

**ASSET AND REAL PROPERTY PURCHASE AND SALE AGREEMENT
(SKY-L'ONDA MUTUAL)**

This Asset and Real Property Purchase and Sale Agreement (this "Agreement") is entered into and effective as of this ___ day of _____ 2020 ("Effective Date"), by and between CALIFORNIA WATER SERVICE COMPANY, a California corporation ("Purchaser"), and SKY-L'ONDA MUTUAL WATER COMPANY, a California corporation ("Seller"), with reference to the following recitals:

RECITALS

A. Seller is a California mutual benefit corporation that operates a water utility (the "Water System"). The Water System is located in unincorporated San Mateo County and within portions of the Town of Woodside, California, and serves approximately 154 metered water connections throughout the service area shown on Exhibit A attached hereto. Seller's primary water supply is from water rights drawn from La Honda Creek, and pumped into a pond located adjacent to 191 Blakewood Way, Woodside, CA 94062 behind Alice's Restaurant, which is located at 17288 Skyline Boulevard, Woodside, CA 94062. From the pond, water is run through a surface water treatment plant and pumped into the distribution system for delivery to customers.

B. Purchaser is a wholly-owned subsidiary of California Water Service Group, a publicly traded utility company. Purchaser owns and operates water systems in the State of California. The California Public Utilities Commission ("CPUC") regulates Purchaser's water system operations.

C. Seller believes that the sale of the assets of the Water System to Purchaser 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. Seller and Purchaser are sometimes hereafter collectively referred to as the "Parties" and each as a "Party".

E. Closing of the proposed transaction hereunder is conditional upon the approval of the CPUC and the California State Water Resources Control Board - Division of Drinking Water ("DDW").

F. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller all of the Water System assets, with the exception of any Excluded Assets (as defined below), 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 relevant 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 (as defined below) 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 mean the following:

(a) Utility Systems. All water supply and treatment equipment and facilities, dams, 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, or otherwise to be acquired by Seller pursuant to this Agreement, as described in Schedule 1.2 (b) hereof and discussed in Sections 4.10(b), 6.8 and 8.13, below (the "Real Property").

(c) Water Rights. All water rights (including groundwater and surface rights), as more particularly described in Schedule 1.2 (c) hereof (the "Water Rights").

(d) 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 (d) hereof.

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

(f) Accounts Receivable. All accounts receivable owned by Seller, except for accounts receivable that were accrued for services rendered prior to the Closing Date.

(g) 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. Minutes and Agendas of public meetings are not required to be included.

(h) Licenses. All licenses of Seller described in Schedule 6.21 hereof.

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

(j) 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, 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 is set forth in Schedule 1.2(j).

1.3 Excluded Assets. Any and all assets not to be acquired by the Purchaser 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 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 any employees as of the Closing Date.

2.3 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.

3. PURCHASE PRICE AND PAYMENT THEREFORE; OTHER CONSIDERATION

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 the purchase price of ONE DOLLAR (\$1.00) (the "Purchase Price"). In addition, Purchaser also further agrees to include Seller's customers in the Purchaser's existing Bear Gulch District at no cost to the Seller or Seller's customers, and to provide water service to the Seller's customers at rates, charges, and fees the same as those of other similar Bear Gulch District customers, subject to the approval of the CPUC. The Purchase Price shall be exchanged in accordance with mutually acceptable escrow instructions.

4. PROPERTY DESCRIPTION, TITLE BINDER, SURVEY, ENVIRONMENTAL ASSESSMENT

4.1 Materials Previously Distributed to Purchaser. Seller has heretofore assembled and distributed to Purchaser the materials identified in the attached Schedule 4.1 (the "Previously Disclosed Materials").

4.2 Property Description, Current Surveys and Title Policies. Within thirty (30) days after the Effective Date, Seller shall provide the following to Purchaser (to the extent in Seller's possession) for Purchaser's review and confirmation of the descriptions and extent of Seller's ownership: legal descriptions of the Real Property (the "Property Descriptions"); copies of any existing surveys, title policies, and environmental, soils, engineering and any other studies relating to the Real Property.

4.3 Water Rights. Within thirty (30) days after the Effective Date, 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. 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. To the extent not previously provided by Seller as an element of the Previously Disclosed Materials, Seller shall provide copies of well completion reports filed with the Department of Water Resources, copies of any filings with the local water agency, well permitting agency or the Department of Water Resources, and copies of any materials addressing construction, alteration, maintenance, production and/or destruction of such wells.

4.4 Preliminary Title Report. Within thirty (30) days after the Effective Date, Seller shall cause to be delivered to Purchaser a Preliminary Title Report for an ALTA Owner's Policy of Title Insurance (the "Title Policy") covering the Real Property 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) referred to therein. 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”.

4.5 Surveys and Easements. Within thirty (30) days after the Effective Date, Seller shall cause to be delivered to Purchaser existing surveys sufficient to allow deletion of the standard survey exception from the Title Policy (the “Surveys”). In addition to the Surveys, Seller will provide to Purchaser a plat map of the Real Property and, to the extent in Seller’s possession, the following documents: 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, as discussed in Section 4.10, below, Seller shall be responsible for obtaining easements which may be deemed necessary by Purchaser (on Purchaser’s standard easement form) to cover any areas on the plat map not currently covered by a recorded easement document.

4.6 Environmental Assessment; Water Quality and Quantity Analysis. 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. 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.

4.7 Permits; Agency Filings. Within thirty (30) days after the Effective Date, Seller shall cause to be delivered to Purchaser 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. In addition, Seller has informed Purchaser that a small dam is located around the lake which is not subject to state or federal jurisdiction. If Purchaser determines that the dam is subject to governmental jurisdiction and permitting requirements, Purchaser shall have the right to require Seller to obtain any required inspections, permits or authorizations, provided that Purchaser must make such determination and provide Seller notice of such requirement during the Inspection Period.

4.8 Personal Property Search. Within thirty (30) days after the Effective Date, 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”).

4.9 Inspection and Investigation.

(a) Initial Inspection Period; Inspection Period Extensions. Purchaser and Purchaser's agents and consultants shall have ninety (90) days after the Effective Date

(the “Initial Inspection Period”) within which to review the documents, items, and issues addressed in Sections 4.1 through 4.8, inclusive, (e.g., Preliminary Title Report, the Property Descriptions, the Surveys, the easements, the Environmental Assessments, the UCC Search and any other studies, investigations or other matters, whether by Seller or undertaken by Purchaser) (collectively referred to herein as the “Due Diligence Items”). Any delay by Seller in providing Due Diligence Items it is responsible to provide and in Seller’s possession shall entitle Purchaser to an equivalent extension of the Initial Inspection Period. Additionally, in the event that Purchaser requires extra time to complete its inspections, investigations and reviews, due to no fault or omission on the part of Purchaser, Purchaser shall have the right, upon written notice to Seller delivered prior to expiration of the Initial Inspection Period, to extend said period for an additional sixty (60) days (the “First Extension Period”). If Purchaser is unable to complete its inspections, investigations and reviews during the First Extension Period, due to no fault or omission on the part of Purchaser, then Purchaser shall have the additional right, upon written notice to Seller delivered prior to expiration of the First Extension Period, to further extend the period for its inspections, investigations and reviews for a supplemental period of sixty (60) days (the “Second Extension Period”). The aggregate period of time afforded to and accepted by Purchaser to conduct its inspections, investigations and reviews hereunder (*i.e.*, the Initial Inspection Period, as may be extended to include the First Extension Period and the Second Extension Period) is hereafter referred to as the “Inspection Period”.

(b) Inspection Activities. Purchaser shall have the right to enter upon Seller’s property at necessary times during business hours for the purpose of inspecting the Real Property. 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 incurred by Seller by reason of the activities of Purchaser or its agents or contractors while upon the Property prior to the Closing or in exercising Purchaser’s rights hereunder. Purchaser shall repair any damage to Real Property that may be caused by Purchaser or its agents or contractors while on the Real Property performing its inspection or exercising Purchaser’s rights hereunder. 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, if requested. Such indemnity shall survive the Closing Date or earlier termination of this Agreement for a period of one (1) year. Notwithstanding the foregoing, Purchaser will not undertake any physically invasive tests of the Real Property without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned, or delayed. Seller shall have the opportunity to have an agent or representative of Seller accompany Purchaser or its agents or contractors during Purchaser’s access to Seller’s property or in connection with its contact with any employees or other third party business relations of Seller as provided under this Section.

4.10 Review; Correction of Disapproved Items.

(a) General. Subject to subsection (b), below (concerning Survey and

easement issues), Purchaser shall, before the expiration of the Initial Inspection Period, indicate in writing delivered to Seller any Due Diligence Items that are not approved. Any Due Diligence Items (save for Survey and easement issues) not expressly disapproved shall be deemed approved at the expiration of the Initial Inspection Period. Subject to subsection (b), below, Seller shall have thirty (30) days after expiration of the Inspection Period to cure to Purchaser's reasonable satisfaction all disapproved Due Diligence Items ("Seller's Cure Period"). If Seller does not cure the disapproved items within Seller's Cure Period to Purchaser's reasonable satisfaction, Purchaser may at its option either (A) terminate this Agreement, (B) extend the Seller's Cure Period, or (C) waive the objections and proceed to Closing. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

(b) Survey and Easement Issues. If at any time during the Inspection Period Purchaser objects to the (i) Surveys provided or performed at Purchaser's expense during the Inspection Period or (ii) the easements (or the form/content thereof) covering all areas on the plat map provided by Seller, Purchaser shall give notice to Seller identifying the deficiencies or objections in the Surveys or easements and Purchaser's instructions/requirements for the cure of said deficiencies or objections ("Purchaser's Cure Instructions"). Seller shall be given thirty (30) days after receipt of Purchaser's Cure Instructions to advise Purchaser, in writing, whether or not Purchaser's Cure Instructions are acceptable to Seller.

