

EXHIBIT 2

ASSET AND REAL PROPERTY PURCHASE AND SALE AGREEMENT

BETWEEN

WASHINGTON WATER SERVICE COMPANY

AND

STROH'S WATER COMPANY, INC.

Dated 04/06/2022

ASSET AND REAL PROPERTY PURCHASE AND SALE AGREEMENT

This Asset and Real Property Purchase and Sale Agreement ("**Agreement**") is entered into and made effective as of this 04/06/2022 ("**Effective Date**"), by and between WASHINGTON WATER SERVICE COMPANY, a Washington corporation ("**Purchaser**"), and STROH'S WATER COMPANY, INC. a Washington corporation ("**Seller**"), with reference to the following recitals:

RECITALS

- A. Seller is a Washington profit corporation commonly known as Stroh's Water Company located in Gig Harbor, Washington, whose domestic water system, as of the Effective Date, furnishes water service to approximately 805 customers within an area located near the City of Gig Harbor, County of Pierce, State of Washington ("**Water System**"), more specifically identified in Schedule 1.A attached hereto and made a part hereof.
- B. Purchaser is a wholly owned subsidiary of California Water Service Group ("**CWSG**"), a publicly traded utility holding company that owns and operates through its subsidiary corporations, water and wastewater systems in the states of Washington, California, Hawaii, New Mexico and Texas. Purchaser owns and operates water and wastewater systems in the State of Washington. The Washington Utilities and Transportation Commission ("**UTC**") regulates Seller's and Purchaser's water systems in Washington.
- C. Seller and Purchaser (each of which hereinafter may be referred to individually as a "**Party**" and collectively be referred to as "**Parties**") believe that the sale of the assets of the Water System is in the best interest of the population served by the Water System, in view of Purchaser's technical and managerial expertise, financial resources, and economies of scale given Purchaser's service of a large number of customers in the region.
- D. Because the Purchaser is a public utility, whose operations are regulated by the UTC, Closing of the proposed transaction hereunder is conditional upon the approval of the UTC, the State of Washington Department of Health ("**DOH**"), and the State of Washington Department of Ecology ("**DOE**"), as required, and this Agreement and the rates to be charged by Purchaser subsequent to the Closing Date are subject to review and approval by the UTC.
- E. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller all of Seller's Water System assets on the terms and subject to the conditions set forth in this Agreement.
- F. Purchaser has been operating the Seller's Water System and related facilities and equipment under an Operation, Maintenance and Services Agreement dated April 5, 2021, and amended by that Amendment to Operation, Maintenance and Services Agreement, dated November 23, 2021 (collectively, the "**Operation Agreement**") which Operation Agreement is attached hereto as Exhibit 1.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, which shall be deemed a binding and enforceable part of this Agreement, and the mutual covenants, promises, representations and warranties contained herein, for good and valuable consideration, the Parties hereto agree as follows:

1. TRANSFER OF ASSETS

1.1. Agreement to Sell. Upon the terms and subject to all of the conditions contained herein, Seller hereby agrees to sell, assign, transfer and deliver to Purchaser on the Closing Date (as defined in Section 5.1 hereof), and Purchaser hereby agrees to purchase and accept from Seller on the Closing Date, the Acquired Assets (as defined in Section 1.2 hereof). At Closing, Seller shall deliver to Purchaser, through Escrow (as defined in Section 5.1 below), appropriate bills of sale, assignments, easements, deeds and such other documents of conveyance as are necessary, convenient to transfer of title to the Acquired Assets to Purchaser on the Closing Date, in form and

substance set forth as Schedules and/or Exhibits to this Agreement or in such other form as is reasonably acceptable to Purchaser and Seller.

1.2. Description of Acquired Assets. For purposes of this Agreement, the term “**Acquired Assets**” shall refer to all real and personal property used in connection with ownership and operation the Water System on the Effective Date and all other property and assets of Seller arising from or related to the ownership or operation of the Water System, whether or not currently in the possession of the Seller, including, without limitation the items below, but excluding any item described in Schedule 1.2(m) (“**Excluded Assets**”):

(a) Utility Systems. All water supply and treatment equipment and facilities, including but not limited to dams, wells, pumping equipment, connections, tanks, reservoirs, mains, pipes, meters and hydrants described in Schedule 1.2(a) hereof (“**Utility Systems**”).

(b) Real Property and Easements. All real property, easements and other real property rights used in connection with or necessary to operate the Water System as listed and described in Schedule 1.2(b) hereof (the “**Real Property**”), which the parties hereto agree expressly includes, without limitation, fee title to the real property upon which the Utility Systems and the Buildings and Equipment, which Real Property shall be conveyed by Seller to Purchaser by Warranty Deed in the form attached hereto as Schedule 8.13(b).

(c) Buildings and Equipment. All buildings, fencing, tools and equipment described in Schedule 1.2(c) hereof (the “**Buildings and Equipment**”),

(d) Water Rights. All water rights held by Seller in connection with the Acquired Assets, as more particularly described in Schedule 1.2(d) hereof (the “**Water Rights**”).

(e) Other Assets. All other tangible assets used to operate the Water System, and all rights under contracts, all claims, and all prepaid expenses, as described in Schedule 1.2(e) hereof.

(f) Inventory. All inventories owned or possessed by Seller at Closing related to the ownership and operation of the Water System, including but not limited to component parts and spare parts as described in Schedule 1.2(f) hereof.

(g) Accounts Receivable. All customer accounts receivable of Seller and of its subsidiaries, affiliates, or contractors, accrued in connection with the operation of the Water System, as reflected on Seller’s or its subsidiaries,’ affiliates,’ and/or contractors’ receivable ledger on the Closing Date (“**Seller’s Accounts Receivable**”).

(h) Books and Records. Copies of all books, records, files, contracts, and other data in Seller’s possession or reasonable control relating to the Acquired Assets and/or the operation of the Water System and whether in tangible form or in the form of intangible computer storage media, such as disks, tapes, and other similar storage media.

(i) Licenses and Permits. All licenses and permits of Seller described in Schedule 6.21 hereof.

(j) Company Deposits. All deposits with government agencies, vendors, contractors and other entities described in Schedule 1.2(j) hereof. Seller shall provide such information to third parties holding deposits as is necessary to transfer Seller’s interest in the deposits to Purchaser.

(k) Customer Deposits. All deposits made by customers to Seller for purposes of receiving water service as described in Schedule 1.2(k) hereof.

(l) Other Intangible Property. All of the right, title and interest of Seller in any intangible property in the possession or reasonable control of the Seller and used in Seller's business and to the extent approved by Purchaser in writing pursuant to the provisions of this Agreement, any and all contracts, warranties, guarantees, agreements, utility contracts, operating and customer account records, maps and drawings, permits, franchises, licenses, claims, prepaid expenses, grants, certificates and privileges and other rights owned by Seller, or in which Seller holds any beneficial interest relating to or used in connection with the ownership, operation, use, occupancy or enjoyment of all or any part of the Seller's business, all of which are collectively referred to as the "**Other Intangible Property**". The Other Intangible Property shall include, without limitation, all customer service contracts and all site plans, plans and specifications, "as-built" plans and drawings, permits and other governmental reviews, approvals and entitlements related to the Water System and such of the foregoing as have been heretofore prepared, applied for, obtained or otherwise are in the name or possession of, under the control of Seller. Other Intangible Property shall also include intellectual property retained by Seller including trade and service marks registered to Seller, any patent or copyrights retained by Seller related to the business and licenses to use software and other intellectual property utilized by Seller. Other Intangible Property is set forth in Schedule 1.2(l).

2. LIABILITIES AND TRANSFER TAXES

2.1. Only Certain Liabilities Being Assumed. Except as described in Schedule 2.1 hereof, Purchaser will not assume or be obligated to satisfy or perform any of Seller's liabilities, or commitments, whether fixed or contingent, or which otherwise relate to the operation of Seller's business or the Acquired Assets prior to the Closing Date.

2.2. Will Serve Letters and Water Service Obligation. Schedule 2.2(a) lists each customer currently served by Seller and Schedule 2.2(b) lists each Will Serve Letter (i.e., a COWA) currently active. After the close of the Inspection Period, Seller shall not issue any additional Will Serve Letter without the prior written approval of Purchaser which shall not be unreasonably withheld. Within five (5) days following the last approval to be obtained, Seller shall provide to Purchaser an updated customer list. On and after the Closing Date, Purchaser shall accept the obligation to provide potable water service to the Schedule 2.2(b) Will Serve Letter recipients in accordance with UTC approved rules and tariffs.

