

(v) all other liabilities and obligations arising out of or relating to Buyer's ownership or operation of the System and the Acquired Assets on or after the Closing (all of the aforementioned liabilities in this Section 2.04(a) are referred to as the "Assumed Liabilities").

(b) At the Closing, to the extent Seller is not released therefrom, Seller shall be indemnified against its obligations under the Assumed Liabilities in accordance with Section 8.03.

(c) Buyer shall not assume or be liable to pay any liabilities or obligations relating to the Excluded Liabilities or any other liabilities or obligations that are not Assumed Liabilities.

Section 2.05. Further Assurances. At any time and from time to time after the Closing Date, Seller shall, upon the request of Buyer, and Buyer shall, upon the request of Seller, at the cost of requesting Party, promptly execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such other instruments of conveyance and transfer and other documents, and perform or cause to be performed such further acts, as may be reasonably required to evidence or effectuate, or more fully evidence or effectuate, (a) the sale, conveyance, transfer, assignment and delivery hereunder of the Acquired Assets to Buyer, (b) the assumption by Buyer of any of the Assumed Liabilities, (c) performance by the Parties of any of their other respective obligations under this Agreement, (d) the vesting in Buyer of all right, title and interest in the Acquired Assets and the System as provided herein, and (e) any other matters reasonably requested by a Party to carry out the provisions, purposes and intent of this Agreement.

Section 2.06. Certain Transfers; Assignment of Contracts.

(a) Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section 2.06(a) and Section 2.06(b), to the extent that the sale, transfer, assignment, conveyance and delivery, or attempted sale, transfer, assignment, conveyance and delivery, to Buyer of any Assigned Contract or other Acquired Asset would result in a violation of applicable Law, or would require the consent, authorization, approval or waiver of any Person (other than the Parties hereto), including any Governmental Authority, and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, transfer, assignment, conveyance and delivery, or an attempted sale, transfer, assignment, conveyance and delivery, thereof (any such Acquired Asset, a "Nonassignable Asset"). Following the Closing, Seller and Buyer shall use commercially reasonable efforts (at the cost and expense of the Party that is responsible for compliance with such Law or obtaining such consent, authorization, approval or waiver), and shall cooperate with each other, to obtain any such required consent, authorization, approval or waiver, or any release, substitution, novation or amendment required to sell, transfer, assign, convey and deliver any such Nonassignable Asset to Buyer; *provided, however*, that in no event shall Buyer be required to pay any consideration therefor. Once such consent, authorization, approval, waiver, release, substitution or amendment is obtained, Seller shall sell, transfer, assign, convey and deliver to Buyer the relevant Acquired Asset to which such consent, authorization, approval, waiver, release, substitution or amendment relates for no additional consideration. Any applicable sales,

transfer and other similar Taxes in connection with such sale, transfer, assignment, conveyance and delivery shall be paid fifty percent (50%) by Buyer and fifty percent (50%) by Seller.

(b) Until such time as a Nonassignable Asset is transferred to Buyer pursuant to this Article II, Buyer and Seller shall cooperate in any commercially reasonable and economically feasible arrangements (such as subleasing, sublicensing or subcontracting) to provide to the Parties the economic and, to the extent permitted under applicable Law, operational equivalent of the transfer of such Nonassignable Asset to Buyer at the Closing and the performance by Buyer of its obligations with respect thereto, and so long as Seller transfers and turns over all economic and beneficial rights with respect to each such Nonassignable Asset, Buyer shall, to the extent permitted under applicable Law and the terms of any applicable contract that constitutes a Nonassignable Asset, as agent or subcontractor for Seller, pay, perform and discharge the liabilities and obligations of Seller thereunder from and after the Closing Date, but only to the extent that such liabilities and obligations would constitute Assumed Liabilities if the applicable consent or approval had been obtained on or prior to the Closing Date and such Nonassignable Asset had been assigned to Buyer at Closing. To the extent permitted under applicable Law, Seller shall hold in trust for and pay to Buyer promptly upon receipt thereof, such Nonassignable Asset and all income, proceeds and other monies received by Seller with respect to such Nonassignable Asset in connection with the arrangements under this Article II.

(c) If, following the date hereof and prior to the Closing, Buyer identifies any contract to which Seller is a party which is not set forth on Schedule 4.15 as of the date hereof, and Buyer reasonably determines such contract is necessary or useful to the operation of the System, Buyer shall give notice of such determination to Seller and Seller shall, promptly following receipt of such notice, deliver to Buyer an updated Schedule 4.15 reflecting the addition of such contract, and such contract shall thereafter constitute and be deemed an "Assigned Contract" for all purposes hereunder.

(d) In the event that, during the twelve (12) month period following the Closing, Buyer identifies any contract to which Seller was a party as of the Closing and which (i) was not set forth on Schedule 4.15 (as may be updated pursuant to (c)) and (ii) Buyer reasonably believes is necessary or useful to the operation of the System, Seller shall, promptly following Buyer's written request therefor, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such other instruments of conveyance and transfer and other documents, and perform or cause to be performed such further acts, as may be reasonably required to evidence or effectuate, or more fully evidence or effectuate the assignment of such contract to Buyer for no additional consideration, and upon such assignment, such contract shall be deemed an Assigned Contract for all purposes hereunder.

(e) From the date of this Agreement until the Closing Date, Seller shall collect accounts receivable and pay accounts payable in the ordinary course and in a manner consistent with its past practices.

ARTICLE III.

PURCHASE PRICE

Section 3.01. Purchase Price. The purchase price for the Acquired Assets shall be Twenty-One Million Dollars (\$21,000,000) (the "Purchase Price") which shall be paid as follows at Closing:

(a) Buyer shall (i) provide for payment in full of the total amount of Outstanding Indebtedness (less any amounts of Outstanding Indebtedness actually assumed by Buyer pursuant to clause (ii) below) and/or (ii) subject to the provisions of Section 7.06, assume any of Seller's obligations related to the Outstanding Indebtedness and obtain a release of Seller from all obligations thereunder in such form and terms reasonably acceptable to Seller and/or provide written evidence of such payment in full to Seller in such form reasonably acceptable to Seller, at Buyer's discretion;

(b) Buyer shall pay, subject to any adjustment pursuant to Section 3.01(c), to Seller by wire transfer of immediately available funds the balance of the Purchase Price (after taking into account the amount paid or assumed by Buyer pursuant to Section 3.01(b)) to one or more accounts that Seller designates and provides to Buyer at least three (3) Business Days prior to the Closing Date.

(c) Final Billing: The Parties agree that Buyer shall be entitled to all customer billings with respect to sanitary wastewater customers services for the period on or after the Closing Effective Time, and Seller shall be entitled to all such billings for the period prior to the Closing Effective Time. The Parties shall cooperate to calculate an agreed upon proration of billing amounts and to the extent that either Party collects billings that are attributable to service provided by the other Party, the Party holding the other Party's billing collections shall pay such amount to the other Party.

Section 3.02. Fair Consideration. The Parties acknowledge and agree that the consideration provided for in this Article III represents fair consideration and reasonable equivalent value for the sale and transfer of the Acquired Assets and the transactions, covenants and agreements set forth in this Agreement, which consideration was agreed upon as the result of arm's-length good faith negotiations between the Parties and their respective Representatives.

Section 3.03. Allocation of the Purchase Price. At Buyer's request and Seller shall agree that the Purchase Price (which for purposes of this Section 3.03 shall include any liabilities required to be treated as part of the Purchase Price for federal income tax purposes), as may be adjusted pursuant to this Section 3.03, shall be allocated among the Acquired Assets in accordance with the allocation reflected in a schedule prepared by Buyer in accordance with this Section 3.03 (the "Allocation Schedule"). Within sixty (60) days following the final determination of the Purchase Price pursuant to Section 3.01, Buyer shall deliver to Seller a draft of the Allocation Schedule setting forth Buyer's proposed allocation for Seller's review. Seller shall have the right to review and reasonably comment upon Buyer's proposed Allocation Schedule, *provided*, that (a) such proposed Allocation Schedule shall be deemed approved by Seller and shall be final and binding upon the Parties unless Seller provides written notice of

Seller's comments to one or more items reflected in the proposed Allocation Schedule within twenty (20) Business Days after delivery of the proposed Allocation Schedule to Seller, and (b) upon receipt of any such written comments from Seller with respect to the proposed Allocation Schedule, Buyer may make such adjustments or revisions to the proposed Allocation Schedule based on Seller's comments as Buyer determines in good faith to be necessary and appropriate, *provided further*, that Buyer shall have no obligation to make any such adjustments or revisions absent manifest error. The Parties shall adhere to the Allocation Schedule (as finally determined pursuant to this Section 3.03) for all purposes relevant to the calculation of federal or state Taxes, and will report the transactions contemplated herein in a manner consistent with such Allocation Schedule. Except as required by applicable Law, Buyer and Seller shall not take any position on their respective Tax Returns that is inconsistent with the Allocation Schedule.

Section 3.04. Transfer Taxes. Any and all deed stamps or transfer Taxes which may be due the Commonwealth of Pennsylvania or any political subdivision in connection with the sale, transfer, assignment, conveyance and delivery hereunder of the Acquired Assets to Buyer (collectively, "Transfer Taxes"), shall be borne fifty percent (50%) by Buyer and fifty percent (50%) by Seller. The terms hereof shall survive Closing.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller makes only the representations and warranties which are set forth in this Article IV.

As a material inducement to Buyer to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Seller represents and warrants, as of the Effective Date and as of the Closing Date (except to the extent any of the following representations and warranties specifically apply to or relate to another date, in which event such representations and warranties shall be true and correct as of such other date), as follows:

Section 4.01. Organization. Seller is a body corporate and politic, duly organized and existing under the Second Class Township Code of the Commonwealth of Pennsylvania.

Section 4.02. Power and Authority. Seller has (i) duly adopted an authorizing ordinance authorizing the transactions contemplated herein, which remains in full force and effect, (ii) duly authorized and approved the execution and delivery of this Agreement and (iii) duly authorized and approved the performance by Seller of its obligations contained in this Agreement. Seller has all requisite power and authority to own, lease and operate the Acquired Assets and the System and has the power and authority to enter into this Agreement and to do all acts and things and execute and deliver all other documents as are required hereunder to be done, observed or performed by it in accordance with the terms hereof.

Section 4.03. Enforceability. This Agreement has been duly authorized, executed and delivered by Seller and constitutes a valid and legally binding obligation of Seller, enforceable against Seller in accordance with the terms hereof, subject only to applicable bankruptcy,

insolvency and similar laws affecting the enforceability of the rights of creditors generally and to general principles of equity.

Section 4.04. No Conflict or Violation. The execution and delivery of this Agreement by Seller, the consummation of the transactions contemplated hereby and the performance by Seller of the terms, conditions and provisions hereof has not and will not contravene or violate or result in a breach of (with or without the giving of notice or lapse of time, or both) or acceleration of any material obligations of Seller under (i) any applicable Law or (ii) any agreement, instrument or document to which Seller is a party or by which it is bound.

Section 4.05. Consents and Approvals. Schedule 4.05 sets forth a list of each consent, waiver, authorization or approval of any Governmental Authority, or of any other Person, and each declaration to or filing or registration with any Governmental Authority required in connection with the execution and delivery of this Agreement by Seller or the performance by Seller of its obligations hereunder.

Section 4.06. Undisclosed Liabilities Except as set forth in Schedule 4.06, there are no liabilities or obligations of Seller, either accrued, absolute, contingent or otherwise, relating to the Acquired Assets, other than liabilities incurred in the ordinary course, that could not reasonably be expected to have a Material Adverse Effect on Buyer.

Section 4.07. Absence of Certain Changes or Events. Except as set forth on Schedule 4.07, since December 31, 2015, there has not been any transaction or occurrence that has resulted or is reasonably likely to result in a Material Adverse Effect and Seller has operated and maintained the System since that date in the ordinary course.

Section 4.08. Tax Matters. Except as set forth in Schedule 4.08 or as would not have a Material Adverse Effect, (i) Seller has timely paid all Taxes that may have been or may be due and payable by Seller on or before the Closing Date, arising from the ownership or operation of the Acquired Assets or the System on or before the Closing Date (ii) no taxing authority has asserted any claim against the Seller for the assessment of any additional tax liability or initiated any action or proceeding which could result in such an assertion; and (iii) the Seller has made all withholding of Taxes required to be made under all applicable Laws and regulations, including without limitation, withholding with respect to compensation paid to employees, and the amounts withheld have been properly paid over to the appropriate taxing authorities.

Section 4.09. Real Property and Easements. Schedule 4.09 identifies all Real Property Seller owns and uses in the operation of the System and separately identifies the Easements. Seller does not lease (as lessee) any real property that is used in the operation of the System. There are no pending condemnation proceedings relating to any of the Real Property or Easements nor has Seller actually received any written threats of any condemnation proceedings and, to the Knowledge of Seller, no such proceedings are threatened. Seller has not received any written notices of any violations of any Law from any Governmental Authority with respect to the Real Property or the Easements which has not been cured in all material respects and, to Seller's Knowledge, no such violations of Law exist. With respect to the Real Property, (i) there are no leases, options, rights of reversions or other rights of use or rights to acquire the Real Property held by third parties, (ii) Seller is in sole possession of the Real Property, and (iii) to

Seller's Knowledge there are no encroachments either way across the boundary of the Real Property, nor any dispute with adjacent property owners over the location of boundaries or potential claims adverse to title.

Section 4.10. Equipment and Machinery. All Equipment and Machinery included in the Acquired Assets is set forth and otherwise described on Schedule 4.10. Except as set forth in Schedule 4.10, Seller has good title, free and clear of all Liens (other than the Permitted Liens and Liens which are released on or prior to Closing) to the Equipment and Machinery owned by Seller. Except as specifically disclosed on Schedule 4.10, all the Equipment and Machinery is owned by Seller, and none is leased or used under any conditional sales, title-retention, lease, license or similar arrangement.

Section 4.11. Employee Benefit Plans.

(a) Schedule 4.11(a) contains a true and complete list of all Seller's Plans and Seller's Benefit Obligations with respect to Personnel, including amounts owed to current or past employees for severance, unpaid and unused vacation pay or sick leave, or similar obligations. All such Seller's Plans and Seller's Benefit Obligations are in full force and effect and are in material compliance both as to form and operation, with applicable provisions of the Code, and any other applicable Laws, and with any applicable collective bargaining agreement. To Seller's Knowledge, no event has occurred which has resulted or is likely to result in the imposition of any liability on the Seller under the Code or other applicable Law with respect to any Seller's Plans or Seller's Benefit Obligations;

(b) Except as set forth in Schedule 4.11(b), with respect to the System, the Seller does not sponsor, maintain, contribute to, nor is it required to contribute to, any "multiemployer plan" within the meaning of Section 14(f) of the Code, and has no liability of any nature, whether known or unknown, fixed or contingent; with respect to any such multiemployer plan;

(c) Except as set forth on Schedule 4.11(c), Seller does not sponsor, maintain, contribute to, nor is it required to contribute to, any medical, health, life or other welfare plan or benefits for present or future terminated or current or future retired Personnel or their spouses or dependents, other than as required by COBRA, or any comparable state law, and has no liability of any nature, whether known or unknown, fixed or contingent, with respect to any such post-termination welfare benefits;

(d) The Seller is and has been in material compliance with the requirements of COBRA and is not subject to any excise tax under Code Section 4980B for the current or any prior taxable year; and

(e) Except as set forth in Schedule 4.11(e), Seller has not entered into any severance or similar arrangement with respect to any present or former Personnel that will result in any obligation (absolute or contingent) of Buyer to make any payment to any present or former Personnel following termination of employment, including the termination of employment effected by the transactions contemplated by this Agreement. The consummation of the transactions contemplated by this Agreement will not trigger any severance or other obligation of Seller for which Buyer shall have any liability.

