AGREEMENT OF SALE

BETWEEN

CITY OF TRENTON

AND

NEW JERSEY-AMERICAN WATER COMPANY, INC.

DECEMBER 21, 2007

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AGREEMENT OF SALE

THIS AGREEMENT OF SALE (this "Agreement"), dated December 21, 2007 is made and entered into by and between the **CITY OF TRENTON**, a body politic of the State of New Jersey (the "City") and **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey Corporation with principal corporate offices at 131 Woodcrest Road, Cherry Hill, New Jersey 08003 (the "Buyer"). The Buyer and City are referred to collectively herein as the "Parties."

WHEREAS, the City currently owns the City Water System, hereinafter more particularly described, located in the City of Trenton and in the Township of Ewing, and in parts of the Townships of Hamilton, Hopewell and Lawrence; and

WHEREAS, the City desires to sell and the Buyer desires to purchase certain of the assets of the City Water System located in the Townships of Ewing, Hamilton, Hopewell and Lawrence (collectively, "Townships") ("Outside Water Utility System"); and

WHEREAS, in connection with the proposed sale of its Outside Water Utility System in accordance with N.J.S.A. 40:62-3.1, the City prepared, distributed and advertised on February 27, 2007 an Invitation to Propose and made available to all prospective buyers a Request for Proposals with Attachments; and

WHEREAS, on June 4, 2007 the City received Proposals from two private water utilities in response to the RFP; and

WHEREAS, after review of the Proposals it received and discussions with the proposers, the City determined that the Buyer had submitted the most advantageous Proposal; and

WHEREAS, the City issued a Notice of Intent to the Buyer, indicating that it deemed the Buyer's Proposal most advantageous to the City and further advising its intent to enter into an agreement to sell the Outside Water Utility System; and

WHEREAS, the City and the Buyer have negotiated this Agreement, which sets forth the terms upon which sale of the City's Outside Water Utility System to the Buyer will take place, provided all conditions of closing are satisfied,

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

1. DEFINITIONS

"Agreement" shall mean, when fully executed by the City and the Buyer, this Agreement of Sale of the Outside Water Utility System and all exhibits, attachments and schedules hereto.

"Assumed Liabilities" shall have the meaning set forth in Section 2(c) below.

"BPU" means the New Jersey Board of Public Utilities or any successor agency.

"Buyer" has the meaning set forth in the preface above.

"City" has the meaning set forth in the preface above.

"City Expenses" has the meaning set forth in Section 2(e) below.

"City Water System" shall mean the rights in real property and personal property (including, but not limited to, pipelines and appurtenances, elevated storage tanks, booster stations, meter services), contract rights and all other assets of the City related to its water supply and distribution system and business that serves customers in the City and within Ewing Township and portions of Hamilton, Lawrence and Hopewell Townships.

"Closing" has the meaning set forth in Section 2(f) below.

"Closing Date" shall mean the date upon which Closing takes place as more particularly described in Section 2(f) below.

"Closure Improvements" means all work required to isolate the Inside Water Utility System from the Outside Water Utility System at locations defined in the System Separation Plan, except at the Points of Delivery. Isolation of the Outside Water Utility System from the Inside Water Utility System at the Points of Delivery will be made using the Master Meters.

"Deposit" shall mean a payment of money equal to 10% of the Purchase Price ($10,000,000), which is payable to the City upon execution of this Agreement, and which shall be held by the Escrow Agent under the Escrow Agreement attached hereto and incorporated herein by reference as **Exhibit K**, and together with the earnings accrued thereon shall be the Deposit.

"Disclosure Schedule" has the meaning set forth in Section 3 below.

"Encumbrances" means any security interest, pledge, mortgage, lien (including, without limitation, environmental and tax liens), charge, encumbrance, adverse claim or restriction on use or transfer.

"Environmental Condition" means any condition involving Regulated Substances with respect to surface or subsurface soil, ambient air, surface waters, groundwater, leachate, run-off, stream or other sediments or similar environmental medium, which condition has caused, or may cause, injury or damage or requires investigation or remedial or corrective action or compliance with permit requirements, standards, rules, regulations, ordinances or other Environmental, Health, and Safety Requirements, as required, interpreted or applied by governmental entities.

"Environmental, Health, and Safety Requirements" shall mean any and all laws, ordinances, statutes, codes, rules, regulations, orders, directives, guidance, permits or licenses

addressing environmental, health or safety issues or requirements of or by Federal, State, local or other political subdivision exercising jurisdiction over public health and safety, worker health and safety, and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any hazardous or toxic materials, hazardous substances or hazardous and solid wastes, such as, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq. ("CERCLA"); the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq. ("RCRA"); the Hazardous Material Transportation Act, 49 U.S.C. 1801 et seq.; the Toxic Substances Control Act, 15 U.S.C. 2601 et seq., ("TSCA"); the Clean Air Act, 42 U.S.C. 7401 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq.; the Safe Drinking Water Act, 42 U.S.C. 300f et seq.; the Occupational Safety and Health Act, 29 U.S.C. 651 et seq. ("OSHA") and all similar State and local laws, all as presently in effect and as the same may hereafter be amended from time to time and any regulation pursuant thereto as well as any obligations, duties or requirements arising under common law.

"Escrow Agent" shall mean Riker, Danzig, Scherer, Hyland & Perretti LLP.

"Final Approval Order" shall mean an order of the BPU authorizing the Buyer and Seller to consummate the purchase of assets as contemplated by this Agreement; which imposes no Material Adverse Condition upon the Buyer; and as to which the time for filing an appeal as of right has expired, and as to which there are no appeals, petitions for reconsideration, petitions for re-argument or similar petitions pending.

"Final BPU Orders" shall mean collectively the "Final Approval Order", the "Final Rate Order," the "Final PWAC Order," and the "Final Wheeling Rate Order," each as defined in Section 1 of this Agreement.

"Final PWAC Order" shall mean an order of the BPU authorizing the Buyer to recover all costs to be passed on to the Buyer by Seller pursuant to the Water Supply Agreement through Buyer's Purchase Water Adjustment Clause or successors thereto; which imposes no Material Adverse Condition upon the Buyer; and as to which the time for filing an appeal of right has expired, and as to which there are no appeals, petitions for reconsideration, petitions for re-argument, or similar petitions pending.

"Final Rate Order" shall mean an order of the BPU authorizing the Buyer to include in its rate base for ratemaking purposes the entire purchase price as set forth in Section 2(d) of this Agreement, as well as all of the Buyer's capitalized costs associated with the transactions contemplated by this Agreement and the other Transaction Documents; which imposes no Material Adverse Condition upon the Buyer; and as to which the time for filing an appeal as of right has expired, and as to which there are no appeals, petitions for reconsideration, petitions for re-argument, or similar petitions pending.

"Final Wheeling Rate Order", shall mean an order of the BPU authorizing the Buyer to implement a "Wheeling Rate" applicable to the Outside Water Utility System which imposes no Material Adverse Condition upon the Buyer; and as to which the time for filing an appeal as of right has expired, and as to which there are no appeals, petitions for reconsideration, petitions for re-argument or similar petitions pending.

"Governmental Authority" means any United States federal, state or local or any foreign government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"Inside Water Utility System" shall mean the rights in real property and personal property (including, but not limited to, pipelines and appurtenances, elevated storage tanks, booster stations and meter services), contract rights of the City related to the water treatment works, distribution system and business located within the City.

"Knowledge of City" means the knowledge of the City following due inquiry of operations personnel of City's Water System with knowledge of the relevant subject matter.

"Leases" shall mean the City's agreements for lease of space on its water towers with cellular phone companies as more particularly set forth on **Exhibit F**.

"Master Meters" means all interconnection facilities to be installed at each Point of Delivery, of the type and capability and at the locations specified in the System Separation Plan, to record the volume of water delivered by the City to Buyer at all interconnections and delivered by the Buyer to the City at two-way interconnections at the Point of Delivery.

"Material Adverse Condition" shall mean a term, condition or provision of a Final BPU Order that would impair the Buyer's ability to fully recover costs or that would impair the Buyer's ability to operate the Outside Water Utility System in the manner that it was operated prior to the Final BPU Order and in accordance with the Buyer's tariff or that would have a material adverse effect on the Buyer's business as a whole.

"Material Adverse Effect" means an event that would materially impair the ability of the Buyer to operate the Outside Water Utility System in the manner that it was operated prior to the Closing and in accordance with the Buyer's tariff.

"Monetary Liens" shall mean (a) judgment liens and tax liens entered against the City and encumbering any of the City Water System, and (b) mortgages, security interests and other liens granted by the City and encumbering the City Water System.

"NJDEP" means the New Jersey Department of Environmental Protection or any successor agency.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice.

"Outside Water Utility System" shall mean all of the City's rights, title and interest in real property and personal property and assets, of every kind, nature and description, constituting or comprising its water system and business located in Ewing, Hamilton, Lawrence and Hopewell Townships (including, but not limited to, pipelines and appurtenances, elevated storage tanks, booster stations and meter services, contract rights, all as more specifically set out in Section 2(a) of this Agreement).

"Party" shall mean either the City or the Buyer.

"Parties" shall mean the City and the Buyer.

"Permits" shall mean, all permits, certificates, licenses, orders, registrations, franchises, authorizations and other rights and approvals from any governmental authority (other than the Township Consents) with respect to the Outside Water Utility System held by City.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Permitted Encumbrances" shall have the meaning set forth in Section 6.

"Points of Delivery" are the locations(s) at which water is delivered from the City's Inside Water Utility System to the Buyer's Outside Water Utility System, which shall be the municipal boundary of each of the Townships until such time as the Master Meters are installed and operational. The Points of Delivery will contain Master Meters and interconnections and vaults between the City's and Buyer's water distribution systems. The location of Points of Delivery will be determined at such time as the Parties reach agreement upon a System Separation Plan.

"Public Fire Hydrants" shall mean fire hydrants located in public streets, public rights of way or easements granted by the Townships and specifically excludes fire hydrants located on property not owned by the Townships.

"Purchase Price" has the meaning set forth in Section 2(d) below.

"Real Property" has the meaning set fort in Section 2(a) below.

"Regulated Substance" means any hazardous substance, toxic substance, dangerous substance, pesticide, pollutant, contaminant, chemical, gasoline, petroleum or petroleum product, asbestos, PCBs, radioactive material (including by-product, source, and/or special nuclear material), radon, urea-formaldehyde, flammable material, explosive, solid waste, municipal waste, industrial waste and hazardous waste or words of similar import that are defined as such or are subject to regulation under any applicable Environmental, Health, and Safety Requirement.

"RFP" means the Request for Proposal for the sale of the Outside Water Utility System issued by the City and responded to by the Buyer.

"Senior Management" in the case of the City shall mean the Business Administrator, Director of Public Works and General Superintendent of Water and in the case of the Buyer shall

mean the Vice-President of Operations, the Vice-President of Engineering and the Vice-President of Finance.

"Supply Contracts" shall mean the agreements set forth on **Exhibit F**.

"System Separation Plan" shall mean the plan for separation of the Outside Water Utility System from the Inside Water System, to be agreed to by the Parties and which will provide for improvements to be made to the Inside Water Utility System and the Outside Water Utility Systems to ensure the delivery of potable water by the City to the Outside Water Utility System after the Closing Date, and provide assurance that the delivery of wholesale potable water by the City to the Outside Water Utility System can be effectively metered at the Points of Delivery, and to provide for wheeling of water through the Outside Water Utility System as requested by the City to provide service in accordance with the current terms of the Water Supply Agreements.

"System Separation Work" shall mean the design, construction and/or installation of the improvements that are required to effectuate separation of the Outside Water Utility System from the Inside Water Utility System in accordance with the System Separation Plan.

"Third Party Warranties" means to the extent assignable, all of City's rights in and to any warranties, indemnities or guaranties by third parties that relate solely to the Outside Water Utility System, including without limitation the warranties, indemnities and guaranties set forth on **Exhibit H**.

"Townships" has the meaning set forth in the preface above.

"Township Consents" shall mean the municipal consent ordinances enacted by the Townships of Ewing, Hamilton, Hopewell and Lawrence, as approved by the BPU, authorizing the City of Trenton Waterworks to provide water service to and to use the streets and byways in

the Township of Ewing and designated portions of Hamilton, Hopewell and Lawrence Townships, as set forth in the applicable municipal consent ordinance.

"Transaction Documents" means collectively this Agreement, the Water Supply Agreement and all agreements, documents and certificates required by this Agreement and the Water Supply Agreement.

"Water Supply Agreement" means the Water Supply Agreement between the City and the Buyer.

"Wheeling Rate" shall mean a rate set forth in the Buyer's Tariff on file with the BPU which fully recovers all costs of service to be incurred by the Buyer in transporting water not owned by the Buyer from a Point of Delivery, through the Outside Water Utility System to end-users outside of the Outside Water Utility System.

2. BASIC TRANSACTION

(a) Purchase and Sale of Assets. Subject to the terms and conditions of this Agreement, at the Closing referred to in Section 2(f), the City will sell, transfer, assign, convey and deliver to Buyer, and Buyer will buy from City, all right, title and interest in and to all of City's property and assets constituting or comprising the Outside Water Utility System whether they are real, personal or mixed, tangible or intangible for the consideration specified below in this Section 2. The Outside Water Utility System shall be sold subject to the Permitted Encumbrances. Such properties and assets constituting and comprising the Outside Water Utility System to be transferred hereunder shall include, without limitation to the definition set forth above, the following:

(i) all of the City's water tanks, pumping stations, pumps, mains, pipes, service lines, hydrants, equipment, machinery, meters,

materials, and supplies, valves and appurtenances, and any construction work in progress on capital projects in the Outside Water Utility System as more particularly described on **Exhibit A**, all of which are physically located within the Townships;

(ii) the Township Consents, to the extent assignable;

(iii) the Third Party Warranties;

(iv) the Leases to the extent assignable, provided that the City shall retain the income from said Leases for the remainder of the original term of each of the Leases; and

(v) all right, title and interest of the City in and to all real property, including all fee parcels associated with the Outside Water Utility System as more particularly set forth on **Exhibit B**, and all existing rights of way and easements required to maintain and operate the Outside Water Utility System (the "Real Property").

(b) In no event shall the Outside Water Utility System include and the City shall retain: (i) cash on hand or in banks or other depositories, marketable securities and any other similar investments or accounts, (ii) City's accounts receivable and sums due for services provided but not yet billed as of the Closing Date, and (iii) the assets specifically excluded on **Exhibit A.**

(c) Assumption of Liabilities/Liabilities Retained by the City. Buyer shall assume (i) all obligations relating to the Outside Water Utility System accruing and arising on or after the Closing Date, and (ii) be obligated post Closing Date to meet all existing contractual commitments of the City contained in the Leases (collectively, the "Assumed Liabilities").

Notwithstanding the above, with the exception of Phase II projects under the December 21, 2004 Agreement Between Elizabethtown Water Company and the City of Trenton for Implementation of Emergency Water System Interconnections ("Elizabethtown Agreement"), which projects include expansion of a booster station and other improvements to the distribution system in the Outside Water Utility System, which will benefit the Buyer and for which the Buyer has agreed to assume financial responsibility, the Buyer shall have no responsibility for and shall not assume or be liable for any liabilities, claims or obligations of the City, accruing or arising before the Closing Date including without limitation, any such liabilities, claims or obligations relating to the Outside Water Utility System, the Township Consents, the Leases or the Elizabethtown Agreement, or any of the assets or properties constituting the Outside Water Utility System.

(d) Purchase Price. Buyer agrees, subject to the terms and conditions set forth in this Agreement, to pay to the City, at the Closing referred to in Section 2 (f), the sum of one hundred million dollars ($100,000,000) (the "Purchase Price"). Upon the execution of this Agreement, Buyer shall pay the Deposit to be held by Escrow Agent pursuant to the terms of the Escrow Agreement, with any interest or earnings to follow the Deposit, and which Deposit shall be credited against the Purchase Price. Subject to the terms and conditions of this Agreement, the balance of the Purchase Price less the Deposit, increased or decreased by the items to be apportioned pursuant to Section 2(h) of this Agreement (such sum, before the apportionments referred to herein is referred to as the "Closing Balance" and after such apportionments is referred to as the "Adjusted Closing Balance") shall be paid on the Closing Date by wire transfer in federal funds to a bank account designated in writing by the City at least five (5) business days prior to the Closing Date.

