

ASSET PURCHASE AGREEMENT

THIS AGREEMENT, effective as of April 29, 2013, is entered into by and between the Town of Bethel, Connecticut, a Connecticut municipal corporation, having an address of CJH Municipal Center, One School Street, Bethel, Connecticut 06801 (“Bethel” or “Seller”), and Aquarion Water Company of Connecticut, a Connecticut public service company, having an address of 835 Main Street, Bridgeport, Connecticut 06604 (“Aquarion”).

W I T N E S S E T H :

WHEREAS, Bethel owns and operates, through the Bethel Water Department, a public water supply system, being PWSID No. CT0090011, (the “Water System”), located in Bethel and Danbury, Connecticut;

WHEREAS, the Water System is subject to the jurisdiction of the Connecticut Department of Public Health (“DPH”);

WHEREAS, Aquarion is a public service company providing water service to approximately 625,000 customers throughout the State of Connecticut;

WHEREAS, Bethel desires to sell, and Aquarion desires to purchase, certain assets relating to the Water System, including plant and equipment, supplies and inventories, contracts and contract rights, franchise rights, easement rights, and real property rights, and excluding certain liabilities associated therewith, as more specifically set forth herein and subject to the terms and conditions set forth herein;

AND WHEREAS, Bethel desires to sell or grant, and Aquarion desires to purchase certain pieces or parcels of land owned by Bethel in the city of Danbury, Connecticut and certain pieces or parcels of land and certain easements on land owned by Bethel in the town of Bethel,

Connecticut, in each case together with improvements and appurtenances located thereon (collectively, the “Properties”), as more specifically set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter contained, Bethel and Aquarion do represent, warrant, covenant and agree as follows:

1. SALE AND PURCHASE OF CERTAIN ASSETS, RIGHTS AND PRIVILEGES

1.1 Sale and Transfer.

(a) Subject to the terms and conditions of this Agreement, on the Closing Date (as hereinafter defined in Section 1.4) Bethel agrees to grant, sell, assign, transfer and deliver to Aquarion, and Aquarion agrees to purchase the following assets (collectively, the “Water System Assets” or the “Assets”) from Bethel:

(i) pursuant to appropriate warranty deeds or grants of easements, marketable title to the Properties, free and clear of any liens and encumbrances of any sort, other than Permitted Encumbrances as defined below and subject to Section 1.3(b), together with the improvements and appurtenances located thereon, being those certain pieces or parcels of land set forth on Schedule 1.1.1, attached hereto;

(ii) all assets of Bethel pertaining to the operation of the Water System located or stored in Bethel and Danbury (other than real property interests to be acquired, which are described in clause (i) above), including, without limitation, the complete and operating Water System shown on the maps attached hereto as Schedule 1.1.2, being wells, transmission and distribution mains, reservoirs, tanks and standpipes, pumps and pumping stations, hydrants, meters and personal property described in Schedule 1.1.3, and those acquired subsequent to June 30, 2012, and all of Bethel’s right, title and interest in and to the curb stops, service connections (to the extent curb stops and service connections may be owned by Bethel) which pertain to the

operation of Bethel's Water System, and any and all franchise rights and exclusive service area grants and/or agreements relating to the operation of all or any portion of the Water System, including, without limitation, all franchise rights relating to the operation of all or any portion of the Water System and Licenses (as that term is defined in Section 3.12(a));

(iii) to the extent available and in the possession of Bethel, all documents, reports, maps, and customer records pertaining to the Water System, including, but not limited to, all engineering, laboratory and operating reports, customer service records, including meter readings and fixture surveys, property maps, distribution maps, gate drawings, main laying specifications and tap and service cards, but specifically excluding Bethel's cash, bank deposits, accounts receivable, refunds, rebates, returns and insurance proceeds relating (i) to damage that has been repaired in accordance with the standards set forth in this Agreement prior to the Closing Date, or (ii) to claims or liabilities retained by Bethel, if any; and

(iv) all undisputed and uncollected customer accounts receivable for the Water System which were first invoiced by Seller no earlier than 90 days prior to the Closing Date (the "A/R"), which shall be reflected on a schedule delivered by Seller to Aquarion on the business day immediately preceding the Closing Date which schedule shall be reasonably acceptable to Aquarion (the "A/R List"), which A/R shall be collected by Aquarion on and after the Closing Date.

(b) It is expressly understood that Aquarion will (i) purchase only the Assets relating to operation of the Water System and located in the towns of Bethel and Danbury, (ii) acquire title to only those Properties denoted as such on Schedule 1.1.1 (the "Acquired Properties"), subject to Section 1.3(b), (iii) obtain sanitary easements approved by the DPH and access easements, as shown on the map included in Schedule 1.1.4, for the Property located at 49

Plumtrees Road in Bethel, in each case reasonably satisfactory to Aquarion, (iv) receive as part of the Water System Assets all materials, supplies, prepayments, and customer deposits, if any, relating to the Water System, and (v) not assume or otherwise be responsible for any accounts payable, outstanding debt, taxes accrued, accrued interest, tax collections payable, deferred credits, or accumulated deferred income taxes of Bethel.

1.2 No Liabilities to be Assumed.

Aquarion shall assume no liabilities or obligations of Bethel whatever in connection with the sale of Assets provided for in this Agreement, whether accrued, contingent or other, incurred prior to the Closing Date, or arising from the activities of Bethel prior thereto, excepting only any obligations of Bethel expressly assumed by Aquarion under any lease, contract, agreement or similar document which is assigned to Aquarion on and as of the Closing Date, and specified in Schedule 1.2 hereto, or as provided in Section 5.9. For the avoidance of doubt, except as otherwise set forth herein, Aquarion shall not assume any liabilities or obligations under the agreements listed in Schedule 1.2 hereto that accrue prior to the Closing Date, all of which liabilities and obligations shall remain solely the responsibility of Bethel.

1.3 Instruments of Transfer.

(a) Within thirty (30) days following the date of execution of this Agreement, Bethel shall provide Aquarion proper legal descriptions and copies of any available surveys for the real property or the interests therein being transferred pursuant to this Agreement. Within thirty (30) days following receipt of such descriptions, Aquarion shall provide Bethel with a list of title defects, liens or encumbrances that are objectionable to Aquarion in its sole discretion. If Bethel cannot remove such defects, liens or encumbrances within thirty (30) days following such notice, Aquarion shall have the right to terminate this Agreement with no further obligations hereunder.

Once accepted by Aquarion, such legal descriptions and copies of available surveys shall be attached hereto as updated Schedule 1.1.2. On the Closing Date, Bethel will transfer and deliver to Aquarion all of the Assets referred to in Section 1.1 above, and Bethel will deliver to Aquarion all such assignments and instruments of conveyance and transfer as shall be necessary to transfer to and vest in Aquarion good and marketable title in and to all of the Assets free and clear of all liens and encumbrances other than those liens and encumbrances described on the legal descriptions provided by Bethel pursuant to this paragraph, which shall be set forth in an updated Schedule 3.2(i) after Aquarion has agreed to accept the Assets subject to such liens and encumbrances (“Permitted Encumbrances”) and subject to Section 1.3(b). At the request of Aquarion after the Closing Date, Bethel, or its successor in interest, will execute and deliver any such further instruments of conveyance and transfer or confirmation thereof and will take such other action as may reasonably be requested by Aquarion in order further to make effective and to assure the transfers of Assets and vesting of title as provided for by this Agreement.

