

WATER SUPPLY AGREEMENT

This Agreement is made between **NORTH PENN WATER AUTHORITY** (“**North Penn**”) and the **TOWNSHIP OF SALFORD**, Montgomery County, Pennsylvania (“**Salford**”).

BASIS OF AGREEMENT

A. North Penn is a body, corporate and politic, organized and existing in accordance with the provisions of the Pennsylvania Municipality Authorities Act, as amended.

B. Salford is a body, corporate and politic, a political subdivision, organized and existing in accordance with the Second Class Township Law of the Commonwealth of Pennsylvania.

C. W.B. Homes, Inc. has requested that North Penn provide a public water supply to a proposed subdivision to be located within Salford Township known as Country Crossing/Country View at Salford (“**Country Crossing**”) which North Penn has agreed to do.

D. Representatives of North Penn and Salford have engaged in a dialogue with regard to the terms and conditions under which North Penn might provide a source of public water to the Village Commercial/Residential District, as designated in the Salford Township Zoning Ordinance of 2006 (“**VCRD**”) located within Salford Township in order to provide a reliable source of high quality drinking water to an area with limited ground water capacity and experiencing some water quality problems in private wells, as well as provide a reliable source of fire protection.

E. Salford and North Penn have discussed the feasibility of providing a source of public water to the VCRD in conjunction with providing water service to Country Crossing.

F. In order to provide a public water supply to Country Crossing and make water service available to the VCRD, North Penn must construct approximately 13,350 feet of water main, which it has agreed to do, subject to the terms and conditions of this Agreement.

G. North Penn and Salford have agreed that in view of the significant capital expenditure to be made by North Penn, North Penn will be designated as the official water provider for Salford Township, subject to the terms and conditions of this Agreement.

H. North Penn and Salford have agreed that in order to provide a source of water sufficient to meet the fire flow demands of those residents to be provided with public water service, an elevated one million gallon storage tank is required. In return for the financial commitment made by North Penn, Salford has agreed to provide North Penn with a perpetual easement in order to construct, service and maintain the elevated storage tank on certain land to be designated by the Township.

I. North Penn and Salford have reached an understanding with regard to the terms and conditions under which North Penn will become the official water provider for Salford Township and provide a source of public water to the VCRD and Country Crossing.

AGREEMENT

In consideration of the mutual promises contained in this Agreement, and the sum of One Dollar (\$1.00), mutually exchanged, the parties agree as follows:

1. North Penn agrees to provide a source of public water to Country Crossing and subsequently make water service available for the VCRD by constructing, among other things,

13,350 feet of 12-inch water main (8-inch within Country Crossing) from a point located within Franconia Township, along Allentown Road up to the entrance to the Country Crossing Subdivision, as well as a booster station, fire hydrants (21 fire hydrants on the 12-inch line and 17 hydrants on the 8-inch line) and other appurtenances needed to provide a reliable source of public water (collectively referred to as “**Improvements**”).

2. North Penn agrees to construct the Improvements at its sole expense and provide plans for the proposed Improvements, including a one million-gallon water tank to be constructed later, to Salford’s engineer for review and input.

3. North Penn will, to the extent possible, endeavor to schedule construction of the Improvements concurrently with the installation of sewer lines by the developer of Country Crossing. In addition , North Penn and Salford agree to negotiate in good faith in an effort to concurrently schedule future water and sewer construction in the VCRD district, and, to the extent possible, co-locate facilities and cost share construction whenever it is mutually beneficial to the parties.

4. Salford agrees that the VCRD and Country Crossing Subdivision shall be designated service areas of North Penn. Extensions of service within Country Crossing, and to certain areas to be designated by Salford within the VCRD, will not require additional approvals from Salford. Salford acknowledges and agrees that the installation of water mains and appurtenances requires the expenditure of significant capital costs. As such, Salford agrees that in the event a survey of residents in an area to be designated for service indicates that there is insufficient resident interest in receiving public water service to economically justify the capital costs which would be expended, North Penn shall not be obligated to install water main until

there are a sufficient number of residents to justify the installation of water main, and appurtenances.

5. Salford agrees that if, in the future, a developer desires to provide public water to projects located OUTSIDE OF THE VCRD, and those projects are in an area where the provision of public water is deemed desirable by Salford, North Penn shall be designated as the supplier of water service, unless North Penn declines to provide service. In such case, Salford may designate any other entity as the supplier of public water service to projects declined by North Penn.

6. The parties agree that the terms of this Agreement create no obligation on the part of Salford to allow the provision of public water service in any particular area, other than Country Crossing and the designated portions of the VCRD, and the decision as to whether or not public water service is desirable in any specific location shall rest exclusively with Salford.