(e) City Expense Reimbursement. Notwithstanding any obligations of the City set forth in the Agreement to solely bear its expenses and costs in connection herewith, the Buyer agrees to reimburse City for costs and expenses incurred by City in connection with the sale of the of the Outside Water Utility System, including, but not limited to, outside attorney, engineering, inspection, and other consultant costs (collectively the "City's Expenses"), in an amount not to exceed $500,000 (the "Expense Maximum"). The Buyer agrees to reimburse the City for City Expenses up to the Expense Maximum upon the full execution of this Agreement and receipt of copies of bills for the City's Expenses which already have been paid by the City. The Expense Maximum is in addition to and is not a credit against the Purchase Price and shall be non-refundable to the Buyer except as specifically provided in this Agreement. In no event shall the Buyer be responsible for any City Expenses incurred by the City in excess of the Expense Maximum in relation to any of the Transaction Documents or any obligation of the City under any of the Transaction Documents.

(f) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at 10:00 a.m. local time within forty-five (45) days after the satisfaction of the last condition to be satisfied pursuant to Section 7 herein (the "Closing Date"), at the offices of Riker, Danzig, Scherer, Hyland & Perretti, LLP, One Speedwell Avenue, Morristown, New Jersey. The Parties may mutually agree in writing to have the Closing at another time or place.

(g) Deliveries at the Closing. At the Closing,

(i) the City will execute, acknowledge (if appropriate) and deliver to the Buyer:

(A) a bargain and sale deed with covenant against grantor's acts, in recordable form, duly executed by City, sufficient to convey to Buyer good and marketable fee simple title to all fee parcels associated with the Outside Water Utility System, subject to the Permitted Encumbrances.

(B) an assignment of easements in the form attached hereto as **Exhibit G**, to convey all easement rights associated with the Outside Water Utility System, subject to the Permitted Encumbrances;

(C) A duly executed Affidavit of Title in the form attached hereto as **Exhibit E**;

(D) a Bill of Sale in the form attached hereto as **Exhibit D**;

(E) an Assignment and Assumption Agreement in the form attached hereto as **Exhibit C**;

(F) a General Assignment in the form attached hereto as **Exhibit H**;

(G) the Water Supply Agreement;

(H) a Settlement Statement;

(I) a Certified copy of appropriate City Council resolution(s) authorizing the transactions contemplated hereunder;

(J) a signed certification by the City that the warranties and representations in Section 3 below are true and correct as of the Closing Date;

(K) such other documents, including an appropriate consent authorizing the transactions contemplated by this Agreement and the Transaction Documents, as may reasonably be requested by Buyer's

attorneys, title insurance company or, if applicable, lender, concerning the status and authority of the City to consummate the transactions contemplated by this Agreement and the Transaction Documents;

(L) Any other tax information regarding the City that the Settlement Agent (as that term is used in Section 6045 of the Code) is required to report to the Internal Revenue Service pursuant to the Code;

(M) originals, or copies if no originals exist, of all books and records in the City's possession relating to ownership, operation, and maintenance, and repair of the Outside Water Utility System, and copies of all documents relating to the Third Party Warranties and Leases (excluding personnel records and other confidential information) and all customer information relating to the Outside Water Utility System customers in electronic form that is reasonably acceptable to the Buyer;

(N) Satisfactory evidence of DEP approval of the Water Supply Agreement;

(ii) Buyer will execute, acknowledge (if appropriate) and deliver to City:

(A) an assignment of easements in the form attached hereto as **Exhibit G**, to convey all easement rights associated with the Outside Water Utility System, subject to the Permitted Encumbrances;

(B) an Assignment and Assumption Agreement in the form attached hereto as **Exhibit C**;

(C) a General Assignment in the form attached hereto as **Exhibit H**;

(D) the Water Supply Agreement;

(E) a Settlement Statement;

(F) Certified copy of appropriate corporate resolution(s) authorizing the transactions contemplated hereunder;

(G) a signed certification by Buyer that the warranties and representations in Section 4 below are true and correct as of the Closing Date;

(H) Any tax information regarding Buyer that the Settlement Agent (as that term is used in Section 6045 of the Code) is required to report to the Internal Revenue Service pursuant to the Code; and

(I) The Adjusted Purchase Price.

(h) Apportionments. At the Closing, real estate taxes, if any, for the fee parcels constituting Outside Water System assets to be transferred to the Buyer and all other operating expenses for the Outside Water Utility System allocable to periods before and after the Closing Date, shall be apportioned for the Outside Water Utility System as of 11:59 p.m. on the day preceding the Closing Date.

(i) Settlement Statement. At Closing, the parties shall jointly execute the Settlement Statement setting forth all adjustments and the basis for same. In the event that any adjustments or apportionment cannot be apportioned or adjusted at Closing by reason of the fact that final amounts have not been ascertained, or are not available as of such date, the parties hereto agree to apportion or adjust such items on the basis of their best estimates of the amounts known at Closing and to re-prorate any and all of such amounts promptly when the final amounts are ascertained.

3. REPRESENTATIONS AND WARRANTIES OF CITY

Except as set forth in the disclosure schedule accompanying this Agreement and initialed by the Parties (the "Disclosure Schedule"), a form of which is attached as **Exhibit I**, the City represents and warrants to the Buyer that the statements contained in this Section 3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 3.

(a) Organization of the City. The City is a body politic of the State of New Jersey.

(b) Authorization of Transaction. The City has full power and authority to execute and deliver this Agreement and the Transaction Documents and to perform its obligations hereunder and thereunder. This Agreement constitutes and the Transaction Documents will constitute the valid and legally binding obligation of the City, enforceable in accordance with their respective terms and conditions.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above) and in the Transaction Documents, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the City is subject or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any loan, financing or other similar arrangement to which the City is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of

an Encumbrance upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or the Encumbrance would not have a material adverse effect on the ability of the Parties to consummate the transactions contemplated by this Agreement or the Transaction Documents.

(d) Title. The City has, and at Closing will have, good and valid title to all personal property and assets and each fee parcel of real property included in the Outside Water Utility System, and a valid and binding leasehold interest, license or easement in all other real property in the Outside Water Utility System, all of which personal property, assets and real property is free and clear of any Encumbrances except for Permitted Encumbrances.

(e) Brokers' Fees. The City does not have any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Transaction Documents.

(f) Litigation. No litigation, proceeding or controversy is pending or, to its knowledge, threatened, which is reasonably expected to affect the City's right or power to transfer the Outside Water Utility System to the Buyer.

(g) Contracts. **Exhibit F** lists all written contracts and other written agreements to which City is a party which are material to the City's ownership and operation of the Outside Water Utility System (the "Contracts").

(h) Environmental, Health and Safety Matters.

(i) Except as disclosed in this Agreement or in **Exhibit I** hereto, the City has not received any written notice, report or to the Knowledge of City any other information regarding any actual or alleged violation of Environmental,

Health and Safety Requirements, or any liabilities (whether accrued, absolute, contingent, unliquidated or otherwise), including any investigatory, remedial or corrective obligations, relating to the Outside Water Utility System arising under Environmental, Health and Safety Requirements.

(ii) Except as disclosed in this Agreement or in **Exhibit I** hereto, to the Knowledge of City, the City has not released, nor has permitted or allowed the release, of any reportable quantity of Regulated Substance as defined in Environmental, Health and Safety Requirements on or from any real property owned or occupied by the City for the Outside Water Utility System, except for releases permissible under the Permits.

(iii) Except as disclosed in this Agreement or in **Exhibit I** hereto, to the Knowledge of City, no Regulated Substance managed or generated by or on behalf of the City on real property owned by the City in the Outside Water Utility System or in connection with the operation of the Outside Water Utility System has come to be located at any site that is listed or formally proposed for listing under the Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS") list or any

similar state list or that is the subject of any federal, state or local enforcement action or investigation..

(iv) This Section 3(h) contains the sole and exclusive representations and warranties of the City with respect to any matters arising under or related to any Environmental, Health and Safety Requirements, Regulated Substances and Environmental Conditions.

(i) Conduct in the Ordinary Course. Except as disclosed in the Disclosure Schedule, since January 1, 2007 and as of the Closing Date, the City has operated the Outside Water Utility System in all material respects in the Ordinary Course of Business, specifically including but not limited to the provision of adequate potable water to the Outside Water Utility System.

(j) Condition of the Outside Water Utility System. As of the date of this Agreement the Outside Water Utility System is, and at the Closing Date will be, in good working order and condition, reasonable wear and tear excepted, and suitable for delivery of potable water to customers of the Outside Water Utility System and for the Supply Contracts.

(k) Full Disclosure. The City is not aware of any material defect or condition relating to the Outside Water Utility System, which could reasonably be expected to materially adversely affect Buyer's operation of the Outside Water Utility System to deliver potable water to customers of the Outside Water Utility System and which has not been disclosed in this Agreement or the Disclosure Schedules.

(l) Disclaimer of Other Representations and Warranties. Except for representations and warranties as expressly set forth in this Section 3 and in the other Transaction

Documents, the City makes no other representation or warranty, express or implied, at law or in equity, in respect of the Outside Water Utility System, or operations, including with respect to merchantability or fitness for any particular purpose and any such other representations or warranties are hereby expressly disclaimed. The Buyer hereby acknowledges and agrees that, except for the representations and warranties specifically set forth in this Section 3, in the Third Party Warranties (if any), and in the other Transaction Documents, the Buyer is purchasing the Outside Water Utility System on an "as-is, where-is" basis. The Buyer has satisfied itself on all aspects, without limitation, of the Outside Water Utility System and is not relying on any representation of the City in connection therewith except for the representations and warranties set forth in this Agreement and in the other Transaction Documents.

(m) Survival of Representations and Warranties. All of the representations and warranties made by the City are true and correct as of the date of this Agreement and shall be true and correct and deemed repeated as of Closing, subject to the Disclosure Statement as same may be modified by the terms of this Agreement, and shall survive for a period of 12 months thereafter.

4. REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth in the Disclosure Schedule, Buyer represents and warrants to the City that the statements contained in this Section 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4). The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 4.

(a) Organization of Buyer. The Buyer is a corporation duly organized, validly existing and in good standing under the law of the State of New Jersey.

(b) Authorization of Transaction. The Buyer has full power and authority to execute and deliver this Agreement and the Transaction Documents and to perform its obligations hereunder and thereunder. This Agreement constitutes and the Transaction Documents will constitute the valid and legally binding obligation of the Buyer, enforceable in accordance with their respective terms and conditions.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above) and the Transaction Documents, will (i) violate any constitution, statute, ordinance, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Buyer is subject or any provision of its governing documents and agreements or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any

loan, financing or other similar arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) Litigation. No litigation, proceeding or controversy is pending, or to its knowledge threatened, that may affect the Buyer's ability to comply with its obligations hereunder.

(e) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the City could become liable or obligated.

(f) Survival of Representations and Warranties. All of the representations and warranties made by the Buyer are true and correct as of the date of this Agreement and shall be true and correct and deemed repeated as of Closing, subject to the Disclosure Statement as same may be modified by the terms of this Agreement, and shall survive for a period of 12 months thereafter.

5. PRE-CLOSING COVENANTS

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing.

(a) General. Each of the Parties will use its reasonable best efforts to take all action and to do all things necessary, proper, or advisable in order to consummate and make effective the transactions contemplated by this Agreement and the Transaction Documents.

(b) Access to Books. The City will give the Buyer, its accountants, engineers, counsel and other representatives full access during normal business hours throughout the period from the date of this Agreement through the Closing Date to all of the City's records, books, and properties with respect to the Outside Water Utility System, including without limitation all

customer usage data and will furnish the Buyer copies, including in electronic format reasonably acceptable to the Buyer, at the Buyer's expense, of such documents or portions of documents, as relate to the ownership, operation and maintenance of the Outside Water Utility System as the Buyer may reasonably request, provided such documents and electronic media are in the City's possession or in the possession of third-parties under contract with the City.

(c) Permits. Prior to the Closing, the Parties shall cooperate to effect the transfer of all Permits related to the operation of the Outside Water Utility System which were granted to the City by any Governmental Authority. The City shall assist the Buyer as reasonably requested by the Buyer with respect to such applications.

(d) Operation of Outside Water Utility System. The City will (i) continue to operate and maintain the Outside Water Utility System only in the Ordinary Course of Business, (ii) maintain the Outside Water Utility System in at least as good order and condition as existed on the date of this Agreement, normal wear and tear excepted, (iii) timely comply with the provisions of all leases, agreements, contracts, and commitments relating to the Outside Water Utility System, and (iv) obtain, maintain in full force and effect and comply with all provisions of all Permits related to the Outside Water Utility System. In addition, the City agrees that from the date of this Agreement up and until the Closing, it will not, without the prior written consent of the Buyer: (a) take any action which would result in any representation or warranty being untrue or any covenant false; (b) except as in the normal course of business, sell, transfer, assign, convey or deliver any part of the City Water System or take any steps to accomplish any of the foregoing; or (c) enter into any new, or amend any existing, material agreement with regard to the Outside Water Utility System or that may affect the Buyer's operation of the Outside Water Utility System after the Closing Date.

(e) Notice of Developments.

(1) The City shall, within five (5) business days of learning of its occurrence, notify the Buyer by telephone with a confirming notice as soon as possible thereafter of any development which has caused or with the passage of time is reasonably likely to cause a breach of any of its representations and warranties in Section 3(d) through Section 3(k) above. If the Buyer has the right to terminate this Agreement pursuant to Section 10(a)(3) below by reason of such a development, in the event the Buyer does not exercise that right within (5) business days of receiving the written notice of such event described above the Buyer will have been deemed to have waived its right to terminate this Agreement by reason of such misrepresentation or breach of warranty.

(2) Each Party will give prompt written notice to the other Party of any material adverse development which has caused or with the passage of time is reasonably likely to cause a breach of any of its representations and warranties in Section 3(a) through Section 3(c) and Section 4(a) through Section 4(c) above. No disclosure by any Party pursuant to this Section 5(e)(2), however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation or breach of warranty.

(f) BPU Approvals. (i) The Buyer shall as soon as reasonably practicable after the execution of this Agreement by both Parties, at its sole cost and expense, file or cause to be filed all necessary documentation with the BPU to obtain the Final BPU Orders. The City shall, as soon as reasonably practicable after the execution of this Agreement by both Parties ,at its sole cost and expense, ascertain and secure any approvals required of the BPU for City's sale of the Outside Water Utility System. The Parties agree to promptly cooperate and assist one another in these efforts, including authorizing their respective consultants and representatives to

cooperate and participate, at each Party's respective cost and expense. The Parties agree to make a joint filing with the BPU to obtain the Final Approval Order; and (ii) the Buyer shall as soon as reasonably practicable after the execution of this Agreement by both Parties, and at its sole cost and expense, make such filings with the BPU as it deems to be necessary or appropriate to obtain the Final BPU Orders. The City agrees, at its sole cost and expense, to cooperate and assist in the Buyer's efforts to obtain the Final BPU Orders and such cooperation shall include the utilization of the City's consultants and authorized representatives.

(g) NJDEP Approval. The City and the Buyer shall cooperate and provide each other with such assistance as is reasonably necessary to secure from NJDEP all necessary permits for the Outside Water Utility System's operation by the Buyer as of Closing (the "Buyer NJDEP Permits"), including any permits and approvals required to effectuate the Water Supply Agreement.

(h) Risk of Loss. The Parties agree that the City shall bear and be responsible for the risk of loss with respect to the assets and properties constituting the Outside Water Utility System from the date of this Agreement through the Closing Date. In event that the condition of the Outside Water Utility System is significantly adversely changed from the date of this Agreement to the Closing Date by virtue of fire, casualty, act of God or condemnation, the City and the Buyer may mutually agree, in writing, to a reduction in Purchase Price or other consideration as compensation for the significant adverse change in the System. If the City and the Buyer cannot reach agreement within sixty (60) days of the event, either party has the option to terminate this Agreement upon written Notice to the other Party. If the Buyer terminates the Agreement pursuant to this Section, the City shall promptly but in no event later than five (5) business days after such termination, repay to Buyer, the Deposit and the Expense Maximum,

and upon such termination this Agreement shall be deemed canceled, null and void and neither Party shall have any further obligation or liability to the other hereunder.

