

1. REPORT DATE: 00/00/00	:	
2. BUREAU: FUS	:	
3. SECTION(S):	:	4. PUBLIC MEETING DATE:
5. APPROVED BY:	:	00/00/00
DIRECTOR:	:	
SUPERVISOR:	:	
6. PERSON IN CHARGE:	:	7. DATE FILED: 03/30/05
8. DOCKET NO: A-230073 F0010	:	9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT: BLUE MOUNTAIN LAKE ASSOCIATES, L.P.

RESPONDENT/APPLICANT: PA-AMERICAN WATER CO-WASTEWATER

COMP/APP COUNTY: UTILITY CODE: 230073

ALLEGATION OR SUBJECT

APPLICATION OF PENNSYLVANIA-AMERICAN WATER COMPANY (WASTEWATER DIVISION) FOR APPROVAL OF 1) THE TRANSFER, BY SALE, OF THE ASSETS, PROPERTIES AND RIGHTS OF THE BLUE MOUNTAIN LAKE ASSOCIATES, L.P., RELATED TO ITS WASTEWATER SYSTEM TO PENNSYLVANIA-AMERICAN WATER COMPANY; AND 2) THE COMMENCEMENT BY PENNSYLVANIA-AMERICAN WATER COMPANY OF WASTEWATER SERVICE TO THE PUBLIC IN THE SERVICE TERRITORY OF BLUE MOUNTAIN LAKES ASSOCIATES, L.P., LOCATED IN PORTIONS OF STROUD AND SMITHFIELD TOWNSHIPS, MONROE COUNTY, PENNSYLVANIA.

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RECEIVED

March 30, 2005

MAR 30 2005

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VIA OVERNIGHT MAIL

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

A-230073 F0010

In re: Application of Pennsylvania-American Water Company for Approval of (1) the transfer, by sale, of the assets, properties and rights of the Blue Mountain Lake Associates, L.P. related to its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of wastewater service in the certificated service territory of Blue Mountain Lakes Associates, L.P., (3) commencement by Pennsylvania-American Water Company of wastewater service to the public in portions of Stroud and Smithfield Townships, Monroe County, Pennsylvania.

Dear Mr. McNulty:

On behalf of Pennsylvania-American Water Company, enclosed for filing with you are an original and three copies of the above-referenced Application. Also included is a check in the amount of \$350 for the Commission's filing fee.

DOCUMENT
FOLDER

Please acknowledge receipt of this filing by date-stamping the extra copy of this letter and returning it in the enclosed, self-addressed stamped envelope.

Sincerely,

Susan Simms Marsh
Susan Simms Marsh

Pennsylvania American Water

amh

Enclosures

cc: Office of Trial Staff
Office of Small Business Advocate
Office of Consumer Advocate

Susan Simms Marsh
Associate Corporate Counsel
800 West Hersheypark Drive
Hershey, PA 17033 USA
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I www.pawc.com

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

In re: Application of Pennsylvania-American Water Company for Approval of (1) the transfer, by sale, of the assets, properties and rights of the Blue Mountain Lake Associates, L.P. related to its wastewater system to Pennsylvania-American Water Company, (2) the commencement by Pennsylvania-American Water Company of wastewater service in the certificated service territory of Blue Mountain Lakes Associates, L.P., (3) commencement by Pennsylvania-American Water Company of wastewater service to the public in portions of Stroud and Smithfield Townships, Monroe County, Pennsylvania.

Application No. A-230073 F 0010

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MAR 30 2005

To Pennsylvania Public Utility Commission:

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

- 1. The name and address of the Applicant is:

Pennsylvania-American Water Company
("Pennsylvania-American")
800 West Hersheypark Drive
Hershey, PA 17033

DOCUMENT
FOLDER

- 2. The names and address of the Applicant's attorneys are:

Velma A. Redmond, Esquire
Susan Simms Marsh, Esquire
Corporate Counsel
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033

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APR 13 2005

3. Blue Mountain Lake Associates, L.P. ("BMLA") is a Pennsylvania Limited Partnership organized and existing under the laws of the Commonwealth of Pennsylvania. It owns a sewage collection, treatment and disposal system ("Wastewater System"), which is used to provide

central wastewater service to residents within the Blue Mountain Lake development, located in Stroud and Smithfield Townships, Monroe County, Pennsylvania.

4. Pennsylvania-American is a Pennsylvania public utility corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is engaged in the business of supplying and distributing water and collecting and treating wastewater. Water and wastewater service is furnished to the public in a service territory encompassing more than 368 communities across the Commonwealth with a combined population of over 2,000,000. A description of Pennsylvania-American's certificated water and wastewater service territory is found at Exhibit A, along with a detailed corporate history, outlining all of the mergers, acquisitions and consolidations which have created Pennsylvania-American as it exists today.

A. TRANSFER, BY SALE, OF THE WASTEWATER PROPERTY AND RIGHTS OF BLUE MOUNTAIN LAKE ASSOCIATES, L.P. TO PENNSYLVANIA-AMERICAN

All of the preceding and succeeding paragraphs are incorporated by reference into this sub-part A.

5. As of February 28, 2005, BMLA furnished wastewater service to 640 customers as follows:

Residential	625
Commercial	3
Availability	12

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

6. As of February 28, 2005, Pennsylvania-American furnished wastewater service to 13,258 customers, as follows:

Residential	12,876
Commercial	356
Industrial	2
Municipal, sales for resale and others	24

Background Financial Information

7. A balance sheet of the BMLA wastewater system is not available. Attached is Pennsylvania-American's balance sheet as of February 28, 2005 (Exhibit B). Pennsylvania-American will undertake an original cost study to determine original cost and accumulated depreciation of BMLA's wastewater utility plant in service.

8. An income statement for the BMLA wastewater system is not available. Attached is Pennsylvania-American's Income Statement for the 12 months ended January 30, 2004 (Exhibit C).

9. All the annual reports, tariffs, certificates of public convenience, applications, securities certificates and similar documents filed with your Honorable Commission by Pennsylvania-American and its predecessors are made a part hereof by reference.

Terms And Impact of the Transaction

10. This Application seeks approval of the transfer to Pennsylvania-American of substantially all of the wastewater property and rights of the BMLA Water System. The terms and

conditions of the transaction are contained in the executed Purchase Agreement between Pennsylvania-American and BMLA (Exhibit D). The specific property to be transferred is defined and described in Paragraph 1 of the Purchase Agreement.

11. The consideration for the transfer of the water and wastewater systems is One Million Three Hundred Fifty Thousand (\$1,350,000) Dollars as outlined in paragraph 2.1 of the Purchase Agreement. The transaction is at arm's length.

12. Pennsylvania-American will undertake an original cost study to establish the depreciated original cost of BMLA's wastewater utility plant. Upon completion of the original cost study, Pennsylvania-American will establish the depreciated original cost for BMLA's wastewater utility plant based on the results of the study.

13. There are no investment securities owned by BMLA that are being transferred to Pennsylvania-American.

14. There is attached hereto a pro forma balance sheet of Pennsylvania-American as of February 28, 2005, giving effect to the transfer (Exhibit E). However, as noted in Paragraph 12, above, Pennsylvania-American will undertake an original cost study for the purpose of establishing the depreciated original cost of the utility plant of the BMLA Wastewater System. Once the original cost study is complete and the property depreciated original cost and book value are established, Pennsylvania-American will amend the pro forma balance sheet giving effect to the transfer, accordingly.

15. There is attached hereto a pro forma consolidated income statement of Pennsylvania-American and BMLA for the 12 months ended February 28, 2005 (Exhibit F).

16. Tentative journal entries to record the transfer in Pennsylvania-American's accounts are set forth below, based upon the original cost of Eight Hundred Sixty-Two Thousand Sixty-Eight (\$862,068) Dollars, a depreciation reserve of one third of the original cost and the depreciated original cost equaling one half of the purchase price for the water and wastewater system which equals Five Hundred Seventy-Five Thousand (\$575,000) Dollars. However, as stated in paragraph 12, Pennsylvania-American will undertake an original cost study. Pennsylvania-American will establish depreciated original costs for BMLA's wastewater utility plant based on the results of the study.

Utility plant	\$862,068
Accumulated depreciation	\$287,068
Short term debt	\$575,000

17. There is attached a certified copy of the resolutions adopted by the Board of Directors of Pennsylvania-American (Exhibit G). A certified copy of the corporate actions adopted by BMLA's Board of Directors is attached as Exhibit H.

18. The proposed transfer will have no detrimental effect on the service provided to Pennsylvania-American's existing customers. Pennsylvania-American believes that the proposed transfer will have a beneficial effect on the customers of BMLA in that they will receive the benefit of Pennsylvania-American's experience in owning and operating wastewater systems which will result in efficiencies and improvements in the service to the customers to be transferred:

a. Pennsylvania-American has the managerial, technical and financial capabilities to safely and adequately operate the BMLA wastewater system in compliance with the Public Utility Code, the Safe Drinking Water Act, Clean Streams Law and other requisite regulatory requirements, and to make improvements as needed, on a short and long term basis.

b. Pennsylvania-American will provide the BMLA wastewater system with improved centralized management, customer service and administrative services.

c. The acquisition will further the goal of regionalization because the BMLA wastewater system will be a part of a larger organization that is viable and is committed to providing improved service in the future. Any necessary system improvements can be completed within a reasonable period of time, without adversely affecting service to Pennsylvania-American existing customers.

d. The acquisition will result in increased economies of scale as the BMLA wastewater system will be operated as part of a larger system which will result in uniform and higher standards of service to the customers.

19. The proposed transfer will have no immediate effect on the rates for service to be charged to Pennsylvania-American's existing customers, or to those customers to be transferred by BMLA to Pennsylvania-American. The rates presently charged by BMLA are shown on the schedule attached at Exhibit I. The rates in Exhibit I represent what BMLA currently charges for water and wastewater services combined. Pennsylvania-American proposes to equally divide the current service individually as shown on Exhibits J-1 and J-2.

Pennsylvania-American will apply the rules and regulations contained in its Tariff - Wastewater - PA PUC No. 2 to the BMLA wastewater customers in effect on the date of Closing and as amended from time to time.

20. Pennsylvania-American will initially finance the transfer by short-term bank debt which, at the appropriate time will be replaced through the issuance of long-term debt.

21. The reason for the proposed transfer is the purchase by Pennsylvania-American of the BMLA wastewater system.

22. Pennsylvania-American and Blue Mountain Lake Associates, L.P. are not affiliated with each other.

23. BMLA is not subject to any special or general assessments outstanding against it pursuant to Section 1201 of the Public Utility Code.

B. THE RIGHTS OF PENNSYLVANIA-AMERICAN TO OFFER OR FURNISH WASTEWATER SERVICE TO THE PUBLIC IN PORTIONS OF STROUD AND SMITHFIELD TOWNSHIPS, MONROE COUNTY, PENNSYLVANIA

All of the preceding and succeeding paragraphs are incorporated by reference into this sub-part B.

24. Pennsylvania-American is now furnishing water and wastewater service in the service territory as outlined in Paragraph 4.

25. BMLA furnishes wastewater service in portions of Stroud and Smithfield Townships, Monroe County, Pennsylvania. By this application, Pennsylvania-American seeks the right to begin to offer or furnish wastewater service to those portions of Stroud and Smithfield Townships served by BMLA as shown on Exhibit K and as described on Exhibit L-1, Exhibit L-2, Exhibit L-3, Exhibit L-4, Exhibit L-5.

26. No additional permanent capital will be required by Pennsylvania-American for the purpose of financing the matters and things involved in this Application.

27. No corporation, partnership or individual other than BMLA is now furnishing or has corporate or franchise rights to furnish service similar to that to be rendered by Pennsylvania-American in the territory covered by this Application, and no competitive condition will be created. As part of this Application, Pennsylvania-American has requested approval to acquire, by purchase, substantially all the wastewater property and rights of BMLA. BMLA will permanently discontinue all wastewater service to the public.

28. The facilities to be employed include the existing BMLA wastewater collection system, rights of way and treatment and disposal systems as more fully described in paragraph 1.1 of the Purchase Agreement.

29. Immediately upon Closing, Pennsylvania-American will adopt the BMLA's then existing wastewater rates in the application territory, as shown on Exhibit J-2. Pennsylvania-American will apply its existing Tariff-Wastewater- PA PUC No. 2 to the BMLA wastewater customers in effect on the date of Closing and as amended from time to time.

30. The estimated annual revenues and expenses of Pennsylvania-American in the Application territory are set forth in Exhibit M.

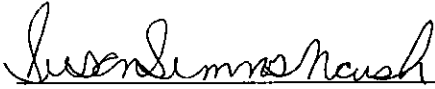
C. CONCLUSION

31. Approval of this Application is necessary or proper in order for the public now served by BMLA to benefit by receiving wastewater service from a public wastewater supply company with the resources and personnel to provide a safe and reliable wastewater service at reasonable prices.

WHEREFORE, Applicants pray your Honorable Commission to issue the necessary Certificates of Public Convenience under the Public Utility Code, as amended, 66 Pa. C.S. §1102(a), authorizing:

- (a) the transfer, by sale, of the wastewater works property and rights of Blue Mountain Lake Associates, L.P. to Pennsylvania-American Water Company; and
- (b) the rights of Pennsylvania-American Water Company to begin to offer or furnish wastewater service to the public in portions of Stroud and Smithfield Townships, Monroe County, Pennsylvania.

Respectfully submitted,



Velma A. Redmond, Esquire
Susan Simms Marsh, Esquire
Counsel for
Pennsylvania-American Water Company
800 West Hersheypark Drive
Hershey, PA 17033

Dated : March 30, 2005

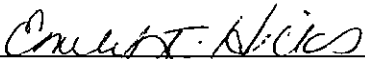
COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF DAUPHIN)

Personally appeared before me, a Notary Public in and for said Commonwealth and County, William C. Kelvington, Vice President of Pennsylvania-American Water Company who, being duly sworn according to law, deposes and says that the facts set forth in the foregoing Application are true and correct to the best of his knowledge, information and belief.



Vice President

Sworn to and subscribed before me
this 30th day of March,
2005.



Notary Public



PENNSYLVANIA-AMERICAN WATER COMPANY

Pennsylvania-American Water Company, an investor-owned water company, with corporate offices at 800 West Hersheypark Drive, Hershey, is a subsidiary of American Water Works Company, Inc. On February 1, 1989, the then-existing Pennsylvania-American Water Company (the result of the January 1, 1987 merger of Riverton Consolidated Water Company with and into Keystone Water Company) was merged with and into Western Pennsylvania Water Company, and the name of the surviving corporation was changed to Pennsylvania-American Water Company. A brief summary of each of the three predecessor companies follows.

Riverton Consolidated Water Company was formed by the merger and consolidation of six operating water companies in 1904. It subsequently acquired seven additional systems, and at the time of its merger with Keystone, supplied water to 12 municipalities on the Harrisburg west shore, Cumberland County, and Fairview Township in York County.

Keystone Water Company resulted from the 1973 merger of 14 companies with and into White Deer Mountain Water Company. The Company later acquired four systems. It provided water service in 14 eastern Pennsylvania counties through the following distribution systems: Abington, Bangor, Berwick, Frackville, Hallstead, Hershey/Palmyra, Montrose, Moshannon Valley, Norristown, Northumberland, Susquehanna, Thompson, White Deer (Milton), and Yardley.

Western Pennsylvania Water Company was the product of the merger of 17 water companies with and into South Pittsburgh Water Company at various times from 1970 to 1973. WPW added seven water distribution systems, extending its service territory into portions of 12 western Pennsylvania counties. The company operated through the following district offices: Butler, Clarion, Connellsville, Ellwood, Indiana, Kane, Kittanning, McDonald, Mon Valley, New Castle, Pittsburgh, Punxsutawney, Uniontown, Warren, and Washington.

After the merger of Riverton and Keystone in 1987, the former Pennsylvania-American Water Company purchased five systems: Red Land Water Company in York County, Campbelltown Water Company in Lebanon County, and three systems in the Moshannon Valley area, Clearfield County - Woodland-Bigler Area Authority, Allport Water Authority, and Graham Water Association.

Since the merger of the former Pennsylvania-American Water Company (Riverton and Keystone) into Western Pennsylvania Water Company on February 1, 1989, the Company has acquired the following water systems: Smith Township Municipal Authority system (Washington County, February 27, 1989); Abington Township system (Lackawanna County, August 5, 1989); Summit Township Municipal Authority system (Butler County, August 31, 1993); Skyline Water Company (Dauphin County, December 2, 1993); Gregg Township Municipal Authority system (Union County, April 25, 1994); P-F Area Water Association system (Washington County, October 1, 1994); Country Place Water Company, Inc. and Country Place Waste Treatment Company, Inc. (Monroe County, June 30, 1995); Hickory Water Company, Pocono Farms East Water Company, Inc., and Silver Water Company (Monroe and Pike Counties, December 21, 1995); the water utility assets of Pennsylvania Gas and Water Company (Lackawanna, Luzerne, Susquehanna and Wayne Counties, February 16, 1996); the Municipal Authority of the Township

Exhibit A

of Morris system (Clearfield County, April 24, 1996); Westford Water Company (Dauphin County, August 2, 1996); Clarion Township General Authority (Clarion County, January 28, 1998); Fairview Water Company, National Utilities, Inc.-Pocono Division, and Pocono Mountains Industrial Park Authority (Monroe County, May 7, 1998); Coolbaugh Township-Fire System (Monroe County, July 28, 1998); Greene Valley Water Company (Lackawanna County, August 28, 1998); Franklin Manor Utilities, Ltd. (Washington County, September 22, 1998); Taylor Township (Lawrence County, December 21, 1998); Evansburg Water Company (Montgomery County, December 30, 1998); Applewold Borough (Armstrong County, March 26, 1999); Cedar Grove Water Association (Washington County, July 8, 1999); Independence Township Municipal Authority (Washington County, July 8, 1999); Koppel Borough (Beaver County, November 5, 1999); Center Township (Butler County, December 30, 1999); Strattanville Borough (Clarion County, April 6, 2000); Franklin Township Municipal Authority (Beaver County, August 30, 2000); Elk Forest Estates (Wayne County, November 18, 2000); T.O.W. Associates (Butler County, February 13, 2001); City of Coatesville Authority (Chester and Lancaster Counties, March 22, 2001); Fox Knoll Water Company (Chester County, April 26, 2001); Butler Township Area Water and Sewer Authority (Butler County, April 27, 2001); Citizens Utilities Water Company of Pennsylvania (Adams, Berks, Chester, Monroe, Montgomery and Northampton Counties, January 15, 2002); LP Water & Sewer Company (Monroe and Pike Counties, April 3, 2002); Mid-Monroe Water Company (Monroe County, August 23, 2002); West Decatur Authority (Clearfield County, March 31, 2003); Rustic Acres Water Association (Pike County, September 30, 2003); Sandy Ridge Water Authority (Center County, October 14, 2003); Connoquenessing Borough Authority (Butler County, October 23, 2003); Skytop Water Company (Luzerne County, December 3, 2003); Sligo Borough Authority (Clarion County, August 31, 2004) and Snowshoe at Mt. Pocono Condominiums, Inc. (Monroe County, February 24, 2005). On July 2, 1990, Brownsville Water Company (Fayette County) and California Water Company (Washington County) were acquired and merged into the Company. On June 16, 1992, the former Forge Road Acres water system (Cumberland County) was sold to South Middleton Township. On March 24, 2003, Salisbury Water Supply Company (State of Massachusetts) was acquired and merged into the Company.

