



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

WATER

IN THE MATTER OF THE JOINT PETITION OF)
AMERICAN WATER WORKS COMPANY, INC. AND)
ENVIRONMENTAL DISPOSAL CORPORATION, FOR)
AMONG OTHER THINGS, APPROVAL OF A CHANGE)
IN CONTROL OF ENVIRONMENTAL DISPOSAL)
CORPORATION)
ORDER ADOPTING)
STIPULATION OF)
SETTLEMENT)
DOCKET NO. WM15040492

Parties of Record:

Jordan Mersky, Esq., American Water Works Company, Inc.
Edward DeHope, Esq., Riker Danzig Scherer Hyland & Perretti LLP, on behalf of The Hills Development Company and Environmental Disposal Corp.
William K. Mosca, Jr., Esq., Bevan, Mosca, Giuditta & Zarillo, P.C., on behalf of the Township of Bedminster, the Township of Bernards, The Borough of Far Hills, The Borough of Peapack and Gladstone
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:¹

On April 29, 2015, American Water Works Company, Inc. ("American Water") and Environmental Disposal Corporation ("EDC") (the "Joint Petitioners") filed a joint petition with the New Jersey Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-10, and such other statutes and regulations as may be deemed relevant to this matter, seeking approvals related to American Water's proposed acquisition from The Hills Development Company ("Hills") of all the shares of common stock of EDC. The proposed Transaction is set forth in a Stock Purchase Agreement between American Water and Hills dated February 25, 2015, which provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, American Water shall acquire all of the outstanding capital stock of EDC, which will result in American Water's acquisition of 100% control of EDC.

¹ Commissioner Upendra J. Chivukula recused himself due to a potential conflict of interest and as such took no part in the discussion or deliberation of this matter. Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.

By this Order, the Board considers the Stipulation of Settlement (“Stipulation”) executed by representatives of the Joint Petitioners, the Division of Rate Counsel (“Rate Counsel”) and Board Staff (“Staff”) and the Interveners (collectively, the “Parties”), agreeing to the proposed transfer of ownership and control of EDC.²

BACKGROUND

EDC is a regulated public utility of the State of New Jersey and is in the business of collecting, treating and disposing of sewerage whose franchise area includes certain portions of the Township of Bedminster (“Bedminster”) and the Township of Bernards (“Bernards”), in Somerset County.³ EDC provides service to approximately 5,300 customers within its franchise areas and provides treatment of municipal sewerage delivered to it by Bedminster and Bernards (outside of EDC’s franchised service territory) and to the Borough of Far Hills (“Far Hills”) and the Borough of Peapack and Gladstone (“Peapack and Gladstone”) under bulk user agreements.

THE PROPOSED TRANSFER

As a result of the Transaction, EDC would become a direct subsidiary of American Water and continue to exist as a public utility subject to the jurisdiction and regulation of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock. In addition, American Water has sought: (i) authorization and approval of the journal entries necessary to record the accounting treatment of the Transaction; (ii) approval of American Water Works Service Company, Inc.’s (“AWWSC”) provision of management services to EDC on an interim basis with such costs being allocated according to the same methodology the Board has approved for similar costs to be allocated to New Jersey American Water Company (“NJ American”), and that a summary of such annual charges to EDC is reported in its Annual Report to the Board; and (iii) Board approval for EDC after Closing to enter into a financial services agreement with American Water Capital Corp. (“AWCC”) with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.

American Water is not seeking any changes in EDC’s rates or terms of service to customers and has agreed that if the Transaction is consummated, EDC will not file a petition with the Board to increase rates to franchise customers or municipal bulk services customers for a period of five (5) years from the closing date. American Water has stated that it will honor EDC’s contract with Applied Water Management (“AWM”) for operation of the EDC sewer system and that it intends to negotiate an extension of said agreement.

² By Order dated July 23, 2015, the Board granted intervener status to Bedminster, Bernards, Far Hills pursuant to N.J.S.A. 48:2-32.2(a). The Board similarly granted intervener status to Peapack and Gladstone by Order dated December 16, 2015. Bedminster, Bernards, Far Hills, and Peapack and Gladstone are collectively, “the Interveners”

³The Board approved the formation of EDC in I/M/O the Petition of Environmental Disposal Corporation for Approval of (A) Municipal Consents of the Townships and Bernards (B) the Issuance of Common Stock and (C) and Initial Tariff, (Docket No. 816-552, July 29, 1981).

THE STIPULATION

The Parties reviewed the Petition, responses to discovery and have conducted discussions in an effort to reach a proposed settlement of all issues. The Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of the Stipulation.⁴ The terms of the stipulation are set forth below:

1. Approval of Change of Control. The acquisition of control of EDC by American Water as proposed in the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14 and should be approved. There will be no adverse impact on competition. The classic concept of competition for customers does not exist in the regulated sewer utility industry and EDC will remain as a regulated public utility with a defined service area. The Transaction will not have an adverse impact on rates as EDC will continue to operate and charge its current Board-approved tariff rates and its financial position will not be subject to material change. EDC has no employees so the Transaction will not have an adverse impact on utility employees. AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM. EDC will be managed by experienced American Water personnel. Accordingly, the Transaction will have no adverse impact on the provision of safe, adequate and proper service by EDC to its customers. American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.
2. Transfer of EDC Stock to American Water. The proposed acquisition by American Water of all the issued and outstanding shares of EDC stock is consistent with N.J.S.A. 48:3-10 and Board regulations at N.J.A.C. 14:1-5.10 and 5.14. After closing of the Transaction, EDC will be managed by the officers, active managers and employees of American Water and EDC's Board of Directors will be comprised of members of American Water's management team. EDC will continue to be operated by AWM. American Water is not proposing any adverse changes in EDC's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance or any other matters affecting the public interest or utility customers. American Water will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on EDC's books of all the issued and outstanding shares of common stock to American Water.
3. The Petitioners have requested, and the Parties agreed that EDC will not seek to increase rates for a period of five years following closing. The Parties agreed that this satisfies the rate review requirement of N.J.S.A. 48:2-51.1(a) with respect to the Transaction. However, the Parties agreed that the Stipulation of Settlement shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by American Water or any of its subsidiaries as a result of the Transaction. The Parties further agree that

⁴ Although described in this Order at some length, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusions in this Order.

any Order concluding this matter shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, acquisition adjustments, capitalization, depreciation, or in any other matter affecting the Joint Petitioners. The Parties specifically acknowledge that the reasonableness or prudence of any acquisition adjustment associated with the Transaction has not been determined in this proceeding but will be taken up in a future rate proceeding when it is timely to consider such issues. It is further agreed that any future ratemaking recognition of the Transaction shall depend upon the extent that the Petitioner seeking such ratemaking recognition is able to demonstrate reasonableness and prudence.

