

SCHEDULE 10

EQUIPMENT AND CHEMICALS INVENTORY

Within 60 days subsequent to the Commencement Date, the City and the Operator shall conduct a physical fixed asset inventory and operating inventory and prepare an up-to-date report of all assets, equipment, spare parts, tools, supplies, materials and chemicals located throughout the Water System and Wastewater Collection System subject to the City's approval. For purposes of this inventory, fixed assets shall be defined as items acquired or constructed that have an acquisition cost in excess of \$5,000.00 and an anticipated useful life of greater than one year.

The inventory reports shall be attached to this Schedule 10 and contain, at a minimum, the following information relative to the Equipment and chemicals of the Water and Wastewater Systems:

- ☒ Detailed description of items
- ☒ Date of purchase
- ☒ Identification number (i.e., serial number), if available
- ☒ Manufacturers name
- ☒ Quantity (i.e., gallons of chemicals)
- ☒ Fair Market Value

For the term of the Management Services Agreement, the Operator shall maintain a physical inventory of City's vehicles, chemicals and Equipment in use at the Water and Wastewater Collection Systems. The Operator shall utilize its own vehicles to the extent the City's vehicles are no longer able to be used.¹ Unless otherwise approved by the City, the Operator shall provide the City with the same dollar value (escalated at 3% per year or such greater amount as is utilized under Schedule 5) of vehicles, equipment, parts and chemicals upon termination of the Management Services Agreement.

The Operator shall maintain this information in the appropriate fixed asset inventory or operating inventory database in accordance with the requirements set forth in Schedule 4 and standard industry practice.

¹The Operator shall not be deemed responsible for vehicles or equipment (as listed on the attachment hereto) that is returned to the City prior to the Commencement Date

UTILITY DEPT. VEHICLE #s, VIN #s, TAG #s, MAKE & MODEL.

DIV.	VEH MAKE	DESIGNAT'N	VEHICLE I.D. #	LICENSE #	GROSS WT.
DIR'S OFF	'88 JEEP*	SUPT'S VEH	1J4FJ38L0KLS30620	MG-39LT	
DIR'S OFF	'97 FORD F250*	H20 INSPTR	1FTDX18W1VNB33852	MG-27737	6000 lbs

DIV.	VEH MAKE	DESIGNAT'N	VEHICLE I.D. #	LICENSE #	GROSS WT.
MORRIS	'97 FORD F150*	SPVSR VEH	1FTDX18W1VNB72604	MG-27736	6000 lbs
MORRIS	'92 FORD F250	# 60	1FTFK26M6NKBS7048	MG-11156	8800 lbs.
MORRIS	'92 FORD F350	#68	1FTFK26M6NKBS7051	MG-20846	8800 lbs
MORRIS	'81 CHEV	DUMP TRUCK	1GBHV34M48V104512(P/O)	NO TAGS	
MORRIS	'67 GMC	1/2 TON UTIL TRUCK	C2122F (PLANT ONLY)	NO TAGS	

*Designates vehicles that are driven home by Supervisors

DIV.	VEH MAKE	DESIGNAT'N	VEHICLE I.D. #	LICENSE #	GROSS WT.
SEWER	'98 FORD	JET-VAC #31	1FDYS80E5WVA06522	MG-25173	48000 lbs.
SEWER	'98 FORD	JET-VAC #32	1FDYS80E7WVA06523	MG-25172	48000 lbs.
SEWER	'98 FORD	JET-VAC #33	1FDYS80E3WVA06521	MG-25171	48000 lbs.
SEWER	'98 FORD	JET-VAC #34	1FDXF80COWVA0645	MG-25175	33000 lbs.
SEWER	'98 FORD	DUMPTRUCK #35	1FDVF80EXWVAA15429	MG-31589	38000 lbs.
SEWER	'97 FORD F250	SUPVSR VEH	1FTDX18W3VNB83853	MG-27734	6000 lbs.
SEWER	'97 FORD F250	SUPVSR VEH	1FTDX18W3VNB62968	MG-27738	6000 lbs.
SEWER	'96 CASE 580SL	BACKHOE	UG0191999	MG-21566	16946 lbs.
SEWER	'93 FORD F800	DUMPTRUCK #49	1FDYK84ARFVA03168	MG-13756	32000 lbs.
SEWER	'93 FORD F350	# 41	ZFTJW35MDFCA08733	MG-13731	10000 lbs.
SEWER	'92 FORD F250	# 46	1FTDK25MENKBS7033	MG-11157	8800 lbs.
SEWER	'92 FORD F150 4X2	# 44	1FTDK15Y9NKB90821	MG-11152	6250 lbs.
SEWER	'92 FORD F150 4X2	# 43	1FTDK15YUNKB90822	MG-11151	6250 lbs.
SEWER	'92 FORD F250	# 45	1FTDK25MINKBS7055	MG-11154	8800 lbs.
SEWER	'88 FORD RANGER	SUPVSR VEH	1FTCR11TQJUB20151	MG-83LP	5000 lbs.
SEWER	'88 FORD RANGER	SUPVSR VEH	1FTCR11TZJUB11581	MG-69LP	5000 lbs.
SEWER	'88 CASE C780	BACKHOE	UG0071570	MG-36LR	18000 lbs.
SEWER	'87 GMC	JET-VAC	1GDV9C4ZZHV325545	MG-50LT	50000 lbs.
SEWER	'86 ING' SOL RAND	COMPRESSOR	15460926179	MG-F574	
SEWER	'79 FORD E700	SEWER JET	F7DAVEA8854	MG-21572	45000 lbs.
SEWER	'78 CHEVY	STEPVAN	ACPTZ5R3309987	MG-69HK	30000 lbs.

