

**ASSET PURCHASE AND SALE AGREEMENT**

By and Between

**Niagara Mohawk Power Corporation**, as Seller

And

**Village of Churchville**, as Buyer

Dated as of April \_\_ 2011

## ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of April \_\_\_\_, 2011 by and between **Niagara Mohawk Power Corporation** d/b/a National Grid, a New York corporation ("National Grid" or "Seller") and the **Village of Churchville**, a New York municipal corporation (the "Buyer" or "Churchville"). National Grid and Buyer are each a "Party" and are, collectively, the "Parties" hereto.

WHEREAS, Buyer wishes to purchase, and National Grid is willing to sell, the assets identified on Exhibit A attached hereto and made a part hereof (the "Assets"), presently located at Churchville, New York (the "Location"), subject to the terms of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, National Grid and Buyer agree as follows:

### ARTICLE I PURCHASE AND SALE

Section 1.1 Assets to be Sold to Buyer. Subject to the terms and conditions contained in this Agreement, National Grid shall transfer to Buyer at Closing (as defined below) all of National Grid's right, title and interest in and to the Assets

Section 1.2 Inspection. Buyer shall have the right, prior to Closing upon reasonable prior notice and during customary business hours, to inspect and test the Assets and to inspect any of Seller's maintenance records pertaining to the Assets.

Section 1.3 Purchase Price, Costs and Taxes.

(a) Buyer shall pay Seller at Closing One Dollar (\$1) (the "Purchase Price") as the purchase price for the Assets. The Purchase Price shall be paid to Seller in immediately available funds by check or by wire transfer or such other means as may be mutually agreed by the Parties prior to Closing.

(b) Buyer shall be solely responsible for, and agrees to pay, all sales, use and transfer taxes, if any, arising from the transactions contemplated hereby ("Taxes"). To the extent applicable, Buyer agrees to provide Seller an appropriate tax exemption document at Closing, in a form satisfactory to Seller, that will relieve Seller of any obligation to collect sales taxes from Buyer. The provisions of this Section 1.3 (b) shall survive delivery of the Bill of Sale and Closing.

(c) Seller is responsible for the payment of all property taxes with respect to the Assets, assessed, accruing or due before Closing ("Property Taxes"), and will fully pay the Property Taxes. Buyer will at no time assume liability for the Property Taxes. Buyer shall assume all liability for property taxes on the Assets to the extent such property taxes

are assessed or accrue after Closing.

Section 1.4 Transfer of Title and Delivery.

(a) At Closing, Seller shall transfer the Assets to Buyer by a Bill of Sale substantially in the form set forth in Exhibit B attached hereto and made a part hereof (the "Bill of Sale").

(b) Upon execution and delivery of the Bill of Sale by Seller and Buyer, and Seller's receipt of the Purchase Price and Tax Estimate at Closing, (i) Buyer shall be the sole owner of the Assets and shall assume all of the rights and duties of ownership in connection therewith including, without limitation, operation, maintenance and risk of loss, and (ii) the Assets shall be delivered in-situ at the Location. Without limiting the foregoing, Buyer shall be solely responsible for, and agrees to pay, all personal property taxes with respect to the Assets which accrue after the Closing Date.

Section 1.5 Regulatory Approvals. The transactions contemplated by this Agreement are subject to the receipt of any required approvals from regulatory agencies having jurisdiction over such transactions ("Required Regulatory Approvals"), which may include, without limitation, the New York State Public Service Commission ("NYPSC") and the Federal Energy Regulatory Commission ("FERC"). Seller agrees to make the appropriate filings with any such regulatory agencies (the "Applications") following execution and delivery of this Agreement. The Parties agree to use their respective commercially reasonable efforts to obtain any and all Required Regulatory Approvals. The terms and conditions of this Agreement are expressly contingent upon the Required Regulatory Approvals, if any, each being granted without the imposition of any material modification or condition of the terms of this Agreement or the subject transactions, unless such modification(s) or condition(s) as may be required by the applicable regulatory agency is (are) agreed to by the Parties in their respective sole discretion. If any Application is denied, this Agreement shall terminate as of the date that the Parties receive notification of such denial, in which event the obligations of the Parties under this Agreement shall cease and this Agreement shall terminate without recourse to either Party.

**ARTICLE II**  
**CLOSING AND CONDITIONS PRECEDENT**

Section 2.1 Time and Place of Closing; Bill of Sale. The consummation and closing of the transactions provided for in this Agreement (the "Closing") shall occur within ten (10) business days after all conditions precedent to the consummation of the transactions contemplated by this Agreement have been fully satisfied or waived (the "Closing Date") at Syracuse, New York, or at such other place or time as the Parties shall mutually agree. Exchange of documents to be delivered at Closing may be conducted by delivery via facsimile or in ".PDF" format by electronic mail, followed by mailing of original deliverables to each Party.

Section 2.2 Conditions Precedent to Closing. The obligation of each Party to consummate the Closing shall be subject to the satisfaction at or prior to the Closing of each of the following conditions:

- (a) the representations made by the other Party in Article III of this Agreement shall be true and correct in all material respects at and as of the Closing with the same effect as though such representations had been made or given at and as of the Closing;
- (b) the other Party shall have performed and complied in all respects with all of its obligations under this Agreement to be performed or complied with by it on or prior to the Closing;
- (c) Seller shall have obtained a release of lien for the Assets from the trustee or trustees under any applicable mortgage indenture or indentures to which Seller is a party;
- (d) all Required Regulatory Approvals have been obtained, each in form and substance satisfactory to Seller and Buyer in their respective sole discretion;
- (e) the other Party shall have obtained all other necessary licenses, permits, consents and other approvals of governmental entities, agencies, or bodies, and all other persons or entities, if any, required for it to consummate the transactions contemplated by this Agreement; and
- (f) Buyer has transferred its electric loads from its existing Richmond Street Station to its newly constructed Sanford Road North Substation.

### **ARTICLE III** **REPRESENTATIONS**

Section 3.1 Representations of Each Party. Each Party hereby represents that the following statements are true, correct and complete as of the execution date of this Agreement and as of the date of the Closing:

- (a) the Party is validly existing and in good standing under the laws of the state in which it is organized and is in good standing, and is duly qualified to conduct business, in all of the jurisdictions in which it operates;
- (b) the Party has all requisite power and authority to enter into this Agreement, execute and deliver the Bill of Sale, undertake its obligations hereunder and consummate the transactions contemplated hereby; this Agreement constitutes, and, as of the Closing, the Bill of Sale will constitute, the valid and legally binding obligations of the Party, are or will be enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or law); and
- (c) neither the execution and delivery of this Agreement by the Party, nor the consummation by the Party of the transactions contemplated hereby, will constitute a violation of, or be in conflict with, or constitute or create a default under: any applicable charter, certificate of incorporation, bylaws, operating agreement and/or similar

organizational documents of the Party, each as amended to date; any agreement or commitment to which the Party is a party or by which the Party or any of its properties is bound or to which the Party or any of such properties is subject; or any statute or any judgment, decree, order, regulation or rule of any court or governmental authority.

Section 3.2 Required Notices. Each Party shall give prompt notice to the other of the occurrence, or failure to occur, of any event which would be likely to cause any representation or of that Party contained in this Agreement to be or become untrue or incorrect in any material respect at any time from the date hereof to the Closing.

Section 3.3 Timing and Survival. The respective representations made by Seller and Buyer in this Agreement shall be deemed remade as of the Closing with the same force and effect as if in fact made at that time. All representations made in this Agreement shall survive and shall not merge at Closing.

#### **ARTICLE IV**

#### **LIABILITY AND INDEMNIFICATION**

Section 4.1 Examination of Assets. Buyer acknowledges that it has examined the Assets as fully as desired. Upon transfer of title to the Assets at Closing, (i) Buyer waives and disclaims any right to seek recovery from Seller based on the current condition of the Assets, and (ii) Buyer assumes any and all liability of any kind for claims or damages in connection with the Assets arising from acts, omissions, or events occurring after the Closing Date.

Section 4.2 Assets Sold “As Is, Where Is,” Disclaimer of Warranties. BUYER ACKNOWLEDGES AND AGREES THAT THE ASSETS ARE BEING SOLD AND TRANSFERRED “AS IS, WHERE IS” AND, ACCORDINGLY, SELLER IS NOT MAKING ANY COVENANTS, REPRESENTATIONS, GUARANTEES OR WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR IMPLIED, CONCERNING SUCH ASSETS, EXCEPT THOSE REPRESENTATIONS OR WARRANTIES CONTAINED IN SECTION 4.3 BELOW, INCLUDING, IN PARTICULAR, AND WITHOUT LIMITATION, ANY COVENANTS, REPRESENTATIONS OR WARRANTIES WITH RESPECT TO TITLE DESIGN OR THE QUALITY OF THE ASSETS, ANY WARRANTY OF MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR ANY WARRANTIES ARISING FROM A COURSE OF DEALING OR USAGE OR TRADE, ALL OF WHICH ARE HEREBY EXPRESSLY EXCLUDED AND DISCLAIMED, OR AS TO THE WORKMANSHIP THEREOF OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT, OR AS TO THE CONDITION OF THE ASSETS, OR ANY PART THEREOF, OR WHETHER THE BUYER POSSESSES SUFFICIENT REAL PROPERTY OR PERSONAL PROPERTY TO OPERATE THE ASSETS.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER EXPRESSLY DISCLAIMS ANY COVENANT, REPRESENTATION, GUARANTEE OR WARRANTY OF ANY KIND REGARDING THE CONDITION OF THE ASSETS OR THE SUITABILITY OF THE ASSETS FOR OPERATION FOR THE TRANSMISSION OR DISTRIBUTION OF

ELECTRICITY AND NO OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATION MADE BY SELLER, OR ANY OFFICER, EMPLOYEE, CONSULTANT OR AGENT THEREOF, WILL CAUSE OR CREATE ANY COVENANT, REPRESENTATION, GUARANTEE OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, CONDITION, VALUE OR QUALITY OF THE ASSETS OR ANY PART THEREOF. THE PROVISIONS HEREOF SHALL SURVIVE THE TRANSFER OF THE ASSETS.