(i) Customer List and Information; Final Bills. The City shall provide or cause to be provided to the Buyer a full and complete customer list for the Outside Water Utility System as of the date of the execution of the Agreement by both parties, together with an electronic data file in format containing such customer information; such list and electronic file to be in a format reasonably satisfactory to the Buyer to be updated by the City and provided to the Buyer within 60 days before Closing or as otherwise agreed to between the Parties. The Parties shall agree no later than 60 days before Closing to a process and method for the final billing of the Outside Water Utility System customers.

(j) Publicity. The Parties agree to cooperate on any formal public announcement or statement regarding this Agreement or the transactions contemplated herein. Each Party shall make a good faith effort to provide the other with advance notice of the proposed content of any public announcement or statement.

6. TITLE/CONDITION OF OUTSIDE WATER UTILITY SYSTEM

(a) Title. Title to the Outside Water Utility System shall be conveyed by the City to the Buyer at Closing free and clear of all Encumbrances, subject only to the Permitted Encumbrances. "Permitted Encumbrances" means any and all (a) matters disclosed by the Property Information Materials (hereinafter defined), (b) matters that become Permitted Encumbrances in accordance with the provisions of this Section 6, (c) matters that would be revealed by a physical inspection, or a complete and accurate survey, of the Real Property, (d) rights of way and easements that do not materially interfere with the existing use of the Real Property, (e) zoning and other governmental restrictions, (f) matters common to any plat or

subdivision in which the Real Property is located, (g) taxes, assessments and other public charges on Real Property not due as of the Closing Date, provided, however, in no event shall Permitted Encumbrances include Monetary Liens. With respect to the Real Property, Buyer shall within five (5) business days of execution of this Agreement apply for an owner's title insurance policy or policies from a reputable title insurance company licensed to do business in New Jersey (the "Commitment"). Within five (5) business days after receipt of the Commitment, the Buyer shall notify the City of any objections, other than the Permitted Encumbrances. Any matters set forth on the Commitment and not objected to by the Buyer within said five (5) day period shall become Permitted Encumbrances hereunder. The City may elect to cure any title defect by so notifying the Buyer. If the City does not so elect within twenty (20) days after notice of the objection, or if, after so electing, the City fails to cure prior to Closing, then the Buyer's sole remedy shall be to terminate this Agreement upon notice to the City, said notice to be delivered within seven (7) days of the City's failure to so elect or, if the City elects to cure but does not, at the Closing. If the Buyer terminates the Agreement pursuant to this Section, the City shall promptly but in no event later than 5 business days after such termination, repay to Buyer, the Deposit and the Expense Maximum, and upon such termination this Agreement shall be deemed canceled, null and void and neither Party shall have any further obligation or liability to the other hereunder.

(b) Property Information Material. The Buyer acknowledges that, prior to the Buyer's execution of this Agreement, the City delivered to the Buyer and the Buyer reviewed the materials and information concerning the Outside Water Utility System provided as part of the RFP (collectively, "Property Information Materials"). The Buyer acknowledges and understands that the Property Information Materials may have been prepared by parties other than the City

and that the City makes no representation or warranty whatsoever, express or implied, as to the completeness, content or accuracy of the Property Information Materials. The Buyer specifically releases the City from all claims, demands, causes of action, judgments, losses, damages, liabilities, costs and expenses (including attorneys' fees whether suit is instituted or not) - whether known or unknown, liquidated or contingent (collectively, "Claims") asserted against or incurred by the Buyer by reason of the information contained in, or that should have been contained in, the Property Information Materials; however, the foregoing release shall not apply to any Claims resulting from any intentional misstatements or willful misconduct on the part of the City.

(c) Condition of Outside Water Utility System. Subject to the terms and conditions of this Agreement, and the representations and warranties contained in the other Transaction Documents, the Buyer has agreed to purchase the Outside Water Utility System in its "AS-IS" condition, including their environmental condition, operating condition and condition of repair. The Buyer acknowledges that the Buyer has had and/or has been given pursuant to the RFP, an adequate opportunity to make such legal, factual and other inquiries and investigation as the Buyer deems necessary, desirable or appropriate with respect to the Outside Water Utility System. The Buyer has satisfied itself on all aspects, without limitation, of the Outside Water Utility System and is not relying on any representation of the City in connection therewith except for the representations and warranties contained in this Agreement and the other Transaction Documents.

7. CONDITIONS TO OBLIGATION TO CLOSE

(a) Conditions to Obligation of Buyer. The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction or waiver by the Buyer of the following conditions:

(1) other than breaches of representations and warranties which have been waived by the Buyer pursuant to Section 5(e), the representations and warranties set forth in Section 3 of this Agreement and the other Transaction Documents shall be true and correct in all material respects, and such representations and warranties qualified as to materiality shall be true and correct in all respects, at and as of the Closing Date;

(2) the City shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(3) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement and the Transaction Documents;

(4) the Buyer shall have received evidence that the City has secured BPU approvals as described in Section 5(f) which the City may require.

(5) the Buyer shall have received each of the Final BPU Orders.

(6) the Buyer shall have received evidence that the City has made all required filings and has received any necessary approvals of NJDEP related to the Water Supply Agreement.

(b) Conditions to Obligation of the City. The obligation of the City to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction or waiver of the following conditions:

(1) the representations and warranties set forth in Section 3 of this Agreement and in the other Transaction Documents shall be true and correct in all material respects, and such representations and warranties qualified as to materiality shall be true and correct in all respects, at and as of the Closing Date;

(2) the Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(3) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement or the Transaction Documents;

(4) the Buyer shall have secured from NJDEP, the BPU and all other applicable governmental and quasi-governmental entities, all authorizations and approvals required for the transfer of the Outside Water Utility System to the Buyer, including but not limited to the NJDEP Permits, if necessary (the "Approvals"). The Parties shall use all reasonable efforts to obtain the Approvals and to do so as expeditiously as reasonably possible. In connection with the Approvals, the Buyer shall deliver to the City or cause to be delivered to the City through addition to the applicable service list, copies of all correspondence to and from the bodies with whom the applications have been filed or will be filed. The City covenants to cooperate with the Buyer, at City's cost and expense, in the Buyer's efforts to obtain the Approvals and to promptly consent, when required by law, to all applications for the Approvals filed by the Buyer. The Buyer shall immediately notify the City in writing of any determinations made by any authority considering any application.

8. POST-CLOSING ASSISTANCE; RECORD RETENTION/OBLIGATIONS

(a) Further Assurances. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement or the Transaction Documents, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party.

(b) Continuation of Water Service. The Buyer acknowledges that at and after the Closing Date the Buyer has an obligation to the customers of the Outside Water Utility System to provide safe, adequate and proper service, including the provision of public fire service to the Townships, all in accordance with applicable law and its BPU approved tariff, as such tariff may be amended and approved from time to time by the BPU.

(c) Record Retention. The City agrees, for a period of six (6) years from Closing, to retain all records material to its operation of the Outside Water Utility System that were not previously provided to the Buyer as part of the transaction contemplated hereunder.

(d) System Separation Work. The System Separation Work shall be constructed by the City and the Buyer in accordance with the provisions **Exhibit J** attached hereto and incorporated herein by reference.

9. REMEDIES FOR BREACHES OF THIS AGREEMENT

(a) Pre-Closing Default by Buyer. In the event that the Buyer materially breaches or defaults under this Agreement before the Closing hereunder, and such material breach or default continues for ten (10) business days after written notice from the City to the Buyer specifying such material breach or default, the City shall have the right to terminate this Agreement and seek damages pursuant to Section 12 of this Agreement, provided in no event

shall such damages exceed ten million dollars ($10,000,000). The Deposit shall remain in escrow until the final resolution of the City's claim for damages, including a right to attorneys' fees under Section 14(m), if applicable. The City's rights and remedies pursuant to this Section 9(a) shall survive any termination of this Agreement by City as a result of the Buyer's default.

(b) Pre-Closing Default by City. In the event that the City materially breaches or defaults under this Agreement before Closing and such material breach or default continues for ten (10) business days after written notice from the Buyer to the City specifying such material breach or default the Buyer shall have the right to terminate this Agreement and seek damages pursuant to Section 12 of this Agreement, provided in no event shall such damages exceed ten million dollars ($10,000,000). If the City contests the Buyer's claim of material breach or default, the Deposit shall remain in escrow and the City will retain the Expense Maximum, until final resolution of the Buyer's claim for damages, including a right to attorneys fees under Section 14(m), if applicable. Within five business days after termination of the Agreement pursuant to this Section, the Buyer also shall receive back its Deposit and Expense Maximum together with all accrued earnings thereon. The Buyer's rights and remedies pursuant to this Section 9(b) shall survive any termination of this Agreement by the Buyer as a result of the City's default.

(c) Post-Closing Defaults. In the event that either party materially breaches or defaults under this Agreement or the Transaction Documents after Closing and such material breach or default continues for ten (10) business days after written notice from the non-defaulting party to the defaulting party specifying such material breach or default, the non-defaulting party shall have the right to seek damages pursuant to Section 12 of the Agreement, provided in no event shall such damages exceed ten million dollars ($10,000,000). The parties' rights and

remedies pursuant to this Section 9(c) shall survive any termination of this Agreement as a result of a party's default.

10. TERMINATION

(a) Termination of Agreement. The Parties may terminate this Agreement as provided below:

(1) The Buyer and the City may terminate this Agreement by mutual written consent at any time prior to the Closing;

(2) The Buyer may terminate this Agreement by giving written notice to the City at any time prior to the Closing in the event (A) the City has within the then previous 5 business days given the Buyer any notice pursuant to Section 5(e)(1) above, and (B) the development that is the subject of the notice has had a Material Adverse Effect;

(3) The Buyer may terminate this Agreement by giving written notice to the City at any time prior to the Closing if either the Closing shall not have occurred on or before June 30, 2009, or in the commercially reasonable judgment of the Buyer the Closing cannot occur by June 30, 2009 by reason of an event which would cause the failure of any condition precedent under Section 7(a) hereof and such failure cannot be remedied by June 30, 2009 (unless the failure results primarily from the Buyer itself breaching any representation, warranty, or covenant contained in this Agreement);

(4) The City may terminate this Agreement by giving written notice to the Buyer at any time prior to the Closing if either the Closing shall not have occurred on or before June 30, 2009 or in the commercially reasonable judgment of the City the Closing cannot occur by June 30, 2009 by reason of an event which would cause the failure of any condition precedent under Section 7(b) hereof and such event could not be remedied by June 30, 2009

(unless the failure results primarily from the City itself breaching any representation, warranty, or covenant contained in this Agreement).

(b) Effect of Termination. If any Party terminates this Agreement pursuant to Section 10(a) or 9(b) above, the Deposit shall be returned to the Buyer and thereafter all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach).

11. ESCROW AGENT

The Deposit shall be held by the Escrow Agent, in trust, for the benefit of the Parties as their interests appear hereunder under the Escrow Agreement attached hereto and incorporated herein by reference as **Exhibit K** and shall be invested and disbursed as set forth in the Escrow Agreement. The Escrow Agent shall not charge either party for serving as same, but the parties shall be jointly responsible for all out-of-pocket expenses of Escrow Agent and for the other matters provided in this Section 11.

12. DISPUTE RESOLUTION

(a) Controversies and Claims Subject to Dispute Resolution Clause. Matters relating to System Separation Work or the System Separation Plan, or to any issue that comes before the Operations Committee shall be determined in accordance with this provision.

(b) Steps to Resolve Disputes. The City and the Buyer shall make good faith efforts to resolve by informal discussion any dispute arising under or in connection with this Agreement to be accomplished by referral of the dispute to the Operating Committee for discussion. If such dispute cannot be resolved by the Operating Committee given a reasonable amount of time for discussion, either Party may request that the matter be the subject of discussion by Senior Management of the City and the Buyer. Senior Management shall meet as

soon as practicable. If the matter is not resolved by Senior Management, either Party may refer the matter to the Arbitrator as described below in Section 12(c) for dispute resolution.

(c) Selection of Arbitrator. The Parties agree that the initial Arbitrator, to serve for a term of four (4) years or such other period as the Parties may agree, shall be selected prior to Closing. Before the conclusion of such term the Parties shall agree upon an Arbitrator for the next term and shall do so for each interval thereafter. If the Arbitrator resigns or if the parties agree to terminate the Arbitrator, or if a Party demonstrates that the Arbitrator is disabled, subject to a conflict of interest or malfeasance, the Parties shall agree on a successor, to serve the balance of the term or for a full term, as determined by the Parties. If the Parties do not agree upon a successor arbitrator within fifteen (15) business days of the resignation, termination or completion of the terms of service of the Arbitrator, the successor Arbitrator shall be selected as expeditiously as possible, by the American Arbitration Association pursuant to its Commercial Arbitration Rules, subject to the requirement that any Arbitrator shall have a law degree and at minimum an undergraduate degree in engineering and knowledge of the design of water facilities.

(d) Notice and Process of Dispute Resolution. Notice of a demand for dispute resolution ("Notice of Demand") shall be filed in writing with the Other Party and the Arbitrator. Said Notice of Demand shall describe the matter in dispute and include all documents that the filing Party intends to rely on in making its claim. Within fifteen (15) business days of its receipt of the Notice of Demand the other Party shall file with the filing Party and the Arbitrator its response which shall include all documents on which that Party intends to rely in support of its position. In addition, to the extent the Parties intend to rely on expert witnesses, they shall exchange expert reports in a manner and on a schedule to be determined by the Arbitrator. The

Parties shall be permitted to submit pre-hearing and/or post-hearing briefs as determined by the Arbitrator. Unless the Parties otherwise agree, each arbitration session shall be transcribed or videotaped, as agreed on by the Parties, with the cost to be borne equally by the Parties. Within twenty-one (21) days of conclusion of the hearing, the Arbitrator shall set forth his/her decision, findings of fact and any conclusions of law. The decision of the Arbitrator shall be binding and conclusive, provided that the decision is consistent with the Laws of the State of New Jersey and the factual decision is not against the substantial weight of the evidence. Unless both Parties agree in writing to an extension, the Arbitrator shall arrange the procedural schedule of any pending dispute so that the decision of the Arbitrator is rendered within ninety (90) days of the filing with the Arbitrator of the Notice of Demand.

(e) Limitation on Consolidation or Joinder. No arbitration arising out of or relating to the Agreement shall include, by consolidation or joinder or in any other manner, an additional person or entity not a party to this Agreement.

(f) Timely Assertion of Claims. A Party who files a Notice of Demand for arbitration must assert in the demand all claims then known to that Party on which arbitration is permitted to be demanded. When a Party fails to include a claim through oversight, inadvertence or excusable neglect, or when a claim has matured or been acquired subsequently, the Arbitrator may permit amendment.

(g) Costs. The costs and expenses of an Arbitrator shall be borne equally by the City and the Buyer. Provided, however, that each Party shall bear its own attorney's fees.

(h) Independence of Arbitrator. The Arbitrator, and any successor or replacement Arbitrator, shall not otherwise be associated with transactions contemplated by this Agreement, nor with the Buyer nor the City.

(i) Pendency of Dispute. During any resolution of any dispute, the City and the Buyer shall each continue to perform all of their respective obligations under this Agreement without interruption or delay.