4. Journal Entries. EDC should be authorized by the Board to make the journal entries necessary to record the accounting treatment of the Transaction. The proposed journal entries shall be provided to Staff by American Water for its review and approval prior to their entry on EDC's books.
5. Management Services. After closing of the Transaction it would be appropriate for EDC to obtain management services through AWWSC on an interim basis under the same cost allocation methodology that the Board previously has approved for AWWSC to provide such services to NJ American.⁵ The agreement is expected to be temporary and would continue until terminated by either party within ninety days' notice in writing or as of the date EDC ceases to be a direct affiliate of American Water. At the time of the Board's consideration of this stipulation, the Parties ask that the Board authorize EDC to enter into this temporary agreement with AWWSC for management services under the terms expressed therein, provided that there is no adverse rate impact and provided that EDC files such agreement with the Board Secretary within ten (10) days of entry into such agreement and that a summary of the annual management charges to EDC during each calendar year shall be provided in EDC's annual report to the Board.
6. Financial Services Agreement. The Parties agree that after closing of the Transaction, EDC should be authorized to enter into a financial services agreement with AWCC with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.⁶ Such agreement shall be filed with the Board Secretary within ten (10) days of entry into such agreement.
7. Rate Increase Forbearance. Provided that the Transaction is consummated, Joint Petitioners agree that EDC will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction.

⁵ The Board notes that the Board re-approved the existing management services agreement between NJ American and AWWSC in I/M/O the Petition of New Jersey-American Water Company, Inc. for Review and Re-Approval of a Service Agreement with American Water Works Service Company, an Affiliate of Petitioner, (Docket No. WO13050374, 11/16/2015).

⁶ The Board notes that the financial services agreement between NJ American and AWCC was approved by the Board in I/M/O the Petition of New Jersey-American Water Company, Inc. for Approval of a Financial Services Agreement, (Docket No. WF00040252, August 17, 2000)

8. Rate Design Study. Joint Petitioners agree that if the Transaction is consummated, EDC will engage in a study of the feasibility and appropriateness of changing its rate design for service to franchise area customers to incorporate partially usage-based rates, which study may include modeling. EDC agrees to seek input from the Townships of Bedminster and Bernards and the Boroughs of Far Hills, Peapack and Gladstone before going forward with such study and to provide the municipalities with such study. This study must be completed before EDC files its next rate case. The municipalities shall not be bound by the conclusions reached by the study and may take an opposing position in any subsequent proceeding.
9. Uncollectibles. After closing, American Water will make it a priority to review EDC's overdue accounts and to take appropriate steps to minimize EDC's uncollectibles.
10. Infiltration and Inflow. After closing, American Water agrees to continue and expand upon EDC's program to minimize infiltration and inflow into the sewer system.

As a result of the proposed transaction, American Water will acquire all of the issued and outstanding shares of EDC's stock. N.J.S.A. 48:2-51.1 provides:

No person shall acquire or seek to acquire control of a public utility directly or indirectly through the medium of an affiliated or parent corporation or organization, or through the purchase of shares, the election of directors, the acquisition of proxies to vote for the election of directors, or through any other manner, without requesting and receiving the written approval of the Board of Public Utilities. Any agreement reached, or any other action taken, in violation of this act shall be void. In considering a request for approval of an acquisition of control, the Board shall evaluate the impact of the acquisition on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. The Board shall accompany its decision on a request for approval of an acquisition of control with a written report detailing the basis for its decision, including findings of fact and conclusions of law.

In addition to the statutory requirements, N.J.A.C. 14:1-5.14(c) provides:

The Board shall not approve a merger, consolidation, acquisition and/or change in control unless it is satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1.

The Board, having reviewed the Petition and the entire record, **FINDS** that the proposed acquisition by American Water Works Company, Inc. from the Hills Development Company of all the shares of common stock of EDC will not adversely affect the public interest.

- A. Competition: There will be no adverse impact on competition. There is no retail competition in the water and wastewater utility industry. EDC will remain a stand-alone sewer utility, with a defined service territory, with a new owner.
- B. Customer Rates: The Transaction will not have an adverse impact on rates as EDC will continue to operate and charge its current Board-approved tariff rates. The Stipulation provides that EDC will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise service territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. EDC's financial position will not be subject to material change.
- C. Employees: EDC has no employees so the Transaction will not have an adverse impact on utility employees.
- D. Provision of Safe and Adequate Service: AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM. EDC will be managed by experienced American Water personnel. New Jersey American will continue to provide safe, adequate and reliable, high-quality service consistent with its corporate history, in fulfillment of its obligations under New Jersey law, and subject to the continued jurisdiction of the Board.

Accordingly, the Board **FURTHER FINDS** that the proposed acquisition will not jeopardize EDC's ability to continue to render safe, adequate and proper utility service. American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.

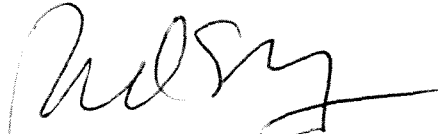
The Board **HEREBY APPROVES** the proposed acquisition from The Hills Development Company of all the shares of common stock of EDC, and property interests as more fully described in the Petition. The Board **HEREBY APPROVES** the Company's proposed journal entries. Having considered the magnitude of the transaction, the Board **HEREBY FINDS** that the proposed acquisition is in the public interest subject to the following conditions:

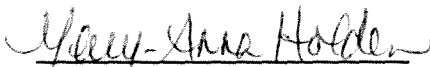
1. This Order is based upon the specific and particular facts of this transaction and shall not have precedential value in future transactions that may come before the Board and shall not be relied on as such.
2. This Order shall not affect or in any way limit the exercise of the authority of the Board, 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 EDC.
3. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets or liabilities now owned or hereafter to be owned by the Petitioner.
4. Within thirty (30) days of the date of the closing of this transaction, the Petitioner shall file with the Board proof of the closing, net transaction costs, and final journal entries along with a detailed calculation, including selling expenses of the sale.


The Order shall be effective on December 26, 2015.

DATED: 12/16/15

BOARD OF PUBLIC UTILITIES
BY:




RICHARD S. MROZ
PRESIDENT

MARY-ANNA HOLDEN
COMMISSIONER

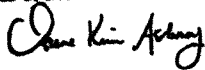
DIANNE SOLOMON
COMMISSIONER

ATTEST:



IRENE KIM ASBURY
SECRETARY

I 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 JOINT PETITION OF AMERICAN WATER WORKS COMPANY,
INC. AND ENVIRONMENTAL DISPOSAL CORP., FOR AMONG OTHER THINGS,
APPROVAL OF A CHANGE IN CONTROL OF ENVIRONMENTAL DISPOSAL CORP.**

DOCKET NO. WM15040492

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STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Joint Petition of : **BPU Docket No. WM15040492**
American Water Works Company, Inc. :
and Environmental Disposal Corp., for :
Among Other Things, Approval of a :
Change in Control of Environmental :
Disposal Corp. : **STIPULATION OF SETTLEMENT**
:

APPEARANCES:

Jordan Mersky, Esq., Chief Mergers & Acquisitions Counsel and Robert J. Brabston, Esq., Corporate Counsel, for Co-Petitioner American Water Works Company, Inc.

