

GRANITE STATE ELECTRIC COMPANY

**STATEMENT OF UNANIMOUS CONSENT
TO ACTION TAKEN IN LIEU OF
A SPECIAL MEETING OF THE BOARD OF DIRECTORS**

July 6, 2012

In lieu of a special meeting of the Board of Directors of Granite State Electric Company, a New Hampshire corporation (the "Corporation"), the undersigned, being all of the duly elected directors of the Corporation (the "Board"), do hereby consent to the adoption of, and do hereby adopt, the following resolutions as the actions of the Board, with the same force and effect as if such resolutions had been duly adopted at a meeting of the Board duly called for such purpose:

WHEREAS, it is proposed that the Corporation issue an unsecured promissory note to its affiliate, Liberty Utilities Co., in the form attached hereto as Exhibit A for a maximum principal amount of US\$20 million (the "Note"); and

WHEREAS, the Board deems it advisable and in the best interests of the Corporation for the Corporation to issue the Note;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the issuance of the Note, for a maximum principal amount not to exceed US\$20 million, with the final actual principal amount to be determined by any officer of the Corporation; and


FURTHER RESOLVED, that the officers of the Corporation be, and each hereby is, authorized and empowered, in the name of and on behalf of the Corporation, to execute, deliver, file, and register the Note and such further agreements, certificates, instruments, and other documents, and to take or cause to be taken such other actions, as they or any of them in their sole discretion consider necessary, advisable, or appropriate to carry out the purpose and intent of these resolutions; and

FURTHER RESOLVED, that all acts performed and all agreements, certificates, instruments, and other documents executed, delivered, filed, or registered prior to the date of these resolutions for, in the name of, or on behalf of the Corporation by the directors or officers of the Corporation, or any of them, relating to the purpose and intent of these resolutions are hereby ratified, confirmed, and approved in all respects; and

FURTHER RESOLVED, that this Statement of Unanimous Consent may be executed in multiple counterparts, each of which may be delivered by facsimile or other means of electronic transmission and shall be deemed to be an original, but all of which, when taken together, shall be one and the same document.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being all of the directors of the Corporation have executed this unanimous consent as of the date first above written.



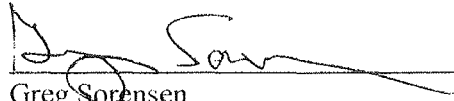
Ian Robertson

Greg Sorenson

Victor Del Vecchio

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Ian Robertson

Greg Sorenson



Victor Del Vecchio

Exhibit A

Promissory Note

(attached)

PROMISSORY NOTE

\$ _____

[Date _____]

FOR VALUE RECEIVED _____, a _____ duly organized under the laws of the State of _____ ("Borrower"), hereby promises to pay to the order of LIBERTY UTILITIES CO., or registered assigns (the "Lender") the principal sum of [\$ _____] (the "Loan"), together with interest on the outstanding principal balance as set forth herein.

1. Interest Rate. Interest on the principal balance of the Loan shall accrue at a rate of [_____] per annum (the "Interest Rate"). The Interest Rate shall be equal to (a) the interest rate payable on the Series A ____% Senior Notes due 20__ (the "Liberty Notes") issued by Liberty Utilities Finance GP1 ("Issuer") and guaranteed by Lender pursuant to the terms of that certain Indenture by and among Issuer, as issuer, Lender, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee, dated as of _____, 2012 and that certain First Supplemental Indenture by and among the same parties dated as of _____, 2012 (collectively, the "Indenture").

2. Issuance Costs. On the execution date of this promissory note, Borrower shall pay to Lender a lump sum amount of [____], which shall be equal to the issuance costs incurred by Issuer on the Loan.