As a result of the various mergers and acquisitions, the Company furnishes water service to about 614,929 customers in the following municipalities:

All, or portions of, the Townships of Mount Joy, Mount Pleasant and Straban in Adams County;

All, or portions of, the Cities of Clairton and Pittsburgh (16th, 18th, 19th, 20th, 23rd, 29th, 30th, 31st and 32nd Wards), the Boroughs of Baldwin, Bethel Park, Brentwood, Bridgeville, Carnegie, Castle Shannon, Crafton, Dormont, Dravosburg, Elizabeth, Glassport, Greentree, Heidelberg, Homestead, Ingram, Jefferson, Liberty, Lincoln, Mt. Oliver, Munhall, Pleasant Hills, Rosslyn Farms, Thornburg, West Elizabeth, West Homestead, West Mifflin, Whitaker and Whitehall and the Townships of Baldwin, Collier, Elizabeth, Forward, Mt. Lebanon, North Fayette, Robinson, Scott, South Fayette, South Park and Upper St. Clair in Allegheny County;

Exhibit A

All, or portions of, the Boroughs of Applewold and Kittanning and the Townships of Manor and Rayburn in Armstrong County;

All, or portions of, the Boroughs of Ellwood City, Frankfort Springs and Koppel and the Townships of Franklin, Hanover and North Sewickly in Beaver County;

All, or portions of, the Boroughs of Sinking Spring, St. Lawrence, West Lawn and Wyomissing Hills and the Townships of Amity, Cumru, Earl, Exeter, Lower Heidelberg, Ruscombmanor, South Heidelberg and Spring in Berks County;

All, or portions of, the Borough of Yardley and the Townships of Falls and Lower Makefield in Bucks County;

All, or portions of, the City of Butler, the Boroughs of Connoquenessing and East Butler and the Townships of Butler, Center, Connoquenessing, Forward, Jackson, Lancaster, Oakland, Penn and Summit in Butler County;

All, or portions of, the Boroughs of Philipsburg and South Philipsburg and the Township of Rush in Centre County;

All, or portions of, the City of Coatesville, the Boroughs of Atglen, Parkesburg, South Coatesville and Spring City and the Townships of Caln, East Coventry, East Fallowfield, East Pikeland, East Vincent, Sadsbury, Schuylkill, Valley, West Caln, West Sadsbury and West Vincent in Chester County;

All, or portions of, the Boroughs of Clarion and Strattanville and the Townships of Clarion, Farmington, Knox, Limestone, Monroe, Paint and Piney in Clarion County;

All, or portions of, the Boroughs of Chester Hill and Osceola Mills and the Townships of Boggs, Bradford, Decatur, Graham and Morris in Clearfield County;

All, or portions of, the Boroughs of Berwick and Briar Creek and the Township of Briar Creek in Columbia County;

All, or portions of, the Boroughs of Camp Hill, Lemoyne, New Cumberland, Shiremanstown, West Fairview and Wormleysburg and the Townships of East Pennsboro, Hampden, Lower Allen, Silver Spring and Upper Allen in Cumberland County;

All, or portions of, the Townships of Conewago, Derry, Londonderry, South Hanover and West Hanover in Dauphin County;

All, or portions of, the Cities of Connellsville and Uniontown, the Boroughs of Brownsville, South Connellsville and West Brownsville and the Townships of Brownsville, Bullskin, Connellsville, Dunbar, Jefferson, Luzerne, Menallen, North Union, Redstone and South Union in Fayette County;

All, or portions of, the Borough of Indiana and the Township of White in Indiana County;

All, or portions of, the Boroughs of Big Run and Punxsutawney and the Townships of Bell, Gaskill, Henderson, McCalmont and Young in Jefferson County;

All, or portions of, the Cities of Carbondale and Scranton, the Boroughs of Archbald, Blakely, Clarks Green, Clarks Summit, Dalton, Dickson City, Dunmore, Jermyn, Jessup, Mayfield, Moosic, Old Forge, Olyphant, Taylor, Throop and Vandling and the Townships of Abington, Carbondale, Fell, Glenburn, North Abington, Scott and South Abington in Lackawanna County;

All, or portions of, the Borough of Quarryville and the Townships of Bart, Colerain, Eden and Sadsbury in Lancaster County;

All, or portions of, the City of New Castle; the Boroughs of Ellport, Ellwood City, New Beaver and South New Castle and the Townships of Hickory, Mahoning, Neshannock, North Beaver, Perkiomen, Perry, Shenango, Taylor, Union and Wayne in Lawrence County;

All, or portions of, the Borough of Palmyra and the Townships of Annville, North Annville, North Londonderry, South Annville and South Londonderry in Lebanon County;

All, or portions of, the Cities of Nanticoke, Pittston and Wilkes-Barre, the Boroughs of Ashley, Avoca, Courtdale, Dallas, Dupont, Duryea, Edwardsville, Exeter, Forty Fort, Hughestown, Kingston, Laflin, Larksville, Laurel Run, Luzerne, Nescopeck, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Pittston, West Wyoming, Wyoming and Yatesville and the Townships of Conyngham, Fairview, Hanover, Hunlock, Jackson, Jenkins, Kingston, Newport, Pittston, Plains, Plymouth, Rice, Salem, Union, Wilkes-Barre and Wright in Luzerne County;

All, or portions of, the Borough of Kane and the Township of Wetmore in McKean County;

All, or portions of, the Borough of Mount Pocono and the Townships of Coolbaugh, Hamilton, Middle Smithfield and Ross in Monroe County;

All, or portions of, the Boroughs of Bridgeport, Norristown and Royersford and the Townships of East Norriton, Limerick, Lower Pottsgrove, Lower Providence, Plymouth, Skippack, Upper Merion, Upper Providence, West Norriton, Whitemarsh, Whitpain and Worcester in Montgomery County;

Exhibit A

All, or portions of, the Boroughs of Bangor, Belfast, Nazareth, Pen Argyl, Roseto, Stockertown, Tatamy and Wind Gap and the Townships of Bushkill, Forks, Lower Nazareth, Palmer, Plainfield, Upper Mt. Bethel, Upper Nazareth and Washington in Northampton County;

All, or portions of, the Boroughs of Milton, Northumberland and Watsonstown and the Townships of Delaware, East Chillisquaque, Point, Turbot, Upper Augusta and West Chillisquaque in Northumberland County;

Portions of the Townships of Delaware and Lehman in Pike County;

All, or portions of, the Borough of Frackville and the Townships of Butler, Mahanoy, New Castle and West Mahanoy in Schuylkill County;

All, or portions of, the Boroughs of Forest City, Great Bend, Hallstead, Lanesboro, Montrose, Susquehanna and Thompson and the Townships of Bridgewater, Great Bend, Harmony and Oakland in Susquehanna County;

All, or portions of, the Borough of Lewisburg and the Townships of Buffalo, East Buffalo, Gregg, Kelly and White Deer in Union County;

All, or portions of, the City of Warren and the Townships of Conewango, Glade, Meade, and Pleasant in Warren County;

All, or portions of, the Cities of Monongahela and Washington and the Boroughs of Burgettstown, California, Canonsburg, Coal Center, East Washington, Finleyville, Houston, McDonald, Midway, New Eagle and West Middletown and the Townships of Amwell, Canton, Carroll, Cecil, Chartiers, Cross Creek, Fallowfield, Hanover, Hopewell, Independence, Jefferson, Mt. Pleasant, North Franklin, North Strabane, Nottingham, Peters, Robinson, Smith, Somerset, South Franklin, South Strabane and Union in Washington County;

Portion of the Township of Clinton in Wayne County; and

All, or portions of, the Townships of Fairview and Newberry in York County.

As a result of acquisitions, the Company furnishes wastewater service to about 13,228 customers in the following municipalities:

All, or portions of, the City of Coatesville, the Borough of Parkesburg and the Townships of Caln, East Fallowfield, Sadsbury, Valley, West Caln and West Sadsbury in Chester County; and

Portions of the Townships of Coolbaugh and Middle Smithfield in Monroe County.

Portion of the Township of Lehman in Pike County.

[368 municipalities in 35 counties. Note: Ellwood City Borough is located in Beaver and Lawrence Counties; Hanover Township is located in Beaver and Washington Counties]

3/1/05

PENNSYLVANIA AMERICAN WATER
BALANCE SHEET

FEBRUARY, 2005

ASSETS

UTILITY PLANT	\$2,210,013,651
CONSTRUCTION WORK IN PROGRESS	42,451,800
ACCUMULATED DEPRECIATION	-459,742,397
UTILITY PLANT ACQUISITION ADJ.	17,873,571
OTHER UTILITY PLANT ADJUSTMENTS	0
	<u>1,810,596,625</u>

NONUTILITY PROPERTY	<u>532,969</u>
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OTHER INVESTMENTS	<u>40,950,678</u>
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CURRENT ASSETS

CASH AND CASH EQUIVALENTS	4,119,679
TEMPORARY INVESTMENTS	0
CUSTOMER ACCOUNTS RECEIVABLE	43,110,946
ALLOWANCE FOR UNCOLL. ACCT.	-2,321,916
UNBILLED REVENUES	27,108,020
FIT REFUND DUE FROM ASSOC. COMPANY	0
MISCELLANEOUS RECEIVABLES	322,849
MATERIALS AND SUPPLIES	3,437,960
OTHER	4,894,940
	<u>80,672,478</u>

DEFERRED DEBITS

DEBT AND PREF. STOCK EXPENSE	18,149,693
EXPENSE OF RATE PROCEEDINGS	599,641
PREL. SURVEY AND INVEST. CHARGES	6,965,001
REG ASSET-INC TAX RECOVERABLE THRU RATES	106,257,863
OTHER	74,550,256
	<u>206,522,454</u>

2,139,275,204

CAPITAL AND LIABILITIES

COMMON STOCK	\$21,506,887
PAID IN CAPITAL	427,983,004
RETAINED EARNINGS	<u>235,672,936</u>

TOTAL COMMON EQUITY 685,162,827

PREFERRED STOCK	14,171,700
LONG-TERM DEBT	<u>886,943,663</u>

TOTAL CAPITALIZATION 1,586,278,190

CURRENT LIABILITIES

BANK DEBT-PENDING ISSUANCE OF SEC.	14,597,440
CURR. PORTION OF LONG-TERM DEBT	22,374,226
ACCOUNTS PAYABLE	15,239,957
TAXES ACCRUED	3,689,284
INTEREST ACCRUED	16,253,131
CUSTOMER DEPOSITS	0
DIVIDENDS DECLARED	0
OTHER	16,737,735
	<u>88,891,773</u>

DEFERRED CREDITS

CUSTOMER ADVANCES FOR CONSTR.	78,363,252
DEFERRED INCOME TAXES	278,912,760
DEFERRED INVESTMENT TAX CREDITS	7,903,152
REG. LIAB. - INC. TAX REFUND THROUGH RATES	7,541,565
OTHER	27,729,071
	<u>400,449,800</u>

CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>63,655,441</u>
--------------------------------------	-------------------

2,139,275,204

Exhibit B

PENNSYLVANIA AMERICAN WATER
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED FEBRUARY, 2005

	CURRENT YEAR
OPERATING REVENUES	\$388,464,409
OPERATION EXPENSES	.
OPERATIONS AND MAINTENANCE	156,144,939
DEPRECIATION & AMORTIZATION	55,666,230
TAXES ON OPERATING INCOME	
GENERAL TAXES	12,489,167
STATE INCOME	8,784,368
FEDERAL INCOME	36,781,315
	269,866,019
UTILITY OPERATING INCOME	118,598,390
OTHER INCOME	
ALLOW. FOR OTHER FUNDS FOR CONSTRUCT.	140,133
MISCELLANEOUS OTHER INCOME	35,268
GAIN (LOSS) ON SALE OF PROPERTY	995,788
	119,769,579
OTHER DEDUCTIONS	
MISCELLANEOUS AMORTIZATION	-1,065,832
MISCELLANEOUS OTHER DEDUCTIONS	1,792,191
TAXES ON OTHER INCOME AND DEDUCTIONS	
GENERAL	303,994
STATE INCOME	97,457
FEDERAL INCOME	317,432
	1,445,242
INCOME BEFORE INTEREST CHARGES	118,324,337
INTEREST CHARGES	
INTEREST ON LONG-TERM DEBT	49,777,194
AMORTIZATION OF DEBT EXPENSE	943,076
INTEREST ON BANK DEBT	212,366
OTHER INTEREST	21,150
ALLOW. FOR BORROWED FUNDS FOR CONSTRUCT.	-143,544
	50,810,242
NET INCOME	67,514,095
DIVIDENDS ON PREFERRED STOCK	1,165,253
NET INCOME TO COMMON	66,348,842

Exhibit C

PURCHASE AGREEMENT

Between

BLUE MOUNTAIN LAKE ASSOCIATES, L.P.

As Seller

and

PENNSYLVANIA-AMERICAN WATER COMPANY

As Buyer

Dated as of September 25, 2002

8857 v.7
(09/12/02)

Exhibit D

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PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into as of the 25th day of September, 2002, by and between BLUE MOUNTAIN LAKE ASSOCIATES, L.P. a limited partnership organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "BMLA"), and PENNSYLVANIA-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter referred to as "PAWC").

WITNESSETH

WHEREAS, BMLA is a limited partnership owning a public water supply system and a public wastewater treatment system (hereinafter referred to collectively as the "Water and Wastewater Systems") in portions of Smithfield and Stroud Townships, Monroe County, Pennsylvania; and

WHEREAS, Blue Mountain Lake Utilities Association, hereinafter referred to as "BMLUA", is the operator of the Water and Wastewater Systems; and

WHEREAS, BMLA's public water supply system has the Pennsylvania Department of Environmental Protection public water supply identification number 2450133; and

WHEREAS, PAWC is a public water and wastewater utility in various areas of Pennsylvania, including, owning and operating, inter alia, a public water supply system in the vicinity of BMLA's Water and Wastewater Systems in Smithfield and Stroud Townships, Monroe County, Pennsylvania; and

WHEREAS, BMLA wishes to sell, and PAWC desires to purchase, substantially all of the assets, properties and rights of BMLA on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, this Agreement witnesseth that for and in consideration of the respective covenants and agreements of the parties hereinafter set forth, the parties hereto, intending to be legally bound hereby, do covenant, contract and agree as follows:

ARTICLE 1

THE TRANSACTION

1.1 SALE AND PURCHASE OF ASSETS. Subject to the terms, representations and conditions set forth in this Agreement, at Closing, BMLA shall sell, assign, transfer, deliver and convey or cause to be sold, assigned, transferred, delivered and conveyed to PAWC, free and clear of all liens and encumbrances whatsoever (other than Permitted Exceptions and except as expressly provided herein), and PAWC shall purchase, the Acquired Assets. "Acquired Assets" means all of BMLA's right, title, and interest in and to all of the assets, properties and rights owned by BMLA and used in the business of providing water and wastewater service of every kind, nature and description existing on the Closing Date utilized in providing water and wastewater utility service in Blue Mountain Lake, Phases 1,2,3,4A,4B, 5,6,7,8,9, 10A, 10B and 11 as shown on Schedule 1.3, excepting only those assets listed in Section 1.2. For avoidance of doubt, PAWC and BMLA agree that, excepting only the assets specifically described in Section 1.2, or as otherwise provided in this Agreement, every asset, property and right owned by BMLA and used in the provision of water or wastewater service, whether real, personal, mixed, tangible or intangible, and including all the physical plant, property, equipment, and facilities comprising the existing Water System owned by BMLA for providing water or wastewater service to the public in and about the Townships of Smithfield and Stroud, Monroe County, Pennsylvania, wherever located and without any other exception whatever, is included within the Acquired Assets to be conveyed hereby. Except as specifically described in Section 1.2, the Acquired Assets shall include all land and land rights (the

“Real Estate”), wells and standpipe(s), if any, supply mains, equipment, tanks, transmission and distribution mains, services, installed meters, hydrants, valves, and fittings applicable to BMLA’s Water and Wastewater Systems, and appurtenances, rights, titles, and interests of BMLA in and to such land, easements, and rights of way, as described on Schedule 4.8 and Schedule 4.9 and such franchises, licenses, and permits related to BMLA’s Water and Wastewater Systems. BMLA shall deliver or cause to be delivered a special warranty deed to PAWC for all real estate involved in this transaction. For clarification, the fee simple Real Estate shall consist of Lot 24, Phase 2 on which is located the water tower, and Lot 121, Phase 1 on which is located Well #1. Access to the remaining facilities, including the sewage treatment plant and Well #2, will be conveyed by easements, either by transfer of existing easements or the execution of new easements.

1.2 EXCLUDED ASSETS. Specifically excluded from the Acquired Assets are (i) the sewer laterals on the customer side of the curb stop; (ii) the grinder pump units of the individual homeowners (except that included within the purchase are three (3) duplex grinder pump units serving attached Manorhome Units identified as (a) 4-5-6 Meadowsage Court, Phase 1, (b) 10-11 Meadowsage Court, Phase 1 and (c) 12-13-14 Meadowsage Court, Phase 1); and (iii) those assets listed on Schedule 1.2.

1.3 LIABILITIES EXCLUDED. PAWC shall not assume any liabilities of BMLA. It is further understood and agreed that all obligations of any nature whatsoever, including obligations owed by BMLA to others, on the date of Closing shall be and remain with BMLA (the Retained Liabilities). Notwithstanding the foregoing, from and after Closing, PAWC shall assume full responsibility for providing public water and wastewater service in the area currently served by BMLA’s Water and Wastewater Systems which currently encompasses Phases 1,2,3,4A, 4B, 5, 6,7,

8, 9, 10A, 10B and 11 as shown on Schedule 1.3 - Overall Plan, Blue Mountain Lake, Stroud and Smithfield Townships, Monroe County, Pennsylvania.

1.4 ACCOUNTS RECEIVABLE Accounts receivable for water and wastewater services rendered through the close of business on the date of Closing shall be excluded assets as shown on Schedule 1.2, and accounts receivable for water and wastewater services rendered thereafter shall belong to PAWC. After Closing, PAWC shall cooperate with BMLUA in its efforts to collect the outstanding accounts receivable from existing customers served by the Water and Wastewater Systems, provided however, it is understood by the parties that PAWC shall have no responsibility to collect any outstanding accounts receivable on behalf of BMLUA.