13. INDEMNIFICATION

(a) The Buyer hereby agrees to indemnify, defend and hold harmless the City, and all of its officers, employees, agents and affiliates (together, the "City Indemnitees") from and against all demands, claims, actions, judgments, damages, losses, liabilities, costs and expenses (including attorneys' fees and costs) ("Losses") arising out of or resulting from any acts or omissions of the Buyer, its officers, employees, agents, contractors or affiliates related to activities in the Outside Water Utility System and System Separation Work, including any such work undertaken by the Buyer with respect to the Inside Water Utility System, and for breach of any representation, warranty, covenant or agreement made by the Buyer in this Agreement or in any other Transaction Document. If the City Indemnitees suffer any Losses, or if any legal proceedings are instituted (whether frivolous or otherwise) against any of the City Indemnitees with respect to any breach of any representation, warranty, covenant or agreement made by the Buyer in this Agreement or in any other Transaction Document, the City Indemnitees shall promptly give written notice thereof to the Buyer, which shall, at its sole cost and expense, pay for or defend (with counsel reasonably acceptable to the City Indemnities) all such actions and pay for all Losses incurred by the City Indemnities in defense of such legal proceedings. The indemnifications in this Agreement shall survive the term of this Agreement.

(b) The City hereby agrees to indemnify, defend and hold harmless the Buyer, and all of its officers, employees, agents and affiliates (together, the "Buyer Indemnitees") from and against all Losses arising out of or resulting from acts or omissions by the City, its officers,

employees, agents, or contractors related to activities in the Inside Water Utility System and System Separation Work, and for any breach of any representation, warranty, covenant or agreement made by the City in this Agreement or in any other Transaction Document. If the Buyer Indemnitees suffer any Losses, or if any legal proceedings are instituted (whether frivolous or otherwise) against any of the Buyer Indemnitees with respect to any breach of any representation, warranty, covenant or agreement made by the Buyer in this Agreement or in any other Transaction Document, the Buyer shall promptly give written notice thereof to the City, which shall, at its sole cost and expense, pay for or defend (with counsel reasonably acceptable to the Buyer Indemnities) all such actions and pay for all Losses incurred by the City Indemnities in defense of such legal proceedings. The indemnifications in this Agreement shall survive the term of this Agreement.

(c) An Indemnified Party shall give the Party from which it is seeking indemnification (for purposes of this Section 13(c), the "Indemnitor") notice of any matter which an Indemnified Party has determined has given or could give rise to a right of indemnification under this Agreement, within sixty (60) days of such determination, stating the amount of the Losses, if known, and method of computation thereof, and containing a reference to the provisions of this Agreement in respect of which such right of indemnification is claimed or arises. If an Indemnified Party shall receive notice of any claims of any third party which are subject to the indemnification provided for in this Section 13 (a "Third Party Claim"), the Indemnified Party shall give the Indemnitor notice of such Third Party Claim within thirty (30) days of the receipt by the Indemnified Party of such notice, or the Indemnified Party shall have been deemed to waive its right to indemnification under this Section 13. If the Indemnitor acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any

Losses that may result from such Third Party Claim, then the Indemnitor shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within five (5) days of the receipt of such notice from the Indemnified Party. In the event the Indemnitor exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnitor in such defense and make available to the Indemnitor, at the Indemnitor's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnitor. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnitor shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnitor's expense, all such witnesses, records, materials and information in the Indemnitor's possession or under the Indemnitor's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnitor without the prior written consent of the Indemnified Party which shall not be unreasonably withheld.

(d) In no event shall either Party be liable to the other for any reason under this Agreement or any other Transaction Document for any form of special, incidental, indirect, consequential, or punitive damages of any kind (whether or nor foreseeable), even if informed in advance of the possibility of such damages, and whether arising in contract, tort (including negligence), or otherwise.

14. MISCELLANEOUS

(a) Non-Solicitation. The City and Buyer agree not to engage in any attempt whatsoever directly or indirectly, to hire, or to engage as an independent contractor, the other's employees or independent contractors during the term of this Agreement and the Water Supply Agreement and for a period of twelve (12) months following the expiration or termination of this Agreement and the Water Supply Agreement except as they may mutually agree in writing. This restriction shall not apply to the hiring of any individual who responds to an advertisement or announcement made for a position in a newspaper or trade journal.

(b) Buyer Provision of Water Treatment Plant Personnel. The Buyer agrees to provide City with four qualified personnel under the terms set forth in detail in **Exhibit L** hereto, which are hereby incorporated by reference, to work in the City's water treatment plant.

(c) No Third-Party Beneficiaries. Neither this Agreement nor any Transaction Document shall confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Entire Agreement. This Agreement (including the other Transaction Documents), constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral to the extent they related in any way to the subject matter of any such agreement or document.

(e) Succession and Assignment. This Agreement and each Transaction Documents shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or the Transaction Documents or any of its rights, interests, or obligations hereunder or thereunder without the prior written approval of the other Party.

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below:

If to City:	**Copy to:**
City of Trenton Director of Public Works Room 103, 1st Floor City Hall Annex 319 East State Street Trenton, NJ 08608	Riker, Danzig, Scherer, Hyland & Perretti LLP One Speedwell Avenue Morristown, NJ 07962 ATTN: Edward K. DeHope, Esq.

If to Buyer:	**Copy to:**
President New Jersey-American Water Company, Inc. 131 Woodcrest Road P.O. Box 5079 Cherry Hill, NJ 08034	Secretary New Jersey-American Water Company, Inc. 31 Woodcrest Road P.O. Box 5079 Cherry Hill, NJ 08034

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail),

but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New Jersey without giving effect to any choice or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the City. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(l) Expenses. Subject to the City's retention of the Expense Maximum (except as provided in Section 2(e)), in the event closing does not occur, other than by reason of a material default by one of the Parties, each of the Buyer and the City will bear its own costs

and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

(m) Attorneys' Fees. In the event that any action or proceeding is commenced to obtain a declaration of rights hereunder, to enforce any provision hereof, or to seek termination of this Agreement for default in accordance with the terms of this Agreement, whether legal or equitable, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees in addition to all other relief to which it may be entitled therein. All indemnities provided for herein shall include, but not be limited to, the obligation to pay costs of defense in the form of court costs and reasonable attorneys' fees.

(n) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(o) Variations in Pronouns. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

(p) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(q) Transfer Taxes. The Parties will identify all applicable taxes and agree upon their allocation as between the Parties.

(r) Time of Essence. Time is of the essence with regard to all dates and time periods set forth or referred to in this Agreement.

(s) Hart-Scott-Rodino. The Parties understand and jointly agree that under 15 USCA §18a(c)(4) that this Agreement and the transaction contemplated hereby are exempt from the filing requirements of the Hart-Scott-Rodino Act.

(t) Execution Upon Approval by City's Municipal Council. The Parties agree that this Agreement may be executed at any time subsequent to its approval by the City's Municipal Council, provided that the Agreement shall become effective upon passage of the twenty-day period set forth in N.J.S.A. 40:69A-181(b).

(Signature Page Follows)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

CITY OF TRENTON

By: _____
Name: Douglas H. Palmer
Title: Mayor

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

CITY OF TRENTON

By: _____
Name:
Title:

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: John R Bigelow
Name: John R Bigelow
Title: President

EXHIBIT A

Schedule of Personal Property

I. LIST OF ASSETS

II. LIST OF EXCLUDED ASSETS

The Outside Water Utility System shall not include any of the following.

a. all customer service lines.
b. all piping and fixtures internal to the residences with the exception of the water meters.

EXHIBIT B

Schedule of Real Property

1. Bear Tavern Road, Ewing Township, New Jersey, Tax Map-93, Block-423, Lot-17.

2. East Darrah Lane and Glenn Avenue, Lawrence Township, New Jersey

Tax Map-33, Block-3301, Lot-29&30.

3. Elmore Avenue and Clifford Avenue, Hamilton Township, New Jersey,

Tax Map-90, Block-1804, Lot-58.

4. Kerr Drive and Hempstead Road, Hamilton Township, New Jersey,

Tax Map-229, Block-2581, Lot- 1

5. Off Parkway Avenue (Silvia Street), Ewing Township, New Jersey

Tax Map-56, Block-343, Lot-35

6. Klockner Booster Station, Denow Road, Hopewell Township, New Jersey

Tax Map-20.04, Block-78.10, Lot-3

7. Off Pennington Lawrenceville Road, Hopewell Township, New Jersey

Tax Map-20.11, Block-78.31, Lot- 43.

EXHIBIT C

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Agreement") is made and entered into on _____ __, _____, by and between **CITY OF TRENTON**, a body politic of the State of New Jersey ("Assignor") and **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey corporation with principal corporate offices at 131 Woodcrest Road, Cherry Hill, N.J. 08003 ("Assignee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Agreement of Sale (as defined below).

WHEREAS, Assignor and Assignee are parties to a certain Agreement of Sale, dated December ____, 2007 (the "Agreement of Sale"), providing for the sale by Assignor of the assets constituting the Outside Water Utility System to Assignee; and

WHEREAS, Assignor and Assignee have agreed that on or prior to the Closing, Assignor shall assign, and Assignee shall assume the Assumed Liabilities, as more fully described herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

1. *Assignment and Assumption.* Subject to the terms and conditions of the Agreement of Sale, Assignor hereby assigns, sells, transfers and sets over (collectively, the "Assignment") to Assignee all of Assignor's rights, obligations and liabilities relating to the Assumed Liabilities as more particularly set forth on Schedule A attached hereto and made a part hereof. Subject to the terms and conditions of the Agreement of Sale, Assignee hereby accepts the Assignment, and assumes and agrees to observe and perform all of the duties, obligations, terms, provisions and covenants, and to pay and discharge all of the obligations and liabilities of Assignor to be observed, performed, paid or discharged in connection with the Assumed Liabilities. To the extent that the Assignment contemplated by this Section 1 constitutes or would be deemed to be a grant, sale, assignment, transfer, conveyance or delivery, or attempted grant, sale, assignment, transfer, conveyance or delivery to the Assignee of any Assumed Liabilities and such transaction would be prohibited by any applicable law or would require any governmental or third party authorizations, approvals, consents or waivers and such authorizations, approvals, consents or waivers have not been obtained prior to the date hereof, this Agreement shall not constitute a grant, sale, assignment, transfer, conveyance or delivery, or an attempted grant, sale, assignment, transfer, conveyance or delivery thereof. Following the date hereof, the parties shall use commercially reasonable best efforts and diligently pursue and cooperate with each other, to obtain promptly such authorizations, approvals, consents or waivers, to obtain novations or other agreements if appropriate and, after obtaining such, to complete the transactions contemplated hereby. Pending such authorization, approval, novation, consent or waiver, the parties shall cooperate with each other in any reasonable and lawful arrangement designed to provide the

economic costs and benefits of the Assumed Liabilities to the Assignee. To the extent possible, performance obligations of Assignor with respect to any such Assumed Liabilities shall be deemed to be subcontracted to the Assignee.

2. *No Assumption of Other Liabilities.* Assignee shall have no responsibility for and shall not assume or be liable for any liabilities, claims or obligations of the Assignor accrued or arising before the Closing relating to the Outside Water Utility System, the Township Consents or the Assumed Contracts.

3. *Further Assurances.* Each of the parties hereto covenants and agrees, at its own expense, to execute and deliver, at the request of the other party hereto, such further instruments of transfer and assignment and to take such other action as such other party may reasonably request to more effectively consummate the assignments and assumptions contemplated by this Agreement.

4. *Miscellaneous.* This Agreement constitutes an agreement solely among the parties hereto, and is not intended to and shall not confer any rights, remedies, obligations or liabilities, legal or equitable, on any person other than the parties hereto and their respective successors, assigns and legal representatives, or otherwise constitute any person a third party beneficiary under or by reason hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original agreement, but all of which together shall constitute one and the same instrument. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey without reference to choice of law principles thereof. This Agreement may only be amended or modified in writing signed by the party against whom enforcement of such amendment or modification is sought. In the event that the Closing shall not occur, then this Agreement shall become null and void and the Assumed Liabilities shall remain the sole obligation of Assignor.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CITY OF TRENTON

By: _____
Name:
Title:

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____
Name:
Title:

SCHEDULE A TO ASSIGNMENT AND ASSUMPTION AGREEMENT

All obligations relating to the Outside Water Utility System accruing and arising on or after the Closing Date, including, but not limited to all obligations accruing or arising out of the Township Consents.

All contractual commitments of the City contained in the assumed contracts accruing and arising after the Closing Date including:

Option and Lease Agreement dated November 2, 1999 between The City of Trenton, Department of Public Works, Water Division and AT&T Wireless PCS of Philadelphia, d/b/a AT&T WIRELESS SERVICES

Water Tower Lease Agreement dated November 15, 1991 between The City of Trenton and Bell Atlantic Mobile Systems, Inc.

Lease Agreement dated January 28, 2003 between The City of Trenton and Sprint PCS to Collocate to An Existing Water Tower Located At Mercerville Water Tank and Lawrence Water Tank

EXHIBIT D

FORM OF BILL OF SALE

BILL OF SALE AND ASSIGNMENT dated as of _____, 200__.

from

CITY OF TRENTON, a body politic of the State of New Jersey ("CITY")

To **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey corporation ("BUYER")

WITNESSETH

WHEREAS, by an Agreement of Sale, dated December ___, 2007 (the "Agreement"), between the CITY and the BUYER, the CITY has agreed to convey to the BUYER certain assets, properties and rights defined, described and referred to in the Agreement (collectively, the "Outside Waster Utility System ") which include those assets listed on the document attached hereto as **Attachment A,** with the exception of those items expressly set forth on the document attached hereto as **Attachment B**; and

WHEREAS, pursuant to due authorization, the CITY is presently executing and delivering this Bill of Sale and Assignment to the BUYER for the purpose of selling and assigning to and vesting in the BUYER all of the right, title and interest currently held by the CITY in and to the Outside Water Utility System;

NOW THEREFORE, in consideration of the purchase price provided in the Agreement and other good and valuable consideration, and intending to be legally bound, the CITY hereby grants, sells, conveys, assigns, transfers, sets over to, and vests in the BUYER, its successors and assigns, all of its right, title and interest, legal and equitable, in and to the Outside Water Utility System.

TO HAVE AND TO HOLD the same, including the appurtenances thereof, unto the BUYER, its successors and assigns, forever, to its and their own proper use and behoof.

1. Except as specifically set forth in the Agreement, the Outside Water Utility System IS BEING transferred **"AS IS"**, **"WHERE IS"**, and **"WITH ALL FAULTS"** as of the date of this Bill of Sale, without any representation or warranty whatsoever as to its condition, fitness for any particular purpose merchantability or any other warranty, express or implied. Except as specifically set forth in the Agreement, the BUYER specifically disclaims any warranty, guaranty or representation, oral or written, past or present, express or implied, concerning the Outside Water Utility System. The BUYER is hereby thus acquiring the Outside Water Utility System based solely upon the BUYER's own independent investigations and inspections of that property and not in reliance upon any information provided by the CITY or the CITY's agents or contractors. The CITY has made no agreement to alter, repair or improve any portion of the Outside Water Utility System.

2. The CITY, for itself, its successors and assigns, hereby covenants that, at any time and from time to time after the delivery of this instrument, at the BUYER's request and without further consideration, the CITY will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, all and every such further acts, conveyances, transfers, assignments, powers of attorney and assurances as the BUYER reasonably may require to more effectively convey, transfer to or vest in, and to put the BUYER in possession of, any of the Outside Water Utility System, or to better enable the BUYER to realize upon or otherwise enjoy any of the Outside Water Utility System or to carry into effect the intent and purposes of the Agreement and of this instrument.

3. Nothing in this instrument, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than the BUYER and its successors and assigns any remedy or claim under or by reason of this instrument or any term, covenant or condition hereof, and all of the terms, covenants, conditions, promises and agreements in this instrument contained shall be for the sole and exclusive benefit of the BUYER and its successors and assigns.

4. Neither the making nor the acceptance of this instrument shall enlarge, restrict or otherwise modify the terms of the Agreement or constitute a waiver or release by the CITY or the BUYER of any liabilities, duties or obligations imposed upon any of them by the terms of the Agreement.

5. This instrument is being executed by the CITY and shall be binding upon it, its successors and assigns, for the uses and purposes above set forth and referred to, and shall be effective as of the date hereof.

6. This instrument shall be governed by and enforced in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the City has caused this Bill of Sale and Assignment to be duly executed as of the date first above written.

