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DAMON R. TALLEY

ATTORNEY AT LAW

August 1, 2005

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RECEIVED

AUG 2 2005

PUBLIC SERVICE
COMMISSION

RE: Case No. 2005- 00323
Transfer Application
Proposed Transfer of Stock from
Nuon Global Solutions USA BV to
Hydro Star, LLC

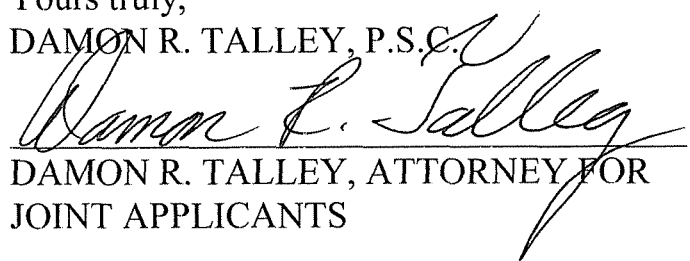
Dear Ms. O'Donnell:

Enclosed for filing are the original and ten (10) copies of the Joint Application for approval of a Stock Purchase Agreement between Nuon Global Solutions USA B.V., as Seller, and Hydro Star, LLC, as Buyer. Upon consummation of the proposed stock transfer, Hydro Star LLC will acquire indirect control of Water Service Corporation of Kentucky, a utility regulated by the Commission.

Please have your office acknowledge receipt of the Joint Application and let me know the case number assigned to this case.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
JOINT APPLICANTS

DRT:ms

Enclosures

cc: David Spenard, Attorney General's Office

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

FRANKFORT, KENTUCKY

RECEIVED

AUG 2 2005

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE JOINT APPLICATION OF)
NUON GLOBAL SOLUTIONS USA, BV,)
HYDRO STAR, LLC, UTILITIES, INC.)
AND WATER SERVICE CORPORATION)
OF KENTUCKY FOR APPROVAL OF AN)
INDIRECT CHANGE IN CONTROL)
OF A CERTAIN KENTUCKY UTILITY)
PURSUANT TO THE PROVISIONS OF)
KRS 278.020 (5) AND (6) AND)
807 KAR 5:001 (8))

CASE No. 2005- 00323

*** ** * ** * ** * ** * ** * ** * ** *

The Joint Applicants, Nuon Global Solutions USA B.V. (“Nuon BV”), Hydro Star, LLC (“Hydro Star”), Utilities, Inc., and its Kentucky utility subsidiary, Water Service Corporation of Kentucky (“Water Service”), respectfully request that the Public Service Commission of Kentucky (“Commission”) approve a Stock Purchase Agreement (“Agreement”), dated as of May 14, 2005 among Hydro Star, LLC, a Delaware limited liability Company, and Nuon Global Solutions USA B.V., pursuant to the provisions of KRS 278.020(5) and (6), 807 KAR 5:001, Section 8, and all other applicable rules and regulations of the Commission.

The Agreement provides for the acquisition by Hydro Star of all of the issued and outstanding common stock of Nuon Global Solutions USA, Inc. (“Nuon USA”), the direct parent of Utilities, Inc. Utilities, Inc. owns 100% of the issued and outstanding stock of Water Service. Utilities, Inc. will continue its corporate existence and will continue as the direct parent of Water Service. Joint Applicants submit that this stock transfer is in accordance with law, for a proper purpose and is consistent with the public interest. It will result in the continuous and seamless provision of reliable service to all of the customers of Water Service at fair, just and reasonable rates. In support hereof, Joint Applicants state as follows:

1. Joint Applicant Nuon BV is a private limited liability company formed under the laws of the Netherlands. Its principal offices are located at Amali Allan 126, 3743 K J Baarn, Amsterdam, The Netherlands. Transferor is the direct owner of all issued and outstanding capital stock of Nuon Global Solutions USA, Inc., the direct parent of Utilities, Inc.

2. A translated copy of Nuon BV’s Articles of Organization is attached as Exhibit 1.

3. Joint Applicant Hydro Star is a Delaware limited liability company owned by AIG Highstar Capital II, LP and certain of its affiliates (Highstar II). Highstar II is sponsored by AIG Global Investment Group (AIGGIG) an indirect subsidiary of American International Group, Inc. (“AIG”). Hydro Star’s principal executive offices

are located at 2929 Allen Parkway, Houston, Texas 77019. Hydro Star and Highstar II invest primarily in energy infrastructure and related assets and businesses and now the water and wastewater industries.

4. A certified copy of Hydro Star's Articles of Organization is attached as Exhibit 2.

5. Joint Applicant Utilities, Inc., is a corporation formed under the laws of the State of Illinois, with its principal office located at 2335 Sanders Road, Northbrook, Illinois 60062. It is one of the largest privately-owned water utility and water service company in the United States, providing water and wastewater services to more than 300,000 residential customer equivalents in 17 states, including Kentucky. Utilities, Inc. is the direct owner of all issued and outstanding capital stock of Water Service as approved by the Commission on June 14, 2002 in Case No. 2002-00142.

6. A certified copy of the Articles of Incorporation of Utilities, Inc., and all amendments thereto, has been previously filed with the Commission in Case No. 2002-00142, styled "The Joint Application of Aqua/KWS, Inc., Utilities of Kentucky, Inc., and Water Service Corporation of Kentucky for Approval of the Transfer of the Ownership of the Assets of Aqua/KWS, Inc. and Utilities of Kentucky, Inc. to Water Service Corporation of Kentucky". The final order approving the transfer of the assets was entered in that case on June 14, 2002.

7. Joint Applicant Water Service is a corporation organized under the laws of the Commonwealth of Kentucky, specifically KRS Chapter 271B. All of the capital stock of Water Service is owned by Utilities, Inc. The mailing address of Water Service is 2335 Sanders Road, Northbrook, Illinois, 60062.

8. A certified copy of the Articles of Incorporation of Water Service has been previously filed with the Commission in Case No. 2002-00142, styled “The Joint Application of Aqua/KWS, Inc., Utilities of Kentucky, Inc., and Water Service Corporation of Kentucky for Approval of the Transfer of the Ownership of the Assets of Aqua/KWS, Inc. and Utilities of Kentucky, Inc. to Water Service Corporation of Kentucky”. The final order approving the transfer of the assets was entered in that case on June 14, 2002.

9. Water Service currently owns, operates and maintains potable water production, treatment, storage, transmission and distribution systems (the “Water Systems”) for the purpose of furnishing potable water for residential, commercial, and industrial users in the environs of the cities of Middlesboro (Bell County) and Clinton (Hickman County), Kentucky. It currently serves approximately 7,200 water connections.

10. Water Service also operates the wastewater system of the City of Clinton under a contract with the City of Clinton.

11. The Agreement provides that all of the issued and outstanding Common Stock of Nuon USA will be acquired by Hydro Star in exchange for cash consideration. This will make Hydro Star the sole shareholder in Nuon USA which owns all of the issued and outstanding shares of Utilities, Inc. The Agreement provides that Nuon BV shall transfer the stock of Nuon USA to Hydro Star for the purchase price of \$192,500,000.00. A copy of the Agreement is attached as Exhibit 3. The Agreement contains trade secrets or confidential commercial or financial information and, accordingly, is being submitted to the Commission as proprietary information. Joint Applicants respectfully request that the Agreement be retained by the Commission as proprietary information.

12. The purchase price represents the fair market value of the stock. It is an equitable price mutually agreed to by Nuon BV, as a willing seller, and by Hydro Star, as a willing buyer.

13. The Agreement is conditioned upon, among other things, obtaining all necessary regulatory approvals, including the approval of the Commission.

14. Under the terms of the Agreement, after the stock transfer Utilities, Inc. will continue its corporate existence as a wholly-owned subsidiary of Hydro Star.

15. After the stock transfer Water Service will continue to be a wholly-owned subsidiary of Utilities, Inc. and will continue to exist as a Kentucky utility subject to the jurisdiction and regulation of the Commission.

16. After the stock transfer Water Service will continue to operate as it has in the past, using the same name, tariff, rates and operating authority. The management and operational staff of Utilities, Inc., and Water Service will remain unchanged. Thus the transaction will be transparent to, and will have no adverse impact upon, Water Service's customers.

17. A list of the names, job titles and certification classifications of the current operating personnel located at the Water Systems is attached hereto as Exhibit 4. The certified operators listed in Exhibit 4 will continue to operate the Water Systems after the stock transfer.

18. After the stock transfer Water Service will continue to have the ability to draw from the same team of well qualified water service professionals currently available at both Water Service and Utilities, Inc.

19. After the stock transfer Utilities, Inc. will continue to provide Water Service with enhanced access to capital resources.

20. After the stock transfer Water Service will continue to have the financial, technical and managerial abilities to provide reasonable water service to its existing customers.

21. The Joint Application is being made, and the proposed stock transfer will be made, in accordance with law, for a proper purpose and is consistent with the public interest.

22. The Agreement provides in Section 7.03 that the Agreement shall not become effective and the transfer of the stock shall not take place until and unless the Commission grants approval of the proposed stock transfer.

23. Nuon BV, Hydro Star, Utilities, Inc. and Water Service respectfully petition the Commission to enter an Order pursuant to KRS 278.020(5) and (6) approving the Agreement and authorizing the stock transfer from Nuon BV to Hydro Star as provided in the Agreement.

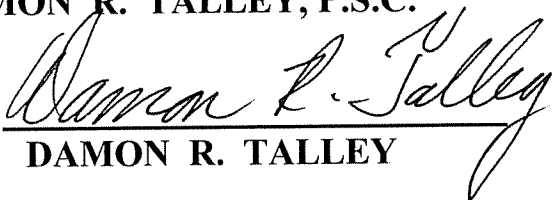
WHEREFORE, the Joint Applicants, Nuon BV, Hydro Star, Utilities, Inc. and Water Service, respectfully request the Commission to issue an Order:

A. Approving the proposed stock transfer from Nuon BV to Hydro Star pursuant to the provisions of the Agreement; and

B. Granting the Joint Applicants such other relief as the Commission deems appropriate.

Respectfully submitted this 1st day of August, 2005.

DAMON R. TALLEY, P.S.C.

BY: 
DAMON R. TALLEY

DAMON R. TALLEY, P.S.C.

P.O. BOX 150

HODGENVILLE, KY 42748

270-358-3187 FAX: 270-358-9560

COUNSEL FOR NUON BV,

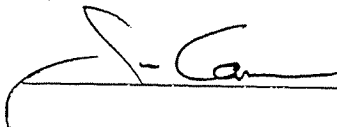
HYDRO STAR, UTILITIES, INC.

AND WATER SERVICE

VERIFICATION

The Affiant, James L. Camaren, being first duly sworn, deposes and states: (1) that he is the Chief Executive Officer of Utilities, Inc., an applicant in this case; (2) that he is authorized to make this verification on behalf of this applicant; (3) that he has read the forgoing Petition and has noted the contents thereof; and (4) that the contents of the Petition relating to Utilities, Inc., are true and accurate to the best of his knowledge and belief.

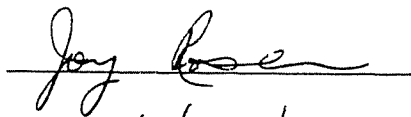
Utilities, Inc.

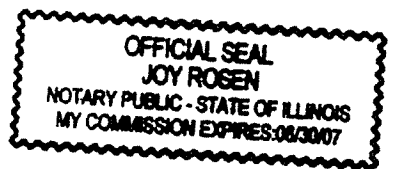
BY: 
James L. Camaren

STATE OF ILLINOIS

COUNTY OF COOK

SUBSCRIBED AND SWORN to before me by James L. Camaren, as Chief Executive Officer of UTILITIES, INC., for and on behalf of the Corporation on this 29th day of July, 2005.

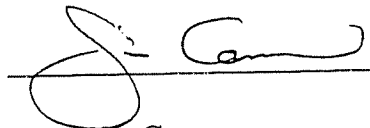
My Commission Expires: 
6/30/07



VERIFICATION

The Affiant, James L. Camaren, being first duly sworn, deposes and states: (1) that he is the Chief Executive Officer of Water Service Corporation of Kentucky an applicant in this case; (2) that he is authorized to make this verification on behalf of this applicant; (3) that he has read the forgoing Petition and has noted the contents thereof; and (4) that the contents of the Petition relating to Water Service Corporation of Kentucky, are true and accurate to the best of his knowledge and belief.

Water Service Corporation of Kentucky

BY: 
James L. Camaren

STATE OF ILLINOIS

COUNTY OF COOK

SUBSCRIBED AND SWORN to before me by James L. Camaren, as Chief Executive Officer of Water Service Corporation of Kentucky, for and on behalf of the Corporation on this 29TH day of July, 2005.

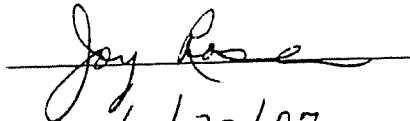
My Commission Expires: 
6/30/07



EXHIBIT LIST

1. ARTICLES OF ORGANIZATION OF NUON GLOBAL SOLUTIONS USA B.V.
2. ARTICLES OF ORGANIZATION OF HYDRO STAR, LLC
3. STOCK PURCHASE AGREEMENT
4. CERTIFIED OPERATING PERSONNEL

EXHIBIT 1

Seal of the Netherlands Professional Association of Civil Law Notaries

Letterhead of Allen & Overy

Handwritten:

Deed of Amendment to the Articles of Association dated 18th. March 2002
(ENW Arbodienst B.V., after amendment from Global Solutions USA B.V.)

DEED OF AMENDMENT TO ARTICLES OF ASSOCIATION
(ENW Arbodienst B.V., after amendment of Articles of Association, Nuon Global Solutions USA B.V.)

On this eighteenth day of March, in the year two thousand and two, there appeared before me, Gerbrand Willem Christiaan Visser, civil law notary with a practice in Amsterdam, the Netherlands:

Mr. Marius Cornelis Ary de Groot, whose office address is Apollolaan number 15, 1077 AB Amsterdam, who was born at Dordrecht, the Netherlands on the twenty sixth of February in the year nineteen hundred and sixty five. The undersigned declared the following:

The sole shareholders of the company referred to hereinafter, resolved on the eleventh day of March, in the year two thousand and two, to amend the Articles of Association of ENW Arbodienst B.V., a private limited liability company incorporated under the laws of the Netherlands, established and incorporated at Amsterdam, the Netherlands, having offices at 1096 BA Amsterdam, at Spaklerweg number 20, and registered with the trade register of the Chamber of Commerce under number 33292246 (the Company) and to determined those Articles of Association once again in their entirety, as well as having resolved to authorize the undersigned to have this deed executed. The aforementioned resolutions appear from a shareholders' resolution which is appended hereunto (Appendix).

The Articles of Association of the Company were determined upon its incorporation, by deed, dated the fifteenth of May, in the year nineteen hundred and ninety seven, executed by a locum acting for A.G. van Solinge, civil law notary with a practice at Amsterdam; the draft of which deed was granted a Ministerial declaration on non-objection, on the first of Mat, nineteen hundred and ninety seven, bearing number BV 585523. The Articles of Association of the Company remained un-amended since then. In compliance with the aforementioned resolution to amend the Articles of Association, the Articles of Association of the Company are hereby amended and determined once again in their entirety and read as follows:

Article 1. Name and registered office.

1.1

The company shall bear the name: Nuon Global Solutions USA B.V..

1.2

Its registered offices are in Amsterdam, the Netherlands.

Article 2. Goal.

2.1

The Company has as its goal(s), (assisting with) the incorporations of, collaborating with, participating in, managing and (co-) managing, as well as supervising, and providing guarantees and/or other sureties, or acting as a guarantor or prime co-debtor or providing collateral of a debt or other liability, taking over and financing enterprises and companies incorporated both within the Netherlands as well as outside the Netherlands, which enterprises and companies provide for the needs for (durable) energy), water and other goods and services in the field of energy and the environment, and/or conducting activities affiliated therewith, all this in the broadest senses of the words.

2.2

The Company is authorized to conduct all actions which would expedite or might expedite its achieving its goal(s).

Article 3. Authorized capital.

3.1

The authorized capital of the Company amounts to ninety thousand Euros (EUROS 90,000.00).

