
EXHIBIT F2

AGREEMENT, DATED SEPTEMBER 1, 1977, BY AND AMONG
THE MUNICIPAL AUTHORITY OF THE BOROUGH OF
MORRISVILLE, BOROUGH OF YARDLEY, YARDLEY BOROUGH
SEWER AUTHORITY, TOWNSHIP OF LOWER MAKEFIELD, AND
THE MUNICIPAL SEWER AUTHORITY OF THE TOWNSHIP OF
LOWER MAKEFIELD

AGREEMENT

THIS AGREEMENT, made and executed this 15th day of September, 1977 by and among THE MUNICIPAL AUTHORITY OF THE BOROUGH OF MORRISVILLE (hereinafter called the "Morrisville Authority"), BOROUGH OF YARDLEY (hereinafter called "Yardley"), YARDLEY BOROUGH SEWER AUTHORITY (hereinafter called the "Yardley Authority"), TOWNSHIP OF LOWER MAKEFIELD (hereinafter "Lower Makefield") and THE MUNICIPAL SEWER AUTHORITY OF THE TOWNSHIP OF LOWER MAKEFIELD (hereinafter called the "Makefield Authority"),

W I T N E S S E T H:

WHEREAS, Morrisville Authority, Yardley Authority and Makefield Authority are the parties to an Agreement dated the eleventh day of March 1964 for the treatment of sewerage emanating from the Borough of Yardley and Township of Lower Makefield in the wastewater pollution control plant of Morrisville Authority; and

WHEREAS, certain controversies have arisen concerning the interpretation of the Agreement of the eleventh day of March 1964, and the parties have deemed it to their respective best interests to terminate that contract and to enter into a new contract whereby Morrisville Authority will treat sewerage transmitted to it by Yardley Authority and Makefield Authority; and

WHEREAS, Makefield Authority has leased its sanitary sewage collection system to Lower Makefield; and

WHEREAS, Yardley Authority has leased its sanitary sewage collection system to Yardley; and

WHEREAS, Morrisville Authority presently owns a wastewater pollution control plant, which has recently been expanded with a rated capacity of 5.6 million gallons per day (MGD); and

WHEREAS, part of the capacity as hereinafter set forth has been constructed through capital contributions of Yardley Authority and Makefield Authority; and

WHEREAS, it appears that the most feasible and economical method of providing for the treatment and disposal of sewerage and waste to be collected by the sewer system of Yardley Authority and Makefield Authority would be to continue to deliver the same to the Morrisville Authority for treatment and disposal.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto intending to be legally bound hereby, covenant and agree as follows:

Section 1. Definitions

"Morrisville Authority", "Makefield Authority"; "Lower Makefield", "Yardley Authority", and "Yardley", shall have the meanings as ascribed to them in the recitals hereto.

"Sewage", "wastewater", "sanitary sewage" and "sanitary waste" means normal water carried, household and toilet wastes from an improved residential property or the rest room facilities of any commercial or industrial property.

"Prohibited wastes" shall mean storm water, water from roof, surface or subsurface drainage, water from storm water inlets, sump pumps, floor drains, roof leaders and other direct sources; industrial wastes, chemicals and other water or sanitary waste having any of the following properties:

(a) Any liquid or vapor having a temperature higher than 150° F.

(b) Any water or waste which may contain more than 100 parts per million by weight of fat, oil or grease.

(c) Any gasoline, benzene, naphtha, fuel oil or other inflammable or explosive liquid, solid or gas.

(d) Any garbage that has not been properly shredded.

(e) Any ashes, cinders, sand, mud, straw, wood or metal shavings, metal, glass, rags, feathers, tar, plastics, wood, paunch manure or any other viscous substance capable of causing obstruction to the flow in the sewer system or other interference with the proper operation of the sewer system.

(f) Any waters or wastes having a pH lower than 6.0 or higher than 8.4 or having any other corrosive property capable of causing damage or hazard to structures, equipment, or personnel of the sewer system.

(g) Any waters or wastes containing a toxic or poisonous substance in sufficient quantity to injure or interfere with any sewage treatment process, constitute a hazard to humans or animals or create any hazard in

the receiving waters of the sewer system. Toxic wastes shall include, but not be limited to, wastes containing cyanide, lead, copper and/or chromium ions.