ARTICLE 2

PURCHASE PRICE

2.1 PURCHASE PRICE FOR THE WATER AND WASTEWATER SYSTEMS.

Subject to the terms and conditions of this Agreement, the total purchase price for the Water and Wastewater Systems shall be One Million Three Hundred Fifty Thousand (\$1,350,000) Dollars, payable as follows:

2.1.1 An earnest money deposit of One Hundred Twenty-Five Thousand (\$125,000) Dollars (hereinafter referred to as the "Earnest Money") shall be paid by PAWC to BMLA within five (5) business days after this Agreement is executed. Upon receipt of the Earnest Money, BMLA shall deposit at least Seventy-Five Thousand (\$75,000) Dollars of the Earnest Money in an interest bearing account ("The Earnest Money Account") (the phrase "Earnest Money and interest" as used herein shall refer to the Earnest Money plus such interest as has been paid on the Earnest Money during the time it has remained on deposit in the Earnest Money Account in

accordance with the rules of the institution in which it is deposited), and provide proof of said deposit to PAWC within five (5) business days; and

2.1.2 The balance of the purchase price shall be paid to BMLA at the time of Closing by the payment of One Million Two Hundred Twenty-Five Thousand (\$1,225,000) Dollars, plus or minus prorations, by wire transfer. If, as a result of increased usage or loading demands occurring after April 1, 2002 and prior to the Closing or if, as a result of the requirements of the Pennsylvania Department of Environmental Protection, BMLA or BMLUA are required or deem it necessary to make capital expenditures designed to increase the capacity of the systems or improve their efficiency or ability to handle current or future usage or loading demands then, the Purchase Price shall be increased on a dollar for dollar basis by the amount of the verifiable cost to BMLA or BMLUA of such capital improvements which are made to the Water and Wastewater Systems after April 1, 2002 and prior to Closing; provided, that (i) BMLA shall have provided PAWC with copies of all relevant materials related to the capital expenditures and the improvements or modifications to be made, and (ii) any such capital improvement has been approved by PAWC. The capital improvements made between April 1, 2002 and the date of this agreement are shown on Schedule 2.1.2. These improvements are deemed approved by PAWC. Any further improvements made between the date of this agreement and Closing shall be approved as herein before set forth. This Subsection shall not apply to repairs, replacements and items occurring in the normal course of business to provide adequate service to BMLA's customers.

2.2 EARNEST MONEY. At Closing, the Earnest Money and interest shall be applied to the Purchase Price. If Closing does not occur because of PAWC's default, or because one or more of the conditions to PAWC's obligations set forth in Section 8.1.4, 8.1.10, or 8.1.11 have

not been met, then BMLA will be entitled to retain the One Hundred Twenty-Five Thousand (\$125,000) Dollars in Earnest Money as BMLA's sole and final remedy under this Agreement, otherwise, the Earnest Money and interest shall be returned to PAWC. If Closing does not occur because of BMLA's default, or because one or more conditions to BMLA's obligations set forth in Section 8.2 have not been met, then the One Hundred Twenty-Five Thousand (\$125,000) Dollars in Earnest Money and interest shall be returned to PAWC.

2.3 INVENTORY. At Closing, PAWC will take possession of, and reimburse BMLUA for, BMLUA's inventory of chemicals, unused water meters, unused repair clamps, unused grinder pumps and unused pit setters that are substantiated by invoices from BMLUA, up to a maximum amount of Fifteen Thousand (\$15,000) Dollars.

ARTICLE 3

THE CLOSING

3.1 CLOSING. Subject to the terms and conditions of this Agreement, the closing of the sale and purchase of the Acquired Assets (the "Closing") shall be held at such time and date as may be mutually satisfactory to the parties hereto ("the Closing Date"), within forty (40) days following the date on which all of the conditions set forth in Articles 7 and 8 of this Agreement have been met. The Closing Date, as referred to in this Agreement, shall be the date of Closing. Closing shall take place at PAWC's offices at 800 West Hersheypark Drive, Hershey, Pennsylvania 17033.

3.2 DELIVERIES AND PROCEEDINGS AT CLOSING. Subject to the terms and conditions of this Agreement, at the Closing, BMLA shall deliver or cause to be delivered to PAWC:

3.2.1 Bills of sale and instruments of assignment duly executed by BMLA as necessary to transfer all of the Acquired Assets to PAWC;

3.2.2 The consents to transfer all contracts, intellectual property and permits.

3.2.3 One or more special warranty deeds of conveyance of the Real Estate and easements to PAWC, duly executed and acknowledged by BMLA and in recordable form, each sufficient to convey the title and rights of access to the Water and Wastewater Systems.

3.2.4 The certificates, opinions and other documents required to be delivered by BMLA under this Agreement and certified resolutions evidencing the authority of BMLA as set forth in Section 4.2 hereof.

3.2.5 Evidence that any indebtedness of BMLA on the Water and Wastewater Systems has been retired.

3.2.6 All such other agreements, documents and instruments of conveyance required by this Agreement or as shall, in the reasonable opinion of PAWC and its counsel, be necessary to transfer the Acquired Assets to PAWC in accordance with this Agreement, and where necessary or desirable, in recordable form.

3.2.7 In addition to such other instruments and documents as are to be delivered to PAWC by BMLA on or prior to the Closing, as provided herein, BMLA shall deliver to PAWC at the Closing all books and records and other documents maintained by BMLA relating to the Acquired Assets.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF BMLA

4. REPRESENTATIONS AND WARRANTIES OF BMLA. BMLA represents and warrants to PAWC that:

4.1 QUALIFICATION. BMLA is a limited partnership duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and BMLA has all requisite corporate power and corporate authority to own the Acquired Assets and the Water and Wastewater Systems as presently being conducted, and to convey the Acquired Assets to PAWC as contemplated under this Agreement.

4.2 AUTHORIZATION AND ENFORCEABILITY. The execution, delivery, performance and acceptance of this Agreement by BMLA has been, or will be at Closing, duly authorized by all necessary corporate action. This Agreement constitutes a valid and binding obligation of BMLA enforceable in accordance with its terms. BMLA has full corporate power and corporate authority to execute, deliver and perform this Agreement and all other agreements and instruments to be executed by BMLA in connection herewith.

4.3 NO VIOLATION OF LAWS OR AGREEMENTS. The execution, delivery, and performance of this Agreement do not, and the consummation of the transactions contemplated by this Agreement by BMLA as of Closing will not, contravene any provision of the Articles of Incorporation or By-laws of BMLA, or violate any provision of law or conflict with, result in a breach of, or constitute a default under, the terms, conditions or provisions of any agreement, contract, indenture, mortgage, or other instrument to which BMLA is a party or by which the Acquired Assets may be bound or affected.

4.4 PERMITS AND COMPLIANCE WITH LAWS GENERALLY. Except as disclosed on Schedule 4.4 hereto:

4.4.1 BMLA has not knowingly violated any local, state or federal law, rule or regulation with respect to the use and operation of the Water and Wastewater Systems. No outstanding notice, citation, summons or order has been issued, no outstanding complaint has been filed, no outstanding penalty has been assessed and no investigation or review is pending or, to the knowledge of BMLA, threatened, by any authority or other person with respect to any alleged violation by BMLA relating to the Water and Wastewater Systems of any law, ordinance, rule, regulation, code or order of any authority or failure to have any Permit required in connection with the operation of the Water and Wastewater Systems, except, in each case where such violations or failures, individually or in the aggregate, would not have a Material Adverse Effect. "Material Adverse Effect" means a change or effect (or series of related changes or effects) which has or is reasonably likely to have a material adverse change in or effect upon the business, assets, condition (financial or otherwise), or results of operations of the Water and Wastewater Systems or the Acquired Assets, taken as a whole.

4.4.2 BMLA possesses and is in compliance with all Permits required to operate the Water and Wastewater Systems as presently operated and to own, lease, or otherwise hold the Acquired Assets under all applicable laws, rules, regulations, ordinances and codes, including environmental laws except, in each case where such violations or failures, individually or in the aggregate, would not have a Material Adverse Effect. The Water and Wastewater Systems as operated are in compliance with all applicable laws, rules, regulations, ordinances, codes, judgments and orders except, in each case where such violations or failures, individually or in the

aggregate, would not have a Material Adverse Effect. All Permits of BMLA, the Water and Wastewater Systems are in full force and effect. There are no proceedings pending or, to BMLA's knowledge, threatened that seek the revocation, cancellation, suspension or any adverse modification of any such Permits presently possessed by BMLA other than those revocations, suspensions or modifications which do not individually or in the aggregate have a Material Adverse Effect.

4.4.3 Schedule 8.1.15 is a complete and accurate list of current permits issued to BMLA relating to the operation of the Water and Wastewater Systems.

4.5 PENDING OR THREATENED LITIGATION. There is no known action or litigation, including complaints before the Commission, pending and none are known to be threatened against or affecting the Water and Wastewater Systems or any of the Acquired Assets before any court, arbitrator or governmental authority, except as disclosed on Schedule 4.5. There are no known laws, ordinances, regulations or official orders now in effect or pending which would adversely affect in a material way the Water and Wastewater Systems or the ownership, condition or operation of the Water and Wastewater Systems or the Acquired Assets, except as disclosed on Schedule 4.5.

4.6 ENVIRONMENTAL MATTERS. Except as expressly set forth on Schedule 4.6 hereto, and with such exceptions as are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect:

4.6.1 BMLA has not disposed of or arranged for the disposal of or released any Hazardous Substances, other than in conformity with applicable laws and regulations, at any Real Estate, or at any other facility, location, or site to be transferred to PAWC pursuant to the terms of this Agreement.

4.6.2 BMLA has not received any written notice or request for information with respect to, and to the best of BMLA's knowledge, BMLA has not been designated a potentially

liable party for remedial action or response costs, in connection with any Real Estate, or, as of the date hereof, with respect to the Acquired Assets or the operation of the Water and Wastewater Systems, at any other facility, location, or other site under the federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or comparable state statutes.

4.6.3 To the best of BMLA's knowledge, except for such use or storage of Hazardous Substances as is incidental to the operation of the Water and Wastewater Systems, which use and storage is or has been in compliance with applicable laws and regulations, no Real Estate has been used for the storage, treatment, generation, processing, production or disposal of any Hazardous Substances or as a landfill or other waste disposal site in violation of any law, rule or regulation.

4.6.4 During the period that BMLA has owned the Real Estate, underground storage tanks (other than tanks for the storage of water) are not, and have not in the past been, located on or under any Real Estate. BMLA has no knowledge of any underground storage tanks (other than tanks for the storage of water) located on or under any Real Estate prior to the time BMLA acquired the Real Estate.

4.6.5 There are no pending or unresolved claims against BMLA or the Water and Wastewater Systems for investigatory costs, cleanup, removal, remedial or response costs, or natural resource damages arising out of any releases or threat of release of any Hazardous Substances at any Real Estate or, as of the date hereof, with respect to the Water and Wastewater Systems or the Acquired Assets or any other facility, location, or other site.

4.6.6 To the best of BMLA's knowledge, no polychlorinated biphenyls ("PCBs") or asbestos-containing materials are located at or in any Real Estate in violation of Environmental Laws or which require remedial action.

4.6.7 BMLA will within thirty (30) days of the date hereof provide PAWC with copies of all written environmental audits or investigations of which BMLA is aware (after due inquiry) prepared for the Real Estate or operations of the Water and Wastewater Systems.

4.7 BROKERAGE. BMLA has not made any agreement or taken any other action which might cause any person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereunder which could result in liability to PAWC.

4.8 REAL ESTATE. Schedule 4.8 is a complete and accurate list of all real estate owned by BMLA or its affiliated or related companies and used in the business of providing water and wastewater services ("the Real Estate"). BMLA or its affiliated or related companies has and at Closing hereunder will convey and transfer to PAWC, indefeasible, good and marketable legal and equitable title to the Real Estate, free and clear of all liens, judgments, ground rents, leases, tenancies, licenses, covenants, conditions, restrictions, rights-of-way, easements, encroachments and any other matters affecting title (other than Permitted Exceptions and except as expressly provided herein). No default or breach exists under any of the covenants, conditions, restrictions, rights of way or easements, if any, affecting all or any portion of the Real Estate, and there is no pending condemnation, eminent domain or similar proceeding affecting any of the Real Estate, and to the best knowledge of BMLA, no such proceeding is threatened. BMLA has not received any written or oral notice of assessment against any of the Real Estate which remains unpaid. To the best

of BMLA's knowledge, information and belief, there are no toxic or other dangerous conditions of the property.

4.9 EASEMENTS. Schedule 4.9, which shall be updated as of Closing, is a complete and accurate list of all easements and rights of way over the real property of others used by BMLA in the operation of the Water and Wastewater Systems or on which any of the Acquired Assets is located ("Easements"). BMLA has or will at Closing have continuous rights of way for its water lines and other facilities from the record or assessed owner(s) acquired by legal instruments in appropriate form duly recorded. BMLA is in lawful and quiet possession of all Easements and there are no pending, and to the best knowledge of BMLA, no threatened, disputes, claims, condemnation, eminent domain or similar proceedings relating to the Easements. No consents of third parties are required in connection with the transfer of the Easements to PAWC except for consents which shall have been obtained prior to Closing. BMLA has or will have at Closing and will convey and transfer to PAWC, indefeasible, good and marketable title to the Easements, free and clear of all liens, judgments, ground rents, leases, tenancies, licenses, covenants, conditions, restrictions, rights of way, other easements, encroachments and any other matters affecting title (other than Permitted Exceptions and except as expressly provided herein). No default or breach exists under any of the covenants, terms or conditions under which the Easements were granted or are held or enjoyed by PAWC.

4.10 PERSONALTY. Except as otherwise indicated on Schedule 4.10, BMLUA owns, free and clear of all Liens, or leases from others under valid and enforceable leases not presently in default, all personal property in its possession or which is used or required for operation and maintenance of the Water and Wastewater Systems as it is now conducted.

4.11 LEASES Schedule 4.11 contains a complete and accurate list of each lease of real property to which BMLA is a party ("Lease"). BMLA has delivered to PAWC a true, correct and complete copy of each Lease. Each Lease is valid and subsisting and in full force and effect in accordance with its terms and has not been modified, in writing or otherwise. Each Lease, or a memorandum thereof, is properly recorded in the land records of the county in which the respective property is located. To the best of BMLA's knowledge there has been no default or event which, with the giving of notice or the passage of time, or both, would constitute a material default, on the part of BMLA or any landlord under each such Lease, and BMLA has not asserted a defense to, offset or claim against any payment or performance which is the obligation of BMLA pursuant thereto. At Closing hereunder, BMLA shall deliver to PAWC a landlord estoppel certificate form reasonably satisfactory to PAWC from each landlord under each Lease under which BMLA is Lessee.

4.12 FIRE HYDRANTS. As of the date of this Agreement, Schedule 4.12 all fire hydrants are shown on the as built plans, copies of which have been delivered to PAWC, except for Phase 11 which will be delivered within ninety (90) days following the execution hereof. The parties shall cooperate in making an inspection of all fire hydrants on or about thirty (30) days prior to the Closing date so as to confirm that all fire hydrants are in good condition and repair, reasonable wear and tear excepted. Any fire hydrant not in working condition shall be fixed prior to Closing at BMLA's sole cost and expense, and shall be transferred to PAWC in working condition.

4.13 CONTRACTS. As of the date of this Agreement, Schedule 4.13 contains a complete and accurate list of all contracts, commitments, agreements and instruments relating to the Water and Wastewater Systems and all leases of Real Estate and personal property related to the

Water and Wastewater Systems ("Contracts"). BMLA has delivered to PAWC a correct and complete copy of each written agreement listed in Schedule 4.13. Except as disclosed on Schedule 4.13, with respect to each Contract, neither BMLA nor, to the best of BMLA's knowledge, any other party thereto, is in breach or default, no event has occurred which with notice or lapse of time would constitute a breach or default by BMLA, or permit termination, modification, or acceleration, under the Contract. Except as set forth in Schedule 4.13, there are no disputes pending or to the best of BMLA's knowledge, threatened, under or in respect of any of the Contracts.

4.14 TAXES. The BMLA or BMLUA has (a) timely filed all material returns and reports for Taxes, including information returns, that are required to have been filed in connection with, relating to, or arising out of, the Water and Wastewater Systems, (b) paid all Taxes that are shown to have come due pursuant to such returns or reports and (c) paid all other material Taxes not required to be reported on returns in connection with, relating to, or arising out of, or imposed on the Acquired Assets for which a notice of assessment or demand for payment has been received or which have otherwise become due. To the best of the BMLA's knowledge, all such returns or reports have been prepared in accordance with all applicable laws and requirements in all material respects. None of the Acquired Assets (a) is property that is required to be treated as owned by another Person pursuant to the "safe harbor lease" provisions of former Section 168(f)(8) of the Code, (b) is "tax-exempt use property" within the meaning of Section 168(h) of the Code or (c) directly or indirectly secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

4.15 LIABILITIES. Schedule 4.15 contains a complete and accurate list of all indebtedness of the BMLA or BMLUA related to the Water and Wastewater Systems. Such list

includes the person to whom such indebtedness is owed, the interest rates applicable to such indebtedness, and a description of the property securing such indebtedness. BMLA has no liabilities with respect to the Water and Wastewater Systems, either direct or indirect, matured or unmatured or absolute, contingent or otherwise, except those liabilities expressly set forth at Schedule 4.15.

4.16 CUSTOMER ADVANCES. Schedule 4.16 is a complete and accurate list of all unexpired customer advances for construction held by BMLA as of the date of this Agreement. Prior to Closing, BMLA shall complete the construction of all mains and facilities for which BMLA has received customer advances and return all unexpended customer advances to the appropriate depositor. Provided, however, that for projects acceptable to and approved in writing, by PAWC, BMLA may pay over to PAWC the unexpended, non-refundable customer advances, and PAWC shall assume all of the responsibility of the BMLA as to those unexpired customer advances for construction and shall be bound by the terms and conditions contained in those Extension Deposit Agreements. PAWC shall not assume any responsibility for any unexpired customer advances for construction received by BMLA, or for any Extension Deposit Agreements to which BMLA is or becomes a party, except as specifically agreed to in writing. Schedule 4.16 may be updated prior to Closing at the mutual consent of the parties.

ARTICLE 5

COVENANTS

5.1 COVENANTS OF BMLA. From and after the date of this Agreement BMLA covenants and agrees that:

5.1.1 Conduct of Business. BMLA will cause the BMLUA to operate the Water and Wastewater Systems until the Closing only in the ordinary course of business substantially

as it heretofore has been operated and in accordance with all applicable local, state, and federal laws, rules and regulations.

5.1.2 Contracts and Commitments. Except normal and usual commitments for the purchase of materials and supplies consistent with past practice, no contract or commitment shall be entered into by or on behalf of BMLA or BMLUA relating to the Water and Wastewater Systems which would materially affect the operation of the Water and Wastewater Systems after Closing, except for those commitments approved in writing by PAWC.

5.1.3 Release of Liens. BMLA will take all reasonable action necessary to cause the release, cancellation and discharge of any and all liens or encumbrances, so that as of the Closing date, the Acquired Assets will be free and clear of any and all such liens and encumbrances (other than the permitted Exceptions).

5.1.4 Material Events and Circumstance. BMLA shall promptly inform PAWC in writing of any specific event or circumstance of which BMLA is aware, or of which BMLA receives notice, that has or is likely to have, individually or in the aggregate, taken together with the other events or circumstances, a Material Adverse Effect on the Acquired Assets.

5.1.5 Supplemental Information.

5.1.5 (a) BMLA shall provide PAWC, within fifteen (15) days of execution or the date of receipt thereof, a copy of (a) each contract entered into by BMLA after the date hereof and prior to Closing relating to the Water and Wastewater Systems; (b) a copy of any written notice of assessments for public improvements against any Real Estate received after the date

hereof and prior to Closing; and (c) a copy of the filing of any condemnation, eminent domain or similar proceeding affecting all or any portion of any of the Real Estate received after the date hereof but prior to the Closing.

5.1.5 (b) Within fifteen (15) days of the receipt of notice of violation, BMLA shall notify PAWC of any violations of state or federal drinking water standards.

