



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue
Trenton, NJ 08625
www.nj.gov/bpu/

DIVISION OF WATER

IN THE MATTER OF THE PETITION)
OF UNITED WATER NEW JERSEY INC.) ORDER ADOPTING
FOR APPROVAL OF THE SALE OF LAND) STIPULATION
AND ASSOCIATED REGULATORY)
TREATMENT) BPU DOCKET NO. WM 11030147
)

Stephen B. Genzer, Esq. Saul Ewing, LLP, for Petitioner, United Water New Jersey Inc.

Mary T. Campbell, Esq., for Petitioner, United Water New Jersey

Stefanie A. Brand, Esq., Director, Division of Rate Counsel

BY THE BOARD:

On March 18, 2011 United Water New Jersey Inc. ("UWNJ or the Company") a corporation of the State of New Jersey, with offices located at 200 Old Hook Road , Harrington Park, New Jersey ,pursuant to N.J.S.A. 48:3-7, filed a petition with the Board of Public Utilities (the "Board") seeking approval of (1) the sale of two parcels of real estate; one located in the Town of Weehawken and the other in the Borough of New Milford ("Properties" or, individually, the "Property"), and (2) the requested regulatory and accounting treatment of the gain from the sales, both as more fully described herein. UWNJ is a public utility regulated by the "Board" and is a wholly-owned subsidiary of United Water Resources, Inc., a holding company that is also a corporation of the State of New Jersey

The Company states that in considering its options for the sale of the Properties, it has given significant consideration to the State's goals of open space, recreation and affordable housing, and that the requested regulatory treatment is a critical element in its decision to sell the Properties. All Agreements for the sales are contingent on satisfactory regulatory treatment in the Company's discretion.

By this Order, the Board considers the Stipulation of Settlement ("Stipulation") entered into and executed by the Parties. The Parties to the Stipulation are the Company, the Division of Rate Counsel ("Rate Counsel") and Board Staff (Collectively, the "Parties"). Other than the Parties, there were no interveners to this proceeding. A copy of the Stipulation is attached.

DESCRIPTION AND HISTORY OF THE PROPERTIES

THE WEEHAWKEN PROPERTY

- A. History of the Property: The Weehawken Property is designated as Block 14, Lot 1, consisting of 14.529 acres¹ located in the Township of Weehawken, County of Hudson, New Jersey. It contains Weehawken Reservoir No. 2 which was constructed circa 1901 and served the Weehawken/ Union City low service district. Weehawken Reservoir No. 2 is nearly rectangular in shape and has an effective area of water surface of 10.092 acres². Weehawken Reservoir No. 2 was decommissioned in 1995 and was physically isolated from the water distribution system. Prior to its decommissioning, Weehawken Reservoir No. 2 stored 69 million gallons of potable water and had a maximum depth of 22 feet. Existing outlet water mains crossing over the Lincoln Tunnel limited the usable water supply to 25 MG. The reservoir served the Weehawken/ Union City low service district. It is being maintained as a reservoir, and as a receiving body for use as system blow-off. The only sources of water are rainfall directly into the reservoir and blow-off discharge from the Fairview – New Durham high system.

In 1982, pursuant to New Jersey Administrative Code (currently N.J.A.C. 7:10-11.11), the New Jersey Department of Environmental Protection (DEP) required that the reservoir be covered, and UWNJ commissioned a study to examine alternatives. The study examined 20 alternatives and completed its review in 1992. The various options ranged in cost from approximately \$8M to \$40M. With modifications to an existing supply, UWNJ determined that Weehawken Reservoir No. 2 could be decommissioned. A Water Purchase Agreement dated March 28, 1969, as amended, between UWNJ and the Jersey City Municipal Utilities Authority (JCMUA) includes the purchase of an average of 7 million gallons per day (MGD) of potable water and a maximum of 14 MGD by UWNJ from JCMUA. This water purchase agreement supplants the water which had been provided by the Weehawken reservoir.

- B. Planned Use in Public Service: UWNJ currently plans to construct a 10-15 MG tank and booster pumping station at the Weehawken Reservoir No. 2 site. Such a facility would satisfy the required water storage for the Weehawken/Union City low service district and 50% of the Fairview - New Durham high service district. The existing Weehawken Reservoir No. 2 site would be sold reserving the required easements and related rights to construct the tank, the pump station and related facilities. More specifically, UWNJ would reserve the following easements and related rights: (1) a permanent easement for the continued use, maintenance, repair and replacement of existing facilities on the entire Property; (2) a permanent easement on and to a 4.410 acre³ portion of the Property for the purpose of constructing a 10-to-15 MG water storage tank ("Tank") with appurtenant equipment, pumping station and such other facilities necessary to carry out UWNJ's franchise obligations to its customers; (3) a permanent unobstructed access easement to the Tank and related facilities, and (4) a temporary construction easement on, over and to the entire Property in order to drain the decommissioned reservoir on the Property and to construct the

¹ The acreage amount has changed slightly from 14.4 acres to 14.529 acres based on the updated survey.

The acreage amount has changed slightly from 11 acres to 10.092 acres based on the updated survey.

³ The acreage has changed slightly from 4.4 acres to 4.529 acres based on the updated survey.

Tank and related facilities. Above the tank and pumping station, a recreational area would be constructed, to be maintained by the Township. The remaining portion of the Property (10.092 acres) would not be needed for the construction of the tank and pumping station and would be available for sale, all as shown on Exhibit A-3 attached to the Petition. The Tank, pump station and related facilities are presently planned for construction in 2016.

THE NEW MILFORD PROPERTY

A. History of the Property: The New Milford Property is designated as Block 1309, Lot 1, consisting of 17.393 acres⁴ located in the Borough of New Milford, County of Bergen. The Company has owned the Property since the early 1900s. Historically, the site was utilized to settle the solids from the filter backwash water generated at the New Milford Water Treatment Plant, which was removed from service in 1990. Since then, the Property has been used to manage the dewatered water treatment residuals generated at the Haworth Water Treatment Plant. Removal of all residuals from the Property began in 2003 under DEP oversight (NJPDES Permit No. 0128856) and was completed in December 2009.

In August 2004, the Contractor performed a test pit excavation in the southeastern part of the site in an unused area of the Property. The material encountered in this area did not resemble water treatment residuals. Further investigation concluded that there was contamination (later identified as base neutrals), the DEP was notified and Case No. 04-08-05-1342-06 was assigned to the site. The remedial work in this area was suspended until a substantial portion of the residual removal work was completed in 2007. The remedial work continued in 2008 and the Remedial Action Report was submitted in the fall of 2008. In January 2009, the DEP approved the Report. Also, in 2009, a groundwater investigation was completed. The groundwater investigation Report regarding the base neutral contamination was submitted in the fall of 2009, and in March 2010, the DEP issued a "No Further Action" letter, resolving those issues. The costs of all the removal and remediation work are shown on Exhibit D attached to the Petition, which details the calculation of gain and loss from both sales. A Revised Exhibit D was submitted, reflecting updated figures as of September 23, 2011.

~~B. The Company intends to transfer the lower portion of the New Milford Property (3.7 acres and identified as Lot 1.01) to the County of Bergen for open space and recreational purposes, in exchange for a portion of County of Bergen land in Franklin Lakes to be utilized by UWNJ as a tank site or alternatively to the Borough of New Milford for open space and recreation. In addition, 0.42 acres of the upper Property will be dedicated to Bergen County as a walking trail. On December 30, 2010 the Company entered into an Agreement of Sale (Agreement) with a developer for purchase of the remaining portion of the New Milford Property for \$7.2 million dollars. The developer has a 120-day due diligence period and has 15 months to seek approval for its development.⁵ There is a provision in the Agreement that allows the Borough four (4) months to decide if it wants to purchase the Property. If the Borough exercises its option then the developer will be reimbursed up to \$300,000 for its hard costs. UWNJ is required to make a contribution of up to \$250,000 if the Borough~~

⁴ The acreage has changed slightly from 13.7 acres to 13.693 acres based on the updated survey.

⁵ The developer may seek up to two additional 3 months extensions for its approvals, provided that he deposits \$50,000 for each additional 3 month extension.

requests off-site improvements as part of the development. Closing will take place 45 days after receipt by the Purchaser of all non-appealable approvals.

THE WATERSHED REVIEW BOARD ORDER

Both properties are subject to review by the Watershed Property Review Board (WPRB) pursuant to the Watershed Protection and Moratorium Act, P.L. 1988, c. 163, and the procedures established by the Board in I/M/O the Joint Petition of Lyonnaise American Holding, Inc and United Water Resources, Inc for Approval of a Change in Ownership and Control of the New Jersey Operating Utilities (Docket No. WM99110853, July 20, 2000) the Board reiterated that UWNJ shall be bound by I/M/O Hackensack Water Company in Re Three Golf Course Transfer, Order dated August 28, 1993, and I/M/O the Petition of Hackensack Water Company – Removal from Rate Base and Transfer of Excess Lands; and Consideration of Stipulation Regarding Gold Course Transfers and Utility Acquisition of Watershed Properties, Order dated October 12, 1993, in Docket Nos. 8312-1096, 8506-586, 8712-1465 and WC90040266. The WPRB approved a Settlement Agreement entered into on March 26, 2009 by UWNJ, Bergen SWAN, the Hackensack Riverkeeper, and the Attorney General of the State of New Jersey. While the Settlement and the Order represent a comprehensive resolution of longstanding issues involving UWNJ land use, the terms thereof which are pertinent to the Petition are:

- Certain Company properties, including the Properties, are not maintained by UWNJ for the purpose of protecting a surface water supply and the WPRB does not have jurisdiction over them.

Upon the sale of the Properties or five years from the date of the Order, whichever is sooner, UWNJ will contribute \$1,000,000 from the sale of the Properties to the Garden State Green Acres Preservation Fund, to be utilized for the purchase of additional open space protective of the watershed in Bergen County.

THE PROPOSED AGREEMENTS

WEEHAWKEN: The Petition states that on March 1, 2011, UWNJ entered into an Option Agreement with the Trust for Public Lands (“Trust”) for the sale of the Property, attached to the Petition as Exhibit B. The Trust will seek the funding for the transaction and ultimately transfer the Property to the Township of Weehawken and possibly the City of Union City. The Option Agreement stipulates the purchase price at \$11.5 million dollars with a \$500,000 credit if the transaction closes in 2011. Some of the more material terms of the Option Agreement are as follows: During the Initial Option Period, the Trust shall apply and seek funding by grant or loan from various agencies. The Trust must receive the funding or confirmation for the monies and ~~exercise its option by November 16, 2011. Purchaser can request to close by December 15, 2011~~ with 50% of the funding and issuance of an unsecured note with a maturity pay-off date with interest of 180 days after closing; Seller has the option to close with 50% of the funding or to wait until full funding is received to close the transaction. There are standard representations and warranties set forth in the Option Agreement and additional representations and assurances included to satisfy the State of New Jersey Green Acres funding requirements.

The Property was subject to a mortgage made by Hackensack Water Company to Hudson Trust Company dated March 1, 1946, as amended, which has been released. Proposed journal entries detailing the purchase price, actual and anticipated costs of sale and net proceeds are attached to the Petition as Exhibit C.

NEW MILFORD: As stated in the Petition, the Contract was executed on December 30, 2010 for a purchase price of \$7.2 million dollars. The Developer has a 120-day due diligence period, and 15 months to seek approval for its development. The Developer may seek up to two additional three (3) month extensions for its approvals, provided he deposits \$50,000 for each additional 3 month extension. There is a provision in the Agreement that allows the Borough of New Milford four (4) months to decide whether it wants to purchase the Property. If the Borough exercises its option, the Developer will be reimbursed up to \$300,000 for its hard costs. The Borough did not exercise its option; therefore the \$300,000 reimbursement to the Developer is no longer a cost of the sale. The Contract includes standard representations and warranties. There is a contribution of up to \$250,000 required of UWNJ if the Borough requests off-site improvements as part of the development. This will be determined as part of the zoning and planning board approval process. Closing will take place 45 days after receipt by Purchaser of all non-appealable approvals.

Proposed Journal Entries reflecting the individual sales and consolidated journal entries reflecting both sales were attached to the Petition as Exhibits C, F and G, and revisions reflecting current figures are attached hereto.

THE REQUESTED REGULATORY TREATMENT

Revised Exhibit D reflects the net proceeds from the sales. As shown thereon, the sale of the Weehawken Property will produce a gain, while the sale of the New Milford Property will produce a loss due primarily to the environmental remediation efforts and removal of the residuals as described above. As set forth in more detail below, due to the public interest served by these sales, UWNJ requested that the proceeds from these sales be treated together, or netted, for purposes of determining the total amount of land sale proceeds to be shared with customers, and that the net proceeds be shared 40% to customers and 60% to the Company.

Under Section 5 of the WPRB Settlement as approved, the Properties have been treated together for purposes of funding the voluntary contribution to the State's Green Acres Fund. As contemplated by the Settlement and Order, UWNJ's \$1,000,000 contribution to the Fund will be funded from both these sales. It is logical therefore, that they be treated together in funding UWNJ's and the customers' share of the net proceeds.

~~The sale will also benefit the utility's customers through their sharing of the proceeds, and through the revenue requirement reductions resulting from rate base and expense reductions associated with removing the Properties from public service. Most significantly, the customers will avoid the revenue requirement rate impact of almost \$12,000,000 of the remediation costs associated with the New Milford Property. Both sales include a substantial public use component. Finally, the State will benefit from the \$1,000,000 contribution, and from the public interest aspects of both sales.~~

In consideration of the benefits to all stakeholders described above, fairness dictates that the Company should not be penalized by these sales. Unless the proceeds from the sales of the Properties are netted, UWNJ could be forced to absorb 100% of the loss from the New Milford Property, while sharing the gain on the sale of the Weehawken Property.

The general timeline for these sales would indicate that the Weehawken sale closing could occur well before the New Milford closing, based on the Agreements of Sale. If this in fact occurs, UWNJ requested that the net proceeds of the New Milford sale be estimated at the time of the Weehawken closing, that the netting and sharing calculation be done based on those estimates, and that the figures be trued up at the time of the actual New Milford closing, when

the actual numbers would be known. It is in the best interest of all parties that these sales be approved and closed as soon as possible; particularly the sale of the Weehawken Property which is scheduled to close in December 2011.

DISCUSSION AND STIPULATION

Staff and Rate Counsel served numerous interrogatories and data requests on the Company and several meetings were held with the Parties to discuss the Company's responses to the data requests and to explore the possibility of settlement. From these discussions, the following critical updates to the Petition were agreed upon, all of which are incorporated into Revised Exhibit D attached hereto.

The Company did not advertise for bids for the Properties as required by N.J.A.C. 14:1-5.6. UWNJ's petition states that the Properties are among the few remaining large parcels in their respective Counties and that they have substantial value. The petition also states that the Company, in considering its options for the sale of the Properties, had given significant consideration to the State's goals of open space, recreation and affordable housing, and that the requested regulatory treatment is a critical element in its decision to sell the Properties.

The Weehawken Property is being acquired by the Trust for Public Lands (Trust) and will ultimately be transferred to the Township of Weehawken and possibly to the City of Union City. The Company submitted an appraisal dated July 19, 2011 by Stack, Coolahan & Stack, LLC, that estimated the market value of the Weehawken Property. The Trust submitted two appraisals, one dated June 13, 2011, by Cooney Bovasso Realty Advisors, Inc. and one dated May 31, 2011 by McNerney & Associates, that estimated the market value of the Weehawken Property. UWNJ also stated that it tested the market for the Weehawken property and that its efforts confirmed that the appraisal that it procured supports the contracted price. Multiple offers were received for the property before the property was ultimately sold to the Trust. There is no relationship between the Company, the Trust or the Township other than this land sale.

Due to the remediation costs, the New Milford Property is being sold to a developer⁶ at a loss to UWNJ. The Company submitted two appraisals, one dated September 30, 2003 by McNerney & Associates and one dated April 17, 2003 by Mason Helmstetter Associates, LLC that estimated the market value of the New Milford Property. The company made substantial, although unsuccessful, efforts to work with New Milford in an attempt to sell the property to the township. The Company also submitted a broker's listing which UWNJ believes documents its efforts to market the Property. The efforts of the broker initially resulted in two offers for the property, and ultimately led to the contract for sale before the Board. While the Company was in negotiations to finalize the sale contract, it received a late offer that was slightly higher, but did not contain certain other benefits, such as designation of a certain portion of the property to open space and municipal usage and was based on a more densely populated development plan. Ultimately, the Company entered into the sales contract before the Board. There is no relationship between the Company, the Developer or the Township other than this land sale.

At the time of execution of this Stipulation, the figures on Revised Exhibit D dated September 23, 2011 are all final, except for the following, which are not expected to change materially from the estimates on the Exhibit:

⁶ As noted above there is a provision in the Agreement that allows the Borough of New Milford four (4) months to decide whether it wants to purchase the New Milford Property

| | |
|---|-----------|
| Site Preparation Estimate - Weehawken | \$503,000 |
| Offsite Work – New Milford (cost contingent on Municipal approval process) | \$250,000 |

- Recording and Transfer fees for both Weehawken and New Milford are subject to statutory increases
- Weehawken Realtor Fee – Increases by \$20,000 if transaction closes in 2012.

Based on the Petition, the responses to data requests and the numerous settlement discussions undertaken, the Parties hereby agree as follows:

1. The Properties are no longer needed for service to the public.
2. The sale of the Properties is in the public interest since it will further the State's goals of open space, recreation and affordable housing. In addition, customers will benefit from the sharing of the net gain and from revenue requirement reductions of capital and operating costs associated with the Properties. Customers will also avoid substantial costs of remediation of the New Milford Property.
3. The Board should approve the sales of the Properties as requested in the Petition, specifically:
 - a. Approval should be given on or before November 9, 2011,⁷ so that the Weehawken sale can close by year end 2011 as Buyer and Seller have agreed.
 - b. The proceeds from both sales should be netted for purposes of calculating the net gain to be shared with customers, as shown on Revised Exhibit D.
 - c. The proceeds from the sale of the Weehawken Property shall be held in an interest bearing escrow account for ultimate disposition following the New Milford Property closing.
 - d. Within 30 days of the closing of the sale of the New Milford Property, the Company shall file with the Board and the Parties an updated Exhibit D and updated journal entries reflecting final actual numbers, and showing the final net gain.
 - e. The final net gain shall be shared 45% to customers and 55% to the Company through a one-time credit on customers bills beginning with the first billing cycle following the filing required in (d) above.

⁷ The Trust for Public Lands is required to exercise its option on the Weehawken Property by November 16, 2011. It will not exercise its option if all approvals/contingencies are not satisfied.

FINDINGS

The Company did not advertise for bids for the Properties as required by N.J.A.C. 14:1-5.6. In reviewing the entire record of this proceeding, the Board HEREBY WAIVES the advertising requirements set forth in N.J.A.C. 14:1-5.6 in so far as they apply to these transactions. The waiver is granted because the waiver will not adversely affect the public interest, the subject properties are no longer used or useful for utility purposes, the Company worked with the municipalities and made reasonable efforts to market these properties, the Company submitted appraisals for both properties, the Trust for Public Land submitted two appraisals for the Weehawken Property, and the New Milford Property was publicly advertised through brokers listings which resulted in an arms length transaction for the sale of the property.

Furthermore, the lower portion of the New Milford Property (3.7 acres and identified as Lot 1.01) is being transferred to the County of Bergen for open space and recreational purposes. N.J.S.A. 48:3-7 provides that Board approval is not required whenever a utility transfers any property or interest therein to the United States, to the State or to any county, or municipality or any agency, or subdivision thereof for public use. Additionally, the Trust for Public Land is acquiring the Weehawken Property and will ultimately transfer it to the Township of Weehawken and possibly the City of Union City. The Board further notes that had the Weehawken Property been transferred directly to the Township of Weehawken the Board's approval would not have been required. In addition to being sold at market value, the transfer of the Weehawken Property is consistent with the goals of the State in preserving tracts of land for conservation and recreational purposes. For all of the above reasons, these sales represent an unusual transaction.

The Board, having reviewed the Petition and the entire record, FINDS that the sale of the properties is consistent with In re Erie-Lackawanna Ry. Co., 75 P.U.R. 3d 246 (N.J. Bd. Of Pub. Util. Comm'rs 1968) and will not jeopardize the Company's ability to continue to render safe, adequate and proper utility service. The Board further notes that all Parties entered into a Stipulation of Settlement and no party objected to these sale contracts and no party alleged that the sales prices were less than fair market value nor that the properties were sold for less than the best price obtainable.

The Board further FINDS, that the sales will not adversely affect the public interest, that the subject properties are no longer useful for utility purposes, that the selling prices are based upon independent appraisals, that there are no relationships between the buyers and the sellers; and that due to the open space and environmental sensitivity of the properties, the use of these lands are consistent with the goals of the State and County Municipalities in preserving land for conservation and recreation.

The Board HEREBY APPROVES the sales and conveyance of the properties and property interests as more fully described in the petition and that the Parties have voluntarily agreed to the Stipulation, that the Stipulation fully disposes of all of the issues in this proceeding and is consistent with the law. Having considered the magnitude of these transactions, the Board, HEREBY FINDS, the Stipulation to be reasonable and in the public interest.