2.3. Liabilities Not Being Assumed. Except as described in Schedule 2.1, and without limiting the list of the Excluded Assets, Purchaser will not assume or be obligated to satisfy or perform any other liabilities, obligations or commitments of Seller, whether fixed or contingent, or known or unknown, including but not limited to Seller's tax, environmental and water quality liabilities that exist prior to the Closing Date and obligations to its employees that exist prior to the Closing Date. Specifically, Seller agrees that it is responsible for payment of all taxes relating to the Tax Cuts and Jobs Act arising prior to the Closing Date.

2.4. Excise and Property Tax. Seller shall pay all sales, gross receipts, and transfer taxes, if any, arising out of the transfer of the Acquired Assets and shall pay its portion, prorated as of the Closing Date, of state and local real and personal property taxes of the business, if any. Use tax on any Acquired Assets allocated to equipment by agreement of Seller and Purchaser pursuant to Section 3.2, if any, shall be paid by Purchaser. Purchaser shall not be responsible for any taxes of any kind related to any period before the Closing Date.

2.5. Assumption Agreement. Purchaser shall assume only those certain liabilities described in Schedule 2.1 pursuant to the terms of an agreement in the form set forth in Schedule 2.5 attached hereto.

2.6. Operations Agreement. Despite any other provision of this Agreement to the contrary, any obligation or responsibility of Seller assumed by the Purchaser under the Operations Agreement

shall remain the obligation or responsibility of the Purchaser pursuant to the terms of the Operations Agreement.

3. PURCHASE PRICE AND PAYMENT

3.1.

3.2. Allocation of Purchase Price. In accordance with Schedule 3.2, the Purchase Price shall be allocated among the Acquired Assets as determined by Purchaser and Seller by agreement on or before the Closing Date.

4. PROPERTY DESCRIPTION, DOCUMENTS, SURVEYS, PERMITS, ENVIRONMENTAL ASSESSMENT, INSPECTIONS AND OTHER MATTERS

4.1. Property Description, Current Surveys and Title Policies. Within fifteen (15) Days after the Effective Date, Seller shall provide the following in Seller's possession or control to Purchaser for Purchaser's review: descriptions of the Real Property, including for easements (the "**Property Descriptions**"); copies of any existing surveys, title policies, and environmental, soils, engineering and any other studies relating to the Real Property. "**Days**" means calendar days unless the context requires otherwise.

4.2. Water Rights, Quality, Use. Within fifteen (15) Days after the Effective Date hereof, Seller shall provide the following in Seller's possession or control to Purchaser descriptions of the Water Rights, including any and all documents or filings made with state and local agencies or courts that are in Seller's possession or control evidencing or otherwise related to such Water Rights. Such documents shall include, but not be limited to, declarations, permits, licenses or any other documents evincing the existence and Seller's ownership of the Water Rights. Within the time set forth herein, Seller also shall provide copies of any existing water quality studies, test results, well capacity analyses, water use documents or any other evidence of placement of water to beneficial use and any other water quality or quantity studies or information pertaining to water used in Seller's business, that are in Seller's possession or control. Seller shall also provide any documents within its possession or control which confirm the historical places and uses of water rights, and the chain of title to water rights. Seller shall provide copies of the well completion reports, copies of any filings with a Washington well permitting agency, and copies of any materials addressing construction, alteration, maintenance, production, monitoring and/or destruction of such wells.

4.3. Preliminary Title Report. Within thirty (30) Days after the Effective Date hereof, Seller shall cause to be delivered to Purchaser a current Preliminary Title Report issued by Chicago Title Company (1142 Broadway, Suite 200, Tacoma, WA 98402, Attn: Rob Hainey, Senior Commercial Title Officer) ("**Title Report**"), for an ALTA Owner's Policy of Title Insurance covering the Real Property, including all easements and any other real property on which components of the Water System are located (the "**Title Policy**"), and furnish to Purchaser legible and true copies of all instruments in Seller's possession which are the basis of any exceptions to title coverage shown in

the Title Report (other than the standard printed exceptions) (the “**Exceptions**”) referred to therein (the “**Binder**”). Standard printed exceptions as to current year, non-delinquent taxes shown in the Title Report and the other exceptions to coverage shown in the Title Report, which Purchaser approves or waives in the manner provided hereafter shall be deemed “**Permitted Exceptions**”.

4.4. Survey. Within fifteen (15) Days after the Effective Date hereof, Seller shall cause to be delivered to Purchaser existing surveys in Seller’s possession or reasonable control sufficient to allow deletion of the Standard Survey exception from the Title Policy (the “**Surveys**”). Seller will provide the following documents that are in its possession or reasonable control: all surveys, its most recent plat map of the Real Property and all pipeline, utility and other easements benefiting the Real Property, and all deeds, agreements and other documents evidencing such easements. If any additional surveys are deemed necessary by Purchaser they will be performed at Purchaser’s expense and a copy provided to Seller upon receipt by Purchaser, provided that Seller shall use its best efforts to assist Purchaser in obtaining such additional surveys at no expense to Seller, and Seller shall obtain easements deemed reasonably necessary by Purchaser (on Purchaser’s standard easement form, and deemed superior to any mortgage, deed of trust, covenant, restriction or other encumbrance affecting the subject properties) to cover any areas on the plat map not currently covered by a recorded easement document provided the cost of recording said easements shall be paid by Purchaser. Purchaser may terminate this Agreement if Purchaser is not satisfied, in its sole and absolute discretion, with (i) surveys provided to or performed at Purchaser’s expense during the Inspection Period, or (ii) easements (or the form/content thereof) covering all areas on the plat map, provided that Purchaser shall give notice to Seller identifying the deficiencies in (i) and/or (ii) above which are the basis of Purchaser’s dissatisfaction, and Seller shall be given thirty (30) days after notice from Purchaser of its dissatisfaction to correct such deficiencies in said surveys or easements provided Seller shall not be required to correct such deficiencies if in Seller’s sole and absolute discretion the cost of correcting such deficiencies is not reasonable in which case Purchaser may terminate this Agreement. Seller’s failure to correct any such deficiencies will not result in breach of this Agreement.

4.5. Environmental Assessment; Water Quality and Quantity Studies. Purchaser shall have the right, at its expense, to conduct Phase One and Phase Two Environmental Assessments of the Real Property following the ASTM standards for Environmental Assessments, which may involve invasive testing of the Real Property. In the event Seller does not have authority to grant to Purchaser the right to enter upon any real property to conduct desired testing, Seller shall use commercially reasonable efforts to coordinate with the owners of the applicable real property to allow Purchaser the right to enter upon such real property and to conduct such testing. Purchaser shall also have the right, at its expense, to conduct any other studies of water quality or quantity that Purchaser deems appropriate during the Inspection Period (as defined herein). Purchaser will repair any damage it causes to the Real Property during its inspection to as near a condition as existed before such damage. Purchaser will provide copies of Environmental Assessments or Reports of the Real Property as they become available to Purchaser.

4.6. Permits; Agency Filings. Within fifteen (15) Days after the Effective Date hereof, Seller shall cause to be delivered to Purchaser copies of any and all permits or licenses Seller holds with any city, county, state or federal agency that are in Seller’s possession or control. Seller also shall deliver any and all filings made with such agencies, subsequent case filings made by Seller or third parties, and orders entered, if any, that are in Seller’s possession.

4.7. Corporate Documents; Books and Records. Within fifteen (15) Days after the Effective Date hereof, Seller shall cause to be delivered to Purchaser copies of all corporate documents for Seller, including Seller’s articles of incorporation and bylaws and any amendments thereto, any shareholder, buy-sell, and/or voting rights or voting trust agreements by and among Seller’s shareholders, and any corporate resolutions of Seller approving the transactions contemplated by this Agreement. Seller shall also provide Purchaser with copies of all customer lists and all books and records related to the operation of the Water System in Seller’s possession or control.

4.8. Personal Property Search. Within thirty (30) Days after the Effective Date, Seller shall provide Purchaser a personal property record search of Seller for any liens or encumbrances on all personal property owned by Seller and subject to this Agreement (the "**UCC Search**"). Seller shall also provide confirmation that all personal property taxes have been paid on any personal property, including buildings, equipment and inventory that are included in the Acquired Assets.

