

NOVATION AGREEMENT

This Novation Agreement (this “**Novation**”) is made effective as of the 31st day of December, 2011, by and between E’Town LLC, a Delaware limited liability company (“**Company**”), M&B Environmental, Inc., a Pennsylvania corporation (“**M&B**”), and Southern Lehigh School District (“**Customer**”).

Background

Applied Water Management, Inc. (“**AWM**”), and Customer entered into that certain Operations and Maintenance Agreement, dated as of the 2nd day of July, 2007 (the “**Agreement**”), pursuant to which AWM provided the operations and maintenance services specified therein to Customer.

Thereafter, AWM contracted to sell certain of its assets related to its operations in the Commonwealth of Pennsylvania, which included all of AWM’s rights, title and interest in and to the Agreement, pursuant to a certain Asset Purchase Agreement between AWM and MAB Environmental Services Inc. (“**MAB**”), dated as of November 3, 2011 (the “**Purchase Agreement**”). The terms of the Purchase Agreement provided that AWM would transfer the Agreement to M&B, an affiliate of MAB, conditioned upon the execution of this Novation by the parties. In such instance, M&B would perform the services under the Agreement and assume all of AWM’s rights, obligations and liabilities, in, to, and under the Agreement that arise after the Effective Date (as defined below).

The Purchase Agreement provided that the transactions contemplated therein would close as of 11:59 PM on December 31, 2011 (the “**Effective Date**”). The Company, as the sole shareholder of AWM, contemplated a separate, unrelated transaction involving the sale of all of AWM’s stock, to take place via separate stock purchase agreement, closing at 11:59:59 PM on December 31, 2011 (“**Stock Sale**”). As a result of the separate Stock Sale, and the proximity of the closing thereof to the closing of the Purchase Agreement, in conjunction with a failure to secure Customer’s approval of this Novation by December 21, 2011, AWM assigned the Agreement with Customer to Company, its parent company, at which time Company assumed all obligations under the Agreement, pending approval of this Novation by all parties.

Accordingly, the parties hereto desire to substitute M&B for Company so that M&B shall provide all services to Customer and M&B shall assume all future liabilities under the Agreement, and Company will thereafter be completely released and discharged from all obligations and liabilities to Customer, effective as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and mutual agreements hereinafter contained and intending to be legally bound, the parties agree as follows:

1. Novation: Customer hereby consents to Company’s sale and conveyance of the Agreement to M&B. Effective as the Effective Date, M&B shall be substituted in every way for Company as a party to the Agreement as if M&B is the party thereto. Customer accepts the liability and M&B’s performance bond in substitution for Company and its performance bond, as applicable, and Customer shall look to M&B and its performance bond solely for the performance of all obligations and the payment of any claims under the Agreement arising after the Effective Date. Customer and M&B shall be bound by the terms of the Agreement as if M&B were an original party thereto. All payments made (and to be made) by Customer to the Company under the Agreement on or prior to the Effective Date shall discharge Customer’s obligations under the Agreement to the extent of the amounts paid. All payments due or to become due under the Agreement after the Effective Date shall be made in the name of and sent to M&B and shall discharge Customer’s obligations under the Agreement to the extent paid. M&B shall hold harmless and indemnify the Customer with respect to any claims made by the Company against the Customer with respect to any payments made by Customer to Company and/or M&B for services performed with respect to the Agreement under the terms of this Novation.

2. Release: Notwithstanding anything to the contrary in the Agreement, effective as of the Effective Date, Customer remises, releases and forever discharges Company and its officers, directors, employees, agents, affiliates (including, without limitation, all subsidiary and parent companies), successors and assigns, from all obligations and liabilities arising under the Agreement and from any and all claims, demands, causes of action, actions, rights, damages, judgments, costs, compensation, suits, debts, dues, accounts, bonds, covenants, agreements, expenses, attorneys’ fees, damages, penalties, punitive damages and liability of any nature whatsoever, in law or in equity or otherwise (all of the foregoing collectively, “**Claims**”), which Customer has or may ever have arising out of or in any way connected to any liabilities, obligations or Claims arising or accruing after the Effective Date under the Agreement.

3. Closing a Condition to Novation: This Novation is contingent upon Closing. This Novation also is contingent on M&B providing Customer with a performance bond on or before the Effective Date, as may be required of the service provider under the Agreement, which performance bond shall comply with all terms of the Agreement. In the event Closing does not occur or M&B does not provide a performance bond as required under the Agreement, this Novation shall be void and of no force and effect.

4. Miscellaneous:

(a) Each party hereto represents and warrants that it is duly authorized to execute, deliver and perform this Novation, which constitutes a valid, legal and binding obligation of it, enforceable against it in accordance with its terms.

(b) This Novation constitutes the entire agreement between the parties with respect to the subject matter hereof. No modification of any provision shall be effective unless in writing and signed by both parties. This Novation shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

(c) This Novation shall be governed by the laws of the Commonwealth of Pennsylvania, without application of principles of conflicts of law.

(d) This Novation may be executed in counterparts, each of which shall be deemed an original, and all of which together shall be deemed one and the same document.

[signature page to follow]

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

E'TOWN LLC

Southern Lehigh School District

By: TWH LLC, its Managing Member

By: _____

By: AMERICAN WATER WORKS COMPANY, INC., its
Managing Member

Name: _____

Title: _____

By: _____
Name: Sharon Cameron
Title: President, American Water Enterprises

M&B Environmental, Inc.

By: _____
Name: _____
Title: _____