(i) Acceptance of Purchaser's Cure Instructions. If Seller advises that Purchaser's Cure Instructions are acceptable, then Seller shall proceed to correct the deficiencies and/or objections in accordance with Purchaser's Cure Instructions. Seller shall keep Purchaser reasonably apprised as to Seller's progress and allow Purchaser to confirm that the deficiencies and/or objections are being addressed/resolved in conformance with Purchaser's Cure Instructions; Seller and Purchaser shall cooperate in good faith to enable Purchaser to correct the deficiencies and/or objections. Seller shall use its best efforts to fully implement/satisfy Purchaser's Cure Instructions prior to expiration of the Inspection Period. If Seller is unable (or unlikely) to fully accomplish and satisfy Purchaser's Cure Instructions prior to the expiration of the Inspection Period, then Seller shall notify Purchaser, in writing, not later than ten (10) business days prior to the expiration of the Inspection Period. Whereupon, the Parties shall meet and confer in good faith prior to the expiration of the Inspection Period for purposes of discussing the status of Seller's efforts and (A) whether an extension of the Inspection Period for a reasonable period of time is warranted to facilitate Seller's accomplishment/satisfaction of Purchaser's Cure Instructions or (B) whether Purchaser is willing and able to modify Purchaser's Cure Instructions in response to the status of Seller's efforts (which modification may include allowing Seller to cure the remaining deficiencies or objections prior to the Closing). If, following the meet and confer, the Parties are unable to achieve agreement regarding how to proceed with resolution of the outstanding/unsatisfied portions of Purchaser's Cure Instructions, then Purchaser shall have the right to terminate this Agreement upon delivery of written notice to Seller. Upon Purchaser's election to

terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither Party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

(ii) Rejection of Purchaser's Cure Instructions. If Seller advises that Purchaser's Cure Instructions are not acceptable, then Seller shall advise Purchaser, in writing, regarding which elements/portions of Purchaser's Cure Instructions are unacceptable. Whereupon, the Parties shall meet and confer in good faith within thirty (30) days to discuss whether Purchaser's Cure Instructions may be modified in order to make same mutually acceptable to the Parties. If the Parties are able to achieve agreement regarding modifications to Purchaser's Cure Instructions, said instructions shall be revised and Seller shall proceed to implement same in accordance with the provisions of Section 4.10(b)(i), above. Alternatively, if the Parties are unable to achieve agreement regarding mutually-acceptable revisions to Purchaser's Cure Instructions, then Purchaser may elect, in its sole and absolute discretion, by giving written notice to Seller, (A) to terminate this Agreement, or (B) to waive the deficiencies or objections set forth in Purchaser's Cure Instructions. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither Party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

5. THE CLOSING

5.1 Closing Date. The closing (the "Closing") of the transactions contemplated by this Agreement shall take place at a Title 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 last necessary approval of the transaction from the CPUC and DDW referred to in Section 9 or at such other time as the parties may agree (the "Closing Date"). The Closing shall be expressly conditioned upon the satisfaction of all pre-closing conditions and requirements that appear in this Agreement.

5.2 Seller's Obligations at Closing. At the Closing, Seller shall turnover possession to Purchaser the Acquired Assets and the documents described in Schedules 1.2(a)-(j) hereof.

5.3 Purchaser's Obligation at the Closing. At the Closing, Purchaser shall deliver to Seller the Purchase Price.

6. SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Purchaser as follows:

6.1 Organization, Good Standing and Qualification. Seller is a mutual water company organized, validly existing and in good standing under the laws of the State of California 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 California. 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. 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 audited balance sheets of Seller as of December 31, 2019 and December 31, 2018 and the related statements of income and retained earnings for the years then ending, certified by the General Manager of Seller. These financial statements are hereinafter collectively referred to as the "Seller Financial Statements." 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. Except as described in Schedule 6.4 hereof, between August 1, 2018 and the Effective Date, there has not been, without the consent of Purchaser or notice to Purchaser, any:

- (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).

6.5 Intentionally Omitted.

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 December 31, 2018 (except in each case those disposed of in the ordinary course of business since December 31, 2018), free and clear of mortgages, liens, pledges, charges, encumbrances, equities, claims, or any other defect in title, 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. However, given the age of the Water System, Seller acknowledges that some water lines, water mains or facilities may cross private properties for which there are no recorded easements or rights-of-way in favor of Seller. In furtherance of Seller's obligations pursuant to Section 4.10(b), above, Seller will work with landowners and use best efforts to accomplish/satisfy Purchaser's Cure Instructions

and provide Purchaser easements for all water lines, water mains of facilities reasonably acceptable to Purchaser (*i.e.*, using Purchaser's approved form of easement). Notwithstanding any provision herein to the contrary, Purchaser's obligation to proceed with the Closing is expressly conditioned upon Seller's receipt of, and Purchaser's satisfaction with, all easements and land rights which are related to the Water System. To the best of Seller's knowledge and belief, all of the Real Property, the 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 fully transferable and 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 and (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. 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 assign, 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. To the extent permitted by law, such rights shall continue for statutory purposes and be recognized for such period that the Water System facilities were installed and put to use by the Water System.

6.9 Zoning. As of the Effective Date, to the 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 allows or is inapplicable to the presently existing improvements and the continuation of the business presently being conducted on such parcel. Seller has not applied for any change in zoning with respect to any portion of the Real Property, nor has Seller received notice of any pending change in zoning sought by the local officials. Moreover, to the best of Seller's knowledge and belief, Seller is not aware of any facts or circumstances which suggest that a change in zoning which would affect the present use of the Real Property is likely.

6.10 Business. Seller is engaged in the business of a mutual water company serving only its shareholders in unincorporated areas in San Mateo County and portions of the Town of Woodside, and with respect to which, it holds a valid permit issued by DDW, copies of which in the Seller's possession will be delivered to Purchaser by Seller within thirty (30) days after the Effective Date in accordance with Section 4.7, 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. Seller and Purchaser agree that the sale of the Acquired Assets is on an "As-Is, Where-Is and With All Faults" basis, and accordingly Seller's representations and warranties are so conditioned. Except for and solely to the extent of the representations

and warranties expressly made by Seller set forth in this Agreement, Purchaser is not making the purchase of the Acquired Assets in reliance upon any other statements or representations, express or implied, made by Seller or its agents or brokers, including as to the condition of or characteristics of the Acquired Assets or its fitness for use for any particular purpose. Purchaser will perform all due diligence necessary to satisfy itself in making a determination as to whether to close the transaction. Seller shall cooperate with Purchaser in its due diligence by providing necessary access to assets, property, financial statements, and other documents for inspection and review.

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 best 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 DDW. There are no DDW outstanding orders or investigations pending or, to the best 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, along with remediation status if any as appropriate.

6.14 RWQCB/SWQCB. Seller has not received notice regarding any Regional Water Quality Control Board or State Water Resources Control Board proceedings or investigations against Seller or involving the Water System nor, to the best of Seller's knowledge and belief, are any such proceedings or investigations pending or threatened.

6.15 EPA. Seller has not received notice regarding any EPA proceedings or investigations against Seller or involving the Water System nor, to the best of Seller's knowledge and belief, are any such proceedings or investigations pending or threatened.

6.16 Condemnation. To the best of Seller's knowledge and belief, 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.

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 its properties 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, the Water Rights are free and clear of all liens, security interests, mortgages, pledges, encumbrances, taxes and assessments and charges or claims of whatever nature. To the best of Seller's knowledge and belief, the Water Rights are in good standing and have not been deemed forfeited or abandoned by any competent authority and are not subject to 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 best knowledge, threatened, seeking the suspension, modification, cancellation, revocation or limitation of any License and, to Seller's best 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 Authority and Consents. No approvals or consents of any person other than the CPUC, DDW, the Seller's Shareholders, and Board of Directors are necessary for or in connection with the execution, delivery and performance of Seller's obligations hereunder.

6.24 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 and be enforceable only for a period of two and one-half (2.5) years after the Closing Date.

6.25 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, and the Company's officers.

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 California 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 CPUC and DDW, 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 will have been, duly authorized by all necessary corporate action of Purchaser, and authorized 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 Due Diligence. Purchaser will perform all due diligence deemed necessary and proper by Purchaser during the Inspection Period.

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 and be enforceable only for a period of two and one-half (2.5) years after the Closing Date.

8. SELLER'S OBLIGATIONS BEFORE CLOSING

Seller covenants that, except as otherwise agreed or waived in writing by Purchaser, from the Effective Date until the Closing:

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 diligently and in substantially the same manner as they have been carried on through the Closing Date, 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, which shall not be unreasonably withheld.

8.3 Business Relationships. Seller shall, within (60) sixty days after the Effective Date, provide complete copies of all current supply and customer contracts and other written documentation evidencing such relationships, and the most accurate available list of current shareholders of Seller

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 Seller carries, to be increased by such amount or amounts as Purchaser shall specify.

8.5 New Transactions. From the Effective Date and up until the Closing, 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) 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 ten thousand dollars (\$10,000), 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, without prior consent of the Purchaser, which shall not be unreasonably withheld.

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, unless waived. However, Seller is not liable for representations that are not true and correct where Seller made representations based on knowledge and/or belief, and Seller did not intentionally mislead Purchaser or intentionally make false statements, or because of some after-occurring event that was unknown to Seller that caused a representation or warranty furnished by Seller that was true and correct when issued to thereafter become incorrect or false as of the Closing Date.

8.9 CPUC Filings. At Purchaser's expense, Seller shall cooperate with Purchaser in preparing and filing such advice letters to the CPUC as Purchaser may reasonably deem necessary or appropriate to obtain CPUC approval of the transactions contemplated by this Agreement.

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

8.11 Transfer of Real Property Interest. Purchaser shall be satisfied with respect to the Seller's ability to transfer merchantable title to Purchaser for all Real Property and/or easements described in Schedule 8.11 herein. If Purchaser is not satisfied with the Seller's ability to transfer merchantable title to Purchaser by the Closing Date, Purchaser may terminate this Agreement. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement. At Purchaser's expense, Purchaser and Seller shall jointly prepare the Property Descriptions. Prior to the Closing, Purchaser and Seller shall amend Schedule 1.2 (b) contained in this Agreement to include the Property Descriptions.