3.2

It is divided into nine hundred (900) shares, each of one hundred Euros (EUROS 100.00).

3.3

Each share shall be issued under the name of its holder. No share certificates shall be issued.

3.4

The holders of shares may solely be public law legal entities and capitalized companies, the shares of which may solely be held, in accordance and compliance with their Articles of Association, either directly or indirectly, by, public law bodies or public law legal entities.

Article 4. Register of shareholders.

Management shall maintain a register containing the names and addresses of all holders of shares, the date of acknowledgement or service, as well as the amount paid up on each share.

4.2

The register shall be subject to and governed by article 194, Book 2 of the Civil Code of the Netherlands.

Article 5. Share issue. Authorized body. Preferential right(s).

5.1

The issue of shares may solely be carried out pursuant to a resolution to this end adopted by the general meeting of shareholders, to the extent that the general meeting shall not have designated any other corporate body to do this.

5.2

The issue of a share shall also require a deed being executed to that end by a civil law notary with a practice in the Netherlands, to which deed those involved shall be parties.

5.3

Each and every shareholder shall, upon the issue of shares, retain a preferential right in proportion to the total amount of its shareholding, in compliance with the limitations imposed by the law.

5.4

The same preferential right shall be retained by shareholders when granting rights to take shares.

5.5

The preferential right may, each time a share is issued, be limited, or excluded, by the corporate body designated and authorized to issue shares.

5.6

Upon the issue of each share, the entire nominal amount thereof shall be required to be paid up.

Article 6. Own shares.

6.1

The Company may acquire fully paid up shares in its own capital or certificates thereof, in compliance with that determined in this connection by the law.

6.2

The alienation of shares held by the capital in its own capital, of certificates thereof, shall be conducted pursuant to a resolution adopted by Management which shall have been approved by the general meeting of shareholders.

A resolution to alienate shares shall also include the terms and conditions thereof.

Alienation of shares held by the company in its own capital shall also be conducted in compliance with that determined in article 5 of these Articles of Association concerning shared issue.

Article 7. The transfer of shares. Shareholders' rights. Limited rights. Share Certificates.

7.1

The transfer of shares, and the transfer of a limited right connected therewith, requires a deed being executed by a civil law notary with a practice in the Netherlands, to which deed those involved are parties.

7.2

Aside from when the Company itself is a party to the lawful act in question, the rights connected with and arising out of the share may solely be exercised once the Company shall have acknowledged the lawful act in question, or once the deed in question shall have been served on the Company pursuant to that determined in this connection by the law.

7.3

Should a right of usufruct have been established on a share, voting rights may not be attributed to the usufructuary. The usufructuary shall not be granted those rights which the law attributes to the holders of certificates issued with the co-operation of the Company.

7.4

No right of lien may be established on shares.

7.5

The Company shall not co-operate with the issue of share certificates.

Article 8. Blocking stipulation.

8.1

A shareholder which wishes to alienate one or more shares shall be bound to offer those shares first, pursuant to that determined further in this article to its fellow shareholders. This obligation to offer shares for sale to fellow shareholders shall not however apply should all

shareholders have granted their approval in writing for the alienation in question, which approval shall solely be valid for a period of three months. Neither shall this obligation to offer the shares for sale to fellow shareholders apply should the shareholder in question be bound pursuant to the law to transfer its shares to a previous shareholder.

8.2

The price for which the shares may be acquired by other shareholders shall be determined by the party offering the share or shares for sale and by its fellow shareholders. Should they fail to reach agreement, the price shall be determined by an independent expert, who shall be appointed at the request of the most reasonable party by the President of the District Court of Amsterdam, the Netherlands, unless parties reached agreement among themselves as to the appointment of an expert. The expert referred to in the previous sentence shall be authorized to peruse all the books and documents of the Company and to acquire and collate all the information necessary for that expert to determine the price of the share(s) in question.

8.3

Should fellow shareholders collectively, wish to acquire more shares than offered, the shares offered shall be disbursed among them as far as shall be possible, in proportion with the shareholdings the aspiring purchasers already have. Pursuant to this rule and regulations, no party may even acquire more shares than the number for which an application was made.

8.4

The party offering a share or shares for sale shall remain authorized to withdraw that offer providing this shall be done within one month after that party shall have been informed as to which aspiring purchasers it may sell the shares offered, and at which price.

8.5

Should it have been determined that the fellow shareholders do not accept the offer or that not all the shares offered for sale may be sold and purchases for cash payment, the party making the offer shall be entitled, within three months of that having been determined to apply, to freely transfer the share(s) in question, without prejudice to that determined in article 3.4.

8.6

The Company itself, as holder of shares in its own capital, may solely be an aspiring purchaser of shares offered for sale with the consent of the party offering a share or shares for sale.

8.7

Should a shareholder no longer meet the demands imposed by article 3.4, the shares held by that shareholder shall be required to be offered for sale in compliance with that determined in the foregoing, within three months after that event shall have taken place rendering said shareholder no longer in a position to meet the demands made of it. From that event, as referred to in the previous full sentence, the shareholder in question shall no longer be entitled to exercise any meeting or voting rights nor may it exercise any right to receive payment. Should all shares offered be applied for, the offer may not be withdrawn.

8.8

Should it be determined that pursuant to that determined in the previous section, not all the shares offered for sale may be purchased for cash payment, the party offering the shares shall be irrevocably discharged for that imposed in article 3.4

Article 9. Management

9.1

Management of the Company shall consist of one or more Directors.

9.2

The Directors shall be appointed by the general meeting of shareholders.

9.3

Each Director may at any and all times be suspended or dismissed by the general meeting of shareholders. For the duration of a suspension, the Director in question shall retain his rights to his emoluments.

9.4.

Each suspension may be prolonged one or more times but in total may not last longer than three months. Should no decision have been reached after the expiry of that time period concerning the rescindment of the suspension, or dismissal of the Director, the suspension shall terminate.

9.5

The emoluments and further terms of service of each Director shall be determined by the general meeting of shareholder.

Article 10. Management tasks. Division of tasks. Decision-making.

10.1

Aside from the limitations which are imposed by the Articles of Association, Management shall be charged with the management of the Company.

10.2

Should Management consist of more than one Director, Management shall draw up Management Rules and Regulation whereby, among other things, further rules and regulations shall be made effective concerning the division of tasks and decision-making for Management. Management Rules and Regulations, as well as any amendment made thereunto, shall require the approval of the general meeting of shareholders.

Article 11. Representation.

11.1

Management shall be authorized to represent the Company. The authorization to represent the Company shall also be attributed to each Director.

11.2

Management may appoint functionaries with general or limited authorizations to represent the Company. Each of them may represent the Company in compliance with the limits imposed on their entitlements to represent the Company. Their titles shall be determined by Management.

11.3

Should a conflict of interests prevail between the Company and a Director acting in a private capacity, the Company shall be represented by one of the remaining Directors. Should solely one Director have been appointed, the Company shall be represented by a person appointed to this end by the general meeting of shareholders. Such a person may also be the Director with whom a conflict of interests prevails. Should a Director have an interest which is in conflict in some other manner than described with the interest of the Company, he shall nevertheless, like each other Director, remain authorized to represent the Company.

Article 12. Approving the resolutions adopted by Management.

12.1

Without prejudice to that determined elsewhere in the Articles of Association in this connection, the approval of the general meeting of shareholders shall be required for approving resolutions adopted by Management concerning:

- a. determining a long-term, many year policy plan, as well as any amendments to be made thereunto;
- b. determining a business plan, including the budget which incorporates an investment plan and a financing plan, as well as any amendment to be made thereunto;
- c. providing monetary loans, as well as drawing down on loans, to the extent that this shall not have been provided for in the financing plan referred to in sub-section b.;
- d. (dis-) investments to the extent this shall not have been provided for in the financing plan referred to in sub-section b.;
- e. durable direct or indirect collaboration with an other enterprise and breaking off or terminating any such collaboration;
- f. direct or indirect participation in the capital of an other enterprise and making any amendment to and terminating any such participation;
- g. managing other enterprises and companies;
- h. terminating the employment of a considerable number of employees at the same time or within a short time period;
- i. making a drastic change to the labour terms and conditions of a considerable number of employees;
- j. determining and amending the fees and rates applied by the company and general affiliation and supply terms and conditions;
- k. submitting an application for suspension of payments;
- l. filing for bankruptcy;
- m. acquiring, alienating, encumbering, renting, letting and in any other manner acquiring the use of or granting the use of registered goods to the extent this shall not have been provided for in the investment plan referred to in sub-section b, and should a minimum amount be concerned which shall have been determined in this connection by the general meeting of shareholders which shall have been the subject of a notice issued by it to Management;

- n. establishing a limited right to rights to assets and goods and chattels;
- o. entering into agreements whereby the company shall be bound to provide surety or act as a co-debtor, issuing guarantees for a third party or promising to provide collateral for a debt incurred by a third party;
- p. determining and amending the general terms and conditions of employment for personnel, to the extent this shall not have been provided for by means of a collective labour agreement;
- q. taking pension measures and establishing pension scheme rules and regulations as well as granting pension rights which exceed those which arise out of existing pension scheme rules and regulations;
- r. undertaking large-scale reorganizations within the company;
- s. appointing functionaries as referred to in article 11.2 and determining the scope of their authority as well as their titles;
- t. conducting legal actions either as the plaintiff or as the defendants, including arbitration proceedings, requesting binding advice and entering into deeds of compromise – should the interest of the case exceed an amount which shall have been determined by the general meeting of shareholders and this shall have been the subject of a written notice issued by it to Management; no approval shall be required to petition the Courts for an order freezing the assets of a third party or for making summary proceedings pending, or making legal proceedings pending before the Court of the First Instance, or instituting appellate actions;
- u. conducting all lawful acts, other than referred to in the foregoing, the amount or value of which exceeds that amount which shall have been determined by the general meeting of shareholders and which shall have been the subject of a written notice issued by it to Management, in which connection, interconnected acts shall be deemed to be one single act, other than in the frame of reference of customary transactions for company operations as shall be determined by the general meeting of shareholders;
- v. submitting a proposal amend Articles of Association or to dissolve the company.

12.2

The general meeting of shareholders shall be authorized to make other resolutions adopted by Management subject to its approval than those referred to in article 12.1. Those other resolutions shall be required to be clearly defined and to be made the subject of a notice issued in writing to Management.

12.3

The general meeting of shareholders may determine that a resolution as referred to in article 12.1 shall not be subject to its approval should no larger interest be concerned that that

determined by the general meeting of shareholders which shall have been the subject of a written notice issued by it to Management.

12.4

For the application of article 12.1, a resolution adopted by Management to enter into an act or acts shall be equated with a resolution adopted by Management to seek approval of a decision from any body of the company in which the company participates, should the latter resolution be subject to that approval.

12.5

Management shall conduct itself in compliance with concern-wide policy as this is made known by the legal entity of which the company is a dependent company in the sense of article 152, Book 2 of the Civil Code of the Netherlands and hence shall carry out the instructions issued by that legal entity.

12.6

The lack of approval as referred to in this article shall not undermine the authorization of Management or the Directors to represent the company.

Article 13. Being absent or being prevented from attending to business.

Should a Director be absent or be prevented from attending to business, the other Directors or the remaining Director shall be temporarily charged with the management of the company. Should all the Directors be absent or be prevented from attending to business or should the sole Director be absent or be prevented from attending to business, the one or more persons designated by the general meeting of shareholders to this end shall be temporarily charged with the management of the company.

Article 14. Financial Year. Annual Accounts.

14.1

The financial year of the company shall run parallel with the calendar year.

14.2

Annually, within five months after the expiry of the financial year aside from prolongation of this time period by no more than six months approved by the general meeting of shareholders on the grounds of extraordinary circumstances prevailing, Management shall draw up the Annual Accounts of the company.

14.3

The general meeting of shareholders shall ratify the Annual Accounts.

Article 15. Profits

15.1

The profits shall be placed at the disposal of the general meeting of shareholders.

15.2

Payments made from profits shall solely be effected up to and no more than the disburseable part of the company's own equity.

15.3

Payments made from profits shall be made after the Annual Accounts shall have been ratified which Annual Accounts demonstrate that any such payments shall be deemed to be admissible.

15.4

The general meeting may resolve to declare and pay an interim dividend providing this shall be effected in compliance with that determined in section 2.

Article 16. Annual Meetings. Other meetings.

Annually, within six months after the expiry of the financial year, the general meeting of shareholders shall be held at which the Annual Accounts shall be dealt with and ratified.

16.2

Other general meetings of shareholders shall be held as frequently as Management or a shareholder shall consider necessary.

16.3

The general meetings of shareholders shall be convened by Management or by a shareholder by sending letters to the addresses listed in the register of shareholders. Convening a meeting shall be carried out no later than on the fifteenth day prior to the day on which that meeting shall be held.

16.4

For as long as the entire issue capital of the company shall be represented at a general meeting of shareholders, valid decisions may be reached about all subjects which are dealt with providing those decisions are reached unanimously, even if the law or these Articles of Association impose rules and regulations concerning convening and holding meetings which have not been complied with.

16.5

Management shall keep notes of the decisions taken. Should Management not be represented at a meeting, then by or on behalf of the Chairman of the meeting, a copy of the decisions reached shall be sent to Management as soon as possible after the meeting. The notes shall be lodged at the office of the company for the perusal of shareholders. Any shareholder who requests a copy or extract of those notes shall be provided with them for no more than the cost price thereof.

16.6

The general meeting shall be held at a venue where the company has its registered offices.

16.7

The general meeting of shareholders shall appoint its own Chairman. Until that time, the chairmanship of the meeting shall be temporarily in the hand of a Director, or in default thereof, the most senior person who is present at the meeting.

16.8

Each share gives its holder the right to cast one vote.

16.9

To the extent that the law does not prescribe any larger majority, all decisions shall be taken by means of an absolute majority of votes cast.

Article 17. Making decisions outside meetings. Notes.

17.1

Decisions made by shareholders may also be reached in writing instead of at general meetings of shareholders providing written resolutions shall be adopted unanimously on the part of all enfranchised shareholders. Written decision-making shall include that using all customary channels of communication whereby messages are received in writing.

17.2

Management shall keep notes of all decisions reached in this manner. Each of the shareholders shall be bound to ensure that resolutions which have been adopted in compliance with article 17.1 are the subject of a notice to be issued to Management as soon as possible. The notes shall be lodged at the offices of the company for the perusal of the shareholders. Any shareholder may request an extract of those notes which shall be provided at no more than cost price.

Closing stipulation.

In conclusion, the undersigned declared:

As of this amendment to the Articles of Association becoming effective, the issued capital of the company shall be converted into such a number of shares, with a nominal value of one hundred Euros (EUROS 100.00) as shall agree with the result of the fraction which shall have the denominator of forty thousand (40,000) and the numerator of two hundred and twenty thousand and three hundred and seventy one (220,371), in which rounding up to whole shares shall be carried out, so that as of the time of this amendment becoming effective to the Articles of Association, the issued capital of the company shall amount to eighteen thousand and two hundred Euros (Euros 18,200.00), divided into one hundred and eighty two shares, each of one hundred Euros (Euros 100.00). The difference between the currently paid up amount expressed in Euros and the issued amount after re-denomination, amounts to forty eight Euros and seventy nine Euro cents (Euros 48.79). This amount shall be deposited, and charged to the free reserves, and if should the free reserves not be sufficient, shall be deposited as soon as possible after this day by the shareholder.

Declaration of non-objection.

In connection with the foregoing amendment to the Articles of Association, a Ministerial declaration of non-objection was granted on the thirteenth day of March in the year two thousand and two, under number B.V. 585.523, which is shown by a written declaration from the Ministry of Justice which is appended hereunto (Appendix 1).

Close.

The undersigned is known to me, civil law notary.