DIV.	VEH MAKE	DESIGNAT'N	VEHICLE I.D. #	LICENSE #	GROSS WT.
FUCHACK	'97 FORD F250	SUPVSR VEH	1FTDX18W3VNB62969	MG-27739	6000 lbs.
FUCHACK	'95 ROCKDRILL 130	DRILL	ID0AM1401S1274116	MG-21551	12000 lbs.
FUCHACK	'94 LOADRITE	TRAILER	4L2CRSL14R2000773	T332-WW	
FUCHACK	'94 SELWOOD	6" PUMP	1S0CB1283	MG-20821	
FUCHACK	'94 SUBMR'BLE	PUMP/TRAILER	4D012	MG-20827	
FUCHACK	'94 SELWOOD	PUMP/TRAILER	1S0CB1447	MG-8025	
FUCHACK	'92 FORD F250	# 73	1FTDK26MENKBS7049	MG-11149	8800 lbs.
FUCHACK	'92 FORD F250	# 75	1FTDK26MENKBS7050	MG-11146	8800 lbs.
FUCHACK	'87 EAGLE	TRAILER	1120AP202HS050047	MG-20824	
FUCHACK	'87 FORD F800	CAR CARRIER	1FDXF82K5HVA56214	MG-20832	20000 lbs.
FUCHACK	'87 E'GER B'VER	API0 TRAILER	1120AP204HS30129	MG-20823	
FUCHACK	'86 FORD F700	DUMPTRUCK	1FEK7N0GVA45049	MG-18HP	28000 lbs.
FUCHACK	'86 SULLIVAN	AIR COMPRESSOR	204719	MG-93GH	
FUCHACK	'84 CASE EN	BACKHOE	9E74339	MG-48LT	Class 1
FUCHACK	'72 PET BONE 30	15 TON CRANE	27-8-8-4340	MG-20829	30000 lbs.
FUCHACK	'71 PH CRANE	TRUCK MOUNTED	32706	MG-79JL	39680 lbs.
FUCHACK	'97 JOHN DEERE	450 G BULLDOZER	T0450GH836270		

DIV.	VEH MAKE	DESIGNAT'N	VEHICLE ID. #	LICENSE #	GROSS WT.	
H2O DIST.	'97 FORD	F250 ⁰	SUPVSR VEH	1FTDX18W6VNB90103	MG-27735	6000 lbs
H2O DIST.	'95 CASE	590SL	BACK HOE	JG0209097	MG-21570	16946 lbs
H2O DIST.	'93 FORD	F800	DUMPTRUCK	1FDYK84AXPVA03169	MG-13757	38000 lbs
H2O DIST.	'93 CASE	580SL	BACK HOE	JG0206864	MG-13808	16946 lbs
H2O DIST.	'92 FORD	F150	#74	1FTEK15Y7NKE90820	MG-11153	6250 lbs
H2O DIST.	'92 FORD	F250	#76	1FTEK25MINKB92823	MG-11150	8200 lbs
H2O DIST.	'92 FORD	F250	#77	1FTEK25MINKB87052	MG-11147	8200 lbs
H2O DIST.	'92 FORD	F250	#78	1FTEK25MINKB87054	MG-11155	8200 lbs
H2O DIST.	'92 FORD	F250	#79	1FTEK25MINKB92824	MG-11158	8200 lbs
H2O DIST.	'88 FORD	RANGER	SUPVSR VEH	1FTCR11T6JUB27473	MG-821P	5000 lbs
H2O DIST.	'26 ING'SOL	RAND COMPRESSOR		15460926179	MG-86GG	

SCHEDULE 11

SAFETY AND SECURITY

11.1 SAFETY AND SECURITY

The Operator shall provide for and maintain the security and safety of all facilities and structures associated with performance of Services related to the Water and Wastewater Collection Systems and the Billings and Collection System. The Operator shall provide and maintain adequate fencing, posting signs, or other security measures to minimize vandalism and liability risks.

The Operator shall conduct all operations, maintenance and management of any facilities in compliance with applicable health and safety regulations including, but not limited to: OSHA, USEPA regulations, general industry regulations and other applicable regulations as may be enacted during the Term of the Management Services Agreement.

