

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