(b) The deeds or other instruments of conveyance for the Acquired Properties to be owned in fee by Aquarion shall provide, in terms that are reasonably satisfactory to Bethel and Aquarion, that within one year after Aquarion determines in its sole discretion that the Acquired Properties owned in fee by Aquarion are not used or not anticipated to be needed for public water supply, Aquarion will apply to the DPH to abandon such Acquired Properties, and, upon the DPH’s approval of such application and the receipt of any other consent or approval of, or the filing with, any other federal, state, local or other governmental authority (collectively, “Governmental Authorities”) that may be required at the time, such Acquired Property(ies) shall be conveyed back to Bethel by quitclaim deed; provided that (i) such Acquired Property(ies) shall be in substantially the same condition at the time of such conveyance as it was in on the

Closing Date, normal wear and tear excepted, (ii) in no event will the Acquired Properties that are subject to the Subdivisions and contain water tanks or treatment facilities be conveyed to Bethel, (iii) Aquarion will have the right to reserve any easements or other rights over such Acquired Property(ies) as Aquarion reasonably determines are required in connection with supplying water to existing or future customers or accessing other properties held by Aquarion, (iv) in no event will Aquarion have any obligation to convey to Bethel the Acquired Properties located at 17U Ballfield Road and at Maple Avenue that contain the well field, and (v) Aquarion will provide easements for ingress and egress to the Acquired Properties being conveyed back to Bethel over those other Acquired Properties remaining with Aquarion for the benefit of the Town of Bethel should such easements be necessary for such ingress and egress and so long as such easements do not impair Aquarion's operations on those Acquired Properties remaining with Aquarion. Such deeds or other instruments of conveyance for the Acquired Properties that are subject to being conveyed back to Bethel under this Section 1.3(b) (the "Release Properties") shall also provide that, after such conveyance, in no event will Aquarion have any responsibility or liability for any environmental condition or hazard on, in or under such Release Properties that existed on the Closing Date, regardless of whether such environmental condition or hazard is a violation of any Applicable Environmental Law on the Closing Date.

(c) Subject to the provisions of Section 5.1(b) and to the extent permitted by the DPH approval and by other Applicable Laws (defined below), at the Closing Aquarion will grant Bethel an easement to use the ball field on Maple Avenue to be conveyed to Aquarion under this Agreement.

1.4 Closing Date.

The transactions provided for in this Agreement shall take place at the offices of Day Pitney in Hartford, Connecticut, on the first business day after a period of thirty days following the receipt of the last of the approvals described in Section 7.1 hereof, or on such other date or at such other place as the parties may mutually agree upon (the “Closing Date”).

2. PURCHASE PRICE AND MANNER OF PAYMENT

2.1 Purchase Price.

The aggregate purchase price to be paid by Aquarion for the Assets is the sum of (i) Seven Million Two Hundred Thousand and 00/100 Dollars (\$7,200,000.00) plus (ii) the total amount of the A/R reflected on the A/R List reduced by \$10,000 to reflect uncollectible amounts, which amount will be further adjusted as provided in Section 2.3 (the “Purchase Price”). At the Closing Date, any customary adjustments will be made with respect to the sale and transfer of the Assets.

2.2 Manner of Payment.

The aggregate Purchase Price specified in Section 2.1 hereof shall be paid on the Closing Date by Aquarion by wire transfer to the trustee account for Bethel and Bethel’s counsel, in accordance with wire instructions provided by Bethel or Bethel’s counsel at least ten (10) business days prior to the Closing Date.

2.3 Purchase Price Adjustment for Compliance Plan.

The amount to be paid under Section 2.1 shall be adjusted such that Aquarion and Bethel shall each pay fifty percent (50%) of the reasonable out-of-pocket costs to be incurred by Bethel prior to the Closing Date and by Aquarion after the Closing Date (the “Compliance Costs”) in

connection with the Compliance Plan (as defined in Section 5.9), subject to Section 2.3(c) below. Such adjustment will be made as follows:

- (a) At least five (5) business days before the Closing, Aquarion and Bethel shall agree on a current estimate of the Compliance Costs (the “Compliance Estimate”), which Compliance Estimate will be based on the best available information at the time, including executed contracts, bids and invoices received and the most recent estimate provided to Bethel for the implementation of the Compliance Plan.
- (b) The price to be paid on the Closing Date under Section 2.1 shall be adjusted such that, (i) to the extent that the Compliance Costs paid by Bethel prior to the Closing Date, as reasonably documented by Bethel (the “Bethel Compliance Costs”), exceed fifty percent (50%) of the Compliance Estimate, then such price will be increased by such excess amount, and (ii) to the extent that fifty percent (50%) of the Compliance Estimate exceeds the Bethel Compliance Costs, then such price will be decreased by such excess amount; provided, however, that in no event will any increase in the price under this Section 2.3(b) exceed \$250,000 (for the avoidance of doubt, any decrease in the price under this Section 2.3(b) is not limited to any maximum amount).
- (c) Promptly upon completion of the work associated with the implementation of the Compliance Plan, Aquarion shall notify Bethel of the total Compliance Costs paid by Aquarion after the Closing Date (the “Aquarion Compliance



Costs”), together with reasonable documentation of such Aquarion Compliance Costs. To the extent that the Compliance Costs at that time exceed the Compliance Estimate, then Bethel shall pay to Aquarion an amount equal to fifty percent (50%) of that excess amount. To the extent that the Compliance Estimate exceeds the Compliance Costs at that time, then Aquarion will pay to Bethel an amount equal to fifty percent (50%) of that excess amount. Notwithstanding the foregoing, any amounts due under this Section 2.3(c) shall be adjusted to the extent necessary in order that the total amount of Aquarion’s liability for Compliance Costs under this Section 2.3 (both as any increase in the price paid at the Closing and any payment under this Section 2.3(c)) shall not exceed \$250,000. All amounts to be paid under this Section 2.3 shall be paid within sixty (60) days after the date on which Aquarion provides the notice described above, or if the amount due is disputed, within 60 days after that dispute is resolved, by wire transfer to the account identified in writing by the party receiving that payment.

- (d) No payments shall be due under this Section 2.3 if this Agreement is terminated prior to the Closing Date.

2.4 Reimbursement for East Swamp Aquifer Well Field.

As further consideration for the Assets, Aquarion shall reimburse Bethel for the reasonable out-of-pocket costs incurred by Bethel prior to the Closing Date in connection with the planning and/or development of a well field at the East

Swamp Aquifer in Bethel (as shown in the maps included in Schedule 1.1.2) for use in connection with the Water System (the “East Swamp Aquifer Well Field”) as provided in Section 5.9, but solely to the extent that such costs exceed the \$40,000 designated for the planning and/or development of the East Swamp Aquifer Well Field (including any Level A Mapping of the Maple Avenue well field) in the Bethel Public Utilities Commission 2012-2013 and 2013-2014 budgets/capital plans. Such reimbursement will be made by Aquarion to Bethel on the Closing Date by wire transfer to the trustee account for Bethel and Bethel’s counsel, in accordance with wire instructions provided by Bethel or Bethel’s counsel at least ten (10) business days prior to the Closing Date. If this Agreement is terminated prior to the Closing Date, any expenditures or costs incurred by Bethel in connection with the planning and/or development of the East Swamp Aquifer Well Field pursuant to Section 5.9 in excess of the \$40,000 designated for the planning and/or development of the East Swamp Aquifer Well Field in the Bethel Public Utilities Commission 2012-2013 and 2013-2014 budgets/capital shall be reimbursed by Aquarion within thirty (30) days of written request and presentation of invoices/payments by Bethel to Aquarion.

### 3. REPRESENTATIONS AND WARRANTIES OF BETHEL

Bethel hereby represents and warrants as follows:

#### 3.1 Organization and Good Standing of Bethel; Status of Bethel.

Bethel is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Connecticut, is legally authorized to sell and distribute water in the

portions of the town of Bethel, Connecticut, in which it presently sells and distributes water through the Water System and has all other requisite power and authority and all necessary licenses and permits to own, lease or operate the Assets and to operate its water utility through the Water System as it is now being operated. Bethel owns all the Assets (including but not limited to the Properties), has the power and authority to execute, deliver and perform the terms and provisions of the Agreement, and is not, or upon receipt of regulatory approvals required for the consummation of the transaction contemplated by this Agreement in accordance with Section 3.5 hereof, will not be, under any receivership, impediment, or prohibition imposed by any court, regulatory commission, board, administrative body, arbitration board or tribunal or other federal, state or municipal government instrumentality that would render Bethel unable to enter into or carry out any provision of this Agreement.