The Operator shall develop and submit to the City a Safety and Security Plan within 45 days of the Commencement Date. The Operator shall be responsible and obligated to enforce all safety, security and health laws, rules, regulations, and/or procedures. The Operator shall implement an in-house safety program, including, but not limited to, operations, maintenance, safety, management skills, laboratory, energy management, chemical handling, confined space entry, emergency response, and safety equipment use. Any and all persons entering the facilities shall be identified and provide appropriate documentation of authorization to have such access. The Operator is responsible for providing the appropriate procedures to maintain a log of any and all persons accessing the Water and Wastewater System facilities.

The Operator shall appoint a Safety Committee. The Safety Committee will file a copy of any safety recommendation and accident reports with the City. As part of its safety program, the Operator shall institute safety standards including a safety information system, regional and corporate specialties, centralized safety equipment procurement system, degreed hazardous materials personnel, a safety information library and a computerized safety equipment preventative maintenance program.

Fences shall be maintained in neat order and structural integrity. Gates, access points, and doors to the facilities and structures of the Water and Wastewater Collection Systems shall be kept locked except for those sites which are continuously manned and ingress and egress readily monitored. Entrance to such facilities and structures shall be protected against unauthorized entry. Missing or stolen catch basin inlet grates shall be replaced immediately to maintain safety and security and prevent any liability condition. The Operator is responsible to maintain all security alarms in working order.

SCHEDULE 12

REPORTING REQUIREMENTS

The Operator shall comply with all reporting requirements related to its operations and the operation, maintenance, and management of the Systems, as mandated by federal, State and local laws, regulations and permits and as set forth in Schedules 2, 3, and 4 of this Agreement.

The Operator shall provide comprehensive monthly, year-to-date, and annual reports in a format satisfactory to the City and regulatory agencies for each function or activity of the Systems including, but not limited to:

- Operating parameters, laboratory analyses, maintenance plans and activities including condition of each facility or station, treatment results, production goals vs output, equipment and parts inventories, manpower utilization, repairs, service calls and responses and other relevant information.
- Safety reports regarding accidents, injuries, and damages to City property and other relevant information.

SCHEDULE 13

CAPITAL IMPROVEMENTS

13.1 CITY CAPITAL IMPROVEMENTS

Except for those Capital Improvements identified on Schedule 15 which will be implemented by Operator and paid for by the City through the Annual Service Fee, the City will retain the responsibility for the design, construction, implementation and financing of Capital Improvements (as defined in the Management Services Agreement) to the Systems and as described below

At the City's option, and on mutually agreeable terms, the Operator may be requested to implement any or all the potential future Capital Improvements identified in the Capital Improvement Plan or that may otherwise be required in order to operate, manage and maintain the Systems in accordance with applicable law

13.2 IMPLEMENTATION

Capital Improvements (except as specified in Schedule 2 and Schedule 15) will be implemented by or on behalf of the City. However, any Capital Improvements implemented (at the City's sole discretion) by the Operator shall be implemented in a manner to minimize the cost to the City. The Operator shall (to the extent required by law) follow procedures required and recommended by the New Jersey Board of Public Utilities for regulated utilities to ensure and document the procedures followed to minimize costs for the Capital Improvement. Change orders must not exceed 20% cumulative for engineering and 5% cumulative for construction.

If selected to perform any Capital Improvement, the Operator shall maintain record drawings and operations and maintenance (O&M) manuals in accordance with industry standards for all Capital Improvements. Upon completion of the contract, two copies of the record drawings and O&M manuals shall be turned over to the City.

13.3 CAPITAL IMPROVEMENT PLAN

The Operator shall, at its sole cost and expense, develop a Capital Improvement plan within 12 months of the Commencement Date identifying major expenditures that will be necessary for the System to restore, maintain, replace or upgrade the facilities or equipment for efficiency, safety, function and/or compliance with current and anticipated regulatory requirements (the "Capital Plan"). The Operator shall develop the Capital Plan in consultation with the City, who shall assist the Operator in said development to assure that any work deemed necessary by the City is carried out in accordance with prudent utility practice and in a manner which does not jeopardize the Operator's ability to provide safe adequate and proper service. Specification and bid documents shall be prepared by, or on behalf of, the City and shall not be required as part of the Capital Improvement Plan

Notwithstanding, the City will implement at a minimum 2 million dollars per year (40 million in the aggregate) of Capital Improvements to the System. Said implementation will depend upon the recommendations of Operator.

SCHEDULE 14A
SCHEDULE OF FEES TO OPERATOR

<u>Contract Year</u>	<u>Fixed Management Fee¹</u>
1	\$ 8,570,000
2	\$ 8,764,000
3	\$ 8,962,000
4	\$ 9,167,000
5	\$ 9,379,000
6	\$ 9,596,000
7	\$ 9,820,000
8	\$10,051,000
9	\$10,288,000
10	\$10,533,000
11	\$10,785,000
12	\$11,044,000
13	\$11,312,000
14	\$11,587,000
15	\$11,870,000
16	\$12,163,000
17	\$12,464,000
18	\$12,774,000
19	\$13,093,000
20	\$13,422,000