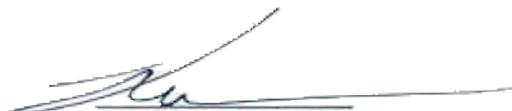
Accordingly, the Board HEREBY ADOPTS the Stipulation attached hereto, together with attachments and schedules, as its own, incorporating by reference the terms and conditions as if fully set forth herein, subject to the following:

- a) The final net gain shall be shared 45% to customers and 55% to the company, through a one-time credit.
- b) This Order is based upon the specific and particular facts of these transactions and shall not have precedential value in future land transactions that may come before the Board and shall not be relied on as such.
- c) This Order shall not affect or in any way limit the exercise of the authority of the Board, or of the State, in any future petition, or in any proceeding with respect to rates, franchises, service, financing, accounting, capitalization, depreciation or in any matters affecting the Company.
- d) This settlement does not bind or limit the Board or any non-party to this stipulation in any future proceeding with respect to the amount or allocation of the proceeds from these land sales.
- e) Within ten (30) days of the date of the closing on each transaction, UWNJ shall file with the Board proof the closings, net transaction costs, and final journal entries along with a detailed calculation, including selling expenses, of the sales.
- f) Final certification of the appraisals, as determined by a Green Acres approved independent appraiser, and in accordance with Green Acres appraisal standards.
- g) Final acreage is also to be determined by the survey.

This Order shall be effective on November 14, 2011.

DATED: 11/9/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

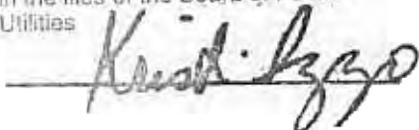

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



IN THE MATTER OF THE PETITION OF UNITED WATER NEW JERSEY, INC.
FOR APPROVAL OF THE SALE OF LAND AND ASSOCIATED REGULATORY TREATMENT
BPU DOCKET NO. WR11030147

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

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|---|---|---------------------------|
| PETITION OF UNITED WATER NEW JERSEY INC. FOR APPROVAL OF THE SALE OF LAND AND ASSOCIATED REGULATORY TREATMENT | : | STIPULATION OF SETTLEMENT |
| | : | DOCKET NO. WM 11030147 |

APPEARANCES:

Stephen B. Genzer, Esq., Saul Ewing LLP, on behalf of United Water New Jersey, Inc. (Mary Campbell, Esq., Corporate Attorney, United Water New Jersey, Inc.), Petitioner

Brian Lipman, Deputy Attorney General (Paula T. Dow, Attorney General of New Jersey), on behalf of the Staff of the New Jersey Board of Public Utilities

Susan E. McClure, Esq., Assistant Deputy Rate Counsel (Stefanie A. Brand, Director, Division of Rate Counsel), on behalf of the Division of Rate Counsel;

TO THE HONORABLE NEW JERSEY BOARD OF PUBLIC UTILITIES:

THE PETITION

On March 18, 2011, United Water New Jersey Inc. ("UWNJ" or the "Company") filed the above captioned Petition requesting approval of (1) the sale of two parcels of real estate; one located in the Town of Weehawken and the other in the Borough of New Milford ("Properties" or, individually, the "Property"), and (2) the requested regulatory and accounting treatment of the gain from the sales, both as more fully described herein. The Petition states that the Properties are among the few remaining large parcels in their respective Counties and that they have substantial value. The Company also states that in considering its options for the sale of the Properties, it has given significant consideration to the State's goals of open space, recreation and affordable housing, and that the requested regulatory treatment is a critical element in its decision to sell the Properties. All Agreements for the sales are contingent on satisfactory

regulatory treatment in the Company's discretion. Attached to the Petition are Exhibits A through G:

Weehawken Drawing

New Milford Drawing

Weehawken Tank Drawing

B: Weehawken Option Agreement

C: Weehawken Journal Entries

D: Calculation of Gain and Loss

E: New Milford Agreement

F: New Milford Journal Entries

G: Consolidated Journal Entries

Revised Exhibits A-1, A-2, C, D, F and G are attached to this Stipulation.

The Petition includes a description of the two parcels:

THE WEEHAWKEN PROPERTY

- A. History of the Property: The Weehawken Property is designated as Block 14, Lot 1, consisting of 14.529 acres¹ located in the Township of Weehawken, County of Hudson. It contains Weehawken Reservoir No. 2, constructed circa 1901, which is nearly rectangular in shape, with an effective area of water surface of 10.092 acres²

¹ The acreage amount has changed slightly from 14.4 acres to 14.529 acres based on the updated survey

² The acreage amount has changed slightly from 11 acres to 10.092 acres based on the updated survey.

In 1995, Weehawken Reservoir No. 2 was decommissioned and physically isolated from the water distribution system. It is being maintained as a reservoir, and as a receiving body for use as system blow-off. The only sources of water are rainfall directly into the basin and blow-off discharge from the Fairview – New Durham high system.

Prior to 1995, Weehawken Reservoir No. 2 stored 69 million gallons of potable water with a maximum depth of 22 feet. The Reservoir served the Weehawken/Union City low service district. Existing outlet water mains crossing over the Lincoln Tunnel limited the usable water supply to 25 MG.

Pursuant to the New Jersey Administrative Code (currently N.J.A.C. 7:10-11.11), in 1982 the New Jersey Department of Environmental Protection required that the reservoir be covered, and UWNJ commissioned a study to examine alternatives. The study examined 20 alternatives and was completed in 1992. The various options ranged in cost from approximately \$8M to \$40M.

With modifications to an existing supply, it was determined that Weehawken Reservoir No. 2 could be decommissioned. A Water Purchase Agreement dated March 28, 1969, as amended, between Hackensack Water Company, United Water New Jersey Inc.'s predecessor in interest ("UWNJ"), and Jersey City Municipal Utilities Authority ("JCMUA") includes the purchase of an average of 7 million gallons per day (MGD) of potable water and a maximum of 14 MGD by UWNJ from JCMUA. This Agreement provides a reliable source of potable water for

the south of the distribution system and avoids the high cost options to meet the NJDEP reservoir regulations.

- B. **Planned Use in Public Service:** UWNJ currently plans to construct a 10-15 MG tank and booster pumping station at the Weehawken Reservoir No 2 site. Such a facility would satisfy the required water storage for the Weehawken/Union City low service district and 50% of the Fairview - New Durham high service district. Without this minimum water storage capacity, UWNJ would be overly dependent on the supply from JCMUA at times of acute demand requirements. This could expose its customers to a higher price of water, by creating a disadvantage for UWNJ in negotiations with JCMUA to renew the interconnection and water purchase agreement.

Under current plans, the existing Weehawken Reservoir No. 2 site would be sold reserving the required easements and related rights to construct the tank, the pump station and related facilities. More specifically, UWNJ would reserve the following easements and related rights. (1) a permanent easement for the continued use, maintenance, repair and replacement of existing facilities on the entire Property; (2) a permanent easement on and to a 4.529 acre³ portion of the Property for the purpose of constructing a 10-to-15 MG water storage tank ("Tank") with appurtenant equipment, pumping station and such other facilities

The acreage has changed slightly from 4 acres to 4.529 acres based on the updated survey

necessary to carry out UWNJ's franchise obligations to its customers; (3) a permanent unobstructed access easement to the Tank and related facilities, and (4) a temporary construction easement on, over and to the entire Property in order to drain the decommissioned reservoir on the Property and to construct the Tank and related facilities. Above the tank and pumping station, a recreational area would be constructed, to be maintained by the Township. The remaining portion of the Property (10.092 acres) would not be needed for the construction of the tank and pumping station and would be available for sale, all as shown on Exhibit A-3 attached to the Petition. The Tank, pump station and related facilities are presently planned for construction in 2016.

THE NEW MILFORD PROPERTY

- A. History of the Property: The New Milford Property is designated as Block 1309, Lot 1, consisting of 17.393 acres⁴ located in the Borough of New Milford, County of Bergen. The Property has been owned by the Company since the early 1900s. Historically, the site was utilized to settle the solids from the filter backwash water generated at the New Milford Water Treatment Plant, which was removed from service in 1990. Since then, the Property has been used to manage the dewatered water treatment residuals generated at the Haworth Water Treatment Plant. Removal of all residuals from the Property began in 2003 under NJDEP oversight (NJPDES Permit No. 0128856) and was completed as of December 2009.

⁴ The acreage has changed slightly from 17.7 acres to 17.393 acres based on the updated survey.

In August 2004, the Contractor performed a test pit excavation in the southeastern part of the site in an unused area of the Property. The material encountered in this area did not resemble water treatment residuals. Further investigation concluded that there was contamination (later identified as base neutrals), the NJDEP was notified and Case No. 04-08-05-1342-06 was assigned to the site. The remedial work in this area was suspended until a substantial portion of the residual removal work was completed in 2007. The remedial work continued in 2008 and the Remedial Action Report was submitted in the fall of 2008. In January 2009, the NJDEP approved the Report. Also, in 2009, a groundwater investigation was completed. The groundwater investigation Report regarding the base neutral contamination was submitted in the fall of 2009, and in March 2010, the DEP issued a "No Further Action" letter, resolving those issues. The costs of all the removal and remediation work are shown on **Exhibit D** attached to the Petition, which details the calculation of gain and loss from both sales. **Revised Exhibit D is attached hereto, reflecting updated figures as of 10/5/11.**

- B. The Company intends to transfer the lower portion of the New Milford Property (3.7 acres and identified as Lot 1.01) to the County of Bergen for open space and recreational purposes, in exchange for a portion of County of Bergen land in Franklin Lakes to be utilized by UWNJ as a tank site or alternatively to the Borough of New Milford for open space and recreation. In addition, .42 acres of the upper Property will be dedicated to Bergen County as a walking trail.

THE WATERSHED REVIEW BOARD ORDER

Both Properties are subject to the Order of the Watershed Property Review Board (WPRB) at Docket No. WM99110853, which approved a Settlement Agreement entered into on March 26, 2009 by UWNJ, Bergen SWAN, Hackensack Riverkeeper, and the Attorney General of the State of New Jersey. While the Settlement and the Order represent a comprehensive resolution of longstanding issues involving UWNJ land use, the terms thereof which are pertinent to the Petition are:

- Certain Company properties, including the Properties, are not maintained by UWNJ for the purpose of protecting a surface water supply and the WPRB does not have jurisdiction over them

Upon the sale of the Properties or five years from the date of the Order, whichever is sooner, UWNJ will contribute \$1,000,000 from the sale of the Properties to the Garden State Green Acres Preservation Fund, to be utilized for the purchase of additional open space protective of the watershed in Bergen County.

THE PROPOSED AGREEMENTS

WEEHAWKEN: The Petition states that on March 1, 2011, UWNJ entered into an Option Agreement with the Trust for Public Lands ("Trust") for the sale of the Property, attached to the Petition as **Exhibit B**. The Trust will seek the funding for the transaction and ultimately transfer the Property to the Township of Weehawken and possibly the City of Union City. The Option Agreement stipulates the purchase price at \$11.5 million dollars with a \$500,000 credit if the transaction closes in 2011. Some of the more material terms of the Option Agreement are as follows: During the Initial Option Period, the Trust shall apply and seek funding by grant or loan from various agencies. The Trust must receive the funding or confirmation for the monies and exercise its option by November 16, 2011. Purchaser can request to close by December 15, 2011 with 50% of the funding and issuance of an unsecured note with a maturity pay-off date with interest of 180 days after closing; Seller has the option to close with 50% of the funding or to wait until full funding is received to close the transaction. There are standard representations and warranties set forth in the Option Agreement and additional representations and assurances included to satisfy the State of New Jersey Green Acres funding requirements.

The Property was subject to a mortgage made by Hackensack Water Company to Hudson Trust Company dated March 1, 1946, as amended, which has been released. Proposed journal entries detailing the purchase price, actual and anticipated costs of sale and net proceeds are attached to the Petition as **Exhibit C**.

NEW MILFORD: As stated in the Petition, the Contract was executed on December 30, 2010 for a purchase price of \$7.2 million dollars. The Developer has a 120-day due diligence period, and 15 months to seek approval for its development. The Developer may seek up to two additional three (3) month extensions for its approvals, provided he deposits \$50,000 for each additional 3 month extension. There is a provision in the Agreement that allows the Borough of New Milford four (4) months to decide whether it wants to purchase the Property. If the Borough exercises its option, the Developer will be reimbursed up to \$300,000 for its hard costs. The Borough did not exercise its option; therefore the \$300,000 reimbursement to the Developer is no longer a cost of the sale. The Contract includes standard representations and warranties. There is a contribution of up to \$250,000 required of UWNJ if the Borough requests off-site improvements as part of the development. This will be determined as part of the zoning and planning board approval process. Closing will take place 45 days after receipt by Purchaser of all non-appealable approvals.

Proposed Journal Entries reflecting the individual sales and consolidated journal entries reflecting both sales were attached to the Petition as **Exhibits C, F and G**, and revisions reflecting current figures are attached hereto.

THE REQUESTED REGULATORY TREATMENT

Revised Exhibit D reflects the net proceeds from the sales. As shown thereon, the sale of the Weehawken Property will produce a gain, while the sale of the New Milford Property will produce a loss due primarily to the environmental remediation efforts and removal of the residuals. As set forth in more detail below, due to the public interest served by these sales, UWNJ requested that the proceeds from these sales be treated together, or netted, for purposes of determining the total amount of land sale proceeds to be shared with customers, and that the net proceeds be shared 40% to customers and 60% to the Company.

Under Section 5 of the WPRB Settlement as approved, the Properties have been treated together for purposes of funding the voluntary contribution to the State's Green Acres Fund. As contemplated by the Settlement and Order, UWNJ's \$1,000,000 contribution to the Fund will be funded from both these sales. It is logical therefore, that they be treated together in funding UWNJ's and the customers' share of the net proceeds.

The sale will also benefit the utility's customers through their sharing of the proceeds, and through the revenue requirement reductions resulting from rate base and expense reductions associated with removing the Properties from public service. Most significantly, the customers will avoid the revenue requirement rate impact of almost \$12,000,000 of the remediation costs associated with the New Milford Property. Both sales include a substantial public use component. In consideration of the benefits to all stakeholders described above, fairness dictates that the Company should not be penalized by these sales. Unless the proceeds from the sales of the Properties are netted, UWNJ could be forced to absorb 100% of the loss from the New Milford Property, while sharing the gain on the sale of the Weehawken Property. The result of this approach, based on current information, would be a substantial disincentive for the sales, which are contingent on favorable regulatory approval.

The general timeline for these sales would indicate that the Weehawken sale closing could occur well before the New Milford closing, based on the Agreements of Sale. If this in fact occurs, UWNJ requested that the net proceeds of the New Milford sale be estimated at the time of the Weehawken closing, that the netting and sharing calculation be done based on those estimates, and that the figures be trued up at the time of the actual New Milford closing, when the actual numbers would be known. It is in the best interest of all parties that these sales be approved and closed as soon as possible; particularly the sale of the Weehawken Property which is scheduled to close in December 2011.

BACKGROUND OF THE STIPULATION

Staff and Rate Counsel served numerous interrogatories and data requests on the Company (Staff 1-19; RCR- – RCR-28). In addition, several meetings were held with the Parties to discuss the Company's responses to the data requests and to explore the possibility of settlement. From these discussions, the following critical updates to the Petition were agreed upon, all of which are incorporated into **Revised Exhibit D** attached hereto.

At the time of execution of this Stipulation, the figures on **Revised Exhibit D** dated September 23, 2011 are all final, except for the following, which are not expected to change materially from the estimates on the Exhibit:

- Site Preparation Estimate - Weehawken \$503,000
- Offsite Work – New Milford (cost contingent on
Municipal approval process) \$250,000
- Recording and Transfer fees for both Weehawken
and New Milford are subject to statutory increases
- Weehawken Realtor Fee – Increases by \$20,000 if
transaction closes in 2012.

THE STIPULATION

Based on the Petition, the responses to data requests and the numerous settlement discussions undertaken by the Parties, Board Staff, Rate Counsel and the Company hereby agree as follows:

- 1 The Properties are no longer needed for service to the public.

2. The sale of the Properties is in the public interest since it will further the State's goals of open space and recreation.
3. The Board should approve the sales of the Properties as requested in the Petition, specifically:
 - a. Approval should be given on or before November 9, 2011,⁵ so that the Weehawken sale can close by year end 2011 as Buyer and Seller have agreed.
 - b. The proceeds from both sales should be netted for purposes of calculating the net gain to be shared with customers, as shown on **Revised Exhibit D**.
 - c. The proceeds from the sale of the Weehawken Property shall be held in an interest bearing escrow account for ultimate disposition following the New Milford Property closing.
 - d. Within 30 days of the closing of the sale of the New Milford Property, the Company shall file with the Board and the Parties an updated Exhibit D and updated journal entries reflecting final actual numbers, and showing the final net gain.
 - e. The final net gain shall be shared 45% to customers and 55% to the Company, through a one-time credit on customers' bills beginning with the first billing cycle following the filing required in (d) above.

⁵ The Trust for Public Lands is required to exercise its option on the Weehawken Property by November 16, 2011. It will not exercise its option if all approvals/contingencies are not satisfied.

The Parties further agree that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Parties shall be prohibited from, or prejudiced in, arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter. This Settlement is agreed upon based upon the specific and particular facts of this transaction and has no precedential value in future land transactions that may come before the Board and should not be relied on as such.

WHEREFORE, United Water New Jersey Inc., the Staff of the Board of Public Utilities and the Ratepayer Advocate respectfully request that the Board of Public Utilities expeditiously approve this Stipulation, so that the Weehawken transaction may close before December 31, 2011

UNITED WATER NEW JERSEY INC.

10/28/11
Date

By: 
Saul Ewing LLP
Stephen B. Genzer, Esq.
Attorney for Petitioner

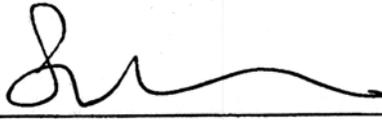
PAULA T. DOW
ATTORNEY GENERAL OF NEW JERSEY
Attorney for the Staff of the New Jersey
Board of Public Utilities

10/26/11
Date

By: 
Brian Lipman, DAG

STEFANIE BRAND
RATEPAYER ADVOCATE
DIRECTOR, RATE COUNSEL

10/26/11
Date

By: 
Susan E. McClure, Esq.
Assistant Deputy Rate Counsel

EXHIBITS TO STIPULATION:

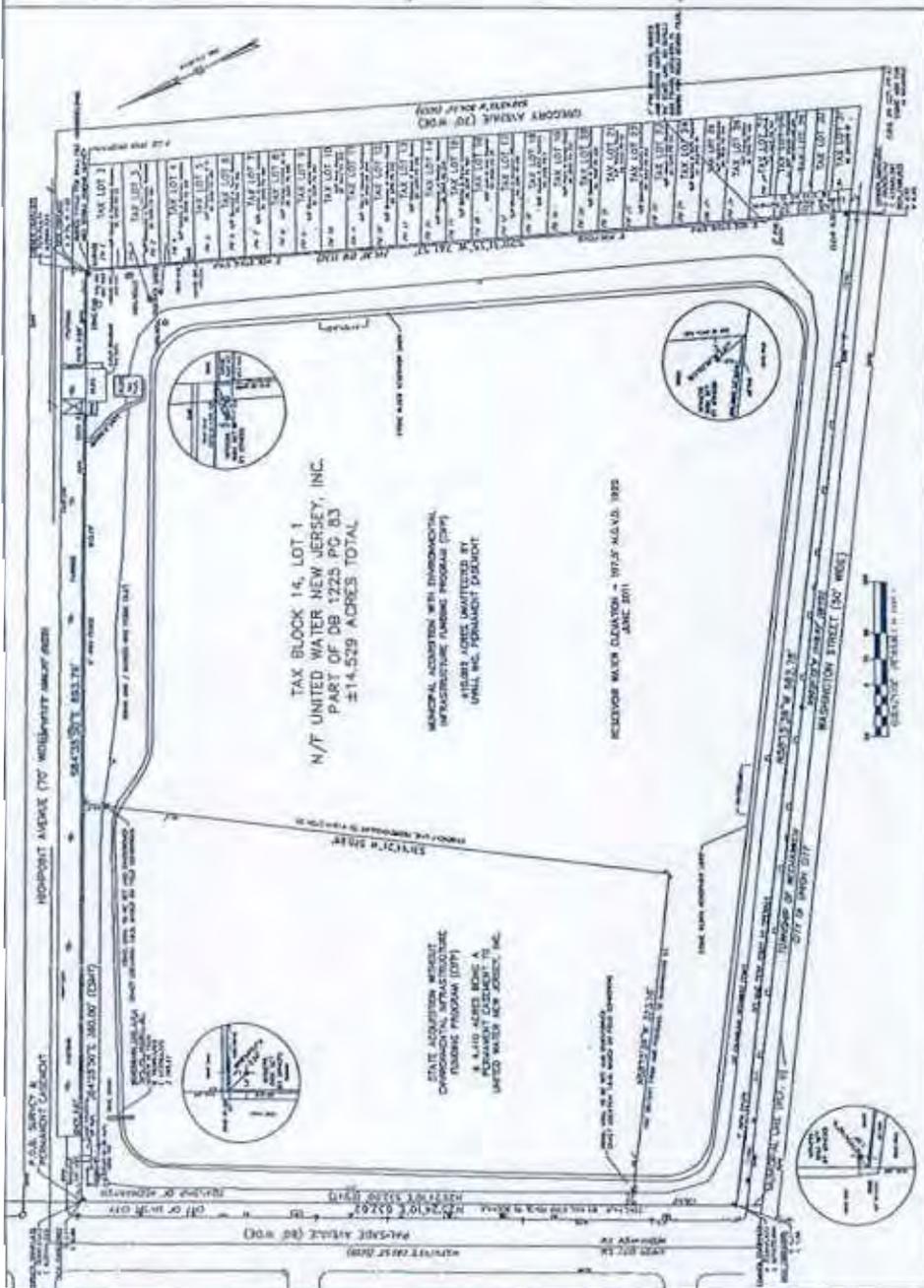
Revised Exhibit A-1
Revised Exhibit A-2
Revised Exhibit C
Revised Exhibit D
Revised Exhibit F
Revised Exhibit G

Revised Exhibit A-1 - 9/23/11 Weehawken Drawing



WEHAWKEN DISTRICT

GENERAL NOTES:
 1. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 2. The project is located within the Weehawken District, which is a designated historic district.
 3. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 4. The project is located within the Weehawken District, which is a designated historic district.
 5. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 6. The project is located within the Weehawken District, which is a designated historic district.
 7. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 8. The project is located within the Weehawken District, which is a designated historic district.
 9. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 10. The project is located within the Weehawken District, which is a designated historic district.



