination by taxing authorities.

**NOTE 10 - PENSION PLAN**

The Company has a Simple IRA Plan matching contribution is 100% up to the first 3% of pay. The Company contributed \$3,541 to the plan for 2023.

Employees contributions are always immediately 100% vested. Employer matching and/or profit-sharing contributions are subject to the following schedule:

<u>Years of Service</u>	<u>Vested %</u>
Less than 1	0%
1+ years	100%

**FAYSON LAKE WATER COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(continued)**

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

The Company has entered into a contract for the Water Main Replacement in the amount of \$1,280,000. During 2023 the Company paid the contractor \$540,000 leaving a balance outstanding in the amount of \$740,000. The project is nearly completed and is being financed by the short term construction note proceeds.

There is no known litigation that would have a material effect on the statements of the Company.

**NOTE 12 - RELATED-PARTY TRANSACTIONS**

During the year, the Company paid \$44,000 to four Officers of Fayson Lake Community, Inc., the parent company of Fayson Lake Water Company, for management services related to the operations of the Company. In addition Fayson Lake Community Inc. has received \$24,000 in management fees from Fayson Lake Water Company.

The Company has also awarded the Water Main Construction Replacement contract to a Corporation that is owned by former Officers and current shareholders of it's Parent Company Fayson Lakes Community Inc.

**NOTE 13 - SUBSEQUENT EVENTS**

The Company is in the process of preparing a rate petition to the Board of Public Utilities for the increase in operating and capital costs since its last rate increase of September 17, 2018.

The Company has evaluated subsequent events through February 5, 2024 the date which the financial statements were available to be issued.



**I/M/O the Petition of Fayson Lake Water Company for  
Approval of Financing Petition**

**BPU Docket No.-----**

**FAYSON LAKE WATER COMPANY**

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