5.1.6 Title Information. Within forty-five (45) days following the execution of this Agreement, BMLA shall use its reasonable efforts to deliver to PAWC true, correct and complete copies of all existing title policies, surveys, leases, deeds, instruments and agreements relating to title to the Real Estate in BMLA's possession.

5.2 COVENANTS OF PAWC. From and after the date of this Agreement PAWC covenants and agrees that:

5.2.1 SERVICE TO BLUE MOUNTAIN LAKE. PAWC will provide water and wastewater service to Phases 1, 2, 3, 4A, 4B, 5, 6, 7, 8, 9, 10A, 10B and 11 in accordance with PAWC's duly filed and approved tariff.

5.2.2 AVAILABILITY OF SERVICE. PAWC will provide water and wastewater service as and when needed for new customers in Phases 1,2,3, 4A, 4B, 5, 6, 7, 8, 9, 10A, 10B and 11, in accordance with PAWC's duly filed and approved tariff.

5.2.3 RATES PAWC will not implement a rate increase prior to December 31, 2003 for customers of BMLA

5.2.4 NO CONNECTION FEES. PAWC will not implement connection fees for any new connection within Blue Mountain Lake or any of the expansion areas referenced

in Section 5.2.6 of this Agreement unless otherwise directed by the Pennsylvania Public Utility Commission.

5.2.5 OPERATE IN COMPLIANCE. To the best of its ability, PAWC will operate and maintain the Acquired Assets in compliance with all applicable laws and regulations.

5.2.6 EXPANSION OF WATER AND/OR WASTEWATER SYSTEMS.

(A) If, after Closing, PAWC in its sole discretion or pursuant to the proper direction or requirement of the Pennsylvania Public Utility Commission (“Pa PUC”), Pennsylvania Department of Environmental Protection or other appropriate entity determines that it is necessary to develop additional sources of supply or treatment facilities of the Water System or to expand the wastewater treatment capacity of the Wastewater System in order to serve Phases 1, 2, 3, 4A, 5, 6, 7, 8, 9, 10A, 10B, 11 or the areas referenced in Subsection (B) below, then PAWC shall bear the cost of such additional facilities.

(B) In the event that BMLA or its affiliates or assigns desires PAWC to provide water and wastewater utility service to any of the properties identified on Schedule 5.2.6 (“Additional Property”) and provided (a) said property is contiguous to PAWC’s then current service territory, (b) is or will be acquired by BMLA or its affiliates or assigns and (c) PAWC has received an application for service, PAWC agrees that it will (i) promptly apply to the PaPUC and any other necessary regulatory bodies for approval to do so, (ii) will diligently pursue such approvals and (iii) will provide the Additional Property with service in accordance with PAWC’s duly filed and effective tariff, rules and regulations promptly following receipt of said approvals. Prior to or following Closing hereunder, PAWC will, at BMLA’s request, provide written confirmation of its obligations and agreements under this subsection to any requesting the same. The provisions of Section 5.2.6 shall survive Closing.

(C) WATER AND WASTEWATER FOR ADDITIONAL PROPERTY.

INFRASTRUCTURE. If the water and/or wastewater infrastructure of the Water and/or Wastewater Systems is expanded to serve any Additional Property prior to Closing, then BMLA or its affiliates or assigns shall transfer ownership of that additional water and/or wastewater infrastructure at Closing to PAWC and PAWC will reimburse BMLA for fifty percent (50%) of the actual cost of construction substantiated by arms-length bids, contracts, invoices and cancelled checks, provided that the construction was approved by PAWC prior to installation. Water main extensions installed after Closing will be subject to the deposit and refund provisions specified in PAWC's *tariff rules and regulations*.

5.3 FURTHER ASSURANCES Each party to this Agreement shall cooperate and deliver such instruments and take such action as may be reasonably requested by the other party in order to carry out the provisions and purposes of this Agreement and the transactions contemplated hereby. After the Closing, each party shall take such other actions and execute such other documents, certifications, and further assurances as BMLA or PAWC, as the case may be, may reasonably require in order to transfer more effectively to PAWC or to put PAWC more fully in possession of any of the Acquired Assets.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF PAWC

6. REPRESENTATIONS AND WARRANTIES OF PAWC. PAWC represents and warrants to BMLA that :

6.1 QUALIFICATION. PAWC is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to own, lease and operate the Water and Wastewater Systems.

6.2 AUTHORIZATION AND ENFORCEABILITY PAWC has full corporate power and corporate authority to execute, deliver and perform this Agreement. The execution, delivery and performance by PAWC of this Agreement have been duly authorized by all necessary corporate action. This Agreement constitutes a legal, valid and binding obligation of PAWC, enforceable against PAWC in accordance with its terms. As of the Closing Date, each of the transaction documents to which PAWC is a party will be duly executed and delivered by PAWC and will constitute the legal, valid and binding obligation of PAWC, enforceable against PAWC in accordance with its respective terms.

6.3 NO VIOLATION OF LAWS OR AGREEMENTS. The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated by this Agreement as of Closing will not, violate any provision of law or conflict with, result in a breach of, or constitute a default under, the terms, conditions or provisions of any agreement, contract or other instrument to which PAWC is a party.

6.4 BROKERAGE. PAWC has not made any agreement or taken any other action which might cause any Person to become entitled to a broker's or finder's fee or commission as a result of the transactions contemplated hereunder which could result in liability to BMLA.

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ARTICLE 7

PENNSYLVANIA PUBLIC UTILITY COMMISSION APPROVAL

7. PENNSYLVANIA PUC APPROVAL. The parties recognize and expressly agree that:

7.1 The consummation of the transaction is conditioned upon the approval of the Pennsylvania Public Utility Commission (the "Pa PUC"). PAWC covenants and agrees to initiate, within twenty (20) days of (i) execution hereof, (ii) approval by PAWC's Board of Directors, or (iii) BMLA's settlement or other final resolution of the litigation described on Schedule 4.5, whichever shall occur later, and faithfully prosecute the necessary proceedings to obtain the approval of the Pa PUC for: (a) the transfer by sale of BMLA's Acquired Assets to PAWC; (b) the right of PAWC to provide water and wastewater service to the public in the portions of Stroud and Smithfield Townships, Monroe County, presently being served by BMLA; (c) the right of PAWC to adopt water rates in the area to be served equal to those shown at Schedule 7.1.1 at the time of Closing and to apply PAWC's existing rules and regulations for water service as set forth in PAWC's duly filed and effective tariff generally applicable to its services at the time of Closing; (d) the right of PAWC to adopt wastewater rates in the area to be served equal to those shown at Schedule 7.1.2 at the time of Closing; and (e) the right to adopt and apply in the area to be served, PAWC's rules and regulations for wastewater service as set forth in PAWC's duly filed and effective tariff generally applicable to its Monroe County wastewater operations, located in Coolbaugh Township, Monroe County at the time of Closing. BMLA, by this Agreement, covenants and agrees to provide such information, documents and assistance as may be reasonably requested by PAWC in connection with any such proceedings and to otherwise cooperate in the initiation and prosecution of any such proceeding.

ARTICLE 8

CONDITIONS PRECEDENT

8.1 CONDITIONS PRECEDENT TO PAWC'S OBLIGATIONS. The obligation of PAWC to consummate the transactions contemplated hereby are subject to the satisfaction, on or prior to the Closing, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by PAWC in its sole discretion):

8.1.1 REPRESENTATIONS AND WARRANTIES. BMLA's representations and warranties set forth in this Agreement shall be true at and as of the time of Closing with the same force and effect as though such representations and warranties were made at and as of such time, and BMLA shall deliver to PAWC a certificate executed by its proper representatives, and dated the Closing date, certifying to the foregoing.

8.1.2 PERFORMANCE OF AGREEMENTS. BMLA shall have performed and complied with in all material respects all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing, and BMLA shall deliver to PAWC a certificate executed by its proper representatives, and dated the Closing date, to such effect.

8.1.3 RELEASE OF LIENS. All necessary action shall have been taken to cause the release, cancellation and discharge of any and all liens and encumbrances so that as of the Closing, the Acquired Assets shall be free and clear of any and all liens and encumbrances (other than Permitted Exceptions), and BMLA shall have provided PAWC with such opinions, instruments or documents as PAWC may reasonably request, and in form and substance satisfactory to PAWC, evidencing the release, cancellation and discharge of any and all liens and encumbrances (other than Permitted Exceptions) and that the Acquired Assets are not subject to any liens or

encumbrances. In the event BMLA is unable to convey title to the Acquired Assets to PAWC at the Closing in accordance with the terms of this Agreement, PAWC shall have the option of: (a) accepting such title as BMLA is able to convey without abatement of the purchase price; or (b) canceling this Agreement in which case this Agreement shall be of no further force or effect and neither of the parties hereto shall have any further liability hereunder.

8.1.4 PENNSYLVANIA PUC APPROVAL. The Pennsylvania PUC shall have issued an order, which order shall have become final and unappealable, approving the transactions set forth at Article 7.

8.1.5 CERTIFICATION OF FINANCIAL INFORMATION. BMLA shall have delivered to PAWC a certificate, in substantially the form set forth at Schedule 8.1.5, executed by its authorized representative and in form and substance satisfactory to PAWC, listing (i) the amount of its net outstanding long-term debt or notes, if any, related to the Water and Wastewater Systems, (ii) all unexpired customers' advances for construction and unexpended contributions in aid of construction as of the Closing date, and (iii) any and all additions or retirements to the Water and Wastewater Systems during the period from the date of this Agreement to the Closing date, together with the cost thereof.

8.1.6 LIST OF MATERIALS AND SUPPLIES. BMLUA shall have delivered to PAWC a certificate listing all materials and supplies owned by BMLUA as of the Closing related to the operation or maintenance of the Water and Wastewater Systems.

8.1.7 OPINION OF COUNSEL. BMLA shall have delivered to PAWC the opinion of its Counsel, in form and substance reasonably satisfactory to PAWC that:

1. BMLA is a limited partnership validly existing under the laws of the Commonwealth of Pennsylvania and has all requisite power and authority to sell the Acquired Assets.

2. All proceedings required to be taken by or on the part of BMLA to authorize the execution, delivery and performance of the Agreement and the Transaction Documents, and the consummation of the transactions thereby, have been duly and properly taken. Each of the Agreement and the Transaction Documents has been duly and validly executed and delivered.

3. All consents, approvals, authorizations or orders of any court or governmental authority of the United States or the Commonwealth of Pennsylvania required for the consummation by BMLA of the transactions contemplated by the Agreement have been obtained.

4. Neither the execution and delivery of the Agreement and the Transaction Documents by BMLA nor the consummation of the transactions contemplated thereby will: (a) violate or conflict with any provision of the certificates or bylaws of BMLA, as amended to date; or (b) violate or conflict with any provision of any law, rule, regulation, order, certification, writ, judgment, injunction, decree, determination, award or other decisions of any court, arbitrator, or governmental authority.

5. The Agreement and other agreements and documents to be executed pursuant thereto, when executed and delivered by BMLA, will constitute legal, valid and binding obligations of BMLA enforceable against BMLA in accordance with their respective terms.

8.1.8 DELIVERY OF DOCUMENTS. BMLA shall have delivered to PAWC the deeds, easements or assignments of easements, bills of sale, rights of way and other

documents required to be transferred under this Agreement, and all books, records and such other instruments or documents maintained by BMLA or BMLUA relating to the Water and Wastewater Systems.

8.1.9 DELIVERY OF RESOLUTIONS. BMLA shall have delivered to PAWC a copy of the Resolutions, certified by their proper representatives, approving the execution, delivery and performance of this Agreement, together with the certificate of its proper representatives that said Resolutions are in full force and effect and were duly adopted.

8.1.10 PERMITS ISSUED. The Pennsylvania Department of Environmental Protection and all other regulatory agencies or authorities having jurisdiction over the operations of the Water and Wastewater Systems shall have issued or consented to the transfer of the necessary permits to PAWC to operate the Water and Wastewater Systems.

8.1.11 PAWC BOARD APPROVAL. This Agreement is subject to and contingent upon the approval of PAWC's Board of Directors on or about October 18, 2002 after execution by the BMLA.

8.1.12 EASEMENTS AND RIGHTS-OF-WAY. BMLA shall have delivered to PAWC, all documents necessary to transfer, at Closing, the easements and rights-of-way identified on Schedule 4.9 to PAWC by legal instruments in appropriate form duly recorded.

8.1.13 TITLE INSURANCE. A reputable title insurance company shall have issued, at PAWC's expense, title commitment to PAWC for an Owner's Title Insurance Policy including extended coverage at regular rates, evidencing good and marketable title, in the

amount of the fair market value of the Real Estate, covering title to the Real Estate on the date of Closing, and subject only to the Permitted Exceptions, at standard rates to be paid by PAWC.

8.1.14 TERMINATION OF LITIGATION. The litigation identified at Schedule 4.5 shall have been fully adjudicated and/or otherwise terminated, terminating any and all obligations of BMLA to sell the Acquired Assets to Utilities, Inc., or any other third party.

8.2 CONDITIONS PRECEDENT TO BMLA'S OBLIGATIONS. The obligation of BMLA to consummate the transactions contemplated hereby are subject to the satisfaction, on or prior to the Closing, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by BMLA in its sole discretion):

8.2.1 OPINION OF COUNSEL. PAWC shall have delivered to BMLA a certificate of its Counsel, in form and substance reasonably satisfactory to BMLA, that:

1. PAWC is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite corporate power and authority to own, lease and operate the Water and Wastewater Systems.

The execution, delivery and performance of this Agreement do not, and the consummation of the transactions contemplated by this Agreement as of Closing will not, violate any provision of law or conflict with, result in a breach of, or constitute a default under, the terms, conditions or provisions of any agreement, contract or other instrument to which PAWC is a party.

8.2.2 JLCGP BOARD APPROVAL. This Agreement is subject to and contingent upon the approval of JLCGP Corporation, the Managing General Partner of BMLA, within twenty (20) days after execution by PAWC.

ARTICLE 9

INDEMNIFICATION

9.1 INDEMNIFICATION BY BMLA. BMLA will indemnify, defend and hold harmless PAWC and its affiliates and their respective officers, directors and agents at all times after the date of this Agreement, from, against and in respect of any and all damage or deficiency resulting from (i) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant made by BMLA in this Agreement or in any statement, certificate or other document furnished or to be furnished to PAWC in connection with the transactions contemplated hereby, and (ii) any and all liabilities of BMLA of any nature, whether due or to become due, whether accrued, absolute, contingent or otherwise, existing on the Closing Date or arising out of any transaction entered into, any state of facts existing or any event occurring on or prior to such date.

9.2 INDEMNIFICATION BY PAWC. PAWC will indemnify and hold harmless BMLA at all times after the date of this Agreement, from, against and in respect of any and all damage or deficiency resulting from (i) any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant made by PAWC as set forth in this Agreement or in any statement, certification or other document furnished or to be furnished to BMLA, in connection with the transactions contemplated hereby, and (ii) PAWC's operations of the Water and Wastewater Systems after Closing, including, but not limited to any litigation regarding the rates charged by PAWC.

9.3 INDEMNIFICATION CEILING. The cumulative aggregate indemnity obligation of BMLA or of PAWC, respectively, under this Article shall not exceed an amount equal to the Purchase Price (the "Ceiling").

ARTICLE 10

MISCELLANEOUS

10.1 REALTY TRANSFER TAXES. PAWC agrees to pay any realty transfer taxes that may be due or owing as a result of the within transaction, and the parties agree to prorate any property taxes, if any.

10.2 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations, warranties and agreements made by BMLA and PAWC in this Agreement or pursuant hereto shall survive the Closing.

10.3 PENNSYLVANIA LAW TO GOVERN. This Agreement is being delivered in the Commonwealth of Pennsylvania and shall be construed and enforced in accordance with the laws of such State.

10.4 RISK OF LOSS. BMLA retains all risk of destruction, losses or damage to Acquired Assets due to fire or other casualty up to the Closing and agrees to maintain its current insurance coverage until the Closing. If prior to the Closing: (i) all or part of the Acquired Assets are destroyed by fire or the elements or by any other cause; or (ii) all or a part of the Acquired Assets are taken by eminent domain, BMLA shall give prompt notice thereof to PAWC and PAWC may, by notice given to BMLA prior to Closing, elect to cancel this Agreement. In the event PAWC shall so elect, both parties shall be relieved and released of and from any further liability hereunder.

10.5 ACCESS AND INFORMATION. BMLA will give or cause BMLUA to give to authorized representatives of PAWC reasonable access during normal business hours throughout the period prior to Closing to all the properties, books, contracts, commitments, and

records of BMLA relating to the Water and Wastewater Systems, and furnish PAWC during such period with all such information relating thereto as PAWC may reasonably request. Within thirty (30) days of the execution of this Agreement, the BMLA shall provide PAWC with a complete list of customers, including names, service addresses, billing addresses, and meter sizes and serial numbers in meter reading route sequence. This complete list shall be updated at Closing and provided to PAWC at Closing so as to be true and correct on the date of Closing. PAWC shall not conduct any mailing to or otherwise contact any BMLA customers prior to Closing without the prior approval of BMLA.

10.6 RIGHT OF ENTRY. After the date of this Agreement and until Closing, PAWC shall have the reasonable right to enter upon the property and facilities constituting the Water and Wastewater Systems, after making reasonable prior arrangement with BMLA, for the purpose of making such inspections and investigations of the Water and Wastewater Systems, including, but not limited to surveys, fire hydrant testing, environmental assessments, and engineering studies, as PAWC deems reasonably necessary. PAWC shall indemnify and hold BMLA harmless from and against all losses, damages, demands, claims, suits and other liabilities, including attorney fees and other expenses of litigation, because of personal or bodily injury or property damage resulting from PAWC's presence at or use of the Water and Wastewater Systems for such inspections and investigations. PAWC shall promptly (within five (5) business days) return the surface of the property to substantially the same as before such inspections and investigations.

10.7 ENVIRONMENTAL ASSESSMENT. After the date of this Agreement and until the Closing Date, PAWC shall have the reasonable right to enter upon the property and facilities constituting the Water and Wastewater Systems, after making reasonable prior arrangement

with BMLA, for the purposes of conducting an environmental assessment of the Water and Wastewater Systems. Within sixty (60) calendar days after the date this Agreement is executed, PAWC shall notify BMLA in writing if the environmental assessment reveals the presence of oil or petroleum products or any hazardous or toxic wastes or materials or storage of fuel tanks or any other environmental hazard or contamination. Within fifteen (15) days of the date of such notice, BMLA shall advise PAWC in writing as to whether BMLA can cure the environmental hazard or contamination. If BMLA is unable to cure any such environmental hazard or contamination, then PAWC shall have the right, in PAWC's sole discretion, to terminate this Agreement upon written notice to BMLA, whereupon the Earnest Money shall be returned to PAWC and this Agreement shall be null and void, and neither party shall have further rights nor obligations to the other hereunder.