THE PROVISIONS HEREOF HAVE BEEN NEGOTIATED BY THE PARTIES HERETO AFTER DUE CONSIDERATION AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY REPRESENTATIONS, GUARANTEES AND WARRANTIES, WHETHER EXPRESS OR IMPLIED OR STATUTORY, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN SECTION 4.3 BELOW.

Buyer agrees to take the Assets with knowledge that they have been used for a period of time by Seller in its business.

Section 4.3 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer that, except as disclosed on Schedule 4.3 attached to this Agreement, the following statements are true, correct and complete as of the execution date of this Agreement and as of the date of the Closing:

(a) there has not been a Release (as hereinafter defined) or Threat of Release (as hereinafter defined) of any Hazardous Substances (as hereinafter defined) in connection with the Assets;

Seller has not received any notice that it is the subject of any investigation or proceeding pertaining to the presence of or the release or threatened release of any hazardous substance, hazardous waste, petroleum or petroleum product, or the compliance or noncompliance with any Environmental Laws, relating to, or in connection with, the Assets;

Seller is in compliance with all Environmental Laws relating to the ownership and operation of the Assets and Seller has obtained all permits, authorizations, and licenses and caused all notifications to be made as required by all Environmental Laws in connection with the Assets;

For purposes of this Agreement, the following words and phrases shall have the following meanings:

"Environment" shall mean soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata and ambient air;

"Environmental Law" shall mean any environmental or health and safety-related law, regulation, rule, ordinance or by-law at the federal, state or local level, whether existing as of the date hereof, previously enforced or subsequently enacted, or any judicial or administrative interpretation thereof;

"Hazardous Substances" shall mean any pollutant, contaminant, toxic substance, hazardous material, hazardous waste or hazardous substance, or any oil, petroleum or

petroleum product, as defined in or pursuant to the Federal Clean Water Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, *et seq.*, or any other Environmental Law;

"Release" shall mean any releasing, spilling, leaking, contaminating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of any Hazardous Substances into the Environment;

"Threat of Release" shall mean a substantial likelihood of a Release that requires action to prevent or mitigate damage to the Environment that may result from such Release;

(b) Seller has filed all Tax Returns (as defined below) that it was required to file and all such Tax Returns were correct and complete in all material respects; Seller has paid all Taxes with respect to the Assets that were due on or before the date of this Agreement; all Taxes that Seller is or was required by law to withhold or collect with respect to the Assets have been duly withheld or collected and, to the extent required, have been paid to the proper governmental entity; There are no encumbrances for Taxes upon the Assets except for the statutory encumbrances for current taxes not yet due; There are no actions, suits, proceedings, investigations, or claims pending in connection with the Assets in respect of any unpaid Taxes;

For purposes of this Agreement, "Taxes" means all taxes, charges, fees, levies, or other similar assessments or liabilities with respect to the Assets, including without limitation, gross receipts, ad valorem, premium, value-added, excise, severance, stamp, occupation, windfall profits, customs, duties, real property, personal property, sales, use, transfer, withholding, employment, unemployment insurance, social security, Medicare, business license, business organization, environmental, payroll, and franchise taxes imposed by the United States of America or any state, local or foreign government or agency thereof, or other political subdivision of the United States or any such government, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof;

For purposes of this Agreement, "Tax Returns" is defined to mean all reports, returns, declarations, statements, or other information in connection with the Assets required to be supplied to a taxing authority in connection with Taxes;

(c) Seller is not under audit, examination, or discussion with any governmental entity relating to Taxes in connection with the Assets nor has Seller been notified of any threatened or contemplated audit, examination, or discussion; Seller has not waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a tax assessment or deficiency; all Tax deficiencies which have been claimed, proposed, or asserted against Seller have been fully paid or finally settled, and no issue has been raised in any examination which, by application of similar principles, could be expected to result in the proposal or assertion of a Tax deficiency for any other year not so examined;

(d) no broker, finder, or other person is entitled to any broker's, finder's or similar fees, commissions, or expenses in connection with the transactions contemplated by this Agreement;

(e) Seller is now in compliance in all material respects with all statutes, laws, ordinances, rules, regulations, orders, and directives of any and all governments, governmental bodies and agencies, and public authorities whatsoever and in compliance with applicable insurance underwriting standards pertaining or relating to the Assets or the operation thereof;

(f) Seller possesses all licenses, permits, franchises, and other authorizations, approvals, and consents necessary for the ownership and operation of the Assets (altogether "Licenses"), all of the Licenses are valid, binding, and in full force and effect, and Seller has complied with all requirements of the Licenses and no party is in default thereunder and no default thereunder is threatened; and

(g) no representation or warranty made by Seller in this Agreement or in any attachment, certificate, or other document or writing delivered to, or to be delivered to, Buyer pursuant to this Agreement, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary in order to make the representation or warranty not misleading.

#### Section 4.4 Indemnity.

(a) Buyer hereby releases and discharges Seller from all obligations and liabilities with respect to the Assets (including their condition environmental or otherwise) other than (i) any obligation or liability arising from a Release or Threat of Release of Hazardous Substances occurring prior to Closing in connection with the Assets and (ii) any noncompliance with Environmental Laws by Seller (or by any person for whom Seller is legally responsible) prior to Closing relating to the ownership or operation of the Assets, and agrees to indemnify, defend (with counsel satisfactory to the Seller) and hold harmless Seller, its officers, directors, shareholders, employees, agents, contractors, direct and indirect parent companies, affiliates and subsidiaries, and its or their successors and assigns, to the full extent permitted by applicable law, from and against any and all costs, losses, expenses, damages, claims, liens, fines, penalties, encumbrances, obligations, actions and causes of action, of any kind whatsoever, of every name and nature, in law and equity, whether known or unknown, suspected or unsuspected ("Damages"), including, without limitation, attorneys' and other professional expenses and fees, third party claims for personal injury or property damage, diminution of property value and remediation costs or lost income suffered or incurred by or asserted against Seller, which arise from or in connection with, directly or indirectly, the Assets, but excluding Damages to the extent arising from (x) a Release or Threat of Release of Hazardous Substances occurring prior to Closing in connection with the Assets and (y) any noncompliance with Environmental Laws by Seller (or by any person for whom Seller is legally responsible) prior to Closing relating to the ownership or operation of the Assets.

(b) Seller agrees to indemnify, defend (with counsel satisfactory to the Buyer) and hold harmless Buyer, its officers, directors, employees, agents, contractors and its or their successors and assigns, to the full extent permitted by applicable law, from and against any and all costs, losses, expenses, damages, claims, liens, fines, penalties, encumbrances, obligations, actions and causes of action, relating to (i) Hazardous Substances present as of the Closing in, on or as part of the Assets, or the release or threat of release of Hazardous



Substances from the Assets prior to Closing (ii) noncompliance with any Environmental Laws prior to Closing by Seller, or by any person for whom Seller is legally responsible, and (iii) any Release or Threat of Release occurring prior to Closing, or the processing of, or disposal of, Hazardous Substances prior to Closing in connection with the Assets, in each case by Seller, or by any person for whom Seller is legally responsible, including, without limitation, attorneys' and other professional expenses and fees, third party claims for personal injury or property damage, diminution of property value and remediation costs or lost income suffered or incurred by or asserted against Buyer, which arise from or in connection with, directly or indirectly, the Assets.

(c) Buyer agrees to indemnify, defend (with counsel satisfactory to the Seller) and hold harmless Seller, its officers, directors, employees, agents, contractors and its or their successors and assigns, to the full extent permitted by applicable law, from and against any and all costs, losses, expenses, damages, claims, liens, fines, penalties, encumbrances, obligations, actions and causes of action, relating to (i) the introduction or creation of Hazardous Substances in, on or as part of the Assets, or the release or threat of release of Hazardous Substances from the Assets, from and after the Closing (ii) noncompliance with any Environmental Laws from and after the Closing by Buyer, or by any person for whom Buyer is legally responsible, and (iii) any Release or Threat of Release occurring from and after the Closing, or the processing of, or disposal of, Hazardous Substances in connection with the Assets from and after the Closing, in each case by Buyer, or by any person for whom Buyer is legally responsible, including, without limitation, attorneys' and other professional expenses and fees, third party claims for personal injury or property damage, diminution of property value and remediation costs or lost income suffered or incurred by or asserted against Seller, which arise from or in connection with, directly or indirectly, the Assets.