3.2 Title to Properties: Use of Water.

Schedule 3.2(ii) lists all liens on the Water System Assets that exist as of the effective date of this Agreement, each of which will be released on or prior to the Closing Date. Bethel has good and marketable title to all of the Water System Assets, each as referred to in Section 1.1 of this Agreement, and except as shown on Schedule 3.2(i), such Assets are or will be on the Closing Date free and clear of all mortgages, liens, pledges, security interests, restrictions on transfer, claims or encumbrances of any nature whatsoever (collectively, “Liens”), and no other assets or property interests are necessary or appropriate for the proper conduct and operation of Bethel’s water supply business in the Water System and the distribution and delivery of water to each water customer in the Water System. Bethel has the right to use the water it is now using in the manner in which it is using such water in the Water System, and such rights, upon (A) approval of the transactions contemplated by the Agreement (i) by the Town of Bethel Public

Utilities Commission, Town of Bethel Board of Selectman, Town of Bethel Board of Finance, Town of Bethel Town Meeting and/or Referendum of the voters of the Town of Bethel, along with report from the Town of Bethel Planning and Zoning Commission (collectively, the “Bethel Approvals”) (some of which may be obtained prior to the execution of this Agreement), (ii) by the DPH, and (iii) by the Connecticut Public Utilities Regulatory Authority (“PURA”), (B) the subdivision of the parcel located at 7U Webb Road in Bethel currently owned by Bethel such that the treatment facility at such parcel and access to such treatment facility are separated from the remainder of such parcel (the “Bethel Subdivision”) and (C) the subdivision of the parcel abutting Eureka Lake in Danbury currently owned by Bethel (the “Danbury Subdivision” and, together with the Bethel Subdivision, the “Subdivisions”), are transferable to Aquarion without the need of subdivision approval by the City of Danbury Planning Commission or the Bethel Planning and Zoning Commission for properties located in Danbury and Bethel respectively except for administrative approvals of the agencies of Danbury and Bethel which will require the presentation and filing of surveys with the location of improvements thereon with the town clerks’ offices and to such agencies including but not limited to planning /zoning, health and building departments depending on the improvements already located on the properties With respect to the Water System, all water supply sources, pump stations, and storage facilities are located on the Properties which are owned by Bethel in fee simple or to which Bethel has valid easements. To the best of Bethel’s knowledge and except as otherwise disclosed to Aquarion in writing, all mains and service connections are located on real estate owned by Bethel in fee simple, within the public rights-of-way, or within appropriate permanent easements of record in favor of Bethel, and all services to customer premises from mains are located entirely on such

customers' premises, on public rights-of-way or on property owned by Bethel in fee simple, except as may otherwise be set forth in Schedule 3.2(i) attached hereto.

### 3.3 Location and Use of Assets.

The location and present use of the Assets conform to all zoning, building, building line, and similar restrictions, or Bethel has obtained the necessary variances or the same are legally non-conforming under the appropriate law and regulations. The Assets are located in the towns of Bethel and Danbury, Connecticut. The Water System maps attached hereto as Schedule 1.1.2, showing the land, wells, transmission and distribution mains, reservoirs and standpipes, and pumps and pumping stations of the Water System, are, to the best of Bethel's knowledge and belief, accurate in all material respects, except as set forth in Section 3.2(i).

### 3.4 Charter and Resolutions.

(a) The copies delivered to Aquarion of Bethel's Town Charter and of the resolutions adopted by Bethel's Public Utilities Commission and the Bethel Board of Selectmen authorizing the execution and delivery of this Agreement, all of which copies have been certified by Bethel's Town Clerk, are true and complete copies of said documents, and said Charter and resolutions are in full force and effect and include any and all amendments thereto.

(b) As of the Closing Date, the copies to be delivered to Aquarion of the resolutions effecting the Bethel Approvals, all of which copies will have been certified by Bethel's Town Clerk, will be true and complete copies of said documents, and the Bethel Approvals will be in full force and effect as of the Closing Date.

### 3.5 Authorization of Agreement.

The execution, delivery and performance of this Agreement by Bethel will have been duly and validly authorized by all requisite action on the part of Bethel. This Agreement has

been duly executed and delivered by Bethel and constitutes a valid and legally binding obligation of Bethel, enforceable against Bethel in accordance with its terms, subject to receipt of the Bethel Approvals. The Bethel Approvals, the approval of the transfer of the Water System and Assets to Aquarion by the DPH and by PURA and the Subdivisions are the only actions required in order to authorize Bethel to consummate the transactions contemplated by this Agreement.

### 3.6 Absence of Defaults.

The execution and delivery of this Agreement do not, and upon receipt of the Bethel Approvals, the approvals described herein by the DPH and by PURA and receipt of the Subdivisions, the consummation of the transactions contemplated hereby will not, (a) violate any provision of the Town Charter of Bethel; (b) violate, conflict with or result in the breach or termination of, or constitute a default under the terms of, any agreement or instrument to which Bethel is a party or by which it or any of the Assets may be bound; (c) result in the creation of any lien, charge or encumbrance upon the Assets pursuant to the terms of any such agreement or instrument; (d) violate any judgment, order, injunction, decree, license, permit, award, rule or regulation against, or binding upon, Bethel or upon the Assets; or (e) constitute a violation by Bethel of any law or regulation of any jurisdiction, as such law or regulation relates to Bethel, the Water System or the Assets. Except for approval of this Agreement by the DPH and by PURA, the Subdivisions and the Bethel Approvals, Bethel has obtained all consents, releases or waivers from Governmental Authorities and third parties which may be necessary to prevent the execution of this Agreement or the consummation of the transactions contemplated herein from resulting in any violation, breach, default or other event referred to in this Section 3.6.

### 3.7 Litigation, Orders, Etc.

Except as set forth in Schedule 3.7 hereto, there are no actions, suits, proceedings or governmental investigations pending or, insofar as is known to Bethel, in prospect or threatened, against or relating to Bethel in its capacity as owner and operator of the Water System and the Properties, the Assets or the transactions contemplated by this Agreement in or before any court, regulatory commission, board, administrative body, arbitration board or tribunal or other federal, state or municipal government instrumentality. Except as set forth in Schedule 3.7 hereto, the Water System, and Bethel in its capacity as owner and operator of the Water System and the Properties, are not subject to or in violation of any judgment, order, decree, injunction or award of any court, regulatory commission, board, administrative body, arbitration board or tribunal or other federal, state or municipal government instrumentality entered in any proceeding to which they were a party or of which they had knowledge, including, without limitation, decisions, orders or proceedings of PURA, DPH, the Connecticut Department of Energy and Environmental Protection, the Internal Revenue Service, and the town of Bethel, Connecticut and the city of Danbury, Connecticut. No proceedings are pending or, to the knowledge of Bethel, threatened against the rates now being charged by Bethel in the Water System.

### 3.8 Contracts; Liabilities.

Schedule 3.8 contains a true and complete list of all material contracts, agreements, leases, instruments and similar or other documents pertaining, directly or indirectly, in whole or in part, to the ownership or operation of the Water System or the Properties to which Bethel is a party or to which the Assets are subject by which (i) Bethel is obligated to pay any amount or to provide any service at any time or (ii) Bethel will receive any amount or to provide any service at any time. Except as set forth in Schedule 3.8, all such contracts, agreements, leases, instruments

and documents are valid and in full force and effect, and, to the best of Bethel's knowledge, no other party to any such contract, agreement, lease, instrument or document has breached any material provision of, or is in default in any material respect under the terms of any such contract, agreement, lease, instrument or document. Except as is set forth to the contrary in Schedule 3.8, no contract, agreement, lease, instrument or document of Bethel will be transferred to Aquarion, and every agreement, lease, instrument and document to be so transferred can be transferred by Bethel to Aquarion pursuant to this Agreement without obtaining the consent of any other party, or such consent has been given in a form reasonably satisfactory to Aquarion. Except as set forth in Schedule 3.8, the Assets are subject to no actual or contingent liabilities of any type whatsoever.

3.9 No Brokers.

All negotiations relative to this Agreement have been carried on by Bethel directly with Aquarion, without the intervention of any person as a result of any act of Bethel in such manner as to give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment.

3.10 Financial Statements, Annual Reports.

Bethel's financial statements with respect to the Water System for each of the years ending June 30, 2010, 2011 and 2012, heretofore furnished to Aquarion, are true, correct and complete, were prepared in accordance with generally accepted accounting principles consistently applied and present fairly the financial position and the results of the operations of the Water System at the date and for the period indicated.



3.11 Absence of Adverse Change.

Bethel represents that, since June 30, 2012, there has not been any material change in the financial condition, results of operations, assets, liabilities or business of the Water System, whether or not described in the financial statements described in Section 3.10 hereof, other than changes in the ordinary course of business, which have not been materially adverse.