Signed, sealed and delivered at Amsterdam, the Netherlands on the date as set forth in the preamble hereunto. Prior to a reading being given hereof, the content of this deed was given in brief to the undersigned and background information was provided to the undersigned. The undersigned, thereafter, declared having been made cognisant of the contents hereof, and consent therewith and not require a full reading be given hereof. Immediately after a limited reading was given of this deed, it was signed by the undersigned and my be, civil law notary. (signed N.C.A. de Groot, G.W.C. Visser)

ISSUED FOR OFFICIAL COPY

Signature

Seal

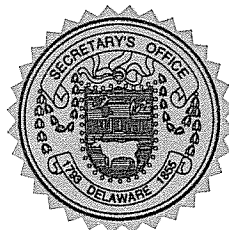
EXHIBIT 2

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "HYDRO STAR, LLC", FILED IN THIS OFFICE ON THE THIRTEENTH DAY OF MAY, A.D. 2005, AT 1:06 O'CLOCK P.M.



3969082 8100

050593084

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 4028921

DATE: 07-18-05

CERTIFICATE OF FORMATION
OF
HYDRO STAR, LLC

1. The name of the limited liability company is Hydro Star, LLC.
2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle and the name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation of Hydro Star, LLC this 13th day of May, 2005.


Shannon McManus, Authorized Person

EXHIBIT 3

STOCK PURCHASE AGREEMENT

BETWEEN

HYDRO STAR, LLC

AND

NUON GLOBAL SOLUTIONS USA B.V.

Dated as of May 14, 2005

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement"), made and entered into this 14th day of May, 2005, by and between Nuon Global Solutions USA B.V., a private limited liability company formed under the laws of the Netherlands ("Seller"), and Hydro Star, LLC, a Delaware limited liability company ("Buyer").

WITNESSETH:

WHEREAS, Seller is the owner of all 1,000 shares of the issued and outstanding common stock, par value \$0.01 per share (the "Stock"), of Nuon Global Solutions USA Inc., a Delaware corporation (the "Company"), and the Stock constitutes 100% of the outstanding ownership interest in the Company;

WHEREAS, the Company owns all of the issued and outstanding common stock of Utilities, Inc., an Illinois corporation ("Utilities, Inc."), which owns and operates water and wastewater service organizations throughout the United States; and

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to buy from Seller, the Stock on the terms and conditions and for the consideration described in this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements, and upon the terms and subject to the conditions, hereinafter set forth, the parties hereto hereby agree as follows:

ARTICLE I

PURCHASE AND SALE

1.01. Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined in Section 1.03), Seller shall sell, transfer and deliver to Buyer, and Buyer shall purchase and acquire from Seller, the Stock free and clear of liens, security interests and other encumbrances ("Encumbrances").

1.02. Purchase Price and Payment. In full consideration for the Stock, and upon the terms and subject to the conditions set forth in this Agreement, Buyer shall pay (or cause to be paid) to Seller at the Closing the sum of \$192,500,000 in U.S. Dollars (the "Purchase Price"). The Purchase Price shall be paid, in accordance with the terms of Section 1.07, by wire transfer of immediately available funds to an account or accounts of Seller at a bank or banks specified by Seller at the Closing unless otherwise specified in Section 1.07.

1.03. Closing. The closing (the "Closing") with respect to the purchase and sale of the Stock shall be held at the offices of Fried, Frank, Harris, Shriver & Jacobson LLP, 1001 Pennsylvania Avenue, N.W., Washington, D.C. 20004, at 10:00 a.m. on a date to be mutually agreed to by Buyer and Seller, but in no event shall such date be later than the fifth business day after each of the conditions set forth in Article VII and Article VIII are either satisfied or waived. The date on which the Closing shall occur is herein referred to as the "Closing Date."

1.04. Instruments of Transfer. At the Closing, Seller shall deliver to Buyer a certificate or certificates for the Stock, together with duly executed instruments of transfer and assignment sufficient to vest in Buyer all right, title and interest in and to the Stock.

1.05. Parent Guaranty. (a) As a material inducement for Buyer to enter into this Agreement and consummate the transactions contemplated hereby, on the date hereof, Seller has delivered to, and for the benefit of, Buyer a guaranty, in the form attached hereto as Exhibit A, duly executed by n.v. Nuon, a Dutch privately-held utility and ultimate parent company of Seller, unconditionally guarantying the prompt payment and performance when due of all of the obligations of Seller under this Agreement.

(b) As a material inducement for Seller to enter into this Agreement and consummate the transactions contemplated hereby, on the date hereof, Buyer has delivered to, and for the benefit of, Seller a guaranty, in the form attached hereto as Exhibit B, duly executed by American International Group, Inc., a Delaware corporation, parent company of Buyer, unconditionally guarantying the prompt payment and performance when due of all of the obligations of Buyer under this Agreement.

1.06. Earnest Money. Within five (5) business days after the mutual execution of this Agreement by Seller and Buyer, Buyer will (a) deliver to an escrow agent mutually satisfactory to Buyer and Seller, both acting reasonably (the "Escrow Agent"), or (b) deliver to Seller a letter of credit, in either case in the amount of \$10,000,000 (the "Earnest Money"). The Buyer and Seller shall jointly provide instructions to the Escrow Agent to hold the Earnest Money and release same (i) if this Agreement is terminated and the Termination Fee (as defined in Section 10.03) is payable by Buyer, under the terms of Section 10.03, to Seller in satisfaction of the Termination Fee upon the termination of this Agreement or (ii) to Buyer upon the earlier to occur of the Closing or termination of this Agreement under any circumstances other than those described in Section 10.03 that give rise to the obligation to pay the Termination Fee. To the extent the Earnest Money is cash pursuant to (a) above, the Escrow Agent shall hold the Earnest Money in an interest-bearing account reasonably satisfactory to Seller and Buyer. All interest which accrues on the Earnest Money shall constitute a portion of the Earnest Money and shall be disbursed with the Earnest Money as provided elsewhere herein. If Buyer elects to deliver a letter of credit to Seller pursuant to this Section 1.06, Buyer shall deliver an irrevocable letter of credit (the "L/C") in the sum of \$10,000,000, which shall be in form and substance reasonably satisfactory to Seller, naming Seller as beneficiary, as security for the payment of the Termination Fee. Buyer agrees to cause the issuer to renew the L/C, in the same form from time to time during the term of this Agreement, at least 30 days prior to the expiration of the L/C or any renewal thereof so that an L/C issued by the issuer to Seller shall be in force and effect through the term of this Agreement and for at least 30 days after any termination.

1.07. Closing Sequence. (a) On the Closing Date, the payment of the Purchase Price and the consummation of the transactions contemplated by this Agreement will occur in accordance with the provisions of this Section 1.07 and in the specific order set forth below:

(i) Seller shall cause the Company to borrow from Buyer (or an affiliate or third party lender designated by Buyer), on reasonable terms determined by the Buyer, an aggregate amount (the "Loan Proceeds") determined by Buyer that is not greater than the Seller Loan Amount;

(ii) Seller shall cause the Company:

(x) first, to apply the Loan Proceeds to repay all or any portion of any aggregate accrued and unpaid interest on the NEWI Loans and the NGWS Loans; and

(y) second, to apply any excess Loan Proceeds to repay all or a portion of the outstanding principal amount under the NEWI Loans;

(iii) Buyer shall pay or cause to be paid to the Company, and/or shall loan or cause to be loaned to the Company (on reasonable terms determined by the Buyer), an aggregate amount equal to the remaining Seller Loan Amount (after giving effect to the payments in clause (ii) above);

(iv) Seller shall cause the Company:

(x) first, to repay in full any accrued and unpaid interest on the NEWI Loans and the NGWS Loans (to the extent remaining unpaid after giving effect to the payments in clause (ii)(x) above); and

(y) second, to repay in full the outstanding principal amount under the NEWI Loans (to the extent remaining unpaid after giving effect to the payments in clause (ii)(y) above);

(v) the NGWS Loan shall be transferred to Seller and contributed to the capital of the Company; and

(vi) Buyer shall pay to Seller an amount equal to (x) the Purchase Price, minus (y) the Seller Loan Amount (but prior to giving effect to the transactions in this Section 1.07), by wire transfer of immediately available funds, and the Seller shall deliver to Buyer the Stock, all in accordance with the terms and conditions of this Agreement. Notwithstanding anything to the contrary in this Section 1.07, in no event shall Buyer be required to pay, loan or cause to be loaned to the Seller or the Company at Closing an aggregate amount in excess of the Purchase Price.

(b) For purposes of this Agreement:

“NEWI Loans” means all loans by Nuon Energy & Water Investments, Inc., a Delaware corporation (“NEWI”), to the Company made pursuant to (A) the Intercompany Loan Agreement dated February 17, 2004, by and between NEWI, as lender, and the Company, as borrower, and (B) the Intercompany Loan Agreement dated March 4, 2004, by and between NEWI, as lender, and the Company, as borrower;

“NGWS Loan” means all loans by n.v. Nuon Global Water Solutions, a Dutch corporation (“NGWS”), to the Company made pursuant to the Intercompany Loan Agreement dated March 15, 2002, by and between NGWS, as lender, and the Company, as borrower; and

“Seller Loan Amount” means, as of the Closing Date, (x) the then aggregate accrued and unpaid interest on the NEWI Loans and the NGWS Loan plus (y) the then outstanding principal balance of the NEWI Loans.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth on the disclosure schedule delivered by Seller to Buyer prior to the execution of this Agreement (the “Seller Disclosure Schedule”), Seller represents and warrants to Buyer as follows:

2.01. Organization of Seller. Seller is a private limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite company power and authority to carry on its business as it is now being conducted and to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

2.02. Corporate Power and Authority; Effect of Agreement. The execution, delivery and performance by Seller of this Agreement and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all necessary company action on the part of Seller. This Agreement has been duly and validly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except to the extent that such enforceability (i) may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors’ rights generally and (ii) is subject to general principles of equity. The execution, delivery and performance by Seller of this Agreement and the consummation by Seller of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both, (w) violate any Applicable Law to which Seller, the Company or any of the Subsidiaries is subject, (x) violate any Judgment applicable to Seller, the Company or any of the Subsidiaries, (y) violate any provision of the Certificate of Incorporation or By-laws (or similar organization documents) of Seller, the Company or any of the Subsidiaries, or (z) except as set forth in Section 2.02 of the Seller Disclosure Schedule, conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation under any agreement, contract, lease, license, instrument, or other arrangement to which Seller, the Company or any Subsidiary is a party (or result in the imposition of any Encumbrance upon any assets or properties of the Company or any Subsidiary), except, in each case, for violations, conflicts, breaches, defaults, accelerations, terminations, modifications, cancellations, failures to give notice, rights to payment or other compensation, or Encumbrances, which in the aggregate would not reasonably be expected to have a Material Adverse Effect or materially hinder or impair the consummation of the transactions contemplated hereby.

2.03. Consents. No consent, approval, order or authorization of, registration, declaration or filing with, or notice to, any domestic or foreign (whether national, federal, state, provincial, local or otherwise) government or any court, administrative agency or commission or other governmental or regulatory authority or agency (including a state or county public utility

commission, state or county public service commission or similar state or county regulatory body (each, a “PUC”) (each a “Governmental Authority”), is required by or with respect to Seller, the Company or any of the Subsidiaries in connection with (I) the execution and delivery of this Agreement by Seller or (II) the consummation of the transactions contemplated hereby or compliance with the provisions hereof, except for (1) the filing of a premerger notification and report form by the Company, and the termination or expiration of the waiting period, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”), (2) such consents, approvals, orders, authorizations, registrations, declarations, filings and notices required under Applicable Laws and Judgments of any PUC, (3) such consents, approvals, orders, authorizations, registrations, declarations, filings and notices required under Applicable Laws and Judgments of any state departments of public health or departments of health or similar state regulatory bodies or of any federal or state regulatory body having jurisdiction over environmental protection or environmental conservation or similar matters (collectively, “Health Agencies”), (4) such other consents, approvals, orders, authorizations, registrations, declarations, filings and notices the failure of which to be obtained or made individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. Consents, approvals, orders, authorizations, registrations, declarations, filings and notices described (i) in the foregoing clause (2) that are required to be obtained or made by the Company or any of the Subsidiaries and (ii) in the foregoing clause (3) the failure of which to obtain or make would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect are hereinafter referred to as the “Seller Required Consents.” Section 2.03 of the Seller Disclosure Schedule contains a list of the Seller Required Consents.

2.04. Capitalization

(a) The authorized capital stock of the Company consists of 1,000 shares of common stock, par value \$0.01 per share (the “Company Common Shares”), of which 1,000 Company Common Shares are issued and outstanding. All of such 1,000 Company Common Shares, which comprise the Stock, are owned of record and beneficially by Seller and are duly authorized, validly issued, fully paid and non-assessable. Other than the Company Common Shares, there are no other equity securities of the Company issued or outstanding. There are no outstanding securities convertible into, exchangeable for or carrying the right to acquire, equity securities of the Company, or subscriptions, warrants, calls, options, rights or other arrangements or commitments obligating the Company or Seller or its affiliates to issue or dispose of any equity securities or any ownership interest in the Company or grant, extend or enter into any such warrant, option, call, right or other arrangement or commitment. The sale and delivery of the Stock to Buyer pursuant to Article I hereof will vest in Buyer legal and valid title to the Stock, free and clear of all Encumbrances, other than Encumbrances created or suffered by Buyer.

(b) The authorized capital stock of Utilities, Inc. consists of 20,000,000 shares of common stock, par value \$0.10 per share (the “Common Shares”), of which 1,000 Common Shares are issued and outstanding and 5,000,000 shares of preferred stock, par value \$0.10 per share, none of which are issued and outstanding. All of such 1,000 Common Shares are owned of record and beneficially by the Company and are duly authorized, validly issued, fully paid and non-assessable. Other than the Common Shares, there are no other equity securities of the Utilities, Inc. issued or outstanding. There are no outstanding securities convertible into,

exchangeable for or carrying the right to acquire, equity securities of Utilities, Inc., or subscriptions, warrants, calls, options, rights or other arrangements or commitments obligating Seller, the Company, Utilities, Inc. or its affiliates to issue or dispose of any equity securities or any ownership interest in Utilities, Inc. or grant, extend or enter into any such warrant, option, call, right or other arrangement or commitment.

(c) The Company conducts, and at all times has conducted, no business or operations other than owning the Common Shares. The Company has no assets, liabilities or other obligations other than its ownership of the Common Shares and as disclosed in Section 2.04(c) of the Seller Disclosure Schedule. As of the Closing Date, the Company shall have no liabilities whatsoever, other than liabilities associated with the indebtedness incurred pursuant to Section 1.07.

2.05. Organization of the Company. The Company and each Subsidiary of the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company and each of its Subsidiaries is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified would not, either individually or in the aggregate, have a Material Adverse Effect. True and complete copies of the Charter and By-Laws (and similar organizational documents) of the Company and each Subsidiary have previously been delivered or made available to Buyer.

2.06. Subsidiaries. Section 2.06(a) of the Seller Disclosure Schedule lists each subsidiary of the Company (each a "Subsidiary" and, collectively, the "Subsidiaries"), together with the jurisdiction or organization, the authorized capital stock, and the number of issued and outstanding shares of capital stock for each Subsidiary. Except as set forth in Section 2.06(b) of the Seller Disclosure Schedule, all of the outstanding shares of capital stock of each Subsidiary are owned (beneficially and of record) by the Company, by another wholly owned Subsidiary or by the Company and another wholly owned Subsidiary, free and clear of all Encumbrances, and are duly authorized, validly issued, fully paid and nonassessable. Except for the capital stock of its Subsidiaries and except as set forth in Section 2.06(c) of the Seller Disclosure Schedule, the Company does not own, directly or indirectly, any capital stock or other ownership interest in any person. There are no outstanding securities convertible into, exchangeable for or carrying the right to acquire, equity securities of any Subsidiary, or subscriptions, warrants, options, calls, rights or other arrangements or commitments obligating the Company or the Seller or its affiliates to issue or dispose of any equity securities or any ownership interest in any Subsidiary or grant, extend or enter into any such warrant, option, call, right or other arrangement or commitment.

2.07. Financial Statements. Seller has caused to be delivered to Buyer (i) an audited consolidated balance sheet of Utilities, Inc. and the Subsidiaries for the year ended December 31, 2004 and (ii) an unaudited balance sheet of the Company for the year ended December 31, 2004 (collectively, the "Balance Sheet") and (x) audited consolidated statements of income and retained earnings and of cash flows of Utilities, Inc. and the Subsidiaries for the year ended December 31, 2004 and (y) unaudited statements of income and retained earnings and of cash

flows of the Company for the year ended December 31, 2004 (collectively with the Balance Sheet, the “Financial Statements”), copies of which are included in the Seller Disclosure Schedule. The Financial Statements were prepared in conformity with United States generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto) and fairly present, in all material respects, the financial position and the results of operations of the Company and the Subsidiaries for the year ended December 31, 2004.