#### Section 4.5 Defense and Costs.

The Party having the indemnification obligation under Section 4.4, above, (the "Indemnifying Party") shall take prompt action to defend and indemnify the persons or entities entitled to be indemnified pursuant to Section 4.4 (the "Indemnified Parties") against claims, actual or threatened, but in no event later than notice by the Indemnified Party to the Indemnifying Party or Parties of the service of a notice, summons, complaint, petition or other service of process alleging damage, injury, liability, or expenses that may be subject to indemnification hereunder. The Indemnifying Party shall defend any such claim or threatened claim, including, as applicable, engagement of legal counsel satisfactory to the Indemnified Party, to respond to, defend, settle, or compromise any claim or threatened claim. In the event that the Indemnifying (i) fails to promptly undertake such defense, (ii) fails to pay such defense costs and damages, (iii) uses counsel not reasonably acceptable to the Indemnified Parties or (iv), does not allow the Indemnified Parties to be part of the settlement or compromise discussions, then the Indemnified Party(ies) shall have the right, but not the obligation, to undertake such defense and settlement discussions. In the event an Indemnified Party undertakes its own defense or pays any associated damages, whether by settlement or pursuant to judicial order, judgment or decree, then the Indemnifying Party shall not raise or plead as a defense

to a claim by the Indemnified Party for reimbursement for all or any part of the expense so incurred that in doing so the Indemnified Party acted as volunteer or waived its right to defense, indemnification, or insurance coverage reimbursement in accordance with this Agreement. The Indemnifying Party understands and agrees that it shall be responsible for any and all reasonable costs and expenses incurred by Indemnified Parties to enforce this indemnification provision. Such costs incurred by the Indemnified Parties can include attorney's fees and expenses for litigation, accounting, consulting or engineering fees and related expenses, judgments, liens and encumbrances arising from such lawsuits, actions or claims whenever made or incurred. Furthermore, the Indemnifying Party shall, at its sole cost and expense, testify, as required by the Indemnified Parties, at any judicial or administrative proceeding, or deposition, and shall be responsible to reimburse the Indemnified Parties for any damages the Indemnified Parties pays as a result of the Indemnifying Party's failure to comply with its indemnification obligations under this Article

#### Section 4.6 Limitation of Liability; Disclaimer of Certain Damages.

In no event, whether as a result of breach of contract, tort (including negligence and strict liability), or otherwise shall Seller be liable for any or all special, indirect, incidental, penal, punitive or consequential damages of any nature in connection with, or arising from, the transactions contemplated by this Agreement, including, without limitation, delays, lost profits, business interruptions, loss of use, lost business opportunities, loss of revenue, losses and other damages by reason of facility shutdown, equipment damage, cost of replacement power or substitute or temporary facilities or services, cost of capital, loss of goodwill, and claims of suppliers and customers, whether or not such damages were reasonably foreseeable or Seller was advised or aware that such damages might be incurred.

Without limiting the foregoing, Buyer, from and after the Closing Date, shall assume any and all liability of any kind for any claims relating to:

- (i) resale of the Assets by Buyer or any other person or entity;
- (ii) use of the Assets by Buyer or any other person or entity;
- (iii) disposal of the Assets by Buyer or any other person or entity; and
- (iv) loss of, or damage to, the Assets.

Section 4.6 Survival. The provisions of this Article shall apply notwithstanding any other provisions of this Agreement, and shall survive termination, expiration, cancellation, or completion of this Agreement and Closing.

## **ARTICLE V** **GENERAL PROVISIONS**

Section 5.1 Assignment. This Agreement may not be assigned without the express written consent of both Parties hereto. The foregoing notwithstanding, either Party may assign this Agreement to an affiliate without the other Party's consent, provided, however, that no such

assignment shall serve to release the assignor, pledgor or transferor of any of its obligations under this Agreement without the written consent of the non-assigning Party. For purposes of this Agreement, the term “affiliate” shall mean any entity controlling, controlled by, or under common control with the Party; “control” of an entity shall mean the ownership of, with right to vote, fifty percent (50%) or more of the outstanding voting securities, equity, membership interests, or equivalent, of such entity.

Section 5.2 Notices. Any notice required or permitted to be given hereunder shall be addressed to the Parties as follows:

If to Seller:

Niagara Mohawk Power Corporation  
300 Erie Boulevard West  
Syracuse, New York 13202

Attention: Sarah Steitz  
Transmission Commercial Services

Phone: 315.428.5047

Email: [sarah.steitz@us.ngrid.com](mailto:sarah.steitz@us.ngrid.com)

If to Buyer:

Village of Churchville  
23 E Buffalo Street PO Box 613  
Churchville, NY 14428

Attention: Paul Robinson, Churchville, Electric Superintendent

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Any notices, requests, or other correspondence and communication given under this Agreement shall be in writing and must be sent (i) by hand delivery, (ii) by registered or certified mail, return receipt requested, (iii) by a reputable national overnight courier service, postage prepaid, or (iv) facsimile transmission, addressed to the Party at its addresses or telephone facsimile number set forth above. For purposes of this Agreement, notices sent by hand delivery, overnight courier or facsimile (if followed by the original as required by this Section) shall be deemed given upon receipt and notices sent by mail shall be deemed given three (3) business days following the date of mailing. Each Party may give notice, as herein provided, specifying a different person, address or facsimile number than that which is listed above.

Section 5.3 Amendments. This Agreement shall not be amended, superseded or modified, in whole or in part, except in a writing signed by both Parties.

Section 5.4 Approvals; Entire Agreement; Effectiveness. This agreement shall be subject to approval of any federal, state or local regulatory body whose approval is a legal prerequisite to its execution and delivery or performance. This Agreement and the Bill of Sale shall be deemed to constitute the entire agreement among the Parties relating to the subject matter hereof and shall supersede all previous agreements, negotiations, courses of dealings, oral or written offers, understandings, discussions, communications and correspondence with respect thereto.

Section 5.5 Counterparts. This Agreement and the Bill of Sale may be executed in multiple counterparts, each of which shall be deemed an original when signed, and such counterparts shall constitute one and the same instrument and shall be binding and inure to the benefit of the Parties' successors and assigns.

Section 5.6 Applicable Law; Severability; Survival. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of laws principles contained therein. To the extent that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, it shall be modified so as to give as much effect to the original intent of such provision as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining provisions of the Agreement. The covenants and agreements of the Parties contained in, or given pursuant to, this Agreement, shall survive the Closing until they have been fully satisfied or otherwise discharged.

Section 5.7 Further Assurances. Before, at, and after the Closing, each of the Parties hereto agrees to take such further action and to execute and deliver such further documents and agreements as may be reasonably requested by the other in order to fulfill the intents and purposes of this Agreement.

Section 5.8 No Third Party Beneficiaries. This Agreement is for the use and benefit of Seller and Buyer only, and not for the use and benefit of the public generally or any other person, party, or entity. Any use of, or reliance upon, this Agreement, or any performance or non-performance hereunder, by any third party shall be at the sole risk of such person.

Section 5.9 Construction. Unless otherwise specified, references in this Agreement to Sections or Articles are to sections and articles of this Agreement. Any reference in this Agreement to any statute or any section thereof will be deemed, unless otherwise expressly stated, to be a reference to such statute or section as amended, restated or re-enacted from time to time. The division of this Agreement into Articles and Sections is for convenience only, and shall not affect the interpretation of this Agreement. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement it means "including (or includes) without limitation. The Section headings of this Agreement are for convenience of reference only, do not constitute part of this Agreement, and shall not be deemed to limit or otherwise affect any of the provisions hereof.

[Signatures are on following page.]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective corporate officers as of the day and year first above written.

**Niagara Mohawk Power Corporation, as Seller**

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

**Village of Churchville, as Buyer**

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

### **Schedule 4.3**

The consolidated Form 1120 Federal income tax return of Seller's ultimate parent (National Grid plc) is currently under Internal Revenue Service examination for the period 4/1/05 through 3/31/07. Seller is also currently under examination by New York State for the period 4/1/05 - 3/31/08. Statutes have been extended as they relate to the above referenced audit periods in each jurisdiction.

## EXHIBIT A

### DESCRIPTION OF ASSETS

The existing section of Seller's 34.5 kV service connection, approximately 1486 circuit feet of 3 phase conductor and 6 existing poles from future pole 595-1 including insulators, guys, anchors and associated appurtenances, terminating at and presently serving Buyer's existing Richmond Street Substation, as depicted on the Enlarged Site Plan below.

