

WATER SERVICE AGREEMENT

THIS AGREEMENT, made and entered into this 9th day of July, 2001, by
and between

DANVILLE MUNICIPAL AUTHORITY, a municipal authority organized and existing under the Pennsylvania Municipal Authorities Act of 1945 (hereinafter called "Danville") with its office at 12 West Market Street, Danville, Pennsylvania,

- AND -

MAHONING TOWNSHIP AUTHORITY, a municipal authority organized and existing under the Pennsylvania Municipal Authorities Act of 1945 (hereinafter called "Mahoning") with its office at 1101 Bloom Road, Danville, Pennsylvania.

WHEREAS, Danville has been requested by Mahoning to provide full-time public water service to its water system in Mahoning Township, Montour County, Pennsylvania; and

WHEREAS, the Pennsylvania Department of Environmental Protection (DEP) has issued Mahoning a subsidiary Water Allocation Permit WA 47-1006A and amended Danville's existing Water Allocation Permit WA 55B granting Mahoning the right to purchase up to a maximum of 765,000 gallons per day (gpd) based on a 30 day average; and

WHEREAS, Danville has capacity to provide the requested water and is agreeable to sell water from its system;

NOW THEREFORE, in consideration of the promises and mutual covenants made herein, and expressing the intent to be legally bound hereby, the parties agree that the above recitals do form a part of this Agreement and it is further agreed as follows:

1. Danville hereby covenants and agrees, in accordance with the terms of this Agreement, to supply and sell potable water from the Danville System to Mahoning for distribution to the customers and users, present and future, of the Mahoning system up to the prevailing capacity limit defined below and in accordance with the terms and conditions of this Agreement.
2. Danville shall supply water pursuant to this Agreement via the two existing interconnections located on Bloom Street and U. S. Route 11. The meters, chambers and appurtenances at these two locations will be owned and maintained by Danville.
 - a. Normal working pressures within this system will be maintained by the two 1.5 million gallon storage tanks which have an overflow elevation of 717.50 feet above mean sea level (msl); a normal minimum operating water level of approximately 712.50 msl; total height of 36 feet; and diameters of 85 feet each.
 - b. Nothing within this Agreement shall be construed to mean Danville shall be responsible for furnishing water at any flow rate or pressures to any parts of the Mahoning system beyond the points of interconnection (meter chambers).
3. It is expressly agreed by the parties hereto that Danville shall not be obligated to supply water to Mahoning in excess of 765,000 gpd as a monthly average. If Mahoning requires a greater rate of supply, the parties agree to negotiate the terms for the supply of such additional water, and to amend this agreement accordingly.
4. The maximum daily water consumption rate shall not exceed the prevailing capacity allowance by more than 25 percent measured in gallons per minute (gpm). Currently this maximum rate is 664 gpm based on a 765,000 gpd capacity. Danville reserves the right

to control the maximum rate by installation of flow controllers or other means which Danville may deem to be warranted.

5. Mahoning shall pay the total sum of Three Hundred Fifty Thousand Dollars (\$350,000.00) to Danville as follows:
 - a. One Hundred Fifty Thousand Dollars (\$150,000.00) at the signing of this Agreement.
 - b. One Hundred Thousand Dollars (\$100,000.00) on or before April 27, 2002.
 - c. One Hundred Thousand Dollars (\$100,000.00) on or before April 27, 2003.
 - d. Any failure to timely pay these installments shall constitute a default by Mahoning, and Danville may, in addition to any other remedies provided by law or this Agreement, impose an interest charge of one and one-half per cent (1½%) per month on any overdue installment payment.
6. The amount of water purchased by Mahoning shall be determined based upon the sum of the master meter readings located at the two locations described above in item 2.
 - a. Responsibility for meter maintenance and reading shall be borne by Danville which agrees to have the meters tested and certified in accordance with water industry standards but not less frequently than once every five years. Mahoning may, at its discretion, attend such meter tests. Copies of such test reports and certifications shall be supplied to Mahoning upon request.
 - b. Mahoning shall pay water consumption charges to Danville on a monthly basis for all water supplied. The cost charges per 1,000 gallons will be as set forth in Danville's prevailing rate schedule. Danville warrants that the water consumption

charges for Mahoning will continue to be uniform with charges for other bulk water users. The current cost is \$1.80 per thousand gallons.

