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EXHIBIT F3

AGREEMENT, DATED FEBRUARY 18, 1982 BY AND BETWEEN  
THE MUNICIPAL AUTHORITY OF THE BOROUGH OF  
MORRISVILLE, YARDLEY BOROUGH SEWER AUTHORITY,  
TOWNSHIP OF LOWER MAKEFIELD, AND THE MUNICIPAL  
SEWER AUTHORITY OF THE TOWNSHIP OF LOWER  
MAKEFIELD

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AGREEMENT

THIS AGREEMENT, made and executed this *18th* day of *February*, 1982, by and among THE MUNICIPAL AUTHORITY OF THE BOROUGH OF MORRISVILLE (hereinafter called the "Morrisville Authority"), YARDLEY BOROUGH SEWER AUTHORITY (hereinafter called the "Yardley Authority") and TOWNSHIP OF LOWER MAKEFIELD and THE MUNICIPAL SEWER AUTHORITY OF THE TOWNSHIP OF LOWER MAKEFIELD (hereinafter sometimes referred to collectively as "Lower Makefield"),

## WITNESSETH:

WHEREAS, the parties hereto are parties to a prior Agreement dated the first day of September, 1977 (the "Treatment Agreement"), which provides for the treatment and disposal of sanitary sewage collected in Yardley Borough, Township of Lower Makefield and Morrisville Borough by the Wastewater Treatment Plant of Morrisville Authority (the "Treatment Plant");

and

WHEREAS, the said agreement provides a procedure by which any party may request additional treatment capacity; and

WHEREAS, the parties have determined that there is a present need for additional treatment capacity pursuant to which the Morrisville Authority intends to undertake an expansion of the Treatment Plant, the construction of which is contemplated to commence in 1982; and

WHEREAS, simultaneously with the Treatment Plant expansion, Lower Makefield and Yardley Authority intend to construct a new interceptor line in Delmorr Avenue for the transportation of sanitary sewage from Lower Makefield Township and Yardley Borough; and

WHEREAS, Morrisville Authority has received an estimated cost of the project from the various professional advisors of the respective parties in the amount of \$4,899,000.00 ("Project Cost"); and

WHEREAS, the parties have agreed to their respective participation in the Project Cost in proportion to each party's requested additional treatment capacity in addition to their individual needs for transportation facilities; and

WHEREAS, the parties desire to have the option not to participate in the Project should it be determined that the Project Cost will exceed the amount to be determined under the conditions set forth in Section 6 hereof.

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

"Project" shall include the following:

- (a) expansion of the wastewater treatment capacity of the existing 5.6 million gallon per day Treatment Plant

located in Morrisville, PA to 7.1 million gallons per day capacity.

- (b) construction of a new sewage interceptor line in Delmorr Avenue from Bridge Street to the Treatment Plant for the transportation of sewage from Lower Makefield Township and Yardley Borough.

"Project Cost" shall have the meaning ascribed to it in the recitals hereto, and shall include all expenses which are properly chargeable to capital under sound accounting practice and expenses which are incidental to the construction of the Project, including without limiting the generality of the foregoing:

- (a) amounts payable to contractors and costs incident to the award of contracts;
- (b) engineering, legal, accounting and other professional and advisory fees, directly related to the design and construction of the Project.

(c) 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;

(d) Administrative Expenses of the Morrisville Authority during construction directly related to the design and construction of the Project;

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

(f) cost of equipment necessary and directly related to the completion of the Project and proper operation of the expanded Treatment Plant.

"Consulting Engineer" means Pennoni Associates, Inc., Philadelphia, 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 sewerage facilities and registered in Pennsylvania and chosen by Morrisville Authority.

"Treatment Plant" means the existing wastewater 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 the Treatment Plant to serve its customers within the Borough of Morrisville since 1956 with an initial capacity 2.5 MGD. In 1964, certain modifications to the Treatment Plant improved the quality of treatment. Commencing in 1973, the Treatment Plant was increased in size to 5.6 MGD. Lower Makefield and Yardley Authority each made capital contributions to the 1964 and 1973 Treatment Plant modifications to pay for their proportionate shares of the cost of construction. An additional expansion of the Treatment Plant is now planned which will increase the present capacity from 5.6 MGD to 7.1 MGD. In

connection with the said expansion Lower Makefield, Yardley Authority and Morrisville Authority have requested additional reserve capacity as set forth in Section 3 hereof.

Section 3. Reserve Capacity

Subject to payment of their respective obligations and subject also to the limitations of this Agreement, Morrisville Authority grants to Lower Makefield and Yardley Authority additional reserve capacity representing the percentage of each in the total expansion capacity as follows:

	<u>Additional Allocation Gallons Per Day</u>	<u>Percentage of Total Expansion</u>
Morrisville Authority	1,017,300	67.8%
Lower Makefield	391,350	26.1%
Yardley Authority	91,350	6.1%

Section 4. Financing

Each party shall pay or cause to be paid (1) its proportionate share of the preconstruction costs of the Project (engineering, design, construction contract bidding, documentation, etc.) at the time of



approval of bills for such costs by the Morrisville Authority and  
(2) its proportionate share of the balance of the applicable Project  
Cost prior to the time that Morrisville Authority awards the con-  
tracts for the construction of the Project or any part thereof.

It is understood that all financing documentation and  
Project administrative procedures will provide for separate  
accounts within the Project Construction Fund for the Treatment  
Plant expansion and the Delmorr Avenue Interceptor so that approp-  
riate crediting of earnings to the parties and separate account-  
ability for the respective parts of the Project can be maintained,  
it being understood and agreed that any party making a lump sum  
payment may direct the investment of its funds consistent with  
construction schedules.