Edward K. DeHope, Esq., Riker Danzig Scherer Hyland & Perretti LLP, for Co-Petitioner Environmental Disposal Corp.

Debra Robinson, Esq., Manager, Water and Wastewater and Susan McClure, Esq., Assistant Deputy Rate Counsel, for the Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Carolyn McIntosh, Esq. and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General)

William K. Mosca, Jr., Esq., Bevan, Mosca & Guiditta, P.C., Attorneys for Interveners Townships of Bedminster and Bernards and Boroughs of Far Hills and Peapack & Gladstone

THIS STIPULATION OF SETTLEMENT (“Stipulation”) is made as of December _____, 2015 by and among American Water Works Company, Inc. (“American Water”), Environmental Disposal Corp. (“EDC”), the New Jersey Division of Rate Counsel (“Rate Counsel”), Staff of the New Jersey Board of Public Utilities (“Staff”) and the New Jersey Townships of Bedminster and Bernards and the Boroughs of Far Hills and Peapack & Gladstone (“Intervener Municipalities”) (referred to individually herein as a “Party” and collectively as the “Parties”).

On April 29, 2015, American Water and EDC (collectively “Joint Petitioners”) filed a Verified Joint Petition (“Petition”) with the New Jersey Board of Public Utilities (“Board”) seeking approvals related to American Water’s proposed acquisition from The Hills Development Company (“Hills”), a general partnership in the State of New Jersey and the parent of EDC, of all the shares of common stock of EDC (“the Transaction”). EDC is a public utility engaged in the collection and treatment of sewage generated within its service territory in portions of Bedminster and Bernards Townships and the treatment of sewage delivered to its treatment plant by the Township of Bedminster (from areas outside EDC’s franchise territory) and the Boroughs of Far Hills and Peapack & Gladstone.

The proposed Transaction is set forth in a Stock Purchase Agreement between American Water and Hills dated February 25, 2015, which provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, American Water shall acquire from Hills all of the outstanding capital stock of EDC, which will result in American Water’s acquisition of 100% control of EDC.

The Petition was served upon the Secretary of the Board, Rate Counsel, and the municipalities in which or to which EDC provides sewer service, the Intervener Municipalities.

As a result of the Transaction, EDC would become a direct subsidiary of American Water and continue to exist as a public utility subject to the jurisdiction and regulation of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock. In addition, American Water has sought: (i) authorization and approval of the journal entries necessary to

record the accounting treatment of the Transaction; (ii) approval of American Water Works Service Company, Inc.'s ("AWWSC") provision of management services to EDC on a temporary basis, after Closing, with such costs being allocated according to the same methodology the Board has approved for similar costs to be allocated to New Jersey American Water Company ("NJ American"), and that a summary of such annual charges to EDC is reported in its Annual Report to the Board; and (iii) Board approval for EDC, after Closing, to enter into a financial services agreement with American Water Capital Corp. ("AWCC") with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.¹

Board Staff, Rate Counsel and Intervener Municipalities have propounded discovery requests upon Joint Petitioners, which have been answered.

American Water is not seeking any changes in EDC's rates or terms of service to customers and has agreed that if the Transaction is consummated, EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board to increase rates to the franchise customers or municipal bulk services customers of EDC for a period of five (5) years from the closing date. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing. American Water will honor EDC's contract with Applied Water Management ("AWM") for operation of the EDC sewer system and intends to negotiate an extension of said agreement.

The Parties have reviewed the Petition, responses to discovery and have conducted discussions in an effort to reach a proposed settlement of all issues in this proceeding. The

¹ NJ American is a wholly-owned subsidiary of American Water and a New Jersey public utility.

Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of this Stipulation. In consideration of the recitals and mutual promises and covenants set forth herein, the Parties **DO HEREBY STIPULATE AND AGREE:**

1. Approval of Change of Control. The acquisition of control of EDC by American Water as proposed in the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14. In considering a request for approval pursuant to N.J.S.A. 48:2-51.1, the Board is required to evaluate the impact of the acquisition (a) on competition, (b) on the rates of ratepayers affected by the acquisition of control, (c) on the employees of the affected public utility or utilities, and (d) on the provision of safe and adequate utility service at just and reasonable rates. N.J.S.A. 48:2-51.1. Joint Petitioners must also demonstrate that positive benefits will flow to the State of New Jersey, and that there are no adverse impacts on the above criteria. N.J.A.C. 14:1-5.14(c). With regard to these factors, the Petition, discovery responses and conferences among the parties establish the following:

- A) Competition. There will be no adverse impact on competition. The classic concept of competition for customers does not exist in the regulated sewer utility industry and EDC will remain as a regulated public utility with a defined service area.
- B) Customer Rates. The Transaction will not have an adverse impact on existing rates for EDC customers. EDC will continue to operate and charge its current Board-approved tariff rates and its financial position will not be subject to material change.
- C) Employees. EDC has no employees so the Transaction will not have an adverse impact on utility employees. AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM in accordance with the terms of that agreement.

D) Provision of Safe and Adequate Service. EDC will be managed by experienced American Water personnel. Accordingly, the Transaction will have no adverse impact on the provision of safe, adequate and proper service by EDC to its customers. Additionally, American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.

2. Transfer of EDC Stock to American Water. The petition seeking Board approval of the proposed Transaction by American Water of all the issued and outstanding shares of EDC stock is consistent with N.J.S.A. 48:3-10 and Board regulations at N.J.A.C. 14:1-5.10 and -5.14. After closing of the proposed Transaction, EDC will be managed by the officers, active managers and employees of American Water and EDC's Board of Directors will comprise members of American Water's management team. EDC will continue to be operated by AWM. American Water is not proposing any adverse changes in EDC's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance or any other matters affecting the public interest or utility customers. American Water will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on EDC's books of all the issued and outstanding shares of common stock to American Water.

3. The Joint Petitioners have requested, and the Parties agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. The parties agree that this satisfies the rate review requirement of

N.J.S.A. 48:2-51.1(a) with respect to the Transaction. However, the Parties agree that this Stipulation of Settlement shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by American Water or any of its subsidiaries as a result of the Transaction. The Parties further agree that any Order concluding this matter shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, acquisition adjustments, capitalization, depreciation, or in any other matter affecting the Joint Petitioners. The Parties specifically acknowledge that the reasonableness or prudence of any acquisition adjustment associated with the Transaction has not been determined in this proceeding but will be taken up in a future rate proceeding when it is timely to consider such issues. It is further agreed that any future ratemaking recognition of the Transaction shall depend upon the extent that the petitioner seeking such ratemaking recognition is able to demonstrate reasonableness and prudence.