- c. Mahoning shall pay Danville the monthly minimum charge based on Danville's prevailing rate schedule for the size of each meter installed if the total of such charges is higher than the amount otherwise due for water usage.
7. Mahoning covenants and agrees that it will not make any sale or resale of any water provided by Danville to any location or customer outside of Mahoning Township, regardless of whether the connection with the Mahoning system is physically located inside or outside the geographical boundaries of Mahoning Township. This condition may be amended for individual customers by the written consent of Danville.
8. Mahoning shall make no new or supplemental water permit application for water drawn through the Danville system without giving reasonable prior notification to Danville.
9. a. In the event of an emergency or catastrophe causing a temporary failure or limit of supply of water, including, but not limited to a drought watch, warning, or emergency, Danville agrees to treat Mahoning on the same basis as all other customers of the Danville System. Mahoning agrees that it will impose upon its customers served with water from the Danville System restrictions, usage conditions, and penalties at least as stringent as those imposed by Danville on its customers during such an event. In this regard, Mahoning will develop such rules and regulations as are necessary to do so, and will petition Mahoning Township to enact a water emergency ordinance in a form acceptable to Danville.

- b. If either Danville or Mahoning is required by an authorized agency, to develop a water rationing plan, or if both parties agree to develop such a plan, both parties agree to cooperate in the development of the plan so that the plans of both parties are compatible.
10. The Danville System shall be and remain the property of Danville and the Mahoning System shall be and remain the property of Mahoning. Both Danville and Mahoning covenant and agree to maintain their systems in good repair and operating condition; to operate the same continuously in an economical and efficient manner in compliance with all regulatory and statutory requirements; and to make all repairs, renewals, replacements and improvements thereto as required to maintain adequate water service to users.
- a. Danville shall provide water under the terms of this Agreement which meets quality requirements of appropriate regulatory agencies, and shall be the same water as that supplied to Danville customers. Nothing within this Agreement shall be construed to mean Danville shall be responsible for furnishing water at quality requirements of appropriate agencies to any parts of the Mahoning System beyond the metered interconnection points.
 - b. If any part of either System is in any way damaged by any cause originating in the system owned by the other party, or is damaged by reason of the acts or omissions of the users or agents of the other party, then the reasonable cost of repairing any such damage shall be paid by such other party within sixty (60) days of receiving an invoice and supporting cost documentation.

- c. If any property damage or personal injury occurs as a result of the operation of either Water System such that the other party is or may be held liable for such loss, then the owner of the Water System at fault shall indemnify, defend, and hold harmless the other party.. As an example and not by way of limitation, if a pressure surge in one Water System causes a rupture in the other Water System, and property damage results, the owner of the system where the pressure surge occurred shall indemnify and defend the other party and accept all liability therefor.
11. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. Provided that this Agreement may not be assigned to a private entity, public utility, or other non-governmental entity without the express written permission of the other party.
12. This Agreement may be amended from time to time by mutual agreement in writing, executed by all parties hereto. Conduct of the parties, any oral agreement, waiver of or failure to assert a right, privilege or condition, or other irregularities shall not operate as a general waiver or a waiver of any future requirements, nor as an amendment of any portion of this Agreement.
13. This Agreement shall be effective 12:01 A.M. April 27, 2001 and shall continue in force for a minimum period of fifteen (15) years thereafter. The parties hereto further agree that after the initial fifteen (15) year period this Agreement may be extended on a yearly basis, subject to all of the terms and conditions herein, until either party hereto shall give to the other (1) year written notice of an intention to terminate this Agreement. It is

further agreed that this Agreement shall not be terminable by either party within the minimum fifteen (15) year period.