NOTES:
 1. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 2. The project is located within the Weehawken District, which is a designated historic district.
 3. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 4. The project is located within the Weehawken District, which is a designated historic district.

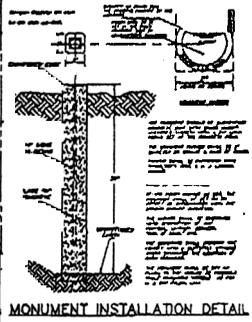
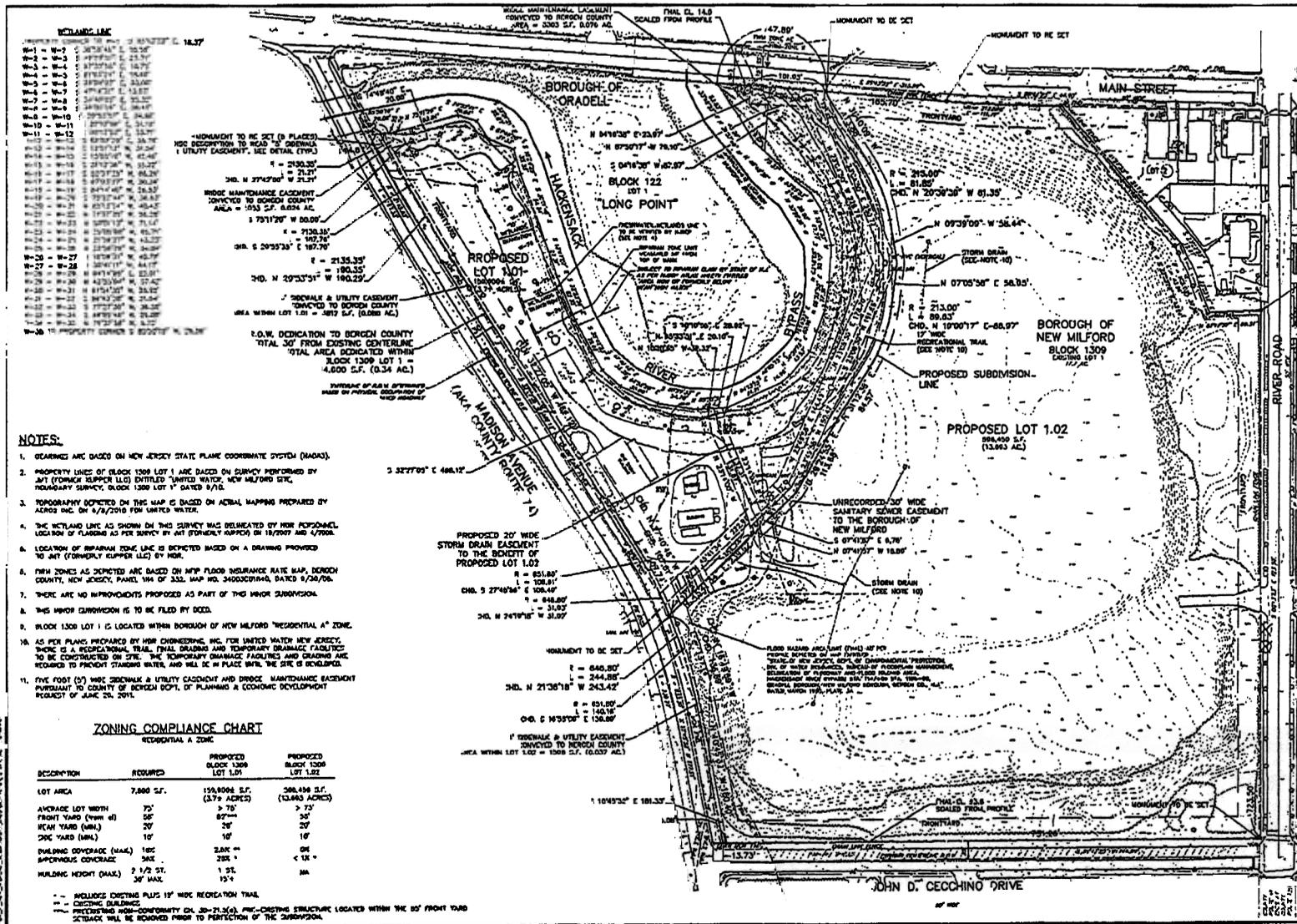
HOUSE REQUIREMENTS:
 1. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 2. The project is located within the Weehawken District, which is a designated historic district.
 3. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 4. The project is located within the Weehawken District, which is a designated historic district.

LEGEND:
 1. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 2. The project is located within the Weehawken District, which is a designated historic district.
 3. The project is located within the City of Jersey City, New Jersey, and is subject to the various laws, ordinances, and regulations of the City and the State of New Jersey.
 4. The project is located within the Weehawken District, which is a designated historic district.

FOR REVIEW 2011
SEP 18

Richard M. Girardelli
 Director of Planning
 City of Jersey City

Revised Exhibit A-2 9/23
New Milford Drawing



APPROVED BY CHAIRMAN OF DATE
NEW MILFORD PLANNING BOARD

SECRETARY NEW MILFORD DATE
PLANNING BOARD

APPROVED BY BOROUGH OF DATE
NEW MILFORD ENGINEER

APPROVED BY BERGEN COUNTY DATE
PLANNING BOARD

NOTES:

1. CURVES ARE BASED ON NEW JERSEY STATE PLANE COORDINATE SYSTEM (NAD83).
2. PROPERTY LINES OF BLOCK 1309 LOT 1 ARE BASED ON SURVEY PERFORMED BY JAY (BOROUGH ENGINEER) DATED 1/11/2011. NEW MILFORD SITE, NEIGHBORLY SURVEY, BLOCK 1309 LOT 1 DATED 8/1/10.
3. TOPOGRAPHY SHOWN ON THIS MAP IS BASED ON AERIAL MAPPING PREPARED BY AEROS INC. ON 8/29/2010 FOR UNITED WATER.
4. THE WETLAND LINE AS SHOWN ON THIS SURVEY WAS DELINEATED BY MISS PERSHALL LOCATION OF PLANTS AS PER SURVEY BY JAY (BOROUGH ENGINEER) ON 12/20/07 AND 4/2/2008.
5. LOCATION OF BRANDED STORM LINE IS DEPICTED BASED ON A DRAWING PROVIDED TO JAY (BOROUGH ENGINEER) BY MMR.
6. FIRM ZONES AS DEPICTED ARE BASED ON MFR FLOOD INSURANCE RATE MAP, BERGEN COUNTY, NEW JERSEY, PANEL 194 OF 232, MAP NO. 3000000194, DATED 5/26/2006.
7. THERE ARE NO IMPROVEMENTS PROPOSED AS PART OF THIS MINOR SUBDIVISION.
8. THIS MINOR SUBDIVISION IS TO BE FILED BY DEED.
9. BLOCK 1309 LOT 1 IS LOCATED WITHIN BOROUGH OF NEW MILFORD "RESIDENTIAL A" ZONE.
10. AS PER PLAN, PREPARED BY MISS PERSHALL, INC. FOR UNITED WATER NEW JERSEY, THERE IS A RECREATION TRAIL, TRAIL DRAINAGE AND TEMPORARY DRAINAGE FACILITIES TO BE CONSTRUCTED ON SITE. THE TEMPORARY DRAINAGE FACILITIES AND GRADING ARE REQUIRED TO PREVENT STANDING WATER, AND WILL BE IN PLACE UNTIL THE SITE IS REDEVELOPED.
11. FIVE POST (5) WERE SET/MADE A UTILITY EASEMENT AND BRIDGE MAINTENANCE EASEMENT PURSUANT TO COUNTY OF BERGEN DEPT. OF PLANNING & ECONOMIC DEVELOPMENT REPORT OF JUNE 29, 2011.

ZONING COMPLIANCE CHART
RESIDENTIAL A ZONE

| DESCRIPTION | REQUIRED | PROPOSED BLOCK 1309 LOT 1 | PROPOSED BLOCK 1309 LOT 1.02 |
|-------------------------|--------------------|---------------------------|------------------------------|
| LOT AREA | 7,800 S.F. | 158,806 S.F. (3.7 ACRES) | 388,498 S.F. (13.963 ACRES) |
| MINIMUM LOT WIDTH | 75' | 9' 12" | 9' 12" |
| FRONT YARD (FRONT) | 50' | 87' | 50' |
| REAR YARD (REAR) | 20' | 20' | 20' |
| SIDE YARD (SIDE) | 10' | 10' | 10' |
| MINIMUM COVERAGE (MIN.) | 100% | 2.8K % | 0% |
| MINIMUM COVERAGE (MAX) | 50% | 2.8K % | < 1K % |
| BUILDING HEIGHT (MAX) | 2 1/2 ST. 30' MAX. | 1 ST. | NA |

--- INDICATES EXISTING PLUS 12" WIDE RECREATION TRAIL
--- INDICATES EXISTING PLUS 12" WIDE RECREATION TRAIL
--- PRE-EXISTING NON-COMMUNITY ON 20-21-30A, PRE-EXISTING STRUCTURE LOCATED WITHIN THE 50' FRONT YARD SETBACK WILL BE REMOVED PRIOR TO PERFECTION OF THE SUBDIVISION.

LICENSE NO. 43184
NEW JERSEY LAND SURVEYOR
AMBROSE E. GMEINER, II

JMT
JAMES M. TROTT
Professional Engineer & Surveyor
Engineering & Surveying
ALL CERTIFICATE OF AUTHORIZATION #240240000
1200 LORRAINE DRIVE, TRENTON, N.J. 08648-2329
609-512-3900

OWNER / APPLICANT:
UNITED WATER NEW JERSEY, INC.
200 OLD HOOK ROAD
HARRINGTON PARK, NJ 07840

MINOR SUBDIVISION
BLOCK 1309 LOT 1
SUBDIVISION PLAT

TAX MAP SHEET NO. 13
BOROUGH OF NEW MILFORD BERGEN COUNTY
SCALE: 1" = 60' N.J. DATE: 1/2011

| NO. | DATE | DESCRIPTION | CHKD. | APPRD. |
|-----|------|-------------|-------|--------|
| | | | | |
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| DESIGNED BY | DRAWN BY | CHECKED BY | DATE |
|-------------|----------|------------|------|
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PROJ. NO.: 10-1371-001 001-000-000 CONTRACT NO.: 2 of 2

Exhibit B Weehawken Option Agreement

OPTION AGREEMENT

This is an Option Agreement dated as of March 1, 2011 (this "Option Agreement"), between UNITED WATER NEW JERSEY INC., a New Jersey corporation having its principal office at 200 Old Hook Road, Harrington Park, New Jersey 07640, which shall be referred to as "Seller," and THE TRUST FOR PUBLIC LAND, a California nonprofit public benefit corporation, d/b/a TPL – New Jersey, with offices at 666 Broadway, 9th Floor, New York, New York 10012, which shall be referred to as "Purchaser."

RECITALS

A. The mailing addresses, telephone and fax numbers and e-mail addresses of the parties to this Option Agreement are as follows. The mailing addresses and fax numbers are provided for purposes of any notices sent pursuant to Section 21 of this Option Agreement. The telephone numbers and e-mail addresses are included for information only.

SELLER:

United Water New Jersey, Inc.
200 Old Hook Road
Harrington Park, New Jersey 07640
Attn: Robert J. Iacullo, President
Mary T. Campbell,
Corporate Counsel – Regulated Affairs
(201) 750-3405 (Tel.)
(201) 767-7018 (Fax)
mary.campbell@UnitedWater.com

A copy of any notice to Seller must also be sent to:

Herten, Burstein, Sheridan, Cevasco,
Bottinelli, Litt & Harz, L.L.C.
21 Main Street, Suite 353
Court Plaza South, West Wing
Hackensack, New Jersey 07601
Attn: Thomas J. Herten, Esq.
(201) 342-6000 x 202 (Tel.)
(201) 343-6611 (Fax)
therten@hertenburstein.com

PURCHASER:

The Trust for Public Land
New York Office
666 Broadway, 9th Floor
New York, NY 10012
Attn: Anthony A. Traverso, Senior Counsel
(212) 677-7171 x 212 (Tel.)
(212) 353-2052 (Fax)
tony.traverso@tpl.org

A copy of any notice to Purchaser must also be sent to:

Terrence G. Nolan, Senior Project Manager
The Trust for Public Land
New Jersey Office
20 Community Place, Suite 7
Morristown, New Jersey 07960
(973) 292-1100 (Tel.)
(973) 292-6272 (Fax)
terrence.nolan@tpl.org

B. Seller is the owner of certain real property consisting of approximately 14.4 acres of land in the County of Hudson, State of New Jersey, and located in the Township of Weehawken, which real property is known as Block 14; Lot 1 and is more particularly described in Exhibit A attached hereto and made a part hereof. Said real property, together with any improvements, easements appurtenant to or benefiting said real property, all lease rights,

development rights, hereditaments, claims, interests, mineral rights and other benefits relating to or appurtenant to said real property (except as referenced herein), as well as any and all claims or rights of Seller to any street bordering or adjoining said real property, shall be referred to in this Option Agreement as the "Subject Property."

C. Seller has agreed to grant to Purchaser an option to purchase a fee interest in and to the Subject Property, subject to and in accordance with the terms and conditions contained in this Option Agreement including but not limited to Permitted Encumbrances and the Reserved Easement as hereinafter defined (as further described herein, the "Option").

D. It is the mutual intention of Seller and Purchaser that the Subject Property be preserved and used eventually for public, open space and recreational purposes. However this intention shall not be construed as a covenant or condition to this Option Agreement. Purchaser makes no representation that any efforts it may undertake to secure the eventual government acquisition of the Subject Property will be successful.

E. Seller acknowledges that Purchaser is entering into this Option Agreement in its own right and that Purchaser is not an agent of any governmental agency or entity.

THE PARTIES AGREE AS FOLLOWS:

1. Option. In consideration of the payment by Purchaser to Seller of FIVE THOUSAND and no/100 (\$5,000.00) DOLLARS, receipt and legal sufficiency of which are hereby acknowledged, Seller grants to Purchaser an option (the "Option") to purchase the Subject Property, in accordance with, the terms and conditions set forth in this Option Agreement. Said option consideration (the "Option Consideration") shall be credited toward the Purchase Price (as defined below) of the Subject Property in the event Purchaser exercises the Option. Seller acknowledges that, pursuant to Section 17, it shall return the Option Consideration to Purchaser if: (a) the sale of the Subject Property is not consummated under this Option Agreement because of Seller's failure, refusal or inability to perform any of Seller's obligations under this Option Agreement; (b) any of Seller's representations contained in this Option Agreement cease to be true prior to Closing and remain untrue after Seller is given the opportunity to cure; (c) Purchaser elects to terminate this Option Agreement because Seller is unable to remove a title exception objected to by Purchaser and required to be removed pursuant to Section 7; (d) Purchaser elects to terminate this Option Agreement in accordance with Section 7 because of unacceptable environmental or other conditions on the Subject Property; and/or (e) Purchaser elects not to close by reason of damage to or condemnation of the Subject Property in accordance with Sections 18 and 19. Purchaser acknowledges that the Option Consideration may be retained by Seller in the event of the circumstances described in Section 17(b).

2. Term.

(a) The Option shall remain valid until July 1, 2011 (such initial period, the "Initial Option Period"), subject to extension as provided under Section 2(b).

(b) During the Initial Option Period, Purchaser, at its sole cost and expense, shall, in the exercise of its reasonable discretion, use its best efforts (as further defined in Section 9(e)) to satisfy the benchmarks set forth in this Section 2(b). If, prior to the expiration of the Initial Term, all of the following shall be true (and, to the extent applicable, copies of all relevant documents shall be provided to Seller by Purchaser):

(i) Purchaser and/or the public agency or agencies to which Purchaser ultimately intends to convey the Subject Property, or which contributes funds towards the acquisition of the Subject Property (as applicable, the "Agency") shall obtain one or more written narrative appraisals of the Subject Property which, in the opinion of Purchaser and the Agency support(s) the Purchase Price (as defined below);

(ii) Purchaser shall commission and cause to be submitted to the Agency for review, comment and approval, the following customary real estate due diligence materials: (i) a title report for the Subject Property with commitment to insure title from a title insurance company authorized to do business in the State of New Jersey and selected by Purchaser (the "Title Insurer"), together with copies of all of the documents referred to therein as exceptions (collectively, the "Title Report"), (ii) a legal survey of the Subject Property, prepared in accordance with the specifications of the Agency and otherwise as provided in Section 7, (iii) a report of a Phase I environmental site assessment or of a preliminary assessment, in the form required by the Agency, and (d) one or more engineering report(s), if required by the Agency;

(iii) Purchaser shall provide evidence of applications and requests seeking funding (by grant, loan or the direct acquisition of property interests) from among the following sources:

(A) New Jersey Environmental Infrastructure Trust ("NJ EIT");

(B) Township of Weehawken and/or City of Union City direct financing;

(C) Hudson County (Hudson County open space trust fund monies and Local Unit Planning Incentive Grant funds, made available to Hudson County through the Green Acres Program of the New Jersey Department of Environmental Protection ("Green Acres") pursuant to a grant agreement between Green Acres and Hudson County);

~~(D) Green Acres "Stateside" Program; and~~

(E) Purchaser (Green Acres Non-Profit Grant funds, made available to Purchaser through Green Acres pursuant to a grant agreement between Green Acres and Purchaser),

in an aggregate amount that is at least equal to the gross Purchase Price, then Purchaser, on notice to Seller, may elect to extend the Initial Option Period until November 16, 2011, TIME BEING OF THE ESSENCE (such extension, the "Additional Option Period").

(c) The Initial Option Period, as same may be extended by the Additional Option Period, as applicable, may be referred to from time to time herein simply as the "Term."

3. Exercise. In the event Purchaser exercises the Option, it shall do so by notifying Seller within the Term. Such notice shall be deemed timely if it is deposited in with a national carrier such as Federal Express, marked for overnight delivery, within the Term, provided however that upon depositing the Notice with a national carrier, Purchaser simultaneously provides notice of the exercise of the Option to Seller by either electronic mail or by facsimile transmittal.

4. Purchase Terms.

(a) Price. Subject to the provisions of this Section 4 and of Section 16, the purchase price for the Subject Property (the "Purchase Price") shall be ELEVEN MILLION FIVE HUNDRED THOUSAND (\$11,500,000) DOLLARS.

(b) Reduction of Purchase Price Under Certain Circumstances. If, pursuant to the provisions of Section 5(b), Purchaser gives timely notice of Purchaser's intent to proceed to Closing by no later than December 15, 2011, TIME BEING OF THE ESSENCE and if Closing occurs prior to or on December 15, 2011, TIME BEING OF THE ESSENCE, then, in consideration of Purchaser's performance, the Purchase Price shall be ELEVEN MILLION (\$11,000,000) DOLLARS. In such event, and only in such event, for all purposes under this Option Agreement, the term "Purchase Price" shall mean the purchase price set forth in this Section 4(b).

(c) Method of Payment. The Purchase Price shall be payable at Closing (as hereafter defined) as follows:

(i) by crediting the amount of any Option Consideration paid to the Purchase Price; and

(ii) by paying the balance of the Purchase Price, after taking into account the amount paid pursuant to clause (b)(i) above, in cash or by certified, cashier's, or bank check, by official check of the County of Hudson, the Town of Weehawken, the State of New Jersey or the United States Treasury, by attorney's or title company's trust account check, or by wire transfer of immediately available funds at Closing, at Seller's discretion.

(d) Purchase Money Financing. Subject to all of the provisions of this Section 4(d), should Purchaser determine, in its sole discretion, that it has assembled from funding agencies or other funding sources commitments for funds equal to minimum of 50% of the gross Purchase Price, Purchaser may make written request to Seller not later than the expiration of the Additional Option Period, seeking purchase money financing from Seller for the unfunded balance of the Purchase Price. Upon receipt of Purchaser's request, Seller, at its sole discretion, may agree to such request, in which case Purchaser (following Purchaser's timely exercise of the Option) shall advance at Closing a minimum of 50% of the gross Purchase Price, with the unpaid balance of the Purchase Price evidenced by an unsecured promissory note made to Seller with simple interest accruing at an agreed-upon rate (and if a rate cannot be agreed upon, then at the applicable federal rate on the Closing Date (as defined below) for a note of this sort), with all rights attendant thereto under New Jersey Law, subject to prepayment at any time, and due and payable in full in a single, lump-sum payment of principal and interest One Hundred Eighty (180) days from the Closing. If Seller agrees to provide such purchase money financing pursuant to this Section 4(d), such agreement shall apply only to a Closing that occurs on December 15, 2011, TIME BEING OF THE ESSENCE, as contemplated in Sections 4(a) and 4(b). If, for any reason, Closing does not occur on or before December 15, 2011, TIME BEING OF THE ESSENCE, Seller's agreement to provide purchase money financing in the manner contemplated in this Section 4(d) shall be deemed null and void.

5. Closing.

(a) Subject to the provisions of Section 5(b), in the event Purchaser exercises the Option, final settlement of the obligations of the parties hereto ("Closing") shall occur on or about that date which is One Hundred Eighty (180) days after the date on which Purchaser exercises the Option, on such day and at such time as the parties shall *mutually* agree.