4.9. Claims and Lawsuits and Customer Information. Within thirty (30) days after the Effective Date, Seller shall provide Seller with all information in Seller's possession or control from the five (5) year period immediately preceding the Effective Date related to all lawsuits filed against Seller, non-litigated claims made against Seller with an actual or alleged Seller liability of greater than TEN THOUSAND and NO/100 DOLLARS (\$10,000.00), and a list of all complaints against Seller or pertaining in any manner to the Water System which were (a) communicated to Seller within six (6) months prior to the Effective Date or (b) which constitute "recurring" complaints (as defined below), and, for each complaint included on such list, Seller shall specify with reasonable particularity, (i) the date such complaint was made, (ii) the identity of the complainant, (iii) the nature or substance of the complaint, (iv) whether such complaint has been resolved as of the Effective Date, and if so, a description of the resolution and the date of resolution, and (v) the current status of the complaint as of the Effective Date. For purposes of this Section, a "recurring" complaint shall mean a complaint that has been raised at least three (3) times within a five (5) year period prior to the Effective Date by the same customer or third party.

4.10. Review; Correction of Disapproved Items. Purchaser shall have until the end of the Inspection Period (as defined herein) within which to review the Title Report, the Property Descriptions, the Surveys, the easements, the Environmental Assessments, the UCC Search and any other information, studies, investigations or other matters, whether by Seller or undertaken by Purchaser (collectively referred to herein as the "**Due Diligence Items**"). Before the expiration of the Inspection Period, Purchaser shall indicate in writing delivered to Seller any Due Diligence Items that are not acceptable ("**Disapproved Due Diligence Items**"). Due Diligence Items not expressly disapproved shall be deemed approved. Notwithstanding the foregoing, all covenants, conditions or restrictions recorded against the Real Property shall be deemed a Disapproved Due Diligence Item and Purchaser shall have no obligation to give written notice thereof. Seller shall have thirty (30) Days after delivery of notice by Purchaser of Disapproved Due Diligence Items plus two thirty (30) day options to cure all Disapproved Due Diligence Items ("**Seller's Cure Period**") provided that Seller in its sole and absolute discretion may choose not to cure Disapproved Due Diligence Items (including but not limited to environmental) if the cost of curing said Disapproved Due Diligence Items is not reasonable in Seller's sole and absolute discretion. If Seller does not cure all of Disapproved Due Diligence Items within Seller's Cure Period, Purchaser may, at its option, either cancel this Agreement or waive the objections and proceed to Closing, provided that Purchaser's failure to give Seller written notice of its decision shall be deemed to constitute Purchaser's decision to cancel this Agreement. The Seller's failure to cure the objections is not a breach of this Agreement.

4.11. Inspection Period and Investigation. Purchaser and Purchaser's agents and consultants shall have until sixty (60) Days after the Effective Date hereof, together with two additional options allowing Purchaser to extend by thirty (30) Days each (the "**Inspection Period**") within which to conduct the inspections, investigations and reviews provided for by this Article 4. Any delay by Seller in providing the Due Diligence Items required of Seller hereunder within the time specified herein shall entitle Purchaser to an extension of the Inspection Period by a period equal to the delay. Purchaser shall have the right to enter upon Real Property at necessary times during business hours for the purpose of inspecting the Acquired Assets. Except as provided herein, Purchaser shall be responsible for all inspections, examinations, tests and evaluations. Purchaser shall indemnify, protect, defend and hold Seller free and harmless from and against any and all claims, actions, causes of action, suits, proceedings, costs, expenses (including, without limitation, reasonable attorney's fees and costs), liabilities, damages, and liens caused by the negligence or intentional misconduct of Purchaser while upon the Real Property prior to the Closing Date. Purchaser shall repair any damage to Real Property that may be caused by the Purchaser's

negligence or intentional misconduct while on the Real Property performing its inspection. During the inspection period, Purchaser's liability insurance, in the amount of at least \$1,000,000, shall name Seller and its directors as additional insureds.

5. ESCROW AND THE CLOSING

5.1. Escrow. Within two (2) business days after the Effective Date, Buyer shall open an escrow for the transaction contemplated by this Agreement (the "**Escrow**"), with Chicago Title Company: Attn: Shelley Anderson, 1142 Broadway, Suite 200, Tacoma, WA 98402 ("**Escrow Holder**").

5.2. Closing Date. The closing ("**Closing**") of the transactions contemplated by this Agreement shall take place through Escrow, during regular business hours, on such date as mutually agreed between Seller and Purchaser which date is at least thirty (30) business days, and no more than ninety (90) business days, after the effective date of the last necessary approval of the transaction obtained by Purchaser, as described in Section 9 below, or at such other time as the parties may agree to in writing provided however that should such first calendar date of the month occur on a Saturday, Sunday or state or federal holiday, the Closing shall occur on the following business day ("**Closing Date**").

5.3. Seller's Obligations at Closing. At the Closing, Seller shall (i) turn over and deliver to Purchaser exclusive possession of the Acquired Assets and the documents described in Schedules 1.2(a)-(l) hereof; and (ii) deliver to Purchaser the conveyance documents as identified herein and such other instruments of conveyance identified in Section 8.13 and as necessary to affect the transfer of title to the Acquired Assets to Purchaser as of the Closing Date in the form required herein.

5.4. Purchaser's Obligation at the Closing. At the Closing, Purchaser shall deliver to Seller the Purchase Price in accordance with Section 3.1 above.

6. SELLER'S REPRESENTATIONS AND WARRANTIES.

Seller represents and warrants to Purchaser as follows:

6.1. Organization, Good Standing and Qualification. Seller is a water company organized, validly existing and in good standing under the laws of the State of Washington and has all necessary corporate powers to own, lease and operate its assets and properties and to carry on its business as now owned and operated by it. Seller is not doing business in any state other than Washington. Seller does not own, directly or indirectly, any interest or investment (whether equity or debt) in or control any corporation, partnership, business, trust, joint venture or other entity.

6.2. Authority. Seller has the full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The Seller's Board of Directors has duly and effectively approved Seller's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and no other corporate proceeding on the part of Seller is necessary to authorize this Agreement and the transactions that it contemplates. This Agreement has been duly and validly executed by Seller and is a valid and binding agreement of Seller enforceable in accordance with its terms.

6.3. Financial Statements. Concurrently with the execution of this Agreement by Seller, Seller shall deliver to Purchaser the balance sheets of Seller for the current and immediately preceding fiscal years and the related statements of income and retained earnings for the years then ending, certified by the Chief Executive Officer, and the General Manager of Seller (i.e., that "Annual Report and Affiliated Interest Certification" for fiscal year 2020 and 2021, prepared under WAC § 480-110-505). These financial statements are hereinafter collectively referred to as the "**Seller Financial Statements**." To the best of Seller's knowledge, the Seller Financial Statements are true and

correct in all material respects, fairly present the financial position of Seller as of the respective dates of the balance sheets included in the Seller Financial Statements, and the results of its operations for the respective periods indicated.

6.4. Absence of Specified Changes Claims and Litigation. Except as described in Schedule 6.4 hereof, from the date of this Agreement to the Closing Date, none of the following has occurred:

- (a) Transaction by Seller except in the ordinary course of business as conducted consistent with past practices;
- (b) Capital expenditure by Seller exceeding \$5,000;
- (c) Obligations incurred by Seller, except trade or business obligations incurred in the ordinary course of business consistent with past practices;
- (d) Cancellation or compromise of any debt or claim, except in the ordinary course of business consistent with past practices;
- (e) Material Adverse Change in the financial condition, liabilities, assets, business, results of operation or prospects of Seller;
- (f) Destruction, damage to or loss of any assets of Seller (whether or not covered by insurance) that materially and adversely affects the financial condition, business, operations or prospects of Seller;
- (g) Sale or transfer of any asset of Seller, except in the ordinary course of business consistent with past practices;
- (h) Execution, creation, amendment or termination of any contract, agreement or license to which Seller is a party, except in the ordinary course of business consistent with past practices;
- (i) Waiver or release of any right or claim of Seller, except in the ordinary course of business;
- (j) Mortgage, pledge or other encumbrance of any asset of Seller;
- (k) Cancellation or the giving of notice of cancellation of any policy insuring Seller, its business or assets;
- (l) Other event or condition of any character that has or might reasonably have a material and adverse effect on the financial condition, assets, business, results of operation or prospects of Seller; or
- (m) Agreement by Seller to do any of the things described in the preceding clauses (a) through (l) except as agreed to in writing by Purchaser.

6.5. Debt, Obligations or Liabilities. Purchaser shall not assume any debt, obligations or liabilities of the Seller outstanding on the Closing Date, if any.

6.6. Real Property Leased to or by Seller. Except as described in Schedule 6.6 hereof, Seller is not a party to any agreement for the lease of real property.

6.7. Tangible Personal Property. Except as described in Schedule 6.7 hereof, no personal property used by Seller in connection with its business is held under any lease, security agreement,

conditional sales contract, or other title retention or security arrangement or is located other than in possession of Seller. Seller owns all tangible personal property necessary to conduct its business as now conducted.