Section 4.12. Seller's Personnel.

(a) Except as set forth on Schedule 4.12(a), Seller shall timely pay, or cause to be timely paid, to the Personnel as required under its policies and/or by applicable Law for accrued but unused and unpaid vacation, sick leave and other benefits accrued as of the Closing Date.

(b) Seller has not, in the past five (5) years, effectuated:

(i) a "plant closing" (as defined in the Worker Adjustment and Retraining Notification Act ("WARN Act")) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of the System; or

(ii) a "mass layoff" (as defined in the WARN Act) affecting any site of employment or facility of the System; nor has the System been affected by any transaction or engaged in layoffs or employment terminations sufficient in number to trigger application of any similar state or local Law.

(c) None of the Personnel has suffered an "employment loss" (as defined in the WARN Act) during the previous six months.

Section 4.13. Environmental Compliance. Except as set forth in Schedule 4.13 or that otherwise could not be expected to have a Material Adverse Effect, Seller represents:

(a) The System as currently operated by Seller and all operations and activities conducted by Seller with respect to the System are in compliance in all material respects with all applicable Environmental Requirements.

(b) Seller has generated, used, handled, treated, stored and disposed of all Hazardous Materials in (i) compliance in all material respects with all applicable Environmental Requirements and (ii) a manner that has not given, and could not reasonably be anticipated to give, rise to Environmental Liabilities.

(c) Seller has not received notice of any Environmental Claims related to the System that have not been fully and finally resolved, and to the Knowledge of Seller no claims of Environmental Liabilities have been threatened allegedly arising from or relating to the System that have not been fully and finally resolved.

(d) Hazardous Materials are not present at or on the System or Acquired Assets, there has been no Release of Hazardous Materials at, on or from any part of the System or the Acquired Assets, in each case in a manner that violates any Environmental Requirements or has resulted in, or could reasonably be anticipated to give rise to, Environmental Liabilities.

(e) No Lien or activity use limitation or institutional control has been recorded affecting any Acquired Assets by any Governmental Authority due to either the presence of any Hazardous Material on or off the Acquired Assets or a violation of any Environmental Requirement.

(f) There are no underground storage tanks on or at any of the Acquired Assets. Any underground storage tanks previously located at the Acquired Assets have been removed or otherwise closed, plugged and abandoned in compliance with applicable Environmental Requirements in effect at the time of such closure.

(g) There is no PCB Equipment on or at any of the Acquired Assets. Any PCB Equipment that previously existed at the Acquired Assets has been flushed of polychlorinated byphenyls or has been removed and properly disposed of, in compliance with applicable Environmental Requirements, and any remaining PCB Equipment is labeled to the extent required under applicable Environmental Requirements and being managed in compliance with applicable Environmental Requirements.

(h) No Regulated Asbestos Containing Material exists in or on the Acquired Assets in an aggregate amount that would reasonably be expected to result in an Environmental Liability; and any Regulated Asbestos Containing Material is being managed in compliance with all applicable Environmental Requirements.

(i) Seller has delivered to Buyer (1) all material environmental site assessments or reasonable and accurate summaries thereof pertaining to the System, (2) all material compliance audits or compliance assurance reviews prepared within the previous five (5) years or reasonable and accurate summaries thereof relating to compliance with Environmental Requirements by the System, and (3) reasonable and accurate summaries of, or all material documents pertaining to, any known and unresolved Environmental Liabilities incurred in relation to the System, to the extent possessed by or under the reasonable control of Seller.

Section 4.14. Authorizations and Permits. Seller represents that (i) Schedule 4.14 lists or describes the Authorizations and Permits of Seller that are currently in full force and effect; (ii) Seller has made true and complete copies of all Authorizations and Permits available to Buyer; and (iii) except as set forth on Schedule 4.14, Seller is in compliance with all material terms, conditions and requirements of all Authorizations and Permits, except in each case where such violation or failure, individually or in the aggregate, would not have a Material Adverse Effect, and no proceeding is pending or, to the Knowledge of Seller threatened relating to the revocation or limitation of any of the Authorizations or Permits, other than those revocations or limitations which do not individually or in the aggregate have a Material Adverse Effect.

Section 4.15. System Contracts.

(a) Schedule 4.15 contains a complete and accurate list of all the Assigned Contracts.

(b) Seller has made available to Buyer true and complete copies of all the foregoing Assigned Contracts.

(c) Seller further represents that all of the Assigned Contracts specified in Schedule 4.15 are in full force and effect. Seller has not, nor to the Knowledge of Seller has any other party thereto, breached any material provision of or defaulted under the material terms of, nor

does any condition exist which, with notice or lapse of time, or both, would cause Seller, or to the Knowledge of Seller, any other party, to be in default under any Assigned Contract.

Section 4.16. Compliance with Law; Litigation.

(a) Seller has operated and is operating the System in compliance, in all material respects, with all applicable Laws, Authorizations and Permits and is not in breach of any applicable Law, Authorization or Permit that would have a Material Adverse Effect on the operations of the System or on Buyer. There are no Authorizations or Permits from any Governmental Authority necessary for the operation of the System as currently being operated except for those Authorizations and Permits listed in Schedule 4.14.

(b) Except as set forth on Schedule 4.16, there are no facts, circumstances, conditions or occurrences regarding the System that could reasonably be expected to give rise to any environmental claims or governmental enforcement actions that could reasonably be expected to have a Material Adverse Effect, and there are no past, pending or threatened environmental claims or governmental enforcement actions against Seller that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(c) Except as set forth on Schedule 4.16, there is no action, suit or proceeding, at law or in equity, or before or by any Governmental Authority, pending nor, to the Knowledge of Seller, threatened against Seller prior to or at the time of Closing that could reasonably be expected to have a Material Adverse Effect on the operations of the System. As of the date of this Agreement, there is no action, suit or proceeding, at Law or in equity, or before or by any Governmental Authority, pending nor, to the Knowledge of Seller, threatened against Seller which could materially affect the validity or enforceability of this Agreement.

Section 4.17. Broker's and Finder's Fees. Seller represents that no broker, finder, or Person is entitled to any commission or finder's fee by reason of any agreement or action of Seller in connection with this Agreement or the transactions contemplated by this Agreement. Seller agrees to pay when due the fees and expenses of their financial and technical advisors. Seller has employed Public Financial Management, Inc., as municipal advisor to provide transaction structuring advice and to provide Seller with municipal advice relating to the sale of the System. Seller shall be solely responsible to pay all fees owed to Public Financial Management, Inc. in connection with the transactions contemplated by this Agreement.

Section 4.18. Title to the Acquired Assets; Sufficiency.

(a) Except as set forth on Schedule 4.18(a), Seller has good and marketable title to, all Real Property, and valid leasehold interest in or valid licenses or Easements to use and access, all of the Acquired Assets, free and clear of all Liens, other than Permitted Liens and Liens which will be fully and unconditionally released at or prior to Closing. The use of the Acquired Assets is not subject to any Liens, other than Permitted Liens, and such use does not encroach on the property or the rights of any Person.

(b) Except as set forth on Schedule 4.18(b), the Acquired Assets are sufficient for, and constitute all the assets, properties, business, goodwill and rights of every kind and

description, and services required for, the continued conduct and operation of the System by Buyer in substantially the same manner as currently conducted and operated by Seller. Except for the Excluded Assets and except as set forth on Schedule 4.18(b), (i) the Acquired Assets, taken as a whole, comprise all the assets, properties, business, goodwill and rights of every kind and description used or held for use in, or useful or necessary to the operation of the System as currently operated by Seller, and (ii) there are no assets, properties, business, goodwill, rights or services used in the conduct or operation of the System that are owned by any Person other than Seller that will not be licensed or leased to Buyer under valid, current license arrangements or leases. None of the Excluded Assets are material to the System.

Section 4.19. Pending Development Plans. Schedule 4.19 sets forth a full and complete list of all Pending Development Plans as of the Effective Date. Each Pending Development Plan, if consummated could result in the expansion of the Service Area. Seller provides no assurances whatsoever that any development or expansion of the Service Area associated with any Pending Development Plan will actually be undertaken or completed.

Section 4.20. Land Development Agreements / Financial Security Agreements. Schedule 4.20 sets forth a list of all Land Development / Financial Security Agreements existing as of the date hereof between Seller and any third party.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer makes only the representations and warranties which are set forth in this Article V.

As a material inducement to Seller to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer hereby represents and warrants to Seller, as of the Effective Date and as of the Closing Date (except to the extent any of the following representations and warranties specifically apply or relate to another date, in which event such representations and warranties shall be true and correct as of such other date), as follows:

Section 5.01. Organization. Buyer is duly organized, validly existing and in good standing under the laws of the state of its organization.

Section 5.02. Authorization and Validity of Agreement. Buyer has the power and authority to enter into this Agreement and to do all acts and things and execute and deliver all other documents as are required hereunder to be done, observed or performed by it in accordance with the terms hereof. This Agreement has been duly authorized, executed and delivered by Buyer and constitutes a valid and legally binding obligation of Buyer, enforceable against it in accordance with the terms hereof, subject only to applicable bankruptcy, insolvency and similar laws affecting the enforceability of the rights of creditors generally and to general principles of equity.

Section 5.03. No Conflict or Violation. The execution and delivery of this Agreement by Buyer, the consummation of the transactions contemplated hereby and the performance by Buyer of the terms, conditions and provisions hereof has not and will not contravene or violate or

result in a material breach of (with or without the giving of notice or lapse of time, or both) or acceleration of any material obligations of Buyer under (i) any applicable Law, (ii) any material agreement, instrument or document to which Buyer is a party or by which it is bound or (iii) the articles, bylaws or governing documents of Buyer.

Section 5.04. Consents and Approvals. Schedule 5.04, sets forth a list of each consent, waiver, authorization or approval of any Governmental Authority, or of any other Person, and each declaration to or filing or registration with any Governmental Authority required in connection with the execution and delivery of this Agreement by Buyer or the performance by Buyer of its obligations hereunder.

Section 5.05. Broker's and Finder's Fees. Buyer represents that no broker, finder or other Person is entitled to any commission or finder's fee in connection with this Agreement or the transactions contemplated by this Agreement.

Section 5.06. Financial Wherewithal. Buyer represents that upon Closing, and after giving effect to the consummation of the transactions contemplated hereby and the incurrence of any indebtedness in connection therewith, Buyer will have the financial ability and will have sufficient working capital for its needs and anticipated needs to operate the System as a certificated public utility system regulated by the PaPUC, authorized, among things, to provide wastewater utility services to retail residential, commercial and industrial customers in the System.

Section 5.07. Sufficient Funds. Buyer represents that Buyer will have sufficient funds available at Closing to consummate the transactions contemplated by this Agreement, to pay the Purchase Price in accordance with Article III and expenses related to the transactions contemplated by this Agreement, and on and after Closing, to generally provide ownership, operation and capital for the operations and capital needs of the System following the Closing, and assuring that the customers of the System will receive safe, adequate and reliable wastewater service equal to or better than such customers would have received without the transactions contemplated by this Agreement and at all times consistent with the provisions of the Pennsylvania Public Utility Code, 66 Pa. C. S. § 101 *et seq.*, and applicable Law.

Section 5.08. Independent Decision. Except as expressly set forth in this Agreement, or any of the related agreements, Buyer acknowledges that (a) neither Seller nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of the System or information provided to Buyer, and (b) neither Seller nor any other Person shall have or be subject to any liability to Buyer or any other Person resulting from the distribution to Buyer, or Buyer use of, any information regarding the System or Acquired Assets that has been furnished or made available to Buyer and its Representatives. Buyer acknowledges that other than as expressly set forth in this Agreement or any related agreement, Seller expressly disclaims any warranty of income potential, operating expenses, costs of operation, or uses or fitness for a particular purpose of any Acquired Assets or the System.

Section 5.09. Scheduled Matters. Buyer acknowledges that: (a) the inclusion of any matter on any Schedule shall not necessarily be deemed an admission by Seller that such listed matter is material or that such listed matter has or could have a material adverse effect or

constitutes a material liability with respect to the Acquired Assets; (b) matters reflected in the Schedules are not necessarily limited to matters required by this Agreement to be reflected in such Schedules; and (c) such additional matters are set forth for informational purposes only and do not necessarily include other matters of a similar nature.

Section 5.10. Independent Investigation. Buyer acknowledges that it has conducted an independent investigation of the financial condition, assets, liabilities, properties and projected capital needs and operations of the System in making its determination as to the propriety of the transaction contemplated by this Agreement and, in entering into this Agreement and related agreements, has relied solely on the results of its investigation and on the representations and warranties of Seller expressly contained in Article IV of this Agreement.

Section 5.11. Litigation. Buyer is not in breach of any applicable Law that could have a material adverse effect on the operations of the System or Buyer. Neither Buyer nor any Affiliate of Buyer is listed on any of the following lists maintained by the Office of Foreign Assets Control of the United States Department of the Treasury, the Bureau of Industry and Security of the United States Department of Commerce or their successors, or on any other list of Persons with which Seller may not do business under applicable Law: the Specially Designated Nationals List, the Denied Persons List, the Unverified List, the Entity List and the Debarred List. Except as set forth on Schedule 5.11, there is no action, suit or proceeding, at law or in equity, or before or by any Governmental Authority, pending nor, to the Knowledge of Buyer, threatened against Buyer prior to or at the time of Closing, which will have a material adverse effect on (i) the transactions contemplated by this Agreement or (ii) the validity or enforceability of this Agreement.

ARTICLE VI.

TITLE TO REAL PROPERTY; UCC STATEMENTS

Section 6.01. Evidence of Title. Subject to Section 6.06, with respect to all Real Property, Buyer shall obtain, at its sole cost and expense, a commitment for an owner's policy of title insurance on the ALTA Owner's Form 2006 (the "Title Commitment"), issued by a title insurance company selected by Buyer and licensed to insure title to real property by the Commonwealth of Pennsylvania (the "Title Company"), having an effective date after the Effective Date. Promptly following the Effective Date, Buyer shall order the Title Commitment from the Title Company and shall provide Seller evidence of the same. Notwithstanding anything to the contrary in Section 6.02(a) below, Buyer shall not be entitled to send an Objection Notice with respect to any parcel of Real Property and the Title Commitment for the same in the event, within thirty (30) Business Days after the Effective Date, Buyer has not ordered the Title Commitment from the Title Company for such parcel of Real Property and provided Seller with evidence of the same.