4. Journal Entries. EDC requests Board authorization to make the journal entries necessary to record the accounting treatment of the Transaction. The proposed journal entries shall be provided to Staff by American Water for its review and approval prior to their entry on EDC's books.

5. Management Services. Joint Petitioners seek Board approval for EDC to obtain management services through AWWSC on an interim basis after closing of the Transaction. With this petition, Joint Petitioners seek Board approval to enter into the temporary services agreement attached to this stipulation as Exhibit A, for AWWSC to provide such services to NJAWC subject to the same terms and cost allocation methodology that the Board approved on November 16, 2015 under Docket No. WO13050374. This agreement is expected to be

temporary and, in accordance with its terms, would continue until terminated by either party within ninety days' notice in writing or as of the date EDC ceases to be an affiliate of American Water. The Joint Petitioners request Board authorization to execute this agreement after closing of the Transaction, provided that there is no adverse rate impact and provided that EDC files such agreement with the Board Secretary within ten days of entry into such agreement and that a summary of the annual management charges to EDC during each calendar year shall be provided in EDC's annual report to the Board.

6. Financial Services Agreement. Pursuant to N.J.S.A. 48:3-7.1 and N.J.S.A. 48:3-7.2 Joint Petitioners seek Board approval for EDC to enter into a financial services agreement with AWCC after closing of the Transaction, attached as Exhibit B, subject to the same terms as the Board-approved agreement between NJAWC and AWCC on August 17, 2000, under Board Docket No. WF00040252. Such agreement shall be filed with the Board Secretary within ten days of entry into such agreement.

7. Rate Increase Forbearance. Provided that the Transaction is consummated, Joint Petitioners agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing.

8. Rate Design Study. Joint Petitioners agree that if the Transaction is consummated, EDC will engage in a study of the feasibility and appropriateness of changing its rate design for service to franchise area customers to incorporate partially usage-based rates,

which study may include modeling. EDC agrees to seek input from the Intervener Municipalities before going forward with such study and to provide the municipalities with such study. This study must be completed before EDC files its next rate case. The Intervener Municipalities shall not be bound by the conclusions reached by the study and may take an opposing position in any subsequent proceeding.

9. Uncollectibles. After closing, American Water will make it a priority to review EDC's overdue accounts and to take appropriate steps to minimize EDC's uncollectibles.

10. Infiltration and Inflow. After closing, American Water agrees to continue and expand upon EDC's program to minimize infiltration and inflow into the sewer system.

11. Voluntariness. The Parties agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein. The Parties have entered this Stipulation after consideration of the Petition, discovery in this matter and settlement discussions.

12. Board Approval. The Parties request that the Board issue an Order that adopts this Stipulation in its entirety. The Parties hereby request that the Board address this matter as soon as is reasonably practicable, and thereafter issue a written Order approving this Stipulation in accordance with N.J.S.A. 48:2-40.

13. Waiver of Rights of Appeal. Each Party specifically waives any right it may have to seek reconsideration of or to appeal an order by the Board that approves this Stipulation in the manner provided for herein without modification.

14. Rights Upon Disapproval or Modification. This Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof are not severable

without upsetting the balance of agreements and compromises achieved among the Parties. In the event the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties are not waiving any legal or procedural rights, arguments or claims they may have before the Board or in any forum; and (ii) this Stipulation shall, at the option and discretion of any Party aggrieved thereby, exercised by written notice to the other Parties within ten days after receipt of any such adverse decision, be null and void, in which case the Parties shall be placed in the same position that they were in immediately prior to its execution.

15. Party Reservations. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving issues addressed in the above-captioned case and docket. Although binding on the Parties with respect to the issues resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned case and that any similar future cases shall be reviewed by the Board on an individual basis. The parties agree that the purpose of this Stipulation is to reach a fair and reasonable settlement of the entire proceeding that avoids protracted and costly litigation of specific issues. Therefore, with respect to any policies or positions that were compromised in the spirit of reaching such 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

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

In the Matter of the Joint Petition of : **BPU Docket No. WM15040492**
American Water Works Company, Inc. :
and Environmental Disposal Corp., for :
Among Other Things, Approval of a :
Change in Control of Environmental :
Disposal Corp. : **STIPULATION OF SETTLEMENT**
:

APPEARANCES:

Jordan Mersky, Esq., Chief Mergers & Acquisitions Counsel and Robert J. Brabston, Esq., Corporate Counsel, for Co-Petitioner American Water Works Company, Inc.

Edward K. DeHope, Esq., Riker Danzig Scherer Hyland & Perretti LLP, for Co-Petitioner Environmental Disposal Corp.

Debra Robinson, Esq., Manager, Water and Wastewater and Susan McClure, Esq., Assistant Deputy Rate Counsel, for the Division of Rate Counsel (Stefanie A. Brand, Esq., Director)

Carolyn McIntosh, Esq. and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (John J. Hoffman, Acting Attorney General)

William K. Mosca, Jr., Esq., Bevan, Mosca & Guiditta, P.C., Attorneys for Interveners Townships of Bedminster and Bernards and Boroughs of Far Hills and Peapack & Gladstone

THIS STIPULATION OF SETTLEMENT (“Stipulation”) is made as of December _____, 2015 by and among American Water Works Company, Inc. (“American Water”), Environmental Disposal Corp. (“EDC”), the New Jersey Division of Rate Counsel (“Rate Counsel”), Staff of the New Jersey Board of Public Utilities (“Staff”) and the New Jersey Townships of Bedminster and Bernards and the Boroughs of Far Hills and Peapack & Gladstone (“Intervener Municipalities”) (referred to individually herein as a “Party” and collectively as the “Parties”).

On April 29, 2015, American Water and EDC (collectively “Joint Petitioners”) filed a Verified Joint Petition (“Petition”) with the New Jersey Board of Public Utilities (“Board”) seeking approvals related to American Water’s proposed acquisition from The Hills Development Company (“Hills”), a general partnership in the State of New Jersey and the parent of EDC, of all the shares of common stock of EDC (“the Transaction”). EDC is a public utility engaged in the collection and treatment of sewage generated within its service territory in portions of Bedminster and Bernards Townships and the treatment of sewage delivered to its treatment plant by the Township of Bedminster (from areas outside EDC’s franchise territory) and the Boroughs of Far Hills and Peapack & Gladstone.

The proposed Transaction is set forth in a Stock Purchase Agreement between American Water and Hills dated February 25, 2015, which provides that, subject to obtaining regulatory approvals and the satisfaction of certain other conditions, American Water shall acquire from Hills all of the outstanding capital stock of EDC, which will result in American Water’s acquisition of 100% control of EDC.