6.8. Title to and Condition of Assets and Properties. The Acquired Assets constitute all of the real property, personal property, and other legal rights, and interests used to operate Seller's business as of the Effective Date and as of the Closing Date. To the best of Seller's knowledge and belief, Seller has sole and exclusive good and merchantable title to all of the Acquired Assets and all of its properties and assets reflected in the Seller Financial Statements and all assets acquired by Seller subsequent to the closing date of the Seller's most recent fiscal year for which Seller's Financial Statements have been provided (except in each case those disposed of in the ordinary course of business since such date free and clear of mortgages, liens, pledges, charges, encumbrances, equities, claims, covenants, conditions or restrictions (unless specifically approved in writing by Purchaser) or any other defect in title (whether or not disclosed on the Preliminary Title Report), except for the liens of current taxes and assessments, encumbrances, clouds and defects which do not materially and adversely affect the operations of or the fair market values of its assets or properties. To the best of Seller's knowledge and belief, all of Seller's real property, its pipes, wells and water storage facilities, and all machinery, equipment, fixtures, automobiles, and other physical assets owned, leased, or used by Seller in the conduct of its business as presently conducted are in good operating condition and repair, ordinary wear and tear excepted, and are free from any defects, except (i) such defects that are correctable through routine maintenance, (ii) such minor defects that do not materially interfere with the continued use of such property in the conduct of Seller's normal operations, and (iii) such defects that are described in Schedule 6.8 hereof. No officer, director or employee of Seller owns or has any interest, directly or indirectly, in any of the real or personal property used by Seller in the conduct of its business. To the best of Seller's knowledge and belief, Seller does not occupy any real property in violation of any law, regulation or decree. Pursuant to this Agreement and Purchaser's obligation to provide water service within Seller's service area, Seller agrees and intends to bestow, transfer, grant or dedicate to Purchaser all perfected or unperfected rights Seller may assert in a Court of equity or law to all easements or rights of way not specifically set forth in Section 1., Transfer of Assets. To the extent permitted by law, such rights shall continue for statutory purposes and be recognized for such period that Seller facilities were installed and put to use by Seller.

6.9. Zoning. As of the Effective Date hereof, to best of Seller's knowledge and belief, the zoning of each parcel of real property owned or used by Seller in the conduct of its operations permits or is inapplicable to the presently existing improvements and the continuation of the business presently being conducted on such parcel. Seller is not aware of any facts or circumstances which suggest that a change in zoning which would affect the present use of Seller's real property is likely.

6.10. Business. Seller is a private water provider, serving a portion of the City of Gig Harbor, County of Pierce within the State of Washington, and with respect to which, it holds valid permits issued by the Washington Department of Health (Office of Drinking Water) and Washington Department of Ecology, copies of which in the Seller's possession will be delivered to Purchaser by Seller within thirty (30) days after the Effective Date hereof in accordance with Paragraph 4.6 above.

6.11. Physical Assets. Except as described in Schedule 6.11 hereof, to the best of the Seller's knowledge and belief the physical assets of Seller are in sound operating condition and have been consistently maintained in a manner appropriate to the purposes to which similar water and utility system equipment and improvements would ordinarily be devoted.

6.12. Litigation. Except as described in Schedule 6.12 hereof, to the best of Seller's knowledge and belief, there is no action, suit, proceeding, claim arbitration, or investigation, audit, inquiry or hearing, at law or in equity, before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, or other person pending or, to the knowledge of Seller, threatened, against Seller or relating to or affecting Seller, its business,

assets or properties, or, to the knowledge of the Seller, any basis for such action, suit, proceeding, claim investigation, audit, inquiry, or hearing to the knowledge of Seller. Seller is not presently engaged in any legal action to recover money due it or damages sustained by it.

6.13. Washington DOH. There are no Washington Department of Health outstanding orders or investigations pending or, to the knowledge of Seller, threatened against Seller, which might adversely affect the business or financial condition of Seller or the water supply of Seller presently in effect other than disclosed on Schedule 6.13, along with remediation status if any as appropriate.

6.14. Washington DOE. There are no Washington Department of Ecology proceedings or investigations pending or, to the knowledge of Seller, threatened against Seller, which might adversely affect the business or financial condition of Seller.

6.15. United States EPA. There are no United States Environmental Protection Agency ("EPA") proceedings or investigations pending, or to the knowledge of Seller, threatened against Seller, which might adversely affect the business or financial condition of Seller.

6.16. Condemnation. No elections have been held or other actions taken authorizing the commencement of proceedings toward condemnation of any of the properties of Seller, and, to the best knowledge of Seller, no such actions have been proposed.

6.17. Liabilities; Other Contracts. Except as set forth in the Seller's Financial Statements or described in Schedule 6.17 hereof, there are no debts, liabilities or obligations, fixed or contingent, known or unknown, to which Seller, its business or assets are subject, other than those incurred in the ordinary course of business consistent with past practices. Seller is not a party to, nor are its assets bound by, any agreement not entered into in the ordinary course of business consistent with past practices, or any indenture, mortgage, deed of trust, lease or any agreement that is unusual in nature, duration or amount (including, without limitation, any agreement requiring the performance by Seller of any obligation for a period of time extending beyond one year from the Closing Date, calling for consideration of more than \$5,000, or requiring purchase at prices in excess of prevailing market prices). Seller is not a party to, nor is Seller or any of its assets bound by, any agreement that is materially adverse to the business, assets, prospects or financial condition of Seller. Except as set forth in Schedule 6.17 there are no royalty obligations, warranty and guarantee obligations, product liability obligations, or easement maintenance obligations with respect to the Water System or the Acquired Assets.

6.18. Compliance with Laws. To the best of Seller's knowledge and belief, except as described in Schedule 6.18 hereof, the Seller has always complied with, and is not in violation of, applicable federal, state or local statutes, laws and regulations (including, without limitation, any applicable environmental, building, zoning, or other law, ordinance or regulation) affecting the Real Property or the operation of its business. Nothing in this Agreement is to be construed as requiring Seller to do anything that is contrary to law.

6.19. Compliance with Water Quality Regulations and Requirements. To the best of Seller's knowledge and belief, except as described in Schedule 6.19 hereof, the water which Seller provides to its customers has always complied with all applicable federal, state and local regulations and requirements and is otherwise of good, potable quality.

6.20. Water Rights. To the best of Seller's knowledge and belief, except as described in Schedule 6.20 hereof, the Water Rights are free and clear of all liens, security interests, mortgages, pledges, encumbrances, covenants, conditions, restrictions, taxes and assessments and charges or claims of whatever nature. The Water Rights are in good standing and have not been forfeited or abandoned and are not subject to judgment, suit, lien, receivership or any other encumbrance whatsoever.

6.21. Licenses. To the best of Seller's knowledge and belief, Seller possesses and holds in its name all licenses, permits, consents, franchises, approvals, authorization, qualifications, and orders of all governments and governmental agencies (hereinafter collectively referred to as "**Licenses**") required to enable Seller to conduct its business as presently conducted and to own, lease and operate its assets as presently owned, leased and operated. Schedule 6.21 hereof describes all Licenses that are held by Seller. Except as described in Schedule 6.21, to the best of Seller's knowledge and belief, all of the Licenses held by Seller are in full force and effect and there is no default of any provision thereof which would affect the ability of Seller to engage in its business or which would result in imposition of a criminal or monetary penalty in excess of \$250 in any single instance, or \$1,000 in the aggregate. No action is pending or, to Seller's knowledge, threatened, seeking the suspension, modification, cancellation, revocation or limitation of any License and, to Seller's knowledge, there is no basis for such actions.

6.22. Agreement Will Not Cause Breach or Violation. To the best of Seller's knowledge and belief, neither the entry into this Agreement nor the consummation of the transactions contemplated hereby will result in or constitute any of the following: (i) a breach of any term or provision of this Agreement, (ii) a default or any event that, with notice or lapse of time, or both, would be a default, breach or violation of the Articles of Incorporation or By-Laws of Seller, if any, or of any lease, franchise, license, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust, or other agreement, instrument, or arrangement to which Seller is a party or by which Seller or its assets are bound, (iii) an event that would permit any party to terminate any agreement or policy of insurance or to accelerate the maturity of any indebtedness or other obligation of Seller, (iv) the creation or imposition of any lien, charge or encumbrance on any of the assets of Seller, or (v) the violation of any permit, license, law, regulation, ordinance, judgment, order or decree applicable to or affecting Seller or its business, assets or financial condition.

