

EXECUTIVE SUMMARY

DRAFT ASSETS PURCHASE AGREEMENT
Between
NEW GARDEN TOWNSHIP
And
NEW GARDEN TOWNSHIP SEWER AUTHORITY
And
AQUA PENNSYLVANIA WASTEWATER, INC.

July 19, 2016

The Asset Purchase Agreement (the “Agreement”) sets forth the terms between New Garden Township and New Garden Township Sewer Authority (collectively the “Seller”) and Aqua Pennsylvania Wastewater, Inc. (“Aqua”) for Aqua’s acquisition of the Township and Authority’s sewage collection and treatment system (the “System”). Seller issued a Request for Proposal, including addenda (the “RFP”), for the sale and acquisition of its System. Seller has reviewed all offers to purchase the System and has determined that Buyer is the most responsible bidder, and that Buyer’s December 4, 2014 proposal and March 18, 2016 supplemental proposal (collectively, the “Proposal”) represents the best reasonable offer for the System to continue the services to the customers within the System, and its current and future operation. Aqua is a public wastewater utility regulated by the Pennsylvania Public Utility Commission (“PA PUC”) that furnishes wastewater services to the public in portions of the Commonwealth of Pennsylvania, including Chester County. The terms of the Agreement must be approved by the PA PUC. A summary of the salient business terms of the draft Agreement follows. The exact terms are set forth in the Agreement itself. In the event of any inconsistency or discrepancy between this summary and the Agreement, the terms of the Agreement will control.

The assets subject to the Agreement include all of the assets, properties and rights of Seller, which are held and used in connection with the System. The assets do not include the customer service laterals that run from the curb area (or edge of road) to each of the individual customer’s residences or structures, any and all piping and fixtures internal to each of the individual customer’s residences or structures, with the exception of any meters associated with the System. The assets exclude the cell tower parcel and lease on the East End spray fields.

The purchase price for the assets will consist of payment of \$29,500,000.00 to be paid by Aqua at closing. The closing will be secured by a performance bond in the amount of \$2,950,000.00. Buyer will also contribute \$20,000.00 toward Seller’s closing costs.

As is typical for asset purchase agreements, Aqua will assume responsibility for the permits and assets associated with the System, and will be responsible for the provision of wastewater service to the customers of Seller, after closing. Most other liabilities and obligations of Seller pre-closing will remain the sole responsibility of Seller. Closing is to take place after the Agreement is approved by the PA PUC. The PA PUC approval process will include the procedures under the newly enacted Act 12 of 2016 which establishes a procedure for determining

the fair market value of the System. Aqua agrees that the application of Act 12 will not affect the purchase price as stated in the Agreement.

Seller and Aqua will apply for and receive approval to transfer any permit issued by the Pennsylvania Department of Environmental Protection (“PA DEP”). The Township will obtain any Act 537 sewage planning approval required by the PA DEP. At closing, Seller will turn over to Aqua title to all assets, properties, real estate, easements and rights to the assets of the System. Regulatory permits will be transferred to Aqua.

The Agreement sets forth certain improvements, rate schedules and other commitments by Aqua which will survive Closing. A summary of these commitments follows:

- Aqua will complete modifications, improvements, and requirements as may be mutually agreed upon by the parties in order to meet PA DEP requirements. Specifically, after Closing, Aqua will be making substantial improvements to the Route 41 sewer force main and the South End wastewater treatment plant.
- Aqua agrees that: (i) the existing rate schedules for all customers of the System shall remain the same as those rates charged by Seller as of Closing for no less than two years from the date of Closing (the “Rate Freeze Period”) so long as the Township executes the Agreement by August 31, 2016; and (ii) the ten year compounded annual growth rate (“CAGR”) shall not exceed 4% over a ten year period from Closing. The CAGR limitation shall include Aqua’s Distribution System Improvement Charge (“DSIC”) surcharge approved by the PA PUC, but will not include other rates and pass-through costs or charges, mandated by the Commonwealth of Pennsylvania.
- Immediately upon Closing Buyer will apply its Rules and Regulations, as contained in Aqua’s then-effective PA PUC-approved tariff, to all customers connected or who will connect in the future to Seller’s Assets so long as they are consistent with the terms of this Agreement. Buyer’s current PA PUC-approved wastewater tariff can be examined at the following website: https://www.aquaamerica.com/media/30285/supplement_no_99_compendium_as_of_4-1-2016.pdf.
- Sewer customers are presently billed on a quarterly basis. After the closing, Aqua will continue to bill quarterly but may convert to monthly billing in the near future.
- The Township will have an option to repurchase the Dibello Property, the South Plant spray fields and the East End spray fields in the event that Aqua does not require these for current or future sewerage operations including if Aqua converts to stream discharge. The option means that Aqua must sell the lands first to the Township at the price set forth in the Agreement before it sells the lands to anyone else.

- Aqua will not charge a sewer tapping fee for connections to the System.
- Aqua's connection fee for new customers who complete an application for connection to the System shall be equal to the cost incurred by Aqua of installing a customer service lateral from the main to the curb line in accordance with its Tariff with the PA PUC and bona fine applicant agreement.
- Aqua acknowledges that New Garden Township has jurisdiction over sewage facilities planning and sewer service through its Act 537 planning program, zoning and subdivision and land development ordinances, and comprehensive land use plans. Aqua will not request, pursue or implement expansions of the System within New Garden Township beyond the existing service area without the prior written approval of the Township and the PA DEP.
- Aqua agrees to work with the Township to ensure that under Act 537, the wastewater collection, conveyance, treatment and disposal needs of the Township are timely met in an environmentally-responsible way.
- Aqua will work with Seller through Aqua's Public Private Partnership ("P3") program in order to facilitate Township development projects that meet Aqua's P3 criteria.
- Aqua will form a 3-5 person Local Sewer Advisory Committee consisting of one member appointed by Aqua and the remaining members appointed by the Township that will meet to facilitate local input and make recommendations to Aqua with respect to needs, priorities, rate increases, projects, public awareness and other matters. Committee will not have the power to take action or control Aqua or the operation of the System. The Local Sewer Advisory Committee shall meet at least two times per year unless the meeting schedule is changed by the Local Sewer Advisory Committee in accordance with its bylaws. The meetings shall be held at the New Garden Township Building or such other places as the Local Sewer Advisory Committee shall decide.
- If approved by Aqua, the Township may construct and maintain trails on existing sewer easements and real properties conveyed to Aqua pursuant to this Agreement as part of the Township's planned trail network.