2.08. Absence of Certain Changes or Events. Except as set forth in Section 2.08 of the Seller Disclosure Schedule, from December 31, 2004 to the date of this Agreement, the Company and each Subsidiary has conducted its business only in the ordinary course and consistent with past practice and neither the Company nor any of its Subsidiaries has (a) suffered any damage, destruction or casualty loss to its physical properties which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (b) incurred or discharged any obligation or liability or entered into any other transaction except in the ordinary course of business and except for obligations, liabilities and transactions that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (c) suffered any change in its business or financial condition which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; (d) declared or made any distribution or payment in respect of its capital stock by way of dividends, purchase or redemption of shares or otherwise; (e) increased the compensation payable or to become payable to any director, officer or Employee (as defined in Section 9.01), except for such increases for Employees (other than officers of the Company) made in the ordinary course of business or as required by Applicable Law, nor made any other change in any employment or consulting arrangement; (f) made any change or amendment to its Certificate of Incorporation or Bylaws (or similar organization documents); (g) made any sale, issuance or acquisition of equity securities or other securities in any person or any grant of options, warrants, calls or commitments of any kind with respect thereto; or (h) made any borrowing or incurrence of indebtedness, or assumption of any liabilities not incurred in the ordinary course in connection with the businesses of the Company or its Subsidiaries or not otherwise reflected in the Financial Statements.

2.09. Title to Assets. Each of the Company and the Subsidiaries has good and valid title to all of the assets and properties (both real and personal, tangible and intangible) which it purports to own (including those reflected on the Balance Sheet, except for assets and properties sold, consumed or otherwise disposed of in the ordinary course of business since the date of the Balance Sheet) and which are material to the business or financial condition of the Company or the Subsidiaries, as the case may be, free and clear of Encumbrances, except (a) as set forth in Section 2.09(a) of the Seller Disclosure Schedule, (b) liens for Taxes not yet due or being contested in good faith by appropriate proceedings and (c) Encumbrances which, individually or in the aggregate, do not, and could not reasonably be expected to, have a Material Adverse Effect. Each of the Company and the Subsidiaries has a valid and subsisting leasehold interest and estate in all the assets and property (real or otherwise) that are leased by it (the “Leased Property”) and which are material to the business or financial condition of the Company or the Subsidiaries, as the case may be. Except (a) as set forth in Section 2.09(b) of the Seller Disclosure Schedule or (b) as would not have, or could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, each of the leases covering the Leased Property is valid, binding and enforceable in accordance with its terms, all rent and other charges currently due as set forth in such leases have been paid in full and there are no uncured defaults, breaches or events of default by the Company or any Subsidiary, as the case may be, or,

to the knowledge of Seller, the lessor under such lease. The assets and properties (both real and personal, tangible and intangible) which the Company and the Subsidiaries purport to own (including those reflected on the Balance Sheet) comprise all of the assets and properties of any nature whatsoever (i) used by the Subsidiaries to operate in the ordinary course of business, and (ii) that, except for assets or properties sold or otherwise disposed of in the ordinary course of business since December 31, 2004, generated the financial results shown on the Financial Statements.

2.10. Patents, Trademarks, Etc. Section 2.10(a) of the Seller Disclosure Schedule contains a list of all Intellectual Property Rights. Except as disclosed in Section 2.10(b) of the Seller Disclosure Schedule, (a) each of the Company and the Subsidiaries owns, leases or possesses adequate licenses or other valid rights to use the Intellectual Property Rights, (b) the Company's and each Subsidiary's rights to use the Intellectual Property Rights will be unaffected by the consummation of the transactions contemplated by this Agreement, and (c) to the knowledge of Seller, the conduct of the business of each of the Company and the Subsidiaries as now being conducted does not conflict with any valid patents, trademarks, service marks or copyrights of others in any way which, individually or in the aggregate, has a Material Adverse Effect. None of the Intellectual Property Rights has been declared invalid or been limited by any Judgment or by agreement. None of Seller, the Company or any of the Subsidiaries has received within the past three years, any written notice that the use of the Intellectual Property Rights infringes the rights of any third party. To the knowledge of Seller, there is no infringement or misappropriation of any of the Intellectual Property Rights by any other person. All computer software, business systems and other information technology currently used by the Company and its Subsidiaries in the conduct of, or in support of, their respective businesses is, or at the Closing will be, owned by or licensed to the Company and its Subsidiaries such that, as of the Closing Date, the Company and its Subsidiaries will have or have access to such information technology as necessary to operate the business of the Company and its Subsidiaries in a manner consistent with past practice and, with respect to any such licenses, neither the Company nor any of its Subsidiaries is in violation or breach thereof.

2.11. Commitments. Section 2.11(a) of the Seller Disclosure Schedule contains a list of each written contract or agreement (including any and all amendments thereto) and purchase orders, to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound and which requires the payment, directly or indirectly, by or to the Company or any Subsidiary of an amount in excess of \$500,000 in any one year (collectively, the "Commitments"). Except as disclosed in Section 2.11(b) of the Seller Disclosure Schedule none of the Company, any of the Subsidiaries or, to the knowledge of Seller, any other party thereto is in default under any of the Commitments, which default has, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as set forth in Section 2.11(c) of the Seller Disclosure Schedule, none of Seller, the Company, or the Subsidiaries is a party to or bound by any agreement, arrangement or other understanding, whether written or oral, concerning the terms of employment, severance or consulting arrangements with any Employee (as defined in Section 9.01).

2.12. Litigation. Except as set forth in Section 2.12(a) or Section 2.12(b) of the Seller Disclosure Schedule, there is no Proceeding or Rate Case pending or, to the knowledge of Seller, threatened to which the Company or any of the Subsidiaries is a party that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. Except as set forth

in Section 2.12(a) or Section 2.12(b) of the Seller Disclosure Schedule, there is no Proceeding or Rate Case pending (or, to the knowledge of Seller, threatened) against Seller, the Company or any of the Subsidiaries or any of their respective directors, officers or employees with respect to which there is a reasonable likelihood of a determination which, individually or in the aggregate, could have a Material Adverse Effect. Except as set forth in Section 2.12(a) of the Seller Disclosure Schedule, neither the Company nor any of the Subsidiaries is subject to any outstanding Judgments that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. Section 2.12(b) of the Seller Disclosure Schedule lists all Rate Cases pending as of the date of this Agreement.

2.13. Compliance with Applicable Laws. (a) The Company and its Subsidiaries hold all permits, licenses, variances, exemptions, orders, concessions, franchises, approvals and authorizations of all Governmental Authorities necessary for the lawful conduct of their respective businesses substantially as conducted immediately prior to the date of this Agreement (the “Company Permits”), except where the failure to hold such permits, licenses, variances, exemptions, orders concessions, franchises, approvals and authorizations that, individually or in the aggregate, would not have a Material Adverse Effect. Seller has made available to Buyer access to all Company Permits used in and material to the business or operation of the Company and its Subsidiaries.

(b) To the knowledge of Seller, the Company and its Subsidiaries are in compliance with the terms of the Company Permits, except where the failure to comply would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company and its Subsidiaries, taken as a whole. Except as set forth in Section 2.13(b) of the Seller Disclosure Schedule, the current conduct of the businesses of the Company and its Subsidiaries does not violate any Applicable Law, except for possible violations that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) Except as set forth in Section 2.13(c)(i) of the Seller Disclosure Schedule, to the knowledge of the Seller, no investigation or review by any Governmental Authority with respect to the Company or any of its Subsidiaries is pending or threatened, nor has any Governmental Authority indicated in writing an intention to conduct any such investigation or review, other than, in each case, those the outcome of which would not reasonably be expected, individually or in the aggregate, to have a material adverse effect on the Company and its Subsidiaries, taken as a whole. Except as set forth in the Section 2.13(c)(ii) of the Seller Disclosure Schedule, all filings required to be made by the Company and its Subsidiaries, under any Applicable Law relating to the regulation of public utilities, have been filed with the appropriate Governmental Authorities, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs, franchises, service agreements and related documents and all such filings complied, as of their respective dates, in all material respects with all applicable requirements of Applicable Laws, except where the failure to make such filings or such failures to comply would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

(d) The Company and each of its Subsidiaries, to the extent applicable, is duly authorized and franchised by the relevant Governmental Authority to sell and deliver water and, if necessary, wastewater service and otherwise operate as a “water company,” “water utility,” “waterworks corporation,” or other similar entity within the jurisdictions in which the Company

and its Subsidiaries provide water and wastewater service, except where the failure to be so authorized or hold such franchise would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

2.14. Environmental Matters. (a) Notwithstanding any other provision in this Agreement, this Section 2.14 contains the exclusive representations of the Seller concerning Environmental Matters.

(b) Except as disclosed in Section 2.14 of the Seller Disclosure Schedule, each of the Company and its Subsidiaries are in compliance and, since Seller has owned the Company, have been in compliance with all applicable Environmental Laws, except for such noncompliance that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) Except as disclosed in Section 2.14 of the Seller Disclosure Schedule, the Company has obtained all permits, licenses, authorizations, registrations and other governmental consents required by applicable Environmental Laws (collectively referred to as "Environmental Permits") and is in compliance and, since Seller has owned the Company, has been in compliance with the terms and conditions of such Environmental Permits, except for such failure to obtain or failure to comply that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(d) Except as disclosed in Section 2.14 of the Seller Disclosure Schedule, the Company has received no written notice of any Proceeding or Judgment, pending or threatened, alleging liability under any Environmental Law, except for such Proceedings or Judgments that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(e) Except as disclosed in Section 2.14(e) of the Seller Disclosure Schedule, the drinking water supplied by the Company or any Subsidiary to its customers is and has been in compliance with all applicable federal, state and local drinking water quality standards or any other Applicable Laws or Judgments relating to drinking water or water quality, except for such failures which, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company and the Subsidiaries, taken as a whole.

(f) To the knowledge of Seller, except as disclosed in Section 2.14(f) of the Seller Disclosure Schedule, no soil or groundwater contamination requiring remediation under any Environmental Law exists at any real property currently owned or operated by the Company or any Subsidiary, except for such contaminations that individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(g) For the purposes of this Section, the following terms shall have the meanings indicated:

"Environmental Laws" means all Applicable Laws governing Environmental Matters, in each case as in effect at the Closing Date.

“Environmental Matters” means any matters arising out of or relating to health and safety, or pollution or protection of the environment or workplace, including, without limitation, any of the foregoing relating to the use, generation, transport, treatment, storage, or disposal of any material defined as a “hazardous substance” or “hazardous waste” under any Environmental Law.

2.15. Employee Benefit Plans. (a) Section 2.15(a) of the Seller Disclosure Schedule lists all material Company Benefit Plans and Benefit Arrangements (each as defined in Sections 9.01(c) and (d), respectively). True and complete copies thereof, where in writing, have previously been delivered or made available to Buyer and, where not in writing, have been described by Seller to Buyer.

(b) With respect to each of the Company Benefit Plans intended to qualify under section 401(a) of the Code, except as set forth in Section 2.15(b) of the Seller Disclosure Schedule, (i) a favorable determination letter has been issued by the Internal Revenue Service (the “IRS”), (ii) there has been no prohibited transaction (within the meaning of Section 406 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Code) for which no exemption exists under Section 408 of ERISA or Section 4975 of the Code and for which there is any liability or civil penalty assessed pursuant to Section 502(i) of ERISA or taxes imposed by Section 4975 of the Code, except for liabilities, penalties or taxes which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect and (iii) all required contributions have been made in a timely fashion.

(c) Except as set forth in Section 2.15(c) of the Seller Disclosure Schedule, the Company Benefit Plans and the Benefit Arrangements have been maintained in accordance with their terms and all provisions of Applicable Law except where failure to comply would not reasonably be expected to have a Material Adverse Effect and all reports and information required to be filed with the Department of Labor, IRS, or Pension Benefit Guarantee Corporation with respect to the Company Benefit Plans, have been timely filed (including IRS Form 5500’s).

(d) Except as set forth in Section 2.15(d) of the Seller Disclosure Schedule, there is no claim or suit pending or threatened involving any Company Benefit Plan or Benefit Arrangement other than ordinary claims for benefits and no Company Benefit Plan is subject to any investigation or examination by the IRS, Department of Labor or any other Governmental Authority; except for any claims, suits, investigations or examinations that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(e) There are no arrangements or understandings concerning compensation between the Company or any Subsidiary and any of their current directors (other than arrangements or understandings listed on Section 2.15(a) of the Seller Disclosure Schedule with directors who are current Employees).

(f) Except as set forth in Section 2.15(f) of the Seller Disclosure Schedule, neither the Company nor any of its ERISA Affiliates have any, or are expected to have any, liability with respect to any “multiemployer” plan (as such term is defined in Section 4001(a)(3) of ERISA) or any Pension Plan except for any liabilities, individually or in the aggregate, that would not reasonably be expected to have a Material Adverse Effect.

(g) Each Company Benefit Plan that is a “group health plan” (as such term is defined in Section 5000(b)(1) of the Code), materially complies with the applicable requirements of Section 4980B(f) of the Code and each such Company Benefit Plan (including any such Company Benefit Plan covering retirees or other former Employees) may be amended or terminated without any additional liability to the Company or any Subsidiary, except for any liabilities that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Except as set forth in Section 2.15(g) of the Seller Disclosure Schedule, there has been no written or oral communication to Employees by the Company that would reasonably be expected to promise or guarantee such Employees retiree health benefits, except for any benefits that do not, individually or in the aggregate, have a Material Adverse Effect.

(h) Except as set forth in Section 2.15(h) of the Seller Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not (i) entitle any Employee to severance pay, (ii) accelerate the time of payment or vesting or trigger any payment of compensation or benefits under, increase the amount payable or trigger any other material obligation pursuant to, any of the Company Benefit Plans or the Benefit Arrangements, except for obligations that individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect or (iii) result in any breach or violation of, or a default under any of the Company Benefit Plans or the Benefit Arrangements. Except as set forth in Section 2.15(h) of the Seller Disclosure Schedule, there has not been nor will there be any “parachute payment” as defined in Section 280G of the Code with respect to any Employee prior to Closing or as a result of the transactions contemplated by this Agreement.

2.16. Taxes.

(a) To the knowledge of Seller, all material Tax Returns required to be filed by or with respect to the Company and/or any of its Subsidiaries have been filed and all such Tax Returns were correct and complete in all material respects. All material Taxes required to be paid thereon with respect to the Company and the Subsidiaries have been paid in full. To the Company’s knowledge, there are no liens for Taxes (other than for current Taxes not yet due and payable) on the assets and properties of the Company and the Subsidiaries.

(b) Except as set forth in Section 2.16(b) of the Seller Disclosure Schedule, neither the Company nor any of its Subsidiaries has waived any statute of limitations, or granted any extension of a period for assessment in respect of Taxes or currently is the beneficiary of any extension of time within which to file any Tax Return.

(c) To the knowledge of Seller, there is no material dispute or claim concerning any Tax liability of the Company or any of its Subsidiaries claimed or raised by any Tax authority in writing.

(d) Except as set forth in Section 2.16(b) of the Seller Disclosure Schedule, no Tax Returns filed with respect to the Company or any of its Subsidiaries have been audited during the preceding three years, no Tax Returns of the Company or any of its Subsidiaries are currently under audit and all deficiencies proposed as a result of such audits have been paid.

(e) Each of the Company and its Subsidiaries has withheld and paid all material Taxes required to have been withheld and paid in connection with amounts paid or owing to any current or former Employee, officer, director or independent contractor.

(f) Neither the Company nor any of its Subsidiaries has been notified by the Internal Revenue Service or other Governmental Authority that it is required to pay Taxes of any person (other than the Company and its Subsidiaries) under Treasury Regulation §1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(g) Except as set forth in Section 2.16(g) of the Seller Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to or bound by (nor will the Company become a party to or bound by) any tax-indemnity, tax-sharing, or tax-allocation agreement.