6.23. Tax Matters. Seller has timely and properly filed all tax returns that it was required to file. All such tax returns were complete and correct in all respects and were prepared in compliance with all applicable law. All taxes owed by Seller have been paid. Seller is not the beneficiary of any extensions of time within which to file any tax return. No claim has ever been made by an authority in a jurisdiction where Seller does not file tax returns that Seller is or may be subject to taxation by that jurisdiction. There are no encumbrances on any of the Acquired Assets that arose in connection with any failure (or alleged failure) to pay any tax. Seller has withheld and paid all taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, member, stockholder, or other third party. Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed. There are no audits or examinations of any tax returns pending or threatened that relate to Seller's operation of the Water System or the Acquired Assets. Seller is not a party to any action or proceeding by any governmental authority for the assessment or collection of taxes relating to the operation of the Water System or Acquired Assets, nor has such event been asserted or threatened.

6.24. Authority and Consents. No approvals or consents of any person other than the UTC, DOH, DOE, and the Seller's Board of Directors are necessary for or in connection with the execution, delivery and performance of Seller's obligations hereunder.

6.25. Duration of Representation and Warranties. The representation and warranties made hereinabove will be correct and accurate in all material respects as of the Closing Date and shall survive the Closing Date for one (1) year.

6.26. Seller's Deliverables True, Complete and Accurate. All of the documents, instruments, and other information provided by Seller to Purchaser in accordance with the terms of this Agreement are either the complete originals of such documents, instruments or information or are true, accurate, and complete copies thereof and do not fail to omit any material information.

7. PURCHASER'S REPRESENTATIONS AND WARRANTIES.

Purchaser hereby represents and warrants to Seller as follows:

7.1. Organization, Good Standing and Qualification. Purchaser is a corporation duly organized, existing and in good standing under the laws of the State of Washington and has all necessary corporate powers to own and operate its properties and to carry on its business as now owned and operated by it.

7.2. Authority and Consents. Purchaser has the right, power, legal capacity and authority to enter into and perform its obligations under the Agreement, and no approvals or consents of any persons, other than the UTC, DOH, and DOE are necessary in connection therewith. The execution and delivery of this Agreement and the consummation of the transactions hereunder by Purchaser have been, or prior to the Closing Date will have been, duly authorized by all necessary corporate action of Purchaser, and approved by its Board of Directors, and no further corporate authorization is or will be necessary on the part of Purchaser. This Agreement constitutes a legal, valid and binding obligation of Purchaser enforceable in accordance with its terms.

7.3. Duration of Representation and Warranties. The representation and warranties made hereinabove will be correct and accurate in all material respects as of the Closing Date, and shall survive the Closing Date for a period of one (1) year.

8. SELLER'S OBLIGATIONS BEFORE CLOSING.

Seller covenants that, except as otherwise agreed or waived in writing by Purchaser, from the Effective Date of this Agreement until the Closing Date, provided that to the extent any of the following obligations are the obligations of the Purchaser under the Operations Agreement, the Purchaser shall fulfill that obligation for Seller until the Closing Date:

8.1. Access to Premises and Information. In addition to the right to conduct investigations and inspections as provided in Article 4 hereof, Purchaser and its counsel, accountants and other representatives shall have full access during normal business hours to all Seller's properties, books, accounts, records, contracts and documents of or relating to Seller and its assets, properties and business, provided Purchaser and its representatives provide reasonable notice to Seller's representative to provide said access. Seller shall furnish or cause to be furnished to Purchaser and its representatives all data and information concerning the business, finances and properties of Seller that Purchaser, in its sole discretion, deems material to its decision to close.

8.2. Conduct of Business in Normal Course. Seller shall carry on its business and activities through the Closing Date diligently and in substantially the same manner as they have been carried on, and shall not make or institute any change in management, accounting or operations that will vary materially from the methods used by the Seller as of that date without Purchaser's written consent.

8.3. Preservation of Business and Relationships. Seller shall use its best efforts, without making any commitments or agreements on behalf of Purchaser, to preserve its business organization intact, and to preserve its present relationships with suppliers, customers and others having business relationships with it.

8.4. Maintain Insurance. Seller shall continue to carry its existing insurance, subject to variations in amounts required by the ordinary operations of its business. At the request of Purchaser and at Purchaser's sole expense, Seller shall cause the amount of insurance, which at the Effective Date of this Agreement Seller carries, to be increased by such amount or amounts as Purchaser shall specify.

8.5. New Transactions. Once this Agreement is fully executed, Seller shall not do, or agree to do, any of the following acts without the prior written consent of Purchaser, which consent, except as otherwise set forth below to the contract, may be given or withheld in the sole and absolute discretion of Purchaser:

(a) Enter into any contract, commitment or transaction not in the usual and ordinary course of its business, consistent with past practices, except, however, Purchaser shall not unreasonably withhold written consent in the event that a contract, commitment or transaction is necessary to correct an interruption in service to any customer(s);

(b) Enter into any contract, commitment or transaction in the usual and ordinary course of business involving an amount exceeding ten thousand dollars (\$10,000) individually, except for items on Schedule 8.5(b) hereof, or twenty thousand dollars (\$20,000) in the aggregate, except, however, Purchaser shall not unreasonably withhold written consent in the event that a contract, commitment or transaction is necessary to correct an interruption in service to any customer(s);

(c) Make any capital expenditures in excess of five thousand dollars (\$5,000), except for items on Schedule 8.5(c) hereof, for any single item or in the aggregate, or enter into any leases of capital equipment or property under which the annual lease charge is in excess of two thousand five hundred dollars (\$2,500), except, however, Purchaser shall not unreasonably withhold written consent in the event that expenditures are necessary to correct an interruption in service to any customer(s); or

(d) Sell or dispose of any capital assets with a net book value in excess of one thousand dollars (\$1,000) individually or two thousand dollars (\$2,000) in the aggregate.

8.6. Payment of Liabilities and Waiver of Claims. Except as otherwise provided for in this Agreement, Seller shall not, without the written consent of the Purchaser, do, or agree to do, any of the following acts (i) pay any obligation or liability, fixed or contingent, other than current liabilities, (ii) waive or compromise any right or claim or (iii) cancel, without full payment, any note, loan or other obligation owing to Seller.

8.7. Existing Agreements. Seller shall not modify, amend, cancel or terminate any of its existing contracts or agreements, or agree to do any of those acts without prior consent of the Purchaser.

8.8. Representations and Warranties True at Closing. Seller's representations and warranties set forth in this Agreement or in any Exhibit, Schedule, letter, certificate, memorandum and in any other written document furnished by Seller in connection with this Agreement shall be true and correct as of the Closing Date as if made on that date and all conditions precedent to Closing shall have been met at Closing Date.

8.9. Regulatory Filings. Seller shall cooperate fully with Purchaser in preparing and filing such applications to the UTC, DOE and DOH, as Purchaser may deem necessary or appropriate to obtain approval of the transactions contemplated by this Agreement. Each party will bear its respective fees and costs in preparing any regulatory filings under this section, unless the parties otherwise agree.

8.10. Maintenance of Inventories. Seller shall maintain normal quantities of materials and supplies determined in accordance with the practices of Seller in existence on the Effective Date of this Agreement.

8.11. Transfer of Real Property Interests. Purchaser shall be satisfied with respect to the Seller's ability to transfer merchantable title to Purchaser for all Real Property. If Purchaser is not satisfied with the Seller's ability to transfer merchantable title to Purchaser, Purchaser may terminate this

Agreement. However, Seller's failure or inability to cure Purchaser's dissatisfaction is not a breach of this Agreement. Purchaser and Seller will bear their own costs to prepare legal descriptions for all of the Real Property, including easements ("**Legal Descriptions**"). Prior to the Closing Date, Purchaser and Seller shall amend Schedule 1.2 (b) contained in this Agreement to include the Legal Descriptions.

8.12. Easement Claims. Purchaser shall be satisfied with respect to the legal right of the easement claims contemplated herein. If Purchaser is not satisfied with respect to the legal right of the easement claims contemplated herein, Purchaser may terminate this Agreement. However, Seller's failure or inability to cure Purchaser's dissatisfaction is not a breach of this Agreement. Purchaser and Seller shall bear their own costs to prepare legal descriptions for the purpose of claiming an interest ("**Legal Descriptions for Claims**") in easements described in Schedule 8.12. Prior to the Closing Date, Purchaser and Seller shall amend Schedule 1.2(b) contained in this Agreement to include the Legal Descriptions for Claims.