(h) Any waters or wastes of such character and quantity that unusual attention or expense is required to handle such materials at the sewage treatment works except as may be approved by Morrisville Authority.

(i) Any noxious or malodorous gas or substance capable of creating a public nuisance.

(j) No rates of flow taking on the proportions of a Slug. This applies likewise to Domestic Sewage.

(k) Radioactive materials.

(l) Highly colored wastewaters.

"Costs of Construction" means all expenses which are properly chargeable to capital under sound accounting practice or which are incidental to the financing and construction of additions and improvements to the Treatment Plant, including without limiting the generality of the foregoing:

(a) amounts payable to contractors and costs incident to the award of contracts;

(b) costs of labor, facilities and services furnished by the Morrisville Authority and its employees or others, materials and supplies purchased by the Morrisville Authority or others, and permits and licenses obtained by the Morrisville Authority;

(c) engineering, legal, accounting and other professional and advisory fees;

(d) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;

(e) interest during construction;

(f) Administrative Expenses of the Morrisville Authority during construction;

(g) printing, engraving and other expenses of financing;

(h) costs, fees and expenses in connection with the acquisition of real property or rights therein;

(i) cost of equipment necessary to the completion and proper operation of the Treatment Plant; and

(j) amounts required to repay temporary (bond anticipation) loans made to finance the costs of any improvements to the Treatment Plant.

"Cost of Operation and Maintenance" shall, with reference to the Treatment Plant, mean the actual costs and expenses required in the operation, repair and maintenance thereof including, in each case, without intending to limit the generality of the foregoing, electric power, labor, materials and supplies, equipment and fixtures, administration costs, and all contract services, less any federal or state grants, which are specifically designated by the granting agency to be reimbursement for operation and maintenance and less any costs which are incurred in connection with handling sewage wastes discharged from any party's Sewage Collection System and discharged into the Treatment Plant which requires special handling or treatment as contemplated in subparagraph (b) of Section 12 and in Section 17.

"Consulting Engineer" means Betz Environmental Engineers, Inc., Plymouth Meeting, Pennsylvania, and in the event said firm ceases to serve as consulting engineer for Morrisville Authority, an engineering firm or professional engineer having a favorable repute for skill and experience in the construction and operation of a sewage treatment plant registered in Pennsylvania and chosen by Morrisville Authority.

"Average Daily Flow" means the sewage flowing through a metering station computed by taking the total flow for the day in question and the flows of the immediate preceding and immediate succeeding days and dividing this three (3) day total by three (3). The number of days to be used to measure the flow shall be altered in the event the National Pollution Discharge Elimination System (NPDES) permit standard is altered.

"Slug" means any discharge of sewage which for a period of fifteen minutes shall exceed five times the average daily flow.

"Treatment Plant" means the existing sewage treatment plant and facilities located in Morrisville Borough owned and operated by the Morrisville Authority with any additions, modifications or improvements thereto.

Section 2. Statement of Intent

The Morrisville Authority has owned and operated its own Treatment Plant to serve its customers within the Borough of Morrisville since 1956 with an initial capacity of 2.5 MGD. In 1964, certain modifications to the Treatment Plant expedited the handling of the original capacity. Commencing in 1973, the treatment plant was increased in size to 5.6 MGD. Makefield Authority and Yardley Authority have each made capital contributions to the 1964 and 1973 plant expansion to pay for their proportionate share of the cost of construction. The Treatment Plant and any additions thereto shall continue to be owned and maintained exclusively by Morrisville Authority. However, each party to this Agreement shall have the exclusive right to the reserve capacity allocated to it hereafter in Section 3 hereof.

Section 3. Reserve Capacity

Subject to the payment of charges and subject also to the limitations of this Agreement, Morrisville Authority grants unto each party and reserves unto itself the right during the term of this Agreement to discharge sewage into the Treatment Plant in the following maximum Average Daily Flow quantities representing the percentage of total capacity as set forth.