8.12 Water Rights. Purchaser shall be satisfied with respect to the Seller's ability to perfect and transfer title to Purchaser for all Water Rights. If Purchaser is not satisfied with the Seller's ability to transfer title to Purchaser by the Closing Date, Purchaser may terminate this Agreement. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

8.13 Easements. In accordance with Section 4.10(b), Purchaser shall be satisfied with respect to the transfer of all Real Property rights to Purchaser. Also in accordance with Section 4.10(b), Seller shall, as an element of the approved Purchaser's Cure Instructions, establish and transfer, or cause the conveyance to Purchaser, of easements upon which the Acquired Assets are located, including but not limited to the reservoirs, pipelines, wells, tanks, pumps, meters, hydrants, and generators, together with access areas required in connection with the operation of the Acquired Assets. Where the Acquired Assets are located upon property owned by third parties, Seller shall use Purchaser's standard template, attached hereto as Exhibit 8.13A. Where the Acquired Assets are located upon land to which Seller holds fee title, such Real Property shall be conveyed to Purchaser by Grant Deed, attached hereto as Exhibit 8.14B (*see* Section 8.14, below) By the Closing Date, if Purchaser is not satisfied with respect to the legal right of the easements contemplated herein, Purchaser may terminate this Agreement. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

8.14 Conveyance Documents. Upon Closing, Seller shall convey the Acquired Assets to Purchaser by a Bill of Sale in the Form as set forth by Exhibit 8.14A attached hereto. Seller shall convey to Purchaser all real property interests by Grant Deed in the Form as set forth in Exhibit 8.14B. Seller shall convey the Other Intangible Property to Purchaser by an Assignment of Property in the form of Exhibit 8.14C attached hereto. Seller shall convey the Water Right to Purchaser via execution and delivery of a Deed of Water Rights in the form of Exhibit 8.14D attached hereto.

9. PURCHASER'S OBLIGATIONS BEFORE CLOSING

9.1 CPUC Approval and Authorization. Purchaser will use its best efforts to secure CPUC approval and authorization for the transactions contemplated under this Agreement as soon as possible. This approval and authorization will include, but is not limited to, approval by CPUC of inclusion of Seller's customers in the Purchaser's Bear Gulch District at no cost to the Seller or Seller's customers at rates, charges, and fees for Seller's customers the same as for other similar customers of the Bear Gulch District. To this end, Purchaser agrees to prepare at its own expense and file promptly with the CPUC an appropriate application for such approval and authorization. Notwithstanding any provision herein to the contrary, Purchaser cannot (and does not) make any representation, warranty or guaranty concerning the CPUC's approval of this transaction or the terms or requirements thereof. Moreover, in the event that Purchaser determines that the terms or conditions attendant to any CPUC approval are onerous or otherwise objectionable to Purchaser, Purchaser shall have the right to terminate this Agreement.

9.2 DDW Approval and Authorization. Purchaser will use its best efforts to secure approval and authorization for the transfer of Seller's DDW permit(s) from Seller to Purchaser as soon as possible. To this end, Purchaser agrees to prepare at its own expense and file promptly an appropriate application for such transfer. At Purchaser's expense, Seller shall cooperate with Purchaser in preparing and filing such applications to transfer DDW permits. Notwithstanding any provision herein to the contrary, Purchaser cannot (and does not) make any representation, warranty or guaranty concerning the DDW's approval of this transaction or the terms or requirements thereof. Moreover, in the event that Purchaser determines that the terms or conditions attendant to any DDW approval are onerous or otherwise objectionable to Purchaser, Purchaser shall have the right to terminate this Agreement

10. CONDITIONS PRECEDENT TO PURCHASER'S PERFORMANCE

The obligations of Purchaser under this Agreement are subject to the satisfaction, at or before the Closing, 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 CPUC. Purchaser shall have received CPUC approval and authorization for Purchaser to acquire the Acquired Assets with terms and conditions acceptable to Purchaser, pursuant to the terms and conditions of this Agreement.

10.2 Approval and Authorization of DDW. Purchaser shall have received DDW approval and authorization for Purchaser to assume Seller's DDW permit upon terms and conditions acceptable to Purchaser.

10.3 Approval by Purchaser's Board of Directors. Purchaser shall have received 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. However, Seller is not liable to Purchaser for representations that are not true and correct where Seller made said representations based on knowledge and/or belief, and Seller did not intentionally mislead Purchaser or intentionally make false representations or because of some after-occurring event that was unknown to Seller that caused a representation or warranty furnished by Seller that was true and correct when issued to thereafter become incorrect or false as of the Closing Date.

10.5 Absence of Liens; Title Insurance. At or prior to the Closing, 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 California 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, other than Permitted Exceptions. 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 Permitted Exceptions.

10.6 Seller's Shareholder Approval. Seller shall have received approval of its Shareholders, by requisite vote, for the execution and delivery of this Agreement

10.7 Seller's Board Approval. Seller shall have received approval of its Board of Directors by, 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.

10.8 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.

10.9 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 10.6 and 10.7 hereof have been fulfilled. Certification is set forth in Exhibit 10.9 attached hereto.

10.10 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.

10.11 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.

10.12 Purchaser's Satisfaction with Inspections, Title, Survey, Water Quality. Purchaser shall be satisfied with all inspections and investigations concerning title to the Real Property, the Surveys, Water Rights and other Acquired Assets, as provided in Article 4 hereof.

10.13 No Material Adverse Change. Prior to the Closing, 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 as described in the most recent Annual Report of Seller, 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, of all the conditions set out below in this Article 11. Seller may waive any or all of these conditions only through a dually executed writing; 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 the CPUC and DDW as set forth in this Agreement, including, but not limited to, approval by CPUC of inclusion of Seller's customers in Purchaser's Bear Gulch District at no cost to the Seller or the Seller's

customers and rates, charges, and fees to Seller's customers no higher than those imposed on existing customers in the Bear Gulch District.

11.5 Certification by Purchaser. Purchaser shall have furnished Seller with a certificate, dated the Closing Date, signed by an officer of Purchaser, certifying, 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 Exhibit 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 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 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 and losses, liabilities, expenses or judgments relating thereto, directly 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 or (ii) matters relating to Seller, or liabilities of Seller other than those specifically assumed by Purchaser as set forth in this Agreement. ("Third Party Claims").

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.

(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 the Third Party Claim. Seller shall have the right to participate in the Third Party Claim and, to the extent that Seller desires, assume the defense of the Third Party Claim at its sole cost and expense with counsel reasonably satisfactory to Purchaser. Notwithstanding the foregoing, and as a condition precedent to Seller's right to assume the defense of any Third Party Claim, Seller shall demonstrate to Purchaser's satisfaction that Seller has the financial means and resources to prosecute the defense to completion and to satisfy any awards or orders arising therefrom. After making the requisite showing of financial means and resources and Purchaser's acknowledgement thereof, Seller shall have the right to assume the defense of the Third Party Claim upon delivery of written notice of assumption to Purchaser. Thereafter, Seller will not (as long as it diligently conduct such defense) be liable to Purchaser for any attorney fees or any other expenses (other than reasonable third-party costs of investigation in connection with requests by Seller) subsequently incurred by Purchaser in the defense of the Third Party Claim. Notwithstanding an election by Seller to assume the defense of such Third Party Claim, Purchaser shall have the right to employ separate counsel and to participate in the defense of such Third Party Claim, and Seller shall bear the reasonable fees, costs and expenses of such separate counsel, as incurred, if Purchaser shall have determined in good faith that an actual or potential conflict of interest makes representation by the same counsel or the counsel selected by Seller inappropriate. In any event, Purchaser, Seller, and their respective counsel shall cooperate and share information in the defense of the Third Party Claim and keep such persons informed of all developments relating to any such Third Party Claim, and provide copies of all relevant correspondence and documentation relating thereto. Further, in any event, Purchaser shall be entitled to participate in the defense of a Third Party Claim with separate counsel employed at its own expense. If Seller assumes the defense of the Third Party Claim, such assumption will conclusively establish for purposes of this Agreement that the claims made in that Third Party Claim are within the scope of and subject to Seller's obligations to defend, indemnify and hold harmless Purchaser hereunder, and if (A) the compromise or settlement of such Third Party Claim does not involve anything other than the payment of money by Seller; (B) the settlement or compromise of such Third Party Claim includes an unconditional release of Purchaser; and (C) Purchaser shall have no liability with respect to any settlement or compromise entered into without its consent, any compromise or settlement of such Third Party Claim may be effected solely by Seller; otherwise any compromise or settlement shall require the consent of Purchaser, which

consent shall not be unreasonably conditioned, withheld or delayed.

If written notice is given to Seller of the commencement of a Third Party Claim and Seller does not, within twenty (20) days after Purchaser provides written notice of the Third Party Claim to Seller (or, if earlier, by the tenth day preceding the day on which an answer or other pleading must be served in order to prevent judgment by default in favor of the person asserting the Third Party Claim), give written notice to Purchaser of its election to assume the defense of such Third Party Claim, then Purchaser may assume the right, at Seller's cost and expense, to defend and resolve such Third Party Claim upon such terms as Purchaser deems appropriate. If Purchaser assumes the defense of any Third Party Claim pursuant to the immediately preceding sentence, Seller may if it decides to do so participate in the defense of such Third Party Claim at its sole cost and expense.

12.2 Duration of Indemnification; Limitations. The obligations agreed to by Seller in Sections 12.1 (a) through (d) shall survive the Closing Date only for a period of two and one-half (2.5) years. 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 Operational Experience. From and after the Closing, for a period of two and one-half (2.5) years (the "Consulting Period"), Seller shall allow Purchaser reasonable access to individuals who have experience or historical knowledge of the Water System, including but not limited to John Carnes (collectively, the "Seller Experts" and each a "Seller Expert"). For purposes of this Section 12.3, "reasonable access" shall mean the right to call upon any Seller Expert for in-person or other assistance as reasonably necessary under the circumstances, and acknowledging that Seller Experts were volunteers and not employees of Seller. Purchaser agrees that it shall not hold the Seller Experts liable in connection with any assistance provided by the Seller Experts in good faith during the Consulting Period. In the event that Purchaser determines that it will require the assistance of any Seller Expert beyond the Consulting Period, then Purchaser shall have the right to retain the services of the Seller Expert as an independent contractor/consultant for any periods of time in excess of the Consulting Period, all upon terms and conditions that are mutually-acceptable to Purchaser and the Seller Expert.

12.4 Access to Records. From and after the Closing, for a period of two and one-half (2.5) 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.

12.5 Non-compete. Seller agrees not to compete with Purchaser as a public utility or a provider of irrigation water, wholesale water or recycled water to any customer or itself with Seller's water system.

12.6 Non-Opposition and Support of Capital Projects. Seller understands that certain capital projects will be necessary in the near future for the repair and improvement

of certain Acquired Assets. Seller shall, for itself and on behalf of all current members of the Skyl'onda Mutual Water System, refrain from any action that opposes necessary capital or maintenance projects of Purchaser relating to the Acquired Assets including but not limited to repair, replacement, improvement of water treatment including well head treatment; tank repairs, replacement and/or improvement; pump repairs, replacement and/or improvements; backflow installation requirements; earthquake retrofits for tanks, mains, etc.; additional storage to meet operations demands and emergency needs; dam repair, replacement and/or improvements; intake repair, replacement and/or improvements; repair, replacement and/or improvements to access to facilities; reservoir repair and/or improvements for water quality or operational needs; treatment plant repair, replacement and/or improvements; vegetation mitigation to reduce fire risk; well repair, replacement and/or improvements.