8.13. Conveyance Documents. At Closing, Seller shall convey the Assets to Purchaser by a Bill of Sale in the Form as set forth by Schedule 8.13(a) attached hereto. Seller shall convey to Purchaser all real property interests by Warranty Deed, Grant of Easement and Assignment of Easements in the Forms, in recordable form, as set forth by Schedule 8.13(b), 8.13(c), and 8.13(d) attached hereto. Seller shall convey the Other Intangible Property to Purchaser by an Assignment of Property in the form of Schedule 8.13(d) attached hereto.

8.14. Proof of Current Seller's Accounts Receivable. On the Closing Date, prior to the Close of Escrow, Seller shall provide written notice to Purchaser and Escrow Holder of the total amount of the current (non-delinquent) Seller's Accounts Receivable along with true, accurate, and complete receivable ledger(s) confirming the accuracy of such amount.

8.15. Closure of Midway Well. Seller will dispose of the "Midway Well" and address any customers served from the Midway Well to Purchaser's satisfaction.

9. PURCHASER'S OBLIGATIONS BEFORE CLOSING

9.1. UTC Approval and Authorization. Purchaser will use its best efforts to secure UTC approval and authorization for the transactions contemplated under this Agreement. To this end, Purchaser agrees to prepare at its own expense and file promptly with the UTC an appropriate application for such approval and authorization. At Seller's expense, Seller shall cooperate fully with Purchaser as necessary to secure UTC approval and authorization for the transactions contemplated under this Agreement.

9.2. DOH and DOE Approvals and Authorization. Purchaser will use its best efforts to secure approval and authorization for the transfer of Seller's DOH and DOE permit(s) from Seller to Purchaser. To this end, Purchaser agrees to prepare at its own expense and file promptly an appropriate application for such transfer. At Seller's expense, Seller shall cooperate fully with Purchaser in preparing and filing such applications to transfer DOH and DOE permits.

10. CONDITIONS PRECEDENT TO PURCHASER'S PERFORMANCE.

The obligations of Purchaser under this Agreement are subject to Purchaser's satisfaction, at or before the Closing Date, of all the conditions set out below in this Article 10. Purchaser may waive any or all of these conditions; provided, however, that no such waiver of a condition shall constitute a waiver by Purchaser of any of its other rights or remedies, at law or in equity, if Seller shall be in default of any of their representations, warranties, covenants or agreements under this Agreement.

10.1. Approval and Authorization of UTC. UTC approval and authorization for Purchaser to acquire the Acquired Assets, with terms and conditions acceptable to Purchaser in its sole

discretion, which approval and authorization shall include the transfer of the Certificate of Public Convenience and Necessity.

10.2. Approval and Authorization of DOH and DOE. DOH and DOE approval and authorization for Purchaser to assume Seller's permits, with terms and conditions acceptable to Purchaser, in its sole and absolute discretion.

10.3. Approval by Purchaser's Board of Directors. Ratification and approval of this Agreement and the transactions contemplated hereunder by Purchaser's Board of Directors.

10.4. Accuracy of Seller's Representations and Warranties. The representations and warranties of Seller in this Agreement and in any Exhibit, Schedule, letter, certificate, memorandum and in any other written document furnished by Seller, in connection with this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of that date.

10.5. Absence of Liens; Title Insurance. At or prior to the Closing Date, Purchaser shall have received a Uniform Commercial Code ("UCC") search report dated as of a date not more than five (5) days before the Closing Date issued by the Washington Secretary of State indicating that there are no filings under the UCC on file with such Secretary of State which name Seller as debtor or otherwise indicating any lien on the Acquired Assets. At the Closing, Purchaser shall receive a policy of title insurance insuring fee simple title to the Real Property, free of any lien or exception to title, other than exceptions acceptable to Purchaser.

10.6. Seller's Board Approval. Seller shall have received approval of its Board of Directors), by a majority vote for the execution and delivery of this Agreement and shall have taken all action necessary or proper to fulfill its obligations to be performed under this Agreement on or before the Closing Date.

10.7. Seller's Performance. Seller shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with on or before the Closing Date.

10.8. Certification by Seller. Seller shall have furnished Purchaser with a certificate, dated the Closing Date, signed by Seller certifying, in such detail as Purchaser and its counsel may reasonably request, that the conditions specified in Sections 10.4 and 10.6 hereof have been fulfilled. The required form of certification is set forth in Schedule 10.8 attached hereto.

10.9. Absence of Litigation. No action, suit or proceeding before any court or any governmental body or authority pertaining to the transactions contemplated by this Agreement or to their consummation shall have been instituted or threatened on or before the Closing Date.

10.10. Approval of Documentation and Information. The form and substance of all certificates, instruments, opinions and other documents delivered to Purchaser under this Agreement, including, without limitation, the information and documents required under Section 8.14 above, shall be satisfactory in all reasonable respects to Purchaser and its counsel and Seller and its counsel.

10.11. Purchaser's Satisfaction with Inspections, Title, Survey, Water Rights, and Water Quality. Purchaser shall be satisfied with all inspections and investigations concerning title to and surveys of the Real Property, Easements, Water Rights and other Acquired Assets, as provided in Article 4 hereof. Failure of Purchaser to be satisfied under this section is not a breach of this Agreement by Seller.

10.12. No Material Adverse Change. Prior to the Closing Date, there shall have been no material adverse change in the Acquired Assets or liabilities, the business or condition, financial or otherwise, the results of operations, or prospects of Seller ("**Material Adverse Change**") as described in the Annual Report of Seller as of December 31, 2021 whether (without limitation) as a result of any legislative or regulatory change, revocation of any franchise or license, fire, accident, storm or other casualty or labor or civil disturbance or act of God.

11. CONDITIONS PRECEDENT TO SELLER'S PERFORMANCE.

The obligations of Seller under this Agreement are subject to the satisfaction, at or before the Closing Date, of all the conditions set out below in this Article 11. Seller may waive any or all of these conditions; provided, however, that no such waiver of a condition shall constitute a waiver by it of any of its other rights or remedies, at law or in equity, if Purchaser shall be in default of any of its representations, warranties, covenants or agreements under this Agreement.

11.1. Accuracy of Purchaser's Representations and Warranties. The representations and warranties by Purchaser contained in this Agreement and in any Exhibit, Schedule, letter, certificate, memorandum and in any other written document furnished by Purchaser, or on its behalf, in connection with this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of that date.

11.2. Purchaser's Performance. Purchaser shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by Purchaser on or before the Closing Date.

11.3. Purchaser's Corporate Approval. Purchaser shall have received corporate authorization and approval for the execution and delivery of this Agreement and shall have taken all corporate action necessary or proper to fulfill its obligations to be performed under this Agreement on or before the Closing Date.

11.4. Approval and Authorization by Responsible Agencies. Purchaser shall have received approvals and authorizations from UTC, DOH, and DOE as set forth in this Agreement.

11.5. Certification by Purchaser. Purchaser shall have furnished Seller with a certificate, dated the Closing Date, signed by an officer of Purchaser, certifying, and in such detail as Seller and their counsel may reasonably request, that the conditions specified in Sections 11.1, 11.2 and 11.3 hereof have been fulfilled. Certification by Purchaser is set forth in Schedule 11.5 attached hereto.

12. SELLER'S OBLIGATIONS AFTER THE CLOSING

12.1. Indemnification. Subject to the limitations in Section 12.2 below, Seller agrees to indemnify, defend and hold harmless Purchaser against any and all losses, claims, liabilities, damages, actions, costs or expenses, including attorney's fees and costs (the "**Seller Indemnified Losses**") arising from, in connection with, or with respect to the following items:

(a) Any material breach of any representation, warranty, covenant or agreement of Seller contained in this Agreement, or any agreement, certificate or document executed and delivered by them, or their affiliates pursuant hereto or in connection with any of the transactions contemplated in this Agreement;

(b) Any Pre-Closing Employment liabilities (as defined in Section 14.4 below) and any failure by Seller to satisfy, perform or pay any liabilities relating to Seller, except those specifically assumed by Purchaser and identified in Schedule 2.1 contained in this Agreement.