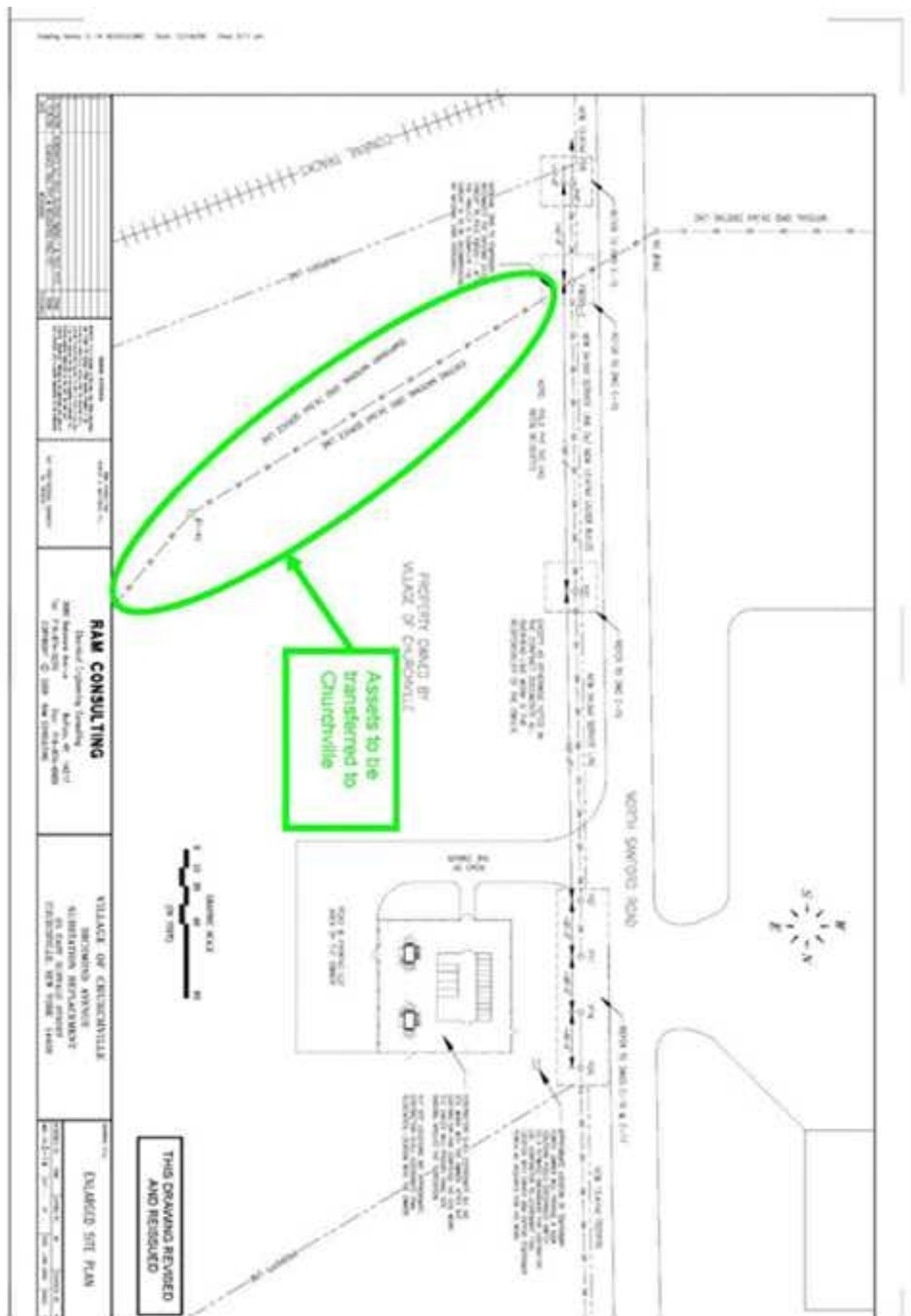






EXHIBIT B

BILL OF SALE

Reference is made to that certain Asset Purchase and Sale Agreement dated as of April \_\_\_\_, 2011 between **the VILLAGE OF CHURCHVILLE**, and **NIAGARA MOHAWK POWER CORPORATION** (the "*Transaction Agreement*"). Pursuant to the Transaction Agreement, the undersigned, **NIAGARA MOHAWK POWER CORPORATION** (the "*Seller*" or "*National Grid*"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants, bargains, sells, and transfers, all of its right, title, and interest in and to the assets described on Annex A attached hereto and incorporated herein by reference and made a part hereof (collectively, "*Assets*") to the **VILLAGE OF CHURCHVILLE**, a New York municipal corporation, with its principal place of business at 3500 River Road, Tonawanda, New York (the "*Buyer*" or "*Churchville*").

It is the intent of the Seller and Buyer that this instrument transfer all of Seller's right, title, and interest in and to the Assets. Seller hereby represents to Buyer that Seller has the right to transfer all of Seller's right, title, and interest in and to the Assets as contemplated by this Bill of Sale.

Seller hereby covenants and agrees for the benefit of Buyer that Seller will defend, at Seller's sole cost and expense, the right, title, and interest of Buyer in and to the Assets against the lawful claims and demands of all persons.

Buyer acknowledges and agrees that it has examined the Assets as fully as it desired and Buyer waives and disclaims any right to seek recovery from Seller based on the current condition of the Assets. Buyer acknowledges and agrees that the Assets are being sold and transferred "as is, where is" and, accordingly, Seller is not making any covenants, representations, guarantees or warranties, written or oral, statutory, express or implied, concerning such Assets, except those covenants, representations or warranties contained in Section 4.3 of the Transaction Agreement, including, in particular, and without limitation, any covenants, representations or warranties with respect to design or the quality of the Assets, any warranty or merchantability, usage, suitability or fitness for a particular purpose, or any warranties arising from a course of dealing or usage or trade, all of which are hereby expressly excluded and disclaimed, or as to the workmanship thereof or the absence of any defects therein, whether latent or patent, or as to the condition of the Assets, or any part thereof, or whether the Buyer possesses sufficient real property or

personal property to operate the Assets.

Seller expressly disclaims any covenant, representation, guarantee or warranty of any kind regarding the condition of the Assets or the suitability of the Assets for operation for the transmission or distribution of electricity and no other material or information provided by or communication made by Seller, or any officer, employee, consultant or agent thereof, will cause or create any covenant, representation, guarantee or warranty, express or implied, as to the title, condition, value or quality of the Assets or any part thereof. The provisions hereof shall survive the transfer of the Assets.

The provisions hereof have been negotiated by the Buyer and the Seller after due consideration and are intended to be a complete exclusion and negation of any representations, guarantees and warranties, whether express or implied or statutory, except for the representations and warranties contained in Section 4.3 of the Transaction Agreement.

Buyer shall take title to the Assets upon execution of this document, and Buyer assumes any and all liability of any kind for claims or damages in connection with the Assets arising from acts, omissions, or events occurring after the date hereof. Buyer agrees to take the Assets with knowledge that they have been used for a period of time by Seller in its business. The provisions of this paragraph shall apply notwithstanding any other provisions of this Bill of Sale or the Transaction Agreement, and shall survive, termination, cancellation, or completion of this Bill of Sale or the Transaction Agreement.

Nothing in this instrument, express or implied, is intended or shall be construed to confer upon, or give to, any third party any remedy or claim under or by reason of this instrument or any agreements, terms, covenants or conditions hereof, and all the agreements, terms, covenants and conditions contained in this instrument shall be for the sole and exclusive benefit of the Buyer and Seller and their respective successors and assigns.

This instrument and all of the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

To the extent that any provision of this instrument shall be held to be invalid, illegal or unenforceable, it shall be modified so as to give as much effect to the original intent of such

provision as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining provisions of this instrument. Each party represents and warrants to the other that the signatory identified beneath its name below has full authority to execute this instrument on its behalf.

This instrument shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of laws). Venue in any action with respect to this instrument shall be in the State of New York; the parties agree to submit to the personal jurisdiction of courts in the State of New York with respect to any such actions.

This instrument may be executed in multiple counterparts, each of which shall be considered an original.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties hereto have each caused these presents to be signed in their names and behalf by their respective duly authorized representatives as of the dates set forth below.

**Niagara Mohawk Power Corporation**, as Seller

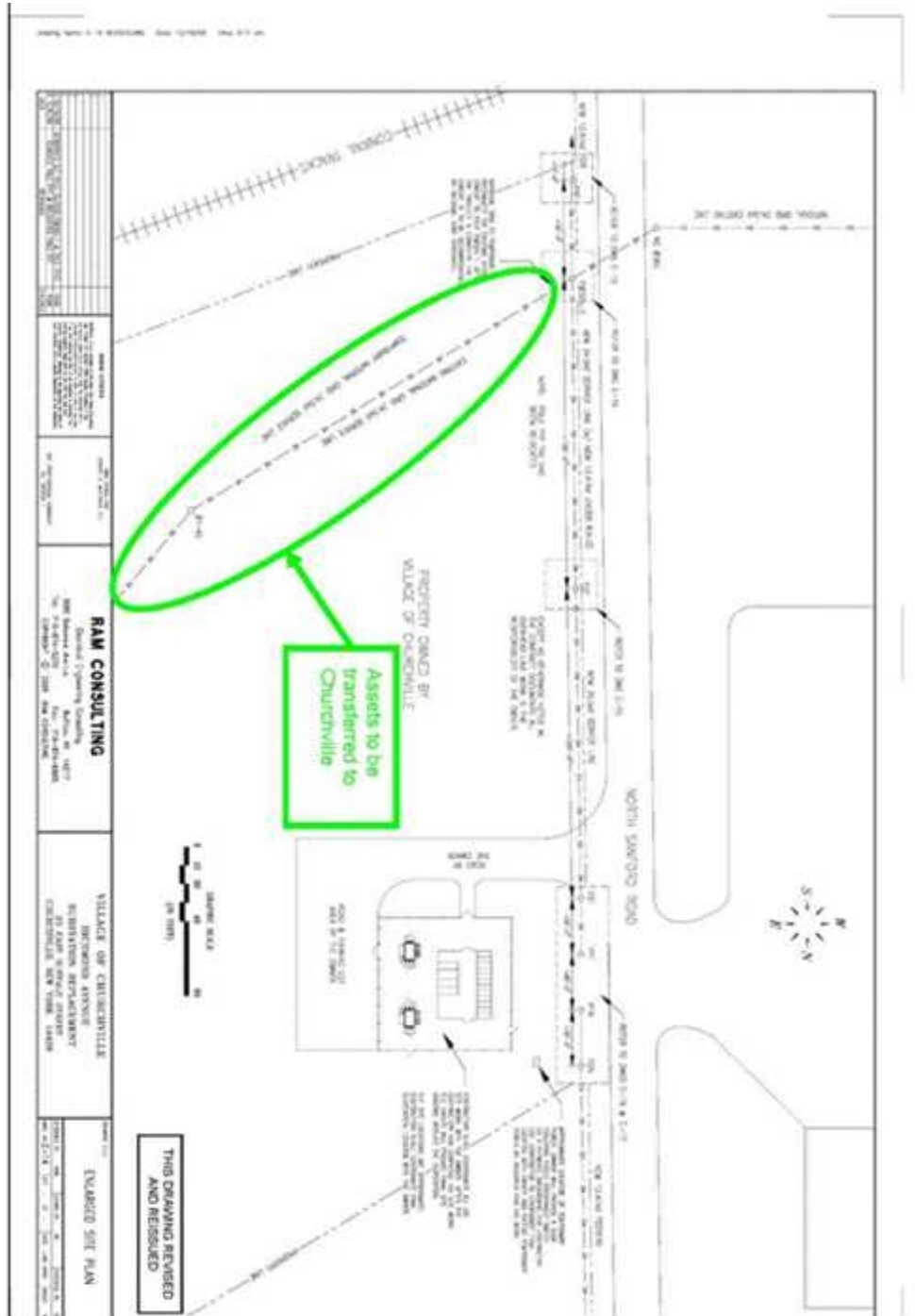
By \_\_\_\_\_  
Name:  
Title:

**Village of Churchville**, as Buyer

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

Annex A to Bill of Sale  
Description of Assets.