Section 6.02. Objections to Title.

(a) **Notice of Objections.** Within thirty (30) days of Buyer's receipt from the Title Company of a Title Commitment for any of the parcels of Real Property, Buyer shall deliver to Seller a true, correct and complete copy of the Title Commitment and true, correct, complete and

legible copies of any and all exception documents listed in the same, along with Buyer's written notice to Seller of any of the exceptions to title set forth on Schedule B of such Title Commitment to which Buyer objects (such written notice of Buyer being referred to as the "Objection Notice") provided such exceptions (a) are not Permitted Liens, (b) pertain to Buyer or any requirements, conditions or obligations of Buyer, (c) are matters of record and set forth in the Title Commitment and adversely restrict or prevent the use of the Real Property in the operation of the System and (d) are not standard Title Company exceptions (such as the "survey" exception) (such exceptions objected to in the Objection Notice, provided the same are not as described in (a) through and including (d) aforesaid, being referred to as the "Title Objection Items"). Any Objection Notice which does not include a true, correct and complete copy of the Title Commitment and true, correct, complete and legible copies of any and all exception documents listed in the same shall not be effective for any purpose. In the event that Buyer provides Seller with an Objection Notice, Seller shall use commercially reasonable efforts to have all of the Title Objection Items cured, satisfied or released of record, or insured over, by the Title Company (individually, "Cure" and collectively, "Cured") prior to or as of the Closing. At or prior to the Closing, Seller shall deliver written evidence to Buyer, in form and substance reasonably satisfactory to Buyer and at Seller's expense, evidencing that Seller has Cured all such Title Objection Items. For avoidance of doubt, Buyer acknowledges that no item listed in clauses (a) through and including (d) aforesaid, may be objected to by Buyer as a Title Objection Item.

(b) Liens. Without limiting Seller's obligations pursuant to Section 6.02(a) above, prior to or as of the Closing, Seller shall be obligated, at its sole cost and expense, to Cure any Lien encumbering the Real Property which can be Cured by the payment of money (other than Permitted Liens).

(c) Title Endorsements/Survey. Any endorsements required by Buyer or any mortgagee of Buyer to Buyer's title policy shall be paid for solely by Buyer. In the event any survey is required by Buyer or its mortgagee, either as a condition to any such endorsement or otherwise, the same shall be obtained solely at Buyer's cost and expense. In the event Buyer obtains a survey of any or all of the Real Property and desires the deed to contain the legal description based on such survey, if the same is not identical to the legal description contained in Seller's deed of record, Seller shall not be obligated to include the same in the deed to buyer unless the survey is certified to Seller and such description is included in the deed on a "quitclaim" basis only and without warranty of title.

(d) License at Closing. Seller shall provide Buyer with a license agreement granting Buyer a license in all of Seller's rights to access such Real Property in order to allow Buyer to operate and maintain the System until such time as Buyer is provided title to such Real Property as provided for in this Agreement. For the avoidance of doubt, Seller shall provide such title as soon as reasonably practicable in accordance with Section 6.01.

(e) Insurable Claims. To the extent any Claim for Losses under Article VIII constitutes an Insurable Claim (as defined herein), Buyer agrees to assert and pursue with reasonable diligence such Insurable Claim against the Title Company (which shall include commencing litigation and diligently prosecuting such Insurable Claim to judgment) prior to pursuing a Claim for Losses under Article VIII. If at any time following a non-favorable

judgment that substantially denies the relief sought by Buyer from the Title Company in connection with the Insurable Claim (each a "Non-Favorable Judgment"), Buyer shall be permitted, following such Non-Favorable Judgment, to pursue Seller with a Claim for Losses under Article VIII (any such Claim against Seller following an attempted Insurable Claim against the Title Company being a "Residual Title Claim"). Notwithstanding anything to the contrary in Article VIII, Buyer shall have the right to assert a Claim for Losses based upon a Residual Title Claim for a sixty (60) day period after the Non-Favorable Judgment. For purposes of this Section 6.02(e), an "Insurable Claim" shall mean a Claim that: (i) arises out of Buyer's discovery of a title defect or encumbrance with respect to any of the Real Property following the Closing that materially restricts or prevents the use of such Real Property in the operation of the System; and (ii) constitutes a claim against the Title Company under Buyer's Title Policy. Buyer acknowledges that any and all Claims which Buyer could otherwise bring as a breach of a covenant of title under the special warranty deed to the Real Property shall be included within the Claim for Losses under Article VIII and is subject to the terms of this Section 6.02(e) of first pursuing the same as an Insurable Claim.

(f) Affidavit and Documents. At Closing, Seller will deliver to Buyer and the Title Company, (i) a reasonable and customary form of owners' or sellers' affidavits, including an affidavit that there are no parties in possession other than Seller, that there are no Liens other than those being satisfied or released, that no work has been done for which payment in full has not been made, and the like, (ii) such customary affidavits and indemnities as may be required by the Title Company to insure Buyer's title without exception for possible mechanics' or brokers' license in favor of persons claiming by, through or under Seller, (iii) an affidavit that Seller is not a "foreign person" for purposes of and as defined in the Foreign Interests in Real Property Tax Act and the corresponding provisions of the Internal Revenue Code, and (iv) and all other documents, resolutions and information as may be necessary to satisfy any reasonable and customary requirements applicable to Seller set forth on Schedule B-I of the Title Commitment, including true and correct copies of Seller's organizational documents and authorizing resolutions.

Section 6.03. Title Expenses. Irrespective of whether the transactions described by this Agreement are consummated and Closing occurs, all costs and expenses of obtaining the Title Commitment, Title Policy and any survey shall be paid by Buyer. Seller shall pay for all expenses to release, satisfy or bond over any Liens, and to effect the Cure of any Title Objection Items that Seller undertakes to Cure, including the cost of any title endorsement to insure Buyer against any adverse effect of such Title Objection Items.

Section 6.04. UCC Search; Releases. Not later than sixty (60) days after the Effective Date, Buyer shall obtain at its sole cost and expense a Uniform Commercial Code search against Seller covering any of the personal property or fixtures included among the Acquired Assets from the Office of the Secretary of the Commonwealth of Pennsylvania and the Recorder of Montgomery County, Pennsylvania (the "UCC Search"). On or prior to the Closing, Seller shall at its sole cost and expense obtain releases of any and all security interests in any of the Acquired Assets which are not Permitted Liens. The form of the releases of such security interests shall be provided by Seller to Buyer on or prior to the Closing Date.

Section 6.05. Easements.

(a) Promptly after the Effective Date and prior to the Closing, Seller shall, at its sole cost and expense, cause an abstractor selected by Seller and reasonably acceptable to Buyer and the Title Company (the "Abstractor"), to perform a search of the public land records of Montgomery County, based on Seller's records and plans of the System (and such other sources of information as are reasonably related thereto), by means of searching the grantee index in the names of Seller and such other searches as the Abstractor may reasonably make, to (i) identify and provide Buyer with title information on any and all recorded Easements, and (ii) together with Seller, identify all Missing Easements. During such process, as the Abstractor provides written search results to Seller (including updated versions of the Abstractor Search Result Chart), Seller will promptly provide the same to Buyer for its review, and, without limiting the foregoing, Seller shall, or shall cause the Abstractor to, provide Buyer with periodic updates (which shall occur no less frequently than bi-weekly) on the status of the activities set forth in the previous sentence.

(b) In the event that during the process of Abstractor's review and investigation of the Montgomery County land records, Seller determines, based on the Abstractor's investigation, that there is a Missing Easement, Seller shall take any and all actions (including the use of its power of condemnation) to obtain any such Missing Easements so that the same may be sold, assigned, transferred and conveyed to Buyer at the Closing pursuant to the terms and conditions of this Agreement. All costs and expenses incurred in connection with obtaining each Missing Easement (including any consideration payable to the landowner in connection with condemnation, in lieu of condemnation or otherwise to obtain Missing Easements) shall be paid by Seller and no additional consideration shall be payable by Buyer for such Missing Easement. In the event Seller has not obtained all Missing Easements by the date that is sixty (60) days after the date that Abstractor has completed his review of the County land records and delivered the last results of the same to Seller (the "Abstract Completion Date"), then, no later than thirty (30) days after the Abstract Completion Date (but in any event no later than thirty (30) days prior to the Closing), Seller shall commence and file in the Court of Common Pleas, Montgomery County, a condemnation or eminent domain proceeding to obtain any and all such Missing Easements. For the purposes of clarity, upon obtaining each Missing Easement (including upon the final resolution of a condemnation proceeding), each Missing Easement that has been acquired or obtained by Seller shall be considered an Easement.

Section 6.06. Unscheduled Property. The Parties acknowledge that Seller may own interests in or have the legal right to use or occupy the Real Property and Easements that is necessary or essential to the operation of the System and that is not specifically identified in Schedule 4.09 (the "Unscheduled Real Property"). If the Parties discover prior to or after the Closing Date, one or more parcels of Unscheduled Real Property, the discovering Party shall give written notice of such discovery to the non-discovering Party. In addition to its obligations in Section 2.03, Seller shall convey, assign or otherwise transfer any rights to each parcel of Unscheduled Real Property, without additional consideration payable to Buyer to Seller, in such a manner as to provide Buyer with reasonable assurances that Buyer shall have the right to use or occupy the Unscheduled Real Property as it was used by Seller as of the Effective Date.

ARTICLE VII.

OTHER AGREEMENTS

Section 7.01. Taxes. Except as hereinafter provided, Seller shall pay any and all Taxes, if any, arising out of the ownership of the Acquired Assets and out of the operation of the System before the Closing.

Section 7.02. Cooperation on Tax Matters. Seller shall furnish or cause to be furnished to Buyer, as promptly as practicable, whether before or after the Closing Date, such information and assistance relating to the System as is reasonably necessary for the preparation and filing by Buyer of any filings relating to any Tax matters.

Section 7.03. Rates.

(a) **Rates.** Buyer shall implement the Seller's sanitary wastewater rates then in effect at Closing, as set forth on Schedule 7.03(a), and inclusive of any PaPUC permitted or required surcharges or pass-through costs (the "Base Rate") as Buyer's effective sanitary wastewater rates, provided that the rates reflected on Schedule 7.03(a) (at Closing) shall not be lower than those in effect on the date the Effective Date. The Parties agree that the Base Rate shall not be increased until after the second anniversary of the Closing Date. Buyer intends to bill customers on a monthly basis instead of annual billing, which Buyer will prorate accordingly.

(b) **PaPUC Approval.** The rate provisions of Sections 7.03(a) shall be part of Buyer's requested PaPUC Governmental Approval.

Section 7.04. Buyer Taxpayer. From and after the Closing Date, Buyer acknowledges that, upon conveyance of the Acquired Assets to Buyer, Buyer will be subject to, among other Taxes, real estate Taxes, which shall be paid by Buyer.

Section 7.05. PaPUC Approval.

(a) Promptly after the Effective Date, Buyer covenants and agrees to timely initiate and faithfully prosecute the necessary proceedings to obtain from the PaPUC (i) the issuance of certificates of public convenience to Buyer to provide wastewater services in the Service Area and (ii) the approval of the acquisition of the System by Buyer under terms and conditions that are reasonably acceptable to Seller and Buyer. Seller shall cooperate with and assist Buyer in proceedings before the PaPUC.

(b) Buyer and Seller hereby agree that the procedures for determining fair market value of the System and Acquired Assets outlined in subsection (a) of Section 1329 of Title 66 of the Pennsylvania Consolidated Statutes ("Section 1329") shall be utilized and filed with the PaPUC as contemplated by Section 1329.

(c) The Parties agree that the fees and expenses related to engaging the licensed engineer for such Section 1329 determination shall be borne fifty percent (50%) by Buyer and fifty percent (50%) by Seller.

(d) To the extent requested by Buyer, Seller agrees to participate in any proceedings before the PaPUC as an intervenor and active party, provided that Seller shall bear the fees and expenses directly related to such intervention, including legal expenses, that are reasonably incurred up to a cap of \$20,000, above which any such costs reasonably incurred shall be borne entirely by Buyer. Seller shall have the right to be represented by the counsel of their choice in any such proceedings.

(e) Buyer, in Buyer's first base rate proceeding with respect to the System following the Closing, shall propose the use of statutory and regulatory mechanisms available to benefit the Buyer's acquired customers for ratemaking purposes.

Section 7.06. Outstanding Indebtedness. Buyer has the option, upon reasonable advance written notice to Seller (and upon Seller's consent if such consent is required), in lieu of paying in full the total amount of Outstanding Indebtedness, to assume any of Seller's obligations under other Outstanding Indebtedness which may be assumed. Buyer shall also obtain a release of all of Seller's obligations under the assumed Outstanding Indebtedness on or before Closing.

Section 7.07. Remedies for Breach of Article VII Agreements. In the event of a breach by Buyer of any of the covenants and agreements set forth in this Article VII following Closing, in addition to all other rights and remedies available at law or in equity, including specific performance and/or injunctive relief, Seller shall also be entitled to commence proceedings before the PaPUC seeking enforcement of such covenants and agreements.

Section 7.08. Operation and Maintenance of the MS4 System. Subject to applicable Law, Seller, shall at all times maintain ownership of its MS4 System and Stormwater System Assets. Seller will maintain any NPDES permits related to the Stormwater System Assets.

Section 7.09. Utility Valuation Experts. Buyer and Seller agree that each will be responsible for the costs associated with their respective Utility Valuation Expert for the preparation and completion of their respective Utility Valuation Expert's appraisal report and any additional work by their respective Utility Valuation Expert necessary to assist in the processing and prosecution of the application to the PaPUC in regard to this transaction under Section 1329.

Section 7.10. Restoration of Property. Buyer shall at all times act in accordance with all requirements imposed by the PaPUC and with the terms of any permits or approvals issued by Seller with regard to restoration of property on which construction or repair and replacement work is undertaken.

Section 7.11. EDU Allocations. In connection with EDU allocations, Buyer shall at all times act in compliance with Seller's ordinances, including those with respect to zoning and land use, the Seller's Act 537 plan, the Township's comprehensive plans and the Authority Agreements.

Section 7.12. Personnel Matters.

(a) Subject to applicable Law, Buyer shall, or shall cause an Affiliate of Buyer to, offer employment effective on the Closing Date, to the Personnel set forth in Schedule 7.12(a), subject to Buyer's existing standard hiring policies and procedures applicable to new employees, except with respect to benefits as otherwise provided in Section 7.12(c). The Personnel who accept such employment and commence employment on the Closing Date, shall be referred to in this Agreement as the "Transferred Personnel."

(b) Subject to applicable Law, Transferred Personnel shall be employees-at-will of Buyer. Buyer shall provide each of the Transferred Personnel compensation and benefits which are at least substantially comparable to, in the aggregate, to Seller's compensation and benefits as of the Effective Date (including paid vacation and sick time benefits). Nothing contained in this Section 7.12(b) shall constitute an amendment of, or an undertaking to amend, any employee benefit plans, programs or arrangements maintained by Buyer or its Affiliates or is intended to prevent Buyer or its Affiliates from amending or terminating any such employee benefit plan, program or arrangement in accordance with the terms thereof.