	<u>Reserve Capacity</u>	<u>Percentage Of Capacity</u>
Yardley and Yardley Authority	430,000	7.68
Lower Makefield and Makefield Authority	1,697,000	30.36
Morrisville Authority	3,473,000	61.96

Section 4. Delivery of Sewage

All sewage originating in each party's sewage collection system shall be delivered to a point or points of connection for transportation to and treatment at the Treatment Plant, provided however, that nothing herein shall be construed as requiring any party to deliver to the Treatment Plant any sewage originating in its respective area which by good engineering practice cannot be delivered to the Treatment Plant on a practical and economical basis. The existing points of connection are shown on Exhibit A attached hereto. Future points of connection, if any, shall be

agreed upon in writing by the parties hereto prior to commencement of any future construction.

In the event that increased transportation capacity is required within the lines of Morrisville Authority from the points of connection to the Treatment Plant the cost of replacing or supplementing those lines shall be borne by Makefield Authority and Yardley Authority in proportion to their allocated capacity at that time in the new line. Morrisville Authority shall share in the cost of replacing or supplementing the sewer line to the extent the present flow from the Morrisville Authority in the now existing sewer lines exceeds the design capacity of that sewer line or to the extent the Morrisville Authority requests in writing reserved capacity in the new sewer line. The procedure for planning, designing and constructing the new sewer line shall be as set forth in Section 8 and Section 9 for constructing increases to the Treatment Plant.

Section 5. Metering Stations

Meter stations for the purpose of measuring the flow from each party hereto shall be installed at all points of connection unless it is determined to be not feasible by then current engineering standards. All meters which are installed as being feasible under such engineering standards shall have their flow telemetered to the Treatment Plant. The total flow at the Treatment Plant shall also be metered. The said points of connection are set forth in Exhibit A of this Agreement. Meters where installed shall be of the continuous reading type with seven (7) day charts, however, the totalizer shall be read daily by the owner of the system in which the meter is installed and reported on a monthly basis to all other parties hereto. The expense of procuring, installation and maintenance of the meters shall be paid by the owner of the system in which the meter is installed. All parties hereto shall have the right of inspection of the metering chambers and review of the meter charts.

Section 6. Compliance with laws, rules and regulations

The parties hereto agree to exclude from their respective sewage collection systems prohibited wastes and to comply with all present and future laws, rules, regulations, permits, orders, requirements lawfully made by the Pennsylvania Department of Environmental Resources or the United States Environmental Protection Agency or any other governmental body having jurisdiction. The parties hereto agree to comply with the present and future lawful rules and regulations of Morrisville Authority as they may pertain to each party's sewage collection system and the sewage collected therein.

(a) If the Pennsylvania Department of Environmental Resources or any other governmental body having jurisdiction orders Morrisville Authority to intensify treatment over that for which the Treatment Plant was originally designed as modified, then each party hereto shall pay the same share of the Costs of Construction of the facilities necessary for such intensification as their percentage of reserve capacity as set forth in Section 3. Payment of such share of Costs of Construction shall be deposited with Morrisville Authority prior to the award of construction contracts.

(b) If Morrisville Authority receives a Notice or Order from a regulatory agency to intensify its treatment, Morrisville Authority shall deliver copies thereof within forty-eight (48) hours to the other parties hereto. As additional real parties in interest any party hereto may file an appeal of the Notice or Order and prosecute such appeal through to a conclusion at its own cost and expense. Copies of all appeal documents and proceedings thereunder shall be supplied to Morrisville Authority. So long as an appeal is filed and being prosecuted in good faith Morrisville Authority shall not proceed with expansion or modification of the Treatment Plant.

(c) The income earned during construction on the deposits required by this section prior to the start of construction shall be allocated between the parties in proportion to their deposits taking into account the date of the deposit. At the completion of any construction project under this section, Morrisville Authority shall account for all Costs of Construction and income earned. Any excess shall be repaid to the party making the deposit in accordance with the accounting and any deficiency shall be paid by the party responsible therefor in accordance with the accounting.

(d) If, incidental to the intensification of treatment, the capacity in the Treatment Plant is increased, then the parties hereto shall each be entitled, as a matter of right, to increase its reserve capacity in the Treatment Plant in proportion to its percentage of reserve capacity set forth in Section 3. If any party does not wish to retain its reserve capacity created incidental to intensification, it may transfer it to either of the other parties to this Agreement under such terms as they shall agree upon.