¹ Subject to adjustment, as provided in Schedule 5

SCHEDULE 14B
SCHEDULE OF FEES TO OPERATOR

<u>Contract Year</u>	<u>Fixed Management Fee¹</u>
1	\$ 6,682,583
2	\$ 6,876,583
3	\$ 7,074,583
4	\$ 7,279,583
5	\$ 7,491,583
6	\$ 7,708,583
7	\$ 7,932,583
8	\$ 8,163,583
9	\$ 8,400,583
10	\$ 8,645,583
11	\$ 8,897,583
12	\$ 9,156,583
13	\$ 9,424,583
14	\$ 9,699,583
15	\$ 9,982,583
16	\$ 10,275,583
17	\$ 10,576,583
18	\$ 10,886,583
19	\$ 11,205,583
20	\$ 11,534,583

¹Subject to adjustment, as provided in Schedule 5.

SCHEDULE 15
OPERATOR IMPLEMENTED
CAPITAL IMPROVEMENTS

List of Capital Improvements (to be paid from Fixed Management Fee)

1. Construction of sodium hypochlorite storage and feed facilities at Morris-Delair to replace the existing chlorination system. Approximate cost - \$300,000.00.
2. Installation of a variable frequency drive on one high service pump at Morris-Delair to eliminate the practice of discharge valve throttling. Approximate cost - \$30,000.00.
3. Installation of a SCADA system at Morris-Delair to monitor and control operations at the Parkside plant and at remote wells. Approximate cost - \$350,000.00.
4. Modification of Morris-Delair well pumping equipment in conjunction with the rehabilitation program to eliminate or reduce the practice of discharge valve throttling. Approximate cost - \$224,000.00.
5. Contractor labor to do the foregoing. Approximate cost - \$30,000.

The Operator shall implement these Capital Improvements as specified in the Management Services Agreement. Prior to initiating construction of these improvements, the Operator shall submit, to the City, plans, specifications, and a detailed cost estimate that defines the improvements. Within three months of the completion of construction of the improvements, the Operator shall submit, to the City, as-built plans and a detailed breakdown of actual costs associated with each improvement. If the actual costs are greater than the estimated costs, then the difference between the approximate cost that is identified in Schedule 15 and the actual cost that is provided after construction is completed shall be paid from the Above-Ground Maintenance and Repair Fund.

SCHEDULE 16

MINIMUM FINANCIAL CRITERIA

16.1 GENERAL INFORMATION

It is the intent of the City to solicit Proposals from Qualified Respondents that have expertise in establishing and maintaining a comprehensive, integrated system for the maintenance, operation, management and repair of water and wastewater systems of the type and size contemplated by the RFP. In addition, Qualified Respondents are required to possess and demonstrate the managerial expertise and financial resources necessary to provide and guarantee performance of all required Services as specified in the RFP.

In order for a Qualified Respondent's Proposal to be considered, it must demonstrate that the firm's experience and financial capability are equal to or exceed the requirements listed below. The City, in its sole discretion, will decide if a Qualified Respondent possesses the required minimum qualifications set forth below. The City may choose not to (in the City's sole discretion) consider the proposal of any Qualified Respondent who does not meet all of the Minimum Financial Qualification Criteria.

16.2 MINIMUM FINANCIAL QUALIFICATIONS CRITERIA

- (a) Qualified Respondents will be required to provide evidence of its ability to provide sufficient performance security to the City in the form of an annually renewable Performance Bond or an irrevocable Letter of Credit, or a combination thereof, in the amount of the value of approximately a full year of the Services to be rendered under the Management Services Agreement. The amount is estimated to be \$16,500,000 for the Water System, Wastewater System and Billing and Collection System.

Accordingly, in order to meet the minimum financial criteria, Qualified Respondents shall be required to submit a letter from either (i) a surety qualified to do business in the State of New Jersey, or (ii) a bank, which, in either case, is duly and properly authorized and executed and states that such surety or bank will provide a Performance Bond or an irrevocable Letter of Credit, as appropriate, in the appropriate amount if Respondent is subsequently selected to execute a Management Services Agreement with the City. If such Performance Bond or Letter of Credit is to be issued on behalf of a company other than the Respondent (e.g. an affiliate, subsidiary or parent), the letter from the surety or the bank must be accompanied by a duly authorized letter from such affiliated company, subsidiary or parent committing to a Project Guaranty of the obligations of the Respondent if such Respondent is subsequently selected by the City pursuant to the RFQ and the RFP to execute the Management Services Agreement.