3.12 Compliance with Laws; No Environmental Hazards.

(a) Bethel represents that the location and construction, occupancy, operation and use of all improvements now and hereafter attached to or placed, erected, constructed or developed on the Properties or as a portion of the Water System (the “Improvements”) do not violate any applicable law, statute, ordinance, rule, regulation, policy, order or determination of any Governmental Authority or any restrictive covenant or deed restriction affecting any portion of the Water System, including without limitation, any applicable health, environmental, rates, utility, water quality, antitrust, collective bargaining, safety, payment of withholding and social security taxes, zoning ordinances and building codes, flood and disaster laws, rules and regulations (hereinafter collectively called the “Applicable Laws”).

Bethel represents that Schedule 3.12 (a) discloses a list of all governmental licenses, permits, certifications and approvals of any Governmental Authority possessed by or granted to Bethel (“Licenses”) and used or relied upon in the operation of the Water System. Except as set forth in Schedule 3.12 (a), Bethel knows of no reason why any License used in or necessary for the operation of the Assets and the Water System should terminate prior to its stated expiration date or not be renewed in accordance with past practices of the Water System, and Bethel is not in violation of any term or condition of any License.

(b) Without in any way limiting the generality of Section 3.12 (a) above, neither any of the Assets nor Bethel are the subject of any pending or, to the best of Bethel's knowledge, threatened investigation or inquiry by any Governmental Authority, or are subject to any known remedial obligations under any Applicable Laws pertaining to health or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation Recovery Act of 1987, as amended ("RCRA"), the Safe Drinking Water Act, as amended ("SDWA"), the Clean Water Act, as amended ("CWA"), the Toxic Substances Control Act ("TSCA"), the Connecticut Water Pollution Control Act ("WPCA") or any other applicable provision of Title 22a of the Connecticut General Statutes (all collectively hereinafter referred to as "Applicable Environmental Laws"), and this representation and warranty would continue to be true and correct following disclosure to any applicable Governmental Authority of all relevant facts, conditions and circumstances pertaining to the Assets and/or Bethel.

(c) Bethel is in compliance with Applicable Environmental Laws and is not required to obtain any permits, licenses or authorizations to construct, occupy, operate or use any portion of the Assets as it is now being used by reason of any Applicable Environmental Laws, except as set forth in Schedule 3.12(c).

(d) No prior use of the Assets by Bethel or, to the best of Bethel's knowledge, any prior owners of the Assets has occurred which violates any Applicable Environmental Laws. Bethel has not at any time, directly or indirectly "treated," "disposed of," "generated," "stored" or "released" any "toxic or hazardous substances," as each term is defined under the Applicable Environmental Laws, or arranged for such activities, in, on or under the Assets or any parcel of land, whether or not owned, occupied or leased by Bethel.

(e) There has been no litigation brought or, to the best of Bethel's knowledge, threatened nor any settlement reached by or with any parties alleging the presence, disposal, release, or threatened release, of any toxic or hazardous substance or solid wastes from the use or operation of the Assets or the Properties, and none of the Assets or the Properties are on any federal or state "Superfund" list, or subject to any environmentally related liens.

3.13 Insurance.

Bethel maintains insurance in connection with the Properties and the Water System Assets against hazards and risks and liability to persons and property to the extent and in the manner customary in the water utility industry.

3.14 Condition of Assets.

Except as specifically set forth in Schedule 3.14 hereto, to the best of Seller's knowledge and belief, the Assets which constitute the Water System were designed and installed in accordance with good waterworks engineering practice as of the date the same were designed and installed and the then applicable rules and regulations of the applicable Governmental Authorities. The Assets have been adequately maintained and are in operating condition and repair, ordinary wear and tear excepted, are fit for their intended purpose, and conform to all restrictive covenants, applicable laws, regulations and ordinances relating to their construction, use and operation, except as noted in 3.12(c) above.

3.15 Tax Matters.

Bethel has paid all property taxes due to the City of Danbury with respect to its real property in Danbury, and expect for such property taxes, Bethel is not required to file with any Governmental Authorities any tax returns, reports or other filings or to pay any income,

withholding, sales, use, gross earnings, real and personal property, excise or other taxes with respect to the Assets or the Water System.

3.16 Disclosure.

No representation or warranty in this Article 3 or in any information, list, schedule or certificate furnished or to be furnished by or on behalf of Bethel pursuant to this Agreement or in connection with actions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit a material fact necessary to make the statement contained herein or therein not misleading.

3.17 Investigation.

Aquarion shall use commercially reasonable efforts to provide notice to Bethel if Aquarion's investigation or examination of the business, property or operations of the Water System or of the Assets prior to the Closing Date reveals a violation of any representation or warranty by Bethel; provided, however, that such investigation or examination by Aquarion shall not affect the representations and warranties of Bethel herein contained.

4. REPRESENTATIONS AND WARRANTIES OF AQUARION

Aquarion hereby represents and warrants as follows:

4.1 Organization and Good Standing.

Aquarion is a public service company as defined in Section 16-1 of the General Statutes of Connecticut and is a corporation duly organized, validly existing, and in good standing under the laws of the State of Connecticut.

#### 4.2 Authority Relative to this Agreement.

Except for approval by the Board of Directors of Aquarion, the execution and delivery of this Agreement by Aquarion has been duly and validly authorized by all requisite action on the part of Aquarion. This Agreement has been duly executed and delivered by Aquarion and constitutes a valid and legally binding obligation of Aquarion, enforceable in accordance with its terms. Approval by the Board of Directors of Aquarion, approval of the transfer of the Water System and Assets by the DPH and, if necessary, approval of the transfer of the Water System and Assets by PURA are the only other actions required in order to authorize Aquarion to consummate the transactions contemplated by this Agreement.

#### 4.3 Absence of Defaults.

The execution and delivery of this Agreement does not, upon approvals described herein by the DPH, and by PURA, and consummation of the transactions contemplated hereby will not, (a) violate any provision of the Certificate of Incorporation or Bylaws of Aquarion; (b) violate, conflict with or result in the breach or termination of, or constitute a default under the terms of, any agreement or instrument to which Aquarion is a party or by which it or any of the Assets may be bound; (c) violate any judgment, order, injunction, decree, award, rule or regulation against, or binding upon, Aquarion; or (d) constitute a violation by Aquarion of any law or regulation of any jurisdiction as such law or regulation relates to Aquarion.

#### 4.4 No Brokers.

All negotiations relative to this Agreement have been carried on by Aquarion directly with Bethel without the intervention of any person as a result of any act of Aquarion in such manner as to give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee or other like payment.

5. CONDUCT OF THE PARTIES PENDING THE CLOSING DATE

5.1 Approvals and Consents.

(a) Bethel and Aquarion will use commercially reasonable efforts to effect the Subdivisions and to secure the Bethel Approvals and the approval of the transactions contemplated by this Agreement by the DPH and PURA and by all other parties whose consent is required by law or under the terms of any indenture, contract, consent order or agreement to which Bethel or Aquarion is a party. Aquarion will prepare the application for the DPH approval of the transactions contemplated by this Agreement, with Bethel's cooperation and based on information provided to Aquarion by Bethel, but Bethel will remain responsible for obtaining that approval.

(b) In applying for the approval of the transactions contemplated by this Agreement by the DPH, Bethel and Aquarion shall request that, after the Closing Date, Aquarion will (i) provide public access to the Acquired Properties in Danbury and the Acquired Property at 7U Webb Road in Bethel for passive recreation in a manner that is consistent with Applicable Laws and the access provided by Aquarion for passive recreation on its other properties according to Aquarion's policies in effect from time to time and (ii) grant an easement to Bethel for the continued use of the ball field located on Maple Avenue, subject to Applicable Laws (including without limitation any DPH restrictions on that use). Notwithstanding the foregoing, the closing of the transactions contemplated by this Agreement are not conditioned upon the DPH's approval of that request or any particular level of recreational access to such Acquired Properties or use of such ball field, subject to the provisions of this Section 5.1(b).

5.2 Conduct of the Company's Business.

Until the Closing Date, Bethel shall conduct its business and affairs with respect to the Properties and the Water System only in the ordinary course, and so that the representations and warranties contained in Article 3 hereof will be true and correct at and as of the Closing Date, except for changes permitted or contemplated by this Agreement, and so that the conditions to be satisfied by Bethel on or prior to the Closing Date shall then have been satisfied. Bethel shall use its best efforts to maintain and preserve the operation of the Water System, and to preserve its relationships with persons or entities having business relations with Bethel relating to the Water System. Bethel will cooperate with Aquarion on and after the Closing Date to effect a satisfactory transition in the operation of the Water System.