7. Salford and North Penn understand and agree that the extension of public water service to any project approved by Salford shall create no obligation on Salford's part to allow the provision of public water in any area between those areas for which service is being provided or will be provided, notwithstanding the fact that service lines may traverse such an intervening area.

8. Upon execution of this Agreement by all parties, North Penn agrees to begin design and permitting of the one million gallon water storage tank to be constructed on land provided by Salford and sufficiently sized to accommodate the one million gallon tank. Salford agrees to assist North Penn in obtaining permits and approvals needed to construct the tank at the location to be designed by the Township, the location of which will be based upon sound engineering principles.

9. Salford agrees to provide North Penn with a perpetual easement in order to allow the construction of, service of, maintenance of, and ingress and egress to the water storage tank to be constructed by North Penn at the location designated by Salford.

10. The parties acknowledge and agree that the map attached to this Agreement as Exhibit "A" and incorporated herein by reference depicts the approximate route of the proposed water main extension, booster station, and tank site location.

11. North Penn agrees that in constructing the water lines, it will locate fire hydrants along the lines at such locations as are reasonably requested by the Salford Fire Marshall.

12. North Penn and Salford agree that notwithstanding the presence of water facilities in the front of any property, no resident of Salford will be required to connect to the public water supply to be provided. Any resident connecting to the public water supply will be obligated to pay to North Penn, North Penn's tapping fees and rates currently in effect for customers of the type making the connection to the North Penn system. All connections must be made in accordance with North Penn's rules and regulations.

13. North Penn hereby grants Salford the right to inspect, at Salford's expense, construction of the Improvements by North Penn. North Penn agrees to provide inspection personnel to ensure that construction is in accordance with industry standards and is performed in a good and workmanlike manner.

14. Salford agrees that all Improvements constructed, including the booster station and water storage tank shall be the property of North Penn, which agrees to keep the Improvements in good working order and well maintained.

15. North Penn's obligation to construct the Improvements and supply water is contingent upon obtaining all necessary rights of way and permits in order to allow the construction and receiving all necessary approvals from all state or federal regulatory agencies which may be required. To the extent it is able to do so, Salford agrees to assist North Penn in obtaining any rights of way, easements or approvals required by Salford or its subordinate entities.

16. Salford understands and agrees that if North Penn imposes water use restrictions upon its customers, such restrictions would be applicable to any customers located within Salford Township.

17. North Penn will exercise due diligence to provide a constant uninterrupted supply of water. Regardless of this obligation, North Penn shall have the right to interrupt or curtail service where reasonably necessary to meet an emergency, or to maintain, repair or replace facilities in North Penn's system. In the event interruption of service is foreseen, North Penn will give advance notice of the time when it will occur and its anticipated duration. In the event of unforeseen interruption, North Penn will notify Salford as promptly as possible and advise it as to when resumption of normal service may be expected.

18. The parties agree that each shall use its best efforts and shall fully cooperate with each other to fulfill the conditions of this Agreement. No party shall interfere or take any action or fail to take any action that will interfere with the fulfillment of the terms and intent of this Agreement or the rights contained in it. Both parties shall take all actions, including, without limitation, the enactment of ordinances or resolutions necessary to effectuate the terms of this Agreement.

19. The parties acknowledge that the terms of this Agreement are such that it may be difficult to calculate damages in the event of a breach by the other party. Accordingly, the parties agree that the terms of this Agreement may be enforced by an action for specific performance or other action in law or equity that may provide appropriate relief. This remedy shall be in addition to, and not in substitution of, any other remedies that either party possesses.

20. The parties agree that in any action brought to enforce the terms of this Agreement, the court may make an award of attorneys' fees and costs.

21. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania. The parties specifically consent to the jurisdiction of the Court of Common Pleas of Montgomery County.

22. Each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable Pennsylvania law. But, if any provision of this Agreement shall be prohibited by or invalid under applicable Pennsylvania law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision, or the remaining provisions of this Agreement.

23. This Agreement shall remain in full force and effect until terminated by mutual agreement of the parties. This Agreement may not be modified, except by written instrument signed by all parties.

24. This Agreement constitutes the entire understanding reached by the parties, and there are no agreements, verbal or written, which are not contained in this document.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officials on the dates noted next to those signatures and is effective on the date last signed by a party to it.

ATTEST:

NORTH PENN WATER AUTHORITY

By: _____

Date: _____

ATTEST:

TOWNSHIP OF SALFORD

By: _____

Date: _____

EXHIBIT “A”