- (b) Qualified Respondents will be required to demonstrate that they have the financial strength, resources and capacity to perform the Services for the term of the Management Services Agreement, and will be required to meet and maintain, for the term of the Management Services Agreement, the following Minimum Financial Qualifications Criteria:

1. The Respondent shall have a net worth for each of the three (3) most recent fiscal years of at least Five Million (\$5,000,000) Dollars.
 2. The Respondent shall have had annual pre-tax earnings for two (2) out of the three (3) most recent fiscal years of at least One Million (\$1,000,000) Dollars per year.
 3. The Respondent shall have cash and/or cash equivalents (such as marketable securities) of at least Two Million Five Hundred Thousand (\$2,500,000) Dollars as of the date of its most recent audited financial statement. A portion of the "Cash Equivalent" can include an unencumbered line of credit up to \$1,000,000 that the Respondent can access during the term of the Management Services Agreement. If a Respondent determines to satisfy the "Cash Equivalent" through use of the unencumbered line of credit, the Respondent shall submit a letter from an authorized representative evidencing the current existence of such a line of credit and verifying the encumbered and unencumbered portions thereof and the ability of the Respondent to access such line of credit during the term of the Management Services Agreement. If the bank's letter qualified the Respondent's ability to access the line of credit on the absence of any events of default by the Respondent, the bank must agree to (and acknowledge such agreement in the letter) notify the City upon the occurrence of an event of default by the Respondent. Notification of an event of default will entitle the City to seek additional security from the Successful Qualified Respondent or terminate the Management Services Agreement.
- (c) In the event that the Qualified Respondent is a joint venture or partnership, one of the partners or the joint venturers will be required to meet all of the Minimum Financial Qualifications Criteria set forth above. In the event that a related entity, other than the Qualified Respondent, satisfies all of the Minimum Financial Qualifications Criteria, such entity will be required to provide:
1. an executed guarantor agreement acceptable to the City pursuant to which such entity (the "Project Guarantor") will guarantee the obligations of the Respondent;
 2. the date of formation of the joint venture or partnership, if applicable; and
 3. a description of the obligations of the partners to the joint venture or partnership, specifically addressing if the agreement between members comprising the joint venture or partnership make each jointly and severally liable for contractual obligations of this project, if applicable.
- (d) In order to demonstrate compliance with the Minimum Financial Qualifications Criteria set forth herein, the Qualified Respondent will be required to submit audited or independently verified financial statements for each of the three (3) most recent fiscal years. Reviewed and compiled statements will not be accepted.

- (e) Full information concerning any material changes in the mode of conducting business, bankruptcy proceedings, and mergers and acquisition within the past three (3) years, will be required to be submitted, including comparable information for related companies and principals of companies, and any actual and pending litigation in which the Respondent is involved

SCHEDULE 17
MINIMUM TECHNICAL CRITERIA

The Respondent must provide evidence from the past ten years that it:

17.1 WATER SYSTEM AND WASTEWATER COLLECTION SYSTEM

1 Satisfactorily operated and maintained at least one drinking water treatment plant with a minimum design capacity of five million gallons per day (mgd) in the United States for a minimum of three years.

2 Satisfactorily operated a drinking water system of similar character and complexity to the City's system in the United States for a minimum of three years

3 Satisfactorily operated and maintained a minimum of five groundwater supply wells or a total groundwater supply of at least three mgd in the United States for a minimum of three years.

4 Satisfactorily operated and maintained a wastewater collection system in the United States, with a minimum of 5,000 connections for a minimum of three years

5 Has key project staff that will provide the services identified in this RFQ. The Respondent shall also (a) provide evidence that its staff has all the licenses and certifications required to provide such services in New Jersey or (b) demonstrate that New Jersey licenses and certifications may be readily obtained.

6 Has satisfactory experience implementing repairs and upgrades to an aging water treatment plant or similar facility and an aging wastewater collection system or similar system, both located in the United States, for a minimum of three years. Respondent may or may not have been the contractor for repairs and upgrades.

7 Satisfactorily implemented a minimum of \$10 million in capital improvements to water or wastewater systems within the past ten years. Respondent may or may not have been the contractor on these projects.

8 Satisfactorily implemented a capital improvement project with a construction cost of at least \$2.5 million to a water or wastewater treatment plant within the past ten years. Respondent may or may not have been the contractor on this project.

17.2 BILLING AND COLLECTION SYSTEM

1 Has been responsible for billing and collections for a minimum of one drinking water system, wastewater collection system, or other utility in the United States, with a minimum of 5,000 customers for a minimum of three years.

SCHEDULE 18
FORM OF PERFORMANCE BOND

Date: _____

_____, PRINCIPAL _____, SURETY
THE CITY OF CAMDEN, OBLIGEE

KNOW ALL MEN BY THESE PRESENTS, that we, the PRINCIPAL and SURETIES above named, are held and firmly bound unto the above named OBLIGEE, in the just and full sum of _____ (\$ _____) DOLLARS for the payment of which sum well and truly to be made, the said PRINCIPAL and SURETIES bind themselves, their respective heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents. Provided, that, we, the Sureties, bind ourselves in such sum "jointly and severally" as well as "severally" only for the purpose of allowing a joint action or actions against any or all of us, and for all other purposes each Surety binds itself, jointly and severally with the PRINCIPAL, for the payment of such sum only as is set forth opposite the name of such Surety at the end of this Bond

WHEREAS, the PRINCIPAL has entered into a certain written agreement with the OBLIGEE, dated _____, 1998 entitled, "Management Services Agreement", which agreement is be reference made a part hereof as if fully set forth herein in connection with the Management Services Agreement to be provided by the Principal

NOW THEREFORE, the condition of this obligation is such that, if the PRINCIPAL shall faithfully perform its obligations under the Management Services Agreement solely as they relate to the Management Services Agreement, then this obligation shall be null and void, otherwise it shall remain in full force and effect.