The Petition was served upon the Secretary of the Board, Rate Counsel, and the municipalities in which or to which EDC provides sewer service, the Intervener Municipalities.

As a result of the Transaction, EDC would become a direct subsidiary of American Water and continue to exist as a public utility subject to the jurisdiction and regulation of the Board. The Petition was filed pursuant to N.J.S.A. 48:2-51.1, which requires written Board approval for any person to acquire control of a public utility and N.J.S.A. 48:3-10, which requires Board approval for a public utility to transfer its stock to another corporation where the result of such transfer is to vest in such corporation a majority of the outstanding capital stock. In addition, American Water has sought: (i) authorization and approval of the journal entries necessary to

record the accounting treatment of the Transaction; (ii) approval of American Water Works Service Company, Inc.'s ("AWWSC") provision of management services to EDC on a temporary basis, after Closing, with such costs being allocated according to the same methodology the Board has approved for similar costs to be allocated to New Jersey American Water Company ("NJ American"), and that a summary of such annual charges to EDC is reported in its Annual Report to the Board; and (iii) Board approval for EDC, after Closing, to enter into a financial services agreement with American Water Capital Corp. ("AWCC") with terms substantially similar to the terms of the Board-approved agreement between NJ American and AWCC.¹

Board Staff, Rate Counsel and Intervener Municipalities have propounded discovery requests upon Joint Petitioners, which have been answered.

American Water is not seeking any changes in EDC's rates or terms of service to customers and has agreed that if the Transaction is consummated, EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board to increase rates to the franchise customers or municipal bulk services customers of EDC for a period of five (5) years from the closing date. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing. American Water will honor EDC's contract with Applied Water Management ("AWM") for operation of the EDC sewer system and intends to negotiate an extension of said agreement.

The Parties have reviewed the Petition, responses to discovery and have conducted discussions in an effort to reach a proposed settlement of all issues in this proceeding. The

¹ NJ American is a wholly-owned subsidiary of American Water and a New Jersey public utility.

Parties have agreed to reasonably, fully and finally resolve all factual and legal issues in this matter by way of this Stipulation. In consideration of the recitals and mutual promises and covenants set forth herein, the Parties **DO HEREBY STIPULATE AND AGREE:**

1. Approval of Change of Control. The acquisition of control of EDC by American Water as proposed in the Transaction is consistent with the criteria of N.J.S.A. 48:2-51.1 and N.J.A.C. 14:1-5.14. In considering a request for approval pursuant to N.J.S.A. 48:2-51.1, the Board is required to evaluate the impact of the acquisition (a) on competition, (b) on the rates of ratepayers affected by the acquisition of control, (c) on the employees of the affected public utility or utilities, and (d) on the provision of safe and adequate utility service at just and reasonable rates. N.J.S.A. 48:2-51.1. Joint Petitioners must also demonstrate that positive benefits will flow to the State of New Jersey, and that there are no adverse impacts on the above criteria. N.J.A.C. 14:1-5.14(c). With regard to these factors, the Petition, discovery responses and conferences among the parties establish the following:

- A) Competition. There will be no adverse impact on competition. The classic concept of competition for customers does not exist in the regulated sewer utility industry and EDC will remain as a regulated public utility with a defined service area.
- B) Customer Rates. The Transaction will not have an adverse impact on existing rates for EDC customers. EDC will continue to operate and charge its current Board-approved tariff rates and its financial position will not be subject to material change.
- C) Employees. EDC has no employees so the Transaction will not have an adverse impact on utility employees. AWM will continue to operate the EDC sewer system on a daily basis and American Water has expressed its intention to extend the current contract with AWM in accordance with the terms of that agreement.

D) Provision of Safe and Adequate Service. EDC will be managed by experienced American Water personnel. Accordingly, the Transaction will have no adverse impact on the provision of safe, adequate and proper service by EDC to its customers. Additionally, American Water's agreement that for a period of five (5) years after closing EDC will not seek to increase rates and American Water's superior access to capital at reasonable cost will provide positive benefits to EDC's customers.

2. Transfer of EDC Stock to American Water. The petition seeking Board approval of the proposed Transaction by American Water of all the issued and outstanding shares of EDC stock is consistent with N.J.S.A. 48:3-10 and Board regulations at N.J.A.C. 14:1-5.10 and -5.14. After closing of the proposed Transaction, EDC will be managed by the officers, active managers and employees of American Water and EDC's Board of Directors will comprise members of American Water's management team. EDC will continue to be operated by AWM. American Water is not proposing any adverse changes in EDC's policies with respect to customer service, operations, financing, accounting, capitalization, rates, depreciation, maintenance or any other matters affecting the public interest or utility customers. American Water will not capitalize any franchise cost as a result of the transaction. Accordingly, the Parties recommend Board approval of the transfer on EDC's books of all the issued and outstanding shares of common stock to American Water.

3. The Joint Petitioners have requested, and the Parties agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. The parties agree that this satisfies the rate review requirement of

N.J.S.A. 48:2-51.1(a) with respect to the Transaction. However, the Parties agree that this Stipulation of Settlement shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of any tangible or intangible assets now owned or hereafter to be owned by American Water or any of its subsidiaries as a result of the Transaction. The Parties further agree that any Order concluding this matter shall not affect nor in any way limit the exercise of the authority of this Board or of this State, in any future Petition or in any proceedings with respect to rates, franchises, service, financing, accounting, acquisition adjustments, capitalization, depreciation, or in any other matter affecting the Joint Petitioners. The Parties specifically acknowledge that the reasonableness or prudence of any acquisition adjustment associated with the Transaction has not been determined in this proceeding but will be taken up in a future rate proceeding when it is timely to consider such issues. It is further agreed that any future ratemaking recognition of the Transaction shall depend upon the extent that the petitioner seeking such ratemaking recognition is able to demonstrate reasonableness and prudence.

4. Journal Entries. EDC requests Board authorization to make the journal entries necessary to record the accounting treatment of the Transaction. The proposed journal entries shall be provided to Staff by American Water for its review and approval prior to their entry on EDC's books.

5. Management Services. Joint Petitioners seek Board approval for EDC to obtain management services through AWWSC on an interim basis after closing of the Transaction. With this petition, Joint Petitioners seek Board approval to enter into the temporary services agreement attached to this stipulation as Exhibit A, for AWWSC to provide such services to NJAWC subject to the same terms and cost allocation methodology that the Board approved on November 16, 2015 under Docket No. WO13050374. This agreement is expected to be

temporary and, in accordance with its terms, would continue until terminated by either party within ninety days' notice in writing or as of the date EDC ceases to be an affiliate of American Water. The Joint Petitioners request Board authorization to execute this agreement after closing of the Transaction, provided that there is no adverse rate impact and provided that EDC files such agreement with the Board Secretary within ten days of entry into such agreement and that a summary of the annual management charges to EDC during each calendar year shall be provided in EDC's annual report to the Board.