Without limiting the generality of the foregoing, pending the Closing Date, without the prior written consent of Aquarion (which consent shall not be unreasonably withheld):

(a) Bethel shall not dispose of any of the Assets other than in the ordinary course of business, which such disposal shall in no event exceed \$50,000 in any individual transaction or \$100,000 in the aggregate;

(b) Bethel shall not incur any additional liabilities with respect to the Water System, except with respect to utilities as incurred in the ordinary course of business, or such other liabilities incurred in the ordinary course of business which do not exceed \$50,000 individually or \$100,000 in the aggregate, whether for borrowed money or otherwise, or encumber any of the Assets;

(c) Bethel shall not take any action that might adversely affect its ability to pass good and marketable title to the Assets free and clear of all liens and charges;

(d) Bethel shall maintain in force all existing casualty and liability insurance policies and fidelity bonds relating to the Assets, or policies or bonds providing substantially the same coverage;

(e) Bethel shall advise Aquarion in writing of any material, adverse change or any event, occurrence or circumstance which is likely to cause a material adverse change in the Assets or liabilities (whether absolute, accrued, contingent or otherwise); and

(f) Bethel shall operate the Water System in accordance with general water works standards, maintain the Assets in operating condition, and as good condition as exists as of the effective date of this Agreement, reasonable wear and tear excepted.

### 5.3 Termination of Agreements.

Unless otherwise permitted by Aquarion and except as provided in Section 5.9, Bethel shall take any and all action as is necessary in order to terminate, prior to the Closing Date, any and all agreements, arrangements or understandings relating in any manner directly to the Water System (i) by or on behalf of Bethel; (ii) by or on behalf of Bethel relating to matters related to the water utility operations of the Water System; and (iii) listed in Schedule 3.8, other than (a) existing service extension agreements previously approved by the DPH, and (b) those listed on Schedule 1.2.

### 5.4 Information and Access.

Bethel shall give to Aquarion and to Aquarion's representatives full access at such times and locations as are mutually agreed upon by Aquarion and Bethel to all the Assets. All of the books, contracts, documents, accounting and financial records, customer records, and files of Bethel related to the Assets may be inspected at the office of Bethel by mutual agreement of Aquarion and Bethel. Bethel will furnish to Aquarion copies of all such documents and records



at Aquarion's expense with respect to Bethel's business as Aquarion may reasonably request. Said access shall specifically include access to (i) all personnel records of Bethel, (ii) all contracts and agreements referred to in Section 3.8 hereof, (iii) all files and records described in Section 1.1 relating to the Water System or this Agreement; and (iv) the Water System; provided however, that Aquarion's access to all personnel records of Bethel shall not commence until the receipt of the last of the approvals described in Section 7.1 hereof.

#### 5.5 Observation.

Until the Closing Date, Aquarion may assign its personnel or other representatives to observe the operations of the Water System or to consult with personnel or agents of Bethel with respect to the conduct of the business of the Water System. Bethel agrees to cooperate with Aquarion and its representatives to facilitate such observation in times, places and manners that allow Aquarion to gather necessary or appropriate information without disrupting or increasing the cost of Bethel's ongoing operations.

#### 5.6 Lawsuits.

Bethel shall notify Aquarion promptly of any lawsuit, claim, proceeding or investigation that may be threatened, brought, asserted or commenced (a) involving the transaction contemplated by this Agreement or (b) which might have a material adverse effect on the Assets.

#### 5.7 Compliance with Laws.

With respect to the Water System and the Properties, from the date hereof, Bethel shall use its reasonable efforts to remain in compliance with all federal, state, local and other laws, statutes, ordinances, rules, regulations, orders, judgments, and decrees applicable to the Water System or the Assets. Bethel shall promptly disclose any violations of any such laws, statutes,

ordinances, rules, regulations, orders, judgments, and decrees, including without limitation any violations of water quality or environmental regulations, to Aquarion.

5.8 Additional Documents.

Bethel and Aquarion shall each execute and deliver such other documents which may be reasonably requested for the purpose of carrying out the transactions contemplated by this Agreement.

5.9 Compliance Plan Implementation and East Swamp Aquifer Well Field.

(a) Bethel and Aquarion will meet with DPH promptly after the execution of this Agreement in order to develop and implement a plan to effect compliance with the Disinfectant\Disinfection By-Product (Stage 1 and Stage 2) and Surface Water Treatment (Surface Water Treatment, Long Term 1 and Long Term 2) Rules that will be reasonably acceptable to Aquarion and to Bethel (the “Compliance Plan”) and for Bethel to enter into a Consent Agreement with DPH that provides an extended schedule for the start of compliance monitoring for the Stage II DBP Rule in order to provide reasonable time for implementation of the Compliance Plan (the “Consent Agreement”). The Compliance Plan is expected to include design, permitting and construction of a replacement for the South Street Pump Station to minimize the use of the Chestnut Ridge treatment. Any such replacement for the South Street Pump Station will be constructed above ground in the location depicted on Schedule 5.9 (which schedule shall be revised prior to the Closing in accordance with Section 12.8 and to reflect any engineering and surveys related to that construction) or in another location mutually agreed by Bethel and Aquarion. At the Closing, Bethel will grant an easement to Aquarion for the site of any replacement for the South Street Pump Station or any other equipment or site needed for the implementation of the Compliance Plan, including ingress and egress to such equipment or site

and reasonable parking associated therewith. The Consent Agreement will be assignable to Aquarion at the Closing without any further consent, approval or other action by the DPH.

(b) Bethel and Aquarion will use commercially reasonable efforts promptly after the execution of this Agreement to develop and implement a plan for the development of the East Swamp Aquifer Well Field that will be reasonably acceptable to Aquarion and to Bethel, which plan will provide for developing the new supply from the East Swamp Aquifer Well Field as soon as practicable. Bethel will utilize the \$40,000 designated for the planning and/or development of the East Swamp Aquifer Well Field (including any Level A Mapping of the Maple Avenue well field) in the Bethel Public Utilities Commission 2012-2013 and 2013-2014 budgets/capital plans for the development of that new supply prior to the Closing, as agreed by Aquarion and Bethel.

(c) Any design or construction undertaken pursuant to the Compliance Plan or in connection with the development of the East Swamp Aquifer Well Field shall be subject to Aquarion's reasonable approval, and any design or construction costs in connection with the East Swamp Aquifer Will Field that are to be reimbursed by Aquarion pursuant to Section 2.4 shall only be incurred at the written direction of Aquarion. All contractors and vendors performing work or providing equipment in connection with the Compliance Plan or the East Swamp Aquifer Well Field, and all contracts with such contractors and vendors, shall be reasonably acceptable to Aquarion, and all such contracts shall be assignable to Aquarion at the Closing without any further approval or consent from, or notice to, any such contractor or vendor. Aquarion shall have a reasonable opportunity to review all bids submitted for work or equipment associated with the Compliance Plan and the East Swamp Aquifer Well Field prior to any contract for that work or equipment being entered into. At the Closing, Bethel shall assign all of

its rights, and Aquarion shall assume all of Bethel's obligations and liabilities, under such contracts that are approved by Aquarion pursuant to this Section 5.9(c).

(d) During the period between the execution of this Agreement and the Closing Date, Bethel will provide Aquarion with written monthly updates on the status of the implementation of the Compliance Plan and the development of the East Swamp Aquifer Well Field, which updates shall be reasonably acceptable to Aquarion. In addition, Bethel will provide Aquarion with reasonable access to its books and records and to its employees, contractors and vendors during normal business hours in order to respond to any questions or concerns that Aquarion may have with respect to the implementation of the Compliance Plan or the development of the East Swamp Aquifer Well Field.

(e) Bethel shall remain responsible for obtaining all permits, approvals and third party consents relating to the Compliance Plan and the East Swamp Aquifer Well Field that are required prior to the Closing Date, and Aquarion will use commercially reasonable efforts to assist Bethel in obtaining such permits, approvals and consents. Bethel will not amend any ordinances (other than zoning ordinances) prior to, on or after the Closing Date to the extent that such amendment would adversely affect the implementation of the Compliance Plan or the development of the East Swamp Aquifer Well Field by either Aquarion or Bethel, and the Bethel Board of Selectmen will oppose any amendment to any zoning ordinance prior to, on or after the Closing Date to the extent that such amendment would adversely affect the implementation of the Compliance Plan or the development of the East Swamp Aquifer Well Field by either Aquarion or Bethel.