The existing section of Seller's 34.5 kV service connection, approximately 1486 circuit feet of 3 phase conductor and 6 existing poles from future pole 595-1 including insulators, guys, anchors and associated appurtenances, terminating at and presently serving Buyer's existing Richmond Street Substation, as depicted on the Enlarged Site Plan below.



**ASSET PURCHASE AND SALE AGREEMENT**

By and Between

**Niagara Mohawk Power Corporation, as Buyer**

And

**Village of Churchville, as Seller**

Dated as of April \_\_\_, 2011

## ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT (the "*Agreement*") is made and entered into as of April \_\_, 2011 by and between **Niagara Mohawk Power Corporation** d/b/a National Grid, a New York corporation ("*National Grid*" or "*Buyer*") and the **Village of Churchville**, a New York municipal corporation (the "*Seller*" or "*Churchville*"). Seller and Buyer are each a "*Party*" and are, collectively, the "*Parties*" hereto.

WHEREAS, Buyer wishes to purchase, and Seller is willing to sell, the assets identified on Exhibit A attached hereto, subject to the terms of this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer agree as follows:

### ARTICLE I PURCHASE AND SALE

1.1 Assets to be Sold to Buyer. Subject to the terms and conditions contained in this Agreement, at Closing (as defined below), Seller shall convey, grant, bargain, sell, transfer, release, deliver and confirm to Buyer, and Buyer shall purchase, at Closing (as defined below) good, clear and marketable title to the assets identified on Exhibit A attached hereto and made a part hereof (the "*Assets*") free and clear from any defects, liens, encumbrances and claims of any kind.

1.2 Inspection. Buyer has inspected and tested the Assets. Prior to the Closing, Seller shall permit representatives of Buyer, at all reasonable hours, to have full access to, and make copies of, all books, records, properties, abstracts of title, surveys, Phase I and Phase II environmental assessments, and other matters to the extent that they relate to the Assets.

1.3 Purchase Price, Costs and Taxes. Buyer shall pay Seller at Closing one dollar (\$1) as the purchase price for the Assets (the "*Purchase Price*"). Seller shall pay all costs for delivering the Assets to Buyer, all such amounts being deemed included in the Purchase Price. The Purchase Price shall be paid to Seller in immediately available funds by check or by wire transfer or such other means as may be mutually agreed by the Parties prior to Closing.

Each Party shall be responsible for its own costs incurred in connection with the transactions contemplated by this Agreement. Seller shall be responsible for any use, income, or other transfer taxes, if any, imposed by reason of the transfer of the Assets hereunder.

1.4 Transfer of Title and Delivery. At the Closing, Seller shall convey the Assets to Buyer by delivery of a Bill of Sale in the form set forth in Exhibit B attached hereto and made a part hereof (the "*Bill of Sale*"). Upon execution and delivery of the Bill of Sale, and Seller's receipt of the Purchase Price at Closing, (i) title to the Assets shall vest in Buyer as contemplated in this Agreement and the Bill of Sale, and (ii) the Assets shall be delivered in situ.

1.5 Risk of Loss. Risk of loss or damage to the Assets shall remain with Seller until the Assets are delivered to Buyer at the Closing. If any portion of the Assets is destroyed or damaged by any



cause prior to the Closing, Seller shall promptly give notice to Buyer of such damage or destruction and the amount of insurance, if any, covering such Assets. Prior to the Closing, Buyer shall have the option (which shall be exercised by written notice to Seller within five (5) business days after receipt of Seller's notice or, if there are not five (5) business days remaining prior to the Closing Date, as soon as possible but not less than forty-eight (48) hours prior to the Closing) of (i) accepting the Assets in their destroyed or damaged condition, in which event any insurance proceeds payable to Seller with respect to the Assets shall be assigned to Buyer, and the full Purchase Price shall be paid for the Assets, (ii) postponing the Closing until such time as Seller shall have repaired, replaced or otherwise reconstructed the Assets, which reconstruction shall be completed not later than sixty (60) days following Buyer's notice under this Section, failing which Buyer shall have the right to terminate, (iii) not accepting the destroyed or damaged Assets and adjusting the Purchase Price by the value of the destroyed or damaged Assets, or (iv) terminating this Agreement without incurring any liability whatsoever.

1.6 Documents. Seller shall deliver to Buyer at Closing all documents relating to the Assets, including copies of purchase documentation and data, manufacturer's trade prints and test reports, manuals, maintenance records, specifications, plans, warranties, correspondence and a complete set of updated as-built drawings for the Assets in both manual and electronic format as specified by Buyer.

1.7 Regulatory Approvals. The transactions contemplated by this Agreement are subject to the receipt of any required approvals from regulatory agencies having jurisdiction over such transactions ("Required Regulatory Approvals"), which may include, without limitation, the New York State Public Service Commission ("NYPSC") and the Federal Energy Regulatory Commission ("FERC"). Buyer agrees to make the appropriate filings with any such regulatory agencies (the "Applications") following execution and delivery of this Agreement. The Parties agree to use their respective commercially reasonable efforts to obtain any and all Required Regulatory Approvals. The terms and conditions of this Agreement are expressly contingent upon all Required Regulatory Approvals, if any, each being granted without the imposition of any modification or condition of the terms of this Agreement or the subject transaction, unless such modification(s) or condition(s) are agreed to by both Parties in their respective sole discretion. If any Application is made and is denied, or is granted in a form, or subject to conditions, that either Party rejects, in its sole discretion, as unacceptable, this Agreement shall terminate as of the date that a Party notifies the other Party of such denial or rejection, in which event the obligations of the Parties under this Agreement shall cease and this Agreement shall terminate without recourse to the Parties.

## **ARTICLE II**

### **CLOSING AND CONDITIONS PRECEDENT; DEMARCATION AND SWITCHING**

2.1 Time and Place of Closing. The consummation and closing of the transactions provided for in this Agreement (the "Closing") shall occur not later than ten (10) business days after all conditions precedent to the consummation of the transactions contemplated by this Agreement have been fully satisfied or waived (the "Closing Date") at Syracuse, New York, or at such other place or time as the parties shall mutually agree. Exchange of documents to be delivered at Closing may be conducted by delivery via facsimile or in "PDF" format by electronic mail, followed by mailing of originals to each Party.

2.2 Conditions Precedent to the Obligation of Each Party to Close. The obligation of each Party to consummate the Closing shall be subject to the satisfaction at or prior to the Closing of each of the following conditions:

- (a) the representations and warranties made by the other Party in this Agreement shall be true and correct in all material respects at and as of the Closing with the same effect as though such representations and warranties had been made or given at and as of the Closing;
- (b) the other Party shall have performed and complied in all respects with all of its obligations under this Agreement to be performed or complied with by it on or prior to the Closing; and
- (c) the other Party shall have obtained all necessary licenses, permits, consents and other approvals of governmental entities, agencies, or bodies, and all other persons or entities, if any, required for it to consummate the transactions contemplated by this Agreement.

2.3 Conditions Precedent to the Obligation of Buyer to Close. The obligation of the Buyer to consummate the Closing shall be subject to the satisfaction at or prior to the Closing of the following additional conditions:

- (a) Seller shall have delivered to Buyer a fully executed Bill of Sale and such other documents and instruments of assignment, transfer, and conveyance as, in the opinion of Buyer's counsel, are sufficient in form and substance to transfer all of the Assets and Warranties (as such term is defined in Section 3.1 (f) of Article III, below, to Buyer in accordance with the provisions of this Agreement and free and clear of all encumbrances;
- (b) the Assets shall not have been, and shall not be threatened to be, damaged, modified or altered in any way, including, but not limited to, as a result of fire, explosion, disaster, accident, flood, vandalism, violence, terrorism or other casualty, ordinary wear and tear excepted;
- (c) All approvals contemplated by Section 1.7 of Article I of this Agreement shall have been received, in form and substance satisfactory to Buyer in its sole discretion, and Seller shall have delivered resolutions of the Board of Directors (or equivalent managing body) of Seller authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, together with a certificate of its Secretary or Assistant Secretary (or equivalent officer), certifying the adoption of those resolutions and the incumbency of the respective officers executing documents being delivered at or in connection with the Closing.
- (d) Seller shall have delivered access to and possession of all of the Assets; and
- (e) Seller shall have delivered to Buyer uninterrupted real property rights to support the installation and construction, operation, maintenance, repair and/or replacement of the Assets, which real property rights shall include (A) grant of perpetual easement rights from Seller to Buyer for all of Seller's fee-owned real property upon which certain of the Assets are or shall be located; (B) assignment of all of Seller's right, title and interest in, to and under each of those deeded easements obtained by Seller from third party fee-owners of real property upon which certain of the Assets are or shall be located; (C) assignment of all of Seller's right, title

and interest in, to and under each of those easements obtained by Seller pursuant to its exercise of the right of eminent domain against third party fee-owners of real property upon which certain of the Assets are or shall be located; and (D) such other rights in or affecting real property in connection with the Assets as Buyer shall reasonably require, it being understood that each of the foregoing shall be in form and substance satisfactory to Buyer in its sole discretion.

2.4 Demarcation and Switching. Seller will own the attachment pole, crossarms, insulators, the disconnect switch (“*Switch*”), riser facilities and the underground cable serving the newly constructed Sanford Road North Substation in the Village of Churchville. Buyer’s 34.5 kV line will terminate on the dead end insulators on the cross arms of such Seller attachment pole serving the newly constructed Sanford Road North Substation.

After Closing, the Buyer and Seller agree to operate the Switch in accordance with the procedures described in Exhibit C attached hereto. The Switch will be secured by the Seller in such a manner as will permit both Parties to access the Switch and lock it when switching is complete. All switching of the Switch will be under the sole direction and control of National Grid’s Western Regional Control Center (“*WRCC*”) and will be done only with the permission of the WRCC.