6. Financial Services Agreement. Pursuant to N.J.S.A. 48:3-7.1 and N.J.S.A. 48:3-7.2 Joint Petitioners seek Board approval for EDC to enter into a financial services agreement with AWCC after closing of the Transaction, attached as Exhibit B, subject to the same terms as the Board-approved agreement between NJAWC and AWCC on August 17, 2000, under Board Docket No. WF00040252. Such agreement shall be filed with the Board Secretary within ten days of entry into such agreement.

7. Rate Increase Forbearance. Provided that the Transaction is consummated, Joint Petitioners agree that EDC, including any parent, affiliate, subsidiary, transferee, successor or assign, will not file a petition with the Board seeking authority to increase rates for sewer service within its franchise territory or under its bulk service contracts with municipal customers for a period of five (5) years from the closing date of the Transaction. Joint Petitioners also agree that EDC will not file a petition to increase any of its rates between the date of Board approval of the proposed Transaction and closing.

8. Rate Design Study. Joint Petitioners agree that if the Transaction is consummated, EDC will engage in a study of the feasibility and appropriateness of changing its rate design for service to franchise area customers to incorporate partially usage-based rates,

which study may include modeling. EDC agrees to seek input from the Intervener Municipalities before going forward with such study and to provide the municipalities with such study. This study must be completed before EDC files its next rate case. The Intervener Municipalities shall not be bound by the conclusions reached by the study and may take an opposing position in any subsequent proceeding.

9. Uncollectibles. After closing, American Water will make it a priority to review EDC's overdue accounts and to take appropriate steps to minimize EDC's uncollectibles.

10. Infiltration and Inflow. After closing, American Water agrees to continue and expand upon EDC's program to minimize infiltration and inflow into the sewer system.

11. Voluntariness. The Parties agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein. The Parties have entered this Stipulation after consideration of the Petition, discovery in this matter and settlement discussions.

12. Board Approval. The Parties request that the Board issue an Order that adopts this Stipulation in its entirety. The Parties hereby request that the Board address this matter as soon as is reasonably practicable, and thereafter issue a written Order approving this Stipulation in accordance with N.J.S.A. 48:2-40.

13. Waiver of Rights of Appeal. Each Party specifically waives any right it may have to seek reconsideration of or to appeal an order by the Board that approves this Stipulation in the manner provided for herein without modification.

14. Rights Upon Disapproval or Modification. This Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved in its entirety. This Stipulation is an integral settlement and the various parts hereof are not severable

without upsetting the balance of agreements and compromises achieved among the Parties. In the event the Board disapproves this Stipulation as a whole, it shall be null and void. In the event that any particular aspect of this Stipulation is not accepted and approved by the Board in its entirety, without modification, or is modified by a court of competent jurisdiction: (i) the Parties are not waiving any legal or procedural rights, arguments or claims they may have before the Board or in any forum; and (ii) this Stipulation shall, at the option and discretion of any Party aggrieved thereby, exercised by written notice to the other Parties within ten days after receipt of any such adverse decision, be null and void, in which case the Parties shall be placed in the same position that they were in immediately prior to its execution.

15. Party Reservations. This Stipulation represents a negotiated compromise resolution that has been made exclusively for the purpose of resolving issues addressed in the above-captioned case and docket. Although binding on the Parties with respect to the issues resolved herein in this proceeding, this Stipulation, in total or by specific item, is in no way binding upon the Parties and is not to be considered or cited as precedent in favor of or against their respective positions on any issue in any other proceeding, except to enforce the terms of this Stipulation. The Parties agree that the resolution of the issues herein shall apply only to the above-captioned case and that any similar future cases shall be reviewed by the Board on an individual basis. The parties agree that the purpose of this Stipulation is to reach a fair and reasonable settlement of the entire proceeding that avoids protracted and costly litigation of specific issues. Therefore, with respect to any policies or positions that were compromised in the spirit of reaching such 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


compromises pertain only to this matter and to no other matter. Further, by executing this Stipulation, no Party waives any rights it possesses under any prior Stipulation or Board Order.

16. Captions. The subject headings of the sections of this Stipulation are inserted solely for the purpose of convenient reference and are not intended to, nor shall they, affect the meaning of any provision of this Stipulation.

17. Governing Law. This Stipulation shall be governed and construed in accordance with the laws of the State of New Jersey.

18. Execution. This Stipulation may be executed in one or more counterparts. Each Party has caused its duly authorized representative to execute below and deliver this Stipulation.


ENVIRONMENTAL DISPOSAL CORP.

By: 
Edward K. DeHope, Esq.
RIKER DANZIG SCHERER
HYLAND & PERRETTI LLP

Title: Counsel

Dated: December 2, 2015


AMERICAN WATER WORKS
COMPANY, INC.

By: 
Jordan Mersky, Esq.

Title: Chief Mergers & Acquisitions Counsel

Dated: 12-2-15

STEFANIE BRAND
Director, Division of Rate Counsel

By: 
Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: 12/3/15

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: _____
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

Dated: _____

TOWNSHIPS OF BEDMINSTER AND
BERNARDS AND BOROUGHES OF FAR
HILLS AND PEAPACK & GLADSTONE

By: _____
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: _____


STEFANIE BRAND
Director, Division of Rate Counsel

By: _____
Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: _____

JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
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By: 
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

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By: _____
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: _____

STEFANIE BRAND
Director, Division of Rate Counsel

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Susan E. McClure, Esq.

Title: Ass't. Deputy Rate Counsel

Dated: _____

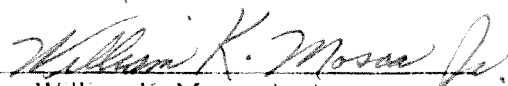
JOHN J. HOFFMAN
ACTING ATTORNEY GENERAL OF
NEW JERSEY
Attorney for the Staff of the Board of Public
Utilities

By: _____
Carolyn McIntosh, Esq.

Title: Deputy Attorney General

Dated: _____

TOWNSHIPS OF BEDMINSTER AND
BERNARDS AND BOROUGHES OF FAR
HILLS AND PEAPACK & GLADSTONE

By: 
William K. Mosca, Jr., Esq.
BEVAN, MOSCA & GUIDITTA,
P.C.

Title: Counsel

Dated: December 2, 2015

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DRAFT INTERIM AGREEMENT

Agreement dated XXXX, between **AMERICAN WATER WORKS SERVICE COMPANY, INC.**, a Delaware corporation (hereinafter "Service Company"), and **ENVIRONMENTAL DISPOSAL CORPORATION**, a New Jersey corporation (hereinafter "EDC").