(c) Subject to the obligations of Seller under Law, Buyer's rights and obligations set forth in Section 7.12. and the Buyer's applicable employee benefit plan documents, with respect to employee benefit plans maintained by Buyer for the benefit of its employees (*i.e.*, paid vacation leave, Buyer's 401k savings plan), effective as of the Closing, Buyer shall recognize the Transferred Personnel's length of service with the Seller as if such service were with Buyer for eligibility and vesting under Buyer's then existing employee benefit plans and programs.

(d) Subject to applicable Law, effective as of the Closing, the Transferred Personnel shall cease active participation in the Seller's Plans. Seller shall remain liable for all eligible claims for benefits under the Seller's Plans that are incurred by Transferred Personnel prior to the Closing Date. Subject to applicable Law, Seller shall remain liable to make any contributions to Seller's Plans related to, and/or to fund any retirement benefits accrued by, the Transferred Personnel prior to Closing.

(e) This Section 7.12 shall be binding upon and inure solely to the benefit of each of the Parties to this Agreement, and nothing in this Section 7.12, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 7.12. The Parties acknowledge and agree that the terms set forth in this Section 7.12 shall not create any right in any Transferred Personnel or any other Person to any continued employment with Buyer or any of its Affiliates or compensation or benefits of any nature or kind whatsoever, and shall not be deemed to restrict Buyer in the exercise of its independent business judgment in establishing or modifying any of the terms or conditions of the employment of the Transferred Personnel. Nothing contained in this Section 7.12 shall constitute an amendment of, or an undertaking to amend, any employee benefit plan, program or arrangement maintained by Buyer or its Affiliates or is intended to prevent Buyer or its Affiliates from amending or terminating any such employee benefit plan, program or arrangement in accordance with its terms.

(f) Notwithstanding anything in this Agreement to the contrary, it is expressly understood that Buyer will not acquire any asset, or assume any liability or obligation in connection with the transactions contemplated by this Agreement relating to any of the Seller's

Plans, Seller's Benefit Obligations. Seller shall be solely responsible for any liability, funding obligation, claim or expense arising from the Seller's Plans, Seller's Benefit Obligations, both prior to, and after, the Closing Date, except as provided in Section 7.12(c).

(g) No later than the Closing Date, Seller shall transfer all records pertaining to the employment of the Transferred Personnel to Buyer including, but not limited to, all personnel and human resources Files and Records.

Section 7.13. Authority Matters.

Effective on the Closing Date, Buyer shall have the following rights:

(i) Seller shall provide to Buyer all financial information and other reports or communications received by Seller from the Authority within two (2) Business Days of receipt of such information by Seller from the Authority;

(ii) Buyer shall appoint a non-voting observer representative (selected in Buyer's sole discretion) who shall be permitted to attend all Authority board and committee meetings (whether regular, special, telephonic or in-person), except for executive sessions; and

(iii) upon request from Buyer to Seller, Seller shall exercise all of the rights afforded to it under the Authority Agreements in order to permit Buyer to inspect the Authority's books and records.

(b) Within ten (10) days of the Closing Date, the Parties shall appoint a working group (the "Working Group") consisting of six (6) individuals, three (3) of whom shall be Township Senior Staff, selected in Seller's sole discretion; *provided, however*, that at least one (1) such Seller Representative is a Seller-appointed member of the Authority and three (3) of whom shall be Buyer Representatives, selected in Buyer's sole discretion (each, a "Working Group Member" and, collectively, the "Working Group Members"). By written notice to the other Party, a Party may in its sole discretion remove and replace with or without cause any or all of its appointed Working Group Members. The Working Group shall meet periodically, but in any event prior to any regular or special meeting of the Authority board, to discuss matters to be discussed or acted upon at the Authority's board meeting and obtain Buyer's input with respect to (i) ongoing operations and management expenses and budgeting of the Authority and (ii) any required capital improvements by the Authority that will impact the System or the Minimum Flow Capacity.

Section 7.14. Minimum Flow Capacity. On and after Closing, Buyer shall have the right to (i) the Minimum Flow Capacity and (ii) any future allocations of additional flow capacity/EDUs in the Authority's treatment facilities to the Seller as a result of any upgrade or expansion of said facilities pursuant to the Authority Agreements.

ARTICLE VIII.

INDEMNIFICATION

Section 8.01. Survival. All representations and warranties contained in this Agreement shall survive until twelve (12) months following the Closing Date, except that (a) the representations and warranties of Seller set forth in Section 4.01 (Organization), Section 4.02 (Power and Authority), Section 4.03 (Enforceability) and Section 4.15 (Brokers' and Finders' Fees) (collectively, the "Seller Fundamental Representations") shall survive the Closing indefinitely or until the latest date permitted by applicable Law, and (b) the representations and warranties of Buyer set forth in Section 5.01 (Organization), Section 5.02 (Authorization and Validity of Agreement), and Section 5.05 (Brokers' and Finders' Fees) (collectively, the "Buyer Fundamental Representations") shall survive the Closing indefinitely or until the latest date permitted by applicable Law. The covenants and agreements of the Parties contained herein shall survive the Closing indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely or until the latest date permitted by applicable Law. Notwithstanding the preceding sentences, (x) any breach of representation, warranty, covenant or agreement in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time, and (y) nothing contained in this Section 8.01 shall limit in any way any rights a Party may have to bring claims grounded in fraud, intentional misrepresentation or willful misconduct, which rights shall survive the Closing indefinitely.

Section 8.02. Indemnification by Seller. To the maximum extent permitted by applicable Law and subject to the terms and conditions of this Article VIII, Seller agrees to indemnify, defend and hold harmless, Buyer and its successors and Affiliates and their respective employees, officers, directors, trustees and agents (the "Buyer Indemnified Persons"), from and against any and all claims for Losses arising from or relating to: (a) any misrepresentation as to, or any material inaccuracy in, any of the representations and warranties of Seller contained in this Agreement or in any exhibit, schedule, certificate or other instrument or document furnished or to be furnished by Seller prior to the Closing pursuant to this Agreement (without regard to any materiality, Material Adverse Effect or related qualifications in the relevant representation or warranty (except where such provision requires disclosure of lists of items of a material nature or above a specified threshold)); (b) any breach or nonfulfillment of any of the covenants or agreements of Seller contained in this Agreement or in any exhibit, schedule, certificate or other instrument or document furnished or to be furnished by Seller prior to the Closing pursuant to this Agreement; or (c) any Excluded Liability or Excluded Asset.

Section 8.03. Indemnification by Buyer. To the maximum extent permitted by applicable Law and subject to the terms and conditions of this Article VIII, Buyer agrees to defend, indemnify and hold harmless Seller and its successors and Affiliates and each of their respective employees, officers, directors and agents (the "Seller Indemnified Persons") from and against any and all claims for Losses arising from or relating to: (a) any material misrepresentation as to, or any material inaccuracy in, any of the representations and warranties

of Buyer contained in this Agreement or in any exhibit, schedule, certificate or other instrument or document furnished or to be furnished by Buyer pursuant to this Agreement; (b) any material breach of any of the covenants or agreements of Buyer contained in this Agreement or in any exhibit, schedule certificate or other instrument or document furnished or to be furnished by Buyer pursuant to this Agreement; (c) any Assumed Liability as and when payment and performance is due, including without limitation any liability related to any claims by any Governmental Authority; (d) Buyer's actions involving Environmental Laws, Hazardous Materials or environmental claims from and after the Closing Date; or (e) the ownership, operation or control of the Acquired Assets or the System from and after the Closing Date.

Section 8.04. Indemnification Procedure.

(a) Third Party Claims. If any Indemnified Party receives notice of the assertion or commencement of any action, suit, claim or other legal proceeding made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a representative of the foregoing (a "Third Party Claim") against such Indemnified Party with respect to which the Indemnifying Party may be obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits material rights or material defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party (and subject to the other requirements herein) to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel (which counsel shall be reasonably acceptable to the Indemnified Party), so long as (i) the Indemnifying Party notifies the Indemnified Party, within ten (10) Business Days after the Indemnified Party has given notice of the Third Party Claim to the Indemnifying Party (or by such earlier date as may be necessary under applicable procedural rules in order to file a timely appearance and response) that the Indemnifying Party is assuming the defense of such Third Party Claim, *provided*, that if the Indemnifying Party assumes control of such defense it must first agree and acknowledge in such notice that the Indemnifying Party is fully responsible (with no reservation of any rights other than the right to be subrogated to the rights of the Indemnified Party) for all Losses relating to such Third Party Claim, (ii) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently and at its own cost and expense, and (iii) the Third Party Claim (A) does not involve injunctive relief, specific performance or other similar equitable relief, any claim in respect of Taxes, any Governmental Authority, any criminal allegations, or any potential damage to the goodwill, reputation or overriding commercial interests of Buyer or its Affiliates, (B) is not one in which the Indemnifying Party is also a party and joint representation would be inappropriate or there may be legal defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party, or (C) does not involve a claim which, upon petition by the Indemnified Party, the appropriate court rules that the Indemnifying Party failed or is failing to vigorously prosecute or defend. The Indemnified Party shall reasonably cooperate in good faith in such defense. In the event that the Indemnifying Party assumes the defense of any

Third Party Claim, subject to Section 8.04(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right, at its own cost and expense, to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. If the Indemnifying Party elects not to compromise or defend such Third Party Claim or fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, the Indemnified Party may, subject to Section 8.04(b), pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third Party Claim. Seller and Buyer shall reasonably and in good faith cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed), except as provided in this Section 8.04(b). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give prompt written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within fifteen (15) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 8.04(a), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) Direct Claims. Any claim by an Indemnified Party with respect to any Loss which does not arise or result from a Third Party Claim (a "Direct Claim") shall be asserted by the Indemnified Party giving the Indemnifying Party prompt written notice thereof. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits material rights or material defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail and shall indicate the estimated amount, if reasonably practicable, of the Losses that have been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. During such thirty (30) day period, the Indemnified Party shall reasonably cooperate and assist the Indemnifying Party in determining

the validity and amount of such Direct Claim. If the Indemnifying Party does not so respond within such thirty (30) day period, by delivery of written notice disputing the basis or amount of the Direct Claim, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement. If the Indemnifying Party has timely disputed its indemnity obligation for any Losses with respect to such Direct Claim, the Parties shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation in an appropriate court of jurisdiction determined pursuant to this Agreement.

Section 8.05. Limitations on Indemnification Obligations.

(a) Subject to the other limitations contained in this Section 8.05, neither Buyer nor Buyer Indemnified Persons shall be entitled to indemnification pursuant to Section 8.02(a) (other than for an intentional breach of any agreement or covenant contained in this Agreement or for breach of Seller's Fundamental Representations) unless the aggregate amount of Losses incurred by Buyer and Buyer Indemnified Persons under this Agreement exceeds \$750,000 in the aggregate (the "Threshold Amount"), in which case Seller shall then be liable for Losses in excess of the Threshold Amount; *provided, however*, that the foregoing limitations contained in this Section 8.05(a) shall not apply to any claims for indemnification based on fraud, intentional misrepresentation or willful misconduct.

(b) Subject to the other limitations contained in this Section 8.05 neither Seller nor the Seller Indemnified Persons shall be entitled to indemnification pursuant to Section 8.03(a) (other than for an intentional breach of any agreement or covenant contained in this Agreement) unless the aggregate amount of Losses incurred by Seller and Seller Indemnified Persons under this Agreement exceeds the Threshold Amount, in which case Buyer shall then be liable for Losses in excess of the Threshold Amount; *provided, however*, that the foregoing limitations contained in this Section 8.05(a) shall not apply to any claims for indemnification based on fraud, intentional misrepresentation or willful misconduct.

(c) Except in the case of fraud, intentional misrepresentation or willful misconduct (for which all applicable legal and equitable remedies will be available to Buyer), the Buyer Indemnified Parties shall only be entitled to assert claims under Section 8.02(a) (other than claims with respect to breaches of any of the Seller Fundamental Representations, which shall not be limited by this Section 8.05(c)) up to the aggregate amount of 5% of Purchase Price (the "Liability Cap"), which shall represent the sole and exclusive remedy of Buyer and the other Buyer Indemnified Parties for any such claims under Section 8.02(a) (other than claims with respect to breaches of any of the Seller Fundamental Representations or in the case of fraud, intentional misrepresentation or willful misconduct which shall not be subject to the Liability Cap, but shall be capped at the Purchase Price).

(d) Payments by an Indemnifying Party pursuant to Section 8.02 or Section 8.03 in respect of any Loss shall be limited to the amount of any liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment received or reasonably expected to be received by the Indemnified Party in respect of any such claim. The Indemnified Party shall use its commercially reasonable efforts to recover

under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement.

(e) Payments by an Indemnifying Party pursuant to Section 8.02 or Section 8.03 in respect of any Loss shall be reduced by an amount equal to any Tax benefit realized or reasonably expected to be realized as a result of such Loss by the Indemnified Party.

(f) Each Indemnified Party shall take, and cause its Affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Loss.

(g) Subject to the provisions of Sections 3.01, 7.06, 15.11 and any other provisions for equitable relief and/or specific performance, the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article VIII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other Party hereto and their Affiliates and each of their respective representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this Article VIII. Nothing in this Section 8.05(g) shall limit any Person's right to seek and obtain any equitable relief and/or specific performance to which any Person shall be entitled pursuant to this Agreement.

Section 8.06. Knowledge of Breach. Neither Party shall be liable for any Losses based upon or arising out of any inaccuracy in or breach of any representations or warranties of such Party contained in this Agreement if the Party claiming such Losses had Knowledge of such inaccuracy or breach prior to the Closing.

ARTICLE IX.

PRE-CLOSING COVENANTS OF SELLER

Section 9.01. Operation of the System. Except as otherwise expressly permitted by this Agreement, as required by applicable Law or with the prior written consent of Buyer (which consent shall not be unreasonably withheld, delayed or conditioned), from the Effective Date until the Closing, Seller shall (i) operate and manage the System only in the ordinary course of business in accordance with past practices and procedures, (ii) comply in all material respects with all applicable Laws and Authorizations and Permits, and (iii) use commercially reasonable efforts to maintain and preserve intact the business and assets of the System and preserve the rights, franchises, goodwill and relationships of Seller and the System and their customers, lenders, suppliers, regulators, the Authority and others having business relationships with Seller and the System.

Section 9.02. Cooperation. Seller shall reasonably cooperate with Buyer and its employees, attorneys, accountants and other agents and, generally, act in reasonably good faith to timely effectuate the purposes of this Agreement and the consummation of the transactions contemplated by this Agreement.

Section 9.03. Supplements and Updates. Seller shall promptly deliver to Buyer any supplemental information updating the information set forth in the representations and warranties set forth in Article IV of this Agreement so that such representations and warranties as supplemented by such information will be true and correct as of the Closing Date (or such other date as provided in such representations and warranties) as if then made. Following the Effective Date, Seller shall promptly advise Buyer of any facts which would constitute a breach of a representation or warranty as of the date made or a default in a covenant contained herein.