### **ARTICLE III**

### **REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer that the following statements are true, correct and complete as of the execution date of this Agreement and as of the date of the Closing:

- (a) Seller is a municipal corporation validly existing and in good standing under the laws of the state in which it is organized and is in good standing and is duly qualified to conduct business in all of the jurisdictions in which it operates;
- (b) Seller has all requisite power and authority to enter into this Agreement, execute and deliver the Bill of Sale, undertake its obligations hereunder and consummate the transactions contemplated hereby; this Agreement constitutes, and, as of the Closing, the Bill of Sale will constitute, the valid and legally binding obligations of Seller, and are or will be enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors’ rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or law);
- (c) neither the execution and delivery of this Agreement or the Bill of Sale by the Seller, nor the consummation by the Seller of the transactions contemplated hereby, will constitute a violation of, or be in conflict with, or constitute or create a default under, or result in the creation or imposition of any lien, security interest, or other encumbrance upon any of the Assets under, any applicable charter, certificate of incorporation, bylaws, operating agreement and/or similar organizational documents of the Seller, each as amended to date, any agreement or commitment to which the Seller is a party or by which the Seller or any of its properties (including, without limitation, the Assets) is bound or to which the Seller or any of such properties is subject, or any statute or any judgment, decree, order, regulation or rule of any

court or governmental authority; no third party has any right of first refusal or any non-competition agreement with Seller which could in any way affect the transactions or other agreements contemplated by this Agreement;

(d) Seller is the sole lawful owner of the Assets and does not own the Assets through any other firm, corporation, or other entity or pursuant to any partnership, joint venture, or other agreement or arrangement, has good and clear record and marketable title to the Assets, and, at Closing, shall transfer to Buyer title to all of the Assets, free and clear of any leases, mortgages, pledges, liens, security interests, conditional sales agreements, consignments, and other charges and encumbrances of any kind or character;

(e) Upon receipt of all regulatory authorizations required to be obtained by Seller pursuant to Section 1.7 of Article I of this Agreement, Seller holds all necessary approvals, authorizations, permits, licenses, consents, and other permissions, whether corporate, regulatory, or otherwise required to perform its obligations under this Agreement;

(f) the conveyance of the Assets to Buyer will not render any of the Warranties (as defined hereafter) void or voidable; Buyer shall have the benefit of all of Seller's rights in and to the Warranties upon transfer of the Assets to Buyer; and Seller has provided true, accurate, and complete originals or copies of the Warranties to Buyer on or before the date hereof;

For purposes of this Agreement, "Warranties" shall mean any and all of the unexpired warranties, guaranties, agreements, contract rights, or other benefits which Seller may have received from contractors, manufacturers or suppliers relating or pertaining to the Assets.

(g) there are no claims, actions, lawsuits, investigations, or other proceedings pending or threatened against or relating to Seller or the Assets, which in any way affect or could affect the Assets or the ability of Buyer to operate the Assets, whether or not covered by insurance, and there is no unsatisfied judgment, order, notice, writ, injunction, decree, assessment, or other command of any court or any federal, state, local, foreign, or other governmental department, commission, board, bureau, agency, or instrumentality which has been entered against or served upon Seller or the Assets which could affect the Assets; Seller is not in default under any promissory note, loan agreement, capitalized lease, or other instrument or agreement evidencing or securing borrowed money or credit received, relating to the Assets;

(h) Seller has not received any written notification that it is in violation of any applicable laws affecting the Assets;

Seller has not received any notice that it is the subject of any investigation or proceeding pertaining to the presence of or the release or threatened release of any hazardous substance, hazardous waste, petroleum or petroleum product, or the compliance or noncompliance with any Environmental Laws, relating to, or in connection with, the Assets;

Seller is in compliance with all Environmental Laws relating to the ownership and operation of the Assets and Seller has obtained all permits, authorizations, and licenses and caused all notifications to be made as required by all Environmental Laws in connection with the Assets;

For purposes of this Agreement, the following words and phrases shall have the following

meanings:

"Environment" shall mean soil, surface waters, groundwaters, land, stream sediments, surface or subsurface strata and ambient air;

"Environmental Law" shall mean any environmental or health and safety-related law, regulation, rule, ordinance or by-law at the federal, state or local level, whether existing as of the date hereof, previously enforced or subsequently enacted, or any judicial or administrative interpretation thereof;

"Hazardous Substances" shall mean any pollutant, contaminant, toxic substance, hazardous material, hazardous waste or hazardous substance, or any oil, petroleum or petroleum product, as defined in or pursuant to the Federal Clean Water Act, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, *et seq.*, or any other Environmental Law;

"Release" shall mean any releasing, spilling, leaking, contaminating, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of any Hazardous Substances into the Environment;

"Threat of Release" shall mean a substantial likelihood of a Release that requires action to prevent or mitigate damage to the Environment that may result from such Release;

(i) Seller has filed all Tax Returns (as defined below) that it was required to file and all such Tax Returns were correct and complete in all material respects; Seller has paid all Taxes with respect to the Assets that were due; all Taxes that Seller is or was required by law to withhold or collect with respect to the Assets have been duly withheld or collected and, to the extent required, have been paid to the proper governmental entity; There are no encumbrances for Taxes upon the Assets except for the statutory encumbrances for current taxes not yet due; There are no actions, suits, proceedings, investigations, or claims pending in connection with the Assets in respect of any unpaid Taxes;

For purposes of this Agreement, "Taxes" means all taxes, charges, fees, levies, or other similar assessments or liabilities with respect to the Assets, including without limitation, gross receipts, ad valorem, premium, value-added, excise, severance, stamp, occupation, windfall profits, customs, duties, real property, personal property, sales, use, transfer, withholding, employment, unemployment insurance, social security, Medicare, business license, business organization, environmental, payroll, and franchise taxes imposed by the United States of America or any state, local or foreign government or agency thereof, or other political subdivision of the United States or any such government, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof;

For purposes of this Agreement, "Tax Returns" is defined to mean all reports, returns, declarations, statements, or other information in connection with the Assets required to be supplied to a taxing authority in connection with Taxes;

(j) Seller is not under audit, examination, or discussion with any governmental entity relating to Taxes in connection with the Assets nor has Seller been notified of any threatened or contemplated audit, examination, or discussion; Seller has not waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a tax assessment or deficiency; all Tax deficiencies which have been claimed, proposed, or asserted against Seller have been fully paid or finally settled, and no issue has been raised in any examination which, by application of similar principles, could be expected to result in the proposal or assertion of a Tax deficiency for any other year not so examined;

(k) no broker, finder, or other person is entitled to any broker's, finder's or similar fees, commissions, or expenses in connection with the transactions contemplated by this Agreement;

(l) Seller is now in compliance in all material respects with all statutes, laws, ordinances, rules, regulations, orders, and directives of any and all governments, governmental bodies and agencies, and public authorities whatsoever and in compliance with applicable insurance underwriting standards pertaining or relating to the Assets or the operation thereof;

(m) there has not been a Release or Threat of Release of any Hazardous Substances in connection with the Assets;

(n) the Assets have been engineered (by a Professional Engineer licensed and registered in the State of New York), procured, constructed, operated and maintained, at all times, in accordance with Good Utility Practice (as defined below), the National Electrical Safety Code, all applicable Federal, state, and local laws, rules, ordinances, and regulations, the specifications and requirements of the Buyer including Buyer's standard ESB 752;

"Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region;

(o) construction, installation and testing of the Assets is complete and the Assets are in good and operable condition and useable for their intended purposes;

(p) Seller possesses all licenses, permits, franchises, and other authorizations, approvals, and consents necessary for the ownership and operation of the Assets (altogether "Licenses"), all of Seller's Licenses for the ownership or operation the Assets are transferable to Buyer, all of the Licenses are valid, binding, and in full force and effect, and Seller has complied with all requirements of the Licenses and no party is in default thereunder and no default thereunder is threatened;

(q) this Agreement and all other documents, certificates, and instruments delivered to Buyer by Seller in connection with the transactions contemplated by this Agreement are, and will be, true and correct in all material respects and there is no fact known to Seller which is not set forth in this Agreement and which materially and adversely affects, or which could materially and adversely affect, the sale or condition of the Assets, Buyer's ability to operate the Assets following the Closing, or the receipt by Buyer of good title to the Assets as contemplated by this Agreement; and

(r) no representation or warranty made by Seller in this Agreement or in any attachment, certificate, or other document or writing delivered to, or to be delivered to, Buyer pursuant to this Agreement, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of material fact or omits or will omit to state any material fact necessary in order to make the representation or warranty not misleading.

3.2 Representations and Warranties of Buyer. Buyer hereby represents and warrants to Seller that the following statements are true, correct and complete as of the execution date of this Agreement and as of the date of the Closing:

(a) Buyer is a corporation validly existing and in good standing under the laws of the state in which it is organized and is in good standing, and is duly qualified to conduct business, in all of the jurisdictions in which it operates;

(b) Buyer has all requisite power and authority to enter into this Agreement, execute and deliver the Bill of Sale, undertake its obligations hereunder and consummate the transactions contemplated hereby; this Agreement constitutes, and, as of the Closing, the Bill of Sale will constitute, the valid and legally binding obligations of Buyer, are or will be enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by general equitable principles (regardless of whether enforceability is sought in a proceeding in equity or law);

(c) neither the execution and delivery of this Agreement by the Buyer, nor the consummation by the Buyer of the transactions contemplated hereby, will constitute a violation of, or be in conflict with, or constitute or create a default under: the Certificate of Incorporation, bylaws, operating agreement or similar organizational documents of the Buyer, each as amended to date; any agreement or commitment to which the Buyer is a party or by which the Buyer or any of its properties is bound or to which the Buyer or any of such properties is subject; or any statute or any judgment, decree, order, regulation or rule of any court or governmental authority;

(d) Upon receipt of all regulatory authorizations required to be obtained by Buyer pursuant to Section 1.7 of Article I of this Agreement, Buyer holds all necessary approvals, authorizations, permits, licenses, consents, and other permissions, whether corporate, regulatory, or otherwise, required to perform its obligations under this Agreement; and

(e) no representation or warranty of Buyer made in this Agreement or in any attachment, certificate, or other document or writing delivered to, or to be delivered to, Seller pursuant to this Agreement or in connection with the transactions contemplated hereby contains or will contain any untrue statement of material fact or omits or will omit to state any material fact

necessary in order to make the representation or warranty not misleading.