(f) Without limiting the generality of any other provision of this Agreement, the parties acknowledge that any improvements to the Water System as a result of the

Compliance Plan and the development of the East Swamp Aquifer Well Field are components of the Assets being purchased under this Agreement, and no additional consideration will be provided to Bethel for such improvements or any portion thereof completed on or prior to the Closing Date (other than as set forth in Section 2 hereof).

5.10 Additional Easements.

Bethel and Aquarion will use commercially reasonable efforts both before and after the Closing to identify any additional easements or other access rights required by either of them in connection with the Assets or the Water System (in the case of Aquarion) or in the ordinary course of business (in the case of Bethel) and to negotiate and enter into mutually acceptable documentation to effect such easements or other access rights.

6. COVENANTS OF AQUARION

6.1 Cooperation.

Aquarion will refrain from voluntarily taking any action which would knowingly (a) render any representation or warranty contained in this Agreement inaccurate as of the Closing Date, (b) be inconsistent with the satisfaction of the requirements, covenants, and agreements applicable to it as set forth in this Agreement, or (c) impede or prevent the conditions to the consummation of the transaction contemplated by this Agreement from being satisfied.

6.2 Lawsuits.

Aquarion shall promptly notify Bethel of any lawsuit, claim, proceeding or investigation which may be threatened, be brought, asserted or commenced involving the transactions called for in this Agreement or which might have an adverse impact upon Bethel.

### 6.3 Employees.

On or prior to Closing Date, Aquarion shall offer employment to and, if such offer is accepted, hire no more than three (3) of the employees of Bethel directly responsible for the operation and maintenance of the Water System, which employees are listed on Schedule 6.3 (the “System Employees”), on terms and with employee benefits that are consistent with those offered to new employees of Aquarion in similar functions; provided that should it be discovered by Aquarion on or prior to the Closing Date that one or more of the System Employees to be offered employment hereunder has personnel issues or problems discovered by Aquarion through its due diligence or as set forth within the Town of Bethel personnel files, Aquarion may choose not to offer employment to or hire such System Employee(s) with personnel issues or problems, and Aquarion shall not be required to offer employment to or to hire a different System Employee to replace any such System Employee with personnel issues or problems. Aquarion intends to retain the System Employees hired by it hereunder for at least one year following the Closing, but Aquarion retains the right to terminate any System Employee hired by it in a manner that is consistent with its then existing employment policies for employees of Aquarion in similar functions, subject to Applicable Laws. Notwithstanding the foregoing, the closing of the transactions contemplated by this Agreement are not conditioned upon any of the System Employees agreeing to accept any offer of employment from Aquarion.

### 6.4 Water Rates.

Any request by Aquarion for the approval by PURA of the transactions contemplated by this Agreement shall include a request that the rates to be charged by Aquarion to the customers of the Water System, including the rates for fire charges but not including tapping fees, cross-connection fees and other miscellaneous charges, be limited to those as previously adopted by

Bethel for a period of three (3) years after the date of the Closing. Notwithstanding the foregoing, the closing of the transactions contemplated by this Agreement are not conditioned upon PURA approving any particular rates for customers of the Water System.

## 7. CONDITIONS OF AQUARION'S OBLIGATIONS

The obligations of Aquarion to be performed by it under this Agreement shall be subject on or prior to the Closing Date to the following conditions, any of which may be waived by Aquarion in its sole discretion:

### 7.1 Required Approvals.

(a) The transactions contemplated by this Agreement shall have been approved by the DPH and by PURA, and the Bethel Approvals shall have been received.

(b) PURA shall have concluded in its decision on this acquisition that (i) for all purposes in future rate-making proceedings with respect to the Water System (regardless of whether or not such System is included as part of any division of Aquarion), the total purchase price paid by Aquarion for the Assets shall be considered to be the net book value of the Assets, or, alternatively, as the appropriate rate base for determining rate of return on the Assets.

(c) The DPH shall have approved the transfer of Class I, Class II and Class III water company land, as contemplated by this Agreement, and provided any other approvals necessary for completion of this transaction.

(d) Bethel shall have continued to meet all statutory and regulatory requirements including but not limited to monitoring and reporting requirements of the DPH and shall submit results to DPH through the Closing Date.

(e) Bethel's 2010, 2011 and 2012 Consumer Confidence Reports and 2011, 2012 and 2013 Water Quality Monitoring Reports shall indicate that there were and are no water quality parameters in violation of the Connecticut State Public Health Code for the time periods covered by such reports, except as otherwise disclosed on Schedule 7.1(e).

(f) Bethel shall have issued its 2012 Consumer Confidence Report to its customers.

(g) Bethel shall have provided Aquarion with any and all water production data, water quality data and compliance information collected in 2013, all of which shall be reasonably acceptable to Aquarion.

(h) Aquarion shall be satisfied with the results of analyses performed on the water quality samples to be collected by Aquarion from Seller's Water System on or before April 30, 2013.

(i) Bethel shall have effected each of the Subdivisions.

(j) Within five days of receipt of the last of the relevant decisions, orders or other communications from the DPH and PURA and of the Bethel Approvals, Aquarion shall advise Bethel in writing as to whether such communications comply with the requirements of this Section 7.1, and, if such communications do not comply with such requirements, whether or not Aquarion intends to proceed with the transactions contemplated herein.

## 7.2 Consents.

Bethel shall have obtained the consents necessary or appropriate, in the reasonable opinion of Aquarion's counsel, in order for Aquarion to effect the transactions contemplated by this Agreement.



7.3 Termination of Agreements.

Any agreements of the type described in Section 5.3 shall have been terminated, and evidence of such termination, in form and substance reasonably satisfactory to Aquarion, shall have been delivered to Aquarion.

7.4 Performance by Bethel.

All representations and warranties of Bethel contained in this Agreement or in any document delivered by or on behalf of Bethel to Aquarion pursuant to this Agreement shall be true and correct in all material respects at and as of the Closing Date, except for changes permitted or contemplated by this Agreement, and Bethel shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

7.5 Adverse Change.

Since the date of this Agreement, there shall have been no material adverse change in the Assets or in the business, results of operations, or condition, financial or otherwise, of the Water System.

7.6 Instruments of Transfer.

All such assignments and instruments of conveyance and transfer necessary, in the reasonable opinion of counsel for Aquarion, to convey the Assets to be transferred hereunder shall have been duly executed by Bethel in such form as to be effective under Connecticut law to convey to Aquarion good and marketable title and all rights of Bethel in and to the Assets.

7.7 Form of Documents.

All actions, proceedings, instruments and documents required to carry out this Agreement or incidental thereto and all other related matters shall have been approved by Aquarion and Bethel.

7.8 Litigation.

No suit, action, proceeding or governmental investigation shall be threatened, pending or reasonably believed by Aquarion to be in prospect before or by any court or governmental agency which, in the reasonable opinion of Aquarion, renders completion of the transfer contemplated hereby economically impractical.

7.9 Opinion of Counsel for Bethel.

Aquarion shall have received an opinion, dated the Closing Date, satisfactory in form and substance to Aquarion from Martin J. Lawlor, Jr., counsel for Bethel, with respect to the matters set forth in Schedule 7.9 of this Agreement. In rendering such opinion, Bethel's counsel shall be entitled to rely, as to matters of fact, on certificates of public officials and Bethel.

7.10 2013 Financial Statements

Bethel shall have provided to Aquarion, at least 30 days prior to the Closing, financial statements for the Water System for the year ending June 30, 2013 (the "2013 Financials"). The representations and warranties contained in Section 3.10 shall be applicable to the 2013 Financials in the same manner as applicable to the 2011 and 2012 statements referred to in Section 3.10. The June 30, 2013 Financials shall contain no change in the financial position, results of operations, assets, liabilities or business of the Water System, whether or not described in the financial statements described in Section 3.10, other than changes in the ordinary course of business which have not been materially adverse.

7.11 Schedules.

The Schedules to this Agreement shall have been completed or updated by Bethel to Aquarion's satisfaction as described in Section 12.8, and the relevant representations and warranties of Bethel in Section 3 of this Agreement, as supplemented by such schedules, shall be true and correct in all material respects.

7.12 A/R List and A/R Proceeds.

Seller shall have delivered to Aquarion the A/R List, which shall be reasonably acceptable to Aquarion.

7.13 Compliance Plan and Consent Agreement.

Bethel shall have complied with the Compliance Plan and the Consent Agreement through the Closing Date in all material respects.