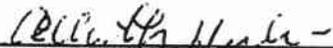
14. In accordance with Danville's Water Allocation Permit, Danville shall not interrupt or terminate service of water to Mahoning unless such interruption or termination is in accordance with the terms of any Agreement between the parties; except that emergency water use reductions in sale and delivery of water to Mahoning may be implemented commensurate with the emergency water use restrictions imposed throughout Danville's service area. Reduction or cessation of service to Mahoning due to circumstances beyond Danville's control, such as main breaks or equipment failures, shall not be considered a violation of this condition if repairs are made with due diligence. When the Agreement expires according to its terms, or when Water Allocation Permit WA 55B expires, whichever occurs first, this condition shall become null and void.
15. In event of breach of this Agreement by Mahoning, Danville may, in addition to any other remedies provided by law, elect to terminate this Agreement and terminate water service to Mahoning. Mahoning acknowledges that, upon termination of this Agreement, Danville may elect to continue to provide water service to Mahoning unless such service is refused by Mahoning. In such a case the customer classification of Mahoning shall be as provided in Danville's Rate Schedule, and the applicable water rates will be charged.
16. Any dispute, controversy or claim arising out of or under this agreement or its performance shall be submitted to arbitration which shall be exclusive, final, binding and conducted in accordance with the Pennsylvania Arbitration Act (42 Pa. C.S.A. §7301 et. seq.) and shall be non applicable except in accordance with such statute. Each party shall

select an arbitrator and they shall select a third arbitrator, or if they cannot agree, then appointment(s) shall be made by the Court pursuant to §7305. If any party does not select its arbitrator within thirty (30) days after service of the notice of demand for arbitration, then the appointment(s) shall be made by the Court pursuant to §7305. The decision of a majority of the arbitrators shall be final and in writing setting forth their award, the reasons therefor and any dissenting opinion of the panel. All hearings in the arbitration shall be held in Montour County, Pennsylvania. The third arbitrator shall be neutral and unbiased and shall serve as chairman of the panel. Each party shall bear the fees and expenses of its counsel, witnesses, and the cost of the arbitration shall be borne as set forth in the award, or in the absence of an award or a specific determination by the arbitrators or agreement of the parties, shall be borne equally by the parties. The arbitrators shall set forth its findings of fact, determinations and award within ten (10) days after conclusion of the hearings. At any time before the arbitrators have served upon the parties a written award, the parties may resolve the dispute by settlement, whereupon they shall direct the arbitration panel to cease its deliberations and render a final accounting of fees and expenses to be paid in accordance with the foregoing. Any decision of the arbitrators may be entered as a judgment in any court of competent jurisdiction and may be enforced as such in accordance with the provisions of the award. This agreement to arbitrate shall be specifically enforceable by the parties, and they confirm that they intend that all disputes, controversies or claims of any kind shall be arbitrated.

17. The agreement dated April 27, 1981, between Danville and Mahoning for providing water service from these two interconnection locations is terminated effective April 27, 2001.
18. If any provisions of this Agreement are held to be invalid or unenforceable, all other provisions shall continue in full force and effect.

IN WITNESS WHEREOF, Danville Municipal Authority and Mahoning Township Authority have each caused this Agreement to be duly executed and attested by their proper officers, pursuant to proper action of its governing body, all as of the day and year first written above.

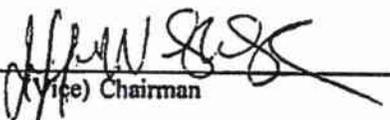
DANVILLE MUNICIPAL AUTHORITY

By: 
(Vice) Chairman

Attest:


(Vice) Secretary

MAHONING TOWNSHIP AUTHORITY

By: 
(Vice) Chairman

Attest:


(Vice) Secretary