3. Payments.

a. Unless payable earlier as provided herein, the entire outstanding principal balance of the Loan, all accrued and unpaid interest thereon and any other amounts due and owing under this Promissory Note shall be due and payable on _____, which date shall be the same date as the Stated Maturity of the Liberty Notes as defined in the Indenture.

b. Interest on the Loan shall be payable beginning on _____ and thereafter shall be payable semi-annually on _____ and _____ in each year, commencing _____ ("Interest Payment Dates"), which Interest Payment Dates shall correspond to the dates on which interest is payable on the Liberty Notes. Interest on this Promissory Note will be computed on the basis of a 360-day year comprised of twelve 30-day months.

c. Payments on this Promissory Note shall be made in lawful money of the United States of America at the offices of Lender at _____ or at such other place or places as the holder hereof may from time to time designate in writing.

4. Prepayment.

a. If at any time Issuer is required or elects to redeem all or any portion of the Liberty Notes pursuant to the terms thereof, Lender may, at Lender's sole option, demand, and Borrower shall make, a prepayment of a corresponding amount of the principal balance of the Loan (which may be all or any portion of the outstanding principal balance thereof).

b. Any prepayment of the Loan pursuant to this Section 4 shall be accompanied by payment of all accrued but unpaid interest on the principal amount so prepaid.

5. Use of Proceeds. Borrower may use the proceeds of the Loan for acquisitions and for general corporate purposes.

6. Default Interest Rate. If any principal of or interest on any Loan or any other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to the greater of (a) the Interest Rate plus 2.0% or (b) the Prime Rate plus 2.0%, as calculated by Issuer. For purposes hereof, the "Prime Rate" shall mean the rate of interest publicly announced by J.P. Morgan Securities LLC from time to time in New York, New York as its "base" or "prime" rate.

7. Events of Default. If any of the following events ("Events of Default") shall occur:

a. the Borrower shall fail to pay any principal of the Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise and such failure shall continue unremedied for a period of one Business Day;

b. the Borrower shall fail to pay any interest on the Loan or any other amount (other than an amount referred to in clause (a) of this section) payable under this promissory note, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

c. an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking: (i) liquidation, reorganization or other relief in respect of the Borrower or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect; or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

d. the Borrower shall: (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect; (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (c) of this Section; (iii) apply for or consent to

the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or for a substantial part of its assets; (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding; (v) make a general assignment for the benefit of creditors; or (vi) take any action for the purpose of effecting any of the foregoing; or

e. the Borrower shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

then Lender may declare the entire principal amount of the Loan then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loan so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (c) or (d) of this section, the principal of the Loan then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. For purposes hereof, the term "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

8. Notices.

a. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to Lender, to it at Liberty Utilities Co., 2865 Bristol Circle, Oakville, Ontario L6H 7H7, Attention of Treasurer (Telecopy No. 905-465-4514) and General Counsel (Telecopy No. 905-287-2062);

(ii) if to Borrower, to it at [_____]:

b. Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this promissory note shall be deemed to have been given on the date of receipt.

9. Usury Savings Clause. Notwithstanding anything herein to the contrary, if at any time the Interest Rate applicable to the Loan, together with all fees, charges and other amounts which are treated as interest on the Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding the Loan in accordance with applicable law, the rate of interest payable in respect of the Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate.

10. Severability. Any provision of this promissory note held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

11. Waivers. No failure or delay by the Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have.

12. Amendment. This promissory note may only be changed, modified or otherwise amended by a writing executed by both Borrower and Lender.

13. Costs and Expenses. Borrower agrees to pay on all costs and expenses of Lender, if any, including counsel fees and expenses, incurred in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this promissory note.

14. Governing Law. This promissory note shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of law except Section 5-1401 of the New York General Obligations Law.

15. Successors and Assigns. This promissory note shall be binding upon Borrower and its successors, and shall inure to the benefit of Lender and its successors and permitted assigns. Borrower may not assign its obligations under this Promissory Note without Lender's prior written consent (and any attempted assignment or transfer by the Borrower without such consent shall be null and void).

[Intentionally left blank]

IN WITNESS WHEREOF, the Borrower has caused this instrument to be duly executed.

[BORROWER]

By: _____
Name: _____
Title _____