(b) Simultaneously with Purchaser's exercise of the Option, Purchaser may give notice to Seller of Purchaser's intent to proceed to Closing by no later than December 15, 2011, TIME BEING OF THE ESSENCE. If Purchaser includes such notice of intent in Purchaser's notice of exercise of Option, and Closing occurs prior to or on December 15, 2011, TIME BEING OF THE ESSENCE, then the Purchase Price shall be adjusted downward as provided in Section 4(b). If Purchaser includes such notice of intent but, despite Purchaser's best efforts to perform in accordance with such intent, Closing shall not occur by December 15, 2011, TIME BEING OF THE ESSENCE, then Purchaser's notice of exercise of the Option shall remain valid, the provisions with respect to Closing contained in Section 5(a) shall apply as if Purchaser had not given its notice of intent, and the Purchase Price shall be as set forth in Section 4(a).

(c) If required by the Agency, the Closing shall occur at the offices of the Agency or its counsel. Otherwise, the Closing shall occur at the offices of Herten, Burstein, Sheridan, Cevasco, Bottinelli, Litt & Harz, LLC, 21 Main Street, Suite 353, Hackensack, New Jersey 07601, or at such location as the Parties mutually agree. The actual date on which Closing shall occur shall be referred to herein as the "Closing Date."

6. Title

(a) Seller shall convey to Purchaser, or to one or more additional or substitute grantee(s) designated by Purchaser prior to Closing, by bargain and sale deed with covenant against grantor's act, marketable fee simple title to any fee interest in the Subject Property subject only to: (i) utility company rights, licenses and/or easements to maintain poles, lines, wires and other installations presently servicing the Subject Property; (ii) federal, state and municipal laws, ordinances, rules and regulations relating to the Subject Property and its construction, provided same do not prevent or materially interfere with the intended use of a portion of the property for water utility purposes; (iii) real estate taxes and water and sewer charges with respect to the Subject Property, not yet due and owing as of the Closing Date (and statutory liens relating to such not yet due and owing charges); (iv) Reserved Easements, as defined herein in Section 6(a); (v) easements, restrictions, covenants and other agreements of record, unless objected to by Purchaser in accordance with the provisions of Sections 7(a)-(c); (vi) any facilities, underground pipes, utilities, and roadways, on the Subject Property owned or used by United Water New Jersey Inc. but not the subject of a recorded easement or license, unless objected to by Purchaser in accordance with the provisions of Sections 7(a)-(c); (vii) such state of facts as the Survey (as defined below) discloses, unless objected to by Purchaser in accordance with the provisions of Sections 7(a)-(c); and (viii) any other matters approved by Purchaser in writing (collectively, and as further defined below, "Permitted Encumbrances").

(b) As additional Permitted Encumbrances, Seller shall reserve unto itself at the time of Closing the following easements and related rights: (1) a permanent easement for the continued use, maintenance, repair, and replacement of existing facilities, underground pipes, utilities and roadways on the entire Subject Property; (2) a permanent easement on and to a 4.4-acre portion of the Subject Property, for the purpose of constructing and maintaining a 10- to 15-million-gallon Water Storage Tank (the "Tank") with appurtenant equipment, pumping station and such other facilities (collectively "the Support Facilities") necessary to carry out Seller's franchise obligations to its customers; (3) a permanent unobstructed access easement to the Tank and Support Facilities, and (4) a temporary construction easement on, over and to the entire Subject Property in order to drain the decommissioned reservoir on the Subject Property and to otherwise construct the Tank and the Support Facilities (collectively, the "Reserved Easements"). A conceptual rendition of the respective areas of the Reserved Easements entitled "Alternative No. 3b – Weehawken Reservoir No. 2 – 10 MG Storage – Middle West Side of Property" by Buck, Seifert & Jost, Inc. and dated June 22, 2010, is attached hereto as Exhibit B. The following provisions shall also apply with respect to the Reserved Easements:

(i) In connection with any such construction, Seller shall be obligated to (v) provide 180 days notice to Purchaser or its assignee of Seller's intent to construct; (w) restore any portions of the Subject Property damaged or disturbed by such construction to the damaged or disturbed portions' original condition (it being understood and acknowledged that such duty to restore to original condition shall not apply to any portion of the Subject Property where Seller constructs the Tank and Support Facilities); (x) indemnify and hold harmless the then record owner of the Subject Property, or portion of Subject Property, used for, or in connection with, such construction, and any party holding debt related to, or a security interest in

the Subject Property, their respective elected officials, officers, directors, employees and agents, as applicable (collectively, the "Indemnified Parties"), from and against any and all liability, loss, cost, claim, action, suit and/or expense (including, but not limited to, reasonable attorney's fees and litigation expenses) which the Indemnified Parties may suffer or incur by reason of, or in connection with, such construction; (y) maintain insurance coverage from underwriters, of types and in amounts in each case reasonably acceptable to the Indemnified Parties, name such Indemnified Parties each as additional insured with respect to such insurance coverage, and supply proof of endorsement of insurance coverage extending such coverage to the Indemnified Parties, and (z) as applicable, comply with any statutory or regulatory requirements pertaining to the construction of improvements on publically owned land, as same may be revised from time to time provided same does not interfere with Seller's use of the Subject Property for water utility purposes as intended herein.

(ii) The Reserved Easements shall be recited in the deed of conveyance contemplated in Section 6(a) (or in a separate agreement acceptable to Seller, Purchaser and the Agency and recorded prior to the delivery of such deed), shall be binding on successors in title and shall contain a covenant running with the land that Purchaser and successors in interest will cooperate with Seller in all respects including the execution of consents, in support of any and all applications made by Seller to governmental entities necessary to permit the use of the Reserved Easements for the utility purposes referenced herein. The material terms of the Reserved Easements shall be provided to Purchaser's appraiser(s) and taken into consideration by said appraiser(s) in determining the fair market value of the Subject Property. The precise terms of the Reserved Easements, which shall be consistent with the material terms set forth in this Section 6(b), shall be negotiated in good faith by Seller and Purchaser, memorialized in writing by Seller and Purchaser, and reviewed and approved by the Agency prior to the expiration of the Additional Option Period. The agreement of Seller and Purchaser as to Agency-approved terms of the Reserved Easements shall be a condition to closing for the benefit of Seller and Purchaser.

(c) The Subject Property shall be delivered at Closing vacant, free and clear of any tenants, leases, licensees, occupants or rights of occupancy or possession of any kind except for the Permitted Encumbrances.

(d) Prior to or at Closing, upon Purchaser's request, Seller shall deliver to Purchaser, the Agency, and any title insurer insuring title to the Subject Property a Seller's affidavit of title in the customary form, with such additional provisions or revisions as the Agency and said title insurer may reasonably require, together with any related documentation reasonably requested by Purchaser or such title insurer demonstrating the authority of Seller to convey the Subject Property to Purchaser and/or its designee(s) in accordance with the terms of this Option Agreement, in accordance with Section 13.

7. Due Diligence and Investigation.

Title Examination and Surveys

(a) By March 11, 2011, Seller shall deliver, to Purchaser any copies of all title reports, title commitments, and title insurance policies relating to the Subject Property and other

documents and instruments in Seller's possession on the date hereof. By April 15, 2011, Purchaser shall deliver the Title Report to Seller. Any requirements, exceptions, defects or other matters unacceptable to Purchaser noted in the Title Report or otherwise known to Purchaser shall be subject to the provisions for objections set forth in Section 7(c). Purchaser may not object to Permitted Encumbrances, however, Purchaser may object to matters or conditions of the kind contemplated in Sections 6(a)(v), (vi) and (vii) whereupon each objected-to matter or condition shall no longer be a Permitted Encumbrance (and any such matter or condition not so objected-to shall be deemed a Permitted Encumbrance).

(b) By March 11, 2011, Seller shall deliver, to Purchaser a copy of the most current survey materials relating to the Subject Property in Seller's possession on the date hereof. Prior to the expiration of the Initial Option Term, Purchaser shall cause to be prepared by a licensed surveyor, at Purchaser's sole cost and expense, a current survey and corresponding metes and bounds description of the Subject Property (the "Survey") that shall (i) replace the metes and bounds description initially used for Exhibit A attached hereto, (ii) be used to determine the exact acreage and configuration of the Subject Property, and (iii) be used for the application for grants and loans and for the conveyance contemplated herein. Seller, at Seller's sole cost and expense, shall cause the Survey to be revised and updated to delineate the Reserved Easements. The Survey shall be certified and acceptable to Seller, Purchaser, the Agency, and the Title Insurer. Any encroachments, strips, gores, deviations, impediments or other matters unacceptable to Purchaser noted on the Survey or otherwise known to Purchaser shall be subject to the provisions for objections set forth in Section 7(c). Purchaser may not object to Permitted Encumbrances, however, Purchaser may object to matters of the kind contemplated in Sections 6(a)(vi) and (vii) whereupon the objected-to matter(s) shall no longer be a Permitted Encumbrance.

(c) If Purchaser finds, upon examination of the Title Report and the Survey or otherwise, any objections or defects in or to the marketability or insurability of title to be conveyed as herein provided, other than the Permitted Encumbrances (the "Non-Permitted Encumbrances"), Purchaser shall promptly deliver notice (the "Objection Notice") in writing to Seller, but not later than September 1, 2011 (the "Objection Deadline Date"). Seller shall notify Purchaser within ten (10) business days after receipt of the Objection Notice whether Seller will attempt to remedy the Non-Permitted Encumbrances. Should Seller be willing to remedy such Non-Permitted Encumbrances, Seller shall have a reasonable time within which to take such action as Seller may deem appropriate to attempt to clear or remove said title defects to the satisfaction of Purchaser and the Agency, and, at all times in connection therewith, shall use its best efforts. In the event that Seller is unwilling for any reason or no reason to clear or remove the Non-Permitted Encumbrances in accordance with this Section 7, Seller shall notify Purchaser and Purchaser shall have, as its sole remedy, the right to (i) accept such title as Seller may be able to convey without an abatement in the Purchase Price, or (ii) terminate this Option Agreement within ten (10) business days after receipt of Seller's notice. In the event that Purchaser elects to terminate this Option Agreement as set forth herein Seller, after demand therefor by Purchaser, shall return to Purchaser the Option Consideration (as defined in Section 1), whereupon neither party shall have any further obligations under this Option Agreement except for those matters specifically set forth to survive expiration or termination of this Option Agreement. If Purchaser has not given the Objection Notice by the Objection Deadline Date,

Seller shall have the right to terminate this Option Agreement or elect to have the Option Agreement remain in full force and effect and, following Purchaser's exercise of the Option, the parties shall proceed to Closing and Seller shall convey to Purchaser such title as it may be able to convey including Non-Permitted Encumbrances, without an abatement in the Purchase Price.

(d) Any provisions of Sections 6(a) and 7(a)-(c) notwithstanding Seller and Purchaser agree that:

(1) If Purchaser exercises the Option, prior to or at Closing, Seller shall pay, discharge and clear of record any mortgages, liens, or judgments affecting the Subject Property which can be removed solely by the payment of money;

(2) The state of title of the Subject Property shall be subject to the review and approval of the Agency, and that Agency review of title may occur following the Objection Deadline Date and may be based upon title search materials in addition to the Title Report and the Survey. Accordingly, any title matters that (x) are Non-Permitted Encumbrances, (y) are not shown in the Title Report or the Survey as of the Objection Deadline Date, and (z) are raised in good faith by the Agency following such Agency's independent review of title and survey in accordance with this Section 7(d)(2), may be objected to by Purchaser and shall otherwise be subject to the provisions of Sections 7(a)-(c). Purchaser shall promptly, upon receipt of any such objections from the Agency, provide Seller with said objections, but in no event shall such objections be made later than October 1, 2011.

(3) Purchaser shall reserve all rights of objection under Sections 7(a)-(c) with respect to any title or survey matters that first arise following the Objection Deadline Date and prior to Closing.

Right of Access and Inspection

(e) By March 11, 2011, Seller shall provide Purchaser with all environmental reports and information in its possession on the date hereof concerning the Subject Property. Seller grants to Purchaser and its agents and representatives the full right of access to the Subject Property, and Purchaser may, through its agents and representatives, conduct a complete physical and environmental inspection of the Subject Property prior to the expiration of the Initial Option Period (the "Investigation Period"). Purchaser shall have an option to extend the Investigation Period for an additional forty-five (45) days. During such Investigation Period, Purchaser will be provided access to the Subject Property to inspect the same, verify zoning, conduct engineering and environmental studies, feasibility studies, obtain any financing desired by Purchaser, make soil tests, determine the availability of uses under zoning or under the comprehensive land use plan, and to test for hazardous materials. With respect to any environmental inspection (i) Seller may, upon request, take split samples, copy the results of on-site testing and visual inspections and have complete access to all samples taken, test results and boring records; and (ii) Purchaser shall not use a licensed site remediation professional (as such term is defined in N.J.S.A. 58:10C-2) with respect to any investigation of the Subject Property, without the prior written consent of the Seller, which consent may be withheld in Seller's sole discretion.

(f) Purchaser shall indemnify and hold harmless the Seller from any and all claims arising out of the entry of the Purchaser, its agents, servants and/or employees upon the Subject Property pursuant to the exercise of Purchaser's rights under Section 7(e) (collectively, "Claims"). The foregoing notwithstanding, the indemnity and hold harmless provisions contained in this Section 7(f) shall not apply to any Claims that relate to, or arise from, any environmental condition, whether latent or patent, which existed on the Subject Property prior to commencement of investigations. Further, Purchaser shall provide Seller with evidence of insurance in the amount of Two Million and no/100 (\$2,000,000.00) Dollars prior to entry on the Subject Property to perform any testing.

(g) If Purchaser is dissatisfied for any reason or no reason with its findings during the Investigation Period, then on written notice to Seller, received by Seller within three (3) business days following the expiration of the Investigation Period, as extended, Purchaser shall have the right to terminate this Option Agreement. If this Option Agreement terminates in accordance with this Section 7(g), Purchaser shall be entitled to a return of the Option Consideration once Purchaser returns all of the documents, studies, and materials received from Seller during its due diligence, and Purchaser delivers copies of all of Purchaser's inspection reports to Seller. Following such respective return of documents, studies, materials and Option Consideration, neither party shall any further rights or obligations hereunder or otherwise.

8. Seller's Representations and Warranties. Seller hereby represents and warrants to the best of its knowledge that:

(a) Seller is a New Jersey Corporation existing and in good standing and qualified to do business in New Jersey. Seller has the requisite power and authority to enter into and perform the terms and provisions of this Option Agreement; the execution of this Option Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all necessary parties; and no other proceedings on Seller's part are necessary in order to permit Seller to consummate the transaction contemplated hereby. The execution, delivery and performance of this Option Agreement by Seller and the consummation of the transactions contemplated hereby will not violate any provision of law or result in the breach of any provision of, or constitute a default under any order, judgment, decree, indenture, mortgage, deed of trust, lease or other contract or instrument to which Seller is a party or by which Seller or Seller's property may be bound or affected by.

(b) Seller owns the entire legal, equitable and beneficial title in and to the Subject Property, free and clear of all liens, charges and encumbrances of any kind whatsoever, other than the Permitted Encumbrances, except that the Subject Property is encumbered by a mortgage covering several of Seller's properties. A release of mortgage in recordable form will be tendered at Closing.

(c) As of the date of this Option Agreement, Seller has not filed, nor has it retained any entity to file a notice of protest against, or to commence actions to review, real property tax assessments against the Subject Property.

(d) No party, other than the Purchaser, has any right to purchase the Subject Property (or any part thereof or interest therein), nor does any entity have a right of first refusal

to purchase the Subject Property (or any part thereof or interest therein), except as disclosed herein in Section 13.

(e) To the best of Seller's knowledge, Seller has not received any written notice from any governmental authority of any currently pending condemnation of all or any portion of the Subject Property.

(f) Seller is not and has not been at any time the subject of a petition, whether voluntary or otherwise, of the United States Bankruptcy Code, as amended from time to time.

(g) [Intentionally Omitted.]

(h) To the best of Seller's knowledge, there are no claims or litigation or other administrative or legal proceedings pending, nor has Seller received any notice with respect to threatened litigation.

(i) Seller represents that it has not received any written notice of outstanding violations or uncorrected violations.

(j) Seller is not a foreign person, as that term is defined in Section 1445 of the Internal Revenue Act of 1980 (the "Act"). Seller shall provide Purchaser with an affidavit to that effect, in compliance with the Act, at closing.

(k) To the best of its knowledge, Seller represents that it has received no notice of any public improvement work which has or is about to be performed and which will result in the imposition of an assessment against the Subject Property in the future; to the best of Seller's knowledge, there are no assessments presently affecting the Subject Property, either paid or unpaid, except as may be otherwise set forth in the tax records of the tax assessor of the municipality.

(l) To the best of Seller's knowledge and without having engaged any third parties to undertake any investigations or make any inquiries, no hazardous substances or wastes within the meaning of the Industrial Site Recovery Act ("ISRA"), the Site Remediation Reform Act ("SRRA") or the New Jersey Spill Compensation and Control Act ("Spill Act") have ever been refined, produced, handled, transferred, processed, transported, stored, generated, used or disposed of on the Subject Property other than in the ordinary course of business of Seller's business at the Subject Property in accordance with all applicable laws, nor has there been any spill or discharge of hazardous waste or substances on the Subject Property, or on any property adjoining the Subject Property, or any property adjacent thereto, and Seller has received no notice of any kind relating to or in connection with the presence of hazardous waste or substances on the Subject Property from the New Jersey Department of Environmental Protection ("DEP"), the United States Department of Environmental Protection ("EPA") or other local, county, state or federal department or agency.

(m) The Subject Property does not benefit from any agricultural, veterans or other preferential tax classification.

(n) Seller represents and warrants that neither Seller nor any person or entity

holding any legal or beneficial interest whatsoever in it, whether directly or indirectly, is named on any list of persons, entities and governments issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") pursuant to Executive Order 13224-Blocking Property and Prohibiting Transactions with persons Who Commit, Threaten to Commit or Support Terrorism, as in effect on the date hereof, or any similar list issued by OFAC or any other department or agency of the United States (collectively, the "OFAC Lists"), or included in, owned by, controlled by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any persons or entities referred to or described in any OFAC Lists.

(o) Seller does not owe past-due taxes (including any penalties or accrued interest on taxes) to the State of New Jersey, with respect to this transaction and has estimated any taxes due to the State of New Jersey, and will make arrangements for the payment of such tax liability to the proper taxing authority out of the Purchase Price. If Seller owes such taxes, the amount of such taxes, after taking into account the payment of any liens required to be paid in full and removed under this Option Agreement and Seller's Closing costs and expenses, shall not exceed the net proceeds of the Purchase Price at Closing.

The representations and warranties contained in Sections 8(a) – (o) above shall survive Closing for a period of eighteen (18) months.

New Jersey "Stateside" Funding-Required Representations

(p) Supplementing the representations contained in Sections 8(a) – (o) of this Option Agreement, Seller hereby further represents and warrants that:

(i) the Subject Property shall be free of any tenancies or any written or oral licenses or leases affecting the Subject Property at closing.

(ii) except as may be described in any Phase 1 Environmental Site Assessment Report(s) or similar documents actually delivered to Purchaser by Seller prior to the execution of this Option Agreement (any such report or reports, if any are so supplied, "Seller's Environmental Report"), Seller has not permitted nor authorized the storage of any hazardous or toxic material on the Subject Property.

(iii) Seller shall comply with the Industrial Site Recovery Act, NJSA 13:1K-6, et seq., to the extent applicable. To Seller's actual knowledge, the Subject Property has not been used as an "Industrial Establishment" (as such term is defined in said Act) at any time since December 31, 1983.

(iv) except as may be described in Seller's Environmental Report there are no underground storage tanks on the Subject Property.

(v) there are no improvements on adjoining properties which extend across the boundary lines of the Subject Property, except as may be shown on the Survey.

(vi) with respect to the Subject Property Seller is in substantial compliance with the laws, orders and regulations of each governmental department, commission, board or agency having jurisdiction over the Subject Property, and has received no notices of non-compliance or violation affecting the Subject Property.

The representations and warranties contained in Section 8(p) above shall survive Closing for the applicable statute of limitations period, unless, in connection with the completion of the measures set forth in Section 12, Purchaser shall be able to negotiate with Green Acres a shorter period, in which event, the period for survival under this Section 8(p) shall be such shorter period.

9. Representations and Warranties of Purchaser. Purchaser represents and warrants to the best of its knowledge as follows:

(a) Purchaser is a non-profit public benefit corporation duly organized, existing and in good standing under the laws of the State of California, and authorized to do business in the State of New Jersey as "TPL-New Jersey." Purchaser is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and is included in the "Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code" published by the Internal Revenue Service.

(b) Purchaser has the full legal right, power and authority to enter into this Option Agreement, and, subject to approval by the duly authorized transactions committee of Purchaser's Board of Directors, to exercise the Option, to perform its obligations hereunder and to consummate the transactions contemplated hereby.

(c) There is no litigation or proceeding pending, or so far as known to Purchaser, threatened, against it or its property or business, nor is there any basis known to Purchaser for any such action, that would prevent the consummation of the transactions contemplated hereby.

(d) The execution and performance of this Option Agreement will not violate or conflict with any provision of any law, or regulation and will not violate any indenture, agreement or other instrument to which the Purchaser is a party.

(e) During the Initial Option Period, Purchaser shall, in the exercise of its reasonable discretion, use its best efforts to advance and complete the tasks, measures and requirements described in Section 2(b), and, during the Additional Option Period, Purchaser shall, in the exercise of its reasonable discretion, use its best efforts to advance and complete the tasks, measures and requirements described in Section 12(b), it being acknowledged and agreed, however, that the completion of any one or more such tasks, measures and requirements may depend on circumstances beyond the control of Purchaser, and that, due to changes in project funding and other factors prior to Closing, certain specified tasks, measures and requirements may become unnecessary, undesirable or both. For purposes of this Section 9(e), the term "best efforts" shall not be deemed to include (i) the payment of amounts (either out-of-pocket, or as part of overhead) in excess of amounts customarily expended by Purchaser for similar matters,

(ii) the bringing of appeals, litigation or similar actions, (iii) the use of impermissible lobbying or electioneering, or (iv) the commission of any act prohibited by applicable established professional and non-profit sector standards, by Purchaser's established internal policies, or by law or regulation. Provided Purchaser shall use reasonable discretion and best efforts as contemplated in this Section 9(e) with respect to the completion of the above-specified tasks, measures and requirements, it shall not constitute a default by Purchaser hereunder if Purchaser fails to advance or complete and one or more tasks, measures and requirements.