(h) To the knowledge of Seller, neither the Company nor any Subsidiary has entered into any transaction that (i) is the same or substantially similar to any transaction that the Internal Revenue Service has determined to be a tax avoidance transaction (as described in Treasury Regulation §1.6011-4(b)(2) and (c)(4) (or any successor provisions)) in a notice, regulation or other form of published guidance, (ii) is required to be registered as a "tax shelter" under Section 6111 of the Code and the Treasury Regulations promulgated thereunder, or (iii) for which a list is required to be maintained under Section 6112 of the Code and Treasury Regulations promulgated thereunder.

2.17. Insurance. (a) Each of the Company (since the date it was acquired by Seller) and each Subsidiary (since the later of the date such Subsidiary was acquired by the Company and the date the Company was acquired by Seller) is and has been insured with financially responsible insurers in such amounts on such terms and against such risks and losses as are (i) customary in all material respects for companies in the United States conducting the business conducted by the Company and its Subsidiaries, (ii) required to be maintained by the Company or any of its Subsidiaries under the terms of any material note, bond, indenture, contract, agreement or arrangement to which either the Company or any of its Subsidiaries is a party or by which any of their respective properties are bound and (iii) required to be maintained pursuant to all Applicable Law. Neither the Company nor any of its Subsidiaries has received any notice of default, cancellation, nonrenewal or termination with respect to any insurance policy of the Company or any Subsidiary. To the knowledge of the Seller, there is no claim or basis for any claim of default, cancellation, nonrenewal or termination under any such policy. All insurance policies of the Company and its Subsidiaries are valid, in full force and effect and enforceable policies and all premiums with respect thereto have been timely paid.

(b) Section 2.17(b) of the Seller Disclosure Schedule sets forth a true and complete list of all liability, property, workers' compensation, life, directors' and officers' liability and other insurance policies currently in effect that insure the Company or its Subsidiaries or any of their respective businesses, operations, officers, directors or employees, or affect or relate to the ownership, use or operation of any of the assets or properties of the Company or any of its Subsidiaries and that have been issued to or for the benefit of the Company or any of its Subsidiaries.

2.18. Regulation as a Holding Company. None of the Company or any of its Subsidiaries is a “public utility company” or a “holding company” within the meaning of Section 2(a)(5) or 2(a)(7), respectively, of the Public Utility Holding Company Act of 1935 (the “Holding Company Act”) or a “subsidiary company” or an “affiliate” (within the meaning of Section 2(a)(8) or 2(a)(11), respectively, of the Holding Company Act) of any holding company which is required to register as a holding company under the Holding Company Act.

2.19. Affiliate Transactions. Except as disclosed in Section 2.19 of the Seller Disclosure Schedule, there are no material agreements, contracts or other binding obligations or arrangements between Seller or any of its affiliates (other than the Company and its Subsidiaries) on the one hand and the Company or any of its Subsidiaries, on the other hand.

2.20. Representations and Warranties of Seller Exclusive. Seller makes and has made no representations or warranties, express or implied, except as set forth in this Agreement. No representation or warranty of Seller shall be deemed to be made or enlarged as a result of disclosures made or information provided by Seller to Buyer during the course of Buyer’s “due diligence” investigation of Seller, the Company or the Subsidiaries. Matters reflected in the Seller Disclosure Schedule are not necessarily limited to matters required by this Agreement to be reflected in the Seller Disclosure Schedule. Such matters are set forth for informational purposes and do not necessarily include other matters of a similar nature.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth on the disclosure schedule delivered by Buyer to Seller prior to the execution of this Agreement (the “Buyer Disclosure Schedule”), Buyer hereby represents and warrants to Seller as follows:

3.01. Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to carry on its business as it is now being conducted and to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

3.02. Corporate Power and Authority; Effect of Agreement. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer, enforceable in accordance with its terms, except to the extent that such enforceability (i) may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors’ rights generally, and (ii) is subject to general principles of equity. The execution, delivery and performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby will not, with or without the giving of notice or the lapse of time, or both, (w) violate any Applicable Law to which Buyer or any of its subsidiaries is subject, (x) violate any Judgment applicable to Buyer or any of its subsidiaries, (y) conflict with, or result in a breach or default under, any term or condition of the Certificate of Incorporation, the By-laws or other similar charter documents of Buyer, or (z) except as set forth in Section 3.02 of the Buyer Disclosure Schedule, conflict

with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or trigger any rights to payment or other compensation under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer or any of its subsidiaries is a party (or result in the imposition of any Encumbrance upon any assets or properties of the Buyer or any of its subsidiaries), except, in each case, for violations, conflicts, breaches, defaults, accelerations, terminations, modifications, cancellations, failures to give notice, rights to payment or other compensation, or Encumbrances, which in the aggregate would not materially hinder or impair the consummation of the transactions contemplated hereby. Buyer knows of no fact or circumstance not otherwise contemplated herein that would prevent the execution, delivery or performance by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby.

3.03 Consents. No consent, approval, order, or authorization of, registration, declaration, or filing with, or notice to any Governmental Entity is required by, or with respect to, Buyer or its subsidiaries, in connection with the (I) execution and delivery of this Agreement by Buyer or (II) the consummation by Buyer of the transactions contemplated hereby or the compliance with the provisions of this Agreement, except for (1) the filing of a premerger notification and report form under the HSR Act and the termination or expiration of the waiting period thereunder, (2) such consents, approvals, orders, authorizations, registrations, declarations, filings and notices required under Applicable Laws and Judgments of any PUC, (3) such consents, approvals, orders, authorizations, registrations, declarations, filings and notices required under the Applicable Laws and Judgments of any Health Agency, and (4) such other consents, approvals, orders, authorizations, registrations, declarations, filings and notices the failure of which to be obtained or made individually, or in the aggregate, would not impair in any material respect the ability of Buyer to perform its obligations under this Agreement or prevent or materially impede or delay the consummation of the transactions contemplated by this Agreement. Consents, approvals, orders, authorizations, registrations, declarations, filings and notices described (i) in the foregoing clause (2) that are required to be obtained or made by Buyer or any of its subsidiaries and (ii) in the foregoing clause (3) the failure of which to obtain or make would impair in any material respect the ability of Buyer to perform its obligations under this Agreement or prevent or materially impede or delay the consummation of the transactions contemplated by this Agreement are hereinafter referred to as the “Buyer Required Consents.” Section 3.03 of the Buyer Disclosure Schedule contains a list of the Buyer Required Consents. To the knowledge of Buyer, as of the date of this Agreement, there exists no state of facts, condition, event or circumstance which would materially adversely affect Buyer’s ability to obtain the Buyer Required Consents in a reasonably timely manner.

3.04. Availability of Funds. Buyer has available and will have available on the Closing Date all the funds necessary to consummate the transactions contemplated by this Agreement and to perform its obligations under this Agreement, including without limitation payment in full for the Stock.

3.05. Litigation. There is no Proceeding pending (or, to the Buyer’s knowledge, threatened) against Buyer, any of its affiliates, or any of their respective directors, officers or employees with respect to which there is a reasonable likelihood of a determination which could have a material adverse effect on the ability of Buyer to perform its obligations under this Agreement. Neither Buyer nor any of its affiliates nor any of their respective directors, officers

or employees is subject to any outstanding Judgments which would have a material adverse effect on the ability of Buyer to perform its obligations under this Agreement.

3.06. No Distribution. Buyer acknowledges that the Stock has not been registered under the Securities Act of 1933, as amended, or under any state or foreign securities laws. Buyer is purchasing the Stock for its own account and not with a view to any public resale or other distribution thereof, except in compliance with applicable securities laws.

3.07. Regulation as a Holding Company. Except as set forth in Section 3.07 of the Buyer Disclosure Schedule, neither Buyer nor any of its subsidiaries is a “public utility company” or a “holding company” or a “subsidiary company” or an “affiliate” of any holding company which is required to register as a holding company under the Holding Company Act, in each case as defined in the Holding Company Act.

3.08. Due Diligence. Prior to the date hereof, Buyer has made and conducted a reasonable investigation of the Company, the Subsidiaries, and their respective operations, assets, liabilities and financial condition. Buyer is entering into this transaction based on such investigation and (except for the specific representations, warranties and covenants made by Seller herein) is not relying upon any representation, warranty or covenant of Seller, the Company, the Subsidiaries or any affiliate thereof or any officer, director, employee, agent or advisor of any of them, nor upon the accuracy of any record, projection or statement made available or given to Buyer in the performance of such investigation or pursuant to Section 4.06 or otherwise. Except as expressly set forth herein, Buyer acknowledges that, except for the specific representations, warranties and covenants made by Seller herein, by acquiring the Stock, the Buyer is accepting the assets and liabilities of the Company and the Subsidiaries in an “as is, with all faults” condition.

ARTICLE IV

COVENANTS OF SELLER

Seller hereby covenants and agrees with Buyer as follows:

4.01. Cooperation. From the date hereof and prior to the Closing, Seller shall use its reasonable best efforts, and shall cooperate with Buyer, to secure all necessary consents, approvals, authorizations, exemptions and waivers from third parties (including pursuant to the HSR Act) as shall be required in order to enable the parties to effect the transactions contemplated hereby, and shall otherwise use its reasonable best efforts to cause the consummation of such transactions in accordance with the terms and conditions hereof. Further, Seller shall cooperate with Buyer and use its reasonable best efforts to prepare and file all applications, notices, petitions and other documents to obtain all necessary consents, approvals, authorizations, exemptions and waivers as soon as practicable and in any event within 90 days after the date hereof and shall thereafter cooperate to diligently prosecute all such applications, notices, petitions and other documents. All costs and expenses incurred in securing the Seller Required Consents shall be borne by the Company or the Subsidiaries, other than the fees and expenses of Fried, Frank, Harris, Shriver & Jacobson, LLP and Greenstone Capital, which shall be paid by Seller. To the extent Seller, the Company, the Subsidiaries or any of their respective affiliates is required to make any registration, declaration or filing with any PUC or

Governmental Authority in connection with obtaining any Seller Required Consent, Seller shall use its reasonable best efforts to (i) provide Buyer an opportunity to review and comment on such registration, declaration or filing, (ii) give reasonable consideration to all comments provided by Buyer, and (iii) if applicable, coordinate the submission of such registration, declaration or filing with Buyer. Further, Seller shall include Buyer in, and mutually cooperate with Buyer with respect to, any negotiations or other discussion with any PUC or other Governmental Authority in connection with obtaining any Seller Required Consent. Notwithstanding the foregoing, Seller may, in its sole discretion, consent to any condition or concession that may be requested by any PUC or other Governmental Authority in connection with obtaining any Seller Required Consent; provided, that such conditions or concessions would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4.02. Conduct of Business.

(a) Except as may be otherwise contemplated by this Agreement or required by any of the documents listed in the Seller Disclosure Schedule or except as Buyer may otherwise consent to in writing (which consent shall not be unreasonably withheld or delayed), between the date hereof and the Closing Date, Seller shall cause the Company and its Subsidiaries to (i) carry on their respective businesses in compliance in all material respects with all Applicable Laws, in the ordinary course and in all material respects in the manner as presently conducted; (ii) use their reasonable best efforts to preserve intact their business organization and maintain in all material respects their existing contracts, arrangements, goodwill and business reputation; (iii) maintain their properties in sufficient operating condition and repair to enable them to operate in all material respects their businesses in the manner in which they are currently operated, except for maintenance required by reason of fire, flood, earthquake or other acts of God; (iv) use their reasonable best efforts to continue all existing policies of insurance (or comparable insurance) of or relating to the Company and its Subsidiaries in full force and effect; (v) use their reasonable best efforts to keep available the services of their present officers, employees and agents (as a group); and (vi) use their reasonable best efforts to preserve their relationships with their material suppliers, customers and others having material business dealings with the Company and its Subsidiaries such that their businesses will not be impaired in any material respect.

(b) Without limiting the generality of the foregoing, during the period from the date of this Agreement to the Closing Date, except as consented to in writing by Buyer (which consent shall not unreasonably be withheld or delayed) or as specifically contemplated by this Agreement or as set forth in Section 4.02(b) of the Seller Disclosure Schedule, the Seller shall not, and shall cause the Company, Utilities, Inc. and the Subsidiaries not to:

(i) (x) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock or other equity or voting interests, except for dividends by a Subsidiary to the Company or another Subsidiary;

(y) purchase, redeem or otherwise acquire any shares of capital stock of, or other equity or voting interests in, the Company or its Subsidiaries or any options,

warrants, calls or rights to acquire any such shares or other interests, except for purchases of shares of capital stock of a Subsidiary by the Company or another Subsidiary; or

(z) split, combine or reclassify any of its capital stock or other equity or voting interests or issue or authorize the issuance of any equity or other securities in respect of, in lieu of or in substitution for shares of its capital stock or other equity or voting interests;

(ii) issue, deliver, sell, pledge or otherwise encumber any shares of its capital stock, any other equity or voting interests or any securities convertible into, or exchangeable for, or any options, warrants, calls or rights to acquire, any such shares, interests or securities other than the issuance of shares of capital stock to the Company or a Subsidiary by another Subsidiary;

(iii) amend the certificate of incorporation or by-laws (or similar organizational documents) of the Company or any Subsidiary;

(iv) sell, lease, license, sell and leaseback, mortgage or otherwise encumber or subject to any Encumbrance or otherwise dispose of any real property, or any other properties or assets or any interest therein that are material, individually or in the aggregate, other than:

(A) the sale of any property or assets that the Company or one of the Subsidiaries is legally required, or under bona fide threat of condemnation or similar proceedings, to sell to any Governmental Authority so long as the Company sells such property or assets to such Governmental Authority in a manner consistent with past practice; or

(B) the grant of easements, rights of way and Encumbrances in the ordinary course of business consistent with past practice, or in connection with secured Indebtedness of the Company or any of its Subsidiaries permitted by Section 4.02(b)(v) and consistent with past practice;

(v) incur any Indebtedness or guarantee any Indebtedness of another person or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of the Company or any of its Subsidiaries if, after giving effect to such incurrence, guarantee, issuance or sale, the total consolidated Indebtedness of Utilities Inc. and the other Subsidiaries, net of cash and cash equivalents, exceeds \$185,000,000;

(vi) except as required by Applicable Law or any Judgment and provided the payments and waivers described in (x), (y) and (z) do not, in the aggregate, pay or waive more than \$2,000,000, (x) pay, discharge, settle or satisfy any material claims, liabilities or obligations (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction of claims, liabilities or obligations (A) in the ordinary course of business consistent with past

practice, (B) as required by their terms as in effect on the date of this Agreement or on the date of acquisition of the person subject thereto or (C) incurred since the date of this Agreement in the ordinary course of business consistent with past practice, (y) waive, release, grant or transfer any right of material value, other than in the ordinary course of business consistent with past practice or (z) waive any material benefits of, or agree to modify in any materially adverse respect, or fail to enforce in any material respect, or consent to any material matter with respect to which its consent is required under, any material confidentiality, standstill or similar agreement to which the Company or any of its Subsidiaries is a party;

(vii) except (i) as required to comply with Applicable Law or any Judgment, or any provision of any Company Benefit Plan or other contract as in effect on the date of this Agreement, (ii) in the ordinary course of the Company or its Subsidiaries conducting their respective businesses consistent with past practice, (iii) as would, in the discretion of the Company acting reasonably, be necessary in order to retain Employees (as defined in Section 9.01(b)) or to hire (or to promote) or replace new executives or (iv) as is or would be required to give effect to acquisition agreements entered into by the Company and/or its Subsidiaries:

- (A) take any action to fund or in any other way secure the payment of compensation or benefits under any Company Benefit Plan, Benefit Arrangement or other contract;
- (B) take any action to accelerate the vesting or payment of any compensation or benefit under any Company Benefit Plan, Benefit Arrangement or other contract;
- (C) grant any compensation, benefits, severance or termination pay or increases therein to any Employee; or
- (D) establish, adopt, enter into, amend, terminate or make any new grants or awards for stock-based compensation or other benefits under or otherwise modify any Company Benefit Plan or Benefit Arrangement;

provided, however, that any such action made pursuant to clauses (i)-(iv) above, individually or in the aggregate, would not increase the Company's and its Subsidiaries' aggregate annual expense for compensation and benefits by more than ten percent (10 %) each year.