10.8. TERMINATION OF AGREEMENT.

10.8.1 If Closing does not occur by December 31, 2003, with the full cooperation and diligent efforts of PAWC and BMLA, then either party may terminate this Agreement upon written notice to the other, and the parties shall be relieved of all rights and responsibilities hereunder, except as specified herein, and BMLA shall return the Earnest Money and interest to PAWC. *If the failure to Close is the result of or related to litigation between BMLA and Utilities, Inc.,* then the Closing date shall be extended at the option of BMLA by a number of days equal to the number of days that the Closing or the prosecution of the PUC approval is delayed by or as a result of the said litigation and BMLA shall return the Earnest Money and interest to PAWC. The Earnest Money and interest previously refunded shall be redeposited with BMLA upon settlement or other termination of said litigation, provided any and all obligations of BMLA to sell

the Acquired Assets to Utilities, Inc. or any other third party have been terminated, and the Agreement has not terminated for other reasons. Additionally, BMLA may terminate this Agreement if PAWC fails to timely file an application with the Pennsylvania PUC for approval as provided in Paragraph 7.1. Upon such termination, BMLA shall retain the Earnest Money and interest and neither party shall have any further obligation to the other.

10.8.2 As disclosed on Schedule 4.5, BMLA and BMLUA are currently in litigation with Utilities, Inc. If (i) by reason of a court order arising from such suit or any further litigation between the said parties or their affiliates, or (ii) if, for any reason whatsoever or no reason at all, BMLA determines in its sole judgment that it is in its best interest to transfer its Water and Wastewater Systems and other assets included within the definition of Acquired Assets hereunder to Utilities, Inc. or its subsidiary Utilities, Inc. - Blue Mountain Lake, the BMLA may terminate this agreement by (a) giving written notice of such termination to PAWC, and (b) returning to PAWC the Earnest Money, in which case neither party shall have any further obligation or liability to the other.

10.9 TIME OF THE ESSENCE. Time shall be of the essence with respect to all matters and times contained in this Agreement. Time as set forth in this Agreement shall not be extended except by written agreement signed by all parties. Notwithstanding the foregoing, if any date specified for the giving or receipt of notice, or for the exercise of any right or option, or for Closing, shall fall on a Saturday, Sunday or legal holiday observed by local banking institutions, the date so specified shall be extended to the next succeeding day which is not a Saturday, Sunday or legal holiday.

10.10 SECTION HEADINGS. The Section headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

10.11 NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class, postage prepaid, registered mail, return receipt requested:

To BMLA: Blue Mountain Lake
 Attention: Mr. Charles J. Vogt
 Chief Operating Officer
 One Blue Mountain Lake
 East Stroudsburg, PA 18301

With a copy to: Frederick Simon
 Wexford Capital LLC
 411 West Putnam Avenue
 Greenwich, CT 06830

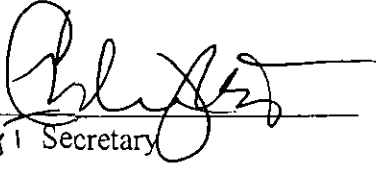
To PAWC: Pennsylvania-American Water Company
 800 West Hershey Park Drive
 Hershey, PA 17033

10.12 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assignees of PAWC and BMLA. No assignment of this Agreement will be permitted unless the assignment is approved in writing by the nonassigning party, which approval will not be unreasonably withheld.

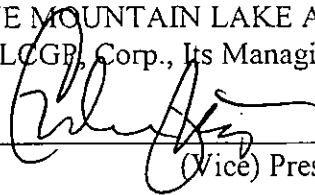
10.13 NO THIRD PARTY BENEFICIARIES. Nothing herein expressed or implied is intended or should be construed to confer upon or give to any person other than the parties hereto and their successors and permitted assigns any rights or remedies under or by reason of this Agreement.

10.14 ENTIRE AGREEMENT. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof, supersedes any prior agreements or understandings, written or oral, among the parties with respect to the subject matter hereof and is not intended to confer upon any person other than the parties hereto any benefit, right or remedy.

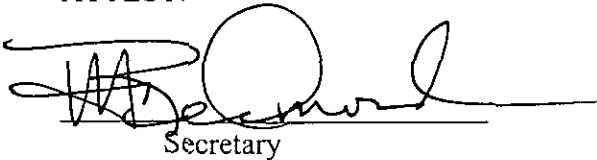
ATTEST:


Ass^l Secretary

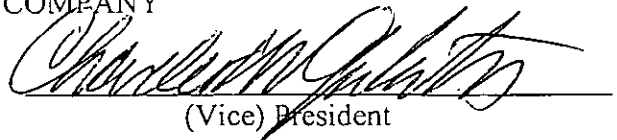
BLUE MOUNTAIN LAKE ASSOCIATES, L.P.
By JLCGP, Corp., Its Managing General Partner


(Vice) President

ATTEST:


Secretary

PENNSYLVANIA-AMERICAN WATER
COMPANY


(Vice) President

Schedule 1.2

Excluded Assets

Cash

Accounts Receivable

All assets of BMLUA, including Computer Hardware except the hand held meter reading equipment and cradles for downloading meter reading data, and further excepting the assets to be conveyed by BMLUA under paragraph 2.3 of this Agreement.

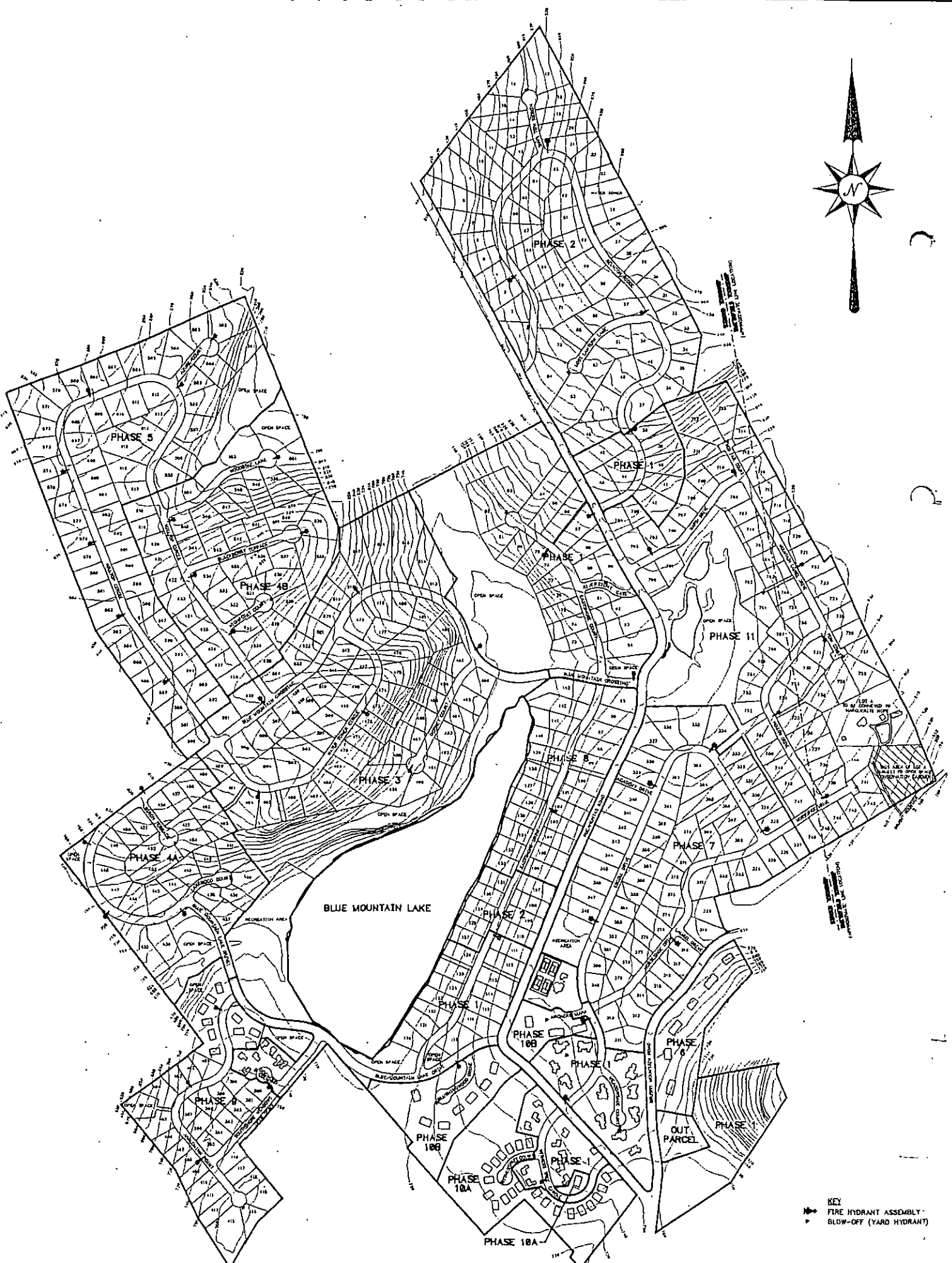
Parts Inventory consisting of meters, pits, replacement parts and repair clamps not conveyed under Paragraph 2.3 of this Agreement.

Chemical Inventory not conveyed to PAWC under Paragraph 2.3 of this Agreement.

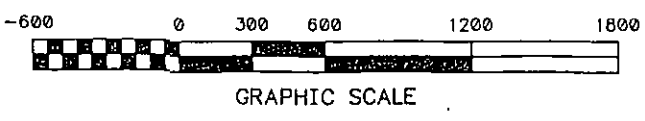
Schedule 1.3

Blue Mountain Lake, Overall Plan

See Attached



KEY
 ● FIRE HYDRANT ASSEMBLY
 ▲ BLOW-OFF (YARD HYDRANT)



REV.	DESCRIPTION	BY	DATE	APP'D.
MILNES ENGINEERING INC. PLANNING • DESIGNING • ENGINEERING • SURVEYING • CONSTRUCTION SERVICES 12 FREAK HILL ROAD P.O. BOX 828 TUNNGANNOCK, PA 18657 (717) 836-2146				
TITLE OVERALL PLAN BLUE MOUNTAIN LAKE STROUD TOWNSHIP MONROE COUNTY, PA				
DRAWN: W/G	DATE: 1/28/81	CHK'D:	DATE:	
SCALE: 1" = 600'		APP'D:	DATE:	
AUTOCAD FILE BML\JOE\FH9\PH8-NEW\FH-PL		DRAWING NUMBER		REV.
PROJECT NUMBER E0832		OP-2		0

Schedule 2.1.2

Capital Improvement Costs

Magnetic Flow Meter	\$3,460
Telemetry	\$4,000 (Estimated)

Schedule 4.4

Permits and Compliance with Laws Generally

The Pennsylvania Department of Environmental Protection has requested that BMLA provide additional testing related to loading of the wastewater treatment facilities. BMLA has engaged Milnes Engineering to perform the required testing and advise it as to appropriate steps to be taken. Initial testing has indicated that expansion will be required in 2 to 3 years, but subsequent testing and increased flows indicate that this schedule may need to be accelerated.

Schedule 4.5

Pending or Threatened Litigation

BMLA and BMLUA are currently engaged in litigation with Utilities, Inc. (Case No. 3:02-CV-186, USDC M.D. PA) whereby Utilities, Inc. is seeking, inter alia, specific performance of an agreement between BMLA and Utilities, Inc., dated October 27, 2000. The defense of this litigation may require or result in further litigation. The litigation may result in an order of court requiring the completion of the sale contemplated by said Agreement or it may result in a settlement resulting in another or modified transaction. BMLA reserves the right to conclude said litigation and any other claims resulting from or related to the said Agreement in any manner it deems, in its sole judgment, to be in its best interests. BMLA has also filed suit against Utilities, Inc. in Monroe County for termination of the contract and damages. The suit is filed to No. 2383 Civil 2002. In the event that such conclusion results in the transfer of the Water and Wastewater Systems to Utilities Inc., or its designated subsidiary, BMLA shall return to PAWC the Earnest Money in which case this Agreement shall be terminated and neither party shall have any further obligation or liability to the other.

Schedule 4.6

Environmental Matters

NONE

Schedule 4.8

Real Estate

Legal Description of Easements and Real Property Interests to Be Acquired.

Fee Simple Title Parcels.

Lot 24, Phase 2, Reunion Ridge as described in Monroe County Plat Book 67/47 and 48 (Water storage facility)

Lot 121, Phase 1, Eastshore Drive as described in Monroe County Plat Book 65/80, 81 and 82. (Well House #1) Subject to certain rights of use granted Bell of PA (now Verizon) for the construction and maintenance of a switch "hut" located on a portion of this lot and the adjoining Lot 120.

Schedule 4.9

Easements and Rights-of-Way

A. Easements for Parcels with Structures.

1. Sewage Treatment Plant Parcel

The treatment plant is located on part of the Phase 1 Common Lands of Blue Mountain Lake in a dedicated "maintenance area" that also contains detention basins and storage/maintenance buildings. It is not practical to subdivide this portion of Phase 1 because of size and access considerations. The treatment plant and outflow line area can be described and will be encumbered by an exclusive easement along with a non-exclusive easement for access to the parcel.

2. Well House #2 Parcel

The Well House #2 plant is located on part of the Phase 1 Common Lands of Blue Mountain Lake in an area that also contains a detention basin. It is not practical to subdivide this portion of Phase 1 because of size and access considerations. The Well House #2 plant area can be described and will be encumbered by an exclusive easement along with a non-exclusive easement for access to the parcel.

B. Easement for all mains, laterals, valves, manholes, clean-outs, curb stops, etc., in place to serve 472 units as shown on the approved and "as built" plans for Phases 1,2,5,6, 8, 7, 3, 4A, 4B, 5 and 9, 10A and 10B and 11 and as existing on the ground.

C. Utilities Easements for the common use of the Systems and electric, telephone and cable companies (also dedicated as slope or drainage areas) as shown on filed plans to which each unit owner's interest is subject:

Phase	Monroe County Plat Book/Map	Utility Easements
1	65 / 80, 81 & 82	Within all road rights of way. 10' along interior of all single family lots. Within common areas in all Manorhome areas.
2	67 / 47 & 48	Within all road rights of way. 15' around interior of all lots.

8	68 / 126	Within all road rights of way. 15' around interior of all lots.
7	69 / 71	Within all road rights of way. 15' around interior of all lots.
3	70 / 44&45	Within all road rights of way. 15' around interior of all lots.
4A	70 / 259	Within all road rights of way. 15' around interior of all lots.
4B	70 / 260	Within all road rights of way. 12.5' around interior of all lots.
5	70 / 257 & 258	Within all road rights of way. 12.5' around interior of all lots.
10A	72 / 106	Within common areas in all Manorhome areas.
10B	73 / 172	Within all road rights-of-way and common areas.
6	73 / 226	Within all road rights-of-way and common areas.
9	73 / 227	Within all road rights-of-way and common areas and 15' around the interior of all lots.
11	73 / 228 & 229	Within all road rights-of-way and 15' around the interior of all lots.

D. Easements to be Created.

1. Sewage Treatment Plant Parcel - located on part of Phase 1 Common Lands of Blue Mountain Lake in a dedicated "maintenance area" this is necessary for the expansion and upgrade of the wastewater treatment plant to accommodate the full flows under the currently permitted NPDES permit.
2. Future Well(s) Parcel to be located by mutual agreement within Blue Mountain Lake on common areas to the minimum extent necessary to develop and construct a new well(s) and treatment and pumping facilities with a 100' wellhead protection zone at 120 gallons per minute, or within any of the Additional Property, if such is acquired by BMLA.

Schedule 4.10

Personalty

Meter Reading Devices

Schedule 4.11

Leases

None

Schedule 4.12

Public Fire Hydrants

All fire hydrants are shown on the as built plans for Phases 1,2, 3, 4A, 4B, 5, 7, 8 and 10A, copies of which plans have been provided to PAWC. The as built plans for Phases 6, 9, 10B and 11 have been prepared and are being reviewed by the Township engineers. Copies will be furnished to PAWC withing thirty (30) days following the acceptance of said plans by Stroud Township.

Schedule 4.13

Contracts

All contracts or obligations of any nature between Seller and any other party, including all developer agreements relating to the Facilities:

1. Seller has assured each purchaser of a unit at Blue Mountain Lake that there is sewer and water service available for that unit.
2. Seller is obligated to provide water and sewer service to all unit owners constructing dwellings on units in Blue Mountain Lake.
3. Seller has an on-going relationship with Milnes Engineering (the engineers who designed the collection and distribution systems), and the Milnes Company (the contractor who built the treatment plant and well houses and storage facility) for engineering and consulting services related to the Systems. There are no financial obligations related to this relationship. The relationship may be terminated at any time without notice or further liability.
4. Seller, through the operating entity, Blue Mountain Lakes Utilities, engages PLB Consulting and Patrick L. Briegel as the licensed operator of the Systems. In addition to his salary as Operations Manager for the Seller and affiliated entities, PLB consulting is paid \$500 per month to serve as licensed operator. This obligation may be terminated at anytime by either party.
5. Seller, through the operating entity, Blue Mountain Lake Utilities, engages Ronald Halterman as part-time assistant operator of the Systems.
6. Seller and its operating entity have an agreement with the Blue Mountain Lake Club pursuant to which the Club provides exterior maintenance to outside areas of the treatment plant, well houses and storage tank areas including snow plowing in the winter and grass/weed cutting in the summer. This agreement may be terminated at any time by either party.
7. BMLA has entered into an agreement with Stroud Township as of October 2001 which requires BMLA to provide plans and financial security for the expansion of the Wastewater Treatment Plant at such time as the average daily volume of effluent reaches, on a continuing basis, 60,000 gallons per day (80% of the 75,000 gpd constructed volume. A copy of the agreement has been provided to PAWC.
8. Seller and/or its operating entity have no other obligations other than on-going utilities agreements for electric service with GPU and telephone service with Verizon and AT&T, and trade relationships with chemical suppliers and suppliers of water meters and pit-setters. All such arrangements may be terminated or transferred to Purchaser as of Closing.

Schedule 4.15

Liabilities

1. To the extent that the Utilities, Inc. litigation can be construed as a liability it shall be deemed a part of this schedule.

2. BMLA has a construction loan agreement with National Penn Bank for the construction of the of the Phase II infrastructure, including the water and wastewater facilities. In the event that this loan is still outstanding at the time of Closing, the lien of this loan will be released from the Acquired Assets at Closing.

Schedule 4.16

Customer Advances

None

Schedule 5.2.6

Additional Property

A copy of the tax parcel map showing these parcels as it relates to Blue Mountain Lake is attached.

Schedule 7.1.1

Water Rates

See Attached

SCHEDULE OF RATES APPLICABLE TO RATE ZONE

BLUE MOUNTAIN LAKE

Metered Rates

All water supplied by the Company for residential purposes, shall be metered as hereinafter set forth. All meters shall be read monthly or quarterly and the water used shall be paid for in accordance with the following schedule of rates.

Customer Charges

All metered customer's shall be subject to a monthly or quarterly minimum charge, based on the size of meter required to render adequate service.

<u>Size of Meter</u>	<u>Monthly Charge</u>	<u>Quarterly Charge</u>
5/8 inch	\$ 20.00	\$ 60.00
1 inch	20.00	60.00

Consumption Charges

The following rates shall apply per 100 gallons.

	<u>Monthly</u>	<u>Quarterly</u>	
The First	2,667 gallons	8,000 gallons	minimum charge
Next	2,333 gallons	7,000 gallons	\$.175 per hundred
All over	5,000 gallons	15,000 gallons	\$.300 per hundred

Flat Rates

A Residential Availability Charge of \$16.66 per month or \$50.00 per quarter shall be billed to each residential availability customer.