(f) Purchaser shall not at any time while this Option Agreement is in effect, make or permit any contract or agreement or impose or allow to impose any new lien, encumbrance of other matter affecting title to the Subject Property or grant or allow to be granted any right in or on or to the Subject Property without the prior written consent of Seller, which consent may be withheld by Seller in its sole discretion.

(g) Purchaser shall not cause or create any liens, encumbrances or violations on the Subject Property during the pendency of this Option Agreement.

(h) To the extent required, Purchaser, as option holder/contract vendee, shall, at no cost to Purchaser, join in any application to any governmental or regulatory authority including executing all necessary consents for approvals required to construct or maintain those Permitted Encumbrances described in Section 6(a)(vi) and Reserved Easements.

The representations and warranties herein above in this Section 9 shall survive Closing for a period of eighteen (18) months from the date of Closing, and for the period of the statute of limitations in New Jersey for (h) above, except that Purchaser acknowledges that it and its successors shall have an affirmative duty, without time limitation, subject to the agreed-upon final terms of the Reserved Easements, to cooperate with Seller, including executing any and all necessary consents to any applications filed with governmental agencies, to permit the uses identified as the description of the Reserved Easement and to provide those additional easements identified in Section 6(a).

10. Further Assurances.

(a) The Parties shall disclose any changes in circumstances or other information becoming known to the Parties prior to Closing making any representation incorrect or misleading in the form of a "bring down certificate." In the event such changes constitute a material adverse reduction to the value of the Subject Property, then the Parties shall have the right to terminate this Option Agreement within ten (10) days of receipt of this disclosure by way of written notice to the other Party; provided, however, the Party may cure such termination notice, should it remedy such material adverse change within a reasonable time after receipt of the Party's termination notice.

(b) Should any of the representations or warranties contained in this Option Agreement cease to be true at any time prior to Closing, then Seller or Purchaser, as the case may be, shall immediately so advise the other in writing. Except as expressly set forth, each of the above representations and warranties shall be deemed to have been repeated as of Closing by and

through the "bring down certificate", and shall survive Closing for the periods stated herein. Each Party shall deliver to the other the bring down certificate in a form satisfactory to counsel.

11. Seller's Obligations and Conditions Precedent to Closing.

(a) Seller shall be responsible for performing any necessary environmental remediation of the Subject Property in accordance with local, state and federal laws, rules and regulations, including, without limitation, all requirements of the New Jersey Department of Environmental Protection ("NJDEP").

(b) Seller shall have obtained approval of its Board of Directors for the sale of the Subject Property in accordance with this Option Agreement. If applicable, Seller shall also have obtained the approval of all requisite regulatory authorities having jurisdiction over the sale of the Subject Property, including but not limited to the New Jersey Board of Public Utilities ("BPU").

(c) Seller shall have obtained rate treatment for the disposition of the Subject Property from the BPU which is satisfactory to Seller in its sole and absolute discretion.

(d) Additionally, Seller covenants and agrees as follows as to its pre-closing obligations:

(i) Seller shall not make or suffer to be made any leases, contracts, options or agreements whatsoever affecting the Subject Property, nor shall Seller cause or permit any lien, encumbrance, mortgage, deed of trust, right, restriction or easement to be placed upon or created with respect to the Subject Property, except pursuant to this Option Agreement.

(ii) Seller shall not cause or permit any default beyond the applicable cure period under any mortgage or deed of trust covering the Subject Property, or the late payment of any real estate taxes affecting the Subject Property, or cause or permit the foreclosure of any other lien affecting the Subject Property.

(iii) In the event the Purchaser seeks Green Acres stateside funding, Seller agrees to deliver, as and when required, a duly signed compliance certification pursuant to New Jersey P.L. 2005 c.51, P.L. 2005 c.271 and related laws (collectively, the "Pay-to-Play Laws"), substantially in the form attached hereto as Schedule 11(d)(iii), as same may be updated and modified from time to time by state and local authorities. The signed certification shall be attached to, and, when so attached, shall form a part of, this Option Agreement. Seller acknowledges and agrees that its obligations with respect to the disclosure required by the Pay-to-Play Laws shall constitute continuing obligations until Closing.

(e) Seller further covenants and agrees with Purchaser that, from the date of this Option Agreement until the Closing or the earlier termination of this Option Agreement:

(i) Seller shall not remove or permit the removal of any vegetation, soil or minerals from the Subject Property except during ordinary maintenance or disturb or suffer the disturbance of the existing contours and/or other natural features of the Subject Property in

any way whatsoever caused by Seller its agents or authorized representatives, prior to Closing but Seller is specifically authorized to draw down and drain the existing reservoir following Closing at a date determined by Seller, in anticipation of constructing the Tank and Support Facilities contemplated under the Reserved Easements described in Section 6(b).

(ii) Seller shall not cause or permit any dumping or depositing of any materials on the Subject Property by its agents or authorized representatives, including, without limitation, garbage, construction debris or solid or liquid wastes of any kind.

(f) Seller further covenants and agrees that Seller shall remove, or cause to be removed at its sole cost and expense, all personal property, trash or household debris from the Subject Property prior to Closing, to the satisfaction of Purchaser, in conformity with existing objective standards of applicable funding agencies.

(g) Seller shall promptly cure, at Seller's sole cost and expense, each and every breach or default of any covenant set forth in this Section 11 upon learning of such breach or default or receipt of notice thereof by Purchaser. In the event Seller fails to cure such breach or default of any covenant in a timely manner, regardless of whether the breach or default was committed by Seller or a third party, Purchaser may terminate this Option Agreement by written notice to Seller, the Option Consideration shall be refunded to Purchaser, and thereafter the parties shall have no further liability to each other. Alternatively, Purchaser shall have the right, but no obligation, to cure or cause to be cured any such breach or default, at Seller's sole cost and expense if, in Purchaser's reasonable judgment, Seller has failed to promptly or completely cure the same or if such action on Purchaser's part is reasonably necessary to preserve and protect the natural, scenic or other open space values of the Subject Property. The reasonable costs of such cure attempted or effected by Purchaser may, at Purchaser's election, be credited against the balance of the Purchase Price.

12. Purchaser's Obligations During Additional Option Period. During the Additional Option Period, Purchaser, at its sole cost and expense, shall, in the exercise of its reasonable discretion, use its best efforts (as further defined in Section 9(e)) to satisfy the following benchmarks:

- (a) Final approval from the Agency of all due diligence reports and materials;
- (b) Confirm with Seller the Agency's approval of (i) the precise terms of the Reserved Easements, and (ii) the description for the Reserved Easements contained in the Survey and related metes and bounds descriptions;
- (c) Finalize any required co-ownership and management agreements between the Township of Weehawken and applicable funding agencies;
- (d) Obtain all necessary final Ordinances and Resolutions and other governmental approvals required for the acquisition of title in and to the Subject Property;

(e) Obtain all necessary final approval of all funding from among the following sources, as applicable: NJ EIT, Hudson County, Green Acres and Purchaser;

(f) Obtain final approval of the Township of Weehawken and the City of Union City for all grant agreements and ancillary legal documents associated with funding from NJ EIT, Green Acres, Hudson County and Purchaser;

(g) If required, obtain Hudson County approval for loan guaranty for Union City and Weehawken borrowing; and

(h) If required, obtain all required Ordinances and Resolutions necessary to bond for the purchase of the Subject Property.

13. Seller's Closing Documents. At the Closing, Seller shall execute, acknowledge and deliver to Purchaser the following documents (all in form and substance reasonably satisfactory to Purchaser):

(a) A Bargain and Sale Deed with covenant against grantor's acts in proper form for recordation, which shall be duly executed and acknowledged so as to convey fee simple absolute marketable title to the Subject Property, subject to the Permitted Encumbrances, to Purchaser as herein provided, and containing the Reserved Easements.

(b) An Affidavit of Consideration.

(c) An Affidavit of Seller's Residence.

(d) An Affidavit of Title in standard form to the Subject Property duly executed by Seller, with such revisions as may be reasonably required by Purchaser and the Title Insurer.

(e) A Secretary's Certificate evidencing that this Option Agreement and the transactions contemplated thereunder have been duly authorized.

(f) An Affidavit, in recordable form, of Seller certifying that Seller is not a "foreign person," under Section 1445(b) of the Internal Revenue Code of 1986, as amended (the "Code").

(g) A completed Form 1099B or such other document as may be required by Section 6045 of the Internal Revenue Code of 1986, as amended.

(h) An executed settlement statement (the "Settlement Statement") setting forth the Purchase Price, the prorations and adjustments, and the other financial aspects of the transaction. Seller shall not be obligated to pay the standard realty transfer fees or any Mansion Tax, if applicable, unless and only to the extent same are assessed.

(i) Such affidavits as Purchaser's Title Insurer shall reasonably require in order to issue the owner's title insurance policy in favor of Purchaser or Purchaser's designee(s).

14. Purchaser's Closing Obligations. At the Closing, Purchaser shall execute, acknowledge and deliver to Seller the following:

- (a) The Purchase Price in accordance with the provisions of Sections 4.
- (b) Closing expenses, including the cost for an updated survey and title commitment and policy.
- (c) Executed Settlement Statement.
- (d) A Purchaser's Affidavit of Consideration.
- (e) Such other documents of conveyance to be delivered by Purchaser pursuant to this Option Agreement or as required by the title company.

15. Real Estate Broker.

(a) No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Option Agreement based upon arrangements made by or on behalf of the Purchaser. Purchaser agrees to indemnify, defend and hold Seller harmless from any claims or commissions for any brokers claiming a commission through the acts of Purchaser. The obligations of the Purchaser set forth in this Section 15(a) shall survive the Closing.

(b) No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Option Agreement based upon arrangements made by or on behalf of Seller except that NAI/Hanson has been identified as Seller's Broker. Hanson shall be compensated by Seller under a separate agreement. Seller agrees to indemnify Purchaser from any claims for commissions for any brokers claiming a commission through the acts of Seller. The obligation of the Seller set forth in this Section 15(b) shall survive the Closing.

16. Adjustments.

The Purchase Price calculated shall also be adjusted as follows: At the Closing the following shall be apportioned and adjusted with respect to the Subject Property between Seller and Purchaser as of the Closing Date:

(a) Real estate taxes for the Subject Property shall be prorated at and as of the Closing.

(b) Water and sewer charges for the Subject Property shall be prorated at and as of the Closing if same constitute a lien against the Subject Property.

(c) If on the Closing Date any assessment is a lien on all or part of the Subject Property, and such assessment is or may be payable in installments, then the current installment shall be pro rated as of the Closing Date and Purchaser shall be responsible for all post-closing installments. In the event of an assessment for work not yet completed, Purchaser shall be responsible for such assessment.

Errors made in closing adjustments shall be corrected within ninety (90) days after written notification of such error by either party to the other or to their respective counsel. This representation shall survive closing of title notwithstanding delivery and acceptance of the Deed.

17. Termination of Agreement; Default, Remedies.

(a) If this Option Agreement is terminated by Purchaser in accordance with the terms of this Option Agreement, then Purchaser shall be entitled to the return of the Option Consideration, and upon return of the Option Consideration to Purchaser, the parties will be free of liability to each other. If this transaction fails to close as a result of the Seller's default, then Purchaser shall be entitled to any and all remedies at law or in equity, whether by election of remedies, Purchaser chooses to seek specific performance or seek the return of the Option Consideration.

(b) If this transaction fails to close due to the default of Purchaser, then Seller's sole remedy shall be (i) to terminate this Option Agreement, (ii) to require a payment of FIFTY THOUSAND and no/100 (\$50,000.00) DOLLARS from Purchaser, and (a) to retain the Option Consideration paid, as liquidated damages. The parties acknowledge that Seller's actual damages in the event of a default by Purchaser under this Option Agreement will be difficult to ascertain, and that such liquidated damages are not a penalty but represent the parties' best estimate of such damages.

18. Risk of Loss. Notwithstanding any laws or doctrines to the contrary, all risk of loss shall remain with Seller until Closing. In the event the Subject Property is destroyed or damaged prior to Closing, Purchaser shall have the right at its option to terminate this Option Agreement by written notice to Seller, thereupon Seller shall refund to Purchaser the full amount of the Option Consideration, and thereafter the parties shall have no further liability to each other. If the Subject Property contains improvements, Seller shall maintain in full force a policy of all-risk hazard insurance, insuring against loss of or damage to the improvements.

19. Condemnation. In the event of the taking of all or any part of the Subject Property by eminent domain proceedings, or the commencement of such proceedings prior to Closing, Purchaser shall have the right, at its option, to terminate this Option Agreement by written notice to Seller, in which case Seller shall promptly refund to Purchaser the Option Consideration and thereafter the parties shall have no further liability to each other. If Purchaser does not so terminate the Option Agreement, then Purchaser may, at its option, either (i) proceed to Closing with the Purchase Price reduced by the total of any awards or other proceeds received or to be received by Seller as a result of such proceedings, or (ii) proceed to Closing with an assignment by Seller of all Seller's right, title and interest in and to any and all such awards and proceeds. Seller shall notify Purchaser in writing of any eminent domain proceedings affecting the Subject Property within five (5) days after Seller learns of such proceedings.

20. Bulk Transfer Filing Requirement.

(a) In connection with any required compliance with N.J.S.A. 54:50-38 *et seq.*, Purchaser may file Form C-9600 with the New Jersey Division of Taxation (the "Division")

prior to Closing, naming itself and any additional or substitute grantee(s) as purchaser(s), and Seller as seller. Seller agrees to cooperate with Purchaser's filing of said Form C-9600 and further agrees that Seller will, upon the request of Purchaser or the Division, promptly file the Form TTD with the Division. Passage of at least ten (10) days between the time the requisite forms have been duly filed with the Division and Closing and the issuance of a tax clearance or withholding notice by the Division are a condition precedent to Purchaser's obligation to proceed to Closing (including, without limitation, the entering into any Closing-related escrow). Closing will be extended, if necessary, to allow for this 10-day period to elapse. Seller agrees that Purchaser may, at the Closing, deduct and withhold from the proceeds that are due Seller the amount necessary to satisfy the amount the Division may have determined is due and owing from Seller, as set forth on the Division's notice. Purchaser will deposit the amount withheld in a separate escrow with the Title Insurer (or other escrow holder reasonably acceptable to Seller provided that such holder is not related to Seller), pursuant to terms and conditions reasonably acceptable to Seller and Purchaser, but in any event complying with all applicable laws. Seller hereby indemnifies Purchaser and any assignee and/or substitute grantee(s) designated by Purchaser against any claims that arise because of the tax liabilities of Seller. This indemnification shall survive Closing or any earlier termination of this Option Agreement.

(b) The parties recognize that, in light of the TIME OF THE ESSENCE provisions contained in Sections 4(b) and 5(b), in the event that Purchaser gives its notice of intent to proceed to Closing as contemplated under Section 5(b), receipt by Seller and Purchaser of tax clearance or withholding notice must occur by no later than December 14, 2011. To help ensure the timely receipt of the required notice, if Purchaser exercises the Option, Seller and Purchaser agree to make the filings contemplated in Section 20(a) on the day following such exercise of Option and in no event later than November 23, 2011. In the event that Purchaser does not give notice of intent as contemplated under Section 5(b), then Seller and Purchaser agree to make said filings in due course in a reasonable period prior to Closing.

21. Notices.

(a) All notices pertaining to this Option Agreement shall be in writing delivered to the parties by hand, by commercial courier service, by United States Express Mail, or by certified United States mail, postage prepaid, addressed to the parties at the addresses set forth in Recital A or such other addresses as the parties may designate by notice. Except as provided in Section 3, all notices shall be deemed given when received (except any notice which is properly addressed and delivered but refused shall be deemed given on the date of refusal). Notice given by facsimile transmission shall not constitute notice under this Option Agreement unless accompanied by an additional notice given in accordance with the provisions of this Section 21.

(b) The attorneys for the parties hereto are hereby authorized, on behalf of their respective clients, to serve any written notice, whenever such notice is provided to be given under the terms of this Option Agreement, and to modify any of the time limitations as provided in this Option Agreement. Any such notice and/or extension shall be in writing and duly signed by such attorneys.

22. Attorneys' Fees. If any legal action is brought by either party to enforce any provisions of this Option Agreement, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and court costs in such amounts as shall be allowed by the court.

23. Disclaimer.

(a) No representations or warranties by Seller; acceptance of Subject Property; disclaimer; other than as set forth herein, Purchaser acknowledges and agrees that having been given the opportunity to inspect the Subject Property, Purchaser is relying solely on its own investigation of the Subject Property and not on any information provided or to be provided by Seller, and agrees to accept the Subject Property at the Closing and waive all objections or claims against Seller (including, but not limited to, any right or claim of contribution) arising from or related to the Subject Property or to any hazardous materials on the Subject Property. Purchaser further acknowledges and agrees that any information provided or to be provided with respect to the Subject Property was obtained from a variety of sources and that Seller has not made any independent investigation or verification of such information and makes no representations as to the accuracy, truthfulness or completeness of such information. Seller is not liable or bound in any manner by any verbal or written statement, representation or information pertaining to the Subject Property, or the operation thereof, furnished by any real estate broker, contractor, agent, employee, servant or other person, except with respect to the specific representations of Seller contained in this Option Agreement.

(b) Except with respect to the specific representations of Seller contained in this Option Agreement, Purchaser further acknowledges and agrees that, to the maximum extent permitted by law, the sale of the Subject Property as provided for herein is made on an "as is" condition and basis with all faults. The provisions of this Section 23 shall survive the Closing.

24. Binding on Successors; No Third-Party Beneficiaries.

(a) This Option Agreement shall be binding not only upon the parties but also upon their heirs, personal representatives, assigns, and other successors in interest.

(b) It is the intention of the parties hereto that, prior to Closing, nothing contained herein is for, or inures to, the benefit of any person or entity other than the parties hereto, except as referenced herein.

25. Additional Documents. Seller and Purchaser agree to execute such additional documents as may be reasonable and necessary to carry out the provisions of this Option Agreement. Consistent with Section 7, Seller will promptly provide Purchaser with copies of any title report, survey, or environmental assessment of the Subject Property in its possession or which comes into Seller's possession prior to Closing.

26. Non-Foreign Certificate. At Closing, Seller shall execute and deliver to Purchaser a "non-foreign certificate" pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended, and shall deliver such certificate to Purchaser. Seller acknowledges that if Seller is unable to certify that it is not a "foreign person," Purchaser may be required to withhold a portion

of the Purchase Price at Closing for federal income tax purposes.

27. Entire Agreement; Modification; Waiver. This Option Agreement constitutes the entire agreement between Purchaser and Seller pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations, and understandings. This Option Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing this Option Agreement to be drafted. No supplement, modification, waiver or amendment of this Option Agreement shall be binding unless specific and in writing executed by the Party against whom such supplement, modification, waiver or amendment is sought to be enforced. No waiver of any of the provisions of this Option Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

28. Counterparts. This Option Agreement and any amendments or extensions hereof may be executed in one or more counterparts and by the manual or facsimile signature of the parties hereto. Each of such counterparts, when so executed, shall be deemed an original and when taken together shall constitute a single instrument.

29. Severability. Each provision of this Option Agreement is severable from any and all other provisions of this Option Agreement. Should any provision(s) of this Option Agreement be for any reason unenforceable, the balance shall nonetheless be of full force and effect.

30. Governing Law. This Option Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey, without giving effect to the doctrine of conflict of laws of such.

31. Confidentiality.

(a) To the extent permissible under N.J.S.A.47:1A-1.1 et. seq., the Open Public Records Act, and other applicable law, the parties each agree that they will keep confidential any information designated as such by the other or not otherwise publicly available which is derived from access, investigation or information furnished by either party in connection with this Option Agreement, including the negotiations conducted in connection herewith, and, if the transactions contemplated hereby are not consummated, will promptly return to the other all such information and will not thereafter use such information. A breach of this provision by either Party is an incurable event of Default.

(b) The provisions of Section 31(a) notwithstanding, the Parties acknowledge and agree that (i) this Option Agreement shall be submitted by Seller to the New Jersey Board of Public Utilities, (ii) Purchaser may be required to produce this Option Agreement or information contained herein or relevant hereto in connection with the acquisition of the Subject Property (or the financing of its purchase hereunder) by the Agency, and (iii) Seller and Purchaser may be required to make disclosures in connection with any filings made pursuant to N.J.S.A. 54:50-38 et seq., and that disclosures required in connection with the matters described in clauses (i)-(iii) are permitted hereunder.

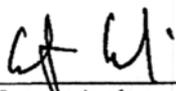
32. Recitals; Defined Terms; Section References. The Recitals A through E stated above are true and correct and incorporated herein as if fully restated. Any capitalized term used and not otherwise defined in the substantive sections of this Option Agreement shall have the meaning ascribed to such term in said recitals. Any reference in this Option Agreement to the section, subsection or clause of an unspecified document shall be deemed to refer to the applicable section, subsection or clause of this Option Agreement, unless otherwise specifically indicated in such reference or unless context otherwise so requires.

[Remainder of Page Intentionally Left Blank]

IN WITNESS of the foregoing provisions, the parties have executed and delivered this Option Agreement as of the date first set forth above.

PURCHASER:

THE TRUST FOR PUBLIC LAND
d/b/a TPL-New Jersey

By: 
Name: Anthony Cucchi
Title: New Jersey State Director
Federal Taxpayer I.D. #: 23-7222333

SELLER:

UNITED WATER NEW JERSEY INC.