CITY OF TRENTON, a body politic of the State of New Jersey

By: _____

RECEIPT OF THE FOREGOING BILL OF SALE AND ASSIGNMENT ACKNOWLEDGED AS OF _____, 200__.

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____

EXHIBIT E

FORM OF AFFIDAVIT OF TITLE

AFFIDAVIT OF TITLE

STATE OF NEW JERSEY)
) SS.:
COUNTY OF MERCER)

_____ (hereinafter "we, "us" or "our") say under oath:

1. **Officers.** I am the _____ of the City of Trenton, a body politic of the State of New Jersey (hereinafter the "City", "it" or "its"). I am fully familiar with the business of the City. I am a citizen of the United States and at least 18 years old.

2. **Representations.** The statements contained in this affidavit are true to the best of my knowledge, information and belief and are limited to the period that the City owned the property.

3. **Corporate Authority.** The City is the only owner of Properties identified as on **Schedule A**, called "the properties". The Properties are to be conveyed by the City to New Jersey-American Water Company, Inc. ("Grantee"). This action, and the making of this affidavit of title, have been duly authorized by the City.

4. **Ownership and Possession**. The City is in sole possession of the properties. There are no tenants or other occupants of these properties, except as set forth on **Schedule B**. The corporation has owned each property since the dates set forth on Schedule A. Since then no one has questioned its ownership or right to possession.

5. **Improvements.** The City is not aware that anyone has filed or intends to file a mechanic's lien or building contract relating to any of the Properties. No one has notified the City that money is due and owing for construction, alteration or repair work on any of the Properties.

6. **Liens or Encumbrances.** There are no pending lawsuits or judgments against the City which may be enforced against any of the Properties. No bankruptcy or insolvency proceedings have been started by or against it, nor has it ever been declared bankrupt.

7. **Exceptions and Additions.** The following is a complete list of exceptions and additions to the above statements:

8. **Limitations.** The above representations by the City are subject to current real property taxes, zoning, and other governmental restrictions, and all covenants, conditions,

restrictions, easements, right-of-ways and other matters of record, if any, and such state of facts as an accurate survey may reveal and matters common to any plat or subdivision in which the Properties are located.

9. **Reliance.** The City makes this affidavit in order to induce the Grantee to accept its deed. It is aware that the Grantee will rely on the statements made in this affidavit and their truthfulness.

Signed and sworn to before me on _____ _____, 200_

_____

CITY OF TRENTON, a body politic of the State of New Jersey

By:_____
Name:
Title:

EXHIBIT F

LIST OF WRITTEN CONTRACTS AND OTHER AGREEMENTS TO WHICH CITY IS A PARTY WHICH RELATE TO THE OUTSIDE WATER UTILITY SYSTEM

Water Supply Contracts

Operating Agreement Between Trenton Water Works, A Municipal Water Utility Owned by the City of Trenton and Consumers New Jersey Water Company, dated August 8, 2002

Operating Agreement Between Trenton Water Works, A Municipal Water Utility Owned by the City of Trenton and Lawrenceville Water Company, dated October 7, 2004

Agreement Between Elizabethtown Water Company and City of Trenton for Implementation of Emergency Water System Interconnections, dated December 31, 2004

Agreement Between Elizabethtown Water Company and City of Trenton for Operation and Maintenance of Emergency Water System Interconnections, dated December 31, 2004

Lease Agreements With Cellular Phone Companies

Option and Lease Agreement dated November 2, 1999 between The City of Trenton, Department of Public Works, Water Division and AT&T Wireless PCS of Philadelphia, d/b/a AT&T WIRELESS SERVICES

Water Tower Lease Agreement dated November 15, 1991 between The City of Trenton and Bell Atlantic Mobile Systems, Inc.

Lease Agreement dated January 28, 2003 between The City of Trenton and Sprint PCS to Collocate to An Existing Water Tower Located At Mercerville Water Tank and Lawrence Water Tank

EXHIBIT G

FORM OF ASSIGNMENT AND GRANT OF EASEMENTS, RIGHTS OF WAY AND OTHER PROPERTY

THIS ASSIGNMENT is made this _____ day of _____, 200__, between the **CITY OF TRENTON,** a body politic of the State of New Jersey ("Grantor"), located at City Hall, 319 East State Street, Trenton, New Jersey 08068, and **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey Corporation ("Grantee"), having an address at 131 Woodcrest Road, Cherry Hill, N.J. 08003.

WHEREAS, pursuant to an Agreement of Sale (the "Agreement") dated December ____, 2007, and a Bill of Sale contemporaneously herewith, the Grantor has, granted, sold, conveyed, assigned, transferred, set over and vested in Grantee, its successors and assigns, all of Grantor's right, title and interest in the "Outside Water Utility System" as defined in the Agreement.

WITNESSETH, that Grantor for and in consideration of the sum of One Dollar ($1.00) lawful money of the United States of America, and other valuable consideration, unto it well and truly paid by Grantee at and before the sealing and delivery of these presents, the receipt whereof is hereby acknowledged, has assigned, granted, bargained, sold, aliened, enfeoffed, released and confirmed, and by these presents does assign, grant, bargain, sell, alien, enfeoff, release and confirm unto Grantee, its successors and assigns:

ALL Grantor's right, title and interest in and to any and all: (a) those certain rights of way, easements, licenses, and other rights and interests created or evidenced by those instruments listed in **Exhibit A** attached hereto and made a part hereof, as well as any and all other easements and rights of way owned by Grantor which are rights in real property related to the provisions of water treatment and service (collectively, "Easements"), (b) any rights of way or easements that may be located in private property without written instruments where rights may have arisen from the passage of time, the operation of law or otherwise, (c) all rights of Grantor to easements that may be shown on subdivision or development plans, and (d) all rights, liberties, privileges, hereditaments and appurtenances whatsoever thereunto belonging, or in and otherwise appertaining, and the reversions, remainders, rents, issues and profits thereof, and all the estate, right, title, interest, property, claim and demand whatsoever in and to the same and every part thereof (all of the foregoing being herein referred to as the "**Premises**");

TOGETHER WITH all of Grantor's occupancy rights and privileges to use, maintain, replace and repair all water mains and appurtenant facilities located in the public rights-of-way of State highways and Townships roads.

TOGETHER WITH all of Grantor's rights of ingress, egress and regress to and from said Easements, water mains and appurtenances, at any and all times for the purpose of operating the Outside Water Utility System and laying, relaying, installing, operating, inspecting, maintaining, repairing, altering, removing, renewing and replacing the Outside Water Utility System and their appurtenances;

TO HAVE AND TO HOLD the Easements and Premises hereby granted, or mentioned and intended so to be, with the appurtenances, unto the Grantee, its successors and assigns, to and for the only proper use and behoof of the Grantee, its successors and assigns, forever.

This Grant and all of the covenants herein contained shall inure to the benefit of and shall be binding upon Grantor, its successors and assigns, and Grantee, its successors or assigns.

IN WITNESS WHEREOF the Grantor has caused this Assignment and Grant to be duly executed the day and year first above written.

[Seal]

CITY OF TRENTON, a body politic of the State of New Jersey

Attest:

_____

By: _____
Name:
Title:

Record and Return to:

STATE OF NEW JERSEY)
) ss:
COUNTY OF MERCER)

On this, the ___ day of _____, 200_, before me, a Notary Public in and for said County, personally appeared _____, who acknowledged himself to be the _____ of the City of Trenton, a body politic of the State of New Jersey, and that he, as such _____, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of _____ by himself as _____.

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

_____
Notary Public
My Commission Expires:

[SEAL]

EXHIBIT A

Easements granted to or obtained by the City of Trenton herewith as described herein.

List of Trenton Water Works Easement

NA: Not Available
NL: Not Lined
CL: Cement Lined
FL: Foundry Lined

FD	STREET	FROM	TO	CITY ATLAS PAGE(S)	MAIN SIZE Inch	MAT	AREA	TYPE	YEAR	LENGTH in Ft
ET	Easement 15-B	Bernard Dr	Scenic Dr	15B	8	C	B	NL	NA	760
ET	Ramson St	Riverview Dr	Wakefield Dr	16/17	8	C	B	NL	NA	325
ET	Betw Bear Tavern Rd and Lochatong Rd	Bear Tavern Rd	Lochatong Rd	12B	6	NA	B	CL	NA	370
ET	Whitewood Dr	Edge of pipeline easement		12B	8	NA	B	CL	NA	90
ET	Betw Shelbourne Dr and Hardwick Way	Shelbourne Dr	Hardwick Way	89	8	DI	HS	FL	NA	580
ET	Scotch Road	Upper Ferry Rd	Infront of Glen Rock Shopping Center	27	16	DI	G	FL	1991	380
HT	Duck Island	Independence Ave	PSEG Row/Lamberton St	216/217	8	C	HS	FL	NA	4,584
HT	Johnson Altelier Site	380' S of Fairgrounds	Nottingham Way	162/163	8	C	HS	NL	NA	1,230
HT	Johnson Altelier Site	Fairgrounds Rd	380' S of Fairgrounds	147/162	8	DI	HS	FL	NA	628
HT	Bayer/Thermal	E State Street Ext	White Head Rd	132/147	16	C	HS	FL	NA	1,250
HT	Old Fair GroundsRd	Nottingham Way	Johnson Altelier Fence Line	162/163	6	C	HS	NL	NA	1,315
HT	Hobbs Road	Klockner Rd	Hobbs Rd	178	8	DI	HS	FL	1996	
HT	Whitehead Rd	Under the Rail Road		148	6	DI	HS	CL	NA	800
HT	Industrial Drive			147	6	DI	HS	CL	NA	950
HT	Industrial Drive	Underneath Railroad Tracks	S of Sixth St	147	6	DI	HS	CL	NA	10
HT	Thru American Biltrite	E State Street	Ward Ave Ext	148	16	DI	HS	CL	NA	1,500
HT	Nottingham Way	Ward Ave Ext	Warner Drive	148	12	DI	HS	NA	NA	48
HT	Tempa Ave	S Olden Ave	Old Olden Ave	197	24	NA	HS	NA	NA	100
HWT	Buckingahm Drive	From Dead End	Lawrenceville-Pennington Rd	3	8	DI	KB	FL	2004	90
HWT	Off Stephenson Rd	From Stephenson Rd	Lawrenceville-Pennington Rd	19	12	DI	KB	FL	2001	
LT	Ravona Pl			99	8	DI	HS	FL	NA	400

List of Trenton Water Works Easement

NA: Not Available
NL: Not Lined
CL: Cement Lined
FL: Foundry Lined

FD	STREET	FROM	TO	CITY ATLAS PAGE(S)	MAIN SIZE Inch	MAT	AREA	TYPE	YEAR	LENGTH in Ft
LT	Brunswick Circle			119	8	DI	HS	CL	NA	280
LT	Brunswick Circle			119	8	DI	HS	CL	NA	100
LT	Bakers Basin Rd			141A	12	DI	HS	CL	NA	2,500
LT	Youngs Rd @ Law Station Rd			141A	12	DI	HS	CL	NA	70
LT	Sloan Ave along Congoleum plant			141A	16	DI	HS	CL	NA	3,430
LT	Betw Sweetbriar and Klockner Rd	Sweetbriar	Klockner Rd	145	16	DI	HS	CL	NA	320
LT	Off Province Line Road in Village Square Shopping Center	Pump Station		156B	Pump Station					
HT	Youngs Rd @ New York Penn Rail Road			141A	12	DI	HS	CL	NA	180
HT	Underneath Rail Road Tracks	Ward Ave Ext	Ward Ave Ext	148	16	DI	HS	CL	NA	193
HT	Myrte Ave	Greenwood Ave	Bridge Culvert	148	12	DI	HS	NA	NA	500
LT	3000 Princton Pike	Little Shabakunk Creek	65' south to Creek	98	24	DI	HS	FL	2007	65
HT	Lansing AVE	Edinberg Rd	Rr Easement	190/191	6	C	H	FL	NA	1,240
HT	Easement	Pearson Dr	Route 206	247	8	C	H	CL	NA	207
HW	Easement	Deer Run Ct	Brewster Ct	21	8	D	KB	FL	1995	270
HW	Nursery RD-Easement	4050' Ne Of Et Boundary	Scotch Rd	9A	12	D	B3	FL	2000	915
HW	Lawrence Pennington Rd Easement	Lawrence Pennington Rd	280' S Of Lawrence Pennington Rd	19	8	D	KB	FL	1997	280
HW	Scotch Rd	Nursery Rd Easement	95' N Of Wash Cross/Penn Rd	9A/8A/8B/7B/7C	16	D	B3	FL	2000	6,450
HW	Brewster Ct	Easement	Denow Rd @ Van Brunt Rd	21	8	D	KB	FL	1995	390
HW	Brewster Ct	Van Brunt Rd	W Side Of Easement	21	8	D	KB	FL	1997	1,016

EXHIBIT H

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

THIS GENERAL ASSIGNMENT, dated _____, 200_, by and between the **CITY OF TRENTON**, a body politic of the State of New Jersey, having a mailing address at City Hall, 319 East State Street, Trenton, N.J. 08068 (the ***"Assignor"***) and **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey corporation, having a mailing address at 131 Woodcrest Road, Cherry Hill, N.J. 08003 (the ***"Assignee"***).

WHEREAS, Assignor and Assignee entered into that certain Agreement of Sale dated December _____, 2007 ("Agreement"), for the sale and purchase of the Outside Water Utility System (as defined in the Agreement); and

WHEREAS, in connection with such sale and purchase, and as provided in the Agreement, Assignor desires to assign, transfer, set over and deliver to Assignee all of Assignor's right, title and interest in and to all assignable permits, licenses, plans, equipment warranties and guarantees benefiting the Outside Water Utility System (each issuer of any such permit, license, plan, equipment warranty or guarantee is hereinafter referred to as an "Issuer"), including, without limitation, items described on **Schedule A** attached hereto (the "Assigned Rights"), and

WHEREAS, Assignee desires to accept the Assigned Rights.

NOW, THEREFORE, in accordance with the Agreement and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties do hereby covenant and agree as follows:

1. Assignor does hereby assign, transfer, set over and deliver unto Assignee all of the Assignor's right, title and interest in and to the Assigned Rights. Assignor agrees that, upon Assignee's request, it shall, without charge, execute such further reasonable documents as any Issuer may require to evidence this assignment, provided that no such document imposes any obligation or liability upon Assignor for any obligations or liabilities accruing on or after the date of this Assignment.

2. This Assignment shall be (a) binding upon, and inure to the benefit of, the parties to this Assignment and their respective heirs, legal representatives, successors and assigns, and (b) construed in accordance with the laws of the State of New Jersey without regard to the application of choice of law principles.

3. This Assignment may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart.

IN WITNESS WHEREOF, this General Assignment has been signed, sealed and delivered by the parties as of the date first above written.

WITNESS:

ASSIGNOR:
CITY OF TRENTON, a body politic of the State of New Jersey

_____

By:_____
Name:
Title:

Accepted this ____ day of _____, 20___.

WITNESS:

ASSIGNEE:
NEW JERSEY-AMERICAN WATER COMPANY, INC.

_____

By: _____

By:_____
Name:
Title:

EXHIBIT I

DISCLOSURE SCHEDULE TO THE AGREEMENT OF SALE

BETWEEN CITY OF TRENTON AND NEW JERSEY-AMERICAN WATER COMPANY, INC.

These schedules are to be read in their entirety. Nothing in these schedules is intended to broaden the scope of any representation or warranty contained in the Agreement of Sale (the "Agreement"). The disclosure of any item, explanation, exception, or qualification in these schedules is disclosure of that item for all purposes for which disclosure is required under the Agreement, and is disclosed in all appropriate schedules irrespective of whether any cross-reference is made or whether no schedule is provided with respect to any representation or warranty. Capitalized terms used and not otherwise defined in these schedules shall have the meanings ascribed to them in the Agreement.

This Exhibit shall be completed within forty-five (45) days of the date of execution hereof.

