

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT, dated May 15, 2012, by and among **COLUMBIA WATER COMPANY** ("Funding Recipient"), a private entity organized and existing under the laws of the Commonwealth of Pennsylvania; the **PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY** ("PENNVEST"), a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania; and **WELLS FARGO BANK, NATIONAL ASSOCIATION** a national banking organization ("Bank").

WITNESSETH:

WHEREAS, on May 14, 2012, the Funding Recipient issued to Bank its Commercial Line of Credit Note, in the maximum principal amount of \$550,000 which is secured under the terms of a Loan Agreement between the parties dated May 14, 2012 (hereinafter individually and collectively referred to as the "Bank Note" and the "Bank Loan Agreement"), the proceeds of which is intended to be used as interim financing for the PENNVEST Loan (as hereinafter defined); and

WHEREAS, the Funding Recipient is prepared to issue to PENNVEST a debt obligation in the form of a note in the maximum principal amount of \$15,250,000 which will be secured under the terms of the Funding Agreement between the parties of even date herewith (hereinafter individually and collectively referred to as the "Debt Obligation" and the "Funding Agreement"), the proceeds of which will be used by the Funding Recipient to finance a portion of the cost of certain capital improvements to the Funding Recipient's water system (the "Project"); and

WHEREAS, pursuant to the Bank Loan Agreement, the Funding Recipient has pledged, granted and conveyed to Bank a security interest in the water revenues to be generated from the operation of its water system (the "Revenues") to secure the payments of all sums due under the Bank Loan Agreement, including all debt service due under the Bank Note; and

WHEREAS, pursuant to the funding offer from PENNVEST, accepted by the Funding Recipient on November 1, 2011 and an amended funding offer on May 14, 2012 PENNVEST requested and the Funding Recipient agreed to pledge, grant and convey to PENNVEST a lien on the Revenues to secure the payment of all sums due under the Funding Agreement, including all debt service due under the Debt Obligation; and

WHEREAS, the Funding Recipient has requested and PENNVEST has consented to subordinate its lien on the Revenues with Bank subject only to the outstanding liens set forth in Exhibit B of the Funding Agreement ; and

WHEREAS, the parties desire to confirm their understanding, in writing, that there are no intervening liens on the Revenues, and the relative priority of the liens and security interests of PENNVEST and the Bank securing the Funding Recipient's obligations under the Bank Note and the Debt Obligation.

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NOW THEREFORE, the parties hereto, in consideration of the benefits to be derived herefrom, and intending to be legally bound hereby, covenant and agree as follows:

1. The recitals appearing under the caption "Witnesseth" constitute a material part of this Agreement and are expressly incorporated herein.

2. The Funding Recipient covenants and warrants that there are no liens, security interests, encumbrances or judgments on or affecting the Revenues, other than the lien of PENNVEST or Bank as described herein or otherwise the prior outstanding liens set forth in exhibit B to the Funding Agreement. PENNVEST and Bank hereby stipulate and agree that their respective liens and security interests on the Revenues under the Debt Obligation and the Bank Note shall be in parity on a pro-rata, shared lien basis subject only to the prior liens set forth on exhibit B to the Funding Agreement.

3. The lien status agreed upon by the parties shall prevail regardless of the time or date of filing of the respective financing statements perfecting the lien, pledge and grant of security interests in the Revenues securing the Debt Obligation and the Bank Note.

4. The parties hereby agree that all disbursements under the Debt Obligation shall be immediately applied to the PENNVEST eligible costs associated with the outstanding principal balance of the Bank Note, and that the total amount of outstanding debt on the Bank Note and the Debt Obligation shall never exceed a combined total outstanding balance of \$15,250,000. The Funding Recipient shall take all steps necessary to ensure that all disbursements under the Debt Obligation shall be immediately applied to PENNVEST eligible costs associated with the outstanding balance of the Bank Note. Upon the final disbursement of the proceeds of the Debt Obligation by PENNVEST, the Bank Note shall be paid in full immediately by the Funding Recipient, and PENNVEST shall thereupon assume a lien on the Revenues subject only to the remaining outstanding liens identified in exhibit B of the Funding Agreement. In the event the Bank Note has not been paid in full prior to May 14, 2014, the stated maturity date of the Bank Note, PENNVEST shall in any event assume a lien on the Revenues subject only to the remaining outstanding liens identified in exhibit B of the Funding Agreement on the earlier of that date or the date the Bank Note is paid in full. Bank hereby agrees that it will not extend the term of the Bank Note without the prior written consent of PENNVEST.