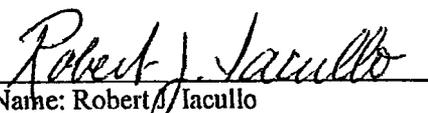
By: 
Name: Robert J. Iacullo
Title: President
Federal Taxpayer I.D. #: 22-0971030

Exhibit A

Legal Description of the Subject Property

The attached metes and bounds description of the Subject Property, derived from a survey entitled "Weehawken Reservoir N. 2 Dividing Wall / Floating Cover / Pumping Station" by Timothy Grud, PLS and dated January 8, 1995, shall be replaced with a new metes and bounds description once the Survey is provided to Seller by Purchaser, as provided in Section 7(b).

[One (1) page follows immediately]

Exhibit "A"

Metes and Bounds "Deed Descr"

Description of Lands belonging to the Hackensack Water Company, an incorporated company under the laws of New Jersey, situate, lying and being in the Township of Weehawken and partly in the City of Union City, in the County of Hudson and the State of New Jersey; being in Tax Map Lot 1, Block 14; all as shown on a map entitled; "Map of Lond Survey of lands as per Liber 1225 Page 00083 in the Township of Weehawken and partly in the City of Union City in the County of Hudson and the State of New Jersey"; said map prepared by Timothy Grud, P.L.S. #39270 for the Hackensack Water Company, dated **January 8, 1995**

Beginning at a point in the Easterly boundary line of Palisades Avenue; where same is intersected by the Northerly boundary of Washington Street; said point being in the Easterly boundary line of the City of Union City (formerly the Town of West Hoboken and the Township of Weehawken); said point also being witnessed by a one (1) inch diameter Rebar-Pin with a Survey Marker Cap set on a bearing of N. 57°-48'-26" E., a distance of 1.297 feet from said point and running thence,

1. Northerly, along the Easterly line of Palisades Avenue, and along the aforementioned boundary between the City of Union City and the Township of Weehawken measured on a bearing of N. 06°-30'-43" E, a distance of 632.618 feet to a point of intersection with Southerly line of Highpoint Avenue (70.00 feet wide-eccentric, 30 feet south, 40 feet north); said point being witnessed by a one (1) inch diameter Rebar-Pin with a Survey Marker Cap set on a bearing of S. 37°-47'-10" E., a distance of 2.534 feet from said point; thence,
2. Easterly, along the Southerly line of Highpoint Avenue (70.00 feet wide-eccentric, 30 feet south, 40 feet north) measured on a bearing of S. 83°-29'-17" E, a distance of 893.788 feet to a point in the Westerly line of lands as shown on a map entitled "Map of Property Belonging to Weehawken Heights Land and Improvement Company Situated in Weehawken, Hudson County, New Jersey;" said map being filed in the Register's Office of Hudson County on June 26, 1896 as filed map #1132; said point being witnessed by a one (1) inch diameter Rebar-Pin with a Survey Marker Cap, set on a bearing of S. 73°-14'-25" W. a distance of 4.583 feet from said point; thence,
3. Southerly, along the aforementioned Westerly line of filed map #1132, on a bearing of S. 01°-37'-48" W, a distance of 741.568 feet to a point in the Northerly line of Washington Street (50.00 feet wide); said point being witnessed by a one (1) inch diameter Rebar-Pin with a Survey Marker Cap set on a bearing of N. 33°-59'-22" W. a distance of 3.674 feet from said point; thence,
4. Westerly, along the Northerly line of Washington Street (50.00 feet wide), on a bearing of N. 77°-09'-06" W., a distance of 962.778 feet to the point and place of beginning.

Said parcel being subject to any and all restrictions of record.

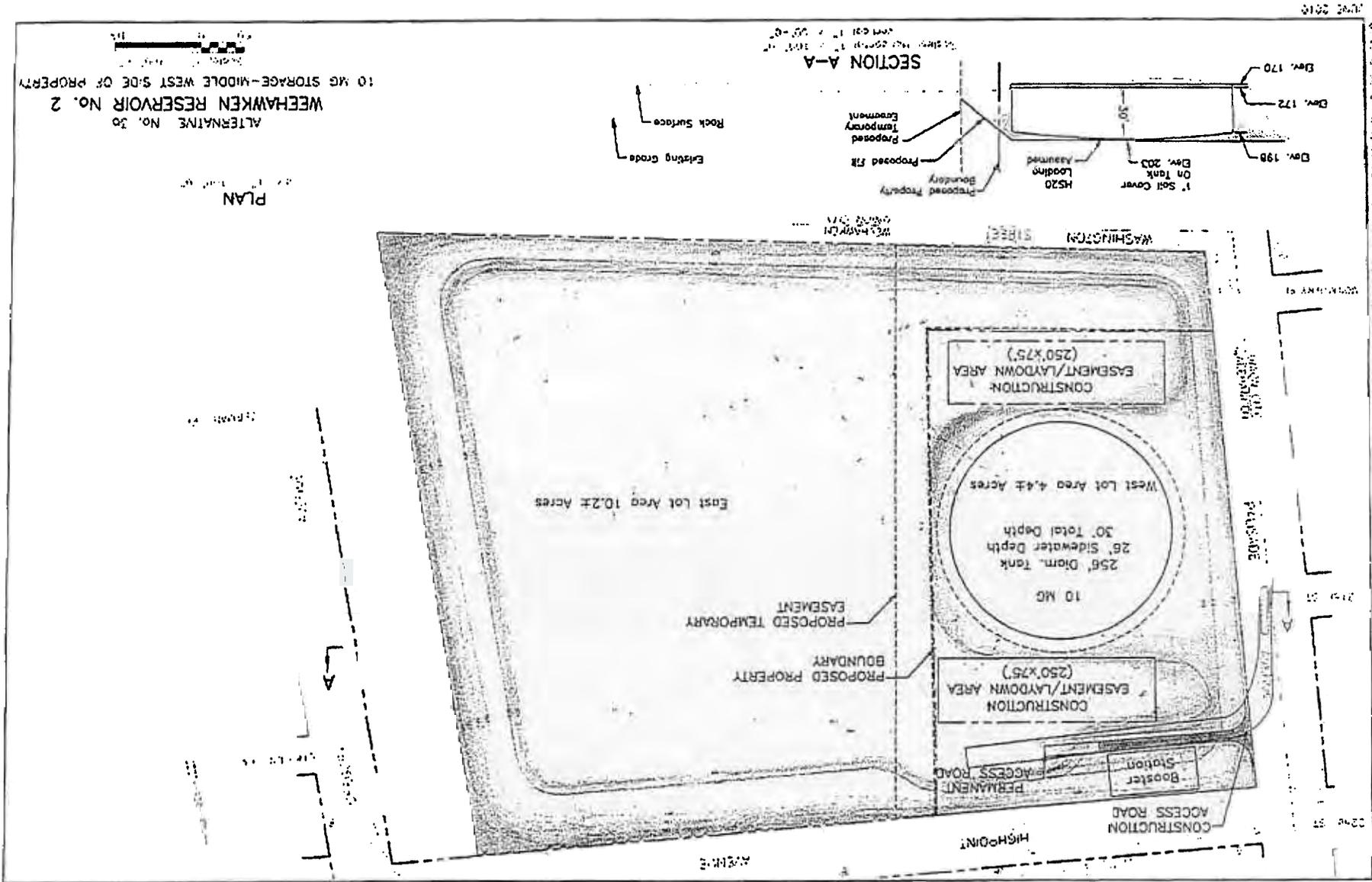
Said parcel contains 14.5288 acres more or less (at grade).

Exhibit B

Conceptual Rendition of the respective areas of the Reserved Easements
entitled "Alternative No. 3b – Weehawken Reservoir No. 2 – 10 MG Storage – Middle West
Side of Property" by Buck, Seifert & Jost, Inc. and dated June 22, 2010

[One (1) page follows immediately]

Exhibit "B"



DATE: FEBRUARY 1981

DATE: FEBRUARY 1981

United Water New Jersey
Journal entries to record sale of Weehawken Land

EXHIBIT C (revised 10/05/2011)

| Acct # | Description | Dr | Cr | Comments |
|--------|--|---------------|------------|--|
| 131 | Cash | | | |
| 422 | Gain from sale of Land | | 11,000,000 | |
| | Record cash from sale of land | | | |
| 422 | Gain from sale of Land | 2,537,259 | | Costs of sale plus value of land |
| 131 | Cash | | 1,707,094 | Cash paid for Costs of Sale |
| 131 | Cash | | 750,000 | WRB Settlement |
| 101 | Utility Plant in Service | | 80,165 | Utility Plant Sold |
| | Record value of land sold and costs associated with land sale | | | |
| 422 | Gain from sale of Land | 3,869,352 | | Additional expense of sale |
| XXX | Deferred gain to customers | | 3,869,352 | 40% of gain payable to customers - to be netted against New Milford sale |
| | Record amount due to customers to be netted against loss on sale of New Milford property | | | |
| 409 | Income tax Expense | 1,607,687 | | Income tax expense related to sale |
| 236 | Federal Income Taxes Payable | | 1,607,687 | Tax payment due from gain on sale of property |
| | To set up taxes on net gain from sale | | | |
| | <u>Summary of gain</u> | | | |
| | Cash from sale of land | \$ 11,000,000 | | |
| | Costs of sale | (1,707,094) | | |
| | Land being sold | (80,165) | | |
| | Gain on Sale | 9,212,741 | | |
| | 45% share to customers | (4,145,734) | | |
| | Company 55% share before tax | 5,067,007 | | |
| | WRB Settlement | (750,000) | | |
| | Pretax Income | 4,317,007 | | |
| | Tax at 35% | 1,510,953 | | |
| | Company share of gain | \$ 2,806,055 | | |

United Water New Jersey
 Proposal on sale of New Milford and Weehawken land parcels

revised 0/5/1

EXHIBIT D (Rev#4)

Date Prepared-March 15, 2011 Revision #4 October 5, 2011

| | New Milford Land | | Weehawken Land | | Combined Gain | | | |
|---|------------------|-----------------------|----------------------|----------------------------|------------------|---|----------------------------|-----------------------|
| <u>Selling Price</u> | <u>Acres</u> | <u>Unit Cost</u> | <u>Selling Price</u> | <u>Acres</u> | <u>Unit Cost</u> | | | |
| | 13.693 | \$ 525,816 | 80% | 7,200,000 | 14.529 | \$ 757,106 * | 11,000,000 | 18,200,000 |
| Total Selling Price | | \$ 7,200,000 | | Total Selling Price | | \$ 11,000,000 | Total Selling Price | \$ 18,200,000 |
| Land Cost | | 30,335 | | 80,165 | | 110,500 | | 110,500 |
| Land remediation costs (Estimate) | | 12,961,470 | | - | | 12,961,470 | | 12,961,470 |
| Total Cost of Land Sold | | \$ 12,991,805 | | \$ 80,165 | | Cost of Land Sold | | \$ 13,071,970 |
| Expense of sale | | | | | | | | |
| Survey, appraisal and environmental costs | | 27,143 | | 16,019 | | 43,162 | | 43,162 |
| Minor Subdivision Approval Requirements (estimate) | | 64,500 | | - | | 64,500 | | 64,500 |
| Land Trust Fee | | - | | 500,000 | | 500,000 | | 500,000 |
| Site preparation (estimate) | | - | | 503,000 | | 503,000 | | 503,000 |
| Realtor fee | | 288,000 | | 420,000 | | 708,000 | | 708,000 |
| Offsite work (potential costs) | | 250,000 | | - | | 250,000 | | 250,000 |
| Recording Fees | | 1,000 | | 25,000 | | 26,000 | | 26,000 |
| Outside Legal | | 87,500 | | 112,500 | | 200,000 | | 200,000 |
| Transfer taxes-est @ 1.15% | | 84,595 | | 130,575 | | 215,170 | | 215,170 |
| Payroll - Internal | | - | | - | | - | | - |
| Miscellaneous | | - | | - | | - | | - |
| Total Expense of Sale,excluding WRB settlement | | \$ 802,738 | | \$ 1,707,094 | | Total Expense of Sale,excluding WRB settlement | | \$ 2,509,832 |
| Gain (loss) on Sale before Tax | | (6,594,543) | | 9,212,742 | | Gain (loss) on Sale before Tax | | 2,618,199 |
| 45% of pretax gain (loss) to customers | | (2,967,544) | | 4,145,734 | | 1,178,189 | | 1,178,189 |
| 55% of gain(loss) to Company | | (3,626,999) | | 5,067,008 | | 1,440,009 | | 1,440,009 |
| WRB Settlement - Open Space | | 250,000 | | 750,000 | | 1,000,000 | | 1,000,000 |
| Net Company pretax gain (loss) | | (3,876,999) | | 4,317,008 | | 440,009 | | 440,009 |
| Tax at 35% | | (1,356,950) | | \$1,510,953 | | \$154,003 | | \$154,003 |
| Gain (loss) on sale after Tax | | \$ (2,520,049) | | (A) \$ 2,806,055 | | Gain (loss) on sale after Tax | | (A) \$ 286,006 |
| | | | | (B) | | (B) | | |
| Company Share - | 55% | (3,626,999) | Company Share - | 55% | 5,067,008 | Company Share - | 55% | 1,440,009 |
| Customer Share - | 45% | (2,967,544) | Customer Share - | 45% | 4,145,734 | Customer Share - | 45% | 1,178,189 |
| | | \$ (6,594,543) | | \$ 9,212,742 | | \$ 2,618,199 | | |

* 4.410 acres subject to UW permanent easement.

(A) Gain Based on sale of property if transaction is completed by 12/31/2011

(B) If sale occurs after 12/31/2011, the selling price increases by \$500,000 resulting in a pretax gain on the transaction of \$9,712,742 and a combined pretax gain of \$3,118,199.

revised 10/15/11
 Exhibit D
 Land Allocation

United Water New Jersey
 Proposed New Milford Land Sale
 Block 1309 - Lot 1
 May 26,2011

| | Acres | Book Value | | Acres | Cost | |
|-------------|-------------|------------------|---------------|-------|----------|----------|
| Parcels 258 | 6.535 | 23,839.18 | | | | |
| Parcels 6 | 11.165 | 15,372.72 | Cost per acre | 25.94 | 35715.94 | 1376.867 |
| Total | <u>17.7</u> | <u>39,211.90</u> | | | | |

Cost per acre \$ 2,215.36

| | Acres | Cost Retained | Amount to be retired |
|-------------------------------|---------------|-----------------------------|----------------------|
| Acres to be retained in whole | <u>4.007</u> | <u>8,876.95</u> | |
| Acres to be sold | <u>13.693</u> | | <u>30,334.95</u> |
| Total acres | <u>17.7</u> | <u>8,876.95</u> | <u>30,334.95</u> |
| | | Add: Land restoration costs | <u>12,456,470.00</u> |
| | | Total Land Costs | <u>12,486,804.95</u> |

United water New Jersey
 Proposed Weehawken Land Sale
 Block 14, Lot 1 (also includes Block 15, Lot 47 & Block 16, Lot 7)
 27-Mar-07

| | Acres | Book Value |
|-----------|--------------|------------------|
| Parcel 39 | 15.27 | 84,253.32 |
| Total | <u>15.27</u> | <u>84,253.32</u> |

Cost per acre \$ 5,517.57

| | Acres | Cost Retained | Amount to be retired |
|-------------------------------|---------------|-----------------|----------------------|
| Acres to be retained in whole | <u>0.741</u> | <u>4,088.52</u> | |
| Acres to be sold | <u>14.529</u> | | <u>80,164.80</u> |
| Total acres | <u>15.27</u> | <u>4,088.52</u> | <u>80,164.80</u> |

Exhibit E
New Milford Agreement

AGREEMENT OF SALE

THIS AGREEMENT OF SALE, made as of the ___ day of December, 2010 (the "Effective Date"), by and between UNITED WATER NEW JERSEY INC., a New Jersey corporation having its principal office at 200 Old Hook Road, Harrington Park, New Jersey 07640 (hereinafter referred to as "Seller") and NEW MILFORD REDEVELOPMENT ASSOCIATES, LLC, or permitted assigns, having an address c/o The S. Hekemian Group, LLC, 45 Eisenhower Drive, Paramus, New Jersey 07652 ("Purchaser").

WITNESSETH:

WHEREAS, Seller is the owner of certain property which, after grant of an anticipated minor subdivision to it by the Planning Board of the Borough of New Milford, shall consist of approximately 13.6 acres (+/-) of vacant land (subject to reduction of an approximate .25 acres for a proposed County of Bergen walkway) located in the Borough of New Milford, in the County of Bergen (the "Property"). The Property is generally shown and approximately delineated on a certain Conceptual Divestiture Plan of the New Milford Residual Lagoons Parcel No. 1 dated June 24, 2003 (the "Divestiture Plan") and further identified as a portion of Block 1309, Lot 1 on the tax maps of the Borough of New Milford. The Divestiture Plan is annexed hereto as Exhibit A; and

WHEREAS, Seller desires to sell, transfer, and convey to Purchaser, and Purchaser desires to purchase from Seller, the Property, upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the covenants and mutual premises contained herein, Seller and Purchaser agree as follows:

1. Conveyance. Seller, for and in consideration of the Purchase Price (as defined in Sections 11 and 16) to be paid as stipulated herein, and also in consideration of the covenants and agreements herein contained to be performed by Purchaser, agrees to convey the Property to the Purchaser, free from all liens, charges, claims and encumbrances, except as this Agreement may otherwise specifically provide, by deed of bargain and sale with covenant against the acts of the grantor, on the Closing Date (as defined in Section 12). The Property includes, without limitation, all easements appurtenant to or benefiting the Property, all lease rights, development rights, hereditaments, claims, interests, mineral rights, and other benefits relating to or appurtenant to the Property, as well as all and any claims or rights of Seller to any street bordering or adjoining the Property, except as set forth herein.

2. Title.

Seller shall convey marketable fee simple absolute title to the Property, free and clear of all liens, claims, charges and encumbrances of any kind, subject only to the following (the "Permitted Exceptions"):

(a) federal, state and municipal laws, ordinances, rules and regulations relating to the Property and its construction, provided same do not prevent or materially interfere with the use of the property for which the Approvals (as defined herein) are sought by Purchaser;

(b) such state of facts as an accurate survey of the Property would disclose, provided that title is not rendered unmarketable or uninsurable thereby;

(c) real estate taxes and water and sewer charges with respect to the Property, not yet due and owing as of the Closing Date, which are to be pro-rated as of the Closing Date;

(d) easements, restrictions, covenants and other agreements of record which do not prevent or materially interfere with the use of the property under the Approvals sought by Purchaser; and

Reserved Easements, as defined herein.

3. Due Diligence and Investigation.

Title Examination and Surveys.

Subject to Sections 7 and 8, Purchaser's obligation to close hereunder is subject to the fulfillment, prior to and at the Closing (as defined in Section 12), of the following conditions:

(a) The receipt by Purchaser, within thirty (30) days from the date hereof (such period the "Title Examination Period"), of a commitment issued by First Jersey Title Services, Inc., a title insurance company selected by Seller, (which commitment shall be obtained by Seller for the benefit of Purchaser), licensed to do business in New Jersey, evidencing a commitment to insure the title to the Property as specified in Section 2 hereof, at regular rates, provided that, if Purchaser elects, Purchaser may purchase title insurance at its sole cost and expense. If Purchaser finds, upon examination of the title, any objections or defects in or to the marketability or insurability of title to be conveyed as herein provided, other than the Permitted Exceptions (the "Non-Permitted Exceptions"), or exceptions reflecting in the survey referenced in 3.1(b) below, Purchaser shall deliver notice (the "Notice") in writing to Seller not later than ten (10) business days after receipt of the commitment (the "Deadline Date"). Seller shall notify Purchaser within ten (10) business days after receipt of the Notice whether Seller will attempt to remedy the Non-Permitted Exceptions. Should Seller choose to remedy such Non-Permitted Exceptions, Seller shall have a reasonable time within which (a) to take such action as Seller may deem appropriate to attempt to clear or remove said title defects, or (b) to obtain a title insurance commitment at standard rates as provided in Section 2. In the event that Seller is unable or unwilling to clear or remove the Non-Permitted Exceptions in accordance with this Section, Seller shall notify Purchaser and Purchaser shall have, as its sole remedy, the right to (i) accept such title as Seller may be able to convey without an abatement in the Purchase Price, or (ii) terminate this Agreement within seven (7) business days after receipt of Seller's notice. In the event that Purchaser elects to terminate this Agreement as set forth in this Section 3.1 (a), Seller, after demand therefor by Purchaser, shall return to Purchaser all Deposit monies (as defined in Section 11(a)), and shall reimburse Purchaser for its survey costs to a cap of Ten Thousand (\$10,000) Dollars, upon certification of costs from the Licensed Surveyor who prepared said survey, whereupon neither party shall have any further obligations under this Agreement except for those matters specifically set forth to survive expiration or termination of this Agreement. If Purchaser has not given the Notice by the Deadline Date, Seller shall have the right to

terminate this Agreement or elect to have the Agreement remain in full force and effect and the parties shall proceed to Closing and Seller shall convey to Purchaser such title as it may be able to convey including Non-Permitted Exceptions, without an abatement in the Purchase Price. Notwithstanding the right of Purchaser to object to an encumbrance of title, the parties agree that any mortgages, liens, or judgments which can be paid off at Closing shall not present an unacceptable condition to title, and that Seller shall be required to pay off same. Any facilities, underground pipes, utilities, and roadways, on the Property owned or used by United Water New Jersey Inc. but not the subject of a recorded easement or license, together with an unrecorded sewer easement running to the benefit of the Borough of New Milford shall remain as Permitted Encumbrances and at the time of Closing, so long as same do not prevent or materially interfere with the use of the Property for which the Approvals are sought. Seller shall reserve an easement for the continued use, maintenance, repair, and replacement of those facilities, underground pipes, utilities and roadways. [The Reserved Easements]

(b) The receipt by Seller, within forty-five (45) days of the date hereof, of (1) a current survey reflecting not only metes-and-bounds but also all recorded easements on record, and (2) a topographical survey of the Property, both prepared by a licensed surveyor, at Purchaser's sole cost and expense, setting forth the square footage and acreage of the Property, and certified to Seller, Purchaser, the Seller's attorney, the Purchaser's attorney, the title company and the title agent. The topographical survey shall show the existing elevation of the Property for purposes of depicting the "As Is" elevation of the Property under Section 21 herein. Any encroachments, deviations, or impediments noted in the metes- and-bounds survey shall be subject to the provision of Section 3.1(a) above.