Schedule 3(a)

Organization of City

None

Schedule 3(b)

Authorization of Transaction

None

Schedule 3(c)

Noncontravention

- List any Exceptions

Schedule 3(d)

Brokers' Fees

None

Schedule 3(e)

Litigation

Schedule 3(f)

Contracts

See Exhibit F

Schedule 3(g)

Environmental, Health and Safety Matters

Schedule 4(a)

Organization of Buyer

Schedule 4(b)

Authorization of Transaction

Schedule 4(c)

Noncontravention

Schedule 4(d)

Brokers' Fees

EXHIBIT J

SYSTEM SEPARATION WORK

Section 1. The provisions of this Exhibit shall have the same force and effect as if this Exhibit were a numbered Section of the Agreement.

Section 2. The Buyer agrees to construct the following System Separation Work at Buyer's sole cost and expense: the Master Meter Improvements, the Closure Improvements and all other improvements located in the Outside Water Utility System. Any and all System Separation Work within the Inside Water Utility System shall be the responsibility of the City at its sole cost and expense. Any exceptions to the foregoing allocations of System Separation Work shall be set forth in the System Separation Plan. The System Separation Work shall be constructed in accordance with the System Separation Plan.

Section 3. The Buyer shall submit to the City a proposed System Separation Plan at least ninety (90) days in advance of the Closing Date. The City shall review the proposed System Separation Plan and provide any comments to the Buyer at least thirty (30) days in advance of the Closing Date. The Buyer shall submit to the City the proposed final System Separation Plan within ten (10) business days following the Closing Date. Within ten (10) business days after receipt of the proposed final System Separation Plan from the Buyer, the City shall reasonably approve or reject same and if rejecting same shall state the reasons for such rejection. In the event of a rejection by the City of any proposed final plans, the Buyer may make changes to the proposed final plans and resubmit them pursuant hereto. Upon receiving the City's approval to any proposed final plans, such plans shall become the "System Separation Plan" hereunder.

Section 4. Construction of the System Separation Work shall be commenced by both Parties promptly after the City's approval of the System Separation Plan and shall be diligently prosecuted thereafter to completion. The Buyer shall use commercially reasonable efforts to cause its contractor and subcontractors to complete the Buyer's System Separation Work in accordance with schedules in the approved System Separation Plan.

EXHIBIT K

ESCROW AGREEMENT

ESCROW AGREEMENT, dated as of December __, 2007 (this "**Agreement**"), by and among New Jersey-American Water Company, Inc., a New Jersey corporation (the "**Buyer**"); The City of Trenton, a body politic of the State of New Jersey (the "**City**"), and Riker, Danzig, Scherer, Hyland & Perretti LLP (the "**Escrow Agent**").

W I T N E S S E T H:

WHEREAS, the Buyer has executed and delivered to the City an Asset Agreement of Sale, dated as of December __, 2007 (the "**Agreement of Sale**"), pursuant to which the Buyer will purchase from the City, and the City will sell to the Buyer, the Outside Water Utility System as defined in the Agreement of Sale;

WHEREAS, it is contemplated under the Agreement of Sale that the Buyer will deposit or cause to be deposited into escrow the sum of Ten Million and 00/100 Dollars ($10,000,000.00) (the "**Escrow Amount**") in cash upon its execution of the Agreement of Sale, to be held and disbursed by the Escrow Agent in accordance with the terms herein; and

WHEREAS, Escrow Agent is willing to act as the Escrow Agent hereunder.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and in the Agreement of Sale, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Appointment and Agreement of Escrow Agent. The Buyer and the City hereby appoint the Escrow Agent to serve as, and the Escrow Agent hereby agrees to act as escrow agent upon the terms and conditions of this Agreement.

2. Establishment of the Escrow Fund. (a) Pursuant to Section 2(d) of the Agreement of Sale, the Buyer shall deliver to the Escrow Agent on the date hereof the Escrow Amount. The Escrow Agent shall hold the Escrow Amount and all interest and other amounts earned and/or accrued thereon (the "Escrow Fund") in escrow pursuant to the terms of this Agreement and the Agreement of Sale.

(b) The Buyer hereby confirms to the City and the Escrow Agent that the Escrow Fund is free and clear of all Encumbrances except as may be created by this Agreement and the Agreement of Sale.

3. Purpose of the Escrow Fund. The Escrow Amount will be held by the Escrow Agent as a deposit made by the Buyer to be credited against the Purchase Price to the City pursuant to Section 2(d) of the Agreement of Sale.

4. Payments from the Escrow Fund.

(a) At the Closing, upon written request of the Buyer and the City, the Escrow Agent shall pay in full to the City in immediately available funds all such amounts in the Escrow Fund. The Buyer and City agree that such amount shall be credited against the Purchase Price in favor of the Buyer at Closing.

(b) In the event that the Agreement of Sale is terminated as described in Section 9(b) or 10(a) of the Agreement of Sale, the Buyer shall provide written notice to the Escrow Agent of such termination specifying in reasonable detail the nature and basis for such termination. The Escrow Agent shall, upon receipt of such notice, deliver a copy of such notice to the City's Representative. If within five (5) Business Days after delivery of such notice, the Escrow Agent has not received a written objection from the City or the City's Representative, the Escrow Agent shall promptly transfer the Escrow Fund to the Buyer, by wire transfer in immediately available funds. If the Escrow Agent has received an objection within the stated time period, then Escrow Agent will proceed as described in Section 5 below.

(c) In the event that the Agreement of Sale is terminated as described in Section 9(a) of the Agreement of Sale and the City pursuant to Section 12 of the Agreement of Sale is awarded final damages, the City shall provide written notice to the Escrow Agent of such award including a certified copy of the final judgment. The Escrow Agent shall, upon receipt of such notice, deliver a copy of such notice to the Buyer. If within five (5) Business Days after delivery of such notice, the Escrow Agent has not received a written objection from the Buyer, the Escrow Agent shall promptly transfer from the Escrow Fund such funds as are necessary to pay the judgment to the City and the balance to the Buyer, by wire transfer in immediately available funds. If the Escrow Agent has received an objection with the stated time period, then Escrow Agent will proceed as described in Section 5 below.

5. Objection to a Termination Notice. Either party, after receipt of a notice from the Escrow Agent that the other party is claiming a right to payment of the Escrow Fund pursuant to a termination right under the Agreement of Sale, may at any time within the five (5) Business Days after receipt of said notice, object by delivering to the Escrow Agent a writing specifying in reasonable detail the nature and basis for such objection. Upon receipt of such an objection, the Escrow Agent shall deliver a copy of such objection to the party seeking payment of the Escrow Fund. Unless the Escrow Agent receives, within five (5) Business Days after delivery of a copy of such objection to the non-objecting party, a statement from the objecting party that it is withdrawing its objection, the Escrow Fund shall be held by the Escrow Agent and shall not be released except in accordance with either (i) written instructions jointly executed by an authorized officer of the Buyer and the City's Representative or (ii) the final nonappealable judgment of a court or arbitrator following the resolution of the dispute as per the dispute resolution procedures set forth in Section 12 of the Agreement of Sale.

6. Liquidation of the Escrow Fund. Whenever the Escrow Agent shall be required to make payment from the Escrow Fund, the Escrow Agent shall pay such amounts by liquidating the investments of the Escrow Fund to the extent necessary to pay such amounts in full and in cash.

7. Maintenance of the Escrow Fund; Termination of the Escrow Fund.

(a) The Escrow Agent shall continue to maintain the Escrow Fund until the earlier of

(i) the time at which there shall be no funds in the Escrow Fund, or

(ii) the termination of this Agreement.

(b) Notwithstanding any other provision of this Agreement to the contrary, at any time prior to the termination of the Escrow Fund, the Escrow Agent shall, if so instructed in a writing jointly signed by the Buyer and the City's Representative, pay from the Escrow Fund, as instructed, to the City or the Buyer, as directed in such writing, the amount of cash so instructed.

8. Investment of Escrow Fund.

(a) The Escrow Agent shall invest and reinvest moneys on deposit in the Escrow Fund, unless joint written notice to the contrary is received from the City and the Buyer, in any combination of the following: short-term government securities, commercial paper rated the highest grade by Moody's Investors Services, Inc. and Standard & Poor's Corporation with a maturity of not more than one year, money market funds invested in the foregoing, or in similar short-term highly liquid investments of equal or greater security as the foregoing, or in US Treasury Notes, with the interest thereon to be accumulated and reinvested until disbursed, and the Escrow Agent shall not be responsible for any losses resulting from such investments. In the absence of instructions from City and the Buyer, the Escrow Agent may invest the Escrow Amount in any of the foregoing instruments.

(b) In the event that the Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions from any party hereto with respect to the Escrow Fund which, in its reasonable opinion, are in conflict with any of the provisions of this Escrow Agreement or any instructions received from one of the other parties to this Escrow Agreement, the Escrow Agent shall be entitled to refrain from taking any action other than to keep the Escrow Fund in question until (i) such time as there has been a "final determination" (as defined herein) with respect to the Escrow Fund or (ii) deposit in escrow at any time the Escrow Fund into any Court of competent jurisdiction and thereafter shall have no further obligations or liabilities to anyone under this Escrow Agreement. For purposes of this Section 8(b), there shall be deemed to have been a "final determination" of the rights of the applicable parties with respect to the Escrow Fund at such time as any of the applicable parties shall file with the Escrow Agent (i) an official certified copy of a court order, together with an opinion of counsel of the party filing the foregoing, in form and substance acceptable to the Escrow Agent and its counsel, stating that the court order is a final determination (and not subject to appeal in a federal or state court of competent jurisdiction) of the rights of the parties hereto with respect to the Escrow Fund, that the time to appeal from said court order has expired, and that said court order is binding upon the applicable parties, or (ii) a fully executed agreement or consent by and among the applicable parties, which provides for disposition of the Escrow Fund in accordance with Section 12 of the Agreement of Sale.

(c) The Escrow Agent shall supply the Buyer and the City with a monthly statement showing in reasonable detail, the Escrow Fund and any changes thereto, including any increases or decreases, and any investment activity.

9. Assignment of Rights to the Escrow Fund; Assignment of Obligations; Successors. This Agreement may not be assigned by operation of law or otherwise without the express written consent of each of the parties hereto (which consent may be granted or withheld in the sole discretion of such other parties); provided, however, that the Buyer may assign this Agreement to an Affiliate of the Buyer without the consent of the other parties. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns.

10. Escrow Agent. (a) Except as expressly contemplated by this Agreement or by joint written instructions from the Buyer and the City, the Escrow Agent shall not sell, transfer or otherwise dispose of in any manner all or any portion of the Escrow Fund, except pursuant to an order of a court of competent jurisdiction.

(b) The duties and obligations of the Escrow Agent shall be determined solely by this Agreement, and the Escrow Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement.

(c) In the performance of its duties hereunder, the Escrow Agent shall be entitled to rely upon any document, instrument or signature believed by it in good faith to be genuine and signed by any party hereto or an authorized officer or agent thereof (specifically including the City's Representative), and shall not be required to investigate the truth or accuracy of any statement contained in any such document or instrument. The Escrow Agent may assume that any person purporting to give any notice on behalf of a party hereto in accordance with the provisions of this Agreement has been duly authorized to do so.

(d) The Escrow Agent shall not be liable for any error of judgment, or any action taken, suffered or omitted to be taken, hereunder except in the case of its gross negligence, bad faith or willful misconduct. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection for any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

(e) The Escrow Agent shall have no duty as to the collection or protection of the Escrow Fund or income thereon, nor as to the preservation of any rights pertaining thereto, beyond the safe custody of any such funds actually in its possession.

(f) As compensation for its services to be rendered under this Agreement, Escrow Agent shall be reimbursed upon request for all expenses, disbursements and advances, including reasonable fees of outside counsel, if any, incurred or made by it in connection with the preparation of this Agreement and the carrying out of its duties under this Agreement. All such expenses shall be the responsibility of and shared equally by the City and the Buyer.

(g) The Buyer and the City shall reimburse and indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense, including, without limitation,

reasonable attorneys' fees, incurred without gross negligence, bad faith or willful misconduct on the part of the Escrow Agent arising out of, or in connection with the acceptance of, or the performance of, its duties and obligations under this Agreement.

(h) The Escrow Agent may at any time resign by giving twenty Business Days' prior written notice of resignation to the City's Representative and the Buyer. The City and the Buyer may at any time jointly remove the Escrow Agent by giving ten (10) Business Days written notice signed by each of them to the Escrow Agent. If the Escrow Agent shall resign or be removed, a successor Escrow Agent shall be appointed by the Buyer by written instrument executed by the City's Representative and the Buyer and delivered to the Escrow Agent and to such successor Escrow Agent and, thereupon, the resignation or removal of the predecessor Escrow Agent shall become effective and such successor Escrow Agent, without any further act, deed or conveyance, shall become vested with all right, title and interest to all cash and property held hereunder of such predecessor Escrow Agent, and such predecessor Escrow Agent shall, on the written request of the City's Representative, the Buyer or the successor Escrow Agent, execute and deliver to such successor Escrow Agent all the right, title and interest hereunder in and to the Escrow Fund of such predecessor Escrow Agent and all other rights hereunder of such predecessor Escrow Agent. If no successor Escrow Agent shall have been appointed within twenty (20) Business Days of a notice of resignation by the Escrow Agent, the Escrow Agent's sole responsibility shall thereafter be to hold the Escrow Fund until the earlier of its receipt of designation of a successor Escrow Agent, a joint written instruction by the City' Representative and the Buyer and termination of this Agreement in accordance with its terms.

(i) Escrow Agent is acting as a stakeholder only with respect to the Escrow Fund. Upon making delivery of the Escrow Fund in the manner herein provided, the Escrow Agent shall have no further liability hereunder.

(j) The City and Buyer acknowledge that the Escrow Agent has represented the City in connection with, among others things, the Agreement of Sale and the matters giving rise to this Escrow Agreement and will continue to represent the City in connection with such matters and any other matters. Each of the parties to this Agreement waives any right it now has or may have in the future to any claim of conflict as a result of the Escrow Agent's execution, delivery and performance of this Agreement or the transactions contemplated hereby and the Escrow Agent's representation of the City in any matter including, without limitation, any action, litigation or representation relating to the Agreement of Sale, this Escrow Agreement and the matters giving rise to each of them.

11. Termination. This Escrow Agreement shall terminate on the earlier of: (a) the date on which there are no funds remaining in the Escrow Fund or (b) the date on which the Escrow Agreement receives a signed notice from the City and Buyer that the Escrow Agreement is terminated, including instruction to the Escrow Agent on the disbursement of the Escrow Fund.

12. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or by registered or certified mail (postage prepaid, return receipt requested) to

the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 12):

If to the Buyer:

Mr. John Bigelow
President
New Jersey-American Water Company, Inc
131 Woodcrest Road
Cherry Hill, NJ 08003
Fax No.: 856-310-2201

With a copy to:

Mr. Michael Sgro, Esq.
Vice President, General Counsel and Secretary
New Jersey-American Water Company, Inc.
131 Woodcrest Road
Cherry Hill, NJ 08003
Fax No.: 856-310-2279

If to the City:

City of Trenton
Business Administrator
Room 311, Third Floor
City Hall Annex
319 East State Street
Trenton, NJ 08608
Fax No.: 609-989-4250

With a copy to:

Edward K. DeHope, Esq.
Riker, Danzig, Scherer, Hyland & Perretti LLP
One Speedwell Avenue
Morristown, NJ 07962
Fax No.: 973-451-8641

13. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New Jersey applicable to contracts executed and to be performed entirely within that State.

14. Amendments. This Agreement may not be amended or modified except

(a) by an instrument in writing signed by, or on behalf of, the City, the Buyer and the Escrow Agent or (b) by a waiver in accordance with Section 15 of this Agreement.

15. Waiver. Any party hereto may (i) extend the time for the performance of any obligation or other act of any other party hereto or (ii) waive compliance with any agreement or condition contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party or parties to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or condition, of this Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

16. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

17. Entire Agreement. This Agreement and the Agreement of Sale constitute the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, among the City, the Buyer and the Escrow Agent with respect to the subject matter hereof.

18. No Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

19. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

20. Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which when taken together shall constitute one and the same agreement.

21. City's Representative. The City hereby appoints its Business Administrator as its representative (the "City's Representative) and agree that such appointment give the City's Representative full legal power and authority to take any action or decline to take any action on behalf of the City.