PROVIDED, HOWEVER, notwithstanding any term or condition contained in the Management Services Agreement to the contrary, it is understood and agreed that the PRINCIPAL's and SURETIES' obligation under this bond shall not be assigned without the written consent of the PRINCIPAL and the SURETIES, which consent shall not unreasonably be withheld; provided however, that this bond may be assigned to a trustee in connection with the issuance of any debt obligations by the City for or with respect to the Management Services Agreement.

No right or action shall accrue on this bond to or for the use of any person or corporation other than the OBLIGEE named herein or their heirs, executors, administrators, or successors of the OBLIGEE

The PRINCIPAL and the SURETIES shall not be liable to the OBLIGEE in the aggregate in excess of the penal sum above stated Any payment made by the SURETIES in

good faith under this bond shall reduce the bond amount stated by a like amount.

Any suit under this Bond must be instituted before the expiration of two (2) years from the date the PRINCIPAL ceased performing those obligations covered by this bond.

The SURETIES hereby stipulate and agree that no modifications, omissions or additions in or to the terms of the Management Services Agreement or in or to the specifications therefor should in any way affect the obligation of the SURETIES on this Bond.

Notice to the SURETIES shall be by certified or registered mail and sent to:

Whenever the PRINCIPAL shall be, and is, declared to be in default under the Management Services Agreement by the OBLIGEE, the OBLIGEE having performed its obligations under the Management Services Agreement, the SURETIES may promptly remedy the default or shall promptly:

- (1) Perform the obligations under the Management Services Agreement solely as they pertain to Management Services Agreement in accordance with contract terms and conditions, or
- (2) Obtain a bid or bids for completing the obligations under the Management Services Agreement solely as they pertain to the Management Services Agreement in accordance with contract terms and conditions, and upon a determination by SURETIES and the OBLIGEE of the lowest responsible bidder, arrange for a contract between such bidder and the OBLIGEE, and made available as services continue (even though there should be a default or a succession of defaults under the contract or contracts arranged under this paragraph) sufficient funds to pay the cost of performance of Management Services Agreement; but not exceeding, including other costs and damages for which the SURETIES may be liable hereunder, the amount set forth in the first paragraph hereof
- (3) After investigation, determine the amount for which it may be liable to the OBLIGEE and, as soon as practicable after the amount is determined, tender payment therefor to the OBLIGEE
- (4) Without waiver of any rights of the OBLIGEE, notify the OBLIGEE of the denial of liability in whole or in part citing reasons therefore.

The SURETIES shall have no obligation under this bond in the event that PRINCIPAL shall be in default solely due to its failure to perform under any provision of the Management

SCHEDULE 19

FORM OF PERFORMANCE LETTER OF CREDIT

The City of Camden
520 Market Street
City Hall
Camden, NJ 08101-5120

Ladies and Gentlemen:

1. We hereby establish, at the request of [NAME OF RESPONDENT], ("the Company"), in your favor and for the account of The City of Camden, a public body corporate and politic organized and existing under the laws of the State of New Jersey (the "City"), our Irrevocable Letter of Credit, No. _____ (the "Letter of Credit"), in the amount of _____ (\$ _____) DOLLARS, (the "Letter of Credit Amount"), effective _____, 1998 and expiring on _____ (the "Expiration Date")

2. The Letter of Credit is being issued in support of the performance by the Company of its obligation to provide Services to the City as set forth in the Management Services Agreement, dated _____, 1998 (the "Agreement"). The Agreement provides, among other things, that [NAME OF RESPONDENT] will operate, maintain, manage and repair the Water System, the Wastewater Collection System and the Billing and Collections Department owned by the City of Camden, County of Camden, New Jersey.

3. We hereby irrevocably authorize you to draw on us, at sight and in one drawing, an amount equal to the Letter of Credit Amount. Such draft shall be in writing and signed by your purported representative and shall be accompanied by a completed certificate in the form attached hereto as Exhibit A (such draft accompanied by such certificate being collectively your "Draft"). The Draft shall be payable by us on-sight in accordance with paragraph 4 below. Funds under this Letter of Credit are available to you against your Draft (referring thereon to the number of this Letter of Credit) solely upon the occurrence of an Event of Default by the Company and the subsequent exercise by the City of its right to terminate the Agreement, all in accordance with the terms of such Agreement.

4. The Draft shall be dated the date of its presentation, and shall be presented to our office located at [NAME OF BANK and ADDRESS OF BANK] If we receive your Draft at such office, in conformance with the terms and conditions hereof, on or prior to the Expiration Date, we will honor the same in accordance with the provisions hereof and your payment instructions by 5:00 p.m. on the next succeeding Business Day after presentation of your Draft. For purposes of this Letter of Credit, "Business Day" shall mean any day other than a Saturday, Sunday or public holiday under the laws of the [STATE] If requested by you, payment under this Letter of Credit may be made by wire transfer of immediately available Federal Funds to your account in a bank on the Federal Reserve wire system or by deposit of immediately available funds into a designated account that you may establish with us. All drawings under the Letter of Credit will be paid with our own funds.