The background of this Agreement is that:

1. Both Service Company and EDC are subsidiaries of American Water Works Company, Inc., a Delaware corporation (hereinafter "American").
2. EDC has been organized for and is presently engaged in the business of providing wastewater collection and treatment as a public utility in the State of New Jersey.
3. Service Company maintains an organization whose officers and employees are familiar with all facets of the water and wastewater utility business, including the development, business and property of EDC, and are experienced in the efficient management, financing, accounting and operation of water and wastewater utility properties and the extension and improvement thereof. The officers and employees of Service Company are qualified to aid, assist and advise EDC in its business operations through the services to be performed under this Agreement.
4. Service Company will provide administrative and operating services to EDC. Because EDC is of the opinion that it cannot obtain the same quality and diversification of services on a comparable economic basis elsewhere, it proposes to enter into an agreement with Service Company more specifically defining the types of services available to it.
5. Service Company has entered or proposes to enter into agreements similar to this

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agreement with other affiliated water and wastewater companies (hereinafter collectively "Water and Wastewater Companies").

6. The services to be rendered under this agreement are to be rendered by Service Company to Water and Wastewater Companies at their cost to Service Company, as hereinafter provided.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, EDC and the Service Company agree that:

ARTICLE 1. PERSONNEL AND SERVICES TO BE PROVIDED

1.1. During the term of this agreement and upon the terms and conditions hereinafter set forth, Service Company shall provide corporate guidance for EDC. In addition to the guidance provided by the officers and employees of Service Company through the coordination of functional activities for all subsidiaries of American, the officers and employees of Service Company shall furnish, and EDC shall purchase from Service Company, the following services: Accounting, Administration, Communication, Corporate Secretarial, Engineering, Financial, Human Resources, Information Systems, Operation, Rates and Revenue, Risk Management and Water Quality, together with such other services as EDC and Service Company may agree; provided, however, that EDC may perform the service with its own personnel or engage another company or person to provide those services on its behalf. Service Company, by mutual consent, may engage another Company or person to provide such services on its behalf.

1.2. Service Company shall employ qualified officers and employees and those persons shall be available for election by EDC to serve as officers of EDC.

1.3. Without limitation, services to be provided by the Service Company shall be rendered as follows:

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a) **Accounting:** Service Company shall assist in the preparation and implementation of accounting methods and procedures to determine that they conform fully to the requirements, rules and regulations of governmental authorities having jurisdiction and review EDC's monthly financial reports, annual reports and other reports to stockholders and to any governmental authorities. It shall advise and assist in the establishment and maintenance of current record keeping techniques; review accounting procedures, methods and forms; and evaluate systems of internal control for receipt and disbursement of funds, materials and supplies, and other assets. Service Company shall maintain accounting records as required by EDC. When appropriate, Service Company shall cooperate and consult with EDC's independent certified public accountants.

Service Company shall assist in the preparation of operating and construction budgets and monitor the control over such budgets by comparing experienced costs to the projections.

Service Company shall prepare or assist in the preparation of federal, state and local tax returns for, and to the extent required by, EDC.

b) **Administration:** Service Company shall make qualified employees available to perform or assist in the performance of EDC's corporate activities. Those employees shall keep themselves informed on all aspects of EDC's operations and shall regularly visit EDC's facilities. They shall make recommendations to EDC for operating expenditures and for additions to and improvements of property, plant and equipment. They shall keep abreast of economic, regulatory, governmental and operational developments and conditions that may affect EDC; and advise EDC of any such developments and conditions to the extent that they may be important to EDC. Service Company shall

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provide an internal audit staff for periodic audits of accounts, records, policies and procedures of EDC and submit reports thereon.

c) **Communications:** Service Company shall recommend procedures to promote satisfactory relations with employees, customers, communities and the general public and assist in the preparation of communication materials, (including press releases, brochures, audio visual presentations and speeches), plant tours, public exhibits and displays and other related services to inform the public.

d) **Corporate Secretarial:** Service Company shall maintain, in such places and manner as may be required by applicable law, documents of EDC, such as minute books, charters, by-laws, contracts, deeds and other corporate records, and shall administer an orderly program of records retention. It shall maintain, or arrange for the maintenance of, records of stockholders of EDC, prepare or arrange for the preparation of stock certificates, perform duties relating to the transfer of stock and perform other corporate secretarial functions as required including preparation of notices of stockholder and director meetings and the minutes thereof.

Service Company shall review and may assist in the preparation of documents and reports required by EDC such as deeds, easements, contracts, charters, franchises, trust indentures and regulatory reports and filings.

e) **Engineering:** Service Company shall advise and provide engineering services to assist EDC in planning for, operating, maintaining and constructing its facilities.

It shall conduct distribution system surveys and hydraulic analyses and prepare or review maps, charts, operating statistics, reports and other pertinent data.

It shall assist EDC in the proper maintenance and protection of EDC properties by

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periodic inspection of its structures, tanks, reservoirs, dams, wells and electrical and mechanical equipment.

The engineering services provided by Service Company shall also include the conduct of field investigations as necessary to obtain engineering information and, when required, the preparation of studies, reports, designs, drawings, cost estimates, specifications, and contracts for the construction of additions to or improvements of EDC's source of supply, treatment plant, pumping stations, distribution system, and such other facilities as EDC may request. Service Company shall provide a Materials Management Program to arrange for the purchase of equipment, materials, and supplies in volume on a basis advantageous to EDC and assist in the evaluation of new and existing products and application procedures.

f) **Financial:** Service Company shall assist in the development and implementation of financing programs for EDC, including the furnishing of advice from time to time on securities market conditions and the form and timing of financing; advise concerning arrangements for the sale of its securities; and assist in the preparation of necessary papers, documents, registration statements, prospectuses, petitions, applications and declarations. It shall prepare reports to be filed with, and reply to inquiries made by, security holders and bond and mortgage trustees.

Service Company shall assist EDC in cash management including arrangements for bank credit lines, establishment of collection policies, and development of temporary investment programs.

Service Company shall provide assistance to EDC in the preparation of all financial reports.