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 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 and losses, liabilities, expenses or judgments relating thereto, 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 or (ii) liabilities assumed by Purchaser in this Agreement ("Third Party Actions").

(c) Indemnification as to Challenge to this Agreement or Approvals and/or Authorizations by the CPUC and DDW. Purchaser shall indemnify, hold harmless and defend Seller (which for purposes of this subsection includes its directors, officers, agents, servants, employees, consultants, independent contractors, or authorized volunteers, and each of them) from and against any and all actions, proceedings, damages, attorney fees, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever, 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, and for all actions, proceedings, damages, attorney fees, costs, expenses, penalties or liabilities, in law or equity, of every kind or nature whatsoever arising out of, resulting from or on account of Seller's approval and execution of this Agreement, and/or approval or authorization by the CPUC and DDW.

(d) The obligations agreed to by Purchaser in Section 13.1 (a) through (c) shall survive the Closing Date.

(e) If a Third Party Action is made against Seller, Seller shall notify Purchaser in writing, and in reasonable detail, of the Third Party Action 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 Purchaser shall have been actually prejudiced as a result of such failure. Thereafter, Seller shall deliver to Purchaser, within five business days after Seller's receipt thereof, copies of all notices and documents (including court papers) received by Seller relating to the Third Party Action. If Purchaser does not, within twenty (20) days after Seller provides written notice of the Third Party Action and copies of all court papers to Purchaser (or, if earlier, by the tenth day preceding the day on which an answer or other pleading must be served in order to prevent judgment by default in favor of the person asserting the Third Party Action), give written notice to Seller of its agreement to assume the defense of such Third Party Action, and Seller demonstrates that there is a reasonable probability that the Third Party Action may adversely affect it other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, then Seller may assume the right, at Purchaser's cost and expense, to defend such Third Party Action. If Seller assumes the defense of any such Third Party Action, no compromise or settlement of any such Third Party Action shall be made without Purchaser's consent, which shall not be unreasonably conditioned, withheld or delayed. The decision of Purchaser not to assume the defense of any Third Party Action shall not in any way prejudice Purchaser's position that it is not legally or equitably required to do so under this Agreement. If Seller assumes the defense of any Third Party Action pursuant to the immediately preceding sentence, Purchaser may if it decides to do so participate in the defense of such Third Party Action at its sole cost and expense.

13.2 Bear Gulch District. Subject to approval by the CPUC, Purchaser agrees to include the customers of the Water System (the "Current Customers") in Purchaser's Bear Gulch District at no cost to Seller or the Current Customers and agrees, accordingly, to charge the Current Customers rates, charges or fees -- for any services rendered by Purchaser -- that are the same as those charged to other similar customers in the Bear Gulch District. After the Closing, Purchaser shall not treat Current Customers any differently from the other customers in the Bear Gulch District or charge the Current Customers rates or charges different from those charged to other customers in the Bear Gulch District without obtaining the prior consent of CPUC. Notwithstanding any provision herein to the contrary, Purchaser cannot (and does not) make any representation, warranty or guaranty concerning the CPUC's actions or decisions with respect to the issues addressed in this Section 13.2.

14. AUTHORITY

14.1 CPUC Approval. Because the Purchaser is a public utility, whose operations are regulated by the CPUC, this Agreement and the rates to be charged by Purchaser subsequent to the Closing are subject to review and approval by the CPUC, as determined by the CPUC. If the CPUC fails to approve the transaction subject of this Agreement within one year from the Effective Date, or proposes material changes to any

terms or conditions herein that are objectionable or unreasonable to Purchaser, then Purchaser may terminate this Agreement. Upon Purchaser's election to terminate this Agreement under this Section, this Agreement shall be deemed cancelled, after which neither party shall have any further obligations to the other under this Agreement, except those that are specifically stated to survive the termination of this Agreement.

14.2 OTA. As of the Effective Date, Seller and Purchaser shall have entered into an Operations Transfer Agreement, in the form attached to this Agreement as Exhibit 14, which provides for the transfer of operations of the Water System to Purchaser, and the allocation of liabilities in connection therewith, for the period from the Effective Date until the Closing Date.

14.3 Use of Lake. Purchaser acknowledges that the [NAME] Lake (the "Lake") serves as both fire protection and a source of emergency drinking water. Subject to Purchaser's operational requirements, standards and programs, Purchaser shall make commercially reasonable efforts to continue to use the Lake and associated water rights for those purposes.

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, together with the OTA, constitute the entire agreement between the parties pertaining to the subject matter contained herein and supersede 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.

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 Current Customer would have the right to enforce the provisions of this Agreement pertaining to rates, charges or fees as approved by the CPUC.

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 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.

18.2 Non-Exclusivity of Remedies. The remedies provided for in this Section 18 are not intended, and shall not be deemed, to be exclusive or restrictive of any other rights to which the parties are entitled by law or equity with respect to any breach or default of any representations, warranties, covenants or agreements under this Agreement.

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:	SKY-L'ONDA MUTUAL WATER COMPANY 127 Blakewood Way Woodside, CA 94062
Attention:	John Carnes, President of the Board
To Purchaser at:	CALIFORNIA WATER SERVICE COMPANY 1720 N. First Street San Jose, CA 95120
Attention:	Paul Townsley, Vice President
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 California.

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 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 FOLLOWS]

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

PURCHASER:

CALIFORNIA WATER SERVICE COMPANY, a
California corporation

By: _____

Name:

Title:

By: _____

Name:

Title:

SELLER:

SKY-L'ONDA MUTUAL WATER COMPANY, a
California Mutual benefit corporation

By: _____

John Carnes

President of the Board

EXHIBIT A

DESCRIPTION / DEPICTION OF SKY-L'ONDA WATER SYSTEM SERVICE AREA

The Sky-L'onda Mutual Water Company was incorporated as a California mutual benefit corporation in 1931. Ever since the original incorporation, the company has supplied water service to our customers/shareholders in our service area. The company has been governed by a volunteer board of directors for 89 years. Over time the spelling of the community name has evolved, and the company has unofficially followed along. When searching public records the company may be listed using some of the following variants of the Sky-L'onda name; SkyL'onda, Sky-Londa, Sky Londa, and Skylonda. The latter is the current common name for the community.

The Skylonda Mutual Water System is located in and about the unincorporated Skylonda area of San Mateo County. It can be found at the intersection of highway 84 and highway 35 (Skyline Boulevard). It stretches along Skyline Boulevard and is a narrow east-west district but has a long north-south length of approximately 1 mile.

It is bordered to the North by the former Skyline County Water District, now part of the CalWater Bear Gulch District. The most northerly streets are Linwood Drive and Blakewood Way. To the East, it borders the former Woodside Mutual Water Company, also now part of the CalWater Bear Gulch District. The southern-most streets are Elk Tree and Big Tree Roads. It does not have adjacent water systems to the West or South. The district serves approximately 157 services. It is an entirely rural residential system with most homes being 1500 to 3000 square feet in size. There are a few newer large homes and a number of older "San Francisco summer home" structures. Landscaping in this district is minimal but natural with plenty of redwood trees and native plants. Currently Skylonda Mutual purchases water from CalWater using an interconnection located near the CalWater tanks at the top of the Skywood Acres subdivision in Woodside. Prior to the water purchase agreement, the supply was surface water diverted from the La Honda Creek and 3 small wells. The system has two hydraulic zones and a small hydro-pneumatic pressure system.

There is little room for growth in this district as most lots have existing homes and the existing steep topography limits building on the few remaining vacant lots. It is also bounded by the La Honda Creek Open Space, which is part of the Mid Peninsula Regional Open Space District, which serves to limit development in this area.

The Skylonda system has 3 hydraulic zones. The hydro-pneumatic system is considered the 3RD pressure zone.

It may be helpful to refer back to the following chart when discussing the facilities. This chart lists the different facilities in each hydraulic zone.

EXHIBIT A

Zone	Lower Zone	Upper Zone	hydro-pneumatic Zone
Source	Water Treatment Plant	Skylonda Lift Pump	hydro-pneumatic booster
Well	Cal Trans Well (#6)	Giovanetti Well (#8)	VanCrego Well (#7)
Storage	Skylonda Tanks	Giovanetti Tanks	~100 gallon pressure tank
Grade	1610'	1800'	Unknown
Outtake	WTP Lift Pump	hydro- pneumatic booster	None

EXHIBIT A

EXHIBIT 8.13A

EASEMENT FORM – PROPERTY OWNED BY THIRD PARTIES

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

California Water Service Company
1720 N. First Street
San Jose, CA 95112
Attn: Linda Przybyla (JK)

This is a conveyance of an easement and the consideration and value is less than \$[____. ____]

The undersigned Grantor declares that the documentary transfer tax due is \$[_____. ____],
computed on full value of property conveyed.

Form 1381

GRANT OF EASEMENT

By this instrument dated [____], 20[____], [**INSERT NAME OF GRANTOR**] (“Grantor”) hereby grants to CALIFORNIA WATER SERVICE COMPANY, a California public utility water corporation (“Grantee”), a permanent non-exclusive easement to construct, reconstruct, install, operate, use, inspect, maintain, repair, replace, relocate, patrol, change the size of, add to, or remove such pipes, conduits, meters, valves, fittings, boxes, vaults, hydrants, pipeline markers, and other facilities (“Facilities”) as Grantee deems necessary or convenient in connection with Grantee’s business as a public utility water company and for any other legally permitted purpose for the conveyance, distribution and/or storage of water, together with a right of way for such Facilities and reasonable ingress to and egress from such facilities, upon, across and/or under the lands situated in the **County of [INSERT NAME OF COUNTY]**, (District Name and Station #) State of California, described in Exhibit A and depicted in Exhibit B attached hereto and made a part hereof (“Easement Area”).