Section 8. Increased capacity to Treatment Plant

If any party hereto wishes Morrisville Authority to enlarge the Treatment Plant to provide additional treatment capacity, it shall notify Morrisville Authority in writing of the amount of additional capacity it is requesting. Upon receipt of such notification, Morrisville Authority will notify in writing all other parties hereto to determine if they desire additional capacity. Any party hereto who does not respond, setting forth its requested additional capacity in writing, to such notification from

Morrisville Authority within ninety (90) days of the date of such notification shall be deemed to have requested no additional capacity.

Morrisville Authority agrees, after each party hereto has responded or is deemed to have responded, it will cause its Consulting Engineer to design, prepare construction drawings, prepare cost estimates and obtain all governmental approvals necessary to construct enlargements, additions, improvements or modifications of the treatment plant necessary to provide the total additional capacity requested. Each party requesting additional capacity shall pay its pro rata share of the Costs of Construction of such enlargement determined by dividing its requested additional capacity by the total additional capacity being provided. Payment of such share shall be paid prior to the time that Morrisville Authority awards the contracts for the construction of the enlargement, addition, improvement or modification to the Treatment Plant.

In the event that, as part of the expansion, there is an intensification of the quality of treatment, the consulting engineer of each of the parties shall jointly determine in accordance with the then applicable engineering standards that portion of the Costs of Construction attributable to the intensified treatment which shall be set forth in a written report. The Costs of Construction so determined shall be shared and paid by the parties hereto in accordance with their percentage of reserve capacity as set forth in Section 3 and the balance of the Costs of Construction shall be paid pro rata as provided in this Section. In the event the respective consulting engineers are unable to agree upon the allocation of costs they shall jointly chose a registered professional engineer to consider all relevant data to arrive at an apportionment of the costs, which apportionment shall be final and binding on all parties.

Section 9. Construction Cost Report

Upon the completion of any construction contemplated by this Agreement, Morrisville Authority shall cause its Consulting Engineer to certify to Makefield Authority and Yardley Authority the completion of the project and the total cost of the project in a reasonable detail including a listing of the credits against that project cost. If the total cost of the project exceeds the initial deposit by either Makefield Authority or Yardley Authority based upon their requested reserve capacity, the underpayment shall be paid within thirty (30) days. In the event the cost of the project is less than the amount paid by either authority, the amount of the overdeposit shall be refunded within fifteen (15) days of the date of certification.

Section 10. Sewage Samples

Samples of sewage and data from meter stations may be obtained and analyzed by any party hereto at any place and at any reasonable time in order to insure compliance with the terms of this Agreement. Each party hereto shall have the right to have a representative present when such samples or data are obtained, but such right shall not limit any party's right of access to the metering station to obtain such samples or data.

Section 11. Sewage Flow Determination

For the purpose of determining and calculating the volume or character of the sewage discharged from each party's sewage collection system to the treatment plant, the following methods shall be used:

(a) All meters shall be inspected, calibrated and tested for accuracy at least quarter-annually by an independent testing service on behalf of the owner of the meters. Reports of such inspection shall be made directly by the testing service to all parties to this Agreement. The cost of such inspection and the cost of any repair or replacement shall be borne by owners of the meters.

(b) In the case of missing flow records due to faulty meter registration or otherwise, an estimate of flows will be made for the purposes of determining volume of sewage discharge. This estimate will be based upon an evaluation of past flow records as applied to present conditions as reviewed and approved by the Morrisville Authority and the party whose flows are in question.

(c) The record of sewage flow through recording meters operated and maintained at the points of connection shall be forwarded to all other parties to this Agreement on or before the fifteenth day of the first month of each quarter showing the total daily sewage flows discharged during the previous quarter.

Section 12. Charges and Payments

(a) Morrisville Authority will charge each party hereto, quarterly in advance, for treatment services upon the basis of the actual costs of operation and maintenance of the Treatment Plant less any Federal or State Grants applicable thereto. Such charges shall be determined by applying the percentage computed by

dividing the actual metered flow from each party's respective Sewage Collection System by the total metered flow into the Treatment Plant to the Cost of Operation and Maintenance of the Treatment Plant. The Consulting Engineer shall estimate, using standard engineering procedures, sewage waste flows to be received from each party's Sewage Collection System until records are available to determine actual metered flows. The method of calculating the apportionment of the costs of operation and maintenance is set forth for explanatory purposes by the formula on Exhibit B.