Schedule 7.1.2

Wastewater Rates

See Attached

SCHEDULE OF RATES APPLICABLE TO RATE ZONE

BLUE MOUNTAIN LAKE

Customer Charges

All metered customers shall be subject to a monthly or quarterly minimum charge, based on the size of the water meter required to render adequate service.

<u>Size of Meter</u>	<u>Monthly Charge</u>	<u>Quarterly Charge</u>
5/8 inch	\$ 20.00	\$ 60.00
1 inch	20.00	60.00

Consumption Charges

The following rates shall apply per 100 gallons of water consumption.

	<u>Monthly</u>	<u>Quarterly</u>	
The First	2,667 gallons	8,000 gallons	minimum charge
Next	2,333 gallons	7,000 gallons	\$.175 per hundred
All over	5,000 gallons	15,000 gallons	\$.300 per hundred

Issued: Effective:

Schedule 8.1.5

Certification of Financial Information

CERTIFICATE AS TO DEBT, CONTRIBUTIONS,
AND ADDITIONS AND RETIREMENTS

The undersigned officer of Blue Mountain Lake Associates, L.P. ("BMLA"), with regard to the Purchase Agreement dated _____ (the "Agreement") between the BMLA, as Seller, and Pennsylvania-American Water Company ("PAWC"), as Purchaser, for the sale by BMLA to PAWC of the public water supply system now owned by BMLA (the "Water System"), hereby certifies that:

1. The amount of BMLA's net outstanding long-term debt or notes related to the Water System is \$_____.
2. The amount of all unexpired customers' advances for construction and unexpended contributions in aid of construction is \$_____.
3. The additions or retirements to the Water System during the period [date of agreement] through the date of this Certificate, together with the cost thereof, are: \$_____.

All of the foregoing statements are true and correct as of the _____ day of _____, 2002.

ATTEST:

BLUE MOUNTAIN LAKE ASSOCIATES,
L.P.

Secretary

(Vice) President

(SEAL)

Schedule 8.1.15

Permits

The list of permits and approvals required by Article 8.1.18 and 8.1.20 is as follows:

Water Permits:

Permit No. 2450133
4591505
4594504-T2
4594505

Sewer Permit:

NPDES Permit No. PA-0062464

PENNSYLVANIA AMERICAN WATER

BALANCE SHEET

PRO FORMA
February, 2005

ASSETS		
UTILITY PLANT		\$2,210,875,719
CONSTRUCTION WORK-IN PROGRESS		\$42,451,800
ACCUMULATED DEPRECIATION		-\$460,029,465
UTILITY PLANT ACQUISITION ADJ.		\$17,873,571
OTHER UTILITY PLANT ADJUSTMENTS		\$0
		<u>1,811,171,625</u>
NONUTILITY PROPERTY		<u>532,969</u>
OTHER INVESTMENTS		<u>40,950,678</u>
CURRENT ASSETS		
CASH AND CASH EQUIVALENTS		4,119,679
TEMPORARY INVESTMENTS		0
CUSTOMER ACCOUNTS RECEIVABLE		43,110,946
ALLOWANCE FOR UNCOLL. ACCT.		-2,321,916
UNBILLED REVENUES		27,108,020
FIT REFUND DUE FROM ASSOC. COMPANY		0
MISCELLANEOUS RECEIVABLES		322,849
MATERIALS AND SUPPLIES		3,437,960
OTHER		4,894,940
		<u>80,672,478</u>
DEFERRED DEBITS		
DEBT AND PREF. STOCK EXPENSE		18,149,693
EXPENSE OF RATE PROCEEDINGS		599,641
PREL. SURVEY AND INVEST. CHARGES		6,965,001
REG ASSET-INC TAX RECOVERABLE THRU RATES		106,257,863
OTHER		74,550,256
		<u>206,522,454</u>
		<u>2,139,850,204</u>
CAPITAL AND LIABILITIES		
COMMON STOCK		\$21,506,887
PAID IN CAPITAL		427,983,004
RETAINED EARNINGS		235,672,936
		<u>685,162,827</u>
PREFERRED STOCK		14,171,700
LONG-TERM DEBT		886,943,663
		<u>1,586,278,190</u>
CURRENT LIABILITIES		
BANK DEBT-PENDING ISSUANCE OF SEC.		15,172,440
CURR. PORTION OF LONG-TERM DEBT		22,374,226
ACCOUNTS PAYABLE		15,239,957
TAXES ACCRUED		3,689,284
INTEREST ACCRUED		16,253,131
CUSTOMER DEPOSITS		0
DIVIDENDS DECLARED		0
OTHER		16,737,735
		<u>89,466,773</u>
DEFERRED CREDITS		
CUSTOMER ADVANCES FOR CONSTR.		78,363,252
DEFERRED INCOME TAXES		278,912,760
DEFERRED INCOME TAX CREDITS		7,903,152
REG. LIAB. - INC. TAX REFUND THROUGH RATES		7,541,565
OTHER		27,729,071
		<u>400,449,800</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION		<u>63,655,441</u>
		<u>2,139,850,204</u>

Exhibit E

PENNSYLVANIA AMERICAN WATER

STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED FEBRUARY, 2005

PRO FORMA
CONSOLIDATED

OPERATING REVENUES	<u>\$388,574,852</u>
OPERATION EXPENSES	
OPERATIONS AND MAINTENANCE	156,199,780
DEPRECIATION & AMORTIZATION	55,683,471
TAXES ON OPERATING INCOME	
GENERAL TAXES	12,489,167
STATE INCOME	8,785,327
FEDERAL INCOME	<u>36,786,356</u>
	<u>269,944,101</u>
UTILITY OPERATING INCOME	118,630,751
OTHER INCOME	
ALLOW. FOR OTHER FUNDS FOR CONSTRUCT.	140,133
MISCELLANEOUS OTHER INCOME	35,268
GAIN (LOSS) ON SALE OF PROPERTY	<u>995,788</u>
	<u>119,801,940</u>
OTHER DEDUCTIONS	
MISCELLANEOUS AMORTIZATION	-1,065,832
MISCELLANEOUS OTHER DEDUCTIONS	1,792,191
TAXES ON OTHER INCOME AND DEDUCTIONS	
GENERAL	303,994
STATE INCOME	97,457
FEDERAL INCOME	<u>317,432</u>
	<u>1,445,242</u>
INCOME BEFORE INTEREST CHARGES	<u>118,356,698</u>
INTEREST CHARGES	
INTEREST ON LONG-TERM DEBT	49,777,194
AMORTIZATION OF DEBT EXPENSE	943,076
INTEREST ON BANK DEBT	235,366
OTHER INTEREST	21,150
ALLOW. FOR BORROWED FUNDS FOR CONSTRUCT.	<u>-143,544</u>
	<u>50,833,242</u>
NET INCOME	67,523,456
DIVIDENDS ON PREFERRED STOCK	1,165,253
NET INCOME TO COMMON	\$66,358,203

Exhibit F

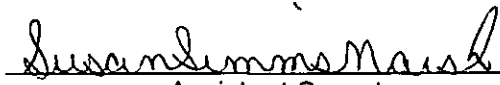
PENNSYLVANIA-AMERICAN WATER COMPANY

I, S.S. Marsh, Assistant Secretary of Pennsylvania-American Water Company, a Pennsylvania corporation, (the "Company") DO HEREBY CERTIFY that below is a true and correct copy of resolutions duly adopted by the Board of Directors of the Company at a meeting thereof duly convened and held on October 18, 2002 at which meeting a quorum was present and acting throughout, and that such resolutions have not been amended or rescinded and are still in full force and effect:

RESOLVED, that the actions of the officers of the Company in executing and delivering to the officers of Blue Mountain Lake Associates, L.P. an agreement to purchase be, and hereby are, ratified and confirmed; and

RESOLVED, that the proper officers of the Company be, and hereby are, authorized and directed to execute and deliver any and all documents, make all filings and do any other thing which they may deem necessary, proper or desirable to effectuate the purposes of the foregoing resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of this Company this 30th day of MARCH, 2005.


Assistant Secretary

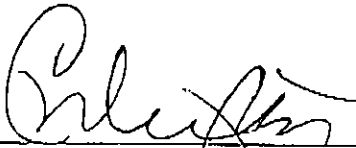
CERTIFICATE OF THE RESOLUTION OF JLCGP, CORP.

The undersigned, being the duly authorized and acting Assistant Secretary of JLCGP, CORP., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company"), hereby certifies that the following resolution was duly enacted by the Company in accordance with the By laws of the Company and the Business Corporation Law of Pennsylvania:

RESOLVED, that the Company, as General Partner of Blue Mountain Lake Associates, L.P. (the "Partnership") enter into, in the name of the Partnership, a Purchase Agreement with Pennsylvania-American Water Company for the sale of the water and sewer systems constructed by the Partnership at Blue Mountain Lake, Stroud and Smithfield Townships, Monroe County, Pennsylvania for the sum of \$1,350,000, plus additional cost reimbursements for additional assets added to the system prior to closing (the "Sale") upon such terms and conditions as its hereafter named officer shall deem to be in the best interests of the Partnership and the Company, and be it further

RESOLVED, that Charles J. Vogt, Vice President of the Company and Chief Operating Officer of the Partnership, be and is hereby authorized to make, execute, acknowledge and deliver, in the name of the Company and on behalf of the Partnership, all instruments necessary and proper in his sole judgment to effectuate this transaction.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the 25th day of September, 2002.


Assistant Secretary

Blue Mountain Lake
Utilities Association
Assessments

The Blue Mountain Lake Utilities Association assessments are as follows:

Developed Lots, Including
Manorhomes:

Metered rates will begin July 1, 2000. Those rates are expected to be based on the following:

Base Rate:

Up to 8,000 gallons used per 90 day period:

\$120.00

1st Level Usage Charge:

8,001-15,000 gallons used per 90 day period:

Base Rate plus \$3.50/1000 gallons used over 8,000 gallons

2nd Level Usage Charge:

15,001 gallons and above used per 90 day period:

Base rate plus 1st Level usage charge plus \$6.00/1000 gallons used over 15,000 gallons

Undeveloped Lots:

\$100.02/quarter

Late fees and interest will be charged for delinquent accounts.

SCHEDULE OF RATES APPLICABLE TO RATE ZONE

BLUE MOUNTAIN LAKE

Metered Rates

All water supplied by the Company for residential purposes, shall be metered as hereinafter set forth. All meters shall be read monthly or quarterly and the water used shall be paid for in accordance with the following schedule of rates.

Customer Charges

All metered customers shall be subject to a monthly or quarterly minimum charge, based on the size of meter required to render adequate service.

<u>Size of Meter</u>	<u>Monthly Charge</u>	<u>Quarterly Charge</u>
5/8 inch	\$ 20.00	\$ 60.00
1 inch	20.00	60.00

Consumption Charges

The following rates shall apply per 100 gallons.

	<u>Monthly</u>	<u>Quarterly</u>	
The First	2,667 gallons	8,000 gallons	minimum charge
Next	2,333 gallons	7,000 gallons	\$.175 per hundred
All over	5,000 gallons	15,000 gallons	\$.300 per hundred

Flat Rates

A Residential Availability Charge of \$16.66 per month or \$50.00 per quarter shall be billed to each residential availability customer.

Exhibit J-1

SCHEDULE OF RATES APPLICABLE TO RATE ZONE

BLUE MOUNTAIN LAKE

Customer Charges

All metered customers shall be subject to a monthly or quarterly minimum charge, based on the size of the water meter required to render adequate service.

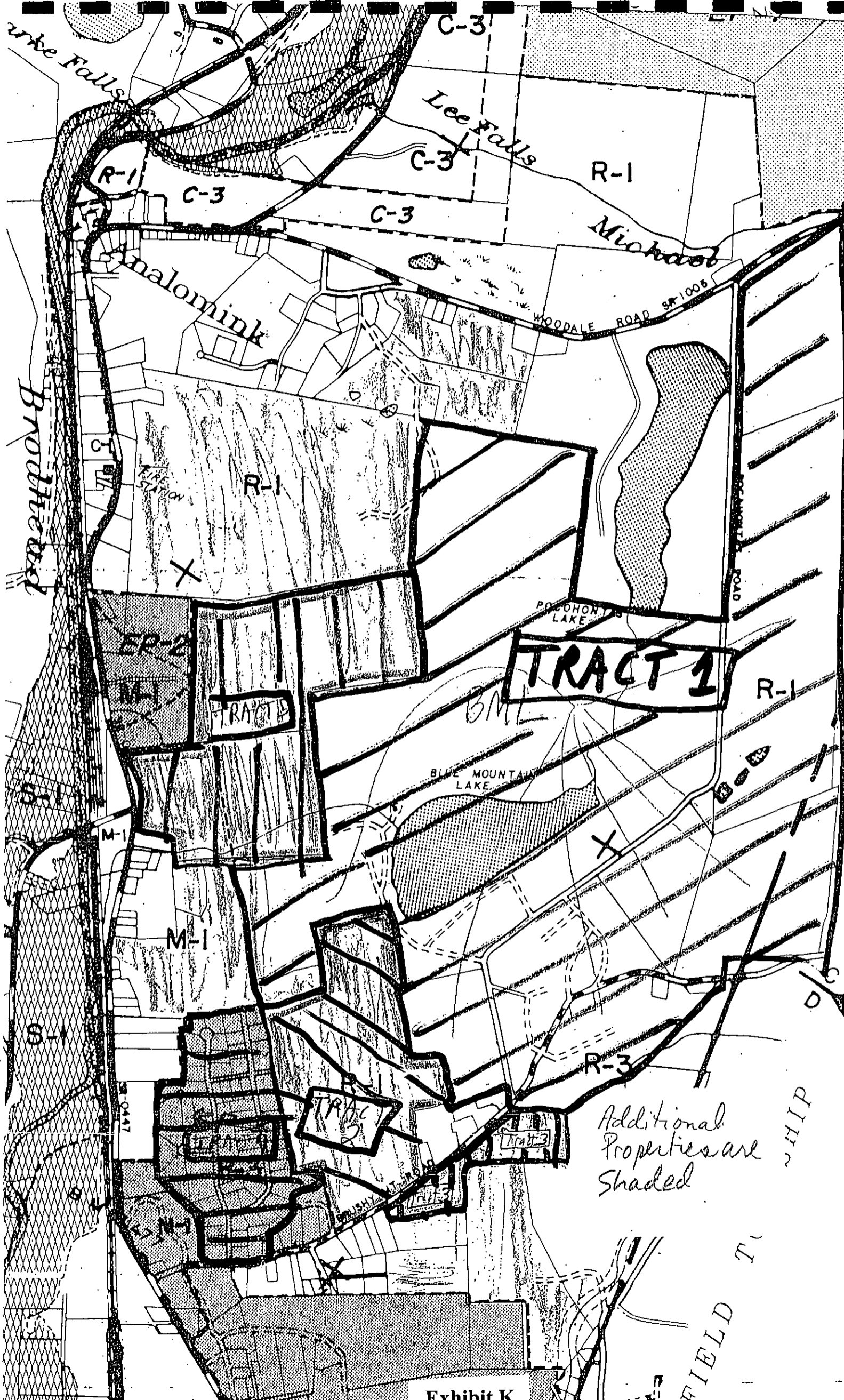
<u>Size of Meter</u>	<u>Monthly Charge</u>	<u>Quarterly Charge</u>
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The First	2,667 gallons	8,000 gallons	minimum charge
Next	2,333 gallons	7,000 gallons	\$.175 per hundred
All over	5,000 gallons	15,000 gallons	\$.300 per hundred

Issued: Effective:



Lee Falls

C-3

Lee Falls

R-1

C-3

C-3

R-1

Michael

Analomink

WOODALE ROAD SR 1005

Brookview

R-1

ER-2

TRACT 2

TRACT 1

R-1

BLUE MOUNTAIN LAKE

M-1

M-1

R-3

TRACT 2

TRACT 3

Additional Properties are Shaded

0447

Exhibit K

FIELD TOWNSHIP

PERIMETER METES AND BOUNDS DESCRIPTION OF SERVICE
TERRITORY OF BLUE MOUNTAIN LAKE UTILITIES

ALL THOSE CERTAIN pieces, parcels and tracts of land lying and situate partially in Stroud Township and partially in Smithfield Township, Monroe County, Pennsylvania, being Lots 1, 2 and 4 as shown on a certain plat thereof entitled "SUBDIVISION OF LANDS SHAWNEE VILLAGE STORES, INC. HILDA HOPE, PRES., ESTATE OF KARL HOPE, HILDA HOPE, EXEC., HILDA HOPE" prepared by R.K.R Hess Associates, dated February 10, 1992, last revised March 4, 1992, which plat was filed of record on March 31, 1992 in the Office of the Monroe County Recorder of Deeds in Map File 64 at 64-65 (the "Subdivision Plat"), and described in accordance therewith as follows:

BEGINNING AT A POINT in Smithfield Township in the center of the right of way of Brushy Mountain Road being a common corner of the lands herein described and lands now or formerly of Garrett Halterman and the Borough of East Stroudsburg thence by said lands now or formerly of the Borough of East Stroudsburg and passing into Stroud Township South 59°01'01" West 994.94' to an iron pin in stones,

Thence by lands now or formerly of Mohammad Azhak & Saki Chaudhry and now or formerly of Frank & Maria Albanese South 57°12'11" West 345.14' to an iron pin,

Thence by lands now or formerly of Blue Mountain Craftsmen, Ltd. South 75°46'12" West 300.78' to an iron pin,

Thence by the same South 16°40'34" East 146.96' to an iron pin,

Thence by the same along a chord bearing South 21°53'37" East 77.29' through an arc having a radius of 425' and a length of 77.40' to an iron pin,

Thence by the same along a chord bearing South 69°32'37" East 33.74' through an arc having a radius of 25' and a length of 37.03' to a point,

Thence by the same South 21°58'34" East 30.00' to a point in the said Brushy Mountain Road,

Thence continuing through the right of way of Brushy Mountain Road along a chord bearing South 67°55'59" West 1.19' through an arc having a radius of 375', a length of 1.19' and a differential of 0°10'55" to a point in the said Brushy Mountain Road,

Thence by lands now or formerly of Ann M. Lord and Lot 3 of the Subdivision Plat South 28°47'48" East 274.69' to a point,

Thence by the same Lot 3 South 42°27'59" West 196.15' to a point,

Thence by the same Lot 3 South 39°13'16" West 278.29' to a point,

Thence by the same Lot 3 South 08°20'14" West 329.17' to a point,

Exhibit L-1

(Tract 1)

BLUE MOUNTAIN LAKE UTILITIES SERVICE TERRITORY

Page 2 of 4

Thence by the same Lot 3 North $79^{\circ}19'02''$ East 546.42' to a point in the Sambo Creek,

Thence following said Sambo Creek and along lands now or formerly of Mildred Kaul South $31^{\circ}04'18''$ West 27.55' to a point,

Thence by the same South $04^{\circ}05'08''$ West 42.11' to a point,

Thence by the same South $20^{\circ}43'51''$ East 172.08' to a point,

Thence by the same and leaving the said Sambo Creek and continuing by lands now or formerly of Florence Baldwin South $33^{\circ}43'30''$ West 662.00' to an intersection in a stone row at lands now or formerly of Richard Coates,

Thence by said lands now or formerly of Richard Coates South $56^{\circ}16'55''$ West 636.76' to a point in the center of the right of way of the said Brushy Mountain Road,