Grantor agrees that no change of grade of the Easement Area shall be made, that it shall not be inundated, that it shall be kept free of trees, deep-rooted shrubs, buildings and structures of all kinds (except for Grantee’s Facilities), and that nothing shall be done that unreasonably interferes with Grantee’s use of the Easement Area or that will damage or is reasonably likely to damage Grantee’s facilities and equipment in the Easement Area. Without limiting the foregoing, Grantor shall not perform or permit any digging, tunneling or other forms of construction activity on the Easement Area which would substantially disturb, or is likely to substantially disturb the compaction or unearth Grantee’s facilities located within the Easement Area or endanger the lateral support to such facilities and Grantor agrees that it shall be responsible for any such damage. Grantee shall have the right, but not the duty, at Grantee’s sole convenience and discretion, to trim and/or remove trees, brush, roots or vegetative material

from within, under and over the Easement Area. Said right shall not relieve Grantor of the duty as owner to trim or remove trees, brush or material to prevent danger or hazard to property or persons.

Grantor reserves the right to use the surface of the Easement Area for parking, landscaping (not including trees), walkways, signs and driveways (“Permitted Uses”); provided, however, to the extent removal of such Permitted Uses is necessary for Grantee to exercise its rights under this instrument, Grantor shall be solely responsible for the costs of removal of such Permitted Uses, and Grantee shall have no obligation to repair or replace any such Permitted Uses. Before commencing the construction or installation of any such Permitted Uses, Grantor shall notify and obtain written approval from Grantee in advance, which approval shall not be unreasonably conditioned, withheld, or delayed. In addition Grantor must comply with DigAlert notification requirements pursuant to Government Code Sections 4216 to 4216.9.

The terms hereof shall be binding upon, and inure to the benefit of the successors and assigns of the parties hereto. As used herein, the term “Grantor” shall include all subsequent owners of the land subject to the easement granted hereby. The terms hereof shall run with Grantee’s Easement Area. As used herein, the term “Grantee” shall include all subsequent owners of the easement granted hereby.

Grantor covenants that Grantor has good right and title to grant the foregoing easement, and that Grantor and its successors and assigns shall warrant and defend the same unto Grantee, its successors and assigns, forever, against the lawful claims and demands of all persons.

GRANTOR:

By: _____
(Signature)

Name:

Title:

CWSC Project No.: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss
County of _____)

On _____ before me, _____,
personally appeared _____, who
proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument. I
certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

(Seal)

EXHIBIT A

Legal Description of Easement Area

[To Be Prepared / Attached]

EXHIBIT B

Depiction of Easement Area

[To Be Prepared / Attached]

EXHIBIT 8.14A

BILL OF SALE

THIS BILL OF SALE (the “**Bill of Sale**”) is made as of the ____ day of _____, 20__ by SKY-L’ONDA MUTUAL WATER COMPANY, a California corporation (“**Seller**”), in favor of CALIFORNIA WATER SERVICE COMPANY, a California corporation (“**Purchaser**”).

RECITALS

A. Seller and Purchaser are parties to an Asset and Real Property Purchase and Sale Agreement dated _____, 20__ (“**Agreement**”).

B. Pursuant to the terms of the Agreement, Seller is required to convey to Purchaser all right, title and interest of Seller in and to all water rights, pipelines, equipment and other assets designed, constructed, owned and/or maintained by Seller which serve, or are used in connection with the provision of service to, the Sky-L’Onda community (collectively, the “**Water System**”). Of particular note, Section 8.14 of the Agreement obligates Seller to convey to Purchaser, via bill of sale, the individual elements and assets which comprise the Water System (collectively, the “**Acquired Assets**”).

C. The Acquired Assets contemplated by the Agreement, and specifically covered by this Bill of Sale, are more particularly identified on the attached Exhibit 1.

D. Capitalized terms used in this Bill of Sale and not specifically defined herein shall have the same meaning as set forth in the Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

1. Seller hereby sells, assigns, conveys, transfers and delivers to Purchaser, its legal representatives, successors and assigns, absolutely and not as security, all of Seller’s present and future right, title and interest in and to the Acquired Assets.

2. Seller warrants that it owns the Acquired Assets free and clear of all mortgages, security interests, pledges, conditions, liens and encumbrances of any nature.

3. Seller will, upon written request from Purchaser, without further consideration, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered all such further documents necessary or proper to effect the sale, assignment, transfer, conveyance and delivery of the Acquired Assets to Purchaser.

4. In any action between the parties to enforce any of the terms or provisions of this Bill of Sale, the prevailing party in the action shall be entitled to recover from the non-prevailing party, in addition to damages, injunctive relief or other relief, its reasonable costs and expenses, including, without limitation, costs and reasonable attorneys’ fees.

5. This Bill of Sale shall inure to the benefit of the parties and their respective successors and assigns.

6. If any provision of this Bill of Sale shall be held invalid or unenforceable for any reason and to any extent, the remainder of this Bill of Sale shall not be affected, but shall be enforced to the greatest extent permitted by law.

7. This Bill of Sale and the Agreement contain the entire understanding between the parties relating to the sale, assignment, transfer, conveyance and delivery of the Tangible Assets from Seller to Purchaser. All prior and contemporaneous agreements and understandings, whether oral or written, are superseded by this Bill of Sale and the Agreement. Nothing contained in this Bill of Sale is intended to terminate or affect the validity of any of the representations or warranties contained in the Agreement which shall survive the Closing under the Agreement. This Bill of Sale shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the undersigned have caused this Bill of Sale to be duly executed and delivered by Seller as of the day and year first above written.

“SELLER”

SKY-L'ONDA MUTUAL WATER COMPANY,
a California corporation

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

Exhibit 1 to Bill of Sale

List of Acquired Assets

[To Be Prepared / Attached]

EXHIBIT 8.14B

GRANT DEED FOR TRANSFER OF REAL PROPERTY INTERESTS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

(Above Space For Recorder's Use Only)

GRANT DEED

Documentary Transfer Tax: \$ _____ . _____
(signature of declarant or agent
determining tax)

- Computed on full value of property conveyed, or
- Computed on full value less liens and encumbrances remaining at time of sale

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, SKY-L'ONDA MUTUAL WATER COMPANY, a California corporation ("**Grantor**"), hereby GRANTS to CALIFORNIA WATER SERVICE COMPANY, a California corporation ("**Grantee**") that certain real property in the Town of Woodside, County of San Mateo, State of California, which is more particularly described on **Exhibit A** which is attached hereto and incorporated herein by this reference.

Dated: _____, 20____ SKY-L'ONDA MUTUAL WATER COMPANY,
a California corporation

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name of notary) Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

Legal Description of Property

[To Be Prepared / Attached]

EXHIBIT 8.14C

ASSIGNMENT OF OTHER INTANGIBLE PROPERTY

THIS ASSIGNMENT OF INTANGIBLE PROPERTY (“**Assignment**”) is dated as of _____, 20__ (the “**Effective Date**”) by and between SKY-L’ONDA MUTUAL WATER COMPANY, a California corporation (“**Assignor**”), and CALIFORNIA WATER SERVICE COMPANY, a California corporation (“**Assignee**”).

RECITALS

A. Assignor and Assignee entered into that certain Asset and Real Property Purchase and Sale Agreement dated _____, 20__ (“**Agreement**”) with respect to the sale of certain Acquired Assets (as defined in the Agreement). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

B. Pursuant to the Agreement, Assignor is obligated to assign and transfer to Assignee all of the interest of interest of Assignor 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 the 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**”. Other Intangible Property includes, without limitation, the property identified in the attached Exhibit 1.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

AGREEMENT

1. Assignment and Assumption of Other Intangible Property. Assignor hereby assigns, sells, transfers, sets over and delivers to Assignee all of Assignor’s right, title and interest in and to the Other Intangible Property and Assignee hereby accepts such assignment.

2. Indemnification.

a. Assignee’s Indemnity. Assignee shall indemnify, defend and hold harmless Assignor and Assignor’s employees, partners, members, officers, directors, attorneys, agents and affiliates, and their predecessors, successors and assigns, from and against all liabilities, claims, losses, actions, damages, fines, costs, expenses, causes of action and demands against them or any of them arising out of, or in any way connected with, Assignee’s obligations relative to the Other Intangible Property to the extent they first accrue and are applicable to a period on or after the Effective Date of this Assignment.

b. Assignor's Indemnity. Assignor shall indemnify, defend and hold harmless Assignee and Assignee's employees, partners, subsidiaries, parents, shareholders, officers, directors, attorneys, agents and affiliates, and their predecessors, successors and assigns, from and against all liabilities, claims, losses, actions, damages, fines, costs, expenses, causes of action and demands against them or any of them arising out of, or in any way connected with, Assignor's obligations relative to the Other Intangible Property to the extent they first accrue and are applicable to a period before the Effective Date of this Assignment.

3. Binding Effect. This Assignment shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

4. Governing Law. This Assignment and the legal relations between the parties hereto shall be governed by and be construed in accordance with the laws of the State of California.

5. Counterparts. This Assignment may be executed in counterparts, each of which shall constitute an original. This Assignment shall only be effective if a counterpart is signed by both Assignor and Assignee.

6. Survival. The provisions of this Assignment shall survive the Closing.

7. Attorneys' Fees. In any action between the parties to enforce any of the terms or provisions of this Assignment, the prevailing party in the action shall be entitled to recover from the non-prevailing party, in addition to damages, injunctive relief or other relief, its reasonable costs and expenses, including, without limitation, costs and reasonable attorneys' fees.

8. Severability. If any provision of this Assignment shall be held invalid or unenforceable for any reason and to any extent, the remainder of this Assignment shall not be affected, but shall be enforced to the greatest extent permitted by law.

9. Merger. This Assignment and the Agreement contain the entire understanding between the parties relating to the sale, assignment, transfer, conveyance and delivery of the Other Intangible Property from Assignor to Assignee. All prior and contemporaneous agreements and understandings, whether oral or written, are superseded by this Assignment and the Agreement. This Assignment may be modified only in writing executed by both Assignor and Assignee. Nothing contained in this Assignment is intended to terminate or affect the validity of any of the representations or warranties contained in the Agreement which shall survive the Closing under the Agreement.

[THIS SPACE INTENTIONALLY LEFT BLANK; SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment intending it to be effective as of the date first set forth above.