(b) The parties hereto agree that, in the event the sewage wastes discharged from any party's Sewage Collection System into the Treatment Plant require special handling or treatment, the total costs incident to providing such special handling or treatment shall be borne solely by the party hereto from whose Sewage Collection System the said sewage wastes are being discharged. The rules, regulations and rates for such special handling and treatment are to be established pursuant to Section 17 hereof.

(c) Morrisville Authority shall prepare, subject to the approval of the Consulting Engineer, and furnish to Makefield Authority and Yardley Authority by November 1 of each year, a budget for the next calendar year setting forth the estimated Cost of Operation and Maintenance for such year, and each Authority's annual share of such Cost of Operation and Maintenance.

(d) Bills for one-quarter (1/4) of each Authority's share of the budgeted Cost of Operation and Maintenance shall be delivered by Morrisville Authority to each such Authority on the first day of January, April, July, and October. The bill delivered to each Authority on July 1 of each year shall be adjusted to reflect any overpayment or underpayment made by said Authority for the preceding calendar year.

(e) The charges for treatment service and the method of calculation thereof shall be effective for all treatment service rendered effective January 1, 1976 and for all periods thereafter.

Section 13. Maintaining Facilities

Each party agrees in connection with its respective sewer facilities to continuously operate and keep and maintain the same at all times in a first class state of repair and order and in good and efficient operating condition, so as to meet the standards prescribed by the Pennsylvania Department of Environmental Resources or any other governmental authority having jurisdiction thereof.

Section 14. Indemnification

Each of the parties hereto agrees to indemnify and save harmless any other party hereto against all losses, costs or damages on account of any injury to persons or property occurring in the performance of this Agreement due to the negligence of any such party, its respective servants, agents or employees or resulting from the failure of the treatment plant or line leading thereto to properly function due to such negligence.

Section 15. Availability of Records

The Morrisville Authority agrees to make available at all reasonable times to the parties hereto, their agents, servants, employees and representatives access to all records of the Morrisville Authority pertaining to costs of acquisition, construction, operation and maintenance of the treatment plant. The Makefield Authority and Yardley Authority agree to make available at all reasonable times to the Morrisville Authority, its agents, servants, employees and representatives access to all records of such parties insofar as the same relate to matters covered in this Agreement. They also agree that the Morrisville Authority, its agents, servants, employees and representatives shall have access to their sewage collection systems at reasonable times in order to assure compliance with the terms and provisions of this Agreement.

Section 16. Infiltration Study

Infiltration of ground water into the Morrisville Authority or Makefield Authority or Yardley Authority sewage collection system can be a serious problem during the life of this Agreement. If after (i) Morrisville Authority or Makefield Authority or Yardley Authority have commenced the use of 95% of their reserved capacity, (ii) a written report by the Consulting Engineer with the concurrence of the engineering consultant for Makefield Authority or Yardley Authority, if either of those systems is involved, recommends an infiltration study having given consideration to the cost effectiveness of such an infiltration study for such Authority, and (iii) a request in writing to do so by the Morrisville Authority or the Makefield Authority or Yardley Authority to the Authority with suspect excess infiltration, such Authority shall undertake an infiltration study under the direction of their respective consulting engineers consisting of visual inspection of manholes and a determination of differences in dry and wet weather flows. If it is determined and certified by the engineering consultant of Morrisville Authority or Makefield Authority or Yardley Authority that the wet weather flows exceed those allowed by the standards of the Department of Environmental Resources or its successors and that the cost effectiveness dictates remedial repairs, then and in that event, Morrisville Authority or Makefield Authority or Yardley Authority shall undertake whatever work is

recommended in their own sewage collection systems by their respective consulting engineers to correct infiltration. In the event any Authority fails to act to conduct a preliminary infiltration study within ninety (90) days of a request to do so by any other Authority or fails to proceed to repairs as outlined by their respective consulting engineers, then and in either event, such other Authorities may enter the sewage collection system of the delinquent Authority to perform the necessary work at the cost and expense of that body. The actual charges incurred by any Authority in performing the work shall be paid by the Morrisville Authority or Makefield Authority or Yardley Authority, as appropriate, to the other Authority within thirty (30) days of the date of billing together with a service charge of five percent (5%) of the amount of the bill.