(viii) with respect to any contract, agreement or other document that is of the nature described in Section 2.11, (A) amend or modify in any material respect, assign, transfer or otherwise convey (other than to a Subsidiary), enter into or otherwise become subject to, or grant any material waiver or consent with respect to, any such contract, agreement or document, or (B) terminate any such contract, agreement or document before the expiration of the term thereof (other than the extent any such contract,

agreement or document is terminated pursuant to its terms in the ordinary course of business);

(ix) (A) purchase or otherwise acquire any assets or properties material to the business of any Subsidiary (other than capital expenditures in the ordinary course of business that are not otherwise prohibited under this Section 4.02), or (B) sell, lease or otherwise dispose of any assets or properties material to the business of any Subsidiary, with an aggregate fair market value, under (A) or (B), in excess of \$5,000,000 during any calendar year;

(x) notwithstanding Sections 4.02(b)(i)-(ix), with respect to the Company, conduct any business or operations of any kind, or enter into or modify or terminate any agreements or contracts of any kind, or have assets, liabilities or obligations of any kind other than (A) the Company's ownership of the Common Shares, (B) as disclosed as of the date of this Agreement in Section 2.04(c) of the Seller Disclosure Schedule, and (C) consummation of the Fund Distribution (as defined in Section 6.02);

(xi) make or change (A) any material Tax election or settle or compromise any material Tax liability, (B) its fiscal year or (C) any of the accounting principals or practices used by it, except for any change required by reason of a concurrent change in United States generally accepted accounting principles or any Tax laws; or

(xii) authorize any of, or commit, resolve or agree to take any of, the foregoing actions.

4.03. Utility Filings. The Company shall inform Buyer, concurrently with such action, of (i) making any filing to implement any change in any of its or its Subsidiaries' rates or surcharges for water, wastewater or reuse services or (ii) executing any agreement with respect thereto. The Company shall, and shall cause the Subsidiaries to, deliver to Buyer (or its counsel) a copy of each such filing or agreement. Notwithstanding anything to the contrary contained in this Agreement, this Section 4.03 shall in no way be construed to limit or modify the rights and obligations of the parties under Sections 4.01 and 4.02.

4.04. Further Assurances. At any time or from time to time after the Closing, Seller shall, at the request of Buyer and at Buyer's expense, execute and deliver any further instruments or documents and take all such further action as Buyer may reasonably request in order to evidence the consummation of the transactions contemplated hereby.

4.05. Additional Financial Statements. From the date hereof until the Closing, no later than sixty (60) days following the end of each fiscal quarter, Seller will cause to be prepared and delivered to Buyer an unaudited consolidated balance sheet of the Company and the Subsidiaries for the period then ended, together with unaudited consolidated statements of income and retained earnings and of cash flows of the Company and the Subsidiaries for the period then ended (collectively for each period, an "Additional Financial Statement"); provided, however, that no later than ninety (90) days following the end of each fiscal year, Seller will cause to be prepared and delivered to Buyer an audited consolidated balance sheet of the Company and the Subsidiaries for the period then ended, together with audited consolidated statements of income

and retained earnings and of cash flows of the Company and the Subsidiaries for the period then ended (also, an “Additional Financial Statement”).

4.06. Access to Information. Prior to the Closing, upon reasonable advance notice, Seller shall cause the Company and each of its Subsidiaries to, afford to Buyer and to the officers, employees, accountants, counsel, and other representatives or advisors of Buyer (i) reasonable access, during normal business hours to all their respective properties, books, contracts, commitments and records as shall be reasonably requested and, during such period, Seller shall cause the Company and each of its Subsidiaries to furnish promptly to Buyer all information concerning the business and operations of the Company and its Subsidiaries as Buyer may reasonably request and (ii) reasonable support and assistance during normal business hours from the management and other supervisory personnel of the Company and its Subsidiaries. Buyer agrees that such investigations shall be conducted, and such support and assistance shall be provided, in a manner as not to interfere unreasonably with the personnel or operations of the Company or its Subsidiaries. Notwithstanding anything contained herein to the contrary, Seller shall not be required to provide or cause the Company or its subsidiaries to provide to Buyer (i) any information to the extent that providing such information would result in a breach of any confidentiality agreement with a third party or a waiver of attorney/client privilege, (ii) any sale processes, strategic valuation analyses and similar sale valuation material (including such material as may be reflected in any board minutes) that was prepared specifically in connection with the sale of the Company or (iii) any access to the properties of the Company or its Subsidiaries for the purpose of enabling Buyer or its representatives to conduct any environmental-related tests or soil borings. Buyer agrees to hold all information provided to it or its representatives confidential in accordance with the terms of the confidentiality agreement previously executed by the parties, which remain in full force and effect.

ARTICLE V

COVENANTS OF BUYER

Buyer hereby covenants and agrees with Seller as follows:

5.01. Cooperation. From the date hereof and prior to the Closing, Buyer shall use its reasonable best efforts, and shall cooperate with Seller, to secure all necessary consents, approvals, authorizations, exemptions and waivers from third parties (including pursuant to the HSR Act) as shall be required in order to enable Buyer to effect the transactions contemplated hereby, and shall otherwise use its reasonable best efforts to cause the consummation of such transactions in accordance with the terms and conditions hereof. Further, Buyer shall cooperate with Seller and use its reasonable best efforts to prepare and file all applications, notices, petitions and other documents to obtain all necessary consents, approvals, authorizations, exemptions and waivers as soon as practicable and in any event within 90 days after the date hereof and shall thereafter cooperate to diligently prosecute all such applications, notices, petitions and other documents. All costs and expenses incurred in securing the Buyer Required Consents shall be borne by Buyer. To the extent Buyer or any of its affiliates is required to make any registration, declaration or filing with any PUC or other Governmental Agency in connection with obtaining any Buyer Required Consent, Buyer shall use its reasonable best efforts to (i) provide Seller an opportunity to review and comment on such registration, declaration or

filing, (ii) give reasonable consideration to all comments provided by Seller, and (iii) if applicable, coordinate the submission of such registration, declaration or filing with Seller. Further, Buyer shall include Seller in, and mutually cooperate with Seller with respect to, any negotiations or other discussions with any PUC or other Governmental Authority in connection with obtaining any Buyer Required Consent. Buyer shall consent to any condition or concession that may be requested by any PUC or other Governmental Authority in connection with obtaining any Buyer Required Consent or Seller Required Consent; provided, that such conditions or concessions would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.02. Books and Records; Personnel. For a period of seven years from the Closing Date:

(a) Buyer shall not, and shall cause the Company and the Subsidiaries not to, dispose of or destroy any of the books and records of the Company or the Subsidiaries (collectively, the “Books and Records”) relating to periods prior to the Closing without first offering to turn over possession thereof to Seller by written notice to Seller at least thirty days prior to the proposed date of such disposition or destruction.

(b) Buyer shall, and shall cause the Company and the Subsidiaries to, allow Seller and its employees and agents reasonable access to all Books and Records relating to periods prior to the Closing during normal working hours at the Company’s principal place of business or at any location where any Books and Records are stored to the extent such access is reasonably required by Seller or any of its affiliates in anticipation of, or preparation for, existing or future Proceedings, Tax Returns or other matters, and Seller shall have the right, at its own expense, to make copies of any Books and Records; provided, however, that any such access or copying shall be had or done in such a manner so as not to interfere with the normal conduct of the Company’s business.

(c) Buyer shall, and shall cause the Company and the Subsidiaries to, make available to Seller upon written request (i) copies of any Books and Records, (ii) Buyer’s, the Company’s and the Subsidiaries’ personnel to assist Seller in locating and obtaining any Books and Records, and (iii) any of Buyer’s, the Company’s and the Subsidiaries’ personnel whose assistance or participation is reasonably required by Seller or any of its affiliates in anticipation of, or preparation for, existing or future Proceedings, Tax Returns or other matters in which Seller or any of its affiliates is involved, provided, however, that any such access or copying shall be had or done in such a manner so as not to interfere with the normal conduct of the Company’s business. Seller shall reimburse Buyer, the Company or the Subsidiaries for the reasonable out-of-pocket expenses incurred by any of them in performing the covenants contained in this Section 5.02(c).

(d) The foregoing provisions of this Section 5.02 shall be in addition to the obligations of Buyer under Articles VI and XI hereof.

5.03. Certain Conduct of the Buyer. During the period from the date of this Agreement to the Closing Date, except as consented to in writing by Seller (which consent shall not be unreasonably withheld or delayed), Buyer shall not, and shall cause its subsidiaries not to,

directly or indirectly (a) acquire or agree to acquire or publicly disclose any acquisition, in one transaction or a series of transactions, including by way of any merger, consolidation, tender offer, exchange offer, binding share exchange, business combination, recapitalization, liquidation, dissolution, joint venture or similar transaction, of (i) any United States water utility or wastewater utility business that is regulated by a PUC or is owned or operated by a municipality or local Governmental Authority or (ii) any business that would, upon the consummation of such acquisition, (x) cause Buyer or any of its subsidiaries to be required to register as a holding company under the Holding Company Act or (y) subject Buyer or any of its subsidiaries to regulation under the Holding Company Act in a manner that would raise substantive questions with respect to the ownership by any of them of any water or wastewater business or (b) take any other action that would reasonably be expected to (i) materially impede or delay obtaining any Buyer Required Consent or Seller Required Consent or the satisfaction of the conditions set forth in Sections 7.02 or 7.03 or (ii) otherwise materially impede or delay the consummation of the transactions contemplated hereby.

5.04. Liabilities. Buyer understands and agrees that, from and after the Closing, and except for any obligations expressly incurred by Seller in its capacity as seller of the Stock hereunder (including, without limitation, under Sections 6.02, 11.02 and 11.08) (collectively, “Seller Obligations”), neither Seller nor any of its affiliates (including, without limitation, Nuon Global Solutions USA B.V. and n.v. Nuon) (provided, however, that n.v. Nuon shall be responsible for those obligations expressly incurred by it pursuant to the Guaranty delivered in accordance with Section 1.05 hereof) shall have any liability or responsibility for any liability or obligation of or arising out of or relating to the Company or the Subsidiaries or the operation or ownership by Seller (or any of its predecessors) of the Company and the Subsidiaries (including as to Environmental Claims), of whatever kind or nature, whether contingent or absolute, whether arising prior to or on or after, and whether determined or indeterminable on, the Closing Date (such liabilities and obligations, except for the Seller Obligations, being collectively referred to as the “Liabilities”).

5.05. Buyer’s Knowledge of Business; Seller’s Representations Modified by Buyer’s Knowledge. To the knowledge of Buyer, as of the date hereof, Seller’s representations and warranties made in this Agreement are true and correct. Buyer hereby agrees that, to the extent any representation or warranty of Seller made herein is, to the knowledge of Buyer acquired prior to the date of this Agreement, untrue or incorrect, if Buyer elects to close, (i) Buyer will have no rights under this Agreement by reason of such untruth or inaccuracy and (ii) any such representation or warranty by Seller shall be deemed to be amended to the extent necessary to render it consistent with such knowledge of Buyer.

5.06. Further Assurances. At any time or from time to time after the Closing, Buyer shall, at the request of Seller and at Seller’s expense, execute and deliver any further instruments or documents and take all such further action as Seller may reasonably request in order to evidence the consummation of the transactions contemplated hereby.

ARTICLE VI

ADDITIONAL COVENANTS

6.01. Tax Matters.

(a) Definitions.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor Applicable Law.

“Seller Pre-Closing Tax Return” means any Tax Return that is due after the Closing Date, including all applicable extensions, that is required to be filed by or with respect to the Company or any of its Subsidiaries with respect to any Tax period or portions thereof ending on or before the Closing Date.

“Straddle Period” means a Tax period or year commencing before and ending after the Closing Date.

“Straddle Return” means a Tax Return for a Straddle Period.

“Tax” or “Taxes” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), custom duties, capital stock, franchise, profits, withholding, social security (or similar excises), unemployment, disability, ad valorem, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(b) Opportunity to Review Seller Pre-Closing Tax Returns and Straddle Returns. With respect to any Seller Pre-Closing Tax Returns and Straddle Returns, the Buyer shall deliver, at least 45 days prior to the due date for filing such Tax Returns (including any extension) to the Seller such Tax Returns and a statement setting forth the amount of Tax that the Company and its Subsidiaries owe. The Seller shall have the right to review such Tax Returns and the allocation of taxable income and liability for Taxes and to suggest to the Buyer any reasonable changes to such Tax Returns no later than 15 days prior to the date for the filing of such Tax Returns. The Seller and the Buyer agree to consult and to attempt to resolve in good faith any issue arising as a result of the review of such Tax Returns and allocation of taxable income and liability for Taxes and mutually to consent to the filing as promptly as possible of such Tax Returns. If the Buyer and the Seller cannot agree on the amount of Taxes owed by the Company and its Subsidiaries with respect to a Seller Pre-Closing Tax Return or a Straddle Return or the treatment of an item as shown on such Tax Return within 10 days, the Seller and the Buyer shall refer the matter to an independent “Big-Four” accounting firm agreed to by the Buyer and the Seller to arbitrate the dispute. The Seller and the Buyer shall equally share the

fees and expenses of such accounting firm and its determination as to the amount owing by the Company and its Subsidiaries with respect to a Seller Pre-Closing Tax Return or a Straddle Return shall be binding on both the Seller and the Buyer.

(c) Cooperation on Tax Matters. The Buyer and the Seller shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Buyer and the Seller shall (A) retain all books and records with respect to Tax matters pertinent to the Company and its Subsidiaries relating to any whole or partial Taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Buyer or the Seller, any extensions thereof) of the respective Taxable periods, and to abide by all record retention agreements entered into with any Taxing authority, and (B) give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Buyer or the Seller as the case may be, shall allow the other party to take possession of such books and records. The Buyer and the Seller further agree, upon request, to use their reasonable best efforts to obtain any certificate or other document from any Governmental Authority or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

(d) Certain Taxes. The Seller will file or cause to be filed all necessary Tax Returns and other documentation with respect to all transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by Applicable Law, the Buyer will, and will cause its affiliates to, join in the execution of any such Tax Returns and other documentation. Notwithstanding anything set forth in this Agreement to the contrary, the Buyer will pay to the Seller, on or before the date such payments are due from the Seller, any transfer, documentary, sales, use, stamp, registration and other Taxes and fees incurred in connection with this Agreement and the transactions contemplated hereby.

(e) Termination of Existing Tax-Sharing Agreements. Except as set forth in Section 2.16(g) of the Seller Disclosure Schedule, all tax-sharing agreements or similar agreements with respect to or involving the Company and its Subsidiaries shall be terminated prior to the Closing Date, and, after the Closing Date, the Company and its Subsidiaries shall not be bound thereby or have any liability thereunder for amounts due in respect of periods prior to the Closing Date.

(f) Confidentiality. Any information shared in connection with Taxes shall be kept confidential, except as may otherwise be necessary in connection with the filing of Tax Returns or reports, refund claims, Tax audits, Tax claims and Tax litigation, or as required by Applicable Law.

(g) Audits. The Seller and the Buyer shall provide prompt written notice to the other of any pending or threatened Tax audit, assessment or proceeding that it becomes aware of related to the Company and its Subsidiaries for whole or partial periods for which it is indemnified by the other party hereunder. Such notice shall contain factual information (to the extent known) describing the asserted Tax liability in reasonable detail and shall be accompanied by copies of any notice or other document received from or with any Tax authority in respect of any such matters. If an indemnified party has knowledge of an asserted Tax liability with respect

to a matter for which it is to be indemnified hereunder and such party fails to give the indemnifying party prompt notice of such asserted Tax liability, then (I) if the indemnifying party is precluded by the failure to give prompt notice from contesting the asserted Tax liability in any forum, the indemnifying party shall have no obligation to indemnify the indemnified party for any Taxes arising out of such asserted Tax liability, and (II) if the indemnifying party is not so precluded from contesting, but such failure to give prompt notice results in a detriment to the indemnifying party, then any amount which the indemnifying party is otherwise required to pay the indemnified party pursuant to this Section shall be reduced by the amount of such detriment, provided, the indemnified party shall nevertheless be entitled to full indemnification hereunder to the extent, and only to the extent, that such party can establish that the indemnifying party was not prejudiced by such failure. This Section 6.01(g) shall control the procedure for Tax indemnification matters to the extent it is inconsistent with any other provision of this Agreement.