3.3 Required Notices. Each Party shall give prompt notice to the other of the occurrence, or failure to occur, of any event which would be likely to cause (i) any representation or warranty of that Party contained in this Agreement to be or become untrue or incorrect in any respect at any time from the date hereof to the Closing or (ii) that Party to become unable to comply with those covenants or satisfy those conditions required to be complied with or satisfied at or before the Closing.

3.4 Timing and Survival. The respective representations and warranties made by Seller and Buyer in this Agreement shall be deemed remade as of the Closing with the same force and effect as if in fact made at that time. All representations and warranties made in this Agreement shall survive and shall not merge at Closing. Anything in this Agreement to the contrary notwithstanding, the effect of the representations and warranties made in this Agreement by Seller shall not be diminished or deemed to be waived by any inspections, tests or investigations with respect to the Assets made by Buyer or its agents, contractors or employees. The provisions of this Section shall apply notwithstanding any other provisions of this Agreement, and shall survive termination, expiration, cancellation, or completion of this Agreement and Closing.

#### **ARTICLE IV** **LIABILITY AND INDEMNIFICATION**

4.1 No Assumption of Liability. Anything in this Agreement to the contrary notwithstanding, the Buyer shall not assume, and shall not be deemed to have assumed or otherwise become liable for, any liability, debt, claim, or obligation of the Seller whatsoever, whether in connection with the Assets or otherwise, known or unknown, accrued or contingent.

4.2 Indemnity. To the fullest extent permitted by applicable law, Seller agrees, on behalf of itself and any other person or entity acting on behalf of Seller, to defend with counsel satisfactory to Buyer and to pay, protect, indemnify, release and save harmless Buyer and its direct and indirect parents and affiliates and their successors and assigns and any of the officers, directors, employees, agents, contractors, and shareholders of any of them ("*Indemnified Parties*"), from and against any and all liabilities, damages, losses, costs, expenses (including any and all reasonable attorneys' fees and disbursements), causes of action, suits, claims, damages, penalties, obligations, demands or judgments of any nature, including death, personal injury and property damage, economic damage (including Buyer's cost of Capital, loss of revenue and profits, and power interruption, business interruption or power quality claims of both Buyer and its customers), claims brought by third parties for personal injury and property damage, economic damage, or environmental damage or harm (including for investigation, response, removal, clean-up, and/or remediation for any Release of Hazardous Substances), (i) in connection with the Assets to the extent arising, directly or indirectly, from events occurring prior to the Closing, (ii) to the extent arising from any breach or nonperformance under this Agreement or the Bill of Sale by Seller, including any breach of Seller representations or warranties, or (iii) arising out of the failure of any of the rights in and to the Assets or Warranties to vest in Buyer upon the transfer of the Assets to Buyer as contemplated hereunder.

4.3 Defense and Costs. Seller shall take prompt action to defend and indemnify the Indemnified



Parties against claims, actual or threatened, but in no event later than notice by Buyer to Seller of the service of a notice, summons, complaint, petition or other service of process alleging damage, injury, liability, or expenses that may be subject to indemnification hereunder. Seller shall defend any such claim or threatened claim, including, as applicable, engagement of legal counsel satisfactory to Buyer, to respond to, defend, settle, or compromise any claim or threatened claim. In the event that Seller (i) fails to promptly undertake such defense, (ii) fails to pay said defense costs and damages, (iii) uses counsel not reasonably acceptable to the Indemnified Parties or (iv), does not allow the Indemnified Parties to be part of the settlement or compromise discussions, then the Indemnified Party(ies) shall have the right, but not the obligation, to undertake such defense and settlement discussions. In the event an Indemnified Party undertakes its own defense or pays any associated damages, whether by settlement or pursuant to judicial order, judgment or decree, then Seller shall not raise or plead as a defense to a claim by the Indemnified Party for reimbursement for all or any part of the expense so incurred that in doing so the Indemnified Party acted as volunteer or waived its right to defense, indemnification, or insurance coverage reimbursement in accordance with this Agreement. Seller understands and agrees that it shall be responsible for any and all reasonable costs and expenses incurred by Indemnified Parties to enforce this indemnification provision. Such costs incurred by the Indemnified Parties can include attorney's fees and expenses for litigation, accounting, consulting or engineering fees and related expenses, judgments, liens and encumbrances arising from such lawsuits, actions or claims whenever made or incurred. Furthermore, Seller shall, at its sole cost and expense, testify, as required by the Indemnified Parties, at any judicial or administrative proceeding, or deposition, and shall be responsible to reimburse the Indemnified Parties for any damages the Indemnified Parties pays as a result of Seller's failure to comply with its indemnification obligations under this Article.

4.4 Survival. The provisions of this Article shall survive termination, expiration, cancellation, or completion of this Agreement and Closing.

## **ARTICLE V** **GENERAL PROVISIONS**

5.1 Assignment. This Agreement may not be assigned without the express written consent of both Parties hereto. The foregoing notwithstanding, either Party may assign this Agreement to an affiliate without the other Party's consent, provided, however, that no such assignment shall serve to release the assignor, pledgor or transferor of any of its obligations under this Agreement without the written consent of the non-assigning Party. For purposes of this Agreement, the term "affiliate" shall mean any entity controlling, controlled by, or under common control with the Party; "control" of an entity shall mean the ownership of, with right to vote, fifty percent (50%) or more of the outstanding voting securities, equity, membership interests, or equivalent of such entity.

5.2 Notices. Any notice required or permitted to be given hereunder shall be addressed to the Parties as follows:

If to Buyer:

Niagara Mohawk Power Corporation  
300 Erie Boulevard West  
Syracuse, New York 13202

Attention: Sarah Steitz  
Transmission Commercial Services

Phone: 315.428.5047

Email: [sarah.steitz@us.ngrid.com](mailto:sarah.steitz@us.ngrid.com)

If to Seller:

Village of Churchville  
Attention: Superintendent  
Office Phone: 585.293.3366

Copy:

Mayor  
Village of Churchville  
Office Phone: 585.293.3720

Any notices, requests, or other correspondence and communication given under this Agreement shall be in writing and must be sent by (i) hand delivery, (ii) registered or certified mail, return receipt requested, (iii) reputable national overnight courier service, postage prepaid, or (iv) facsimile transmission, addressed to the Party at its addresses or telephone facsimile number set forth above. For purposes of this Agreement, notices sent by hand delivery, overnight courier or facsimile shall be deemed given upon receipt and notices sent by mail shall be deemed given three (3) business days following the date of mailing. Each Party may give notice, as herein provided, specifying a different person, address or facsimile number than that which is listed above.

5.3 Amendments. This Agreement shall not be amended, superseded or modified, in whole or in part, except in a writing signed by both Parties.

5.4 Approvals; Entire Agreement; Effectiveness. This Agreement shall be subject to approval of any federal, state or local regulatory body whose approval is a legal prerequisite to its execution and delivery or performance. This Agreement and the Bill of Sale shall be deemed to constitute the entire agreement among the Parties relating to the subject matter hereof and shall supersede all previous agreements, negotiations, courses of dealings, oral or written offers, understandings, discussions, communications and correspondence with respect thereto.

5.5 Counterparts. This Agreement and the Bill of Sale may be executed in multiple counterparts, each of which shall be deemed an original when signed, and such counterparts shall constitute one and the same instrument and shall be binding and inure to the benefit of the Parties' successors and assigns.

5.6 Applicable Law; Severability; Survival. This Agreement shall be governed by the laws of the State of New York, without regard to the conflict of laws principles contained therein. To the extent that any provision of this Agreement shall be held to be invalid, illegal or unenforceable, it shall be modified so as to give as much effect to the original intent of such provision as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining provisions of the Agreement. The covenants and agreements of the Parties contained in, or given pursuant to, this Agreement, shall survive the Closing until they have been fully satisfied or otherwise discharged.

5.7 Further Assurances. Before, at, and after the Closing, each of the Parties hereto agrees to take such further action and to execute and deliver such further documents and agreements as may be reasonably requested by the other in order to fulfill the intents and purposes of this Agreement.

5.8 No Third Party Beneficiaries. This Agreement is for the use and benefit of Seller and Buyer only, and not for the use and benefit of the public generally or any other person, party, or entity. Any use of, or reliance upon, this Agreement, or any performance or non-performance hereunder, by any third party shall be at the sole risk of such person.

5.9 Construction. Unless otherwise specified, references in this Agreement to Sections or Articles are to sections and articles of this Agreement. Any reference in this Agreement to any statute or any section thereof will be deemed, unless otherwise expressly stated, to be a reference to such statute or section as amended, restated or re-enacted from time to time. The division of this Agreement into Articles and Sections is for convenience only, and shall not affect the interpretation of this Agreement. Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders. Where the word “including” or “includes” is used in this Agreement it means “including (or includes) without limitation. The Section headings of this Agreement are for convenience of reference only, do not constitute part of this Agreement, and shall not be deemed to limit or otherwise affect any of the provisions hereof.

[Signatures are on following page.]

IN WITNESS WHEREOF, the Parties have each caused this Agreement to be signed in their names and behalf by their respective duly authorized representatives as of the date first above written.