7.14 No Ordinance Change.

Bethel shall not have amended any zoning or other ordinances to the extent that such amendment could adversely affect the implementation of the Compliance Plan or the development of the East Swamp Aquifer Well Field by either Aquarion or Bethel.

8. CONDITIONS OF THE OBLIGATIONS OF BETHEL

The obligations of Bethel to be performed by it under this Agreement shall be subject, on or prior to the Closing Date, to the following conditions, any of which may be waived by Bethel in its sole discretion:

8.1 Required Approvals.

The transactions contemplated by this Agreement shall have been approved by the Board of Directors of Aquarion, the DPH, and PURA, all as contemplated by this Agreement.

8.2 Performance by Aquarion.

The representations and warranties of Aquarion contained in this Agreement or in any document delivered by or on behalf of Aquarion to Bethel pursuant to this Agreement shall be true and correct in all material respects at and as of the Closing Date, except for changes permitted or contemplated by this Agreement, and Aquarion shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

8.3 Litigation.

No suit, action, proceeding or governmental investigation shall be threatened, pending or reasonably believed by Bethel or its counsel to be in prospect before or by any court or governmental agency which, in the reasonable opinion of Bethel or its counsel, renders completion of the transfer contemplated hereby economically impractical.

8.4 Meter Agreement.

Bethel and Aquarion shall have entered into a mutually acceptable agreement providing for Aquarion to furnish Bethel with periodic meter readings for Aquarion's customers in the Water System in order for Bethel to render sewer charge invoices to those customers.

## 9. INDEMNIFICATION

### 9.1 Indemnification.

(a) Aquarion shall be indemnified and held harmless by Bethel from and against any and all liabilities, assessments, deficiencies, penalties, interest, damages, losses, claims and expenses (including, but not limited to, court costs and attorneys' fees) (hereinafter collectively referred to as the "Losses") which Aquarion may sustain or which may be asserted against Aquarion, arising out of or founded in any way upon (i) the operation of Bethel's business prior to the Closing Date; or (ii) the ownership of the Properties prior to the Closing Date; or (iii) any breach or default of or under any of the representations, covenants or other provisions of this Agreement, including any document furnished or delivered to Aquarion pursuant to this Agreement, or resulting from any material omission in any of the foregoing necessary to make the same not misleading provided that in all cases Aquarion notifies Bethel in writing of its claim within three years of the Closing.

(b) Except as set forth in clause (c) of this Section, Aquarion shall not be entitled to recover under clause (a) of this Section unless and until the Losses recoverable hereunder exceed \$36,000 in the aggregate, at which point Aquarion shall be entitled to recover (i) the full amount of such Losses from the first dollar to the extent that any of such Losses are covered by insurance maintained by Bethel and (ii) the amount of such Losses in excess of \$36,000 to the extent that such Losses are not covered by such insurance. The total liability of Bethel under clause (a) of this Section shall not exceed the Purchase Price.

(c) The minimum Losses and maximum liability of Bethel under clause (b) of this Section shall not apply to any Losses relating to a breach by Bethel of Section 3.12(b), Section 3.12(c), Section 3.12(d) or Section 3.12(e) with respect to the Release Properties (relating to

conditions or events occurring prior to the Closing Date) if such Losses arise or the claim for such Losses is asserted after the date when the Release Property at issue is conveyed to Bethel pursuant to Section 1.3(b).

9.2 Indemnification Remedy; Arbitration.

In the event that Bethel is obligated to indemnify or hold harmless Aquarion pursuant to Section 9.1 hereof, Aquarion shall have the unqualified right under this Agreement to take any and all action, legal or otherwise, necessary or desirable, to obtain said payments. If the parties are unable to agree on the value of the Losses, such dispute shall be settled by arbitration in Hartford, Connecticut, pursuant to the rules then obtaining of the American Arbitration Association.

10. TERMINATION

10.1 Termination Events.

This Agreement may be terminated and abandoned at any time prior to the Closing Date:

- (a) by mutual agreement of Aquarion and Bethel;
- (b) by Aquarion or Bethel, if the approvals set forth in Section 7 hereof shall have not been obtained on or before a date twelve (12) months from the date hereof;
- (c) by Aquarion if the conditions set forth in Section 7 shall not have been complied with or performed in any material respect and such noncompliance or nonperformance shall not have been cured or eliminated by Bethel on or before the Closing Date;
- (d) by Aquarion if Bethel does not cure title defects or remove liens or encumbrances on the Property as requested by Aquarion, within the timeframe as set forth in Section 1.3;

(e) by Bethel, if the conditions set forth in Section 8 shall not have been complied with or performed in any material respect, and such noncompliance or nonperformance shall not have been cured or eliminated by Aquarion on or before the Closing Date; or

(f) by Aquarion pursuant to Section 1.3 or Section 12.8.

#### 10.2 Effect of Termination; Return of Materials; Expenses, Etc.

(a) If this Agreement is terminated because of either party's inability, after good faith effort, to secure the Bethel Approvals or the approval of the DPH and PURA, or to effect the Subdivisions, all as required by law, each party shall return to the other party all written material obtained in connection with the transactions contemplated hereby, whether obtained before or after the execution of this Agreement.

(b) Regardless of whether or not the transactions contemplated by this Agreement are consummated, each party shall pay its own expenses (including, without limitation, the fees and expenses of its agents, representatives, counsel, and accountants) incurred in connection therewith.

### 11. AMENDMENT AND WAIVER

This Agreement may be amended in writing at any time prior to the Closing Date by the mutual written consent of Bethel and Aquarion.

### 12. OTHER PROVISIONS

#### 12.1 Governing Law.

This Agreement shall be construed and interpreted according to the laws of the State of Connecticut.

12.2 Assignment.

This Agreement may not be assigned by any party hereto without the prior written consent of the parties, and any attempt to assign without such consent shall be voidable by any party.

12.3 Notices.

All notices, waivers, and consents under this Agreement shall be in writing and shall be deemed to have been duly given if delivered or mailed, first class mail, postage prepaid, addressed as follows:

If to Bethel to:

First Selectman Matthew S. Knickerbocker  
Town of Bethel  
CJH Municipal Center  
One School Street  
Bethel, CT 06801

with a copy to:

Martin J. Lawlor, Jr., Esq.  
99 Greenwood Avenue  
Bethel, Connecticut 06801

If to Aquarion to:

Donald J. Morrissey  
Executive Vice President and Chief Financial Officer  
Aquarion Water Company of Connecticut  
835 Main Street  
Bridgeport, Connecticut 06606

with a copy to:

Paul Belval, Esq.  
Day Pitney LLP  
242 Trumbull Street  
Hartford, Connecticut 06103



12.4 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be treated as an original, but all of which, collectively, shall constitute only one instrument.

12.5 Survival of Representations and Warranties.

Aquarion and Bethel agree that the representations and warranties contained in this Agreement or in any instrument delivered hereunder shall survive the Closing Date for a period of one (1) year and shall be unaffected by any investigation made by any party hereto. The representations and warranties contained herein shall not survive beyond said one (1) year period.

12.6 Waiver.

Waiver of any term or condition of this Agreement by any party shall only be effective if in writing and shall not be construed as a waiver of any subsequent breach or failure of the same term or condition, or a waiver of any other term or condition of this Agreement.

12.7 Successor and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the parties hereto.

12.8 Schedules.

Bethel shall complete or update each of the Schedules referenced herein, with the exception of Schedule 7.9, the process for completion of which is described in Section 7.9, within 30 days following the date of execution of this Agreement, which completed or updated schedules shall be acceptable to Aquarion in its sole discretion. Aquarion shall have 30 days after receipt of the completed or updated schedules to object to their content or execute an amendment revising the Agreement to include such schedules. If Bethel is unable to complete or

update such schedules, or Aquarion objects to such schedules as completed or updated by Bethel, Aquarion shall have the right to terminate this Agreement with no further obligations hereunder.

12.9 Severability.

In case one or more provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, rule or regulation, the validity, legality, and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby.

12.10 A/R Proceeds.

Any A/R Proceeds received by Bethel after the Closing Date shall be held in trust by Bethel for the benefit of Aquarion, shall be segregated in a separate account from amounts held by Bethel that are not A/R Proceeds, and shall be promptly delivered to Aquarion.