(h) Control of Proceedings. The party responsible for the Tax under this Agreement shall control audits and disputes related to such Taxes (including action taken to pay, compromise or settle such Taxes). The Seller and the Buyer shall jointly control, in good faith with each other, audits and disputes relating to any Straddle Periods. Reasonable out of pocket expenses with respect to such contests shall be borne by the Seller and the Buyer in proportion to their responsibility for such Taxes as set forth in this Agreement. Except as otherwise provided by this Agreement, the noncontrolling party shall be afforded a reasonable opportunity to participate in such proceedings at its own expense.

(i) Powers of Attorney. The Buyer, the Company and its Subsidiaries, and its affiliates shall provide the Seller and its affiliates, and the Seller and its affiliates shall provide the Buyer, the Company and its Subsidiaries with such powers of attorney or other authorizing documentation as are reasonably necessary to empower them to contest, settle, and resolve any audits and disputes that they have control over under Section 6.01(h) hereof (including any refund claims which turn into audits or disputes).

(j) FIRPTA Certificate. On the Closing Date, either (i) a certificate issued by the Internal Revenue Service, in form and substance reasonably satisfactory to Buyer, shall have been delivered to Buyer by the Seller certifying that no withholding is required under section 1445 of the Code and the Treasury Regulations thereunder or (ii) an application for withholding certificate as submitted to the Internal Revenue Service by the Seller, in form and substance reasonably satisfactory to Buyer, shall have been delivered to Buyer by the Seller certifying no withholding is required under section 1445 of the Code. In the event that the Seller shall fail to deliver either certificate (A) Buyer shall, pursuant to section 1445 of the Code, deduct and withhold from the cash payable at the Closing and pay over to the Internal Revenue Service an amount equal to ten percent (10%) of the total "amount realized" (within the meaning of section 1445 of the Code) by Seller, (B) to the extent such amount is so deducted or withheld, the amount of such consideration shall be treated for all purposes under this Agreement as having been paid to Seller, and (C) Buyer shall waive the condition imposed by this Section 6.01(j). In the event that the Seller delivers the application described in clause (ii) above, (A) Buyer shall, pursuant to section 1445 of the Code, deduct and withhold from the cash payable at the Closing and deposit in an interest-bearing escrow account an amount equal to ten percent (10%) of the total "amount realized" (within the meaning of section 1445 of the Code) by Seller, (B) to the extent such amount is so deducted or withheld, the amount of such consideration shall be treated

for all purposes under this Agreement as having been paid to Seller, (C) Buyer shall waive the condition imposed by this Section 6.01(j), (D) Seller shall notify Buyer immediately upon receipt of a certificate issued by the Internal Revenue Service either certifying or denying that no withholding is required under section 1445 of the Code and (E) Buyer shall within five business days of such notification release from escrow the amount so deducted or withheld to the Seller or the Internal Revenue Service, as applicable, and release from escrow the interest earned on the amount so deducted or withheld to the Seller.

6.02. Intercompany Accounts; Payment Fund. Except as set forth in Section 6.02 of the Seller Disclosure Schedule, all agreements, contracts or other binding obligations or arrangements between Seller or any of its affiliates (other than the Company and its Subsidiaries), on the one hand, and the Company or any of its Subsidiaries, on the other hand, will be terminated at or prior to Closing with no ongoing liabilities or obligations to Buyer, the Company or any Subsidiary with respect thereto. Seller has disclosed to Buyer under Section 2.04(c) of the Seller Disclosure Schedule that (i) as of the date of this Agreement, the Company has approximately \$406,722 in cash (plus accrued interest thereon, the Fund Cash) which represents the remaining balance of the Payment Fund (as defined in the Agreement and Plan of Merger, dated as of March 21, 2001 among n.v. Nuon, Nuon Acquisition Sub, Inc. and Utilities, Inc.) and (ii) the Payment Fund represents the merger consideration held for the benefit of former holders (including their heirs and assignees, each a Holder) of Utilities, Inc. common stock who have not to date surrendered their stock certificates for payment. Buyer and Seller agree that (A) prior to the Closing, the Company is permitted to distribute the Fund Cash to Seller or to apply the Fund Cash to repay a portion of the NGWS Loan (the Fund Distribution) and (B) Seller shall indemnify Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents and hold each of them harmless from and against all Losses which are incurred or suffered by any of them arising out of any claim, Proceeding or Litigation by any Holder in respect of such Payment Fund.

6.03. Notice of Developments; Supplements to Schedules. Prior to the Closing, each party shall (i) provide the other party with written notice as soon as practicable upon becoming aware that any representation or warranty made by such party in this Agreement is inaccurate in any material respect and (ii) supplement, modify, update or amend its respective Seller Disclosure Schedule or Buyer Disclosure Schedule, as appropriate (any such supplement, modification, update or amendment, a Schedule Update); provided, however, that, except as provided in the next sentence, no Schedule Update shall be taken into account in determining (i) whether any representation or warranty has been breached for purposes of any claims for indemnification or (ii) whether the conditions to Closing set forth in Section 7.01 or 8.01 have been satisfied. Notwithstanding anything to the contrary, the Seller Disclosure Schedule shall be deemed to be supplemented, modified, update or amended to reflect any activities permitted under Section 4.02(b) or otherwise consented to in writing by Buyer and, as so supplemented, modified, updated or amended, shall be taken into account in determining (i) whether any representation or warranty has been breached for purposes of any claims for indemnification or (ii) whether the condition to Closing set forth in Section 7.01 has been satisfied.

6.04. Use of Name. Buyer hereby acknowledges that the name “Nuon”, and all names, marks and logos similar to or incorporating such name (the Seller Marks) are owned exclusively by Seller and/or its affiliates, and that, any and all rights of the Company or the Subsidiaries to use the Seller Marks shall terminate as of the Closing and shall immediately

revert back to the Seller or its relevant affiliates. Buyer further acknowledges that it has no rights whatsoever to use the Seller Marks except as expressly agreed to by Seller in writing. Buyer shall, as soon as reasonably practicable after the Closing Date, but in no event later than 30 days thereafter, cause the Company to amend its certificate of incorporation to change its name to a name that does not contain the word “Nuon.”

ARTICLE VII

CONDITIONS TO BUYER’S OBLIGATIONS

The obligation of Buyer to purchase the Stock shall be subject to the satisfaction (or waiver) on or prior to the Closing Date of all of the following conditions:

7.01. Representations, Warranties and Covenants of Seller. Seller shall have complied in all material respects with its agreements and covenants contained herein to be performed on or prior to the Closing Date, and the representations and warranties of Seller contained herein shall be true in all respects on and as of the date of this Agreement and the Closing Date with the same effect as though made on and as of the Closing Date, except (a) to the extent that any such representations and warranties were made as of a specified date, and as to such representations and warranties the same shall continue on the Closing Date to have been true in all respects as of the specified date and (b) where the breach of any of the representations or warranties of Seller contained herein, either individually or in the aggregate, does not and would not reasonably be expected to have a Material Adverse Effect; provided, that with respect to the foregoing, there shall be no effect given to any supplement to the Seller Disclosure Schedules (except as expressly provided in Section 6.03). Buyer shall have received a certificate of Seller, dated as of the Closing Date and signed by a duly authorized officer of Seller, certifying as to the fulfillment of the conditions set forth in this Section 7.01 (the “Seller’s Certificate”).

7.02. No Prohibition. No Applicable Law or Judgment shall be in effect which prohibits Buyer from consummating the transactions contemplated hereby.

7.03. Governmental Consents. The applicable waiting period under the HSR Act shall have expired or been terminated and the Seller Required Consents and the Buyer Required Consents shall have been obtained prior to the Closing Date and shall have become Final Orders (if applicable) and shall be in effect on the Closing Date. Any reference in this Agreement to the “obtaining” of any such Seller Required Consents or Buyer Required Consents shall mean making such declarations, filings, registrations, giving such notice, obtaining such authorizations, orders, consents or approvals and having such waiting periods expire as are, in each case, necessary to avoid a violation of Applicable Law. A “Final Order” for purposes of this Agreement means action by the relevant Governmental Authority (i) which has not been reversed, stayed, enjoined, set aside, annulled or suspended and (ii) with respect to which any waiting period prescribed by Applicable Law or Judgment before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to be satisfied before the consummation of such transactions prescribed by Applicable Law or Judgment have been satisfied.

7.04. Resignation of Directors. Pieter Jobsis and Merel van Deursen shall have executed letters of resignation resigning as members of the Board of Directors of the Company and any of the Subsidiaries effective as of the Closing Date and shall have delivered such letters to the Company and Buyer.

ARTICLE VIII

CONDITIONS TO SELLER'S OBLIGATIONS

The obligation of Seller to sell the Stock shall be subject to the satisfaction (or waiver) on or prior to the Closing Date of all of the following conditions:

8.01. Representations, Warranties and Covenants of Buyer. Buyer shall have complied in all material respects with its agreements and covenants contained herein to be performed on or prior to the Closing Date, and the representations and warranties of Buyer contained herein shall be true in all material respects on and as of the date of this Agreement and the Closing Date with the same effect as though made on and as of the Closing Date, except to the extent that any such representations and warranties were made as of a specified date and as to such representations and warranties the same shall continue on the Closing Date to have been true in all material respects as of the specified date; provided, that with respect to the foregoing, there shall be no effect given to any supplement to the Buyer Disclosure Schedules. Seller shall have received a certificate of Buyer, dated as of the Closing Date and signed by a duly authorized officer of Buyer, certifying as to the fulfillment of the conditions set forth in this Section 8.01 (the "Buyer's Certificate").

8.02. No Prohibition. No Applicable Law or Judgment shall be in effect which prohibits Seller from consummating the transactions contemplated hereby.

8.03. Governmental Consents. The applicable waiting period under the HSR Act shall have expired or been terminated and, unless Buyer waives the condition set forth in Section 7.03 with respect to all Seller Required Consents and Buyer Required Consents, the Seller Required Consents and the Buyer Required Consents shall have been obtained prior to the Closing Date and shall have become Final Orders (if applicable) and shall be in effect on the Closing Date.

ARTICLE IX

EMPLOYMENT AND EMPLOYEE BENEFITS ARRANGEMENTS

9.01. Definitions. For all purposes under this Agreement (a) the term "Business" shall mean individually and collectively (i) the Company and its Subsidiaries and (ii) Seller and its affiliates and any predecessor to any of the foregoing but only with respect to the Company.

(b) The term "Employees" shall mean all current employees (including those on layoff, disability or leave of absence, whether paid or unpaid), former employees and retired employees of the Business, and the term "Employee" shall mean any of the Employees.

(c) The term “Company Benefit Plans” shall mean each and all “employee benefit plans” as defined in Section 3(3) of ERISA, maintained or contributed to by the Business or in which the Business participates or participated and which provides benefits to Employees or their spouses or covered dependents, including (i) any such plans that are “employee welfare benefit plans” as defined in Section 3(1) of ERISA and (ii) any such plans that are “employee pension benefit plans” as defined in Section 3(2) of ERISA.

(d) The term “Benefit Arrangements” shall mean each and all pension, supplemental pension, accidental death and dismemberment, life and health insurance and benefits (including medical, dental, vision and hospitalization), savings, bonus, deferred compensation, incentive compensation, holiday, vacation, severance pay, salary continuation, sick pay, sick leave, short and long term disability, tuition refund, service award, company car, scholarship, relocation, patent award, fringe benefit and other employee benefit arrangements, plans, contracts expressly including individual employment, consulting and or severance contracts), policies or practices of the Business providing employee or executive compensation or benefits to Employees, other than the Company Benefit Plans.

9.02. Agreements. Buyer shall cause the Company and the Subsidiaries to honor and continue to perform all obligations of the Company and the Subsidiaries that have accrued and may accrue under those agreements (including, but not limited to, employment and consulting and severance agreements) with any Employee or Employees relating to employment or compensation or benefits that are set forth on Section 2.15 of the Seller Disclosure Schedule.

9.03. Other Benefit Plans. (a) With respect to Employees employed as of the Closing Date and who remain employed by the Company or any Subsidiary following the Closing Date, Buyer shall, or shall cause the Company to, establish and maintain for a period of at least two years following the Closing Date employee benefit plans providing benefits which are substantially similar in the aggregate as the benefits provided to Employees under Company Benefit Plans and Benefit Arrangements. With respect to the employee benefit plans, practices and arrangements that may be established or maintained by or on behalf of the Company and the Subsidiaries after the Closing Date (the “New Benefit Plans”), Buyer shall, and shall cause the Company and the Subsidiaries to grant all Employees from and after the Closing Date credit for all service with Seller and its affiliates (including the Company and the Subsidiaries) and their respective predecessors prior to the Closing Date for all purposes for which such service was recognized by Seller and its affiliates (including the Company and the Subsidiaries). To the extent the New Benefit Plans provide medical or dental welfare benefits, such plans shall waive any pre-existing conditions and actively-at-work exclusions in accordance with the requirements of the Health Insurance Portability and Accountability Act and the regulations thereunder (“HIPAA”), and shall provide that any expenses incurred by the Employees on or before the Closing Date in 2005 shall be taken into account under the New Benefit Plans for purposes of satisfying applicable deductible, coinsurance and maximum out-of-pocket provisions. Without in any way limiting the generality of Section 5.03, Buyer shall, or shall cause the Company to, assume all liabilities and obligations of Seller and its affiliates (including the Company and the Subsidiaries) under the Company Benefit Plans and Benefit Arrangements and workers’ compensation arrangements with respect to the Employees and their dependents and beneficiaries, including, but not limited to, (i) liabilities and obligations for benefits, compensation, contributions, insurance and health maintenance organization premiums, reserves and administrative expenses, whether incurred or accrued before, on or after the Closing Date

and whether or not reported as of the Closing Date, (ii) liabilities and obligations arising under the continuation coverage requirements of Section 4980B(f) of the Code and Section 601 of ERISA with respect to all Employees (or any beneficiary or dependent of any Employee) who, as of the Closing Date, have exercised or are eligible to exercise their right to such continuation coverage and (iii) liabilities and obligations to provide post-retirement health and life insurance benefits to Employees (whether or not currently retired).

(b) Severance. Section 2.15 of the Seller Disclosure Schedule sets forth a list of all severance agreements and plans or policies which the Company or any Subsidiary maintains or to which the Company or any Subsidiary is a party for which the Company has or may have obligations. Buyer agrees to provide, or cause the Company to provide, severance pay and other benefit entitlements which may be owing to any Employee whose employment is terminated by Buyer or the Company on or after the Closing Date or by reason of the transactions contemplated hereby. If such severance occurs on or within one year after the Closing Date or by reason of the transactions contemplated hereby, such severance pay and benefit entitlements shall be determined (on an Employee by Employee basis) in accordance with the severance policy of Seller and its affiliates (including the Company) applicable to such Employee immediately prior to the Closing, if more favorable than the severance policy of Buyer or the Company, as applicable, in effect after the Closing.

9.04. Indemnity. (a) Without limiting the generality of Sections 5.03 and 9.03, Buyer and the Company shall jointly and severally indemnify Seller and its affiliates and hold each of them harmless from and against any Losses which may be incurred or suffered by any of them (i) under the Worker Adjustment and Retraining Notification Act arising out of, or relating to, any actions taken by Buyer or the Company on or after the Closing Date, (ii) in connection with any claim made by any, current Employee by reason of the Company's or Subsidiaries' failure to continue to employ such current Employee on or after the Closing Date at substantially the same salary or wages (including bonus, commission and sales incentive programs) and/or on substantially the same terms and conditions and/or in a comparable position including level of responsibility and authority, benefits and location) as in effect immediately prior to the Closing Date (including any claim made by reason of the current Employee's not receiving benefits under any Company Benefit Plan or Benefit Arrangement or receiving any other benefit or level of benefit), (iii) in connection with any claim made by any current Employee for any severance pay or other compensation or benefit entitlements by reason of any current Employee's termination or deemed termination of employment as a result of the transactions contemplated hereby, or (iv) by reason of Buyer's, the Company's or the Subsidiaries' failure to comply with any of the provisions of this Article IX.