Section 17. Non Residential Waste

It is understood and agreed that sewage treatment charges hereinabove set forth are for domestic sewage only. Non-residential wastes are usually more concentrated in nature, and as a result the treatment thereof becomes more complex than treatment with respect to domestic sewage. Non-residential wastes may be received but only with the prior written consent of Morrisville Authority. The conditions, rules, regulations and rates of charge of an industrial user will be based upon the information contained in an application by the proposed industrial user setting full details of the proposed discharge. Charges to non-residential industrial users, if any, will be uniform among like users. The charge to a non-residential user shall fairly reflect the actual cost of treatment. As hereinbefore provided, income from such charges shall be applied to costs of operating and maintaining the Treatment Plant and shall be credited thereto in arriving at the Cost of Operation and Maintenance to be shared by the parties hereto as set forth in Section 12 hereof.

Section 18. Payment of Bills

All bills rendered by Morrisville Authority to Makefield Authority and Yardley Authority shall be payable at the office of the Morrisville Authority as follows: (i) one-half of the bill within thirty (30) days of the date of the delivery of the bill, and (ii) one-half of the bill within forty-five (45) days of the date of delivery of the bill. There shall be added a penalty of five percent (5%) of the portion of the face amount of the bill remaining unpaid after the due date. In addition, any bill unpaid after the due date shall accrue interest at the rate of one-half of one percent per month.

Section 19. Rerating of Treatment Plant

If it is determined that the Treatment Plant can have its treatment capacity rating increased by the applicable regulatory agencies without construction of additional facilities the Morrisville Authority may, and upon request of either Makefield Authority or Yardley Authority shall, cause its Consulting Engineer to perform the necessary studies and file the appropriate applications with the regulatory agencies to obtain the increased treatment capacity rating. The cost of the studies and applications shall be shared and the extra capacity allocated in accordance with the percentages of reserve capacity set forth in Section 3. Makefield Authority and Yardley Authority shall deposit with Morrisville Authority their share of the cost of the study and application as determined by the Consulting Engineer within forty-five (45) days on written notice to do so. Failure to make the deposit shall be conclusive evidence that such party waives any and all right to such additional capacity.

The unclaimed additional capacity shall be offered in writing to the other parties in proportion to their reserve capacity. The additional capacity may be accepted by such offerees by their paying within thirty (30) days of receipt of the offer the allocated share of the costs as set forth in the notice.

After a reallocation of new reserve capacity such allowable flows and percentage of capacity as set forth in Section 3 shall be deemed amended to conform thereto.

Section 20. Transfer of Reserve Capacity

Any party hereto may either permanently or temporarily transfer to any other party hereto their unused reserve capacity in the Treatment Plant. Such transfer may only take place by means of a written agreement between the parties to that transaction, a copy of which shall be filed with the Morrisville Authority. Prior to the execution of a transfer agreement the parties shall obtain a certificate from the engineering consultant of the transferor setting forth (1) the Average Daily Flow of the transferor for the preceding two (2) years; (2) the estimated Average Daily Flow for the next succeeding three (3) years; (3) the anticipated date when the transferor will require for its own use the transferred reserve capacity; and (4) the means, if any, of controlling the flow of the transferee or transferor. No such transfer shall alter the basic liability and rights of the parties hereto but shall only be binding on the parties to the transfer Agreement.

Section 21. Covenants of the Authorities

Upon execution of this Agreement, each party hereto covenants as follows:

(a) To maintain its sewage collection system in good repair and operating condition and continuously to operate the same;

(b) To enact rules and regulations consistent with the terms of this Agreement;

(c) To collect any industrial waste surcharges established by Morrisville Authority;

(d) To prohibit all connections to its sewage collection system once the reserve capacity for each party is reached as set forth in Section 3 hereof.