Section 9.04. Governmental Approvals. Promptly after the execution of this Agreement, or as required by Law, except as otherwise expressly provided herein, Seller shall file all applications and reports that are required to be filed by Seller with any Governmental Authority as provided on Schedule 4.05 to Buyer. Seller shall also promptly provide all information that any Governmental Authority may require in connection with any such application or report. Seller shall use all commercially reasonable efforts to obtain all consents and approvals of any kind from any person in connection with the transactions contemplated hereby. All authorizations of any Governmental Authority necessary to consummate the transactions contemplated by this Agreement shall have been obtained in form and content reasonably satisfactory to Buyer and Seller prior to Closing and shall be final and non-appealable. In the event a party to the PaPUC proceeding appeals PaPUC authorization of the transaction, Buyer and Seller may still mutually agree to proceed to consummate the transaction.

Section 9.05. Pending Development Plan Agreements / Future Developments. Seller shall enforce all of its rights and the counterparties' obligations under any agreements relating to Pending Development Plans in existence as of the Effective Date, which shall not be amended without notice to and the consent of Buyer, which consent shall not be unreasonably withheld and such consent shall be provided by Buyer to Seller within fifteen (15) days of notice from Seller or this consent requirement shall be deemed waived by Buyer after such date. After the Effective Date, Seller shall not enter into any new agreements (including land development agreements and financial security agreements) with landowners regarding the construction of any sewer facilities which, upon completion of construction, will be transferred to Buyer pursuant to Section 2.01 above without notice to and the consent of Buyer, which consent shall not be unreasonably withheld and such consent shall be provided by Buyer to Seller within seven (7) days of notice from Seller or this consent requirement shall be deemed waived by Buyer after such date. For the avoidance of doubt, any attempt by Buyer to withhold consent for entry into any amendment or new agreement by Seller pursuant to this Section 9.05 that is, in the opinion of Seller's solicitor, required pursuant to the Pennsylvania Municipal Planning Code shall be unreasonable.

ARTICLE X.

PRE-CLOSING COVENANTS OF BUYER

Buyer covenants and agrees to comply with the following provisions:

Section 10.01. Actions Before the Closing Date. Buyer shall not take any action which shall cause it to be in breach of any representation, warranty, covenant or agreement contained in this Agreement or cause it to be unable to perform in any material respect its obligations hereunder, and Buyer shall use commercially reasonable best efforts (subject to any conditions set forth in this Agreement) to perform and satisfy all conditions to Closing to be performed or satisfied by Buyer under this Agreement, including action necessary to obtain all consents and approvals of third parties required to be obtained by Buyer to effect the transactions contemplated by this Agreement.

Section 10.02. Governmental Approvals. Promptly after the execution of this Agreement, or as required by Law, except as otherwise expressly provided herein, Buyer shall file all applications and reports which are required to be filed by Buyer with any Governmental Authority as provided on Schedule 5.04. Buyer shall also promptly provide all information that any Governmental Authority may reasonably require in connection with any such application or report. Buyer shall use all commercially reasonable efforts to obtain all required consents and approvals of any kind from any person in connection with the transactions contemplated hereby.

Section 10.03. Cooperation. Buyer shall reasonably cooperate with Seller and their employees, attorneys, accountants and other agents and, generally, do such other acts and things in good faith as may be reasonable to timely effectuate the purposes of this Agreement and the consummation of the transactions contemplated in accordance with the provisions of this Agreement.

Section 10.04. Supplements and Updates. Buyer shall promptly deliver to Seller any supplemental information updating the information set forth in the representations and warranties set forth in Article V of this Agreement so that such representations and warranties as supplemented by such information will be true and correct as of the Closing Date (or such other date as provided in such representations and warranties) as if then made. At least three (3) Business Days prior to the Closing Date, Buyer shall advise Seller of any facts which would constitute a breach of a representation or warranty as of the date made or a default in a covenant contained herein.

ARTICLE XI.

CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligation of Seller to consummate the transactions provided for in this Agreement is subject to the satisfaction, at or before the Closing, of the following conditions, any one or more of which may be waived in writing by Seller in its sole discretion:

Section 11.01. Consents and Approvals.

(a) Receipt of all required material, non-governmental third party consents and any other approvals necessary to consummate the transactions contemplated by this Agreement set forth in Schedule 11.01(a) and all consents, waivers, authorizations and approvals of any Governmental Authority required pursuant to Section 4.05; and

(b) Receipt of any required environmental and other Governmental Approvals required for transfer and operation of the System by Buyer, with terms and conditions reasonably acceptable to Buyer, including without limitation all required EPA and PaDEP approvals and all such Authorizations and Permits and Governmental Approvals shall be final (and not subject to any appeal and any applicable appeal period having expired).

Section 11.02. Representations and Warranties of Buyer. The representations and warranties made by Buyer in Article V which are (a) not qualified by materiality shall be true and correct in all material respects on and as of the Closing Date (except for representations or warranties that speak of a specific date or time other than the Closing Date which shall be true and correct in all material respects as of such specified date) and (b) qualified by materiality shall be true and correct in all respects on and as of the Closing Date (except for representations or warranties that speak of a specific date or time other than the Closing Date which shall be true and correct in all respects as of such specified date), and Seller shall have received a certificate to the effect of the foregoing from a duly authorized officer of Buyer dated as of the Closing Date.

Section 11.03. PaPUC Approval. PaPUC shall have issued a Final Order approving the acquisition of the System under terms and conditions that are reasonably acceptable to Seller and Buyer. In the event a party to the PaPUC proceeding appeals or files a petition for reconsideration of PaPUC authorization of the transaction, Buyer and Seller may still mutually agree to proceed to consummate the transaction.

Section 11.04. No Injunctions. Neither Seller nor Buyer shall be subject to any injunction, preliminary restraining order or other similar decree of a court of competent jurisdiction prohibiting the consummation of the transactions contemplated by this Agreement.

Section 11.05. Performance of the Obligations of Buyer. Buyer shall have performed in all material respects all obligations required under this Agreement to be performed by Buyer on or before the Closing Date, and Seller shall have received a certificate to that effect from Buyer dated the Closing Date.

Section 11.06. Deliveries by Buyer. Buyer shall have made delivery to Seller of the documents and items specified in Section 13.03 herein.

Section 11.07. No Material Adverse Effect. There shall not have occurred any event or condition which gives rise to a Material Adverse Effect with respect to the Acquired Assets or the System.

ARTICLE XII.

CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligation of Buyer to consummate the transactions provided for in this Agreement is subject to the satisfaction, at or before the Closing, of the following conditions, any one or more of which may be waived in writing by Buyer in its sole discretion:

Section 12.01. Consents and Approvals.

(a) Receipt of all required material, non-governmental third party consents and any other approvals necessary or advisable to consummate the transactions contemplated by this Agreement set forth in Schedule 11.01(a) and all consents, waivers, authorizations and approvals of any Governmental Authority required pursuant to Section 5.04; and

(b) Receipt of any required environmental and other Governmental Approvals required for transfer and operation of the System by Buyer, with terms and conditions reasonably acceptable to Buyer, including without limitation all required EPA and PaDEP approvals and all such Authorizations and Permits and Governmental Approvals shall be final (and not subject to any appeal and any applicable appeal period having expired).

Section 12.02. Representations and Warranties of Seller. The representations and warranties made by Seller in Article IV this Agreement (disregarding all "materiality" and "Material Adverse Effect" or similar qualifications contained therein) shall be true and correct on and as of the Closing Date (except for representations and warranties expressly stated to relate to a specific date, in which case each such representation and warranty shall be true and correct as of such earlier date), with only such exceptions as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and Buyer shall have received a certificate to that effect from Seller dated as of the Closing Date.

Section 12.03. PaPUC Approval. PaPUC shall have issued a Final Order approving the acquisition of the System under terms and conditions that are reasonably acceptable to Seller and Buyer. In the event a party to the PaPUC proceeding appeals PaPUC authorization of the transaction, Buyer and Seller may still mutually agree to proceed to consummate the transaction.

Section 12.04. No Injunctions. Neither Seller or Buyer shall be subject to any injunction, preliminary restraining order or other similar decree of a court of competent jurisdiction prohibiting the consummation of the transactions contemplated by this Agreement.

Section 12.05. No Material Adverse Effect. There shall not have occurred any event or condition which gives rise to a Material Adverse Effect with respect to the Acquired Assets or the System.

Section 12.06. Deliveries by Seller. Seller shall have made delivery to Buyer of the documents and items specified in Section 13.02 herein.

Section 12.07. Performance of the Obligations of Seller. Seller shall have performed in all material respects all obligations required under this Agreement to be performed by Seller on

or before the Closing Date, and Buyer shall have received a certificate to that effect from Seller dated the Closing Date.

ARTICLE XIII.

CLOSING

Section 13.01. Closing Date. The Closing shall take place at a place in Pennsylvania that is mutually agreed upon by the Parties, at 10:00 a.m. Eastern Standard Time on the earliest agreed upon date or within twenty (20) Business Days after the date upon which all the conditions precedent to Closing described in this Agreement have been fulfilled or waived and Buyer and Seller receive the last of the required consents, waivers, authorizations and approvals from the Governmental Authorities, in each case, for the transactions contemplated by this Agreement, or at such other place and time, by such other method, or on such other date, as may be mutually agreed to by the Parties (the "Closing Date"). The Closing shall be effective at 12:01 a.m., East Norriton, PA time, on the Closing Date (the "Closing Effective Time").

Section 13.02. Deliveries by Seller. At the Closing, Seller shall have delivered or cause to be delivered to Buyer executed copies of the following agreements, documents and other items:

(a) A Bill of Sale transferring all of the Acquired Assets comprising personal property, in the form attached hereto as Exhibit A;

(b) Possession of the Acquired Assets, including without limitation, the Real Property, the Easements and an interest in the Missing Easements (including a license from Seller to Buyer, if necessary);

(c) A duly executed counterpart to an Assignment and Assumption Agreement with respect to the Assumed Liabilities (the "Assignment and Assumption Agreement"), in the form attached hereto as Exhibit B;

(d) The consents to transfer all of the Assigned Contracts and Authorizations and Permits (including environmental Authorizations and Permits), to the extent required hereunder;

(e) One or more special warranty or other deeds in recordable form reasonably acceptable to Buyer transferring fee simple title of Real Property;

(f) Copies or originals of all Files and Records, materials, documents and records in possession of Seller relating to the Real Property or the Assigned Contracts;

(g) Certificate of Seller pursuant to Section 12.02 of this Agreement;

(h) Certificate of Seller pursuant to Section 12.07 of this Agreement;

(i) Any documents duly executed by Seller required by the Title Company to issue final owner's title policies in accordance with the procedures set forth in Article VI; and

(j) All such other instruments of conveyance or other documents as shall, in the reasonable opinion of Buyer and its counsel, be necessary to transfer to Buyer the Acquired Assets in accordance with this Agreement or to carry out the terms of this Agreement, duly executed and acknowledged by Seller, if necessary, and in a recordable form.

Section 13.03. Deliveries by Buyer. At the Closing, Buyer shall have delivered or caused to be delivered to Seller the following agreements, documents and other items:

- (a) Payment in full of the Purchase Price;
- (b) A duly executed counterpart to the Assignment and Assumption Agreement;
- (c) Certificate of Buyer pursuant to Section 11.02 of this Agreement;
- (d) Certificate of Buyer pursuant to Section 11.05 of this Agreement;
- (e) Evidence of PaPUC approval as provided in Section 12.03; and

(f) All such other instruments of assumption as shall, in the reasonable opinion of Seller and its counsel, be necessary for Buyer to assume the Assumed Liabilities in accordance with this Agreement.

ARTICLE XIV.

TERMINATION

Section 14.01. Events of Termination. This Agreement may, by notice given in the manner hereinafter provided, be terminated and abandoned at any time prior to completion of the Closing:

- (a) By the mutual consent of Seller and Buyer;
- (b) By either Seller or Buyer if:
 - (i) the Closing shall not have occurred on or prior to the Outside Date; provided, however, the Buyer shall have the one-time right to extend the Outside Date for up to ninety (90) days if, in the Buyer's sole discretion, any such amount of time up to ninety (90) days is necessary to obtain a required Governmental Approval; or
 - (ii) any Governmental Authority shall have issued an order, decree or ruling or taken any other action, in each case permanently restraining, enjoining or otherwise prohibiting the material transactions contemplated by this Agreement and such order, decree, ruling or other action will have become final and non-appealable; provided, however, that the party seeking termination pursuant to this clause (b) of this Section 14.01 is not in breach in any material respect of any of its representations, warranties, covenants or agreements contained in this Agreement;

(c) By Seller (if Seller is not then in material breach of any provision of this Agreement) in the event of a material breach of any covenant or agreement to be performed or complied with by Buyer pursuant to the terms of this Agreement or of any representation or warranty of Buyer contained in this Agreement, which breach (i) has continued without cure for a period of sixty (60) days following written notice thereof by Seller to Buyer or if such breach cannot be cured and (ii) would result in a condition to Closing set forth in Article XI of this Agreement not being satisfied (which condition has not been waived by Seller in writing); or

(d) By Buyer (if Buyer is not then in material breach of any provision of this Agreement) in the event of a material breach of any covenant or agreement to be performed or complied with by Seller pursuant to the terms of this Agreement or of any representation or warranty of Seller contained in this Agreement, which breach (i) has continued without cure for a period of sixty (60) days following written notice thereof by Buyer to Seller or if such breach cannot be cured and (ii) would result in a condition to Closing set forth in Article XII of this Agreement not being satisfied (which condition has not been waived by Buyer in writing).

This Agreement may not be terminated after completion of the Closing.

Section 14.02. Effect of Termination. If this Agreement is terminated by Seller or Buyer pursuant to Section 14.01, written notice thereof will forthwith be given to the other and all further obligations of the parties hereto under this Agreement will terminate without further action by either party and without liability or other obligation of either party to the other party hereunder; provided, however, that no party will be released from liability hereunder if this Agreement is terminated and the transactions abandoned by reason of any willful breach of this Agreement.

Section 14.03. Damages for Willful Breach. In the event this Agreement is terminated as a result of willful breach by either Party as described in Section 14.02, the Party who breached the agreement shall be liable for Losses incurred by the non-breaching party as a result of the breach in accordance with Article VIII hereof.

ARTICLE XV.

MISCELLANEOUS

Section 15.01. Confidentiality. Except as and to the extent required by applicable Law (including but not limited to the Pennsylvania Right-To-Know Act at 65 Pa § 67.101) or pursuant to an order of a court of competent jurisdiction and as required hereunder to obtain any and all required Governmental Approvals, neither Party hereto shall, directly or indirectly, disclose or use (and no party shall permit its representatives to disclose or use) any Confidential Information with respect to the other Party furnished, or to be furnished, by such other Party hereto or its shareholders, directors, officers, agents, or representatives to the other Party hereto or its employees, directors, officers, agents or representatives in connection herewith at any time or in any manner other than in connection with the completion of the transactions contemplated by this Agreement and related transactions.