ASSIGNOR:

SKY-L'ONDA MUTUAL WATER COMPANY,
a California corporation

By: _____

Name: _____

Its: _____

By: _____

Name: _____

Its: _____

ASSIGNEE:

CALIFORNIA WATER SERVICE COMPANY,
a California corporation

By: _____

Name: _____

Its: _____

By: _____

Name: _____

Its: _____

Exhibit 1 to Assignment of Other Intangible Property

Partial Description of Other Intangible Property

[To Be Prepared / Attached]

EXHIBIT 8.14D

DEED OF WATER RIGHTS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

California Water Service Company
1720 North First Street
San Jose, CA 95112
Attn: Linda Przybyla (JK)

(Above Space For Recorder's Use Only)

DEED OF WATER RIGHTS

Documentary Transfer Tax: \$ _____ . _____
(signature of declarant or agent determining tax)

- Computed on full value of property conveyed, or
- Computed on full value less liens and encumbrances remaining at time of sale

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, SKY-L'ONDA MUTUAL WATER COMPANY, a California corporation ("**Grantor**"), hereby GRANTS to CALIFORNIA WATER SERVICE COMPANY, a California corporation ("**Grantee**"), any and all riparian, appropriative, overlying or other water and water rights and any all interests in such water, including surface water, subsurface underflow, and percolating groundwater appurtenant or relating to that certain real property in the Town of Woodside, County of San Mateo, State of California, which is more particularly described on **Exhibit A** which is attached hereto and incorporated herein by this reference.

Dated: _____, 20____ SKY-L'ONDA MUTUAL WATER COMPANY,
a California corporation

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name of notary)

Notary Public, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the same
in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

Legal Description of Property

[To Be Prepared / Attached]

EXHIBIT 10.9

CERTIFICATE OF SELLER

I, _____, the undersigned, hereby certify that:

1. I am now and at all times herein mentioned have been the duly elected President of SKY-L'ONDA MUTUAL WATER COMPANY, a California corporation ("Seller"), and am authorized to execute this Certificate on its behalf.

2. All representations and warranties of Seller in the Asset and Real Property Purchase Agreement ("**Agreement**") dated _____, 2020, by and between California Water Service Company and Seller, and in any exhibit or schedule thereto, are true and correct in all material respects as of the date hereof, as though such representations and warranties were made on and as of the date hereof.

3. The "Acquired Assets" as described in Section 1.2 of the Agreement are free and clear of any and all mortgages, liens, pledges, charges, encumbrances, equities, claims, easements, rights-of-way, covenants, conditions, and any other restrictions or defects in title, except for the liens of current taxes and assessments, rights-of-way, encumbrances, restrictions, clouds and defects which do not materially and adversely affect the operation of or the fair market values of the Acquired Assets.

4. The shareholders of Seller (by requisite vote / action) have duly approved Seller's execution, delivery and performance of the Agreement.

5. The directors of Seller (by requisite vote / action) have duly approved Seller's execution, delivery and performance of the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of this _____ day of _____ 2020.

SKY-L'ONDA MUTUAL WATER COMPANY,
a California corporation

By: _____

Name: _____

Its: President

EXHIBIT 11.5

CERTIFICATE OF PURCHASER

I, _____, the undersigned, hereby certify that:

1. I am now and at all times herein mentioned have been the duly elected _____ of California Water Service Company (“**Purchaser**”) and am authorized to execute this Certificate on its behalf.

2. All representations and warranties by Purchaser contained in the Asset and Real Property Purchase Agreement (“**Agreement**”), dated _____, 2020 by and between Purchaser and SKY-L’ONDA MUTUAL WATER COMPANY, a California corporation, are true and accurate in all material respects as of the date hereof, as though such representations and warranties were made on and as of the date hereof.

3. Purchaser has performed, satisfied and complied with all covenants, agreements and conditions required by the Agreement to be performed, satisfied or complied with by it on or before the date hereof.

4. Purchaser has received corporate authorization and approval for the execution and delivery of the Agreement, and has taken all corporate action necessary or proper to fulfill its obligations to be performed under the Agreement on or before the date hereof.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of this _____ day of _____ 2020.

CALIFORNIA WATER SERVICE COMPANY,
a California Corporation

By: _____

Name:

Title:

EXHIBIT 14

OPERATIONS TRANSFER AGREEMENT (OTA)

[See Attached]

SCHEDULE 1.2 (a)

DESCRIPTION OF UTILITY SYSTEMS

For an overview description of the SMWC Utility System refer to EXHIBIT A, DESCRIPTION / DEPICTION OF SKY-L'ONDA WATER SYSTEM SERVICE AREA. This schedule is a listing of physical assets that compose the SMWC water utility.

Surface Water Treatment Plant 127 Blakewood Way, Woodside, CA

- Submersible raw water pump, located at end of dock.
- Raw water feed pump VFD
- Raw water polyethylene tank (~300 gal)
- Arkal Disk Prefilter System and feed pump
- Memcore (Siemens) XP 9LV10 Membrane Filtration Unit (2008)
 - Clean In Place Tank, Controller, and Water Heater
 - Air Compressor
- Chlorination Equipment
 - Sodium Hypochlorite injection pump
 - Sodium Hypochlorite tank
- Chlorine Contact Tank, 6100 gal. baffled polyethylene tank
- Clearwell Tank, 5000 gal. polyethylene tank
- Water Quality Monitoring Equipment
 - Hach 1720E Turbiditymeter
 - Hach SC100 Contrôler
 - Hach CL17 Chlorine Analyzer ????
- Booster Pump, primary, Grundfos
- Booster Pump, backup
- Control Systems
 - Display panel Maple Systems HMI 5070TH
 - Radio Modem, General Electric, MDS SD4
 - Sensaphone 800 Alarm Dialer

Skylonda Tanks and Booster Pumps

- Redwood Tank, Combined Tank Volume ~75,000 gal.
- Redwood Tank
- Booster Pump, primary, Grundfos
- Booster Pump, backup, Grundfos, not installed
- Booster Pump, old, Grundfos
- Control Systems
 - Allan Bradley controller, MicroLogix 1400
 - Radio Modem, General Electric, MDS SD4

Geovanetti Tanks, Well, and Manganese Treatment Plant

Redwood Tank, Combined Tank Volume ~122,000 gal.
Redwood Tank

Control Systems

Allan Bradley controller, , MicroLogix 1400 ??

Radio Modem, General Electric, MDS SD4

Geovanetti Well #8

Pump VFD

Submersible Pump

Manganese Treatment Plant

La Honda Creek Diversion Dam and Intake Sump

Control Box with pump VFD and level control.

Sump with submersible pump

CalTrans Well #6 / CalWater Interconnection

Electrical/Control Box

Well House

Submersible Pump

Well to pipeline back flow preventer

CalWater to pipeline back flow preventer

Hydropneumatic Pressure System and Van Crego Well #7

Well house

Submersible pump

Pressure system house

Booster pump

Well pump controls

Hydropneumatic tank

Distribution System

~156 metered service connections

~20 Fire Hydrants

~3.8 miles of pipe, mostly 6" AC, with some 6", 4", 2" PVC

SCHEDULE 1.2 (b)

DESCRIPTION OF REAL PROPERTY

Parcel Number 075-161-090

This is described as the rear 25 ft of lot 13. It is at 52 Skylonda Dr, where the Skylonda tanks are located. My best guess from looking at the County's gis map, is that the tanks and rear storage shed would be on this parcel, but likely not the pump house.

Parcel Number 075-173-030

This is a 30ft x 44 ft parcel on Sequoia Way. A decade or more ago we tore the small storage shed that was on this parcel down. (At the request of the neighbor and likely just before it fell down on its own.)

[*See also* Schedule 8.11, below]

SCHEDULE 1.2 (c)

DESCRIPTION OF WATER RIGHTS]

Skylonda Mutual Water Company's water rights are held under the name "SKY L'ONDA MUTUAL WATER COMPANY" in the State Water Resources Control Board's water rights database.

SMWC Holds 4 Appropriative Water Rights Permits/Licenses

Application Number	Permit ID	License ID	WR Type	Status	Status Date
A009678	005768	005497	Appropriative	Licensed	07/26/1939
A018161	011607	006606	Appropriative	Licensed	05/28/1958
A023729	016454		Appropriative	Permitted	03/16/1971
A028444	020853		Appropriative	Permitted	05/02/1985

Furthermore Skylonda Mutual's water rights claims were affirmed in an adjudication of the San Gregorio Stream System by the Superior Court of the State of California , County of San Mateo on January 29th, 1993, Decree No. 355792.

SCHEDULE 1.2 (d)

LIST OF OTHER TANGIBLE ASSETS

NONE. Seller represents and warrants that, with the exception of the Excluded Assets, Seller is not in possession of (nor does Seller have any right, title to or interest in) any Other Tangible Assets. In the event that Seller discovers or otherwise identifies any Other Tangible Assets following the Closing, Seller shall advise Purchaser regarding same and, upon the direction of Purchaser, shall transfer, convey and assign unto Purchaser all of Seller's right, title to and interest in the Other Tangible Assets.

SCHEDULE 1.2 (e)

LIST OF INVENTORIES

[See Attached]

SCHEDULE 1.2 (e)

SCHEDULE 1.2 (i)

LIST OF ALL DEPOSITS

NONE. To be confirmed during Inspection Period.

SCHEDULE 1.2 (j)

LIST OF ALL OTHER INTANGIBLE PROPERTY

All items and interests described in Section 1.2 (j), and specifically including the following:

Domain name, web site, and email addresses

The domain name skylondawater.com and the associated web site, hosting account, and email addresses will transfer to Purchaser upon closing.

Corporate Name

The corporate name “Skylonda Mutual Water Company” will remain the name of the corporation, after closing and until such time as the corporate structure can be dissolved. Following corporate dissolution, Purchaser is free to use the name.

The “Skylonda Taste”

The slightly “froggy” taste and odor of Seller’s summer water will become Purchaser’s should they decide to operate the membrane filtration plant.