*[Signature Page Follow]*

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

AQUARION WATER COMPANY OF  
CONNECTICUT

By \_\_\_\_\_  
Donald J. Morrissey  
Its Chief Financial Officer and  
Corporate Secretary

TOWN OF BETHEL

By \_\_\_\_\_  
Matthew S. Knickerbocker  
Its First Selectman

SCHEDULE 1.1.1

List of Properties

Part 1: Acquired Properties

Town of Bethel Water Department  
Assessor Parcels with Acreage and Type of Conveyance<sup>1</sup>

**TOWN OF BETHEL**

| <u>Assessor Parcel Number</u> | <u>Assessor Address</u> | <u>Acre Total</u> | <u>Notes</u>                                | <u>Type of Conveyance</u>   |
|-------------------------------|-------------------------|-------------------|---|---|
| 25 50 26                      | 7U Webb Road            | 123.90            | Chestnut Ridge Filter Plant & Reservoir     | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b) and approx. 2.5 acres around Treatment Plant would remain with Aquarion |
| 38 72 101                     | 17U Ballfield Road      | 9.00              | Maple Ave. land contiguous to Well field    | Fee   |
| 39-72-77                      | Maple Avenue            | 4.6               | Well field and ball field property          | Fee – easement to be granted to Bethel for ball field to the extent permitted by DPH and other Applicable Laws  |
| 86 70 01                      | 49 Plumtrees Road       | 63.60             | Land contiguous to Wellfield - police dept. | Easement for future wellfield   |
| 22 21 04                      | 36 South Street         | <u>1.10</u>       | Fire House - South Street Pump Station      | Easement for pump station   |
|                               | 3U Spring Hill Lane     |                   |   |   |
|                               | Total Acreage           | 202.20            |   |   |

---

<sup>1</sup> List to be updated (1) based on survey prior to Closing, (2) to complete description of property at 3U Spring Hill Lane and (3) to include any other real property that should be transferred with the Water System assets, as mutually agreed by Bethel and Aquarion.

**TOWN OF DANBURY**

| <u>Assessor<br/>Parcel<br/>Number</u> | <u>Assessor Address</u> | <u>Acre<br/>Total</u> | <u>Notes</u>  | <u>Type of Conveyance</u>  |
|---------------------------------------|-------------------------|-----------------------|---|--|
| J20 25                                | 35 Long Ridge Road      | 10.50                 | Vacant - Eureka Watershed                               | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b)  |
| J20 23                                | 29 Long Ridge Road      | 5.17                  | Vacant - Eureka Watershed                               | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b)  |
| J20 22                                | 31 Long Ridge Road      | 4.60                  | Vacant - Eureka Watershed                               | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b)  |
| J20 24                                | 33 Long Ridge Road      | 9.95                  | Vacant - Eureka Watershed                               | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b)  |
| J20 26                                | 37 Long Ridge Road      | 56.49                 | Eureka Filter Plant and location of proposed water tank | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b), approx. 4 acres around Treatment Plant and Tank remains with Aquarion |
| J21 24                                | 46-96 Long Ridge Rd     | <u>81.35</u>          | Vacant - Mountain Pond Watershed                        | Fee - subject to conveyance back to Bethel as described in APA Section 1.3(b)  |
|                                       | Total Acreage           | 168.06                |   |  |

SCHEDULE 1.1.2

Maps of Water System

Attached

SCHEDULE 1.1.3

Description of Assets

To be provided prior to Closing pursuant to Section 12.8

SCHEDULE 1.1.4

Map of Sanitary Easements and Access Easements

To be provided prior to Closing pursuant to Section 12.8



**SCHEDULE 1.2**

**Contracts To be Assumed by Aquarion**

None

SCHEDULE 3.2(i)

Exceptions to Good Title

To be provided prior to Closing pursuant to Section 12.8

SCHEDULE 3.2(ii)

Liens to be Released

To be provided prior to Closing pursuant to Section 12.8

## SCHEDULE 3.7

### Description of Litigation and Orders Pertaining to the Water System

Bethel has filed suit in Danbury Superior Court appealing the Danbury Planning Commission's rejection of Bethel's proposal to build a water tank near the Eureka Lake Reservoir in Danbury. That case is in discovery.

Bethel received a Sanitary Survey Report from the DPH dated April 30, 2012 notifying Bethel of certain deficiencies related to the Water System. Bethel responded to that report in letters dated July 20, 2012 and December 26, 2012 and is currently pursuing remedies to the issues identified in that report.

SCHEDULE 3.8

Contracts to which Bethel is a Party

None

SCHEDULE 3.12 (a)

Licenses related to Water System

To be provided prior to Closing pursuant to Section 12.8

Schedule 3.12(c)

Additional Permits Required

To be provided prior to Closing pursuant to Section 12.8

SCHEDULE 3.14

Condition of Assets

To be provided prior to Closing pursuant to Section 12.8



SCHEDULE 5.9

Location of Replacement Pump Station<sup>2</sup>

Attached

---

<sup>2</sup> To be updated based on survey prior to Closing

SCHEDULE 6.3

System Employees

Benzing, Richard A.

Cook, Norman G.

Cudzilo, Christopher

Hall, Chris A.

Knapp, Edward H.

McCollam, Christopher C.

SCHEDULE 7.1(e)

Water Quality

To be provided prior to Closing pursuant to Section 12.8

## Schedule 7.9

### Opinions of Counsel to Bethel

- Bethel is a municipal corporation duly organized, validly existing, and in good standing under the laws of the State of Connecticut.
- Bethel is legally authorized to sell and distribute water in portions of the town of Bethel, Connecticut, in which it presently sells and distributes water through the Water Systems.
- Bethel possess full legal power and authority to enter into and carry out the provisions of this Agreement.
- The copies delivered to Aquarion of Bethel's Charter and of the resolutions adopted by Bethel's Public Utilities Commission, Board of Selectman, Board of Finance, Town Meeting and/or Referendum of the voters of the Town of Bethel, authorizing the execution and delivery of this Agreement, along with report from the Town of Bethel Planning and Zoning Commission, all of which copies have been certified by Bethel's Town Clerk, are true and complete copies of said documents, and said Charter and resolutions are in full force and effect and include any and all amendments thereto.
- The execution, delivery and performance of this Agreement by Bethel have been duly and validly authorized by all requisite action on the part of Bethel. This Agreement has been duly executed and delivered by Bethel and constitutes a valid and legally binding obligation of Bethel, enforceable against Bethel in accordance with its terms. Approval by DPH and PURA and the Bethel Approvals are the only other actions required by a governmental authority to the knowledge of counsel in order to authorize Seller to consummate the transactions contemplated by this Agreement.
- The consummation of the transactions contemplated hereby will not violate any provision of the Bethel Town Charter;
- Bethel has effected each of the Subdivisions in accordance with Applicable Law and such Subdivisions are final and not subject to appeal or rescission
- Counsel has no actual knowledge that the consummation of the transactions contemplated hereby will (a) violate, conflict with or result in the breach or termination of, or constitute a default under the terms of, any agreement or instrument to which Bethel is a party or by which it or any of the Assets may be bound; (b) result in the creation of any lien, charge or encumbrance upon the Assets pursuant to the terms of any such agreement or instrument; (c) violate any judgment, order, injunction, decree, license, permit, award, rule or regulation against, or binding upon, Bethel or upon the Assets; or (d) constitute a violation by Bethel of any law or regulation of any jurisdiction as such law or regulation relates to Seller, the Water Systems or the Assets.
- Counsel has no actual knowledge of any actions, suits, proceedings or governmental investigations pending or in prospect or threatened, against or relating to Bethel, the Assets or the transactions contemplated by this Agreement in or before any court, regulatory commission, board, administrative body,

arbitration board or tribunal or other federal, state or municipal government instrumentality except as described in Schedule 3.7.

- Counsel has no actual knowledge that the Water Systems, and Bethel in its capacity as owner and operator of the Water System, are subject to or in violation of any judgment, order, decree, injunction or award of any court, regulatory commission, board, administrative body, arbitration board or tribunal or other federal, state or municipal government instrumentality entered in any proceeding to which they were a party or of which they had knowledge.
- Counsel has no actual knowledge of any proceeding pending or threatened against the rates now being charged by Bethel in the Water System.
- The assignments and instruments of conveyance and transfer necessary to convey the Assets to be transferred hereunder have been duly executed by Bethel in such form as to be effective under Connecticut law to convey to Aquarion all rights of Seller and in and to the Assets.