Section 22. Morrisville Authority Covenants

Upon the execution of this Agreement, Morrisville Authority covenants to maintain the Treatment Plant in good order and repair and operating condition and continuously to operate the same accepting for treatment from each of the parties hereto sewage in the amount not greater than that set forth under reserve capacity in Section 3 hereof.

Section 23. Penalty

If the maximum Average Daily Flow from either Makefield Authority or Yardley Authority or Morrisville Authority based upon their respective reserve capacity is exceeded on three successive days or on five days in any calendar month, in addition to the normal charge, the total flow in excess of the maximum Average Daily Flow reserved will be billed as a penalty surcharge on a quarterly basis at a rate of an additional one hundred percent (100%) of the then current rate per thousand gallons for sewage treatment, which rate shall be computed by dividing the Cost of Operation and Maintenance by the units of thousand gallons treated at the Treatment Plant during said quarter. Any penalty paid pursuant hereto shall be apportioned between the Authorities whose reserved capacity is being used on a pro rata basis. Morrisville Authority shall credit the pro rata share of penalty to the Authorities entitled thereto on their next quarterly bill under Section 12(d). If a fine is assessed by any governmental agency having jurisdiction, caused by the failure of the

Treatment Plant to meet the applicable standards of such governmental agency, which failure is traceable to the quantity or quality of the sewage delivered to the Treatment Plant by Makefield Authority or Yardley Authority or Morrisville Authority, the Authority contributing the excess quantity or quality of sewage shall be responsible for the payment of any such fine and costs related thereto.

Section 24. Notice to Users

Morrisville Authority agrees to advise each party hereto in writing when it is determined that the flow of such party into the treatment plant is approximately ninety percent (90%) of its reserve capacity under this Agreement.

Section 25. Waiver of Rights

The failure of any party hereto to insist upon strict performance of this Agreement or any of the terms or conditions thereof shall not be construed as a waiver of any of its rights hereunder.

Section 26. Integration Clause

This writing constitutes the entire agreement between the parties as to the treatment of sewage and there are no other representations or agreements, verbal or written, other than those contained herein. This Agreement may only be modified, supplemented or amended by a written agreement of all parties hereto.

Section 27. Arbitration

The parties hereto agree that if at any time any disputes shall arise among or between them concerning the meaning or interpretation of the terms of this agreement, the matter of difference shall be referred to three (3) registered professional engineers - one to be appointed by each party hereto, or if the dispute is between two parties to this Agreement - one to be appointed by each of such party and the third to be appointed by the original two appointees. The decision or award of the majority of said arbitrators shall be final and binding upon the parties, their respective successors and assigns.

Section 28. Severability

Should any one or more of the provisions of this Agreement for any reason be held illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement; and this Agreement shall in all circumstances be

construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 29. Transferability

If either Makefield Authority or Yardley Authority or Morrisville Authority shall at any future time transfer its respective sewer system to its incorporating municipality whether by lease, deed or otherwise, then this Agreement shall likewise be assigned and upon such assignment their respective assignees shall be subject of all of the above obligations and shall be entitled to receive all of the rights and benefits of this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed by its Chairman, attested by its Secretary, all as of the day and year first above written.