5. If a demand for payment delivered to us pursuant to the foregoing paragraph does not conform to the terms and conditions of this Letter of Credit, we will notify you of our intention to dishonor the same after presentation of the Draft by 5:00 p.m. on the next succeeding Business Day. Such notice of dishonor shall be promptly confirmed by written notice, specifying the number of this Letter of Credit, the date of the non-conforming Draft and the reasons that we are not honoring the same. Upon being notified that the Draft was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment prior to the Expiration Date.

6. Upon the earlier to occur of (a) payment to you or your account of the Letter of Credit Amount, or (b) the Expiration Date, we shall be fully discharged of our obligation under this Letter of Credit with respect to such Draft, and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such Draft to you or to any other person.

7. This Letter of Credit shall be governed by the International Code of Uniform Customs and Practices for Documentary Credits, Publication No. 500 (1993 Revision), including any amendments, modifications or revisions thereto. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to [BANK], [ADDRESS OF BANK], specifically referring to the number of this Letter of Credit. We shall address communications to you at the address noted on the first page of this Letter of Credit unless otherwise advised by you in writing.

The City of Camden
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8. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Agreement), except only the Draft referred to herein; and any such reference shall not (unless otherwise provided herein) be deemed to incorporate herein by reference any such document, instrument or agreement except for such Draft.

Very truly yours,

[BANK], N.A.

By: _____

Title: _____

EXHIBIT A

**CERTIFICATE FOR DRAWING IN CONNECTION WITH
THE SUPPORT OF CERTAIN OBLIGATIONS UNDER THE
MANAGEMENT SERVICES AGREEMENT**

Irrevocable Payment Letter of Credit No. ____

The undersigned, a duly authorized officer of The City of Camden (the "Beneficiary"), HEREBY CERTIFIES to [NAME OF BANK], (the "Bank") with reference to Irrevocable Performance Letter of Credit No. ____ (the "Letter of Credit"), the terms defined therein and not otherwise defined herein being used herein as therein defined) issued by the Bank in favor of the City, that:

1. The Beneficiary is making a drawing under the Letter of Credit for the Letter of Credit Amount with respect to the payment of amounts due and owing to the Beneficiary under the provisions of the Management Services Agreement, dated as of _____, 1998, which payment is due in accordance with the Letter of Credit by 5:00 p.m. on the next succeeding Business Day after presentation of this Certificate and Draft

The term of this letter of credit shall be for a period of one year commencing on the Commencement Date (as defined in the Management Services Agreement) and shall be automatically renewable for each year during the term of such Agreement. In the event that the BANK determines not to renew this letter of credit at the end of any one year period, the BANK shall provide the City with sixty (60) days prior written notice of its intention not to renew this letter of credit at the expiration of such one year period.

IN WITNESS WHEREOF, the Beneficiary has executed and delivered this Certificate as of the ____ day of _____, 199__.

THE CITY OF CAMDEN

By: _____

Title: _____

GUARANTOR AGREEMENT

THIS GUARANTY, made as of this 30th day of December, 1998, by U.S. Water, LLC, a Delaware limited liability company (the "Guarantor"), to and for the benefit of the City of Camden, New Jersey ("City");

WITNESSETH

WHEREAS, the City intends to enter into an Agreement (the "Agreement") with Camden Water LLC (the "Company"), a subsidiary of the Guarantor for the operation, maintenance and management of the City's water supply, treatment, transmission, storage and distribution system, a wastewater and stormwater collection system, and a billing and collections department (the "Systems"); and

WHEREAS, the City has required the Company under the Agreement to provide this guaranty (the "Guaranty") from the Guarantor pursuant to the Agreement; and

WHEREAS, the Guarantor acknowledges that the City would not enter into the Agreement unless the Guarantor provided this Guaranty and the Guarantor will receive benefit because of the Agreement; and

WHEREAS, the Guarantor is willing to provide such Guaranty;

NOW THEREFORE, as an inducement to the City to enter into the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor agrees as follows:

(1) The Guarantor hereby guarantees the full and prompt performance by the Company of all the Company's obligations under the Agreement when due (the "Obligations") in accordance with the terms and conditions contained therein. Such Agreement is attached hereto and made a part hereof

(2) The Guarantor further guarantees that in the event the Company fails to duly and properly perform and satisfy when due any and all of its Obligations under the Agreement, Guarantor will, upon written demand of the City, setting forth the specific failure of the Company, promptly perform and satisfy those Obligations set forth in such demand which may include, but not be limited to, the performance of any services as defined in the Agreement and/or the payment of any monies that may be due and owing by the Company.