Section 15.02. Public Announcements. Subject to applicable Law or listing rules of an exchange on which Buyer's parent corporation's stock is listed, and except as otherwise set forth herein, the initial public announcement relating to the transactions contemplated herein will be mutually agreed upon and jointly made by the Parties. Subsequent public announcements related to the sale of the System by one Party shall be provided to the other Party at least three (3) days prior to issuance.

Section 15.03. Notices. All notices, other communications and approvals required or permitted by this Agreement shall be in writing, shall state specifically that they are being given pursuant to this Agreement and shall be addressed as follows:

in the case of Seller:

Township of East Norriton
2501 Stanbridge Street
East Norriton, PA 19401-1616
Attention: Township Manager

with a copy to:

Township of East Norriton
2501 Stanbridge Street
East Norriton, PA 19401-1616
Attention: Township Solicitor

in the case of Buyer:

Aqua Pennsylvania Wastewater, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Marc A. Lucca, President
malucca@aquaamerica.com

with a copy to:

Aqua Pennsylvania Wastewater, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Frances Orth, Esq., Vice President, Senior Managing Counsel
firth@aquaamerica.com

or such other persons or addresses as a Party may from time to time designate by notice to the other Party. A notice, other communication or approval shall be deemed to have been sent and received (i) on the day it is delivered, or if such day is not a Business Day or if the notice is received after ordinary office hours (time or place of receipt), the notice, other communication or approval shall be deemed to have been sent and received on the next Business Day, or (ii) on the fourth Business Day after mailing if sent by United States registered or certified mail.

Section 15.04. Headings. The article, section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 15.05. Severability. If any term, provision, covenant or restriction contained in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions contained in this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 15.06. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, negotiations, discussions and understandings, written or oral, between the Parties. There are no representations, warranties, conditions or other agreements, whether direct or collateral, or express or implied, that form part of or affect this Agreement, or that induced any Party to enter into this Agreement or on which reliance is placed by any Party, except as specifically set forth in this Agreement. The Parties acknowledge and agree that (i) each has substantial business experience and is fully acquainted with the provisions of this Agreement, (ii) the provisions and language of this Agreement have been fully negotiated and (iii) no provision of this Agreement shall be construed in favor of any Party or against any Party by reason of such provision of this Agreement having been drafted on behalf of one Party rather than the other Party.

Section 15.07. Amendments; Waivers. This Agreement may be amended, changed or supplemented only by a written agreement signed by the Parties. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

Section 15.08. Parties in Interest; Third Party Beneficiary. Except as hereinafter provided, this Agreement is not intended to and shall not be construed to create upon any Person other than the Parties any rights or remedies hereunder.

Section 15.09. Successors and Assigns. Neither Party hereto shall assign or delegate this Agreement or any rights or obligations hereunder without the prior written consent of the other Parties hereto, and any attempted assignment or delegation without prior written consent shall be void and of no force or effect.

Section 15.10. Governing Law; Jurisdiction. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the Commonwealth of Pennsylvania (without giving effect to the principles of conflicts of laws thereof). The Parties hereto irrevocably agree and consent to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania and the Court of Common Pleas of Montgomery County, Pennsylvania, for the adjudication of any matters arising under or in connection with this Agreement. Any action initiated in court shall be filed and litigated (including all discovery proceedings) exclusively in the United States District Court for the Eastern District of

Pennsylvania and the Court of Common Pleas of Montgomery County, Pennsylvania, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by mail to such Party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

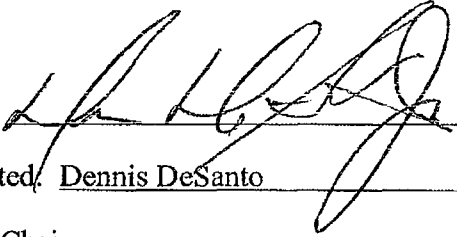
Section 15.11. Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity if the other Party has performed in accordance with the terms hereof.

Section 15.12. Counterparts; Facsimile Execution. This Agreement may be executed in any number of counterparts which, taken together, shall constitute one and the same agreement. This Agreement shall be effective when it has been executed by each Party and delivered to both Parties. To evidence the fact that it has executed this Agreement, a Party may send a copy of its executed counterpart to the other Party by facsimile transmission. Such Party shall be deemed to have executed and delivered this Agreement on the date it sent such facsimile transmission. In such event, such Party shall forthwith deliver to the other Party an original counterpart of this Agreement executed by such Party.

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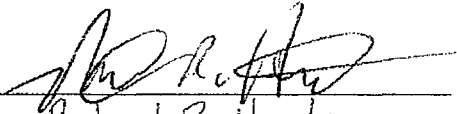
IN WITNESS WHEREOF, the Parties hereto have executed, or caused to be executed by their duly authorized Representatives, this Agreement as of the Effective Date.

TOWNSHIP OF EAST NORRITON,
MONTGOMERY COUNTY

By: 
Printed: Dennis DeSanto

Its: Chairman

ATTEST:

By: 
Printed: Robert R. Hart
Title: Township Manager

AQUA PENNSYLVANIA WASTEWATER,
INC.

By: _____

Printed: _____

Its: _____

ATTEST:

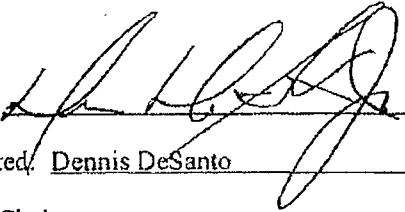
By: _____

Printed: _____

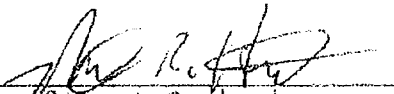
Title: _____

IN WITNESS WHEREOF, the Parties hereto have executed, or caused to be executed by their duly authorized Representatives, this Agreement as of the Effective Date.


TOWNSHIP OF EAST NORRITON,
MONTGOMERY COUNTY

By: 
Printed: Dennis DeSanto
Its: Chairman

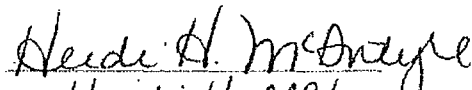
ATTEST:

By: 
Printed: Robert B. Hart
Title: Township Manager

AQUA PENNSYLVANIA WASTEWATER,
INC.

By: 
Printed: MARK A. LUCCA
Its: PRESIDENT

ATTEST:

By: 
Printed: Heidi H. McIntyre
Title: Asst Secretary

ASSET PURCHASE AGREEMENT

By and Between

Township of East Norriton, Montgomery County

As Seller

and

[_____]

As Buyer

SCHEDULES AND EXHIBITS

Capitalized terms used in the Schedules which are not otherwise defined herein shall have the respective meanings ascribed to such terms in the Agreement. The Schedules are to be read in their entirety. Nothing in the Schedules is intended to broaden the scope of any representation or warranty in the Agreement. The disclosure of any item, explanation, exception or qualification in any Schedule is disclosure of that item for all purposes for which disclosure is required under the Agreement when it is reasonably apparent from the context that such item, explanation, exception or qualification also relates to another Schedule irrespective of whether any cross reference is made or no Schedule is provided with respect to a representation. Other than as expressly set forth herein or when the Schedules reference agreements or other matters not documented in a separate writing, all descriptions of agreements, written materials or other matters appearing herein, are summary in nature and are qualified by reference to the complete documents, which have been supplied to the Buyer or its counsel.

Schedule 2.02(h)

Excluded Assets

1. Any and all income received by the Township in connection with the Germantown Force Main litigation.
2. PennDOT reimbursement income related to the Route 202 road widening project.

Schedule 3.03

Allocation Schedule

[To be provided by Buyer]

Asset	Percentage of Purchase Price
	%

Schedule 4.05

Required Governmental Consents

1. [Pennsylvania Public Utility Commission (“PaPUC”) Approval of Transaction]
2. [PaPUC Approval of Consent to Assignment and Amendment to Wastewater Service Agreements]
3. Pennsylvania Department of Environmental Protection Approval of Act 537 Official Sewage Facilities Plan recognizing transfer of wastewater collection system from Seller to Buyer
4. [Consent(s) to assign certain provisions in the Authority Agreements, excluding the Retained Liabilities and Obligations]
5. Consents to assign Wastewater Service Agreements

Schedule 4.06

Seller Liabilities

[None.]

Schedule 4.07

Events Having a Material Adverse Effect

[None.]

Schedule 4.08

Tax Matters

[None.]

Schedule 4.09

Real Property and Easements; Liens

Seller is endeavoring, with the assistance of its legal counsel, to prepare a schedule of real property related to operation of the sanitary sewer system which property would be conveyed to Buyer in the event of a sale. Seller has individual paper records for many of the properties which it is currently reviewing and recording in a schedule to be attached to an agreement of sale.

REAL PROPERTY AND ABOVE-GROUND EASEMENTS

Pump Stations	Parcel ID	Deed Book/Page	Address	Document	Date
1 Sandra Lane	330010568001	4670-00441	525 N Whitehall Rd., East Norriton, PA 19403	County Parcel Record	9/14/1981
2 Norris City	330005995101	5005-00813	528 Norris City Ave., East Norriton, PA 19401	County Parcel Record	1/29/1992
3 Schultz Road	330007654548	4688-00280	1031 Schultz Rd., East Norriton, PA 19403	County Parcel Record	11/6/1981
4 Einstein	330003187002	5777-02187/02196	675 W. Germantown Pike, East Norriton, PA 19403	County Parcel Record	6/15/2010
5 Potshop Lane	330090050007	5182-0360	2071 Potshop Lane, East Norriton, PA 19403	Deed of Dedication	11/3/1995
6 Timberlake	330008142006	4269-0137	2501 Stanbridge St., East Norriton, PA 19401	Deed of Dedication	7/3/1985
7 Whitehall Road	330010573005	4691-1156	3120 N. Whitehall Rd., East Norriton, PA 19403	Deed of Dedication	4/14/1982
8 Germantown Pike	330002947107	4171-595/596/597	820 W. Germantown Pike, East Norriton, PA 19403	Deed	12/13/1976
9 Felton Road*			2945 Felton Rd., East Norriton, PA 19401		

*Documents need to be retrieved from the County data records

Below Ground Easements

1. Based on the Township's review, it is estimated that 75-85% of below-ground easements are documented by signed subdivision plans or fall within the Township right of way.
2. The remaining easements are being documented on a manhole-to-manhole schedule and are well underway.

Schedule 4.10

Equipment and Machinery

The following pieces of machinery and equipment [NOTE: subject to minor changes by the Township as it completes final inventory]:

Asset ID	Description	Class	Subclass	Status	Purchased
994	NSWV Model 300 Wastewater Pump	008	ME	A	06/12/2015
1002	Yaskawa Variable Freq Drive	008	ME	N	08/31/2016
1003	Yaskawa Variable Freq Drive	008	ME	N	08/31/2016
804	Ford TV Truck	016	16	A	01/01/1999
805	GMC Flush Truck	016	16	A	01/01/1999
831	Ford F-250	018	TR	A	01/01/2000
833	Ford Truck & Plow	018	TR	A	01/01/2001
844	Burster Machine	018	ME	A	01/01/1998
848	Pump Control Panel	018	ME	A	01/01/1999
850	Pump Control Panel	018	ME	A	01/01/2000
851	Pump Station Flowmeter	018	ME	A	01/01/2001
852	Packer w/accessories	018	ME	A	01/01/2003
853	Ridgid Diamter Camera	018	ME	A	01/01/2004
854	Electric Chain Hoist w/acces.	018	ME	A	01/01/2005
855	Aries Camera System	018	ME	A	01/01/2005
856	Ridgid See Snake Camera	018	ME	A	01/01/2006
857	Ridgid Camera Monitor	018	ME	A	01/01/2006
858	Ridgid Mini See Snake Camera	018	ME	A	01/01/2006
859	(3) Ecograph T Recorders	018	ME	A	01/01/2006
860	Modem	018	ME	A	01/01/2007
861	Ridgid Mini Push Cable	018	ME	A	01/01/2007
862	Winpower DR4514 Generator	018	ME	A	01/01/2007
863	LCD/DVD Montior	018	ME	A	01/01/2008
864	Godwin Portable Generator	018	ME	A	01/01/2009
865	Portable Gas Monitors	018	ME	A	01/01/2010
866	Flow Meter	018	ME	A	01/01/2010
868	Confined Spaces Entry Equipmen	018	ME	A	01/01/2012
869	VFD Replacements	018	ME	A	01/01/2013
870	VFD Replacements - Sandra Ln	018	ME	A	01/01/2013
874	Norris City PS AC Repairs	018	ME	A	01/01/2014
875	VFD Replacements	018	ME	A	01/01/2014
992	Yaskawa Variable Freq Drive	018	ME	A	11/11/2015
993	Yaskawa Variable Freq Drive	018	ME	A	03/13/2015
830	GMC Truck	018	TR	D	01/01/1999
832	Ford F-350	018	TR	D	01/01/2000
867	VFD Pump	018	ME	D	01/01/2011

Class Legend

ME	Machinery & Equipment
TR	Trucks & Vehicles

Schedule 4.11(a)

Benefit Obligations

[Two non-union employees to be transferred with the sale]

Summary of Benefits

Health Insurance	HMO and PPO plans - Employee, Spouse and Family Coverage	
Holidays	13 Paid Holidays	
	1x Annual Salary up to max of	
Life Insurance	\$150,000	
Long Term Disability	60% of salary from after 90 days to six months	
Pension	Defined Benefit Plan	
Personal Leave	5 Days Annually	
Short term Disability	70% of salary from day 8 to day 90	
Sick Leave	Accumulate 2.5 days per quarter/max 10 days per year	
Vacation	Years Completed	Vacation Days
	1	10
	5	15
	10	20
	15	25
	20	30

Schedule 4.11(b)

Multiemployer Plans

[None.]

Schedule 4.11(c)

Post-termination Benefit Obligations

[None.]

Schedule 4.11(e)

Severance Agreements

[None.]

Schedule 4.12(a)

Exceptions to Personnel Payments

[None.]