#### Section 5. Project Design and Construction

Morrisville Authority agrees upon execution of this Agreement  
and receipt of approved treatment criteria as set forth in Section  
6 that it will cause its Consulting Engineer to design, prepare  
construction drawings, prepare cost estimates, obtain all necessary

governmental approvals and act as consulting engineer for construction of enlargements, additions, improvements or modifications of the Treatment Plant necessary to provide the total additional capacity requested.

It is agreed that Lower Makefield and Yardley Authority will choose a consulting engineer who will be engaged by Morrisville Authority to design, prepare construction drawings, prepare cost estimates, obtain all necessary governmental approvals and act as consulting engineer for construction of the Delmorr Avenue Interceptor, subject to approval of all phases of such project by Lower Makefield and Yardley Authority. It is understood that Morrisville Authority will actually own and construct the Delmorr Avenue Interceptor with Lower Makefield

and Yardley Authority paying all costs incurred in connection with such construction and reserving capacity in the Interceptor in percentages as follows:

Lower Makefield	80%
Yardley Authority	<u>20%</u>
Total	100%

Promptly after the preparation of the plans and specifications for the Treatment Plant expansion, Morrisville Authority shall furnish Lower Makefield and Yardley Authority with copies thereof and shall notify them in writing of the date fixed for the receipt of construction bids. Award of construction contracts shall be made only with the approval of Lower Makefield and Yardley, which approval shall not be unreasonably withheld.

After receipt of all construction bids, Morrisville Authority shall prepare a final estimate of the Project Cost. To determine the Final Project Cost ("Final Project Cost") there shall be subtracted from such estimate any grants to be received. A detailed summary of the Final Project Cost shall be provided to all parties. Said Final Project Cost shall be used for the purposes set forth in Section 6 hereof.

Each payment under the construction contract shall be accompanied by a Certificate from the respective consulting engineer certifying approval of the payment requisition and further certifying that such obligation has been properly incurred and is then due and unpaid and that insofar as such obligation was incurred for work, materials, supplies, or equipment, such work was actually performed or such materials, supplies or equipment were actually installed in or about the construction of the respective project or delivered at the site

of the work for that purpose, or delivered for fabrication at the place approved by the respective consulting engineer; and that all work done and materials, supplies or equipment furnished for which such obligation was incurred are, in the respective consulting engineer's opinion, in accordance with the plans and specifications. All requisitions for payment shall be submitted to the Morrisville Authority for approval and payment.

At the conclusion of the Project Morrisville Authority shall provide to all parties a certified audit report as to all expenditures charged against the Project, and the responsible consulting engineer shall certify that all such expenditures are properly chargeable as design or construction cost.

Section 6. Option to Withdraw

It is understood that this agreement will not be effective until treatment criteria for the Treatment Plant has been approved by the Pennsylvania Department of Environmental

Resources and the Delaware River Basin Commission. Further, upon receipt of such approved treatment criteria, the Consulting Engineer shall furnish the parties with a financial impact statement if such criteria significantly affects the Project Cost. Within fifteen (15) days of receipt of such statement, any party shall have the right to withdraw from participation in the Project or any part thereof upon written notice to all parties.

It is agreed that the Consulting Engineer shall prepare an estimated maximum cost of the Project (the "Maximum Cost") at such time as the design of the Treatment Plant expansion phase of the project is twenty percent (20%) completed, and shall distribute information concerning the Maximum Cost to each of the parties hereto which will include the basis of design, preliminary plans, process design data and a detailed design analysis and such other information reasonably required by any party's engineer to evaluate the Maximum Cost. Within sixty (60) days of receipt of such summary, any party shall have

the right to withdraw from participation in the Project, or any part thereof upon written notification to all other parties.

After the receipt of construction bids and at the time of determination of the Final Project Cost as described in Section 5 hereof, any party shall have the right to withdraw from participation in the Project or any part hereof, if the Final Project Cost exceeds the Maximum Cost by more than twenty percent (20%), provided that it does so by written notification to all other parties within sixty (60) days of receipt of the aforementioned summary of the Final Project Cost. Thereafter, no party shall have the right to withdraw from participating in any phase of the Project.

In the event of withdrawal from the Project or any part thereof, the withdrawing party shall be obligated to promptly pay for any expense caused by its withdrawal.

#### Section 7. 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 8. Integration Clause

This writing constitutes the entire agreement between the parties as to the Project 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 9. 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 10. 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 11. 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 to all of the above obligations and shall be entitled to receive all of the rights and benefits of this Agreement.

Section 12. Existing Agreements

Except as expressly modified herein, and notwithstanding any provisions to the contrary herein contained, any and all other agreements between or among the parties hereto, which were in effect as of the date of execution of this agreement, remain in full force and effect.

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

TOWNSHIP OF LOWER  
MAKEFIELD

By: \_\_\_\_\_

W. Miller  
Chairman

Attest: \_\_\_\_\_

Robert J. [Signature]  
Secretary

YARDLEY BOROUGH SEWER  
AUTHORITY

By: \_\_\_\_\_

John [Signature]  
Chairman

Attest: \_\_\_\_\_

George W. [Signature]  
Secretary

THE MUNICIPAL AUTHORITY OF  
THE BOROUGH OF MORRISVILLE

By: \_\_\_\_\_

Joseph F. Catania  
Chairman

Attest: \_\_\_\_\_

Charles J. [Signature]  
Secretary

THE MUNICIPAL SEWER AUTHORITY OF  
THE TOWNSHIP OF LOWER MAKEFIELD

By: \_\_\_\_\_

William A. [Signature]  
Chairman

Attest: \_\_\_\_\_

Lawrence E. [Signature]  
Secretary