Thence along the center of the right of way of Brushy Mountain Road and lands now or formerly of Norman Smith along a chord bearing North $10^{\circ}26'53''$ East 68.83' through an arc having a radius of 650.00' and a length of 68.85' to a point,

Thence continuing along the same North $07^{\circ}24'48''$ East 122.99' to a point in the intersection of Brushy Mountain Road and Pocahontas Road,

Thence along the center line of Pocahontas Road and continuing along lands now or formerly of Norman Smith North $41^{\circ}27'51''$ West 139.95' to a point in the center line of Pocahontas Road,

Thence leaving said Pocahontas Road, continuing along the lands now or formerly of Norman Smith South $38^{\circ}08'10''$ West, passing through an iron pin at 14.28', a total distance of 631.17' to an iron bolt,

Thence by lands now or formerly of Ronald Harrison North $44^{\circ}47'24''$ West 97.99' to a stone corner,

Thence by lands now or formerly of Jane Battipaglia et al North $34^{\circ}01'36''$ East 41.84' to a stone corner,

Thence by the same North $42^{\circ}51'09''$ West 463.72' to a stone corner,

Thence by the same South $48^{\circ}07'48''$ West 348.37' to a stone corner,

Thence by the same North $41^{\circ}50'36''$ West 751.75' to a stone corner,

Thence by the same North $46^{\circ}29'41''$ East 51.32' to a stone corner,

Thence by the same North $40^{\circ}33'58''$ West 851.50' to a bolt in a road,

Thence by the same South $40^{\circ}01'47''$ West 645.43' to a stone corner,

Thence by the same South $41^{\circ}35'48''$ West 238.78' to a stone corner,

Thence by the same South $39^{\circ}53'54''$ East 436.60' to a stone corner,

BLUE MOUNTAIN LAKE UTILITIES SERVICE TERRITORY

Page 3 of 4

Thence by lands now or formerly of the Estate of Nelson Whitmore, Sr. South 47°13'41" West 222.49' to a point,

Thence by the same South 30°13'42" West 359.17' to a stone corner,

Thence by the same North 32°11'30" West 388.05' to an iron pipe,

Thence by the same North 25°11'13" West 333.64' to a point,

Thence by the same North 39°51'53" West 550.00' to a point in the line of lands now or formerly of Josephine Furher,

Thence by land now or formerly of Josephine Furher North 52°54'12" East 669.81' to a stone corner,

Thence by the same North 36°57'06" West 1528.85' to a point,

Thence by the same North 52°26'57" East 1032.13' to a stone,

Thence by the same North 35°29'28" West 1021.81' to an iron pipe in stones,

Thence by lands now or formerly of William Marryshow North 20°12'33" West 1650.05' to an iron pipe in stones,

Thence by lands now or formerly of Harry Binck North 69°42'44" East 42.78' to an iron pipe in stones,

Thence by lands now or formerly of Joyce D. Lawler North 68°55'45" East 828.21' to a stone corner,

Thence by lands now or formerly of Pocahontas Rod & Gun Club North 66°52'32" East 796.35' to a stone corner,

Thence by the same South 22°26'10" East 1606.95' to a stone corner,

Thence by the same North 61°55'25" East 1514.56' passing through a stone corner at the right of way of Pocahontas Road to a point in the center of Pocahontas Road,

Thence by the same and along the center of Pocahontas Road North 30°55'59" West 194.45' to a point,

Thence by and along the same North 28°03'53" West 618.73' to a point,

Thence by and along the same North 28°26'33" West 229.42' to a point,

Thence by and along the same North 27°10'25" West 228.91' to a point,

Thence by and along the same North 31°15'07" West 251.69' to a point,

Thence by and along the same North 27°12'49" West 103.40' to a point,

Thence by and along the same North 28°53'01" West 90.84' to a point,

BLUE MOUNTAIN LAKE UTILITIES SERVICE TERRITORY

Page 4 of 4

Thence leaving said Pocahontas Road and continuing by lands now or formerly of Pocahontas Rod & Gun Club North $37^{\circ}35'26''$ East passing through a stone corner at 99.59', a total distance of 1306.57' to a stone corner,

Thence by lands now or formerly of Keith Borden and lands now or formerly of Brenda Finken and lands now or formerly of Pauline Stine and lands now or formerly of Albert Temperini and lands now or formerly of Joseph Vesce passing through an iron pipe and continuing by lands now or formerly of Malcom Smith and lands now or formerly of Gary J. Zajac and lands now or formerly of Vincent Fueyo and Lands now or formerly of Gregory J. Katz and lands now or formerly of Ronald Halterman South $27^{\circ}47'57''$ East 2039.77' to a stone corner,

Thence continuing by lands now or formerly of Ronald Halterman and lands now or formerly of Garrett Haltermian and passing into Smithfield Township South $27^{\circ}51'13''$ East 1881.87' to a stone corner,

Thence continuing by lands now or formerly of Garrett Halterman North $42^{\circ}11'50''$ East 64.00' to a point at an intersection of stone rows,

Thence by the same South $24^{\circ}17'20''$ East 523.50' to a point,

Thence by the same South $26^{\circ}33'24''$ East 379.50' to a point,

Thence by the same South $28^{\circ}30'57''$ East 198.30' to a point,

Thence by the same South $25^{\circ}13'00''$ East 174.30' to a point,

Thence by the same South $24^{\circ}08'54''$ East 113.81' to a point,

Thence by the same South $21^{\circ}58'00''$ East 225.00' to a point, the Place of Beginning.

BEING Lots 1, 2 and 4 of the aforesaid Subdivision Plat.

CONTAINING 575.969 gross acres, more or less.

4P
-4N
28F
H2-S

T-45610

Tax I.D. #17/2/1/17

THIS INDENTURE, Made the 10th day of January in the year of our Lord two thousand three (2003)

BETWEEN JANE E. BATTIPAGLIA, single, AND LEONARD BATTIPAGLIA, JR., and ELIZABETH FLOURNOY, husband and wife, of 60 West 68th Street, Apartment 3G, New York, New York 10023, hereinafter referred to as GRANTOR, Party of the First Part,

- and -

LTS DEVELOPMENT, INC., a Pennsylvania Corporation, with address of P.O. Box 160, Shawnee-on-Delaware, Pennsylvania 18356, GRANTEE, Party of the Second Part;

Now this Indenture Witnesseth, that the said Grantor, Party of the First Part, for and in consideration of the sum of NINE HUNDRED SEVENTY-FIVE THOUSAND (\$975,000.00) DOLLARS, lawful money of the United States, to them well and truly paid by the said Grantee, Party of the Second Part, at and before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, have granted, bargained, sold, aliened, released, and confirmed and by these presents, do grant, bargain, sell, alien, release and confirm unto the said Grantee, Party of the Second Part, its successors and assigns:

ALL that certain messuage and three (3) tracts or pieces of land, situate in the Township of Stroud, County of Monroe and Commonwealth of Pennsylvania, bounded and described as follows, to wit:

NO. 1: BEGINNING at a stone in the public road, being also the Northeast corner of the Jesse Lee lot, now owned by Homer H. Hafler and Nettie Hafler, and hereinafter described, thence by said lot hereinafter described North thirty-six degrees West eighty-two and one-fourth perches to a stone; thence by the same South fifty-three and one-half degrees West twenty-eight and one-fourth perches to a stone; thence by the same South thirty-six degrees East fifty-seven and one-fourth perches to a stone; thence by land of James S. Fisher South fifty-three and one-half degrees West twenty-one perches to a stone; thence by the same North thirty-six degrees West one hundred two perches to a stone; thence by land of William Turner North fifty-three and one-half degrees East thirty-six and three-fourth perches to a stone; thence by the same North thirty-three and one-fourth degrees West forty-four perches to a stone; thence by the same North forty-seven degrees East fifty-four perches to a stone, thence by the same and land of William A. Plattenberger, South thirty-three and one-fourth degrees East fifty and one-half

perches to a stone, thence by land of Charles Kaul South fifty-two and one-half degrees West three and two-tenths perches to a stone, thence by the same South thirty-six degrees East forty-five and six-tenths perches to a stone, thence by land formerly of Charles Lee, now said Homer H. Hafler and Nettie Hafler, South fifty-three and one-half degrees West five perches to a stone, thence by the same and land of John Custard South thirty-six degrees East sixty-nine and one-half perches to a stone, thence by the same North twenty-nine and one-half degrees East twenty-eight perches along the West side of said public road to a stone on the West side of said road, thence by land of Amzi Detrick and Wells South twenty-two degrees East thirty-five perches to a stone, thence by land of Joseph H. Zacharias South fifty-five degrees West forty-seven and three-fourths perches to a stone, thence by the same North forty-four degrees West nine and one-half perches to the place of BEGINNING. CONTAINING 68 acres and 134 perches, more or less.

NO. 2: BEGINNING at a stone, thence by land formerly of George Bush, now Joseph H. Zacharias, North twenty-five and one-half degrees East twenty-nine and one-half perches to a stone thence by land of said Homer H. Hafler and Nettie Hafler North forty degrees West eighty-two and one-fourth perches to a stone, thence by the same South fifty and one-fourth degrees West twenty-eight and one-fourth perches to a stone, thence by the same and land of Joseph H. Zacharias South forty degrees East ninety-six perches to the place of BEGINNING. CONTAINING 15.5 acres, more or less.

NO. 3: BEGINNING at a stone, thence by land of Charles Kaul, North fifty-two degrees East twenty-six perches to a stone, South thirty-nine and one-half degrees East twenty-eight perches to a stone, thence by land of John Custard South forty and one-half degrees West eight perches to a stone, South forty-eight and one-half degrees West eighteen and one-half perches to a stone, thence by land late of Joseph N. Lee, now said Homer H. Hafler and Nettie Hafler, North thirty-eight degrees West thirty-one perches to the place of BEGINNING. CONTAINING 4 acres and 135 perches, more or less.

BEING the same premises which Jane Massey Fadden nee Jane L. Massey, and Gertrude M. Battipaglia by their deed dated August 7, 1975 and recorded the same date in the Office of the Recorder of Deeds of Monroe County, at Stroudsburg, Pennsylvania, in Deed Book Vol. 642, page 292, granted and conveyed unto Jane E. Battipaglia and Leonard Battipaglia, Jr., two of the Grantors hereof.

Together with all and singular the buildings and improvements, ways, waters, water-courses, rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging, or in any wise appertaining, and the reversions and remainders, rents, issues and profits thereof; and also, all the estate, right, title, interest, use, trust, property, possession, claim and demand whatsoever, in law, equity, or otherwise howsoever, of, in, to, or out of the same;

To have and to hold the said buildings and improvements, hereditaments and premises hereby granted and released, or mentioned and intended so to be, with the appurtenances, unto the said Grantee, Party of the Second Part, its successors and assigns, to and for the only proper use and behoof of the said Grantee, Party of the Second Part, its successors and assigns forever.

And the said Grantor, Party of the First Part, do hereby covenant, promise and agree, to and with the said Grantee, Party of the Second Part, its successors and assigns, that they the Grantor, Party of the First Part, have not done, committed, or knowingly or willingly suffered to be done or committed, any act, matter or thing whatsoever, whereby the premises hereby granted, or any part thereof, is, are, shall, or may be impeached, charged or incumbered, in title, charge, estate, or otherwise howsoever.

IN WITNESS WHEREOF, the said Grantor, Party of the First Part, have hereunto set their hands and seals the day and year first above written.

Jane E. Battipaglia
JANE E. BATTIPAGLIA, Grantor

Leonard Battipaglia
LEONARD BATTIPAGLIA, JR., Grantor

Elizabeth Flournoy
ELIZABETH FLOURNOY, Grantor

RECEIVED, the day of the date of the above Indenture, of the above-named.

Commonwealth of Pennsylvania :

SS:

County of Monroe

ON THIS, the 10th day of January, 2003, before me, a Notary Public, the undersigned officer, personally appeared JANE E. BATTIPAGLIA, single, LEONARD BATTIPAGLIA, JR., and ELIZABETH FLOURNOY, husband and wife, satisfactorily proven to be the persons described in the foregoing instrument, and acknowledged that they executed the same in the capacity therein stated and for the purposes therein contained.

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

[Handwritten signature]

The address of the within-named Grantee is: P.O. Box 160

Shawnee-on-Delaware, PA 18356

[Handwritten signature]
On behalf of the Grantee

Notarial Seal
Nancy D. Caglia, Notary Public
Stroudsburg Boro, Monroe County
My Commission Expires Aug. 31, 2004
Member, Pennsylvania Association of Notaries

LOUIS D. POWLETTE, ESQUIRE
231 Park Avenue
Stroudsburg, PA 18360

RECORDING FEES \$14.00
AFFORDABLE HOUSING \$13.00
JCS/ACCESS TO JUSTICE \$10.00
STATE TRANSFER \$9,750.00
STATE TRANSFER TAX \$0.50
STATE WRIT TAX \$0.50
STRUODSBURG TOWNSHIP \$4,875.00
STRUODSBURG SCHOOL DISTRICT \$4,875.00
COUNTY ARCHIVES FEE \$2.00
RD0 ARCHIVES FEE \$3.00
TOTAL \$19,542.50

RECORDER OF DEEDS
MONROE COUNTY
PENNSYLVANIA
INSTRUMENT NUMBER
200301911
RECORDED ON
Jan 13, 2003
2:12:30 PM
BOOK=REC/2141
PAGE=9980
Total Pages: 4



I Hereby CERTIFY that this document is recorded in the Recorder's Office of Monroe County, Pennsylvania.

Heleen Alie...

138
+20

RECORDER OF DEEDS
MONROE COUNTY
PENNSYLVANIA

INSTRUMENT NUMBER
200446144

RECORDED ON

OCT 07, 2004

4:10:49 PM

BOOK: REC/2204

PAGE: 3271

Total Pages: 3

Parcel ID No.

17/2/1/13
2004

STATE TRANSFER TAX	\$2,200.00
STATE MORT TAX	\$0.50
JUDICIAL FEES	\$10.00
RECORDING FEES	\$13.00
AFFORDABLE HOUSING	\$13.00
COUNTY ARCHIVES FEE	\$2.00
RECORDER'S FEE	\$3.00
RECORDING	\$1,100.00
SCHOOL DISTRICT	\$1,100.00
STRONG TOWNSHIP	\$4,451.50
TOTAL	

This Indenture, made the 6th day of Oct

Between

RICHARD COATES

(hereinafter called the Grantors), of the one part, and

LTS DEVELOPMENT, L.L.C.

(hereinafter called the Grantees), of the other part,

Witnesseth, that the said Grantors for and in consideration of the sum of Two Hundred Twenty Thousand and 00/100 dollars (\$220,000.00) lawful money of the United States of America, unto them well and truly paid by the said Grantees, at or before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, have granted, bargained and sold, released and confirmed, and by these presents do grant, bargain and sell, release and confirm unto the said Grantees,

ALL THAT CERTAIN tract or piece of land situate in the Township of Stroud, County of Monroe and Commonwealth of Pennsylvania, bounded and described as follows, to wit:

BEGINNING at a stone, also a corner of Peter Hardenstine's Land; thence North 63° forty minutes East 64 perches and one-half to a stone; thence North 29° West 33 perches and a quarter to a stone; thence by land of Leonard LaBar South 59° West 39 perches and a half to a stone; thence South 24° West 30 and three-quarters perches to a stone; thence South 27 and three quarters degrees East twelve perches and one-half to the place of BEGINNING.

CONTAING eleven acres and eighty-four perches, more or less, and all buildings, equipment and appurtenances contained on the land.

TOGETHER with all rights of way and UNDER AND SUBJECT to all exceptions, reservations, restrictions, easements, covenants and conditions of record as found in the chain of title.

BEING the same premises which Beatrice J. Myers, Executrix under the Last Will and Testament of Tillie Suffin, Deceased and Samuel M. Myers and Beatrice J. Myers, his wife, by their deed dated October 23, 1968 and recorded November 12, 1968 in the Office of the Recorder of Deeds in and for Monroe County, Pennsylvania in Deed Book 367, Page 592, granted and conveyed unto the Grantor herein.

Exhibit L-3
(Tract 3)

Together with all and singular the buildings and improvements, ways, streets, alleys, driveways, passages, waters, water-courses, rights, liberties, privileges, hereditaments and appurtenances, whatsoever unto the hereby granted premises belonging, or in anywise appertaining, and the reversions and remainders, rents, issues, and profits thereof, and all the estate, right, title, interest, property, claim and demand whatsoever of them, the said grantors, as well at law as in equity, of, in and to the same.

To have and to hold the said lot or piece of ground described above, with the buildings and improvements thereon erected, hereditaments and premises hereby granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantees, their heirs and assigns, to and for the only proper use and behoof of the said Grantees, their heirs and assigns, forever.

And the said Grantors, for themselves and their heirs, executors and administrators, do, by these presents, covenant, grant and agree, to and with the said Grantees, their heirs and assigns, that they, the said Grantors, and their heirs, all and singular the hereditaments and premises herein described and granted, or mentioned and intended so to be, with the appurtenances, unto the said Grantees, their heirs and assigns, against them, the said Grantors, and their heirs, and against all and every other person and persons whosoever lawfully claiming or to claim the same or any part thereof, by, from or under him, her, it, or any of them, shall and will

Warrant and Forever Defend.

In Witness Whereof, the parties of the first part have hereunto set their hands and seals. Dated the day and year first above written.

Sealed and Delivered
IN THE PRESENCE OF US:

Richard Coates {SEAL}

{SEAL}

State of MAINE } ss
County of OXFORD }

On this the 6 day of OCTOBER, 2004, before me, the undersigned Notary Public, personally appeared Richard Coates, known to me (or satisfactorily proven) to be the persons whose names are subscribed to the within instrument, and acknowledged that they executed the same for the purposes therein contained.

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

Fran Adams
Notary Public
My commission expires FRAN ADAMS
Notary Public, Maine
My Commission Expires May 18, 2008

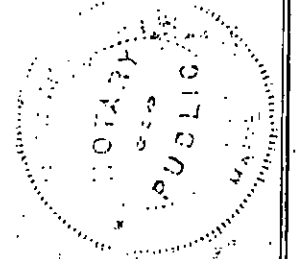
Exp May 18, 2006

The address of the above-named Grantees is:

PO Box 160
Shawnee On Delaware 18356

On behalf of the Grantees

[Signature]
Record and return to:



I Hereby CERTIFY that this document is recorded in the Recorder's Office of Monroe County, Pennsylvania.

[Signature]

'88 SEP 14 PM 4.26

DEED No. 721

Printed for and Sold by John C. Clark Co., 1325 Walnut St., Phila.

MONROE COUNTY, PA.

This Indenture, Made the

22nd day of August in the year of our Lord
one thousand nine hundred and eighty-eight (1988)

Between M CHARLES MONATT, single person, of 825 Avenue B, Stroudsburg,
Pennsylvania 18360, GRANTOR, hereinafter referred to as Party of the First Part;

-AND-

PARADISE VIEW ESTATES, INC., a Pennsylvania corporation with its principal place
of business at 717 Sarah Street, Stroudsburg, Pennsylvania 18360, GRANTEE,
hereinafter referred to as Party

of the second part: **Witnesseth,** That the said party of the first part, for and in
consideration of the sum of Four Hundred Thousand (\$400,000.00) Dollars-----

lawful money of the United States of America, well and truly paid by the said party of the second part
to the said party of the first part, at and before the unsealing and delivery of these presents, the receipt
whereof is hereby acknowledged, has granted, bargained, sold, aliened, entailed, released, conveyed and
confirmed and by these presents does grant, bargain, sell, alien, entail, release, convey and confirm
unto the said party of the second part, its successors and assigns.