Schedule 4.13

Environmental Compliance

Noncompliance issues:

Sanitary Sewer Overflows from 2014 to present (reported to Department of Environmental Protection but not necessarily resulting in a fine):

Date	Location(s)		Cause
	MH #	Physical Location	
4/30/2014	MH 432	Stoney Creek Rd	5-inch rainfall event
4/30/2014	MH 884	Congress Rd	5-inch rainfall event
4/30/2014	MH 885	Congress Rd	5-inch rainfall event
4/30/2014	MH 882	Easement - 3030 Potshop Rd	5-inch rainfall event
4/30/2014	MH 856	Taft Rd	5-inch rainfall event
4/30/2014	MH 855A	Taft Rd	5-inch rainfall event
4/30/2014	MH 402	Wellington Rd @ St. Vincent	5-inch rainfall event
4/30/2014	MH 372	Easement - 419 W. Twp Line	5-inch rainfall event
4/30/2014	MH 2A*	Easement - Pacer Lane	5-inch rainfall event
5/16/2014	MH 371	Easement - 419 W. Twp Line	3.1 inches of rain in 6 hours
5/16/2014	MH 372	Easement - 419 W. Twp Line	3.1 inches of rain in 6 hours
5/16/2014	MH 432	Stoney Creek Rd	3.1 inches of rain in 6 hours
5/16/2014	MH 402	Wellington Rd @ St. Vincent	3.1 inches of rain in 6 hours
5/16/2014	MH 2A*	Easement - Pacer Lane	3.1 inches of rain in 6 hours
5/16/2014	MH 351	Easement - 413 W. Twp Line	3.1 inches of rain in 6 hours
5/16/2014	MH 1151	Whitehall Rd near Twp Line Rd	Pump Station malfunction
6/9/2014	MH 2A*	Easement - Pacer Lane	2.5 inches of rain in 2 hours
11/9/2014	MH 882	Easement - 3030 Potshop Rd	Blockage
11/27/2014	402	Wellington Rd @ St. Vincent	Grease blockage
1/18/2015	2A	Right of Way in cul-de-sac of Pacer Lane	Heavy Rain

6/13/2015	N/A	147 Pine Ct - PRIVATE SEWER SYSTEM IN PRIVATE TOWNHOME COMMUNITY	Blockage in private sewer main caused backup into basement of 147 Pine Ct
6/22/2015	309	2720 Stanbridge Street	Grease accumulation suspected.
8/20/2015	N/A	619 W. Township Line Road	Rupture in 4-inch cast iron force main for Whitehall Road PS
11/30/2015	110	Dekalb Pike between Colonial Drive and Jefferson Crossing Blvd.	Grease accumulation suspected.
12/11/2015	N/A	PRIVATE SEWER LATERAL OVERFLOW - Along Northampton Road frontage of property located at 3034 N. Whitehall Rd.	Plumber hired by property owner removed clean out cap for low pressure (grinder pump) forced lateral. When pump started, SSO occurred.
12/14/2015	N/A	PRIVATE SEWER LATERAL OVERFLOW - 3035 Stoney Creek Rd	Excessive paper use - caught in trap of private sewer lateral & caused SSO from lateral vent pipe.
2/3/2016	853, 854, 855A, 884 & 885	Taft Road & Congress Road	Snow Melt and Heavy Rain
2/3/2016	2A	Pacer Lane Right of way	Snow Melt and Heavy Rain
2/4/2016	N/A	PRIVATE SEWER LATERAL: 21 Montgomery Avenue	Blockage in private sewer lateral.
2/16/2016	2A	Pacer Lane Right of way	Heavy Rain
2/16/2016	402	Wellington Road	Heavy Rain
2/24/2016	N/A	Norris City Avenue approximately 100 ft from Norris City Pump Station	Norris City Pump Station Force Main failure.
2/24/2016	2A	Pacer Lane Right of way	Norris City Pump Station Force Main failure. Had to shut down station to make repair, which caused SSO at this manhole.
2/24/2016	1316	Located near Timberlake Pump Station	Shut down Timberlake PS to minimize flows going to Norris City PS. Manhole surcharged and sewage leaked from joints of brick manhole.
4/25/2016	N/A	PRIVATE SEWER LATERAL: 3310 North Wales Road	Unknown
5/6/2016	N/A	504 Woodlyn Avenue	Blockage in sewer main between MH 22 & MH 23 on Hillcrest Avenue
8/24/2016	MH 622	Rear of 2319 Springview Road	Root Intrusion in sewer main.
9/21/2016	Between MH 664 & MH 665	Sewer main located along common property line between 8 & 10 Hanover Lane	Defective pipe joints allowed sewage to exfiltrate the main.

9/27/2016	N/A	Norris City Pump Station	Failure of compressed air line fitting to surge relief tank at pump station.
3/30/2017	MH 148 & MH 149	18 W. Germantown Pike	Bricks from MH blocking channel/pipe
3/31/2017	MH 2A*	Pacer Lane Right of way	Heavy Rain
7/24/2017	MH 2A*	Pacer Lane Right of way	Heavy Rain
9/19/2017	N/A	2521 Springview Road	Partial main blockage btw MH 94 & 95 creating surcharge conditions & exfiltration.
10/23/2017	MH 975	Between 3142 & 3144 Taft Road	Root Intrusion in sewer main.
2/7/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - 1.0 inches of rain
2/11/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - 1.9 inches of rain
2/16/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - 0.75 inches of rain
3/2/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - Nor'easter of March 2nd
3/2/2018	MH 43	Meadowbrook Road	Rain Event - Nor'easter of March 2nd
4/16/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - 2.5 inches of rain
4/16/2018	MH 402	Wellington Road	Rain Event - 2.5 inches of rain
5/27/2018	MH 2A*	Easement off of Pacer Lane	Rain Event - 2.5 inches of rain
5/27/2018	MH 402	Wellington Road	Rain Event - 2.5 inches of rain
5/27/2018	MH 780	Easement behind 3048 Taft Road	Rain Event - 2.5 inches of rain
6/11/2018	MH 780	Easement behind 3048 Taft Road	Rain Event - 2.5 inches of rain

* Carroll Engineering Corp is currently working on plans and specifications for a project to minimize SSOs at MH 2A. Project involves hydraulic improvements to MH 2 on Norris City Ave, immediately downstream of MH 2A, where pipe makes an acute angle bend. We propose to install intermediate manholes upstream and downstream of MH 2 that would "smooth" the bend in the pipe and improve flow hydraulics. Project would also divert flows from Coleston Area (Hartranft, Hancock, Montgomery, Francis, First, Second & Third Streets) by install a diversion MH on Swede Rd at Norris City Ave and connecting pipe to existing gravity sewers on Norris City at MH 5. This would divert an estimated 175,000 gpd of peak flow from MH 2A. The Township submitted a PA Small Water & Sewer Grant application for this project in February of 2018 and are awaiting notification of award.

Consent order and Agreement dated 20th February 2007 with Department of Environmental Protection regarding sanitary sewer overflows at the Germantown pump station

Schedule 4.14

Authorizations, Licenses and Permits

1. The below permits issued by the Commonwealth of Pennsylvania Department of Environmental Protection:

**East Norriton Township/
East Norriton Municipal Authority**



DEP Wastewater Permits

Pump Station Name	Location	DEP Permit #
Timberlake Pump Station (Stony Creek Pumping Station No. 1)	2501 Stanbridge St. East Norriton, PA 19401	9524-S
Norris City Pump Station (Stony Creek Pumping Station No. 2)	528 Norris City Ave. East Norriton, PA 19401	9524-S
Germantown Pike Pump Station (Stony Creek Pumping Station No. 3)	820 W. Germantown Pike East Norriton, PA 19403	4681405
Germantown Pump Station Parallel Force Main (<i>Approved as an amendment to Einstein PS permit</i>)	820 W. Germantown Pike East Norriton, PA 19403	4609411
Potshop Lane Pump Station/Burnside Ave Pump Station	2071 Potshop La. East Norriton, PA 19403	
Sandra Lane Pump Station	525 N. Whitehall Rd. East Norriton, PA 19403	4674456 / 4602413
Felton Road Pump Station	2945 Felton Rd. East Norriton, PA 19401	4672431
Whitehall Road/Township Line Road Pump Station	3120 N. Whitehall Rd. East Norriton, PA 19403	4681443 / WQG 02461716
Einstein Pump Station & Surge Storage Tank (<i>Filed w/DEP under ENPWISA</i>)	675 W. Germantown Pike East Norriton, PA 19403	4609411
Schultz Pump Station	1031 Schultz Rd. East Norriton, PA 19403	4674453

[Schedule continues on following page]



Other DEP Wastewater Permits

Sewer Extension (Subdivision, Location/Streets)	DEP Permit #	DEP File ID #
Sewer Extension (Provident, Norriton East Apts, Dekalb Inn)	764546	43414
Original Sewers & Stony Creek No. 1 & No. 2 stations	95245	43415
Sewer Ext. & Ejector Station (Woodland Manor)	4674454	43398
Sewer Ext. (Sunset Knoll - Woodland Ave & James Cr)	4674455	43399
Sewer Ext. & Sandra Lane PS (Sandra Ln)	4674456	43400
Sewer Ext. (Tanglewood Subdivision)	4379430	43401
Sewer Ext. (Flood Subdivision)	4679435	43402
Sewer Ext. (Village East - Carol Ln)	4679436	43403
Sewer Ext. (Kimberly Knoll - Kimberly Ln, Jennifer Dr, Patricia Dr, Kristin Ct)	4679437	43404
Sewer Ext. (Glen Moore - Marna Ct)	4679438	43405
Sewer Ext. (Lehigh Maple Corp - Dorp Ln, Dorp Cr)	4679441	43406
Sewer Ext. & Stony Creek No 3 PS Wet Well Expansion (Whitehall Estates II - Faith Dr)	4681405	43408
Sewer Ext. (Maple Ridge)	4681422	43409
Sewer Ext. (Barley Sheaf - Office Bldg)	4681440	43410
Sewer Ext. & Whitehall Rd Ejector Sta. (Existing homes on Whitehall Rd Marion Ave to Twp Line Rd)	4681443	43411
Sewer Ext. (Eliz Myers Subdivision - Embassy Cr)	4685465	43413
Sewer Ext. (New Hope Village - Sawmill Ct)	4680426	43407
Sewer Ext. (Tornetta Realty Corp - Northtowne Plaza)	4682436	43412
Sewer Ext. & Felton Rd Ejector Station (Felton Rd)	4672431	43396
Sewer Ext. & Schultz Rd PS (Keenan Construction Subd. - Singer Ln, Doris Ln, Lewis Ln, Woodland Ave)	4674453	43397
Sewer Ext. (Barley Sheaf Subdivision - residential)	4685411	31643
Sewer Ext. (Spring House Manor - Spring House Ln)	4687411	31645
Sewer Ext. (Whitehall Woods - Baker Dr)	4685453	31644

2. Pennsylvania Department of Environmental Protection approval of Act 537 Official Sewage Facilities Plan
3. Montgomery County Health Department – Post-closing notice
4. [PaPUC
 - a. Approval of transaction
 - b. Approval of consent to assignment and amendments to Wastewater Service Agreements]

Schedule 4.15

Assigned Contracts

Agreements			
Name of Contract	Parties to Contract	Date of Contract	Subject
Agreement with Joint Sewer Authority	East Norriton-Plymouth-Whitpain Joint Sewer Authority, East Norriton Township, Whitpain Township and Plymouth Township	November 12, 2003	Excludes development Burnside Reserve within East Norriton from the service area of the Authority; permits development to send its sewage effluent to West Norriton
Agreement	Township of Whitpain, East Norriton Township, and John DiSanto	July 18, 1994	Permitting DiSanto to connect to Whitpain's sewer system
Agreement	Plymouth Township Municipal Authority, Plymouth Township, the East Norriton Sewer Authority, and the East Norriton Township Board of Supervisors/the Township of East Norriton	August 13, 1991	Plymouth and East Norriton agree to accept sewage from certain areas of the other Township
Agreement	East Norriton Township, Whitpain Township, and the Automobile Dealers Association of Greater Philadelphia	September 9, 2007	Permitting the Automobile Dealers Association to connect to Whitpain's sewer system
Authority Agreements (as defined below)*	See definition	See definition	Governing the Joint Sewer Authority

* **Authority Agreements** means, collectively, the following agreements to which East Norriton Township is a party: (i) a Joint Treatment Agreement dated October 5, 1959 (the "1959 Agreement") among Seller, Plymouth Township, the East Norriton Township Municipal Authority, the Plymouth Township Municipal Authority, and the Authority, (ii) an Intermunicipal Sewage Treatment Service Agreement dated September 1, 1991 (the "1991 Agreement") among Seller, Plymouth Township, Whitpain Township, the East Norriton Township Municipal Authority, the Plymouth Township Municipal Authority, and the Authority; and (iii) Supplement No. 1 to the 1991 Agreement dated on or about October 25, 2005 (the "2005 Agreement"). The assignment of the Authority Agreements will not include the Retained Liabilities and Obligations (as defined in the Agreement).

Schedule 4.16

Litigation or Potential Claims

[None].

Schedule 4.18(a)

Exception to Title to Acquired Assets

[None.]

Schedule 4.18(b)

Sufficiency

[None.]

Schedule 4.19

Pending Development Plans

PROJECTED DEVELOPMENTS

Name of Area Served	Permits Obtained	DEP Permit #	Proposed Housing Units or EDU's					
			2017	2018	2019	2020	2021	2022
Bentwood Executive Campus (Commercial)	N/A	N/A		55	55		13	
2208 Old Arch Road	N/A	N/A		7	7			
Northwoods (Commercial)	N/A	N/A			18	30	30	23
Moreland Development (Restaurant Pad Site)	N/A	N/A					3	
317 W. Germantown Pk (Commercial)	N/A	N/A				14		21
Tone 2000	N/A	N/A			7			
Valenza Property (Commercial)	N/A	N/A			3			
Einstein Regional Medical Center	Yes	4609411			70			
Norriton Bus. Campus (Lots 2 & 14)	N/A	N/A			18		18	
1055 W. Germantown Pk (Alfonse)	N/A	N/A					5	
Altemose Property (Commercial)	N/A	N/A						9
1030 W. Germantown Pk (Gambone)	N/A	N/A			7			
Hillcrest Office Building (Commercial)	N/A	N/A				24		
2000 Arch Road Assoc.	N/A	N/A			3			
Miscellaneous	N/A	N/A		3	3	3	3	3
Totals			0	65	191	71	72	56

Schedule 4.20

Land Development and Financial Security Agreements

Schedule 5.04

Buyer Consents and Approvals

Pennsylvania Department of Environmental Protection.
[PaPUC]

Schedule 5.11

Buyer Litigation

[None.]

Schedule 7.03(a)

Rates

As of the date of this Agreement, Seller's rates are as follows:

Description	Minimum Bill	Allowed Minimum Usage Per Quarter (gal)	Current Rate Per 1,000 Gallons Over Allowed (minimum) Usage
Metered Sewer Customers	\$63.25	4,000	\$6.54
Flat Rate Sewer Customers	\$115.60	n/a	n/a
Metered Well Customers	\$63.25	4,000	\$6.54

Schedule 7.06

Outstanding Indebtedness

The Township's Series of 2010 General Obligation Bonds are currently outstanding as follows:

<u>Maturity Date</u>	<u>Total Principal Amount</u> [†]	<u>Sewer Portion to be Defeased</u> [‡]	<u>Interest Rate</u>
8/15/2019	\$320,000.00	\$215,000.00	3.125%
8/15/2020	335,000.00	225,000.00	3.300%
	<u>\$655,000.00</u>	<u>\$440,000.00</u>	

[†] Principal payment of \$315,000 to be made by Township on August 15, 2018.

[‡] Sewer fund obligation accounts for 66.95% of the obligation.