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- g) **Human Resources:** Service Company shall assist in obtaining qualified personnel for EDC; in establishing appropriate rates of pay for those employees; and in negotiating with bargaining units representing EDC employees. It shall carry out training programs for the development of personnel and advise and assist EDC regarding personnel. It shall also advise and assist EDC in regard to group employee insurance, pension and benefit plans and in the drafting or revising of those plans when required. It will keep EDC apprised of all employment laws and develop procedures and controls to assure compliance.
- h) **Information Systems:** Service Company shall make available to EDC electronic data processing services. Those services shall include customer billing and accounting, preparation of financial statements and other reports including those required by federal and state agencies.
- i) **Operation:** Service Company shall develop and assist in the implementation of operating procedures to promote efficient and economic operation of EDC. Periodic operational reviews will be performed by Service Company personnel and any deviations from adopted procedures will be reported to EDC.
- j) **Rates and Revenue:** Service Company personnel shall make recommendations for changes in rates, rules and regulations and shall assist EDC in the conduct of proceedings before, and in its compliance with the rulings of, regulatory bodies having jurisdiction over its operation. These personnel shall keep abreast of economic and regulatory developments and conditions that may affect EDC; and advise EDC of any such developments and conditions to the extent that they may be important to EDC. Rates and Revenue personnel shall assist in the preparation of rate filings or applications and

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the supporting documents and exhibits requested or required by the EDC and its respective regulatory commission. Service Company shall also provide qualified personnel to testify on EDC's behalf as required during any regulatory proceedings.

k) **Risk Management**: Service Company shall provide a Risk Management Program to review the exposures to accidental loss of EDC, recommend efficient methods of protection either through the purchase of insurance, self-insurance or other risk management techniques and arrange for the purchase of insurance coverage. It shall also supervise investigation procedures; review claims; and negotiate and assist in, evaluate proposals for, settlement at the request of EDC. It shall assist in the establishment of safety and security programs to avoid or minimize risk and loss.

l) **Water Quality**: Service Company shall assist EDC in complying with standards of governmental agencies and establish and attain the water quality objectives of EDC. It shall assist in providing design criteria for processes, coordinating with public agencies, developing approaches and solutions to water quality problems, and providing technical assistance and general direction for Water and Wastewater Company personnel.

It shall also provide laboratory services for programmed analyses as required by drinking water regulations, and special analyses as required by EDC.

ARTICLE II. PAYMENT FOR SERVICES

2.1. In consideration for the services to be rendered by Service Company as hereinabove provided, EDC agrees to pay to Service Company the cost thereof determined as provided in this Article II and in Article III.

2.2. All costs of service rendered by Service Company personnel for EDC or in common with other Water and Wastewater Companies shall be charged to EDC based on actual

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time spent by those personnel as reflected in their daily time sheets or other mutually acceptable means of determination.

2.3. All costs of Service Company incurred in connection with services rendered by Service Company which can be identified and related exclusively to EDC, shall be charged directly to EDC.

2.4. All costs incurred in rendering services to EDC in common with similar services to other Water and Wastewater Companies which cannot be identified and related exclusively to services rendered to a particular Water and/or Wastewater Company, shall be allocated among all Water and Wastewater Companies so served, or, in the case of costs incurred with respect to services rendered to a particular group of Water and/or Wastewater Companies, among the members of such group, based on the number of customers served at the immediately preceding calendar year end.

2.5. Cost for support personnel (secretaries, clerical personnel, clerks, messengers, telephone operators, mail clerks, and other incidental support personnel of the Service Company) as well as the cost of lease payments, depreciation, utilities and other costs associated with leasing office space and equipment by Service Company shall be allocated among the Water and Wastewater Companies on the basis of the proportion of the aggregate cost allocated under Sections 2.3 and 2.4.

ARTICLE III. ALLOWANCE FOR OVERHEAD

3.1. In determining the cost to be assessed by Service Company for the rendering of services to EDC as herein provided, there shall be added to the salaries of all officers and employees for whose services charges are to be made, a percentage sufficient to cover the general overhead of Service Company, as defined below, properly allocable thereto. Such

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percentage shall be calculated each month and shall be the ratio of the total general overhead of the Service Company for the month to the total salaries of the employees for whose service charges are to be made to the Water and Wastewater Companies. No general overhead of Service Company shall be added to costs incurred for services of non-affiliated consultants employed by Service Company.

3.2. The term "general overhead" shall include:

- a) pension and insurance premiums paid for the benefit of Service Company employees,
- b) legal and other fees for services rendered to the Service Company,
- c) taxes,
- d) other general office supplies and other similar expenses, and
- e) interest on working capital.

ARTICLE IV. BILLING PROCEDURES AND BOOKS AND RECORDS

4.1. As soon as practicable after the last day of each month, Service Company shall render a bill to EDC for all amounts due from EDC for services and expenses for such month plus an amount equal to the estimated cost of such services and expenses for the current month, all computed pursuant to Articles II and III. Such bill shall be in sufficient detail to show separately the charge for each class of service rendered. All amounts so billed shall reflect the credit for payments made on the estimated portion of the prior bill and shall be paid by EDC within a reasonable time after receipt of the bill therefore.

4.2. Service Company agrees to keep its books and records available at all times for inspection by representatives of EDC or by regulatory bodies having jurisdiction over EDC.

4.3. Service Company shall at any time, upon request of EDC, furnish any and all

Proposed form of Interim Agreement Subject to BPU Approval of Purchase

information required by EDC with respect to the services rendered by Service Company after the agreement becomes effective. This agreement shall continue in full force and effect until terminated by either of the parties hereto giving the other party hereto ninety days' notice in writing; provided, however, that this agreement shall terminate as of the date EDC or Service Company ceases to be an affiliate of American.

IN WITNESS WHEREOF, Service Company and EDC have caused this agreement to be signed in their respective corporate names by their respective Presidents or Vice Presidents, and impressed with their respective corporate seals attested by their respective Secretaries or Assistant Secretaries, all as of the day and year first above written.

INTERIM FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of _____, 2015, by and between Environmental Disposal Corporation (the "Company") and American Water Capital Corp. ("AWCC").

BACKGROUND

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that have entered into agreements with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

AGREEMENT

1. Services. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC may from time to time agree; including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to all the

provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

4. Inspection. Upon reasonable notice, AWCC will make available to the Company for its inspection AWCC's books, records, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creator of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory notes in the form of Exhibit A or Exhibit B attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties, or obtaining services described in this Agreement from third parties, whenever and on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of the date first mentioned above, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before AWCC may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and AWCC.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any promissory notes that remain outstanding after this Agreement is terminated as to that party); or (c) AWCC's obligations to repay any investments made by a company pursuant to Appendix I.

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST: ENVIRONMENTAL DISPOSAL CORPORATION

By: _____

By: _____

ATTEST: AMERICAN WATER CAPITAL CORP.

By: _____

By: _____

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which AWCC agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. **Short-Term Loans.** AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. **Long-Term Borrowings.** AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. **Cash Management.** Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A

PROMISSORY NOTE FOR SHORT-TERM LOANS

\$ _____, 2005

FOR VALUE RECEIVED, [NAME OF COMPANY], a corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue) together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the record maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its

property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of _____, 2003 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT B

PROMISSORY NOTE FOR LONG-TERM BORROWINGS

\$ _____, 2005

FOR VALUE RECEIVED [NAME OF COMPANY], a New Jersey corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____), together with interest thereof from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of _____, 2005 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title: