

NON CONFIDENTIAL
EXHIBIT 2
[REDACTED]

ASSET AND REAL PROPERTY PURCHASE AND SALE AGREEMENT

BETWEEN

WASHINGTON WATER SERVICE COMPANY

AND

RAINIER VIEW WATER COMPANY, INC.

Dated November 5, 2019

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 ___ day of _____ 2019 ("**Effective Date**"), by and between WASHINGTON WATER SERVICE COMPANY, a Washington corporation ("**Purchaser**"), and RAINIER VIEW WATER COMPANY, INC., a Washington corporation ("**Seller**"), with reference to the following recitals:

RECITALS

- A. Seller is a Washington corporation that operates a total of 25 public water systems in the state of Washington, collectively known as Rainier View Water ("**Water System**"), more specifically identified in Schedule 1.A attached hereto and made a part hereof. The Seller's Water System is located throughout the State of Washington in portions of Graham, Spanaway, Puyallup, Gig Harbor and additional outlying areas within the State of Washington.
- 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, and New Mexico. 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 operation of 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, with the exception of Excluded Assets, on the terms and subject to the conditions set forth in this Agreement.

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). Seller shall deliver to Purchaser at the Closing appropriate bills of sale, assignments, easements, deeds and such other documents of conveyance as are necessary, convenient and in Seller's possession, to effect the transfer of title to the

Acquired Assets to Purchaser on the Closing Date, in form and substance set forth as Exhibits in this Agreement.

1.2. Description of Acquired Assets. For purposes of this Agreement, the term "**Acquired Assets**" shall refer to the Water System assets, to the extent they are in the possession of the Seller, described as follows:

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

(b) Real Property and Easements. All real property, easements and other real property rights held or owned by Seller, as listed and described in Schedule 1.2 (b) hereof (the "**Real Property**").

(c) Buildings and Equipment. All buildings, fencing, tools and equipment held or owned by Seller, as described in Schedule 1.2 (c) hereof (the "**Buildings and Equipment**"),

(d) Water Rights. All water rights, as more particularly described in Schedule 1.2 (d) hereof (the "**Water Rights**").

(e) Other Assets. All other tangible assets owned by the Seller and used in the Seller's business, all rights under contracts, all claims, and all prepaid expenses, as described in Schedule 1.2 (e) hereof.

(f) Inventory. All inventories owned by Seller, including but not limited to component parts and spare parts as described in Schedule 1.2 (f) hereof.

(g) Accounts Receivable. All accounts receivable owned by Seller related to the Acquired Assets, in excess of accounts payable, to be paid to Purchaser ninety (90) days after Closing.

(h) Books and Records. Copies of all books, records, files, contracts, and other data of Seller relating to Acquired Assets 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 interest of Seller in any intangible property owned by and in the possession 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, business goodwill for the trade name "Rainier View", 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.

1.3. Excluded Assets. Any and all assets not to be acquired by the Purchaser, including Seller's current office building and yard located at 5410 189th St E, Puyallup, WA 98375 ("**Seller's Office Building**") shall be considered "**Excluded Assets**". These Excluded Assets described in Schedule 1.3 hereof shall not be considered Acquired Assets.

2. LIABILITIES AND SALES 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 the liabilities, or commitments, whether fixed or contingent, which relate to the operation of Seller's business prior to the Closing Date.

2.2. Water Availability Letters and Water Service Obligation. Schedule 2.2 lists each Water Availability Letter currently active. On and after the Closing Date, Purchaser shall accept the obligation to provide potable water service to the Schedule 2.2 Water Availability Letter recipients in accordance with UTC approved rules and the terms of all active and enforceable Water Availability Letters.

2.3. Liabilities Not Being Assumed. Except as described in Schedule 2.1, 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.

2.4. Excise and Property Tax. Seller shall pay all sales, gross receipts, use 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. 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 as described in Schedule 2.1 in an agreement that is set forth in Schedule 2.5 attached hereto.

3. PURCHASE PRICE AND PAYMENT

3.1. Purchase Price. As consideration for the sale, assignment, transfer and delivery of the Acquired Assets by Seller to Purchaser, and upon the terms and subject to all of the conditions contained herein, Purchaser agrees to pay and Seller agrees to accept a purchase price equal to

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. The purchase price may be paid for in cash, or in California Water Service Group shares of common stock (the value of which shall be determined by the closing asking price on the business day next preceding the Closing Date), or in a combination of the two, at Closing, as determined by Purchaser. The Purchase Price shall be exchanged in accordance with mutually acceptable escrow instructions.

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 at the Closing Date. To the extent an allocation affects transfer taxes payable by Seller as a result of the transaction, Seller shall have the opportunity to consult with Purchaser in order to find ways to minimize the tax impact on Seller.

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 hereof, Seller shall provide the following in Seller's possession to Purchaser for Purchaser's review and confirmation of the descriptions and extent of Seller's ownership: descriptions of the Real Property, including all easements (the "**Property Descriptions**"); copies of any existing surveys, title policies, and environmental, soils, engineering and any other studies relating to the Real Property that is included in the Acquired Assets. "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 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 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. Seller shall also provide any documents 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 Preliminary Title Report for an ALTA Owner's Policy of Title Insurance covering the Real Property owned by Seller (including all easements and any other real property on which components of the Water System are located) and furnish to Purchaser legible and true copies of all instruments in Seller's possession which are the basis of any exceptions (other than the standard printed exceptions) (the "**Exceptions**") referred to therein (the "**Binder**"). Standard printed exceptions as to current year taxes and the other exceptions, 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 (the "**Surveys**").

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Seller will provide the following documents that are in its possession: all Surveys, system maps, and other maps and drawings of the Real Property, pipelines 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, provided that Seller shall use its best efforts to assist Purchaser in obtaining such additional surveys, and Seller shall be responsible for obtaining easements which may be deemed 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. Purchaser may terminate this Agreement if not satisfied with (i) surveys provided 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 and Seller shall be given thirty (30) days after notice from Purchaser of its dissatisfaction to correct deficiencies in said surveys or easements. Seller's failure to correct any 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 certain easement areas to conduct desired testing, Seller shall use commercially reasonable efforts to coordinate with the owners of the affected lands to allow 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).

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. 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 use its best efforts to cause to be delivered to Purchaser copies of all corporate governance documents for Seller, including the articles of incorporation and bylaws and any amendments thereto, any shareholder agreements, and any corporate resolutions approving the sale. Seller shall also provide Purchaser with copies of customer lists and all books and records related to the operation of the Water System.

4.8. Personal Property Search. Within thirty (30) Days after the Effective Date hereof, Seller shall provide 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.

4.9. Review; Correction of Disapproved Items. Purchaser shall have until the end of the Inspection Period (as defined herein) within which to review the Preliminary 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. Due Diligence Items not expressly disapproved shall be deemed approved. Notwithstanding the foregoing, Seller shall have thirty (30) Days after delivery of notice by Purchaser of disapproved Due Diligence Items to cure all disapproved Due Diligence Items ("**Seller's Cure Period**"). If Seller does not cure the objections within Seller's Cure Period, Purchaser may at its option either cancel this Agreement or waive the objections and proceed to Closing. The Seller's failure to cure the objections is not a breach of this Agreement.

4.10. Inspection Period and Investigation. Purchaser and Purchaser's agents and consultants shall have until ninety (90) Days after the Effective Date hereof, together with two additional options allowing Purchaser to extend by sixty (60) 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 it is responsible to provide, including complete and accurate schedules, shall entitle Purchaser to an equivalent extension of the Inspection Period if the missing or inaccurate information is material. Purchaser shall have the right to enter upon Seller's 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 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. THE CLOSING

5.1. Closing Date. The closing ("**Closing**") of the transactions contemplated by this Agreement shall take place at an Escrow Company selected by Seller, during regular business hours, on the latest of the last business day of the month or five business days following the effective date of the last necessary approval of the transaction referred to in Section 9 or at such other time as the parties may agree ("**Closing Date**").

5.2. Seller's Obligations at Closing. At the Closing, Seller shall (i) turn over possession to Purchaser 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 effect the transfer of title to the Acquired Assets to Purchaser as of the Closing Date.

5.3. Purchaser's Obligation at the Closing. At the Closing, Purchaser shall deliver to Seller the purchase price specified in Section 3.1 in accordance with escrow instructions mutually agreeable to the Parties; and

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. Each of the Seller's Board of Directors and shareholders 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 audited balance sheets of Seller for the prior two fiscal years and the related statements of income and retained earnings for the years then ending, certified by the President of Seller. 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 will occur without the prior written consent of Purchaser:

(a) Any transaction by Seller, except in the ordinary course of business as conducted consistent with past practices;

(b) Capital expenditure by Seller exceeding \$250,000, which limitation shall be reduced to \$50,000 once the Inspection Period is confirmed as completed by Purchaser and the application contemplated by Section 10.1 is filed.

(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, as defined in Section 10.11 below;

(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. 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 portions of the cities of Graham, Spanaway, Puyallup, Gig Harbor and additional outlying areas 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 fifteen (15) 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. The transfer and assignment of all Water Rights based on a permit shall be subject to the filing of an appropriate form of the Washington DOE prior to Closing. Purchaser shall undertake to file an appropriate application and pay any applicable fees, provided that Seller shall reasonably collaborate with Purchaser in preparing and filing the application. Seller represents and warrants to Purchaser that all Water Rights are based on either a certificate or a permit issued by the Washington DOE and that none are based on an application for a new permit to appropriate water which has not been approved by the Washington DOE.

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. To the best of Seller's knowledge and belief, 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, the DOH and the Seller's Board of Directors and shareholders 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 the limitation of actions period applicable to written contracts in the State of Washington.

6.26. Knowledge and Belief. All references to "Seller's knowledge and belief" refer only to the knowledge and belief of the Company's Board of Directors, shareholders, and officers. If Seller obtains actual knowledge of any facts that would result in the inaccuracy or breach of any of the representations or warranties made by Seller in this Agreement ("**Disclosure Exception**"), then Seller shall promptly inform Purchaser in writing of such inaccuracy or breach. If Seller informs Purchaser of any such Disclosure Exception after the expiration of the Inspection Period and prior to Closing Date, Purchaser may terminate this Agreement on the basis thereof, upon written notice to Seller within the earlier of (i) seven (7) days following Purchaser's receipt of written notice from Seller of such Disclosure Exception, or (ii) the Closing Date, and thereafter neither Party shall have any further rights or obligations hereunder (except for any indemnity obligations of either Party pursuant to the other provisions of this Agreement), and each Party shall bear its own costs incurred. Purchaser's failure to give a termination notice in accordance with this Section 6.26 shall be deemed a waiver by Purchaser of such Disclosure Exception. Notwithstanding anything contained herein to the contrary, if Purchaser obtains actual knowledge of any Disclosure Exception or Exception Matter before the Closing Date, but nonetheless elects to proceed with the acquisition of the Acquired Assets, Seller shall have no liability with respect to such Disclosure Exception or Exception Matter. As used herein, the term "**Exception Matter**" shall refer to a matter which would make a representation or warranty of Seller contained in this Agreement untrue or incorrect and which is disclosed to Purchaser in writing, is a matter of public record or is otherwise actually known by Purchaser before the Closing Date.

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, as required, 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. Books and Records. Purchaser reviewed Seller's Acquired Assets, including but not limited to the books and records prior to the Closing Date, and based upon its review, Purchaser satisfied itself as to the financial condition of Seller's business. Purchaser will perform all due diligence prior to Closing Date.

7.4. 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 the limitation of actions period applicable to written contracts in the State of Washington.

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:

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. 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. Seller shall, within (60) sixty Days after the Effective Date hereof, provide complete copies of all current supply and customer contracts and other written documentation evidencing such relationships.

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:

(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) Other than (1) Seller's standard form developer extension agreements; (2) Seller's standard form fire flow agreements; and (3) any agreement providing for the construction of facilities, to the extent that all payments required thereunder and associated liabilities for such facility construction projects are required to be paid in full by Seller prior to the Closing, Date, enter into any contract, commitment or transaction in the usual and ordinary course of business involving an amount exceeding thirty thousand dollars (\$30,000) individually or in the aggregate, except for items on Schedule 8.5(b) hereof, 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 two hundred fifty thousand dollars (\$250,000), except for items on Schedule 8.5(c) hereof, for any single item or in the aggregate which limitation shall be reduced to Fifty Thousand Dollars (\$50,000) once the Inspection Period is confirmed as completed by Purchaser and the application contemplated by Section 10.1 is filed, 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 five thousand dollars (\$5,000) individually or twenty thousand dollars (\$20,000) 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 which will not be unreasonably withheld, 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. At Seller's expense, Seller shall cooperate fully with Purchaser in preparing and filing such applications as Purchaser may deem necessary or appropriate to obtain approval of the transactions contemplated by this Agreement. Seller shall prepare and file appropriate notifications as required by DOH under WAC 246-290-035 (and any similar laws). Purchaser shall undertake to prepare and file an application for an operating permit for each public water system comprising the Water System as required by DOH under WAC 246-294-060 and 246-294-030 (and any similar laws), provided that Seller shall reasonably collaborate with Purchaser in preparing and filing the application.

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 and easements described in Schedule 8.11 herein. 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 shall jointly prepare legal descriptions for all real property interests, including easements, to be transferred from Seller to Purchaser ("**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 jointly prepare legal descriptions for the purpose of claiming an interest ("**Legal Descriptions for Claims**"), for all 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 Grant Deed and Assignment of Easements in the Forms, in recordable form, as set forth by Schedule 8.13(b) and 8.13(c) 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.

9. PURCHASER'S OBLIGATIONS BEFORE CLOSING

9.1. UTC and DOH 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. . In addition, Purchaser shall use its best efforts to secure DOH approval for and issuance of a new operating permit for Purchaser to operate the Water System or its component systems, if needed, and shall prepare and file with DOH an appropriate application at its own expense.

10. CONDITIONS PRECEDENT TO PURCHASER'S PERFORMANCE.

The obligations of Purchaser under this Agreement are subject to the 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 and DOH issuance of a permit to Purchaser to operate the Water System, with terms and conditions acceptable to Purchaser, and further pursuant to the terms and conditions of this Agreement shall be in full force and effect on the Closing Date. Purchaser warrants and represents it will not seek an acquisition adjustment to rate base as a condition of approval; provided, however, that the foregoing restriction shall not prevent Purchaser from seeking an adjustment to rate base following UTC approval of the transfer of property under this Agreement.

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

10.3. 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.

10.4. 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 and standard policy exceptions.

10.5. Seller's Board and Shareholder Approval. Seller shall have received approval of each of its Board of Directors and shareholders, by the requisite 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.

10.6. 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.

10.7. 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. Certification is set forth in Schedule 10.8 attached hereto.

10.8. 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.

10.9. Approval of Documentation. The form and substance of all certificates, instruments, opinions and other documents delivered to Purchaser under this Agreement shall be satisfactory in all reasonable respects to Purchaser and its counsel.

10.10. 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, 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.

10.11. 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, 2018 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 as set forth in this Agreement on terms and conditions acceptable to Seller.

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 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 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 THIRTY MONTHS 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, provided however, the presence of manganese or iron or both shall not be considered a violation or breach of this provision .

(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. Purchaser shall have the right to assume the defense of any Third Party Claim with counsel selected by it. 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 if they participate in the defense of the Third Party Claim, but Purchaser shall control such defense at all times. 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 thirty months, and Seller shall maintain insurance coverage for the Seller Indemnified Losses for a period of thirty months after the Closing Date. Notwithstanding the provisions of Section 12.1 above, the Seller's liability is limited to the outstanding limits of insurance policies that cover the same as set forth in Schedule 12.2, and Purchaser hereby approves of said insurance and limits as specified in Schedule 12.2.

12.3. Access to Records; Cooperation. From and after the Closing Date, for a period of thirty months, 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. Lease of Building. Pursuant to a lease agreement, the form of which shall be agreed between Purchaser and Seller prior to the close of the Due Diligence Period, Purchaser shall have the right to lease from Seller a portion of Seller's Office Building and other on-site facilities ("**Premises**") for a term of up to ten (10) years from the Closing Date, which may be extended by mutual consent of the Parties. The square footage and character of Premises shall be at least equivalent to the space occupied by the Seller as of the date of this Agreement. Annual rent payable by Purchaser to Seller (or its designee) shall be fixed at an amount to be mutually agreed between Purchaser and Seller for the first 5 years of Purchaser's occupancy of the Premises and shall increase by three percent (3%) annually thereafter.

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 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 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 for a period of thirty months. .

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. 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. 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.

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. [RESERVED].

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. Purchaser shall pay for all costs, fees and expenses incurred or to be incurred by it relating to title insurance. Seller shall pay transfer taxes, if any, associated with the transfer of all real property and easements by it to Purchaser.

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 set forth in the List of Defined Terms attached hereto as Schedule 16.4 and incorporated by reference.

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 UTC or any other agency with authority to approve the transaction 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, 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.

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 substantially 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: RAINIER VIEW WATER COMPANY, INC.
5410 189th Street East
Puyallup, WA 98375
Attention: Bob Blackman, General Manager

With a Copy to : LAW OFFICES OF RICHARD FINNIGAN
Richard Finnigan, Esq.
2112 Black Lake Blvd. SW
Olympia, WA 98512-5654

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

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.

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. Cooperation. 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: 
Tom Smegal, III
VP, CFO & Treasurer

By: Martin Kropelnicki
Marty Kropelnicki
President, CEO

SELLER:

RAINIER VIEW WATER COMPANY, INC.,
a Washington corporation

By: 
Name: Frank P. [unclear]
Title: President

By: 
Name: DOUGLAS R. FISHER
Title: SECRETARY