ALL THAT CERTAIN tract or parcel of land situate in the Township of Stroud,
County of Monroe and State of Pennsylvania, bounded and described as follows, to
wit:

BEGINNING at a point in or near the center of Township Road 512 from Pa.
Rt. 447 to Blue Mt. Camps, said point being also a corner of lands of M Charles
Monatt, thence along lands of M Charles Monatt, North 22°27'17" West (at 25.01
feet passing a pipe) 470.00 feet to a pipe, thence still along the same lands
now or formerly of M Charles Monatt, North 76°25'38" West 587.42 feet to a pipe,
said pipe being also a corner of lands now of M Charles Monatt, thence along
lands now or formerly of M Charles Monatt, North 20°55'01" West 882.29 feet to a
pipe in line of lands now or formerly of A. M. Price Estate, thence along lands
now or formerly of the A. M. Price Estate, North 64°53'04" East 317.01 feet to a
pipe, thence along the same lands now or formerly of the A. M. Price Estate and
also along lands now or formerly the T. Gilpin Estate, North 27°06'48" West
592.03 feet to a pipe in line of lands now or formerly of Nelson Whitmore, thence
along lands now or formerly of Nelson Whitmore, North 58°14'57" East 771.48 feet
to a stone corner, said corner being also a corner of lands now or formerly of
Jane Massey, thence along lands now or formerly of Jane Massey, South 31°22'59"
East 1711.83 feet to a stone corner, thence along the same, North 58°01'13" East
346.87 feet to a stone corner, thence still along lands now or formerly of Jane
Massey, South 31°28'47" East 33.00 feet to a stone corner, said corner being
also a corner of lands now or formerly of George Lesoine, thence along lands now
or formerly of George Lesoine, South 34°01'52" West 155.15 feet to a pipe,
thence along same, South 61°31'52" West 198.00 feet to a pipe, thence along the
same, South 6°01'43" West 124.45 feet to a stone corner, said corner being also
a corner of lands now or formerly of Andrew Vanbuskirk, thence along lands now
or formerly of Andrew Vanbuskirk, South 13°37'08" East 158.16 feet to a pipe,
said pipe being also a corner of lands now or formerly of Paul Halterman, thence
along lands now or formerly of Paul Halterman, South 28°17'22" West 72.75 feet
to a pipe, said pipe being also a corner of lands now or formerly of John
Gebbie, thence along lands now or formerly of John Gebbie, South 41°32'01" West
123.85 feet to a pipe, thence along the same, South 64°16'30" West 211.20 feet
to a pipe, thence along the same and along lands now or formerly of Charles
Moyer, South 26°27'17" East (at 345.80 feet passing a pipe) 370.82 feet to a
point in or near the center of the above mentioned Township Road 512, thence

VOL. 1640 PAGE 1784

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along the center line of Twp. Rd. 512 the following courses, South 65°46'15" West 49.93 feet, South 72°55'46" West 99.88 feet, South 76°02'30" West 99.84 feet, South 71°51'21" West 99.74 feet, South 72°57'32" West 100.00 feet and South 66°09'32" West 20.00 feet to the point of beginning. CONTAINING 53.725 acres.

BEING part of the same premises which Samuel M. Monatt and Frances L. Monatt, his wife, by their deed dated March 7, 1979 and recorded in the Office for the Recording of Deeds &c, at Stroudsburg, Monroe County, Pennsylvania, in Deed Book Volume 935, page 49, granted and conveyed unto M Charles Monatt, Grantor hereof, in fee.

ALSO BEING part of the same premises which Edward A. Katz, Seymour Katz and Leah Katz, his wife, by their Deed dated January 15, 1968 and recorded in the Office for the Recording of Deeds in and for Monroe County at Stroudsburg, Pennsylvania, in Deed Book 357, Page 448, did grant and convey their undivided one-half interest in the aforesaid premises unto M Charles Monatt.

UNDER AND SUBJECT to the rights granted to Pennsylvania Power and Light Company as more particularly set forth in Deed Book 172, page 215.

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 RECEIVED
 SEP 14 1988
 \$900.00

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 RECEIVED
 SEP 14 1988
 \$900.00

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 RECEIVED
 SEP 14 1988
 \$900.00

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 RECEIVED
 SEP 14 1988
 \$900.00

Local Real Estate Transfer Tax - Monroe County

School Dist. Atty Amt. \$ 2000.00

Twp..Suprs. Stroud Amt. \$ 2000.00

Boro of _____ Amt. \$ _____

Date SEP 14 1988

Dennis W. Decker Agent

COMMONWEALTH OF PENNSYLVANIA
 DEPARTMENT OF REVENUE
 RECEIVED
 SEP 14 1988
 \$1400.00

RIDER TO DEED

1. Grantor covenants to perform the promises set forth in Paragraph 8a of the Agreement of Sale between the parties hereto dated September 11, 1987, and recorded in the Office for the Recorder of Deeds for Monroe County, in Record Book Volume 1557, Page 1724, upon Grantee's demand for performance by Grantor at such time as Grantee requires performance by Grantor. The provisions of said Paragraph 8c shall survive settlement and shall not be merged by the delivery of the Deed. The aforesaid promises shall be covenants to be performed by the parties hereto, but shall not be conditions to the delivery of this Deed. Grantor's obligations in this paragraph shall terminate ipso facto on July 31, 1990 unless Grantee has demanded performance by Grantor prior thereto and Grantor is in default thereof.

2. The Buyer waives the provision of Paragraph 8b of the Agreement of sale.

3. Grantor covenants to perform the promises set forth in Paragraph 8c of the Agreement of Sale between the parties hereto dated September 11, 1987, and recorded in the Office of the Recorder of Deeds for Monroe County, in Record Book Volume 1577, Page 1724, upon Grantee's demand for performance by Grantor at such time as Grantee requires performance by Grantor. The provisions of said Paragraph 8c shall survive settlement and shall not be merged by the delivery of the Deed. The aforesaid promises

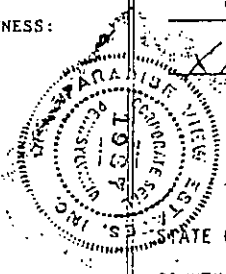
shall be covenants to be performed by the parties hereto, but shall not be conditions to the delivery of this Deed.

ATTEST: [Signature] sec

WITNESS:

BY: [Signature] (SEAL)
H. Henri Cohen

[Signature] / (SEAL)
H Charles Monatt



STATE OF PENNSYLVANIA)
COUNTY OF MONROE)

SS:

On this 22nd day of AUGUST, 1988, before me a Notary Public in and for the State and County aforesaid, the undersigned Officer, personally appeared H. Henri Cohen who acknowledged himself to be the President of Paradise View Estates, Inc., a corporation, and that he as such President, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as President.

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

[Signature]
Notary Public

Office Address:
My Commission Expires:
Notary Seal:

H. ALAN VICAR, Notary Pub
Stroudsburg Boro, Monroe County
My Commission Expires Aug. 27, 1990

STATE OF PENNSYLVANIA)
COUNTY OF MONROE)

SS:

On this 22nd day of AUGUST, 1988, before me a Notary Public in and for the State and County aforesaid, the undersigned Officer, personally appeared H Charles Monatt known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained.

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

[Signature]
Notary Public

Office Address:
My Commission Expires:
Notary Seal:

H. ALAN VICAR, Notary Pub
Stroudsburg Boro, Monroe County
My Commission Expires Aug. 27, 1990

Together with all and singular, the buildings, improvements, woods, ways, rights, liberties, privileges, hereditaments and appurtenances, to the same belonging, or in any wise appertaining, and the reversion and reversions; remainder and remainders, rents, issues, and profits thereof, and of every part and parcel thereof: And also, all the estate, right, title, interest, property, possession, claim and demand whatsoever, both in law and equity, of the said part y of the first part, of, in, and to the said premises, with the appurtenances:

To have and to hold the said premises, with all and singular the appurtenances unto the said party of the second part, its successors and assigns, to the only proper use, benefit and behoof of the said party of the second part, its successors and assigns forever,

And the said Party of the First Part, his

heirs, executors and administrators, do by these presents, covenant, grant and agree, to and with the said part y of the second part, its successors and assigns forever, that he the said Party of the First Part, his heirs, all and singular the hereditaments and premises herein above described and granted, or mentioned and intended so to be, with the appurtenances, unto the said part y of the second part, its successors and assigns, against him the said Party of the First Part, his heirs, and against all and every other person or persons, whomsoever lawfully claiming or to claim the same or any part thereof.

SHALL and WILL

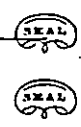
GENERALLY WARRANT and forever DEFEND.

In witness whereof, the said party of the first part to these presents hereunto set s his hand and seal . Dated the day and year first above written.

Signed, Sealed and Delivered }
IN THE PRESENCE OF UK

[Handwritten signature]

M Charles Monatt
M Charles Monatt



Received, the day of the date of the above Indenture of the above named

State of Pennsylvania
County of Monroe } ss.

On the 22nd day of August, 1988, before me,
a notary public, in and for the above-stated State and County,

the undersigned officer, personally appeared M Charles Monatt

known to me (or satisfactorily proven) to be the person whose name is subscribed to the
within instrument, and acknowledged that he executed the same for the
purposes therein contained, and desired the same might be recorded as such.

In Witness Whereof, I hereunto set my hand and official seal.

The address of the within-named Grantee:
717 SARAH ST. STROUDSBURG, PA.
[Signature]
On behalf of the Grantee

[Signature]
MARYELLEN A. HUTCHINSON, Notary Public
Stroudsburg, Monroe County, PA.
My Commission Expires March 9, 1992
1992
Title of Officer

Deed.

M CHARLES MONATT

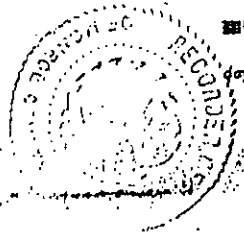
-AND-

PARADISE VIEW ESTATES, INC.

1987 John C. Cynk Co., Phila 734

HISCOTT AND ROBINSON
ATTORNEYS AT LAW
400 SCOTT STREET
STROUDSBURG, PENNSYLVANIA 18360

Recorded, in the Office for the Recording of Deeds in and for
Monroe County Record
in Book No. 1640
page 1784 &c.



Witness my hand and seal of Office this 14th
day of September Anno Domini 1988

Recorder Dennis W. Desbler
Deputy Recorder

VOL. 1640 PAGE 1789



COUNTY OF MONROE

RECORDER OF DEEDS.
7th & MONROE STREETS
STROUDSBURG, PA 18360
Area Code (570) 517-3969

Helen Diecidue - Recorder
Mary Ann Lesh - Chief Deputy
Jamie Butz - Deputy

Instrument Number - 200507433
Recorded On 2/17/2005 At 12:35:05 PM
* Instrument Type - DEED
Invoice Number - 372313
* Grantor - FUHRER, JOSEPHINE
* Grantee - BML AT MOUNTAIN VIEW LP
User - EFS
* Customer - AMERICAN LAND TRANSFER INC

Book - 2216 Starting Page - 6886
* Total Pages - 4

* FEES

STATE TRANSFER TAX	\$9,399.34
STATE WRIT TAX	\$0.50
JCS/ACCESS TO JUSTICE	\$10.00
RECORDING FEES	\$13.00
AFFORDABLE HOUSING	\$13.00
COUNTY ARCHIVES FEE	\$2.00
ROD ARCHIVES FEE	\$3.00
STROUDSBURG SCHOOL DISTRICT	\$4,699.67
STROUD TOWNSHIP	\$4,699.67
TOTAL	\$18,840.18

RETURN DOCUMENT TO:
AMERICAN LAND TRANSFER INC
4486 YORK ROAD BOX 670
BUCKINGHAM, PA 18912



I Heroby CERTIFY that this document is recorded in the
Recorder's Office of Monroe County, Pennsylvania

Helen Diecidue

THIS IS A CERTIFICATION PAGE

Do Not Detach

THIS PAGE IS NOW THE FIRST PAGE
OF THIS LEGAL DOCUMENT

* - Information denoted by an asterisk may change during
the verification process and may not be reflected on this page.

Book: 2216 Page: 6886



Exhibit L-5
(Tract 5)

Return to:
AMERICAN LAND TRANSFER INC.
4486 YORK ROAD, BOX 670
BUCKINGHAM, PA 18912

6

03-0431AL (1)

Delivered & accepted
2/16/05 X

3P
2N

Part of Tax I.D. Nos. 17/15/2/7 and 17/110585

This Deed, MADE this 12 day of Feb 2005 in the year of our
Lord Two Thousand Five (2005),

BETWEEN JOSEPHINE FUHRER, unmarried widow, c/o Edwin C. Fuhrer, 4567
Bossler Road, Elizabethtown, Pennsylvania 17022,
(hereinafter called the Grantor),

-AND-

BML AT MOUNTAIN VIEW, LP, a Pennsylvania limited partnership, of
2421 Bristol Road Warrington, Pennsylvania 18976,
(hereinafter called the Grantee),

~~Witnesseth~~, That in consideration of NINE HUNDRED THIRTY-NINE THOUSAND
NINE HUNDRED THIRTY-FOUR and 00/100 (\$939,934.00) DOLLARS in hand paid, the
receipt whereof is hereby acknowledged, the said Grantor does hereby grant and convey
to the said Grantee, its successors and assigns,

ALL THAT CERTAIN TRACT OF LAND situate in the Township of Stroud, County of Monroe,
Commonwealth of Pennsylvania, as shown on an *Overall Plan of Subdivision* prepared by Irick,
Eberhardt & Mientus Inc., dated November 2, 2003, last revised November 2, 2004, and recorded
on February 14, 2005, Monroe County Recorder's Office, Map Book 77 pages 43-49
Bounded and Described as follows:

BEGINNING at a point on the northeasterly sideline of Route 447 (60' wide), a corner to lands now
or late of Bruce Douglas Sibum,

Thence, from said point of beginning along a curve to the left having a radius of 1176.28 feet (the long
chord of which bears N 37°39'01" W for a distance of 547.32 feet) an arc length of 552.38 feet to a
point, a point of tangency;

Thence continuing along said northeasterly sideline of Route 447 N 51°06'12" W, 214.18 feet to a
point, a corner to lands to be retained by Josephine Fuhrer;

Thence along said lands to be retained by Josephine Fuhrer the following three (3) courses and
distances:

50

1. N 52°01'31" E, 669.65 feet to a point;
2. N 34°06'38" E, 128.85 feet to a point
3. N 04°48'22" W, 801.39 feet to a point;
4. N 38°30'19" W, 626.35 feet to a point in line of lands now or late of Merle Marryshow;

Thence along said lands now or late of Merle Marryshow N 51°29'41" E, 1729.05 feet to a point, a corner to Lot #583 of Blue Mountain Lake;

Thence along said Lot #583 of Blue Mountain Lake and also Lots #584, 585, 586, 587, 588, 589 & 590 S 37°06'07" E, 1021.81 feet to a point on the northwesterly sideline of Blue Mountain Crossing;

Thence along said northwesterly sideline of Blue Mountain Crossing and also an open space parcel of above mentioned Blue Mountain Lake S 50°50'17" W, 1032.13 feet to a point;

Thence along said open space parcel of Blue Mountain Lake, Lot #435 and other open space of Blue Mountain Lake S 38°33'44" E, 1528.84 feet to a point, a corner to Lot #400 of Blue Mountain Lake;

Thence along said Lot #400 of Blue Mountain Lake and also Lots #401, 402, 403, 404 and lands now or late of Herman & Bonnie L. Sibum Jr. S 51°17'33" W, 849.67 feet to a point;

Thence along said lands now or late of Herman & Bonnie L. Sibum Jr. S 77°39'33" W, 252.39 feet to a point;

Thence continuing along said lands now or late of Herman & Bonnie L. Sibum Jr. and also lands now or late of Herman Sibum Jr. & Wayne T. Sibum S 43°56'22" W; 406.29 feet to a point;

Thence along said lands now or late of Herman Sibum Jr. & Wayne T. Sibum N 42°14'21" W, 79.39 feet to a point, a corner to above referenced lands now or late of Bruce Douglas Sibum;

Thence along said lands now or late of Bruce Douglas Sibum N 34°07'31" W, 140.98 feet to a point;

Thence continuing along said lands now or late of Bruce Douglas Sibum S 73°34'22" W, 308.31 feet to the POINT OF BEGINNING.

CONTAINING: 4094351 square feet or 93.9934 acres of land, more or less.

BEING PART OF THE SAME PREMISES which Edwin Fuhrer and Josephine Fuhrer, his wife, by their Deed dated January 29, 1970, and recorded January 30, 1970, in the Office for the Recording of Deeds, &c., at Stroudsburg, Pennsylvania, in and for the County of Monroe, in Deed Book Volume 382, Page 947, granted and conveyed unto Edwin Fuhrer and Josephine Fuhrer, his wife, in fee.

NOTE: The said Edwin Fuhrer departed this life on March 21, 1978, thereby by operation of the law vesting fee simple title to the herein described premises in Josephine Fuhrer, Grantor hereof, as surviving tenant by the entireties.

UNDER AND SUBJECT to all covenants, conditions, restrictions, reservations and exceptions as appear in the chain of title.

And the said Grantor does hereby covenant and agree to and with the said Grantee that the Grantor, her heirs, executors and administrators, SHALL and WILL SPECIALLY WARRANT and forever DEFEND the herein above described premises, with the hereditaments and appurtenances, unto the said Grantee, its successors and assigns, against the said Grantor and against every other person lawfully claiming or who shall hereafter claim the same or any part thereof.

In Witness Whereof, said Grantor has hereunto set her hand and seal the day and year first above written.

Sealed and Delivered
IN THE PRESENCE OF

Josephine Fuhrer (SEAL)
Josephine Fuhrer

State of Pennsylvania

ss:

County of LANCASTER

On the 12th day of FEBRUARY, 2005, before me, a Notary Public in and for said County and State, the undersigned officer, personally appeared Josephine Fuhrer, unmarried widow, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument, and acknowledged that she executed the same for the purposes therein contained, and desired the same might be recorded as such.

In Witness Whereof, I hereunto set my hand and official seal.

Karen Y. Boyer
Title of Officer

The address of the within-named Grantee
is

2421 Bristol Road
Warrington, PA 18976

[Signature]
On behalf of the Grantee

Notarial Seal
Karen Y. Boyer, Notary Public
Elizabethtown Boro, Lancaster County
My Commission Expires July 11, 2006

CRAMER, SWETZ & McMANUS, P.C.
Attorneys At Law
711 Sarah Street
Stroudsburg, PA 18360

ESTIMATE OF PENNSYLVANIA-AMERICAN WATER COMPANY'S
ANNUAL REVENUES AND EXPENSES
IN APPLICATION TERRITORY

Revenue	\$ 110,443
Operation and maintenance	54,841
Depreciation	17,241
Income taxes	<u>5,760</u>
Utility operating income	\$ 32,601
Interest expense	<u>23,000</u>
Net income to common	\$ 9,601

Exhibit M