SCHEDULE 1.3

LIST OF EXCLUDED ASSETS (ASSETS NOT TO BE ACQUIRED BY PURCHASER)

Cash held in the corporate checking and savings accounts
current balances as of 5/12/20
 Checking \$21,620
 Savings \$60,003

Company Credit Card and balance

Company laptop computer

Printer

Supplies for conducting shareholder mailings and other corporate functions

Corporate records including (CalWater is welcome to copies of any of these documents)

 Financial records

 Tax records

 Insurance records

 Employment records









 Board records including minutes

 State corporation filings

SCHEDULE 4.1

LIST OF PREVIOUSLY DISCLOSED MATERIALS


Materials Already Provided:

 Board Minutes	5/23/2019 6:27 AM
 CA DFW Docs	5/23/2019 7:45 AM
 Cust Notices	5/23/2019 6:20 AM
 DDW Docs	5/23/2019 6:18 AM
 Maps	5/23/2019 7:37 AM
 O&M Plan	5/23/2019 6:16 AM
 Water Rights	5/23/2019 7:49 AM
 Wells	5/23/2019 7:29 AM

Board Minutes:












Share View

<< calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > Board Minutes

Name	Date modified	Type	Size
 CombinedBoardMinutes	5/23/2019 6:27 AM	Adobe Acrobat D...	64,732 KB

CA DFW Docs:

calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > CA DFW Docs

Name	Date modified	Type	Size
 CDFW Notification 050217	5/23/2019 7:39 AM	Adobe Acrobat D...	17,433 KB
 DamReport	5/23/2019 7:45 AM	Adobe Acrobat D...	1,343 KB
 SanGregorioWMP_final	5/23/2019 7:44 AM	Adobe Acrobat D...	4,492 KB
 Sanitary Survey 1998	5/23/2019 7:45 AM	Microsoft Word 9...	53 KB
 Skylonda Google Earth Map 2b	5/23/2019 7:43 AM	JPG File	178 KB
 SMWC Dam Photos 2016	5/23/2019 7:40 AM	TIFF File	634 KB
 SMWC Dam Schematic	5/23/2019 7:40 AM	Adobe Acrobat D...	1,752 KB
 SMWC Diversion Description for the CDF...	5/23/2019 7:39 AM	Microsoft Word 9...	26 KB
 SMWC Map Google	5/23/2019 7:41 AM	TIFF File	189 KB
 SMWC Map	5/23/2019 7:41 AM	Adobe Acrobat D...	420 KB
 SystemSchematic	5/23/2019 7:43 AM	Adobe Acrobat D...	351 KB

Cust Notices:

calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > Cust Notices

Name	Date modified	Type	Size
Smw_BWN_160610	5/23/2019 6:20 AM	Microsoft Word 9...	45 KB
Smw_SON_160610	5/23/2019 6:19 AM	Microsoft Word 9...	24 KB

DDW Docs:

calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > DDW Docs

Name	Date modified	Type	Size
4100533.2012Permit_Part1	5/23/2019 6:16 AM	Adobe Acrobat D...	10,185 KB
4100533.2012Permit_Part2	5/23/2019 6:17 AM	Adobe Acrobat D...	10,199 KB
4100533.2012Permit_Part3	5/23/2019 6:17 AM	Adobe Acrobat D...	9,955 KB
Smw_CT_clearwell_plans_engineering_re...	5/23/2019 6:18 AM	Adobe Acrobat D...	1,752 KB
Smw_ddw_BSSP_1207	5/23/2019 6:18 AM	Adobe Acrobat D...	262 KB
Smw_ddw_sanitary_survey_letter_20151028	5/23/2019 6:18 AM	Adobe Acrobat D...	241 KB

Maps:

Share View








calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > Maps

Name	Date modified	Type	Size
4-LLS-PG065	5/23/2019 6:32 AM	TIFF File	162 KB
7-RSM-PG020B-PORTOLA HILLS	5/23/2019 6:31 AM	TIFF File	250 KB
7-RSM-PG020C-PORTOLA HILLS	5/23/2019 6:31 AM	TIFF File	372 KB
17-RSM-PG052-SKY LONDA MAP NO. 1	5/23/2019 6:31 AM	TIFF File	390 KB
18-RSM-PG011-EL CORTE DE MADERA	5/23/2019 6:31 AM	TIFF File	193 KB
DetailDrawings	5/23/2019 6:29 AM	Adobe Acrobat D...	3,992 KB
OriginalSysMap	5/23/2019 6:28 AM	Adobe Acrobat D...	4,292 KB
SMWCMMap	5/23/2019 6:29 AM	Adobe Acrobat D...	311 KB
SystemMap	5/23/2019 6:27 AM	Adobe Acrobat D...	176 KB

IERLT











O&M Plan:

calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > O&M Plan

Name	Date modified	Type	Size
 Smw_O&MP_ApxB(Ref Materials for Ope...	5/23/2019 6:15 AM	Adobe Acrobat D...	460 KB
 Smw_O&MP_ApxC(Recmnd Operations ...	5/23/2019 6:15 AM	Adobe Acrobat D...	179 KB
 Smw_O&MP_ApxE(Mfctr Info for MEMC...	5/23/2019 6:15 AM	Adobe Acrobat D...	3,292 KB
 Smw_O&MP_ApxE(Mfctr Info for MEMC...	5/23/2019 6:15 AM	Adobe Acrobat D...	3,292 KB
 Smw_O&MP_ApxF(Mfctr Info for Arkal P...	5/23/2019 6:16 AM	Adobe Acrobat D...	895 KB
 Smw_O&MP_ApxF(Mfctr Info for Arkal P...	5/23/2019 6:16 AM	Adobe Acrobat D...	895 KB
 Smw_Operations & Maintenance Plan	5/23/2019 6:14 AM	Adobe Acrobat D...	1,108 KB





Water Rights:

lwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > Water Rights

Name	Date modified	Type	Size
 KeyPagesCreekAdjudication	5/23/2019 7:34 AM	Adobe Acrobat D...	6,129 KB
 LaHondaCreekAdjudicationPt1	5/23/2019 7:36 AM	Adobe Acrobat D...	59,037 KB
 LaHondaCreekAdjudicationPt2	5/23/2019 7:37 AM	Adobe Acrobat D...	43,487 KB
 License_5497	5/23/2019 7:30 AM	Adobe Acrobat D...	158 KB
 License_6606	5/23/2019 7:32 AM	Adobe Acrobat D...	135 KB
 Permit_16454	5/23/2019 7:32 AM	Adobe Acrobat D...	386 KB
 Permit_20853	5/23/2019 7:32 AM	Adobe Acrobat D...	248 KB
 Statement_of_Water_Diversion_19751	5/23/2019 7:33 AM	Adobe Acrobat D...	5,923 KB
 Water_Appropriation_Decision_1399	5/23/2019 7:33 AM	Adobe Acrobat D...	379 KB
 Water_Appropriation_Decision_1454	5/23/2019 7:33 AM	Adobe Acrobat D...	339 KB

Wells:

calwater (\\fileserv) (F:) > Marketing > 2 - CALIFORNIA - Acquisitions > Skylonda > Skylonda files > Wells

Name	Date modified	Type	Size
 CalTrans-Well6Docs	5/23/2019 7:26 AM	Adobe Acrobat D...	3,287 KB
 OldWellDocs	5/23/2019 7:29 AM	Adobe Acrobat D...	504 KB
 VanCregoWellDocs	5/23/2019 7:28 AM	Adobe Acrobat D...	3,717 KB
 Well8HaimsonAgreement1981	5/23/2019 7:25 AM	Adobe Acrobat D...	10,592 KB

SCHEDULE 6.4

LIST OF SPECIFIED CHANGES

NONE. Seller represents and warrants that, between August 1, 2018 and the Effective Date, there has not been any:

- (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).

SCHEDULE 6.6

LIST OF REAL PROPERTY LEASED TO OR BY SELLER

NONE. To be confirmed during Inspection Period.

SCHEDULE 6.7

LIST OF TANGIBLE PERSONAL PROPERTY

NONE. To be confirmed during Inspection Period.

SCHEDULE 6.8

LIST OF DEFECTS

NONE (except as otherwise expressly identified in this Agreement [*see, e.g.*, Schedules 1.2 (e) and 6.11]).

SCHEDULE 6.11

PHYSICAL ASSETS OF SELLER THAT ARE NOT IN SOUND OPERATING CONDITION
(LIST OF DEFECTS)

Physical Assets Known to be Not in Sound Operating Condition

The air compressor for the surface water membrane treatment plant is not currently operational. Maintenance is in progress and we hope to have the unit operations by mid June.

The electrical panel for the CalTrans Well (#6) is currently being rebuilt. This leaves the well with no power to operate. We expect this project to be completed by mid June.

The backup generator for the Membrane Treatment Plant is not operational. This generator was sized and installed for the prior membrane treatment plant. It may be undersized for the current plant, specifically it may not be sufficient to start the large air compressor.

Physical Assets with an Unknown Operating Status

Since switching the using water from the Cal Water interconnection, we have not used our surface water membrane treatment plant our wells.

The membrane treatment plant has not been operational for more than a year due to the failure of the air compressor. Once the air compressor is repaired, we will begin to assess the membrane treatment plant. We would anticipate a number of small problems with valve seals and chemical feed pumps to crop up as we attempt to restart the plant.

The sodium hypochlorite injection pumps, the free chlorine analyzer, and the turbidity meter are all equipment that requires consistent maintenance, and may not be currently operational

The wells have been run briefly for water sampling purposes, but have not run for production purposes. Generally we do not have problems restarting our wells, but equipment failure or other well condition changes are not out of the range of possibility.

There greensand manganese treatment plant associated with the New Geovanetti Well (#8) has also not be in operation for the last several years. It will likely need to have the greensand medium replaced and may need other minor maintenance to restart it.

Since the death of our full time operator in 2016, preventative maintenance has been on an as needed basis rather than a routine basis.

All of our gasoline powered tools with the exception of the brush mower are in unknown operating condition. The list includes:

Pressure Washer
Trash Pump #1
Trash Pump #2
Small Generator
Outboard Motor

Three of our redwood storage tanks have not been drained and cleaned since prior to 2016. The one remaining tank had a liner installed in 2016(?)

Water mains have not been flushed since 2016(?)

Fire hydrants have received little more than a quick visual inspection in the last 5 years.

Building maintenance has been sporadic since 2016. Some outlying buildings need to have their roof swept of debris, vegetation trimmed, and drainage cleared.

SCHEDULE 6.12

LIST OF LITIGATION ACTIVITY AND OTHER ACTIONS CONCERNING SELLER AND
THE WATER SYSTEM

NONE.

SCHEDULE 6.17

LIST OF OTHER LIABILITIES AND CONTRACTS

NONE.

SCHEDULES 6.18 and 6.19

LIST OF VIOLATIONS AND NON COMPLIANCE ISSUES

AND

LIST OF ISSUES REGARDING COMPLIANCE WITH WATER QUALITY REGULATIONS
AND REQUIREMENTS

Violations and Enforcement Actions

There are no current water quality violations or enforcement actions.