Schedule 7.12 (a)

Transferred Personnel

[Two non-union employees to be transferred]

Schedule 11.01(a)

Other Consents and Approvals

Exhibit A

Bill of Sale

Exhibit B

Assignment and Assumption Agreement

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Burnside Ave. Pump Station



Burnside Ave. Pump Station



Burnside Ave. Pump Station
East Norriton Inspections



Einstein Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Einstein Pump Station



Einstein Pump Station



East Norriton Inspections
Einstein Pump Station



Einstein Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Einstein Pump Station



Felton Road Pump Station



Felton Road Pump Station



Germantown Pike Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Germantown Pike Pump Station



Germantown Pike Pump Station



EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Germantown Pike Pump Station



Germantown Pike Pump Station



Germantown Pike Pump Station



Germantown Pike Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Germantown Pike Pump Station



Norris City Pump Station



East Norriton Inspections
Norris City Pump Station



Norris City Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



11.30.2016 12:47

Norris City Pump Station



11.30.2016 12:48

Norris City Pump Station



11.30.2016 12:50

Norris City Pump Station



11.30.2016 12:45

Norris City Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Norris City Pump Station



Schultz Road Pump Station



Schultz Road Pump Station



Timberlake Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Timberlake Pump Station



Timberlake Pump Station



Timberlake Pump Station



Timberlake Pump Station Page 9 of 11

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Whitehall Pump Station



Whitehall Pump Station



Whitehall Pump Station



Whitehall Pump Station

EAST NORRITON TOWNSHIP
Inspection Photos
November 30, 2016



Whitehall Pump Station



Whitehall Pump Station



Whitehall Pump Station
East Norriton Inspections

**Township of East Norriton
Utility Valuation Experts' (UVE) Valuation of
East Norriton Wastewater Collection System
Montgomery County, Pennsylvania**

**Appraisal Work Papers
As of October 29, 2018**

**Utility Valuation Expert (UVE) Contract between:
AUS Consultants and East Norriton Township, Pennsylvania**

**AUS Consultants
Suite 201
8555 West Forest Home Avenue
Greenfield, Wisconsin 53228
Office Telephone: 414-529-5755
J. Weinert's Cell: 414-698-8371
J. Weinert's E-Mail: weinertj@auswest.net**



JEROME C. WEINERT
Principal & Director

8555 West forest Home Avenue, Suite 201
Greenfield, WI 53228
414-529-5755 • Tel
414-698-8371 • Cell
weinertj@auswest.net

April 2, 2019

Mr. Dave Crist
Finance Director
East Norriton Township
2501 Stanbridge Street
East Norriton, PA

Re: East Norriton Township Wastewater Collection System Fair Market Value Appraisal

Dear Mr. Crist:

AUS Consultants is please to respond to your request for a proposal for a valuation of East Norriton Township's wastewater collection system. We understand the nature and purpose of the request is to determine the fair market value of the Township's wastewater collection property and its operation for compliance with Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes Section 1329 of the "Valuation of Acquired water and wastewater systems" collectively referred to as Act 12 of the Commonwealth of Pennsylvania's 2016 legislative session. AUS Consultants is a Utility Valuation Expert (UVE) as designated by the Pennsylvania Public Utility Commission (PUC) Docket No. A-2016-2566251 Entity Code 9919181 renewed January 24, 2019 with an expiration date of December 3, 2019. Our appraisal will assume an investor-owned utility as the purchaser and that the purchaser would be successful in establishing the purchase price, assumed to be the appraised value, as rate-base for regulatory purposes under Section 1329 of the Public Utility Code of Pennsylvania.

Our response to your request will include the scope of our services, a list of AUS Consultants staff and their qualifications, an initial listing of data required to perform the appraisal and a range of project costs through the completion of the appraisal report; activities subsequent to the delivery of our final report will be billed at our hourly per diems defined below. The appraisal will be prepared under the 2018-2019 edition of the Uniform System of Professional Appraisal Practices (USPAP).

property to be appraised in any fashion so all property of the Township subject to the sale whether Township constructed and/or developer contributed is subject to the appraisal. The cost approach will give consideration to the Township's wastewater collection plant and equipment's replacement cost adjusted for appraisal depreciation. The replacement cost new will be developed using either trending the property's investment by account and installation year or by application of appraisal date unit costs to property's inventory by account and installation year. Next, appraisal depreciation, physical, function and economic, will be assessed and deducted from the replacement cost new. The physical and functional depreciation will be determined based on the age-life depreciation methods using aging from the Engineer's Assessment, the service lives applicable to wastewater industry depreciation lives and physical inspections of the property.

The property subsequent to its acquisition, will be regulated by the Pennsylvania PUC utilizing a rate base/rate of return regulation. This form regulation allows for the fair return on and of the Company's capital invested for the provision of wastewater services. The last step in the Cost Approach's we will consider the property's economic returns under PUC regulation in order to determine if economic obsolescence exists in the preliminary Cost Approach conclusion discussed above. We will use the results of Income Approach (discussed below) in making this determination.

The income approach provides an indication of value by evaluation the future returns of the operation of the property as wastewater collection system. There are two commonly used methods of the income approach: the discounted cash flow (DCF) approach and the capitalized income approach. Both procedures discount the future returns of the property using a recognized cost of capital for the wastewater industry.

In the DCF, the expected or future cash flows of the operation of the property are discounted to the appraisal date (present value) using a recognized cost of capital for the wastewater industry. Future cash flows are based on historical results from operation in terms of revenues and expenses as the basis forecast of future operations. The projected cash flow levels must provide for additional cash investment and working capital additions, as well as reflect the specific growth potential of the system being valued.

In the capitalize income approach the property's future returns are consolidated in to a single estimate for all future periods. The capitalized income approach to value is determined by the

Mr. Dave Crist
April 2, 2019
Page 5

- 41 years in Appraisal and Depreciation Consulting
- Testimony Experience:
 - Courtroom (Valuations ad valorem taxation and depreciation)
 - Regulatory (Depreciation and Rate Base)

David Weiler

- 34 years in Valuations of Business Enterprises, Closely-held common Stock, Cost of Capital Studies and Valuations of Intangible Property
- Bachelor of Science in Finance-Drexel University (1978)

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Elizabeth A Weinert

- 17 years in Appraisal and Depreciation Consulting
- B Bachelor of Science in Mechanical Engineering – Milwaukee School of Engineering (2001)
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Request for Data

In order to expedite the project upon the East Norriton Township's acceptance of our proposal, AUS Consultants needs the following data:

Inventory of property plant and equipment. Ultimately this inventory needs to be provided by the firm preparing the "Engineer's Assessment" for both the Township and the Purchaser. As stated above:

"In order for the Engineer's Assessment to be of maximum value use it should detail the property by account, type and size of equipment, its date of installation and its original cost. It should be noted that Section 1329 does not restrict the property to be appraised in any fashion so all property whether municipally constructed and/or developer contributed is subject to the appraisal."

The Township provided AUS Consultants with an inventory of the system as of late 2015 it would be useful for the Township to update this inventory to the appraisal date, date of the Asset Purchase Agreement, for use by the engineer performing the Engineer's Assessment. In our previous work for the Township AUS Consultants utilized this inventory and known pricing in order to develop a starting point for the Cost Approach (East Norriton Sewer System

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These activities typically include responding to interrogatories (Commission staff, OCA, Small Business Advocate, and/or other possible intervenors), reviewing the testimony of participating parties, preparing testimony (direct, cross, and possibly sur-rebuttal), attending Commission hearings. If expert testimony is required, Jerome C. Weinert will be the witness and attend any hearings which is required.

Closure

AUS Consultants appreciates the opportunity to respond to East Norriton Township's request for our services. Should you have any questions regarding our response, please contact the undersigned.

Respectfully submitted,
AUS Consultants

Jerome C. Weinert

Accepted by:



East Norriton Township, PA

Date: _____

BY: JEROME C. WEINERT

Date: February 27, 2019





JEROME C. WEINERT
Principal & Director

8555 West forest Home Avenue, Suite 201
Greenfield, WI 53228
414-529-5755 • Tel
414-698-8371 • Cell
weinertj@auswest.net

April 2, 2019

Mr. Dave Crist
Finance Director
East Norriton Township
2501 Stanbridge Street
East Norriton, PA

Re: East Norriton Township Wastewater Collection System Fair Market Value Appraisal

Dear Mr. Crist:

AUS Consultants is please to respond to your request for a proposal for a valuation of East Norriton Township's wastewater collection system. We understand the nature and purpose of the request is to determine the fair market value of the Township's wastewater collection property and its operation for compliance with Title 66 (Public Utilities) of the Pennsylvania Consolidated Statutes Section 1329 of the "Valuation of Acquired water and wastewater systems" collectively referred to as Act 12 of the Commonwealth of Pennsylvania's 2016 legislative session. AUS Consultants is a Utility Valuation Expert (UVE) as designated by the Pennsylvania Public Utility Commission (PUC) Docket No. A-2016-2566251 Entity Code 9919181 renewed January 24, 2019 with an expiration date of December 3, 2019. Our appraisal will assume an investor-owned utility as the purchaser and that the purchaser would be successful in establishing the purchase price, assumed to be the appraised value, as rate-base for regulatory purposes under Section 1329 of the Public Utility Code of Pennsylvania.

Our response to your request will include the scope of our services, a list of AUS Consultants staff and their qualifications, an initial listing of data required to perform the appraisal and a range of project costs through the completion of the appraisal report; activities subsequent to the delivery of our final report will be billed at our hourly per diems defined below. The appraisal will be prepared under the 2018-2019 edition of the Uniform System of Professional Appraisal Practices (USPAP).

Before addressing the proposal requirements, it is important to understand the valuation concepts and parameters as they would apply to this project which will be subject to consideration of issues regarding to recent Commission decisions and settlements entered into between the Pennsylvania Office of Consumer Advocate (OCA) and the participants (Aqua Pennsylvania and Pennsylvania American) in other recent Act 12 cases.

Valuation Study

AUS Consultants understands the purpose of the valuation study is to determine the fair market of the Township's wastewater collection system assets and their operation. Fair market value is defined as:

"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress." The Appraisal of Real Estate, 13th Edition, page 23

Our conclusion will represent the fair market value as a going concern, in this case an operating wastewater collection system and not an amount that would be realized from a liquidation of those assets.

Valuation Methodologies

The valuation of the Township's wastewater collection assets, as part of a going concern, will use the three (3) generally-accepted valuation methodologies: the cost, income and market approaches.

The primary valuation method that will be utilized is the **cost approach**. In preparing the cost approach we will rely on the "Engineer's Assessment" inventory prepared for the Township and the Purchaser per the Pennsylvania PUC's (Act 12) Final Implementation Order M-2016-2543993. In order for the Engineer's Assessment to be of maximum use to the UVEs it should detail the property by account, type and size of property and or equipment, its date of installation and its original cost. It should be noted that Section 1329 does not restrict the

property to be appraised in any fashion so all property of the Township subject to the sale whether Township constructed and/or developer contributed is subject to the appraisal. The cost approach will give consideration to the Township's wastewater collection plant and equipment's replacement cost adjusted for appraisal depreciation. The replacement cost new will be developed using either trending the property's investment by account and installation year or by application of appraisal date unit costs to property's inventory by account and installation year. Next, appraisal depreciation, physical, function and economic, will be assessed and deducted from the replacement cost new. The physical and functional depreciation will be determined based on the age-life depreciation methods using aging from the Engineer's Assessment, the service lives applicable to wastewater industry depreciation lives and physical inspections of the property.

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In the capitalize income approach the property's future returns are consolidated in to a single estimate for all future periods. The capitalized income approach to value is determined by the

direct capitalization of the estimated income using an adjusted cost of capital removing future growth from the cost of capital rate.

The discount rate used in the income approaches will be developed from a market analysis of debt and equity reflecting the risks associated with a rate regulated water and wastewater companies regulated by the Pennsylvania PUC.

The **market approach** looks to market sales of similar water and wastewater utility properties (companies). There are two methods which are commonly utilized to estimate the market approach: actual market sales and market multiples based on wastewater industry comparables based on financial performance as reported in Value Line Investment Surveys for the water/wastewater industry.

The **final appraised value** will consider each of the three approaches to value both individually and collectively.

AUS Consultants Professional Staff

AUS Consultants' professional staff has extensive nationwide experience in preparing business enterprise valuations for water and wastewater systems.

Jerome C. Weinert, Professional Engineer (PE), Accredited Senior Appraiser (ASA), Certified Depreciation Professional (CDP)

- 47 years in Appraisal and Depreciation Consulting
- BS in Mechanical Engineering – Milwaukee School of Engineering (1972)
- Master's in Business Administration – Marquette University (1988)
- Testimony Experience:
 - Regulatory (Depreciation and Rate Base)
 - Courtroom (Valuations – ad valorem taxation and eminent domain and rate of return)

Michael J. Diedrich, PE, ASA, CDP, Certified General Appraiser

- 36 years in Appraisal and Depreciation Consulting
- BS in Architectural Engineering Technology – Milwaukee School of Engineering (1981)
- Master's in Business Administration – Marquette University (1991)
- Testimony Experience:
 - Courtroom (Valuations ad valorem taxation and eminent domain)

Earl M. Robinson, CDP

Mr. Dave Crist

April 2, 2019

Page 5

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Inventory.pdf attached). It will expedite the activities of both the UVEs and eliminate potential costing differences if the Engineer's Assessment incorporated both physical inventory quantities and cost in their final work product.

Township financial information related to the operation of the wastewater collection system over each of the last two years, years ending 2016, 2017, and 2018 (if available), from our previous work for East Norriton Township, AUS Consultants already has the Township's financials covering the period years ending 2010 through 2015, assuming those are still, valid those will be utilized along with years ending 2016 through 2018 in our financial analysis.

This data request is not intended to be all inclusive of the information required. There will be follow-up questions and additional requests for data.

AUS Consultants has already inspected the above ground portion of the Township's system, however, AUS Consultant's staff should perform another physical inspection of the Township's wastewater system and schedule interviews, as appropriate, with township wastewater system operators and personnel.

Fee Estimate

AUS Consultants would offer a professional fee range of \$23,000 to \$25,000 plus expenses to complete a valuation study. Expenses billed at our cost will include travel and living, report preparation, and Fed Ex as necessary.

For activities subsequent to our final report the following table of hourly per diems plus expenses:

Consultant	Hourly Per Diems (\$s/hr.)
Jerome C. Weinert	275
Michael J Diedrich	250
Earl Robinson	200
David A. Sheffer	200
David Weiler	170
Elizabeth A. Weinert	150
Susan Macchia	70

These activities typically include responding to interrogatories (Commission staff, OCA, Small Business Advocate, and/or other possible intervenors), reviewing the testimony of participating parties, preparing testimony (direct, cross, and possibly sur-rebuttal), attending Commission hearings. If expert testimony is required, Jerome C. Weinert will be the witness and attend any hearings which is required.

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AUS Consultants appreciates the opportunity to respond to East Norriton Township's request for our services. Should you have any questions regarding our response, please contact the undersigned.

Respectfully submitted,
AUS Consultants

Jerome C. Weinert

Accepted by:

BY: JEROME C. WEINERT

Date: February 27, 2019

East Norriton Township, PA

Date: _____