5. If an event of default shall be declared under the Debt Obligation or Funding Agreement by PENNVEST or under the Bank Loan Agreement or the Bank Note by the Bank, the same shall constitute an event of default under the other pledge with the same force and effect as if all such obligations had been issued simultaneously but only if such default occurs during the stated term identified in number 4 above. The party declaring such default, as the case may be, shall give

notice to all other parties to this Agreement of the occurrence of an event of default under the PENNVEST Funding Agreement or the Bank Loan Agreement, as the case may be.

6. So long as the Debt Obligation and the Bank Note remain unpaid and outstanding but no longer that the period identified under 4 above, PENNVEST and Bank shall cooperate in good faith in any enforcement or execution under the PENNVEST Funding Agreement and/or the Bank Loan Agreement, subject only to restrictions imposed on either party by applicable law and the applicable instrument.

7. Neither PENNVEST nor Bank, nor any of their respective officers, employees, agents or assigns, shall be liable to the other creditor for any waiver, release, consent or approval given, or action taken or omitted to be taken, in good faith under this Agreement or under any documentation pertaining to the Funding Agreement or the Bank Loan Agreement, as the case may be.

The terms of this Intercreditor Agreement in no way shall limit the rights or obligations of any party hereto arising from any other security or collateral in its favor other than the Revenues.

8. Upon the payment and performance of all obligations under either or both of the Funding Agreement, the Debt Obligation or the Bank Loan Agreement or the Bank Note and or by the operation of paragraph 4 above, then this Intercreditor Agreement shall cease and become void.

9. This Intercreditor Agreement may not be modified, amended, discharged or waived except by an agreement in writing and signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought. As used herein, the singular shall include the plural as the context requires.

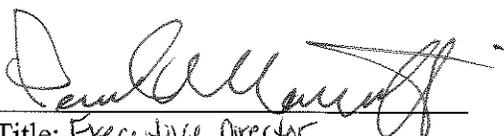
10. All notices to the respective parties hereto shall be given in writing and effective when delivered to such party, or if sent by United States mail, postage prepaid, registered or certified mail or by telegram, on the first business day after the day on which mailed or sent, addressed to such party.

11. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument. All signatures need not appear on the same copy hereof.

12. This Intercreditor Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed, acknowledged and delivered by their proper officers and their corporate seals to be affixed hereto as of May 15, 2012

**PENNSYLVANIA INFRASTRUCTURE
INVESTMENT AUTHORITY**

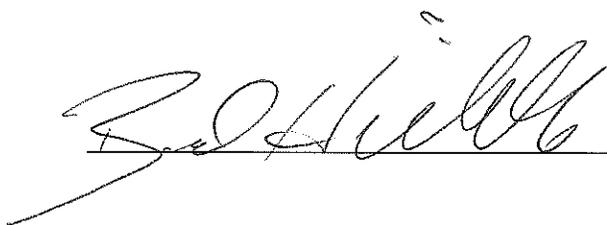
By: 
Title: Executive Director

Attest:


SECRETARY

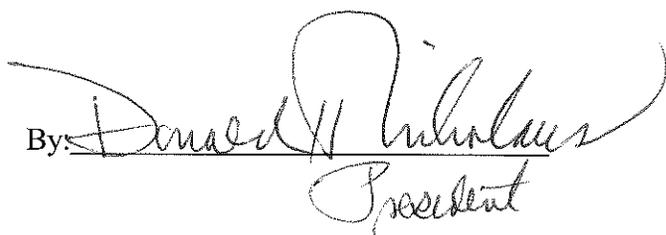
(SEAL)

Attest:



(SEAL)

COLUMBIA WATER COMPANY

By: 
President

**WELLS FARGO BANK
NATIONAL ASSOCIATION**

By: 