**Niagara Mohawk Power Corporation, as Buyer**

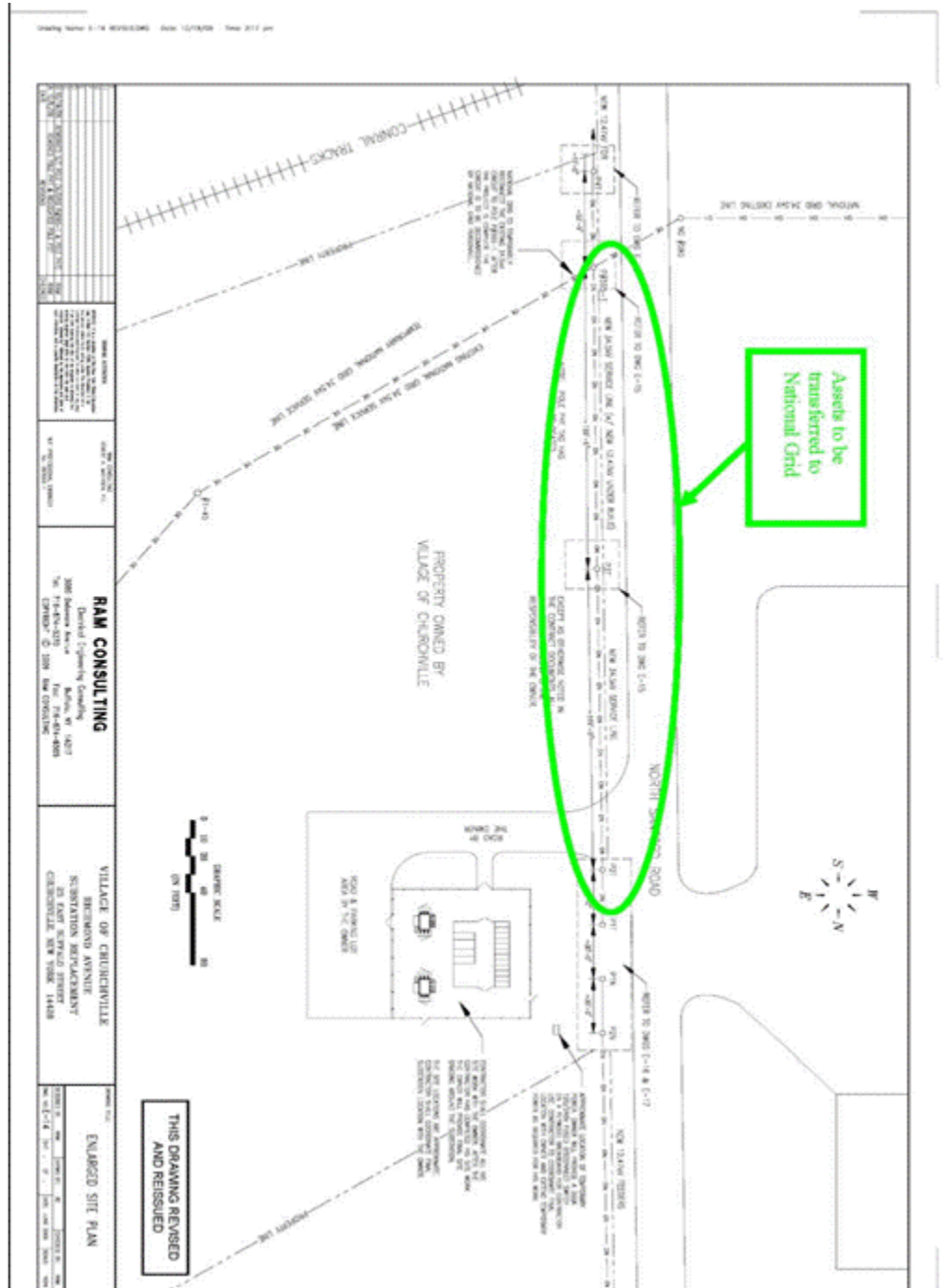
By \_\_\_\_\_  
Name:  
Title:

**Village of Churchville, as Seller**

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

### EXHIBIT A - DESCRIPTION OF ASSETS

Four 55' class 2 poles and approximately 420 circuit feet of 3 phase conductor terminating on Churchville's disconnect switch and riser pole #38-2 at 40 Sanford North Road in the Village of Churchville NY, as depicted on the Enlarged Site Plan below.



## EXHIBIT B

### BILL OF SALE

Dated as of [\_\_\_\_], 2011

Reference is made to that certain Asset Purchase and Sale Agreement dated as of April \_\_, 2011 between Niagara Mohawk Power Corporation d/b/a/ National Grid and the Village of Churchville (the "Transaction Agreement").

The undersigned **Village of Churchville**, a New York municipal corporation (the "Seller" or "Churchville"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged under seal, hereby conveys, grants, bargains, sells, transfers, releases, delivers and confirms with warranty covenants, to **Niagara Mohawk Power Corporation**, a New York corporation ("Buyer" or "National Grid"), good, clear and marketable title, free from any defects, liens, encumbrances and claims of any kind, to the personal property described on Annex A attached hereto and incorporated herein by reference and made a part hereof (collectively, the "Assets"), and hereby assigns, transfers, and sets over unto Buyer all of Seller's right, title, and interest in and to any and all of the unexpired warranties, guaranties, agreements, contract rights, or other benefits which Seller may have received from manufacturers, vendors, suppliers, or other third parties relating or pertaining thereto (collectively, "Warranties").

It is the intent of the Seller and Buyer that this Bill of Sale transfer all of Seller's right, title, and interest in and to the Assets and to assign any and all Warranties. In the event that this Bill of Sale does not accomplish the transfer of all of Seller's right, title, and interest in and to the Assets and/or the assignment of all of Seller's right, title and interest in and to any and all of the Warranties, each of the parties hereto covenants and agrees to take all steps necessary to effectuate such transfer and/or assignment and to execute, acknowledge, and deliver any and all documents or instruments as may be reasonably necessary to transfer the Assets and/or assign the Warranties to Buyer and as may be appropriate to confirm or otherwise carry out the transactions contemplated by this Bill of Sale. The provisions of this paragraph shall apply notwithstanding any other provisions of this Bill of Sale or the Transaction Agreement, and shall survive, termination, expiration, cancellation, or completion of this Bill of Sale and the Transaction Agreement.

Seller hereby represents and warrants to Buyer that Seller is the sole lawful owner of the Assets; that Seller has good and marketable title to the Assets free and clear of all liens, claims, rights, charges, or encumbrances of any nature whatsoever; and that Seller has the right to transfer the Assets to Buyer as contemplated by this Bill of Sale. Seller hereby further represents and warrants to Buyer that the transfer of the Assets will not render any of the Warranties void or voidable; that Buyer shall have the benefit of all of Seller's rights in and to the Warranties upon transfer of the Assets to Buyer; and that Seller has provided true, accurate, and complete originals or copies of the Warranties to Buyer on or before the date hereof. Seller hereby covenants and agrees for the benefit of Buyer that Seller will, for Seller and Seller's successors and assigns, warrant and forever defend, at Seller's sole cost and expense, the right, title, and interest of Buyer and Buyer's successors and assigns in and to the Assets and Warranties against the lawful claims and demands of all persons; and take all steps necessary to ensure that Buyer has the benefit of all of Seller's rights in and to the Warranties upon transfer of the Assets to Buyer. The provisions of this paragraph shall

survive, termination, cancellation, expiration, or completion of this Bill of Sale and the Transaction Agreement.

Seller hereby constitutes and appoints Buyer, and its successors and assigns, as the Seller's true and lawful attorney, with full power of substitution, in the Seller's name and stead, by, on behalf of, and for the benefit of Buyer, and its successors and assigns, to demand and receive any and all of the Assets transferred hereunder and to give receipts and releases for and in respect of the same, and any part thereof, and from time to time to institute and prosecute, for the benefit of Buyer, and its successors and assigns, and at Seller's expense, any and all proceedings at law, in equity or otherwise, which Buyer, and its successors or assigns, may deem proper for the collection or reduction to possession of any of the Assets transferred hereunder or for the collection and enforcement of any claim or right of any kind hereby sold, assigned, conveyed, transferred, and delivered, and to do all acts and things in relation to the Assets transferred hereunder which Buyer, and its successors or assigns, shall deem desirable. The provisions of this paragraph shall survive, termination, cancellation, expiration or completion of this Bill of Sale and the Transaction Agreement.

To the extent that any provision of this Bill of Sale shall be held to be invalid, illegal or unenforceable, it shall be modified so as to give as much effect to the original intent of such provision as is consistent with applicable law and without affecting the validity, legality or enforceability of the remaining provisions of this Bill of Sale. Each party represents and warrants to the other that the signatory identified beneath its name below has full authority to execute this Bill of Sale on its behalf.

This Bill of Sale and all of the provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. The parties agree that time is of the essence for the transactions contemplated by this Bill of Sale.

This Bill of Sale shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under such state's applicable principles of conflicts of laws). Venue in any action with respect to this Bill of Sale shall be in New York; the parties agree to submit to the personal jurisdiction of courts in New York with respect to any such actions.

This Bill of Sale may be executed in multiple counterparts, each of which shall be considered an original.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties hereto have each caused these presents to be signed in their names and behalf by their respective duly authorized representatives, under seal, as of the date first above written.

**Niagara Mohawk Power Corporation, as Buyer**

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

**Village of Churchville, as Seller**

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



### Annex A to Bill of Sale - Description of Assets

Four 55' class 2 poles and approximately 420 circuit feet of 3 phase conductor terminating on Churchville's disconnect switch and riser pole #38-2 at 40 Sanford North Road in the Village of Churchville NY, as depicted on the Enlarged Site Plan below.