TOWNSHIP OF LOWER MAKEFIELD

THE MUNICIPAL AUTHORITY OF THE BOROUGH OF MORRISVILLE

By: *By 11 22/8*
Chairman

By: *Joseph H. Catano*
Chairman

Attest: *W. Miller*
Secretary

Attest: *Charles J. Inverso*
Secretary

BOROUGH OF YARDLEY

THE MUNICIPAL SEWER AUTHORITY OF THE TOWNSHIP OF LOWER MAKEFIELD

By: *A. Smith*

By: *[Signature]*

Attest: *Fredrick T. Babington*
Secretary

Attest: *John M. Bald*
Secretary

Approved: *Helen H. Smith*
Mayor

YARDLEY BOROUGH SEWER AUTHORITY

By: *John J. Spatrub*
Chairman

Attest: *George Jackson*
Secretary

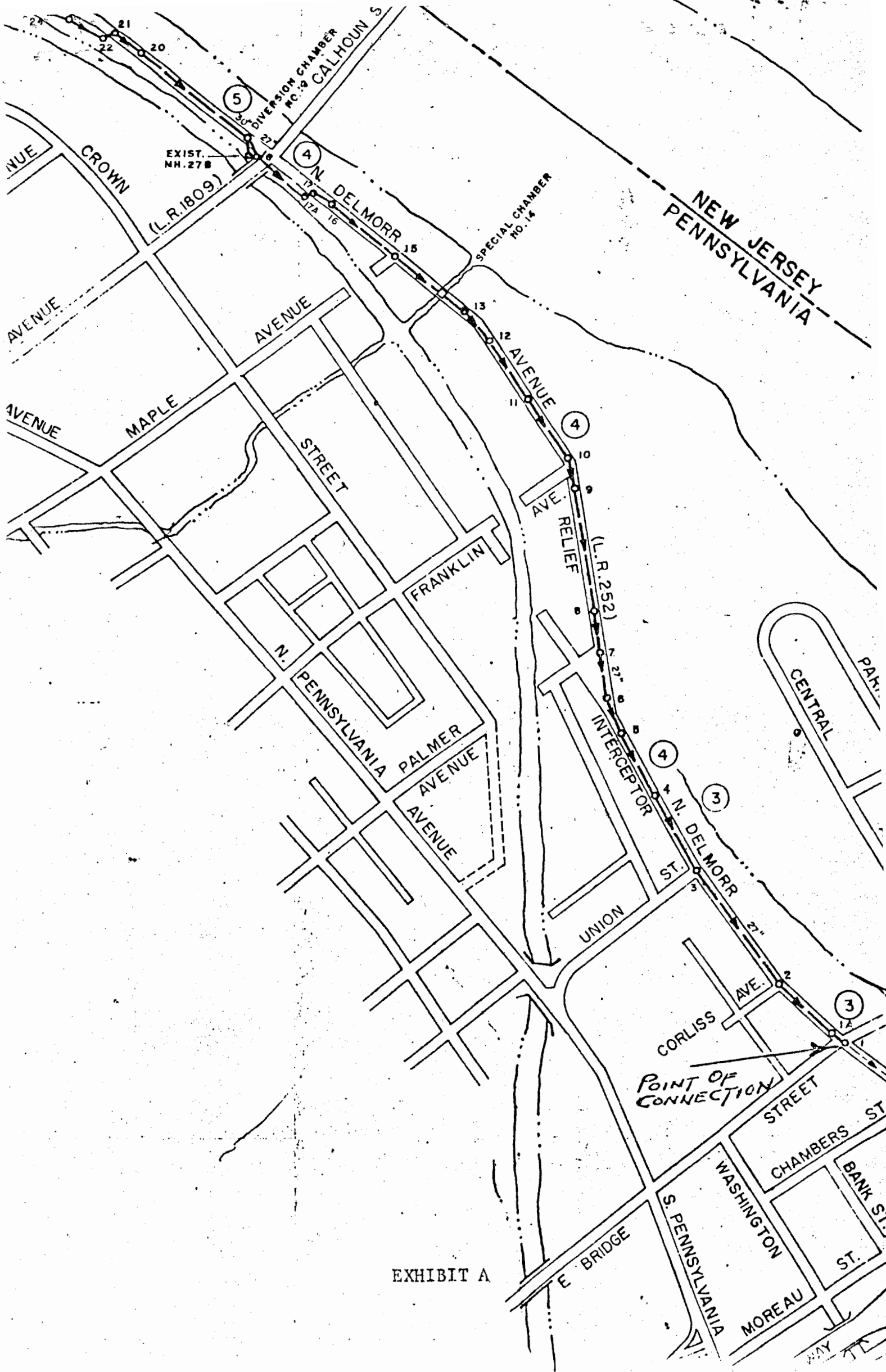


EXHIBIT A

EXHIBIT B

Formula for determining allocation of
Cost of Operation and Maintenance

Definitions

TPF = Total Annual Plant Flow

MF = Metered Annual Flow of any party to the Agreement

COM = Cost of Plant Operation and Maintenance for one year

\$ = Charge due by each party for use of Treatment Plant services
for one year

Formula

$$\$ = \frac{MF}{TPF} \times COM$$