(3) The obligations of the Guarantor under this Guaranty (i) shall be absolute, irrevocable and unconditional under any and all circumstances without regard to the genuineness, validity, legality or enforceability of the Agreement (unless the City, its successors or assigns, asserts any claim or defense based on any alleged invalidity, illegality or unenforceability of the Agreement or any term thereof) or of any term thereof, or lack of power or authority of any party (other than the City) to enter into the Agreement, or any substitution, release or exchange of any other guaranty of or any security for the Obligations, and irrespective of any other circumstances which might

otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, (ii) are in no way conditional upon any attempt to enforce performance or compliance by the Company and (iii) shall remain in full force and effect until the performance by the Company of all of its performance and payment Obligations under the Agreement. This Guaranty shall continue to be effective or be automatically reinstated, as the case may be, if at any time any payment by or on behalf of the Company or the Guarantor in respect of the Obligations is rescinded or must otherwise be restored by the City to the Company or such Guarantor, as the case may be, or any assignee of the City for any reason whatsoever, including, but not limited to, any proceedings in bankruptcy or reorganization, as though such payment had not been made and the Guarantor agrees that it shall indemnify the City on demand for all costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the City in connection with any such rescission or restoration. Without limiting the generality of the foregoing, the obligations of the Guarantor shall not be affected, reduced, modified or impaired upon the happening from time to time of any of the following events, whether or not with notice to or the consent of Guarantor:

(a) the failure to give notice to Guarantor of the occurrence of a default by the Company under the terms and provisions of the Agreement;

(b) the modification or amendment (in accordance with the terms of the Agreement) (whether material or otherwise) of any obligation, covenant or agreement set forth in the Agreement;

(c) any failure, omission, delay by or lack on the part of the City to assert or exercise any right, power or remedy conferred on the City in the Agreement or this Guaranty;

(d) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the City's and/or the Company's assets, the marshalling of the City's and/or the Company's assets and liabilities, the receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors, or readjustments of, or other similar proceedings affecting the City and/or the Company or the Guarantor or any of the assets of any of them;

(e) the assignment (in accordance with the terms of the Agreement) of any right, title or interest of the City in the Systems or the Agreement to any other person, including, without limitation, any person providing financing to the City and any entity purchasing an interest in the Systems pursuant to a leverage lease or similar arrangement; or

(f) any other cause or circumstance, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing;

it being the intent of Guarantor that its obligations hereunder shall not be discharged except by payment for and/or performance of the Company's Obligations, and then only to the extent of such payment or performance; provided, however, that, anything to the contrary

notwithstanding, the Guarantor may assert as a defense to any claim under this Guaranty any defense the Company may have under the Agreement.

(4) Guarantor hereby waives diligence, presentment, demand of payment, protest and all notices whatsoever, including, without limitation, notice of (1) any alteration or modification of the Agreement, provided such alteration or modification has been duly executed by the Company, (2) the City's acceptance and reliance on this Guaranty and (3) notice of default or demand in the case of default, provided such notice or demand has been given to or made upon the Company, and any requirement that the City exhaust any right, power or remedy or proceed against the Company under the Agreement or any other agreement or instrument referred to herein or therein or against any other person under any other guarantee of, or security for, any of the Obligations.

(5) If a demand, in accordance with Section 2 of this Guaranty, is made upon the Guarantor and the Guarantor duly and properly performs the obligations of the Company set forth in the demand, then (a) after satisfaction in full of all of the Obligations, the Guarantor shall be subrogated to the rights of the Company against the City, and (b) the City shall suspend the pursuit of any remedy against the Company in respect of any such Obligations which have been fully satisfied by Guarantor hereunder;

(6) The Guarantor hereby represents and warrants that:

(a) it is a corporation duly organized and existing under the laws of the State of New Jersey and qualified to do business therein; it is not in default under any provisions of the laws of said state or under its certificate of incorporation; it has corporate power under said laws and under its certificate of incorporation to enter into and perform all agreements on its part herein contained; it has, by proper corporation action, duly authorized the entering into and the execution and delivery of this Guaranty; and entering into this Guaranty and performance hereunder is not an event of default or otherwise contrary to any obligation by which it is bound; and this Guaranty has been duly and validly executed and delivered by the Guarantor and constitutes its legal, valid and binding obligation, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting rights of creditors of Guarantor generally); and

(b) there is no action or proceeding pending or threatened against it before any court or administrative agency that could reasonable adversely affect its ability to perform its obligations under this Guaranty and all authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery of this Guaranty or in connection with the performance of its obligations hereunder have been obtained as required hereunder or by law.

(7) This Guaranty shall be governed by the laws of the State of New Jersey, and the Guarantor hereby agrees to service of process in the State of New Jersey for any claim or controversy

arising out of this Guaranty or relating to any breach and to submit to the exclusive jurisdiction of any court of competent jurisdiction in the State

(B) This Guaranty shall be binding upon and enforceable against the Guarantor, its successors and assigns, and is for the benefit of the City, its successors, agents and assigns.

IN WITNESS WHEREOF, Guarantor has executed this instrument the day and year first above written.

Attest:

U.S. WATER, LLC

Sherr Benck

By: Michael Belsante
Name: Michael Belsante
Title: President