Historically we have had violations for chlorine disinfection byproducts, failures to maintain residual disinfectant concentrations, late monitoring, and a single monthly coliform mcl violation.

In March 2020, DDW notified us the source water monitoring of The CalTrans Well (#6) and the La Honda Creek source was overdue. Both sources have been out of service for many months due to mechanical issues. Thus sampling was not possible. Neither source has been active since we transitioned to using water from the CalWater interconnect. The mechanical issues have been corrected. It is my understanding that Bracewell has submitted the required samples. After discussions with DDW, they decided not to cite us for the violation.

October 2019 Sanitary Survey Findings

1. Concern was expressed about the common transmission pipeline between the CalWater Bear Gulch Interconnect, the CalTrans Well (#6), and the treatment plant. Valves at each end are used to either direct the water from the interconnect into a treated water storage tank, or to direct the well water to an air gap that feeds the lake. Concern was expressed that it is physically possible to direct the well water to the treated water tank. It was recommended that additional physical controls be established to prevent the well water from entering the distribution system. Thus we may not operate the well simultaneously with the CalWater Interconnect. It was further recommended that Skylonda should evaluate the suitability of continuing to maintain the well as an active source.

No action has been taken to further physical isolate the well at this time. See the later section regarding this web for more information.

2. The 2018 La Honda Creek Watershed Sanitary Survey is overdue and must be submitted.

The Survey has been completed and submitted. A copy was provided to CalWater at the time.

3. The raw water tank that receives water from the lake prior to entering the treatment plant has overflow vents that are not equipped with the necessary fine mesh screen.

The overflow vents are now properly screened.

4. The Geovanetti Well's (#8) sampling tap is improperly located.

There are several taps downstream of the well. Bracewell believes there is a sampling tap in the correct location, and has suggested better labeling of the taps. It is unclear if this labeling has occurred.

5. The Geovanetti Well (#8) Greensand Media Filtration Plant is permitted to use potassium-permanganate as the pre-oxidant. It was noted that the plant was being operated with sodium-hypochlorite rather than the potassium-permanganate.

Prior to restarting the Greensand Filter, it must be moved back to potassium-permanganate, or receive an amended permit to operate with sodium hypochlorite.

With no immediate intention of using the well water, there are no current plans to restart the Greensand Filter.

6. The Greensand Filter uses well water to backwash. A written response detailing the backwash connection and the mechanisms for preventing backwash water from entering the raw water source must be provided to the department, prior to operating the Greensand Filter.

With no plans to operate the filter, no further investigation has occurred and no report has been provided to the state.

7. Inspections of the interiors, venting, access hatches and seals on all four redwood tanks was required, with photographic evidence to be supplied to the department.

The venting, access hatches, and hatch seals have been inspected and reported to the department.

No interior inspections have been completed.

Cross Connection Program

Skylonda Mutual's Cross Connection Program is in shambles. Roughly a decade ago we established a Cross Connection Program, did customer surveys, and required some customers to install cross connection control devices. Unfortunately by 2016 all the records for the program were lost, beyond a list of installed cross connection devices. Enforcement of annual inspections has been spotty. 2018 is the last known year with a complete inspection of all of the devices.

In 2016 DDW required us to re-implement a cross connection program from scratch.

We have hired a consultant to establish the program. We have had our consultant in contact with Cal Water's cross connection folks to insure our new program will be consistent with Cal Water's program.

The consultant's work is currently stalled by the inability to locate several devices that are behind gates or fences and not easily accessed or inspected.

Remaining on the to do list is a survey of the customers, adoption of the new regulations, and implementation of the annual inspection notification and follow up procedures.

CalTrans Well (#6)

The CalTrans Well (#6) has historically had levels of either Iron or Barium above the MCLs. In the distant past we "blended the well water with water from the surface water treatment plant to bring the overall levels below the MCL.

Eventually DDW decided that our controls on the amount of blending that takes place were insufficient and thus disallowed the process.

DDW has additionally decided that the annular sanitary seal of the well does not meet their requirements.

The records for the well include a hand drawn sketch showing a 50 foot plug of bentonite as the annular seal. At the time the well was drilled, this met San Mateo County's requirements for a sanitary seal. We do not have a formal "driller's report" detailing the construction of the well. It is assumed that one was not provided or required at the time.

DDW has insisted we must have the "driller's report" and that even if they were to accept our sketch, the sanitary seal must be poured concrete to meet their requirements. This despite the long operational history of the well, without any issues related to surface water contamination.

Given these rulings from DDW, the well has been relegated to a secondary source to fill the lake. Some care must be taken when using it in this fashion. Over the summer months, the well is the only source of water for the lake, as our water rights do not allow for pumping from La Honda Creek over the summer months. The Iron in the well water tends to lead to an algae bloom, which can make operation of the surface water treatment plant more difficult. Additionally it is necessary to monitor the Barium level in the lake. It is possible to bring the lake water over the Barium MCL.

The well has not been used since we started using water from the Cal Water interconnection.

We are currently rebuilding the electrical enclosure for the well, and it is out of service until that work is completed.

Additionally improvements to the physical isolation of the well from the treated water part of the system needs to be undertaken. Further some consideration should be given to the method of sampling the well water, while it is physically disconnected.

New Van Crego Well (#7)

The New Van Crego Well (#7) has been a major disappointment. It was a good producer of quality water for less than a year after it was drilled. Production fell off dramatically after that. The well is listed with DDW as a standby source, but has not been used in production for many years.

New Geovanetti Well (#8)

The New Geovanetti Well (#8) is over the MCL for Manganese. As DDW would not allow a blending solution, the company installed a Greensand Media Filtration Plant to remove Manganese.

The well is a good water producer, but has not been used since we started using the Cal Water interconnection, so as to not dilute the residual disinfectant in the Cal Water supplied water.

DDW raised some issues with the Greensand Plant in their last sanitary survey. These issues will need to be resolved prior to restarting the well as a production water source.

Recently DDW has suggested that reconsider ceasing to maintain our wells as sources.

It is the company's position that these wells provide an important source of potable water in an emergency. A potential use scenario would be a large earthquake that damages our treatment, distribution and storage systems. With the addition of a moderate sized generator, our well could produce potable water at the wellhead for collection and use by the community. We believe that the generators exist within our local community and the emergency use of the wells is within our localized capability. We recognize that providing this water as drinking water would violate DDW's regulations, the severity of the disaster would likely justify the violation. Keeping the well as recognized sources, seems in our minds, to lessen the severity of the violation.

Furthermore, as Cal Water has expressed interest in our wells, we feel it would be inappropriate for us to discontinue their source status at this time.

Automatic data logging requirement for creek pump and lake level

For the past several years our water rights consultant, Wagner & Bonsignor, has been notifying us of the requirement for automatic data logging of both the pumping from La Honda Creek, and the level of the lake.

The company has done some investigation into the mechanism required to achieve this logging, but so far have not taken action to install them. We have worked to improve our manual data logging procedures.

SCHEDULE 6.21

LIST OF ALL LICENSES

- **California Department of Public Health**
 - Domestic Water Supply Permit No. 02-17-12P-4100533

- **Federal Communications Commission**
 - Radio License No. WQSM557 (exp. 10-31-23)
 - Expires 10-31-23
 - Relates to Supervisory Control and Data Acquisition (SCADA) system (communications between treatment plant and storage tanks)

- **California State Water Resources Control Board**
 - Appropriative Water Rights Permits/Licenses
 - *See* Schedule 1.2 (c), above

SCHEDULE 8.5 (b)

LIST OF CONTRACTS, COMMITMENTS AND TRANSACTIONS EXCEEDING \$10,000

NONE.

SCHEDULE 8.5 (c)

LIST OF CAPITAL EXPENDITURES OVER \$10,000

NONE.

SCHEDULE 8.11

LIST OF ALL REAL PROPERTY/EASEMENTS THAT SELLER WILL TRANSFER WITH
MERCHANTABLE TITLE

- **Segment 1 – La Honda Creek Sump and Water Gallery**
 - Inclusive of easements / rights over
 - APN 075-321-110 (200 Kebet Ridge)
 - APN 075-092-999
 - APN 075-092-060

- **Segment 2 – Lake & Treatment Plant**
 - Inclusive of easements / rights over
 - APN 075-092-150

- **Segment 3 – Redlands Road (Private Road)**

- **Segment 4 – Blakewood Way to Skylonda Drive**
 - Inclusive of easements / rights over
 - Hwy 84 at Blakewood Way (crossing of CalTrans right-of-way)
 - APN 075-161-210 (Hwy 84 at Skylonda Drive)
 - APN 075-161-410
 - APN 075-161-180
 - APN 075-161-190

- **Segment 5 – Skylonda Tanks**
 - Inclusive of easements / rights over
 - APN 075-161-080
 - APN 075-161-090

- **Segment 6 – Fremont Way to Sequoia Way**
 - Inclusive of easements / rights over
 - APN 075-174-300
 - Hwy 35 at Sequoia (crossing of CalTrans right-of-way)

- **Segment 7 – Sequoia Way to Big Tree Way**
 - Inclusive of easements / rights over
 - Areas identified in Doc. 71731AC Vol. 5700 Pg. 151-153
 - Areas identified in Doc. 71732AC Vol. 5700 Pg. 154-155
 - Areas identified in Doc. 86162684

- **Segment 8 – Big Tree Way to 17650 Skyline Boulevard**
 - Inclusive of easements / rights over
 - APN 075-183-060
 - Hwy 35 at Elk Tree Road (crossing of CalTrans right of way)

- **Segment 9 – Geovanetti Tanks and Well 8**
 - Inclusive of easements / rights over
 - APN 076-032-080

- **Segment 10 – Van Crego Well and Pressure System**
 - Inclusive of easements / rights over
 - APN 076-191-050
 - APN 075-191-040

- **Segment 11 – CalTrans Right-of-Way Crossing**
 - Inclusive of easements / rights over
 - Hwy 35 at Chapman (crossing of CalTrans right of way)

- **Segment 12 – Cal Trans Well (Well 6) and Pipeline (North Side of Hwy 35)**
 - Inclusive of easements / rights over
 - Hwy 35 at Linwood (crossing of CalTrans right-of-way)

SCHEDULE 12.2

INSURANCE REQUIREMENTS AND LIMITS

Schedule to be prepared by Seller and approved by Purchaser prior to expiration of Initial Inspection Period. Purchaser's receipt and approval of Seller's insurance policies / program shall be an express condition precedent to the expiration of the Initial Inspection Period.