(c) Any and all actions, suits, proceedings, claims or demands by third parties ("**Third Party Claims**") and losses, liabilities, expenses or judgments relating thereto, resulting from or arising from matters (i) relating to Seller, its business or the Acquired Assets which occurred or are alleged to have occurred prior to the Closing Date or (ii) matters relating to Seller, or liabilities of Seller other than those specifically assumed by Purchaser as set forth in this Agreement. SELLER HEREBY REPRESENTS AND WARRANTS THAT IT WILL MAINTAIN ITS CORPORATE EXISTENCE IN GOOD STANDING FOR AT LEAST 4 YEARS AFTER CLOSING TO ADDRESS ANY SELLER INDEMNIFIED LOSSES. Third Party Claims shall include, without limitation, any and all actions, suits, proceedings, claims or demands by governmental agencies or third parties made in connection with any Environmental Condition (as defined in this Subsection 12.1(c)) that (i) exists or is alleged to have existed on the Real Property on or prior to the Closing Date or (ii) that exists or is alleged to exist on other land due to activities on the Real Property as of or prior to the Closing Date. "Environmental Condition" means the presence of any "hazardous substance" as that term is defined in any federal, state, county or municipal statute, ordinance, regulation, rule, order, judgment or decree, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the Resource Conservation and Recovery Act of 1976, as amended; the Clean Air Act; the Water Pollution Control Act (the Clean Water Act); the Toxic Substances Control Act; the Safe Drinking Water Act; and the Insecticide, Fungicide and Rodenticide Control Act, as amended; and any state counterpart of those laws; and (ii) any material or substance which is now listed in the United States Department of Transportation Hazardous Materials Table (49 CFR §172.101); and any contaminant, oil, petroleum product or by-product, radioactive material or by-product, any mining waste, toxic substance, hazardous waste or other material, the removal of which is required or the existence or management of which is prohibited, penalized or regulated by any federal, state or local government agency, authority or unit. With respect to any Third Party Claim arising from an Environmental Condition, Seller's indemnification obligation is further limited to those claims of conditions of which Seller had actual or imputed knowledge before the Closing Date.

(d) If a Third Party Claim is made against Purchaser, Purchaser shall notify Seller in writing, and in reasonable detail, of the Third Party Claim within 30 business days after it receives written notice thereof; provided, however, that failure to give such notice shall not affect the indemnification obligation provided hereunder except to the extent Seller shall have been actually prejudiced as a result of such failure. Thereafter, Purchaser shall deliver to Seller, within five business days after Purchaser's receipt thereof, copies of all notices and documents (including court papers) received by Purchaser relating to Third Party Claim. Subject to the approval of the provider of any insurance that may be procured by the Seller under this Agreement, including paragraph 12.2 below, Purchaser shall have the right to assume the defense of any Third Party Claim with counsel selected by it and consented to by Seller, which consent will not be unreasonably withheld. Seller shall have the right to participate in the defense and to employ a counsel, at its expense, separate from the counsel employed by Purchaser. Counsel for Purchaser shall cooperate and share information with counsel for Seller or Seller if they participate in the defense of the Third Party Claim to the extent Purchaser and Seller are joint and cooperating defendants, and not adverse to each other. As joint and cooperating defendants, Purchaser and Seller shall agree on the control of such defense at all times, including the cost of settlement, if any. Seller shall be liable to Purchaser for the reasonable fees and expenses of the counsel it employs to defend the Third Party Claim. If Purchaser does not elect to assume the defense of a Third Party Claim, Seller shall be obligated to assume the defense thereof at its own expense. Purchaser shall be entitled to participate in the defense thereof with separate counsel employed at its own expense.

12.2. Duration of Indemnification; Limitations. Except as described in Schedule 12.2 hereof, the obligations agreed to by Seller in Sections 12.1 (a) through (d) shall survive the Closing Date for a period of two (2) years. Subject to the conditions set forth in this Section 12.2 regarding the acquisition of insurance for Seller's Indemnified Losses, Seller shall maintain insurance coverage for the Seller Indemnified Losses, in whole or in part, for a period of two (2) years after the Closing Date. With respect to Seller's obligation to maintain insurance coverage for Seller's Indemnified

Losses, and unless Purchaser waives such obligation, such obligation will only apply if Seller can obtain insurance coverage on commercially reasonable terms (including the cost thereof) in Seller's sole and absolute discretion; provided that Seller must make good faith efforts to obtain such coverage. "**Good faith efforts**" as that term is used in the previous sentence means making application to one or more insurance companies for a quote on insurance for Seller's Indemnified Losses. Notwithstanding the provisions of Section 12.1 above, the Seller's liability is limited to the outstanding limits of insurance policies that may be procured by Seller as set forth in Schedule 12.2, and Purchaser hereby approves of said insurance and limits as may be specified in Schedule 12.2. With respect to any of Seller's Indemnified Losses that Seller is unable to obtain insurance coverage(s) for, Seller's liability with respect to such Indemnified Loss will not exceed \$375,000 in the aggregate, including the attorney's fees and costs of an attorney hired by the Purchaser under 12.1(d) to defend a Seller's Indemnified Loss or Third Party Claim.

12.3. Access to Records; Cooperation. From and after the Closing Date, for a period of four (4) years, Seller shall allow Purchaser and its counsel, accountants, and other representatives such access to records which after the Closing are in the custody or control of Seller, if any, as Purchaser reasonably requests. Upon prior reasonable written request, each Party will cooperate with the other Party in furnishing records, information, testimony and other assistance in connection with any inquiries, actions, audits, proceedings or disputes involving either Party (other than disputes between the Parties) based on contracts arrangements or acts of Seller that occurred on or prior to the Closing and which relate to the Acquired Assets.

12.4. Seller's Accounts Receivable. Seller shall remit to Purchaser all payments received by Seller on or after the Closing Date in satisfaction of Seller's Accounts Receivable. All such payments shall be remitted to Purchaser no later than five (5) calendar days after Seller's receipt of such payment. In the event the payment is made to Seller via check or other negotiable instrument that designates Seller as the payee, Seller shall either (a) endorse such instrument over to Purchaser or (b) retain such payment and remit to Purchaser immediately available funds in the same amount.

13. PURCHASER'S OBLIGATIONS AFTER THE CLOSING

13.1. Indemnification. Purchaser agrees to indemnify, defend and hold harmless Seller against any and all losses, claims, liabilities, damages, actions, costs or expenses, including attorney's fees and costs (the "**Purchaser Indemnified Losses**") arising from, in connection with, or with respect to the following items:

(a) Any material breach of any representation, warranty, covenant or agreement of Purchaser contained in this Agreement, or any agreement, certificate or document executed and delivered by them, or their affiliates pursuant hereto or in connection with any of the transactions contemplated in this Agreement;

(b) Any and all actions, suits, proceedings, claims or demands by third parties, or assessments or judgments in their favor, directly resulting from or arising from matters relating to (i) the Acquired Assets which occurred or are alleged to have occurred after the Closing Date or (ii) liabilities assumed by Purchaser in this Agreement.

(c) Any and all actions, proceedings, damages, attorney fees, costs, expenses, penalties or liabilities arising out of, resulting from, or on account of alleged or actual violations of any governmental law or regulation, compliance with which is the responsibility of Purchaser.

13.2. The obligations agreed to by Purchaser in Section 13.1 above shall survive the Closing Date.

14. EMPLOYEE MATTERS

14.1. Employment Offer by Purchaser. Purchaser shall offer employment to all full-time employees of Seller as of the Closing Date who are fully dedicated to the provision of Seller's regulated water service ("**Seller's Employees**") for the Water System, which employment shall be contingent on such Seller's Employees passing Purchaser's standard background and drug test requirements and shall be on an "at-will" basis and shall not be for a guaranteed term. As of the date of this Agreement, a list of Seller's Employees eligible for employment by Purchaser, and their wages as of the date of this Agreement, are listed on Confidential Schedule 14.1 attached hereto and made a part hereof.

14.2. Seller Termination of Employees. Seller shall terminate the employment of all Seller's Employees as of the Closing Date. Seller shall pay all Seller's Employees the wages and benefits due or accrued to them prior to the date and time of the Closing, including without limitation accrued vacation and sick pay. Except as required by law, Employees shall cease active participation in Seller's benefit plans as of the date and time of the Closing.

14.3. Seller's Obligations to Employees. Seller shall be responsible for all liabilities for employee compensation and benefits accrued or otherwise arising out of services rendered by such individuals who accept employment with Purchaser ("**Hired Employees**") prior to the date and time of the Closing, including without limitation accrued vacation and sick pay. Purchaser shall be responsible for all liabilities for employee compensation and benefits accrued or otherwise arising out of services rendered by the Hired Employees from and after the date and time of the Closing.

14.4. Purchaser Not Responsible. Purchaser is not responsible for any liabilities for employee compensation or benefits, including without limitation workers compensation costs and payment obligations and accrued vacation and sick leave, arising out of services rendered by the Hired Employees prior to the date and time of the Closing ("**Pre-Closing Employment Liabilities**").

14.5. Total Compensation. From and after the date and time of the Closing, Purchaser shall provide each Hired Employee with a combination of wages and employee benefits ("**Total Compensation Package**") which in aggregate are comparable to the Total Compensation Package that such Hired Employee earned with the Seller on the date of this Agreement, subject to changes in wages and employee benefits in accordance with normal business practices from the date of this Agreement to the Closing Date.