3.2 Right of Access and Inspection.

Seller grants to Purchaser and its agents and representatives the full right of access to the Property, and Purchaser may, through its agents and representatives, conduct a complete physical and environmental inspection of the Property within ninety (90) days of the Effective Date (the "Investigation Period"). Purchaser shall have an option to extend the Investigation Period for an additional thirty (30) days. During such Investigation Period, and such time after the Investigation Period as Purchaser may reasonably require for purposes of inspection and investigation, which access shall not be unreasonably denied by Seller, Purchaser will be provided access to the Property to inspect the same, verify zoning, conduct, feasibility studies, obtain any financing desired by Purchaser, determine the availability of uses under zoning or under the comprehensive land use plan, conduct engineering and environmental studies, perform soil testing and otherwise test for hazardous materials (collectively "Environmental Testing") and conduct such other investigations and inspections as Purchaser deems necessary and appropriate. With respect to any Environmental Testing (i) Seller may, upon request, take or receive from Purchaser split samples, provided that Seller's samples shall be at its sole cost and expense, copy the results of on-site testing and visual inspections and have complete access to all samples taken, test results and boring records; (ii) Purchaser shall not use a licensed site remediation professional (as such term is defined in N.J.S.A. 58:10C-2) with respect to any investigation of the Property, without the prior written consent of the Seller, which consent may be withheld in Seller's sole discretion; and (iii) Purchaser shall first advise Seller in advance of the nature and scope of the planned Environmental Testing which testing shall be subject to the reasonable prior approval of Seller. The Purchaser shall

indemnify and hold harmless the Seller from any and all claims arising out of the entry of the Purchaser, its agents, servants and/or employees upon the Property, provided that the discovery by Purchaser of pre-existing contamination shall not be deemed a damage resulting in a claim and provide Seller with evidence of insurance in the amount of Two Million (\$2,000,000.00) Dollars prior to entry on land to perform any testing. Seller shall within ten (10) days of the Effective Date provide Purchaser with all environmental reports and information in its possession concerning the Property, including without limitation the No Further Action letter issued regarding the Property together with correspondence to and from federal, state or local governmental agencies relating to the environmental condition of the Property. If Purchaser is dissatisfied for any reason or no reason with its findings during the Investigation Period, then on written notice to Seller, received by Seller within three (3) business days following the expiration of the Investigation Period, as extended, Purchaser shall have the right to terminate this Agreement. If this Agreement terminates in accordance with this paragraph, Purchaser shall be entitled to a return of all deposit monies on condition that Purchaser has returned all of the documents, studies, and materials received from Seller during its due diligence, and Purchaser has delivered copies of all of Purchaser's non-privileged inspection reports to Seller. Upon return of the Initial Deposit, neither party shall any further rights or obligations hereunder or otherwise.

3.3 Confidentiality. The parties each agree that except as otherwise required by law they will keep confidential any information designated as such by the other or not otherwise publicly available which is derived from access, investigation or information furnished by either party in connection with this Agreement, including the negotiations conducted in connection herewith, and, if the transactions contemplated hereby are not consummated, will promptly return to the other all such information and will not thereafter use such information. A breach of this provision by either Party is an incurable event of Default. Purchaser intends to communicate with the Borough of New Milford in order to determine, *inter alia*, the feasibility of a rezoning application. Such activity is permitted under this Agreement of Sale, provided that any information identified as confidential by Seller shall not be disclosed to the municipality.

4. Representations and Warranties of Seller.

Seller represents and warrants to Purchaser as follows:

(a) Seller is a New Jersey Corporation existing and in good standing and qualified to do business in New Jersey. Seller has the requisite power and authority to enter into and perform the terms and provisions of this Agreement; the execution of this Agreement and the consummation of the transaction contemplated hereby have been duly authorized by all necessary parties; and constitutes a valid and binding agreement of Seller enforceable in accordance with its terms and no other proceedings on Seller's part are necessary in order to permit Seller to consummate the transaction contemplated hereby. The execution, delivery and performance of this Agreement by Seller and the consummation of the transactions contemplated hereby will not violate any provision of law or result in the breach of any provision of, or constitute a default under any order, judgment, decree, indenture, mortgage, deed of trust, lease or other contract or instrument to which Seller is a party or by which Seller or Seller's property may be bound or affected by.

(b) Seller owns the entire legal, equitable and beneficial title in and to the Property, free and clear of all liens, charges and encumbrances of any kind whatsoever, other than the Permitted Encumbrances.

(c) As of the date of this Agreement, Seller has not filed, nor has it retained any entity to file a notice of protest against, or to commence actions to review, real property tax assessments against the Property.

(d) No party, other than the Purchaser, has any right to purchase or lease the Property (or any part thereof or interest therein), nor does any entity have a right of first refusal to purchase the Property (or any part thereof or interest therein), except as disclosed herein in Section 14, nor shall Seller, at any time during which this Agreement of Sale is in effect either make or permit any contract or agreement or impose or allow any new lien encumbrance or other matter affecting title to the Property or grant rights to third-parties with respect to the Property, except as set forth on Schedule 4(d), and also as set forth on the final Divestiture Plan submitted by Seller in support of its application for a minor subdivision to define the Property.

(e) Except as set forth on Schedule 4(e), Seller has not received any written notice from any governmental authority of any currently pending condemnation of all or any portion of the Land and Improvements.

(f) Seller is not and has not been at any time the subject of a petition, whether voluntary or otherwise, of the United States Bankruptcy Code, as amended from time to time.

(g) To the best of Seller's knowledge without research or investigation, there are no and have never been underground storage tanks at the Property or subsurface disposal systems, except that storm water management systems are present on the Property.

(h) Except set forth on Schedule 4(h), there are no claims or litigation or other administrative or legal proceedings pending, nor has Seller received any notice with respect to ~~threatened litigation with respect to the Property.~~

(i) Except as set forth in Schedule 4(i), Seller is aware of no land use application pending before any Land Use Board within the Borough of New Milford for which notice is required under the Municipal Land Use Law of New Jersey.

~~(j) Seller represents that it has not received any written notice of outstanding violations or uncorrected violations and has no actual knowledge of any violation with respect to the Property.~~

(k) Seller is not a foreign person, as that term is defined in Section 1445 of the Internal Revenue Act of 1980 (the "Act"). Seller shall provide Purchaser with an affidavit to that effect, in compliance with the Act, at closing.

(l) Except as set forth on Schedule 4(l), Seller represents that it has received no notice of any public improvement work which has or is about to be performed and which will result

in the imposition of an assessment against the subject Property in the future; to the best of Seller's knowledge, there are no assessments presently affecting the Property, either paid or unpaid, except as may be otherwise set forth in the tax records of the tax assessor of the municipality.

(m) Except as set forth on Schedule 4(m), to the best of Seller's knowledge and without having engaged any third parties to undertake any investigations or make any inquiries, no hazardous substances or wastes within the meaning of the Industrial Site Recovery Act ("ISRA"), the Site Remediation Reform Act ("SRRA") or the New Jersey Spill Compensation and Control Act ("Spill Act") ("Hazardous Substances") have ever been refined, produced, handled, transferred, processed, transported, stored, generated, used or disposed of on the Property by Seller or any person or entity acting with its consent other than in the ordinary course of business of Seller's business at the Property in accordance with all applicable laws, nor has there been any spill or discharge of Hazardous Substances on the Property, or on any property adjoining the Property, or any property adjacent thereto, and Seller has received no notice of any kind relating to or in connection with the presence of hazardous waste or substances on the Property from the New Jersey Department of Environmental Protection ("DEP"), the United States Environmental Protection Agency ("EPA") or other local, county, state or federal department or agency.

(n) Seller shall disclose any changes in circumstances or other information becoming known to Seller prior to Closing making any representation incorrect or misleading in the form of a "bring down certificate". In the event such changes constitute a material adverse change to the value of the Property, or the ability of Purchaser to use the Property for the use for which the Approvals are sought, then Purchaser shall have the right to terminate this Agreement within ten (10) days of receipt of this disclosure by way of written notice to Seller and receive back the Deposit; provided, however, Seller may rescind/revoke such termination notice, should it remedy such material adverse change within a reasonable time after receipt of Purchaser's termination notice.

(o) If, prior to Closing, a title rundown reveals encumbrances on the Property other than Permitted Exceptions, the Seller will be notified and given thirty (30) days to make it comply. If the Property still does not comply after that date, the Purchaser or Seller may cancel this Contract and the Deposit shall be returned to Purchaser, or Purchaser, at its option, shall give the Seller more time to comply.

The representations and warranties herein above in this Section 4 shall not survive closing, except in the case of fraud, willful misconduct or gross negligence.

~~5. Representations, Warranties and/or Covenants of Purchaser.~~

Purchaser represents and warrants to Seller as follows:

(a) Purchaser has the full legal right, power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement and all documents required hereby to be executed by Purchaser, when so executed, shall be legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their respective terms.

(b) There is no litigation or proceeding pending, or so far as known to Purchaser, threatened, against it or its property or business, nor is there any basis known to Purchaser for any such action, that would prevent the consummation of the transactions contemplated hereby.

(c) The execution and performance of this Agreement will not violate or conflict with any provision of any indenture, agreement or other instrument to which the Purchaser is a party. The transactions contemplated hereunder, and the execution and delivery of this Agreement, have been duly authorized and approved by all requisite action on the part of Purchaser.

(d) That it has sufficient cash and available debt facilities to complete this purchase.

(e) Purchaser shall not at any time while this Agreement of Sale is in effect, make or permit any contract or agreement or impose or allow to impose any new lien, encumbrance or other matter affecting title to the Property or grant or allow to be granted any right in or on or to the Property without the prior written consent of Seller, which consent may be withheld by Seller in its sole discretion.

(f) Purchaser shall not cause or create any liens, encumbrances or violations on the Property during the pendency of this Agreement of Sale.

(g) Except for the acts of Seller, its agents, or employees, Purchaser shall indemnify, defend and hold Seller harmless for any claims, demands, losses, liens, liabilities, penalties, fines lawsuits and other proceedings, costs and expenses arising out of the acts or omissions of Purchaser, its agents, servants, employees, invitees or contractees attributable to events occurring on or relating to the Property during the pendency of this Agreement of Sale prior to closing.

(h) Purchaser is an entity affiliated with The S. Hekemian Group, LLC.

The representations and warranties herein above in this Section 5 shall survive for a period of three (3) years from the closing date.

6. Flood Areas. The federal and state governments have designated certain areas as "flood areas." This means they are more likely to have floods than other areas. Seller makes no representation as to whether portions of this Property are in a "flood area."

7. Seller's Obligations and Conditions Precedent to Closing.

(a) Seller shall be responsible for performing prior to Closing any necessary environmental remediation of the Property in its "As Is" pre-existing condition in accordance with local, state and federal laws, rules and regulations (to the extent anything further is required beyond the currently issued No Further Action letter), including, without limitation, all environmental remediation requirements of the New Jersey Department of Environmental Protection ("NJDEP") to allow the Property to be developed with the Approvals being sought by Purchaser for mixed use as referenced in Paragraph 17 below.

(b) Seller shall restore the Property in accordance and limited to the requirements set forth in the New Jersey Department of Environmental Protection ("NJDEP") Permit No. NJ0128856. Prior to Closing, Seller shall receive notice of Administrative Revocation from the NJDEP.

(c) Seller shall have obtained approval of its Board of Directors for the sale of the Property in accordance with this Contract. If applicable, Seller shall also have obtained the approval of all requisite regulatory authorities having jurisdiction over the sale of the Property, including but not limited to the New Jersey Board of Public Utilities ("BPU").

(d) Seller shall have obtained rate treatment for the disposition of the Property from the BPU which is satisfactory to Seller in its sole and absolute discretion.

(e) Seller shall obtain a minor subdivision of the Property from contiguous lands owned by Seller.

(f) Seller shall obtain a wetlands Letter of Interpretation approved by NJDEP for the Property and approvals from NJDEP which would allow Seller, as its sole cost and expense, to mitigate offsite for those alleged potential on-site wetlands shown on Exhibit B.

(g) Seller shall obtain a Statement of No Interest or a Tidelands Grant at its own cost for the State of New Jersey, for any portion of the Property subject to a tidelands claim by the State of New Jersey.

(h) Title shall be in the condition required by this Agreement of Sale.

8. Purchaser's Obligations and Condition Precedent to Closing. With the exception of regulatory approvals set forth in Section 7 above, and the environmental approvals set forth in 7 above which shall be the responsibility of Seller, the Purchaser, at its sole cost and expense, shall obtain all necessary final governmental permits and approvals including rezoning, if necessary, but excluding construction permits (the "Approvals") for implementation of its Development Plan. Purchaser shall be responsible for all of Purchaser's own engineering and consulting costs and attorneys' fees associated with obtaining any site plan approval, as well as any like costs incurred by Seller in cooperating with Purchaser. The Approvals shall be considered final if no appeal is taken from any change in zoning required for the Developmental Plan (the "Zone Change") or any grant of approval by the Planning Board of the Borough of New Milford, the County of Bergen, the NJDEP, or any governmental agency having jurisdiction over the subdivision and site plan of the Property. The approval period shall be tolled to the extent that a third-party has commenced litigation challenging any approvals obtained by Purchaser and the approval period shall remain tolled until the challenge is decided. Receipt of all non-appealable final Approvals shall be a condition of Purchaser's obligation to close. After completion of the Investigation Period, Purchaser shall have an initial period of nine (9) months to obtain the Approvals; provided, however, in the event Purchaser has not obtained the Approvals within such nine (9) month period despite its diligent efforts, Purchaser shall be entitled to up to two additional three (3) month extension and thereafter, Purchaser shall be granted up to three successive three (3) month extensions, at Purchaser's option

(such total period being the "Approval Period"), provided that as a condition of the grant of each additional such successive three (3) month extension, Fifty Thousand (\$50,000) Dollars of the Additional Deposit immediately becomes non-refundable as the negotiated consideration for each such extension after the initial fifteen (15) month period calculated herein. Any such consideration will only be deemed refundable in the event of an uncured breach by Seller which results in Purchaser's termination of this Agreement of Sale.

Purchaser's obligation to tender the Initial Deposit and the Additional Deposit pursuant to Paragraph 11 (a) is further conditioned on the following:

(a) Ten Thousand (\$10,000) Dollars of the Initial Deposit shall become non-refundable upon completion of the Investigation, and upon Purchaser's decision not to terminate this Agreement of Sale at said time;

(b) Fifteen Thousand (\$15,000) Dollars of the Initial Deposit shall become non-refundable on the six (6) month anniversary of the execution of this Agreement of Sale;

(c) Twenty-Five Thousand (\$25,000) Dollars of the Initial Deposit shall become non-refundable on the ten (10) month anniversary of the execution of this Agreement of Sale;

(d) So long as the requirements of Paragraph 7(f) and 7(g) are satisfied, it is the intent of the Parties that the Initial Deposit be deemed non-refundable no later than ten (10) months from the execution of this Agreement of Sale unless Seller fails to meet a condition precedent to closing or is in a state of uncured breach which prevents Closing.

(e) The Additional Deposit shall become non-refundable at the rate of Fifty Thousand (\$50,000) Dollars for each successive permitted three (3) month extension requested after the first two three (3) month extensions within the fifteen (15) month period calculated herein, as referenced in the above paragraph;

~~(f) Notwithstanding (a) through (e) above, upon receipt of the Approvals, the greater sum of either the aggregate of the non-refundable deposits set forth above or One Hundred Twenty-Five Thousand (\$125,000) Dollars shall be non-refundable, except in the event of an uncured breach by Seller or failure to meet a condition precedent to Closing which results in Purchaser's termination of this Agreement of Sale.~~

~~Should title be transferred to Purchaser the entire deposit shall be credited against the Purchase Price.~~

As a further condition, Purchaser shall be obligated to complete any and all offsite improvements required by the appropriate New Milford Land Use Board, whether Planning Board or Zoning Board (the "Offsite Improvements") or any such Offsite Improvements required by any other agency having jurisdiction over the Approvals. Should the cost of said Offsite Improvements, as certified by Purchaser's engineer, exceed Two Hundred Fifty Thousand (\$250,000) Dollars, Seller shall grant a credit at Closing for any excess cost between Two Hundred Fifty Thousand (\$250,000) Dollars and Five Hundred Thousand (\$500,000) Dollars of said cost. In no event shall Seller's credit

exceed Two Hundred Fifty Thousand (\$250,000) Dollars. If the certified costs of the Offsite Improvements exceed the total amount of Five Hundred Thousand (\$500,000) Dollars and Purchaser refuses to assume said cost, Purchaser shall have the right to terminate this Agreement of Sale; receive back the Deposit not otherwise deemed non-refundable; and Seller and Purchaser shall have no further obligations to each other except as set forth herein.

9. Seller's Closing Documents. At the Closing, Seller shall execute, acknowledge and deliver to Purchaser the following documents (all in form and substance reasonably satisfactory to Purchaser):

(a) A Bargain and Sale Deed, with metes and bounds description, covenant against grantor's acts in proper form for recordation, which shall be duly executed and acknowledged so as to convey fee simple absolute marketable title to the Property, subject to the Permitted Exceptions, to Purchaser as herein provided.

(b) An Affidavit of Consideration.

(c) An Affidavit of Seller's Residence.

(d) An Affidavit of Title in standard form to the Property duly executed by Seller.

(e) A Secretary's Certificate evidencing that this Agreement and the transactions contemplated thereunder were duly authorized.

(f) An Affidavit, in recordable form, of Seller certifying that Seller is not a "foreign person," under Section 1445(b) of the Internal Revenue Code of 1986, as amended (the "Code").

(g) A completed Form 1099B or such other document as may be required by Section 6045 of the Internal Revenue Code of 1986, as amended.

(h) An executed settlement statement (the "Settlement Statement") setting forth the Purchase Price, the prorations, credits against Purchase Price, and adjustments, and the other financial aspects of the transaction. Seller shall pay standard realty transfer fees except for any Mansion Tax, if applicable, which shall be the responsibility of Purchaser.

(i) Such affidavits as Purchaser's Title Company shall reasonably require in order to issue the owner's title insurance policy in favor of Purchaser.

(j) The original of the tax bill for the Property issued by the Borough of New Milford.

(k) Proof of Satisfaction of Seller's obligation under 7(f) and (g) above.

(l) An Affidavit from Seller stating that the operations of Seller on the Property are not subject to ISRA.

10. Purchaser's Closing Obligations. At the Closing, Purchaser shall execute, acknowledge and deliver to Seller the following:

(a) The Purchase Price, as adjusted pursuant to Section 16 hereof, in accordance with the provisions of Section 11.

(b) If Purchaser assigns its interest hereunder to a Limited Liability Company or other entity, a certificate of the Manager/Partner of Purchaser, certifying and setting forth a resolution of the partners of the Manager of Purchaser authorizing the transaction contemplated by this Agreement, confirming that said resolution remains unamended and in full force and effect.

(c) Executed Settlement Statement.

(d) Such other documents of conveyance to be delivered by Purchaser pursuant to this Agreement.

11. Purchase Price. The purchase price (the "Purchase Price") for the Property shall be a minimum Purchase Price of \$7,200,000.00, as calculated and adjusted pursuant to Section 17 hereof, payable as herein provided. Should the Purchase Price be less than \$7,200,000.00 based upon its calculation made in Section 17, then and in that event, should Purchaser not agree to pay at least Seven Million Two Hundred Thousand (\$7,200,000) Dollars as the Purchase Price, Seller may terminate the Agreement, return that portion of the Deposit that is refundable pursuant to Paragraph 8 herein, and neither Party shall thereafter have further obligations to the other.

(a) Simultaneous with the execution of this Agreement, Purchaser shall deposit the sum of \$50,000.00 (the "Initial Deposit") by check subject to collection, in escrow with Herten, Burstein, Sheridan, Cevasco, Bottinelli, Litt & Harz, LLC ("Escrow Agent"). Escrow Agent will hold the Initial Deposit and the additional deposit of \$200,000 due at the completion of the Investigation Period (the "Additional Deposit" together with the "Initial Deposit" are collectively referred to as the "Deposit") in accordance with the provisions of this Agreement. The parties agree to direct Escrow Agent to release the Deposit to Seller or return the Deposit to Purchaser, as the case may be, as provided in this Agreement.

(i) Escrow Agent shall hold the Deposit when received until such time as (1) the Deposit is applied at Closing to the Purchase Price or (2) pursuant to the provisions of this Agreement, the Deposit is to be released. Escrow Agent shall deposit the Deposit in an interest bearing trust account, which shall be an account at a bank in New Jersey. Escrow Agent is acting as a stakeholder only with respect to the Deposit, and if there is any dispute as to whether Escrow Agent is obligated to deliver the Deposit or as to whom the Deposit is to be delivered, Escrow Agent may refuse to make delivery and may continue to hold the Deposit until receipt by Escrow Agent of an authorization in writing, signed by both Seller and Purchaser, directing the disposition of the Deposit; in the absence of any such written authorization, Escrow Agent shall hold the Deposit until a final determination of the rights of the parties in an appropriate proceeding or shall bring an appropriate action or proceeding for leave to deposit the Deposit in a court of competent jurisdiction pending such determination. Seller and the Purchaser recognize that Escrow Agent duties hereunder

are only as specifically provided herein and are purely ministerial in nature; and Seller and Purchaser therefor agree that Escrow Agent, so long as it acts in good faith, shall have no liability to either except for its willful misconduct or gross negligence. Seller and Purchaser do hereby further indemnify Escrow Agent against, and agree to hold, save, and defend Escrow Agent harmless from, any costs, liabilities, and expenses incurred by Escrow Agent in discharging its duties hereunder. The Escrow Agent represents the Seller in this transaction and may continue to do so notwithstanding a dispute with respect to the Deposit. The provisions of this Section shall survive expiration or termination of this Agreement, and/or the Closing.

