

**EXECUTIVE SUMMARY**

**AGREEMENT  
Between  
TOWNSHIP OF SADSBUURY  
And  
PENNSYLVANIA-AMERICAN WATER COMPANY**

**July 31, 2017**

The Asset Purchase Agreement (the "Agreement") sets forth the terms between the Township of Sadsbury (the "Township") and Pennsylvania-American Water Company ("PAWC") for PAWC's acquisition of the Township's wastewater collection system (the "System"). The Township and PAWC have been negotiating the Agreement since June 2015, and the Township believes it is a reasonable agreement for the sale of the System and for PAWC to continue the services to the customers within the System and the System's current and future operation. PAWC is a public wastewater utility regulated by the Pennsylvania Public Utility Commission ("PA PUC") that furnishes wastewater services to the public in portions of the Commonwealth of Pennsylvania, including providing wastewater treatment services to the Township and wastewater conveyance service to West Caln Township, West Sadsbury Township and Parkesburg Borough, all adjacent to the Township. In addition, PAWC currently provides direct public water service in parts of the Township. The terms of the Agreement must be approved by the PA PUC. A summary of the salient business terms of the draft Agreement follows. The exact terms are set forth in the Agreement itself. In the event of any inconsistency or discrepancy between this summary and the Agreement, the terms of the Agreement will control.

The assets subject to the Agreement include all of the assets, properties and rights of the Township that are held and used in connection with the System. The assets do not include the customer service laterals that run from the curb area (or edge of road) to each of the individual customer's residences or structures, any and all piping and fixtures internal to each of the individual customer's residences or structures or any of the Township's stormwater system facilities.

The purchase price for the assets will consist of payment of \$9,500,000.00. A deposit in the amount of \$37,500.00 will be made at execution of the Agreement and the balance is to be paid by PAWC at closing.

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

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

The Agreement sets forth rate schedules by PAWC which will survive Closing and which are summarized as follows:

- PAWC agrees that the Township's existing wastewater base rates for all customers of the System shall remain the same as those rates charged by the Township as of Closing.
- PAWC shall apply, at and after Closing, its then-existing miscellaneous fees and charges, rules and regulations for wastewater service as set forth in its then-effective PA PUC-approved tariff, which can be found at: <https://dnnh3qht4.blob.core.windows.net/portals/12/Docs/Effective%20Wastewater%20Tariff.pdf?si=b&si=DNNFileManagerPolicy&sig=r5VdzliNbcRnVFM9wyH62iX5p0DZJivzDn6NfOW3gOc%3D>.