22. Definitions. Terms defined in the Agreement of Sale and not otherwise defined herein may be used herein as defined in the Agreement of Sale.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

THE CITY OF TRENTON:

By: _____
Name: Douglas H. Palmer
Title: Mayor

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____
Name: John Bigelow
Title: President

ESCROW AGENT

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI LLP

By: _____
Name: Edward K. DeHope
Title: Member of the Firm

EXHIBIT L

WATER TREATMENT PLANT PERSONNEL SCOPE OF SERVICES

This Exhibit L contains terms and conditions in addition to those contained in the Agreement that shall govern the obligations of the Parties with respect to personnel to be placed in the City's Water Treatment Plant (as defined below) by NJAWC in accordance with Section 14(b) of the Agreement. The provisions of this Exhibit L are incorporated into and form a part of the Agreement and have the same force and effect as if this Exhibit were a numbered section of the Agreement.

1. **Definitions**. Any capitalized term not defined in this Exhibit L, shall have the definition ascribed to such term in the Agreement.

"Applicable Law" means any federal, state or local law, regulation, ordinance, or other governmental requirement or governmental restriction, or any other interpretation or administration of the foregoing by any governmental authority that applies to the provision of the Services or obligation of the Parties under this Exhibit L.

"Change in Law" means the enactment, adoption, amendment, promulgation, issuance, modification, repeal or change of any Applicable Law that takes effect after the execution date of the Agreement.

"City's Water Treatment Plant" or "Plant" means the City's Water Treatment Plant located on Route 29 in Trenton, New Jersey.

"Force Majeure Event" shall have the meaning given to it in the Water Purchase Agreement, provided that Force Majeure shall specifically include but not be limited to a Change in Law and any other act, event, condition or circumstance that (1) is beyond the reasonable

control of NJAWC, (2) by itself or in combination with other acts, events, conditions or circumstances adversely affects, interferes with or delays NJAWC's ability to perform its obligations under this Exhibit L, expands the scope of NJAWC's obligations under this Exhibit L, or increases NJAWC's cost of performing its obligations under this Exhibit L, and (3) is not the direct result of the willful or negligent act, intentional misconduct, or breach by NJAWC of its obligations under this Exhibit L.

"Operator" shall mean each employee of NJAWC working at the City's Water Treatment Plant who has the qualifications set out in Section 4 of this Exhibit L. Collectively these employees shall be referred to as the "Operators."

"Plant Superintendent" means the person in charge of plant operations at the City's Water Treatment Plant.

"Services" means collectively the Basic Services and any Additional Services.

"T-1 Exam" means the exam offered by the New Jersey Department of Environmental Protection to individuals who are seeking a T-1 license as designated by the DEP.

2. **Term**. Subject to the provisions contained in the Agreement, NJAWC shall provide operators to perform the Basic Services beginning on the later of the date of the Agreement or the date after which NJAWC is able to hire Operators and make them available to work in the Plant and continuing until the end of the term of the Water Supply Agreement ("Term") unless the Basic Services are earlier terminated in accordance with this Exhibit L or the Agreement.

3. **Services**. Subject to NJAWC's ability to hire Operators and make them available to work in the Plant throughout the Term, the Operators shall provide the services set out below in this Section 3 (the "Basic Services"). The City shall pay to NJAWC the "Base Monthly Fee"

as defined in Section 6 of this Exhibit L for the Basic Services. Neither NJAWC nor any Operator shall be required to perform any services other than the Basic Services. During the Term, the City may request and NJAWC may provide additional services including, without limitation, emergency services on such terms and conditions as the Parties may agree to (collectively the "Additional Services"), with such agreement to be confirmed in writing as soon as practicable after the Parties reach such agreement.

BASIC SERVICES	**FREQUENCY**
Adjust plant flows influent and effluent *	Daily as needed
Perform laboratory analysis including but not limited to Turbidity, chlorine residual, pH, Alkalinity	Daily as needed
Operate process equipment to maintain the highest quality of delivered water *	Daily
Make appropriate process chemical changes *	As needed
Wash filter beds *	Daily
Enter Data on log sheets	Daily
Monitor processes on SCADA system	As needed
Monitor all gauges and plant equipment, make inspection rounds *	Hourly
Monitor all remote stations and equipment record data, make flow adjustments *	As necessary
May be required to dump chemicals	As needed
Security checks	Hourly
Collect samples and perform inspections of Central Pumping Station *	Daily

(*- Denotes that the City has instructions and guidelines in place that set forth the manner in which the designated item is to be accomplished)

4. **Operator Qualifications and Phase In**.

4.1. Number of Operators/Direction. Subject to NJAWC's ability to hire Operators and make them available to work in the Plant during the Term, NJAWC will provide the City with four (4) Operators to perform the Basic Services. The Operators will receive day to day operational direction and guidance from the City's Plant Superintendent or his designee. A NJAWC supervisor will be available a minimum of five (5) hours per week to provide guidance and direction to the Operators as needed. The Operators will report to the NJAWC supervisor for administrative accountability such as payroll and other NJAWC procedural matters. The City will provide to NJAWC information it believes could be cause for discipline for one or more of the Operators. NJAWC will consider such information in applying progressive discipline under its policies with respect to such Operators.

4.2. Operator Qualifications. Each "Operator" provided by NJAWC to the City shall have the qualifications set out in this Section 4. Each Operator shall have successfully cleared NJAWC's pre-employment protocol for drug testing, background check and physical exam. Each Operator shall also (i) be eligible to sit for the T-1 Exam; (ii) have passed the exam for the Basic Water Treatment Operator certification class offered by the New Jersey Department of Environmental Protection; and (iii) have three (3) years operating experience in a facility equal to the level of license being sought.

Any Operator who has not yet taken the T-1 Exam must apply for and take the next available T-1 Exam. If any Operator does not receive a passing grade for the T-1 Exam, the Operator shall apply for and take such exam again at the next available time such exam is offered. Each Party acknowledges that an Operator may require multiple attempts to take and pass the T-1 Exam; and the Parties agree to provide such Operator with reasonable coaching and

counseling to assist such Operator in his/her attempts to pass the exam.

The Parties agree to work cooperatively with respect to any discipline that may be warranted for failure to pass the T-1 Exam after repeated attempts to do so.

4.3. **Phase In of Operators/Subcontractors**. After the execution of the Agreement, NJAWC will provide the City with each Operator as soon as practicable after they are hired, and NJAWC will continue to recruit qualified candidates until all four (4) Operators have been provided to work in the City's Water Treatment Plant. In its discretion NJAWC may subcontract in order to provide or to supplement the Operators provided under this Exhibit L, provided that any subcontracted operator meets the qualifications for an Operator.

The City acknowledges that Operators will not be available upon execution of the Agreement and further understands that there is a limited supply of individuals in the marketplace who have the qualifications to be an Operator. NJAWC will undertake a diligent effort to secure Operators but shall not be subject to any penalty or other payment to the City at any time during the Term for any inability to provide Operators to the City.

5. **Hours, Vacation and Illness**. Subject to the requirements of any applicable collective bargaining agreement to which NJAWC is a party, or further agreement of the Parties, the Parties agree as follows with respect to issues of vacation, working hours and absences related to illness:

5.1. **Vacation**. Vacation scheduling for each Operator will be based on the remaining available dates after vacation is selected by the City's employees who work at the City's Water Treatment Plant consistent with the City's need to provide adequate staffing at the Plant.

5.2. **Shift Assignments/Demonstration of Qualifications**. Shift assignments are to be evenly dispersed, with one Operator on each of the three (3) current City shifts, with one shift overlapping. Each Operator shall work on the day shift until he/she becomes familiar with the Plant and demonstrates to the satisfaction of NJAWC and the City that he/she can perform the Basic Services and is therefore able to work an unsupervised shift.

5.3. **Open/Uncovered Shifts**. Coverage for shifts that are open or uncovered because someone assigned to the shift has called out due to illness or otherwise will fall first to the City's employees at the Plant followed by NJAWC's Operators. If no individuals are willing to work such shift, then the individual working the prior shift is responsible for working the open or uncovered shift regardless of whether that individual is a City employee or a NJAWC Operator.

6. **Compensation**.

6.1. **Compensation for Basic Services**. Commencing on the Commencement Date, the Owner shall pay to NJAWC for provision of the Operators who perform the Basic Services all of NJAWC's costs, expenses and overheads, and any gross receipts or other tax that may be imposed on NJAWC in connection with or related to the provision of Operators and the Basic Services (the "Base Monthly Fee"). NJAWC agrees to provide the City with advance notice of the costs for each Operator prior to hiring. The Base Monthly Fee will be invoiced monthly by NJAWC for each year during the Term.

6.2. **Compensation for Additional Services**. NJAWC will be compensated for all Additional Services on such terms as the Parties may agree in writing from time to time during the Term.

7. **Invoices/Payment Date**. All invoices submitted by NJAWC shall be paid by the

City no later than thirty (30) days after the date of the invoice (for each invoice, the "Due Date").

8. **Disputed Bills**. If the City disputes in good faith any portion of an invoice, the City shall pay to NJAWC the undisputed portion by the Due Date and shall provide NJAWC with written notice of such dispute by the Due Date. Such notice shall reference the invoice number of the invoice that is being disputed and a detailed description of the basis for the dispute. Failure by the City to provide timely and detailed written notice of any such dispute will act as a waiver of any defense or justification for failing to pay the full amount of the invoice by the Due Date.

8.1. **Interest on Unpaid Bills**. All undisputed portions of an invoice not paid by the Due Date for such invoice shall bear interest at the rate of 1.5% per month from the Due Date. Such interest shall be calculated and added to any unpaid amounts on a monthly basis, but shall not be compounded or treated as recomputed principal.

8.2. **Remedies for Non-Payment.** Notwithstanding any default provision contained hereunder, if the City fails to pay any undisputed sum to NJAWC when due, then NJAWC may without limiting any other remedies that NJAWC may have under this Exhibit L or Applicable Law, upon five (5) business days written notice to the City, and provided the City does not remedy such failure within such five (5) business day period, immediately suspend performance of its obligations under this Exhibit L until any and all amounts due NJAWC, including interest, are paid in full by the City. If NJAWC pursues legal action to collect amounts due from the City as a result of a payment breach under this Exhibit L, the City shall be liable for all costs in connection with such action, including payment of NJAWC's reasonable attorneys' fees and expenses if NJAWC prevails in such action.

9. **Plant Records.** All regulatory records relating to the Plant are the property of the

City. However, NJAWC shall be entitled to copies of such records and reasonable use thereof as they relate to the provision of Services.

10. **Fines and Penalties**. The City shall be responsible for all fines and penalties relating to and arising from the operation of the Plant. NJAWC shall not be responsible at any time during the Term for any fines or penalties relating to or arising from the operation of the Plant or its failure to provide Operators to the City.

11. **Safety**. The City represents and warrants that to the best of its knowledge, information and belief there are presently no conditions in connection with the safety or operation of the Plant that may adversely affect the safety of any of the Operators or NJAWC's ability to perform the Basic Services. During the Term, if NJAWC becomes aware of any unsafe conditions in existence at the Plant that could impact any of the Operators or the provision by NJAWC of the Services, NJAWC may at its discretion either suspend provision of the Services until such time as the condition is corrected, or terminate the provision of Services. The City will provide safety and other Plant specific training to each of the Operators; and NJAWC will instruct its Operators to follow Plant safety procedures.

12. **The City's Collective Bargaining Agreement ("CBA")**. The City represents and warrants that its CBA with the American Federation of State, County and Municipal Employees ("AFSCME") covering its employees at the Plant is not violated by NJAWC providing Basic Services under this Agreement and that further, the CBA does not in any way apply to, or cover NJAWC, and that the City has the right to contract with NJAWC to provide the Basic Services. The City agrees to hold NJAWC harmless against any claims, demands, or actions (a) by AFSCME against NJAWC arising out of the provision of the Basic Services, or (b) resulting or arising from the actions of any City employee, and pay NJAWC's defense costs

related thereto.

13. **Other Provisions**.

13.1. **Default/Termination.**

13.1.1. **Events of Default**. In addition to the Events of Default contained in the Agreement, the following shall constitute "Events of Default" hereunder:

A. The failure of the City to make any payment required hereunder within ten (10) days of notice from NJAWC that such payment is overdue or to timely notify NJAWC of a dispute with regard to such payment under Section 8 of this Exhibit L.

B. The failure of either party (the "Defaulting Party") to perform any material term, covenant or condition contained in this Exhibit L where such failure continues for more thirty (30) days following the giving of written notice of such default to the Defaulting Party; provided, however, that if and to the extent such default cannot reasonably be cured within such thirty (30) day period, and if the Defaulting Party has diligently attempted to cure the same within such thirty (30) day period and thereafter continues to diligently attempt to cure the same, then the cure period provided for herein shall extend up to, but in no case more than, sixty (60) days.

13.2. **Termination for Default**. In addition to each Party's termination rights under the Agreement, if an Event of Default occurs, the non-defaulting party may terminate the provision of Services under this Exhibit L immediately upon written notice to the Defaulting Party; and in that case the terminating party may enforce any and all rights and remedies it may have against the Defaulting Party under Applicable Law.

13.3. **Termination for Convenience**. On November 30 of each year following the fifth anniversary of the Commencement Date, upon 12 months advance written notice to the

other Party, either Party may terminate the provision of Basic Services under this Exhibit L for any or no reason. Upon such termination for convenience, NJAWC shall be paid by the City for all amounts owed for Services performed pursuant to this Exhibit L through the date of termination. In the event that the City so terminates the provision of Basic Services, the City agrees to pay the reasonable cost of separation incurred by NJAWC with respect to any Operator for whom NJAWC does not have an equivalent open position. In addition for any such termination by the City, NJAWC may in its discretion redeploy any remaining Operators to other NJAWC operation locations prior to the expiration of the twelve (12) month notice period referenced above, thereby reducing the number of Operators provided to the City without incurring any penalty. Any such redeployment will not be considered a breach of NJAWC's obligations under this Exhibit L.

13.4. <u>Termination for Change in Plant Ownership or Operation</u>. Either Party may terminate the provision of Basic Services if the City seeks to sell the Plant or seeks to employ an entity other than the City to operate, maintain or repair the Plant. If in either instance, the City seeks to terminate the provision of Basic Services, it shall provide NJAWC with twelve (12) months prior written notice of such termination. In any such termination by the City, the City shall pay any separation costs incurred by NJAWC with respect to any Operator for whom NJAWC does not have an equivalent open position. In addition for any such termination by the City, NJAWC may in its discretion redeploy any remaining Operators to other NJAWC operation locations prior to the expiration of the twelve (12) month notice period referenced above, thereby reducing the number of Operators provided to the City without increasing any penalty. Any such redeployment will not be considered a breach of NJAWC's obligations under this Exhibit L.

13.5. Consequential Damages. In no event shall either Party be liable to the other, and each Party specifically waives as against the other, any and all claims for consequential, incidental, indirect, special or punitive damages resulting in any way from performance or non-performance of this Exhibit L, whether such damages are characterized as arising under breach of contract or warranty, tort (including negligence), fault, strict liability, indemnity, or other theory of legal liability.

13.6. Assignment. NJAWC may assign its rights and obligations under this Exhibit L to an affiliate, subsidiary or related entity of NJAWC upon prior written notice to the City. The City may not assign its rights and obligation under this Exhibit L.

13.7. Force Majeure Event Relief. If a Force Majeure Event occurs, NJAWC shall be entitled to (1) relief from its obligation to provide the Basic Services to the extent the occurrence of the Force Majeure Event prevents NJAWC's performance of such obligations, (2) an extension of schedule to perform the Basic Services to the extent the occurrence of the Force Majeure Event prevents NJAWC's ability to perform such obligations in the time specified in this Exhibit, and (3) an increase in compensation or other fee to be paid by the City for the Basic Services to the extent the occurrence of the Force Majeure Event increases NJAWC's costs of performance of its obligations under this Contract. The occurrence of a Force Majeure Event shall not, however, excuse or delay the City's obligation to pay monies previously accrued and owing to NJAWC under this Exhibit L, or for NJAWC to perform any Basic Services not affected by the occurrence of the Force Majeure Event. The City shall continue to pay compensation to NJAWC for the Operators to perform the Basic Services during the continuance of any Force Majeure Event.

13.8. Limitation of Liability. Notwithstanding any other term contained in this Exhibit L, in no event shall NJAWC's total liability to the City and any of the City's officers, directors, employees, agents, contractors or subcontractors for any and all injuries, claims, losses, expenses or damages whatsoever arising out of or in any way related to the Basic Services from any cause or causes, including, but not limited to, NJAWC's wrongful act, omission, negligence, errors, strict liability, breach of contract, breach of warranty, exceed the amount paid by the City to NJAWC for the Basic Services for the prior 12 months.

13.9. Non-Solicitation. The City and NJAWC agree not to engage in any attempt whatsoever, to hire, or to engage as an independent contractors, the other Party's employees or independent contractors or those of such Party's affiliates during the term of this Agreement and for a period of twelve (12) months following the expiration or termination of this Agreement except as they may mutually agree in writing. Both parties agree that this restriction shall not apply to the hiring of any individual who responds to an advertisement or announcement made for a position in a publication or trade journal.

13.10. Disputes. Any dispute by either Party with respect to the provisions of this Exhibit shall be handled in the same manner as a dispute under the Agreement.

13.11. Conflicts. To the extent there are any conflicts, inconsistencies or discrepancies between the terms and conditions contained in the Agreement and those contained in this Exhibit L, the terms and conditions of this Exhibit L shall govern.

FIRST AMENDMENT

TO

AGREEMENT OF SALE

BETWEEN

CITY OF TRENTON

AND

NEW JERSEY-AMERICAN WATER COMPANY, INC.

THIS FIRST AMENDMENT TO AGREEMENT OF SALE dated February __, 2009, (the "Amendment") is made by and between the **CITY OF TRENTON**, a body politic of the State of New Jersey (the "City"), and the **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey Corporation, with principal corporate offices 131 Woodcrest Road, Cherry Hill, New Jersey 08003 (the "Buyer").

WHEREAS, the City and the Buyer entered into a Agreement of Sale dated December 21, 2007 (the "Agreement"); and

WHEREAS, the City and the Buyer have agreed to make certain changes to the Agreement to reflect the Stipulation agreed to by the parties in BPU Docket NO. WE 08010063; and

WHEREAS, the City and the Buyer intend that all other provisions of the Agreement not changed, amended or modified through this Amendment shall remain in full force and effect.

NOW, THEREFORE, in consideration of the premises and the mutual promises made in connection herewith, the City and the Buyer agree to the following changes to the Agreement:

(1) The Purchase Price (as such term is defined and used in the Agreement) shall be Seventy Five Million Dollars ($75,000,000), which may at the City's option be paid in installments to be reasonably agreed to by the parties. All references in the Agreement to the "Purchase Price" shall be modified to reflect this change.

(2) The definition of the term Deposit shall be deleted and replaced in its entirety with the following:

""Deposit" shall mean a payment of Ten Million Dollars ($10,000,000), which was paid to the City on December 21, 2007, and which is being held by the Escrow Agent under the Escrow Agreement attached hereto and incorporated herein by reference as ***Exhibit K****, and together with the earnings accrued thereon shall be the Deposit."*

(3) The City agrees to add the following subsection (d) to Section 6 of the Agreement:

"(d) Prior to the Closing, the City agrees to introduce an ordinance to accept title to any OWUS assets conveyed to the City in the OWUS by any third party to the extent such title has not been formally accepted by the City and/or to the extent that title conveyancing documents cannot be located prior to the date of the Closing."

(4) The Buyer also agrees to pay the City at Closing a one time lump sum cash payment in the amount of Five Million Dollars ($5,000,000) (the "Services Payment") as consideration for advisory and consulting services relating to technical, operational and any other aspects of the OWUS system that the City's authorized representatives will provide to the Buyer after the Closing in connection with the Buyer's operation of the OWUS, activities related to the transition of ownership from the City to the Buyer, activities related to System Separation, and other post Closing services as may be reasonably requested by the Buyer that will rely on the City's specialized knowledge and expertise with respect to the OWUS, and the interrelationship between the OWUS

and the IWUS, generally as described in more detail as follows (collectively the "Services"):

1). System Separation Support, including the City's attendance and active participation at meetings regarding System Separation, review of System Separation plans, provision of technical advice during System Separation, assistance towards coordination between contractors of the City and the Buyer providing System Separation work, and reasonable planning and operational assistance during construction of System Separation work;

2) The City's active participation in the Operating Committee formed according to Section 3(e) of the Water Supply Agreement;

3) The extension after the Closing Date of the access and cooperation rights set forth in the Agreement, including but not limited to access to customer service records;

4) Assistance as required to transfer customer meter routing information and consulting on meter reading issues;

5) Coordination in developing a plan for the final read by the City and the starting read for the Buyer on all customer meters, such that an accurate actual or estimated final and start read of each customer's meter is obtained and customer account information can be timely transferred to the Buyer;

6) Assist Buyer in locating the below ground infrastructure in the OWUS;

7) Providing plans and specifications on all plant and/or IWUS system improvements subject to a capital improvement surcharge;

8) Providing access to City employees with historical information regarding system design and integrity, and copies of any consulting studies, copies of vendor specifications for OWUS improvements, and any documents or information regarding components of the OWUS designed by developers or other third parties;

9) Emergency services coordination and cooperation;

10) Assist as appropriate with permitting and other regulatory filings, permits and approvals and cooperation on all correspondence and contact with the NJDEP, DRBC and any other regulatory agencies;

11) If needed, (and subject to further agreement on the specific need and duration of the need) provision of space on City owned property within the IWUS for construction staging for the System Separation Plan, possibly including a site for parking heavy equipment and staging construction materials;

12) During the System Separation, provide the Buyer on a timely basis with SCADA data regarding the OWUS plant and operations;

13) Cooperation on all water quality issues, including access to test results and assistance with water quality issues and with NJDEP sampling issues; and

14) Assistance to obtain all required road opening and rights of way permits within the City limits for System Separation work and waive all permit fees associated with road opening permits.

The parties acknowledge and agree that all of these services will be provided as requested by Buyer throughout the term of the Water Supply Agreement, and any extension thereof, but principally in the first seven (7) years following the Closing.

(5) All other terms and conditions contained in the Agreement not changed, amended or modified through this Amendment shall remain unchanged and in full force and effect. In the event of an inconsistency between this Amendment and the Agreement, this Amendment shall govern.

(6) The Parties agree that this Amendment may be executed at any time subsequent to its approval by the City's Municipal Council, provided that the Amendment shall become effective upon passage of the twenty-day period set forth in N.J.S.A. 40:69A-181(b).

IN WITNESS WHEREOF, the City and the Buyer have executed this First Amendment to Agreement of Sale as of the date first above written.

CITY OF TRENTON

By: _____
NAME: Douglas H. Palmer
TITLE: Mayor

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____
NAME: John R. Bigelow
TITLE: President

SECOND AMENDMENT

TO

WATER SUPPLY AGREEMENT

BETWEEN

CITY OF TRENTON

AND

NEW JERSEY-AMERICAN WATER COMPANY, INC.

THIS SECOND AMENDMENT TO WATER SUPPLY AGREEMENT dated February __, 2009, (the "Amendment") is made by and between the **CITY OF TRENTON**, a body politic of the State of New Jersey (the "City"), and the **NEW JERSEY-AMERICAN WATER COMPANY, INC.**, a New Jersey Corporation, with principal corporate offices 131 Woodcrest Road, Cherry Hill, New Jersey 08003 (the "Buyer").

WHEREAS, the City and the Buyer entered into a Water Purchase Agreement on December 21, 2007 and said agreement was amended by a First Amendment on June 9, 2008 (as amended the "Agreement"); and

WHEREAS, the City and the Buyer have agreed to make certain additional changes to the Agreement to reflect the Stipulation agreed to by the parties in BPU Docket NO. WE 08010063; and

WHEREAS, the City and the Buyer intend that all other provisions of the Agreement not changed, amended or modified through this Amendment shall remain in full force and effect.

NOW, THEREFORE, in consideration of the premises and the mutual promises made in connection herewith, the City and the Buyer agree as follows:

(1) The City and the Buyer agree that from the Closing Date through the end of the date that is thirty six (36) months after the Closing Date, the Buyer shall have an obligation to purchase and the City shall have an obligation to sell an Annual Purchase Requirement of 5,110 million gallons per year (MGY), to be billed and paid in equal monthly installments (at a volumetric billing base of 425,833 thousand gallons per

month), and that for the balance of the term of the Agreement after such thirty six (36) month period expires, the Buyer agrees to purchase and the City agrees to sell to Buyer all of the water that Buyer requires to serve the OWUS as measured by the Master Meters at the Points of Delivery. The base rate per thousand gallons shall be $1.880. These changes will require the following change to the Agreement:

(A) The definition of "Annual Purchase Requirement" or "APR" will be deleted in its entirety and replace with the following:

""Annual Purchase Requirement" or "APR" is the minimum total volume of water expressed in million gallons per year, as set forth on ***Exhibit B*** *attached hereto and incorporated herein by reference, that the Buyer is required to take or pay for and the City is obligated to deliver for the first thirty six (36) months after the Closing Date of the Agreement during each Annual Purchase Period, subject to adjustment as set forth in Sections 3(a) and 13 of the Agreement."*

(B) Section 2(b) of the Agreement shall be deleted in its entirety and replaced with the following:

"(b) Billing for Water Purchase Volumes. Subject to adjustment due to a Force Majeure Event or a Water Quality Event, the Buyer and the City agree that for the first thirty six (36) months of the Agreement, Buyer shall be obligated to take or pay for and the City shall be obligated to deliver the APR. Given this agreement, starting on the

first full month after the Closing Date, and continuing for a twelve (12) month period thereafter (which twelve (12) month period shall be the first APP of the Agreement), the Buyer shall pay for the APR in equally monthly installments based on a rate of $1.880 per thousand gallons of potable water. From the Closing Date until the end of the month in which the Closing Date occurs, the Buyer shall pay a prorated sum based on the APR.

The Buyer shall be billed by the City during the next APP for the APR at the rate per thousand gallons of potable water of $1.880 multiplied by the change in the CPI for the twelve-month period ending the last full month prior to the conclusion of the first APP. During the third APP, the rate per thousand gallons shall be determined by multiplying the rate for the second APP by the change in the CPI for the twelve-month period ending the last full month of the second APP and the volume of water shall be the APR.

After the first thirty six (36) months of the Agreement, billing will be based on actual metered volumes measured at the Points of Delivery and such billing will commence the thirty seventh (37th) month following the Closing. The charge for water usage set forth hereinabove shall be increased by the Capital Improvements Surcharge defined in and in accordance with the provisions of Exhibit C."

(C) Sections 3 (a) and (b) shall be deleted and replaced in their entirety with the following:

" (a) Subject to the terms and conditions of this Agreement, the City shall be obligated to supply, and the Buyer is obligated to take or pay for the APR for the first thirty six (36) months of this Agreement.

(b) After the first thirty six (36) months of the Agreement, the Buyer agrees to purchase and the City agrees to sell to Buyer all of the water that Buyer requires to serve the OWUS as measured by the Master Meters at the Points of Delivery, provided, however that in the event of a Force Majeure Event, a Water Quality Event or other issue which prevents the City from providing Buyer such requirements, Buyer may obtain water to serve the OWUS system from other sources. Water provided by the City to the Buyer after the first thirty-six (36) months shall be billed to the Buyer pursuant to ***Exhibit C*** *attached hereto and incorporated herein by reference."*

(D) The third sentence of Section 3(c) of the Agreement is deleted and replaced in its entirety with the following sentence:

"The Parties agree to cooperate in the purchase of water so that there is no undue constraint or stress placed on either Party's system."

(E) The first two paragraphs of Section 5(b) of the Agreement shall be deleted and replaced in their entirety with the following:

"(b) After the initial thirty six (36) months of the term of the Agreement, bills will be rendered monthly based upon the actual amount of water delivered to the

Buyer as measured by the Master Meters and shall be payable within thirty (30) days of when rendered. All undisputed portions of a bill unpaid within ninety (90) days of when rendered shall bear interest at the rate of 1.5% per month from the due date. Such interest shall be added to any unpaid amounts on a monthly basis but shall not be compounded or treated as recomputed principal.

For the first thirty six (36) months of the Agreement, each bill will show the Buyer's APR and year-to-date billed purchases as applied toward satisfying the APR, as well as any credits to Buyer's APR due to Force Majeure or Water Quality Events. The bill rendered for the last month of any APP during the first thirty six (36) months shall include any charges due to the City with respect to any difference between the APR and the actual quantity of water received by the Buyer during such APP, to be billed by the City at the applicable rate."

(F) Section 13 including the heading shall be deleted in its entirety and replaced with the following:

"*13.* *<u>CHANGES TO FLOW RESTRICTIONS</u>*

(a) The parties agree that the initial Maximum Annual Purchase, Maximum Monthly Purchase, Maximum Daily Purchase, and Maximum Monthly Flow Rate limitations are provided for in ***Exhibit B*** *attached hereto and incorporated herein by reference. The MDP, MMP, MAP and Maximum Hourly Flow Rate set forth in Exhibit B may at any time be adjusted by an amendment to this Agreement signed by both Parties.*

(b) Given that the Buyer is agreeing to purchase all of the water it needs to service the OWUS from the City, the City agrees that the MDP, MMP, MAP and Maximum Hourly Flow Rate will change as necessary for the Buyer to meet increased demand for water in the OWUS and to meet NJDEP or other regulatory capacity requirements. In the event the City cannot increase the MDP, MMP, MAP or Maximum Hourly Flow Rate to meet such demands, to the extent the City cannot meet the Buyer's demands, the Buyer is permitted to meet its demands from sources other than the City on terms the Buyer deems in its reasonable judgment to be appropriate.

(G) Attached hereto is a revised Exhibit B which shows that the APR is applicable for the first thirty-six (36) months of the Agreement at the volume level set forth in Section (1) above. To avoid confusion, the amended version of Exhibit B is attached to this Amendment and made a part hereof and incorporated herein by reference.

(H) Exhibit C to the Agreement shall be amended as follows: (a) to change the Base Rate from $2.06 to $1.88 per thousand gallons of water in Paragraph 1; (b) the second sentence of Paragraph 1 shall be deleted and replaced in its entirety to read "Base Rates for water supplied during the first thirty six (36) months shall be charged in accordance with Section 2(b) of the Agreement; and (c) in the first full paragraph of Exhibit C, following the bulleted items in Section 3(C), the phrase "within twenty (20) days after the Agreement is executed" shall be amended to read "no later than twenty (20) days of the issuance of the Final BPU Order".

(I) All other terms and conditions in the Agreement not changed, modified or amended through this Amendment shall remain unchanged and in full force and effect. In the event of a dispute between this Amendment and the Agreement, this Amendment shall govern.

(2) The Parties agree that this Amendment may be executed at any time subsequent to its approval by the City's Municipal Council, provided that the Amendment shall become effective upon passage of the twenty-day period set forth in N.J.S.A. 40:69A-181(b).

[Remainder of the Page Intentionally Left Blank]

IN WITNESS WHEREOF, the City and the Buyer have executed this Second Amendment to Water Supply Agreement as of the date first above written.

CITY OF TRENTON

By: _____
NAME: Douglas H. Palmer
TITLE: Mayor

NEW JERSEY-AMERICAN WATER COMPANY, INC.

By: _____
NAME: John R. Bigelow
TITLE: President

EXHIBIT B

WATER PURCHASE LIMITATIONS AND REQUIREMENTS

Annual Purchase Requirement (for the first 36 months only)	5,100 MGY (5,110,000,000 gallons per year or 14,000,000 GPD)
Maximum Hourly Flow Rate	24,306 GPM
Maximum Daily Purchase	29,000,000 GPD
Maximum Monthly Purchase	850 MG (850,000,000 gallons)
Maximum Annual Purchase	8,000 MGY per calendar year (8,000,000,000 gallons)