(b) Purchaser shall pay or cause to be paid at Closing to Seller by certified or official bank check, by funds wired to the Seller's account, or by attorney trust account check, at Purchaser's discretion, the Purchase Price, less the Deposit released to Seller at Closing as a part of the Purchase Price plus or minus the net additions and subtractions described in Section 16.

12. Closing. Provided all of the conditions precedent to the obligations of the Purchaser under this Agreement shall have been and shall remain satisfied, the closing (the "Closing") of the transactions contemplated by this Agreement shall take place at the offices of Purchaser's attorney, or if agreed to by the Purchaser, Seller's attorney, Herten, Burstein, Sheridan, Cevasco, Bottinelli, Litt & Harz, LLC, 21 Main Street, Suite 353, Court Plaza South, Hackensack, New Jersey 07601, within forty-five (45) days after the receipt by Purchaser of all non-appealable approvals as defined herein.

13. Eminent Domain. If, prior to the Closing, a material part of the Property or the Building or any material part of any means of ingress thereto or egress therefrom subject to this Agreement is taken by eminent domain, Purchaser may, by written notice to Seller, elect (i) to terminate this Agreement prior to the Closing Date or (ii) to close without an abatement in the Purchase Price. In the event that Purchaser shall elect to terminate this Agreement, the Deposit immediately shall be returned to Purchaser, whereupon both parties shall be relieved and released of and from any further obligations under this Agreement except those, if any, specifically set forth to survive expiration or termination of this Agreement. If this Agreement is not terminated and Purchaser elects to close without an abatement of the Purchase Price, it shall remain in full force and effect, and Seller, upon the Closing and the receipt of the Purchase Price, simultaneously shall deliver to Purchaser all awards by reason of such taking theretofore received by Seller, and shall assign, transfer and set over to Purchaser all of Seller's right, title and interest in and to any awards by reason of such taking by eminent domain. For purposes of this Agreement, a "material taking" shall be defined as a taking by which access to the Property is denied or materially restricted, or an event which materially interferes with Purchaser's use of the Property, based upon a filed application for Approval. An "immaterial" part of the Property or immaterial part of the means of ingress or egress or personal property shall be defined as an event by which the access or Property has been damaged or destroyed in an amount in which the cost of repair or replacement in the aggregate shall be One Hundred Thousand Dollars (\$100,000.00) or less.

14. Rights of the Borough of New Milford to Purchase the Property. Purchaser and Seller expressly acknowledge that Seller intends to allow the Borough of New Milford an opportunity to purchase the Property. If the Borough avails itself to the opportunity of purchasing the Property within four (4) months of the Effective Date of this Agreement by executing an Agreement

of Sale, Seller agrees to (i) terminate this Agreement of Sale by written notice; (ii) return the Deposit to Purchaser; and (iii) reimburse Purchaser's actual and reasonable costs associated with its proposed purchase of the Property up to the execution by the Borough of New Milford of its Agreement of Sale with Seller, subject to a maximum reimbursement of Three Hundred Thousand Dollars (\$300,000.00), provided Purchaser produces evidence of such actual costs to Seller's reasonable satisfaction. Said costs shall not include internal overhead costs or the fees and costs of inside counsel but only disbursements to independent third party professionals and vendors. Purchaser expressly acknowledges that except for the reimbursement of actual and reasonable costs up to \$300,000.00, Purchaser shall neither be entitled nor have any claim to any additional proceeds from the sale of the Property to the Borough of New Milford, in the event the Borough chooses to purchase the Property. Should the Borough of New Milford execute an Agreement of Sale within said four (4) month period and thereafter fail to acquire title to the Property by either contract or eminent domain then and only in that event shall Purchaser have an exclusive right for a sixty (60) day period from the date that notice is given to Purchaser by Seller that the municipality has abandoned its interest in the Property to reinstate this Agreement of Sale in its entirety, with all of the terms and conditions contained herein. Absent affirmative notice by Purchaser of an intent to reinstate this Agreement of Sale, Purchaser shall have no further rights to or claims against the Property or against Seller except for a claim of reimbursement under this Paragraph 14. Purchaser's claim for reimbursement under this Paragraph 14 shall only be honored by Seller if the Borough of New Milford takes title to the Property by transfer of title as a result of a Closing.

15. Risk of Loss.

If, between the date hereof and the Closing Date, all or any portion of the Property is damaged by natural elements, or other causes "Damage"), and such Damage renders the Property unusable for Purchaser's intended use of the Property for mixed development as referenced in Paragraph 17 below, for which the Approvals are sought then Purchaser may elect to: (i) terminate this Agreement of Sale by written notice to Seller given within ten (10) days from the date Purchaser receives notice of the Damage from Seller (in which event the Deposit shall be returned to Purchaser); or (ii) proceed to close under this Agreement without a reduction of the Purchase Price.

16. Real Estate Broker.

(a) No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser. Purchaser agrees to indemnify, defend and hold Seller harmless from any claims or commissions for any brokers claiming a commission through the acts of Purchaser. The obligations of the Purchaser set forth in this Section shall survive the Closing.

(b) Seller agrees in accordance with a broker's commission agreement executed with NAI James E. Hanson, Inc. ("Broker") that Seller shall be solely responsible to pay the Broker a commission in an amount set forth in that agreement and shall deliver the same to Broker at Closing by an attorney trust account check issued by a United States banking organization or from the United States branch offices of any foreign banking institution. Notwithstanding the forgoing, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in

connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller with the exception of Seller's responsibility as defined in this Section. Seller agrees to indemnify Purchaser from any claims for commissions for any brokers claiming a commission through the acts of Seller. The obligation of the Seller set forth in this Section shall survive the Closing.

17. Adjustments.

Seller and Purchaser acknowledge that the final Purchase Price cannot be determined at the present time. The Parties agree, however, that if the Purchase Price, calculated by the following formula, would be less than \$7,200,000.00 based on approved uses and an approved site plan by a New Milford Land Use Board (either the Planning Board or the Board of Adjustments), then and in that event, unless Purchaser agrees to pay at least Seven Million Two Hundred Thousand (\$7,200,000) Dollars, Seller may terminate the Agreement without further liability to Purchaser, subject to Paragraph 8 herein. The Parties also agree that Seller or Purchaser may terminate this Agreement if the cost of off site improvements (including road improvements) ordered by a Land Use Board or governmental entity with jurisdiction over the Property exceed the sum of \$500,000, and Purchaser elects not to be responsible for the costs of off-site improvements in excess of said sum, subject to Paragraph 8 herein.

Purchaser proposes to develop the Property for mixed use. Accordingly, the Parties have agreed to calculate the Purchase Price (subject to the adjustments set forth in the Agreement) based upon \$60 per square foot of approved retail use and \$30,000 for each approved multi-family use, with a minimum Purchase Price of Seven Million Two Hundred Thousand (\$7,200,000.00) Dollars.

The Purchase Price calculated shall also be adjusted as follows:

At the Closing the following shall be apportioned and adjusted with respect to the Property between Seller and Purchaser as of the Closing Date:

- (a) Real estate taxes for the Property shall be prorated at and as of the Closing.
- (b) Water and sewer charges for the Property shall be prorated at and as of the Closing if same constitute a lien against the Property.
- (c) If on the Closing Date any assessment is a lien on all or part of the Property, and such assessment is or may be payable in installments, then the current installment shall be prorated as of the Closing Date and Purchaser shall be responsible for all post-closing installments. In the event of an assessment for work not yet completed, Purchaser shall be responsible for such assessment.
- (d) Errors made in closing adjustments shall be corrected within ninety (90) days after written notification of such error by either party to the other or to their respective counsel. This representation shall survive closing of title notwithstanding delivery and acceptance of the Deed.

18. Termination of Agreement; Default, Remedies.

45 Eisenhower Drive
Paramus, New Jersey 07652

If to Seller:

United Water New Jersey, Inc.
200 Old Hook Road
Harrington Park, New Jersey 07640
Attn: Robert J. Iacullo, President
Mary T. Campbell, Corporate Counsel – Regulated Affairs

With a simultaneous copy to:

Herten, Burstein, Sheridan, Cevasco,
Bottinelli, Litt & Harz, L.L.C.
21 Main Street, Suite 353
Court Plaza South, West Wing
Hackensack, New Jersey 07601
Attn: Thomas J. Herten, Esq.

If to Escrow Agent:

Herten, Burstein, Sheridan, Cevasco,
Bottinelli, Litt & Harz, L.L.C.
21 Main Street, Suite 353
Court Plaza South, West Wing
Hackensack, New Jersey 07601
Attn: Thomas J. Herten, Esq.

21. NO REPRESENTATIONS OR WARRANTIES BY SELLER; ACCEPTANCE OF PROPERTY; DISCLAIMER; OTHER THAN AS SET FORTH HEREIN, PURCHASER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY, PURCHASER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER, AND AGREES TO ACCEPT THE PROPERTY AT THE CLOSING AND WAIVE ALL OBJECTIONS OR CLAIMS AGAINST SELLER (INCLUDING, BUT NOT LIMITED TO, ANY RIGHT OR CLAIM OF CONTRIBUTION) ARISING FROM OR RELATED TO THE PROPERTY OR TO ANY HAZARDOUS MATERIALS ON THE PROPERTY. EXCEPT AS SPECIFICALLY OTHERWISE PROVIDED IN THIS AGREEMENT, PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS OTHERWISE SET FORTH HEREIN, ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY, TRUTHFULNESS OR COMPLETENESS OF SUCH INFORMATION. SELLER IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENT, REPRESENTATION OR INFORMATION PERTAINING TO THE PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, CONTRACTOR, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON.

SUBJECT TO THE TERMS OF THIS AGREEMENT OF SALE, PURCHASER FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT

PERMITTED BY LAW, THE SALE OF THE PROPERTY AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" CONDITION AND BASIS WITH ALL FAULTS INCLUDING RECOGNITION THAT THE ELEVATION OF THE PROPERTY IS AS SET FORTH IN THE TOPOGRAPHICAL SURVEY REFERENCED HEREIN. THE PROVISIONS OF THIS SECTION 21 SHALL NOT SURVIVE THE CLOSING OR ANY TERMINATION HEREOF.

22. Affiliate Guaranty.

The S. Hekemian Group, LLC (Hekemian) is an affiliated entity to Purchaser. Hekemian specifically agrees to absolutely guarantee performance of the Purchaser's representations and warranties set forth in Paragraph 5 herein without the necessity of notice to Purchaser or without the necessity of exhausting its remedies as against Purchaser.

23. Miscellaneous.

(a) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified, amended, or terminated except by a written agreement specifically referring to this Agreement signed by the parties hereto. This Agreement supersedes all prior discussions and agreements between the parties hereto, all of which are merged into this Agreement. Each and every Exhibit referred to or otherwise mentioned in this Agreement is attached to this Agreement and is and shall be construed to be made a part of this Agreement by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each Exhibit were set forth in full and at length every time it is referred to or otherwise mentioned. All captions, headings, Section numbers and letters and other reference numbers or letters are solely for the purpose of facilitating reference to this Agreement and shall not supplement, limit, or otherwise vary in any respect the text of this Agreement. All references to Sections shall be deemed to refer to the appropriate Sections of this Agreement. Unless otherwise specified in this Agreement, the terms "herein," "hereof, hereunder," and other terms of like or similar import, shall be deemed to refer to this Agreement as a whole, and not to any particular Section, subsection or paragraph hereof.

(b) No waiver of any breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(c) This Agreement shall not be assigned by Purchaser, except to an entity in which the majority principals of The S. Hekemian Group LLC are majority members or principals, and provided that upon such assignment (which shall include assignment of the Deposit) (i) the assignee shall assume the obligations of Purchaser hereunder; and (ii) Purchaser shall furnish to Seller a copy of the instrument of assignment, however, Purchaser shall nevertheless remain primarily liable under this Agreement. No permitted assignment or transfer shall relieve Purchaser of any of its liabilities or obligations under this Agreement.

(d) The Agreement may be executed in one or more counterparts, all of which taken together shall be deemed one original.

(e) This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of New Jersey. In any action or proceeding concerning this Agreement, or any agreement or instrument delivered pursuant to this Agreement, or the transactions delivered pursuant to this Agreement, or the transactions contemplated by this Agreement, all parties to this Agreement or such other agreement or instrument hereby consent (1) to the jurisdiction of the State of New Jersey over all such parties and (2) that venue for all actions and proceedings shall be in the State of New Jersey. This provision shall survive the Closing, and/or termination of this Agreement.

(f) If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(g) All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons or entity or entities in question may require. Except as may otherwise be specifically provided, the term "including" as used in this Agreement shall be deemed to mean "including, without limitation."

(h) Any and all references in this Agreement to the "Property" shall be deemed to include any improvements erected thereon.

(i) Nothing in this Agreement is intended or shall be construed to confer upon or to give to any person, firm or corporation other than the parties hereto, their successors and assigns any right, remedy, or claim under or by reason of this Agreement. All terms and conditions in this Agreement shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns.

(j) Whenever under the terms of this Agreement, the time for performance falls on a Saturday, Sunday, New Jersey state or federal holiday, such time for performance shall be extended to the next business day.

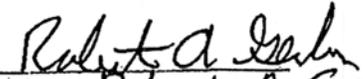
(k) Facsimile signatures to this Agreement shall have the same force and effect as "ink" signatures and no "ink" copy of any facsimile signature is required to bind signing by facsimile to this Agreement. Notwithstanding the preceding sentence, any party executing this Agreement by facsimile agrees to deliver "ink" copies of its signature to the other party promptly following the execution of this Agreement.

(l) The "Effective Date" or "Contract Date" of this Agreement shall be the date on which each of the parties hereto receives a fully executed counterpart of the Contract with all exhibits attached thereto.

[SIGNATURES ON FOLLOWING PAGE]

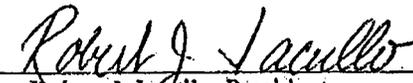
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

WITNESS/ATTEST:


Name: Robert A. Gerber

SELLER:

UNITED WATER NEW JERSEY INC.

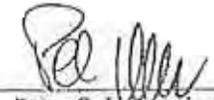
By: 
Robert J. Iacullo, President

WITNESS/ATTEST:

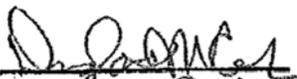

Name: Peter S. Hekemian

PURCHASER:

NEW MILFORD REDEVELOPMENT ASSOCIATES, LLC

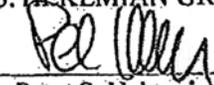
By: 
Peter S. Hekemian, Principal

WITNESS/ATTEST:


Name: Peter S. Hekemian

GUARANTOR:

THE S. HEKEMIAN GROUP, LLC

By: 
Peter S. Hekemian, Principal

Limited to Paragraphs 5 and 22.

[FURTHER SIGNATURES ON FOLLOWING PAGE]

The undersigned has executed this Agreement solely to confirm its agreement to act as Escrow Agent pursuant to this Agreement.

ESCROW AGENT:

HERTEN, BURSTEIN, SHERIDAN,
CEVASCO, BOTTINELLI, LITT & HARZ, L.L.C.

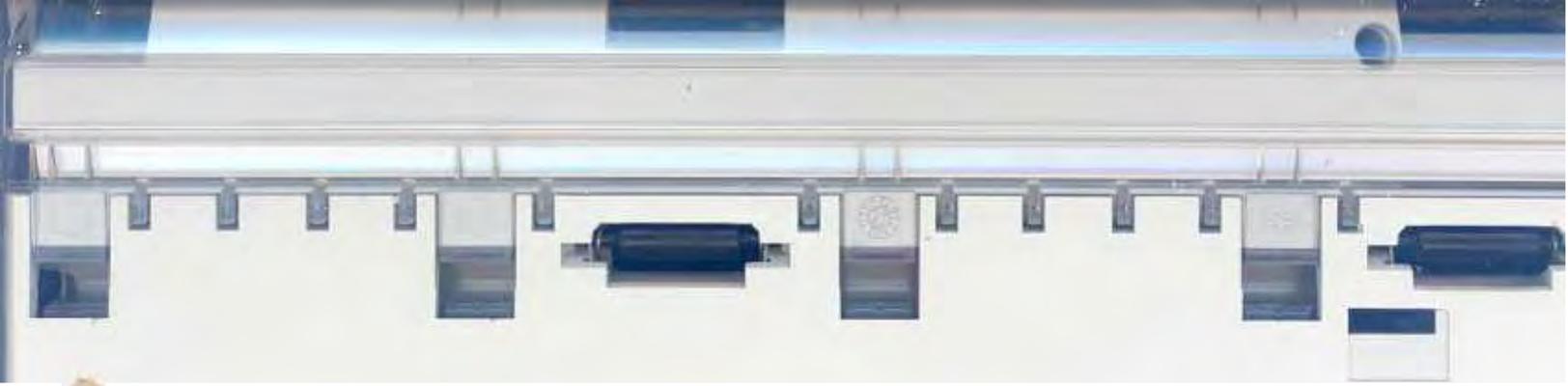
By: _____
Name: Thomas J. Herten, Esq.

EXHIBIT A
DESCRIPTION OF PROPERTY
DIVESTITURE PLAN

EXHIBIT B
POTENTIAL WETLANDS AREAS

SCHEDULE 4(d)

Contracts, Lease and Agreements with Third Parties



SCHEDULE 4(e)

Notices of Condemnation

SCHEDULE 4(h)

Claims, Litigations and Other Proceedings

SCHEDULE 4(i)

Land Use Applications

SCHEDULE 4(l)

Notices of Public Improvements

SCHEDULE 4(m)

Environmental Matters

United Water New Jersey
Journal entries to record sale of New Milford Land

EXHIBIT F (revised 10/05/2011)

| Acct # | Description | Dr | Cr | Comments |
|------------------------|--|------------|--------------------|---|
| 131 | Cash | | | |
| 422 | Gain from sale of Land | | 7,200,000 | |
| | Record cash from sale of land | | | |
| 422 | Gain from sale of Land | 14,044,543 | | Costs of sale plus value of land |
| 131 | Cash | | 802,738 | Cash paid for Costs of Sale |
| 131 | Cash | | 250,000 | WRB Settlement |
| 101 | Utility Plant in Service | | 30,335 | Utility Plant sold |
| 101 | Utility Plant in Service | | 2,961,470 | Land Remediation Costs |
| | Record value of land sold and costs associated with land sale | | | |
| XXX | Deferred gain to customers | 2,769,708 | | |
| 422 | Gain from sale of Land | | 2,769,708 | 40% of Loss on sale to be netted against gain from Weekawken sale |
| | Record amount due from customers to be netted against gain on sale of Weehawken property | | | |
| 236 | Federal Income Taxes Payable | 1,426,192 | | Tax refund due from loss on sale of property |
| 409 | Income tax Expense | | 1,426,192 | Income taxes (credit) |
| | To set up taxes on net loss from sale | | | |
| <u>Summary of gain</u> | | | | |
| | Cash from sale of land | \$ | 7,200,000 | |
| | Costs of sale | | (802,738) | |
| | Land being sold | | (30,335) | |
| | Land remediation Costs | | (12,961,470) | |
| | Gain on Sale | | (6,594,543) | |
| | 45% share to customers | | 2,967,544 | |
| | Company 55% share before tax | | (3,626,999) | |
| | WRB Settlement | | (250,000) | |
| | Pretax Income | | (3,876,999) | |
| | Tax at 35% | | 1,356,950 | |
| | <u>Company share of gain</u> | \$ | <u>(2,520,049)</u> | |

United Water New Jersey
Journal entries to record sale of New Milford and Weehawken Land

EXHIBIT G (revised 10/05/2011)

| Acct # | Description | Dr | Cr | Comments |
|------------------------|---|------------|------------------|---|
| 131 | Cash | | | |
| 422 | Gain from sale of Land | | 18,200,000 | |
| | Record cash from sale of land | | | |
| 422 | Gain from sale of Land | 16,514,496 | | Costs of sale plus value of land |
| 131 | Cash | | 2,509,832 | Cash paid for Costs of Sale |
| 131 | Cash | | 1,000,000 | WRB Settlement |
| 101 | Utility Plant in Service | | 110,500 | Utility Plant sold |
| 101 | Utility Plant in Service | | 12,961,470 | Land Remediation Costs |
| | Record value of land sold and costs associated with land sale | | | |
| 422 | Gain from sale of Land | 1,099,643 | | Additional expense of sale |
| XXX | Deferred gain to customers | | 1,099,643 | 40% of gain payable to customers |
| | Record amount due to customers -combined basis | | | |
| 409 | Income tax Expense | 181,494 | | Income tax expense related to sale |
| 236 | Federal Income Taxes Payable | | 181,494 | Tax payment due from gain on sale of property |
| | To set up taxes on net gain from sale | | | |
| Summary of gain | | | | |
| | Cash from sale of land | \$ | 18,200,000 | |
| | Costs of sale | | (2,509,832) | |
| | Land being sold | | (110,500) | |
| | Land Remediation Costs | | (12,961,470) | |
| | Gain on Sale | | 2,618,198 | |
| | 45% share to customers | | (1,178,189) | |
| | Company 55% share before tax | | 1,440,009 | |
| | WRB Settlement | | (1,000,000) | |
| | Pretax income | | 440,009 | |
| | Tax at 35% | | 154,003 | |
| | Company share of gain | \$ | <u>286,006</u> | |