14.6. Employee Benefit Programs. From and after the date and time of the Closing, Purchaser shall provide (or cause to be provided) all Hired Employees with employee benefit programs comparable to the employee benefit programs provided to similarly situated employees of Purchaser. For purposes of eligibility to participate in and vesting of benefits under Purchaser's employee benefit programs, excluding pension plans, each Hired Employee shall be credited with his or her service with Seller.

14.7. Pension Plan Vesting. For purposes of eligibility to participate in and vesting of benefits under Purchaser's employee pension plans, each Hired Employee shall not be credited with his or her service with Seller, and shall instead only be credited with his or her service with Purchaser.

14.8. WARN Act Filings. Seller shall make any filings and shall deliver any notices required in connection with this transaction under the Workers Adjustment, Retraining and Notification Act, 29 U.S.C. Sec. 2100 ("WARN") or any similar state or local law. Purchaser shall have no liability under WARN or any similar state or local law as a result of the transaction. Seller shall be solely responsible for and agrees to indemnify, hold harmless and defend Purchaser from and against any liability, obligation or cost resulting from or related to any claim brought under WARN or any similar state or local law, by any employee of Seller who is found to have suffered an "employment loss" under WARN (or any similar state or local law) on or after the Closing Date.

15. COSTS

15.1. Finder's or Broker's Fees. The parties represent and warrant that they have not dealt with any broker or finder in connection with any of the transactions contemplated by this Agreement, and, insofar as the parties know, no broker or other person is entitled to any commission or finder's fee in connection with any of these transactions

15.2. Escrow and Title Expenses. Seller shall pay for all costs, fees and expenses incurred in connection with the issuance of the Title Policy. Seller shall pay recording fees and transfer taxes, if any, associated with the transfer of the Real Property to Purchaser. Unless otherwise specified in this agreement, Escrow fees and costs shall be shared equally between Seller and Purchaser. Purchaser shall pay use tax on the transfer of any assets on which it is due, if any.

15.3. All Other Expenses. Except for those expenses described in Sections 15.2 and elsewhere in this Agreement, each of the parties shall pay all costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement.

16. FORM OF AGREEMENT

16.1. Headings. The subject headings of the Articles and Sections of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

16.2. Entire Agreement; Modification; Waiver. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

16.3. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16.4. Definitions and Defined Terms. Capitalized terms used in this Agreement shall have the meanings defined in this Agreement.

17. PARTIES

17.1. Parties in Interest. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provisions give any third persons any right of subrogation or action against any party to this Agreement. Except that the UTC has the right to enforce the provisions of this Agreement pertaining to rates, charges or fees.

17.2. No Assignment. This Agreement may not be transferred, assigned, pledged or hypothecated by any party hereto, except by Purchaser to an affiliated company which is controlled by, controls, or is under common control with it; provided, further, that Purchaser may assign (whether or not as collateral) Purchaser's rights to payments hereunder. This Agreement shall be

binding on and shall inure to the benefit of the parties to it and their respective heirs, legal representatives, successors and permitted assigns.

18. REMEDIES

18.1. Termination. Provided the transactions contemplated hereby have not been consummated, this Agreement may be terminated:

(a) At any time by mutual consent of Seller and Purchaser prior to the Closing Date.

(b) By either Purchaser or Seller in the event that the DOE, the DOH or the UTC issues an order disapproving the consummation of the transaction or otherwise approving the Agreement and consummation of the transaction in a manner that fails to meet the conditions of the terminating party set forth in Sections 10.1, 10.2 or 11.4.

(c) By one Party upon written notice to the other if there has been a material breach or default under the Agreement by the other Party which has not been cured by the earlier of the Closing Date or the date thirty (30) Days after receipt by the other Party of written notice from the terminating Party specifying with particularity such breach or default.

(d) By either Purchaser or Seller upon written notice to the other Party, if the Closing shall not have occurred on or before such date that is two (2) years from the Effective Date of this Agreement; provided, however, that the right to terminate the Agreement under this Section 18.1(d) will not be available to any Party that is in material breach of its representations, warranties, covenants or agreements contained herein. Each Party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise.

(e) As otherwise provided in this Agreement.

18.2. Effect of Termination. If there has been a termination pursuant to Section 18.1, then this Agreement shall be terminated, any amounts from Purchaser held by Escrow Holder as a deposit will be returned or refunded to Purchaser, and all further obligations of the Parties shall terminate, except that the obligations set forth in Sections 15.3, and Sections 12, 13, 19, 20 and 21 shall survive. Except as otherwise set forth herein, in the event of such termination of this Agreement, there shall be no liability for damages on the part of a Party to the other Party and by reason of this Agreement and the transactions contemplated hereby except as set forth in Articles 12 and 13 and except for intentionally fraudulent acts by a Party, the remedies for which shall not be limited by the provisions of this Agreement. The foregoing shall not limit or restrict the availability of specific performance or other injunctive or equitable relief to the extent that specific performance or such other relief would otherwise be available to a Party. The Purchaser shall provide the Seller with all documents, reports and records created in its Due Diligence, except those that are or may be deemed protected under attorney-client privilege, attorney work-product, business documents, reports, or records that are internal to Purchaser, under a separate duty or contract for confidentiality with any third party, or that are otherwise protected from publication, reproduction, or distribution under claim of copyright from any third-party.

18.3. Recovery of Litigation Costs. If any legal action or other proceeding is brought by either Seller or Purchaser for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorney's fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

19. NOTICES.

All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail registered or certified, postage prepaid, and properly addressed as follows:

To Seller at: STROH'S WATER COMPANY, INC.

Attention: _____

With a Copy to : Buskirk Legal PC
8116 State Route 302 NW
Gig Harbor, WA 98329
Attention : Bruce A. Buskirk, Esq.

To Purchaser at: WASHINGTON WATER SERVICE COMPANY
14519 Peacock Hill Ave NW
Gig Harbor, WA 98332
Attention: Matt Brown, General Manager

With a Copy to: CALIFORNIA WATER SERVICE COMPANY
1720 North First Street
San Jose, CA 95112
Attention: Jennifer Kelsey, Associate General Counsel

And to Nossaman, LLP
50 California Street, 34th Floor
San Francisco, CA 94111
Attention: Stanley S. Taylor III, Esq.

Any party may change its address for purposes of this Section 19 by giving the other party written notice of the new address in the manner set forth above.

20. GOVERNING LAW.

This Agreement shall be construed in accordance with, and governed by, the laws of the State of Washington. Venue of any action shall be in Pierce County Superior Court, Tacoma, Washington.

21. MISCELLANEOUS

21.1. Severability. If any provision in this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

21.2. Subject to the terms and conditions of this Agreement, the Parties shall cooperate fully with each other and their respective counsel and accountants in connection with, and take or cause to be taken and do or cause to be done, any actions required to be taken under applicable law to make effective the contemplated transactions as promptly as practicable. Prior to the Closing, the parties shall proceed expeditiously and in good faith to make such filings and take such other actions as may be reasonably necessary to satisfy the obligations set forth in this Agreement and the conditions of Closing set forth herein. From and after the Closing, the parties shall do such acts and execute such documents and instruments as may be reasonably required to make

effective the transactions contemplated hereby. On or after the Closing Date, the parties shall, on request, cooperate with one another by furnishing any additional information, executing and delivering any additional documents and instruments, including contract assignments, and doing any and all such other things as may be reasonably required by the parties or their counsel to consummate or otherwise implement the transactions contemplated by this Agreement. Should Seller, in its reasonable discretion, determine after the Closing that records or other materials constituting Acquired Assets are still in the possession of Seller; Seller shall promptly deliver them to Purchaser at no cost to Purchaser. Seller hereby agrees to cooperate with Purchaser to ensure a proper transition of all customers with respect to billing and customer service activities.

21.3. References. Unless otherwise specified, references to Sections or Articles are to Sections or Articles in this Agreement. All references to this "Agreement" shall include its Exhibits and Schedules.

[SIGNATURE PAGE BELOW]

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

PURCHASER: WASHINGTON WATER SERVICE COMPANY
a Washington corporation

By: 
Thomas Smegal, III
VP, CFO & Treasurer

By: Martin A. Kropelnicki
Marty Kropelnicki
President, CEO

SELLER: STROH'S WATER COMPANY, INC.
a Washington corporation

By: Estate of Dorothy Stroh
as sole shareholder

Lea M. Stroh
By: _____
Name: Lea Stroh
Title: Executor of the Estate of Dorothy Stroh