(b) From and after the Closing, through the sixth anniversary of the Closing Date, the Company or its successor shall continue to indemnify each of the current and former officers and directors of the Company and hold them harmless in their capacity as officers or directors of the Company to the same extent and in the same manner such persons are entitled to be indemnified as of the Closing Date by the Company pursuant to Applicable Law, the Articles of Incorporation, by-laws or director and officer's insurance coverage of the Company existing as of December 31, 2004, for acts or omissions occurring at or prior to the Closing Date.

(c) Buyer agrees that, in addition to any rights of the Company's and the Subsidiaries' officers and directors existing and assumed under the Company's and the Subsidiaries'

respective Articles of Incorporation or By-laws, it will cause the Company and the Subsidiaries, from and after the Closing, to indemnify and hold harmless each person who at the date hereof serves as a director or officer of the Company or the Subsidiaries against all losses, claims, damages, liabilities, costs, expenses and Judgments, as incurred, in connection with any Proceeding that arises from actions or omissions by officers or directors of the Company or the Subsidiaries prior to the Closing, and in the event of any such Proceeding (whether arising before or after the Closing), the Company or the Subsidiaries shall assume the defense of such matter, but shall not be liable for any settlement effected without its written consent, which consent shall not unreasonably be withheld.

ARTICLE X

TERMINATION PRIOR TO CLOSING

10.01. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By the mutual written consent of Buyer and Seller; or

(b) By either Seller or Buyer in writing, without liability to the terminating party on account of such termination (provided the terminating party is not otherwise in default or in breach of this Agreement), if the Closing shall not have occurred on or before the date that is twelve (12) months after the date the last original application, notice, petition and other document is filed under Sections 4.01 or 5.01 in connection with obtaining all the consents, approvals, authorizations, exemptions and waivers required hereunder (the "Termination Date"); provided, however, if on the Termination Date the condition to secure one or more Seller Required Consents or Buyer Required Consents shall not have been fulfilled (or waived by Buyer) but all other conditions to Closing shall be fulfilled or capable of being fulfilled the Termination Date shall automatically be extended for six (6) months; or

(c) By either Seller or Buyer in writing, if there shall have been a material breach by the other party of any of its representations, warranties, covenants or agreements contained herein, such other party fails to cure such breach within fifteen (15) days of notice thereof by the non-breaching party or such breach is incapable of being cured, and such breach results in a failure to satisfy a condition to the terminating party's obligation to consummate the transactions provided herein.

10.02. Effect on Obligations. Termination of this Agreement pursuant to this Article X shall terminate all obligations of the parties hereunder, except for the obligations under Sections 10.03, 11.08, 11.09, 11.11, 11.12 and 11.13; provided, however, that termination pursuant to clause (b) or (c) of Section 10.01 shall not relieve a defaulting or breaching party (whether or not the terminating party) from any liability to the other party resulting from any default or breach hereunder, regardless of whether the Termination Fee is payable under the provisions of Section 10.03.

10.03. Termination Fee. If (i) this Agreement is terminated by either party pursuant to Section 10.01(b) or by Seller pursuant to Section 10.01(c) and (ii) at the time of such termination the conditions set forth in Sections 7.03 or 8.03 are not satisfied or waived, then Buyer shall pay Seller an amount equal to \$10,000,000 (the "Termination Fee") by wire transfer of same day

funds in U.S. dollars to an account in the United States designated by Seller within two business days after (or, in the case of a termination by Buyer, concurrently with) such termination. Buyer acknowledges that the agreements contained in this Section 10.03 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Seller would not enter into this Agreement; accordingly, if Buyer fails promptly to pay the amounts due pursuant to this Section 10.03, Buyer shall pay to Seller interest on the amounts set forth in this Section 10.03 from and including the date payment of such amount was due to but excluding the date of actual payment at the rate of 10% per annum, together with reasonable legal fees and expenses incurred in connection with collection of such amount.

ARTICLE XI

MISCELLANEOUS

11.01. Survival. Except as otherwise set forth in this Section 11.01, the representations and warranties made in this Agreement shall survive the Closing until the first anniversary thereof and shall thereupon expire together with any right to indemnification for breach thereof (except to the extent a written notice asserting a claim for breach of any such representation or warranty shall have been given prior to such date to the party which made such representation or warranty, in which case such representation and warranty shall survive, to the extent of such claim only, until such claim is resolved, whether or not the amount of the damages or expenses resulting from such breach has been finally determined at the time the notice is given, if, but only if, (i) in the case of a claim made by Buyer by reason of a third party claim, the written notice is accompanied by a copy of the written notice of the third party claimant and (ii) in the case of any claim made by Buyer other than by reason of a third party claim, some damages or expense shall have been incurred in good faith at or prior to the date of such notice; and provided that any notice asserting a claim for breach of any of the representations and warranties contained in Sections 2.12 or 2.14 (or in the Seller's Certificate insofar as it pertains to Sections 2.12 or 2.14) shall not be effective unless accompanied by (a) written notice from the applicable regulatory authority, or, if there has been a claim made against Buyer by a third party, the written notice of the third party claimant, alleging the existence of the conditions on which such claim is based or (b) a written report from a nationally recognized environmental consulting firm, the fees and expenses of which firm shall be borne solely by Buyer, confirming, in reasonable detail, the existence of the conditions on which such claim is based). The representations and warranties contained in Sections 2.01, 2.04, 2.06 and 2.16 (and in the Seller's Certificate insofar as it pertains to such sections) shall survive the Closing until the expiration of the applicable statute of limitations, and the representations and warranties contained in Section 2.14 (and in the Seller's Certificate insofar as it pertains to such sections) shall survive the Closing until the third anniversary thereof. The covenants and agreements contained herein (other than the covenant and agreement to indemnify against breaches of representations and warranties, which shall expire as set forth in the first sentence of this Section 11.01, but including the indemnification obligations contained in Section 5.04) shall survive the Closing until the expiration of the applicable statute of limitations.

11.02. Indemnification. (a) If the Closing shall occur, Seller shall indemnify Buyer and its affiliates (including the Company and the Subsidiaries) and their respective officers, directors, employees, shareholders and agents and hold each of them harmless from and against all

liability, loss, damage, claim (including third party claims, whether or not meritorious), cost or expense, on an after-tax and out-of-pocket basis, as calculated in accordance with 11.02(j) (including, without limitation, reasonable attorneys' fees and disbursements) collectively, "Losses"), which are incurred or suffered by any of them (i) by reason of the breach of any of the representations or warranties made by Seller herein or (ii) by reason of the failure by Seller to perform or comply with any of the covenants or agreements contained herein to be performed or complied with by Seller; provided, that with respect to clause (i) above, there shall be no effect given to any supplement to the Seller Disclosure Schedules (except as expressly provided for in Section 6.03) or any qualification as to materiality or Material Adverse Effect contained in such representations or warranties. Any recovery by Buyer and its affiliates for indemnification shall be limited as follows: (1) Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents shall not be entitled to any recovery unless a claim for indemnification is made in accordance with Section 11.01 and paragraph (c)(i) of this Section 11.02 and within the relevant time period of survival set forth in Section 11.01; (2) Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents shall not be entitled to recover any amount for any indemnification claim under clause (i) of this Section 11.02(a) based on a breach of any of the representations or warranties made by Seller, unless the amount of the Loss suffered or incurred by reason of such breach exceeds \$100,000 (an "Eligible Claim"); (3) Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents shall not be entitled to recover any amount for indemnification claims under clause (i) of this Section 11.02(a) unless and until the amount which Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents are entitled to recover in respect of such Eligible Claims exceeds, in the aggregate, \$2,000,000 (the "Deductible"), in which event (subject to clause (3) below) the entire amount which Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents are entitled to recover in respect of such Eligible Claims less the Deductible shall be payable; and (4) the maximum amount recoverable by Buyer and its affiliates and their respective officers, directors, employees, shareholders and agents for indemnification claims under clause (i) of this Section 11.02(a) shall in the aggregate be equal to \$15,000,000 (the "Cap").

(b) If the Closing shall occur, Buyer shall indemnify Seller and its affiliates and their respective officers, directors, employees, shareholders and agents and hold each of them harmless from and against all Losses which are incurred or suffered by any of them (i) by reason of the breach by Buyer of any of the representations or warranties made by Buyer herein, (ii) by reason of the failure by Buyer (or, from and after the Closing, the Company or the Subsidiaries) to perform or comply with any of the covenants or agreements contained herein to be performed or complied with by either of them at or after the Closing; (iii) arising out of any of the Liabilities or the matters covered by Section 9.04; or (iv) to the extent Buyer waives the condition set forth in Section 7.03 (which thereby effectively waives the condition set forth in Section 8.03), arising out of, relating to or resulting from the failure to obtain those Seller Required Consents and Buyer Required Consents not secured prior to the Closing; provided, that with respect to clause (i) above, there shall be no effect given to any qualification as to materiality or Material Adverse Effect contained in such representations or warranties. Any recovery by Seller and its affiliates for indemnification shall be limited as follows: (1) Seller and its affiliates shall not be entitled to any recovery unless a claim for indemnification is made in accordance with paragraph (c)(i) of this Section 11.02 and within the relevant time period of survival set forth in Section 11.01; (2) Seller and its affiliates and their respective officers, directors, employees, shareholders and agents shall not be entitled to recover any amount for

indemnification claims under clause (i) of this Section 11.02(b) unless and until the amount which Seller and its affiliates and their respective officers, directors, employees, shareholders and agents are entitled to recover in respect of such claims exceeds, in the aggregate, the Deductible, in which event (subject to clause (3) below) the entire amount which Seller and its affiliates and their respective officers, directors, employees, shareholders and agents are entitled to recover in respect of such claims less the Deductible shall be payable; and (3) the maximum amount recoverable by Seller and its affiliates and their respective officers, directors, employees, shareholders and agents for indemnification claims under clause (i) of this Section 11.02(b) shall in the aggregate be equal to the Cap.

(c) (i) In the event that any party shall incur or suffer any Losses in respect of which indemnification may be sought by such party pursuant to the provisions of this Section 11.02, the party seeking to be indemnified hereunder (the "Indemnitee") shall assert a claim for indemnification by written notice (a "Notice") to the party from whom indemnification is sought (the "Indemnitor") stating the nature and basis of such claim, and, if such claim is with respect to a third party claim or an environmental claim, accompanied by the documentation set forth in Section 11.01. In the case of Losses arising by reason of any third party claim, the Notice shall be given within 30 days of the date on which the Indemnitee first became aware of the filing or other written assertion of any such claim against the Indemnitee, but the failure of the Indemnitee to give the Notice within such time period shall not relieve the Indemnitor of any liability that the Indemnitor may have to the Indemnitee except to the extent that the Indemnitor is prejudiced thereby.

(ii) The Indemnitee shall provide to the Indemnitor on request all information and documentation reasonably necessary to support and verify any Losses which the Indemnitee believes give rise to a claim for indemnification hereunder and shall give the Indemnitor reasonable access, on a confidential basis, to all books, records and personnel in the possession or under the control of the Indemnitee which would have bearing on such claim.

(iii) In the case of third party claims for which indemnification is sought, the Indemnitor shall have the option, and with respect to such claims that represent or are in respect of any of the Liabilities (as defined in Section 5.04) ("Liabilities Claims") shall have the obligation, (x) to conduct any proceedings or negotiations in connection therewith, (y) to take all other steps to settle or defend any such claim (provided that the Indemnitor shall not settle any such claim or consent to the entry of any Judgment without the consent of the Indemnitee (which consent shall not be unreasonably withheld or delayed)) and (z) to employ counsel reasonably satisfactory to the Indemnitee to contest any such claim or liability in the name of the Indemnitee or otherwise. In any event, the Indemnitee shall be entitled to participate at its own expense and by its own counsel in any proceedings relating to any third party claim. The Indemnitor shall, within 45 days of receipt of the Notice, notify the Indemnitee of (or, in the case of a Liabilities Claim, confirm to the Indemnitee) whether or not it intends to assume the defense of such claim. Until the Indemnitee has received notice of the Indemnitor's election whether to (or, in the case of a Liabilities Claim, the Indemnitor's confirmation of its intention to) defend any claim, the Indemnitee shall take reasonable steps to defend (but may not settle) such claim. Except for Liabilities Claims, as to which this sentence shall not be applicable, if the Indemnitor shall decline to assume the defense of any such claim, or shall fail to notify the Indemnitee within 45 days after receipt of the Notice of the Indemnitor's election to defend such claim, the Indemnitee shall defend against such claim (provided that the Indemnitee shall not settle such claim without

the consent of the Indemnitor, which consent shall not be unreasonably withheld or delayed). The expenses of all proceedings, contests or lawsuits in respect of such claims (other than those incurred by the Indemnitee which are referred to in the second sentence of this subparagraph (iii)) shall be borne by the Indemnitor but only if the Indemnitor is responsible pursuant hereto to indemnify the Indemnitee in respect of the third party claim and, if applicable, only to the extent required by the second sentence of Section 11.02(a) or the second sentence of Section 11.02(b), as applicable. Regardless of which party shall assume the defense of the claim, the parties agree to cooperate fully with one another in connection therewith. In the case of a claim for indemnification made under Section 11.02(a)(i) or 11.02(b)(i), (a) if (and to the extent) the Indemnitor is responsible pursuant hereto to indemnify the Indemnitee in respect of the third party claim, then within ten days after the earlier of the occurrence of a final non-appealable determination, settlement or otherwise final resolution with respect to such third party claim, the Indemnitor shall pay the Indemnitee, in immediately available funds, the amount of any Losses (or such portion thereof as the Indemnitor shall be responsible for pursuant to the provisions hereof, including, without limitation, the second sentence of Section 11.02(a)) or the second sentence of Section 11.02(b), as applicable, and (b) in the event that any Losses incurred by the Indemnitee do not involve payment by the Indemnitee of a third party claim, then, if (and to the extent) the Indemnitor is responsible pursuant hereto to indemnify the Indemnitee against such Losses, the Indemnitor shall within ten days after the earlier of an agreement on the amount of Losses or the occurrence of a final non-appealable determination or otherwise final resolution of such amount pay to the Indemnitee, in immediately available funds, the amount of such Losses (or such portion thereof as the Indemnitor shall be responsible for pursuant to the provisions hereof, including, without limitation, the second sentence of Section 11.02(a) or the second sentence of Section 11.02(b) as applicable).

(d) The provisions of paragraph (c) of this Section 11.02 shall apply to all claims for indemnification hereunder.

(e) If the Closing shall occur, the indemnification provided in this Section 11.02 shall be the sole and exclusive remedy for (i) any inaccuracy or breach of any representation or warranty in this Agreement, (ii) the failure to perform any covenants, agreements or obligations contained in this Agreement or in any other agreement or document furnished or delivered pursuant hereto, or (iii) any Loss, relating to, resulting from or arising out of any transaction or matter relating in any manner whatsoever to the operation of the Company and the Subsidiaries prior to Closing, this Agreement or any document furnished or delivered pursuant hereto. All amounts payable by one party in indemnification of the other pursuant to this Agreement shall be considered an adjustment to the Purchase Price under Section 1.02.

(f) In no event shall a party be liable hereunder for loss of profits or punitive, special, exemplary or consequential damages by reason of a breach of any representation, warranty, covenant or agreement made by such party, in this Agreement, except to the extent the other party becomes liable to and actually pays a third party claim and such other party is entitled to indemnification from such party hereunder.

(g) Notwithstanding anything in this Agreement to the contrary, Seller shall not be responsible for any liability or obligation as a result of the failure of Buyer, the Company or any of the Subsidiaries to comply with Applicable Law after the Closing even if the Company and

the Subsidiaries are owned or operated after the Closing in the manner owned or operated prior to the Closing.

(h) Buyer understands and agrees that the rights accorded it by this Section 11.02 are its sole and exclusive remedy against Seller or any of its affiliates with respect to any claims relating to Environmental Matters. Buyer (on its own behalf and on behalf of its affiliates (including (effective upon the Closing), without limitation, the Company and the Subsidiaries) and the successors and assigns of any of the foregoing) hereby waives any right to seek contribution or other recovery from Seller or any of its affiliates that any of them may now or in the future ever have under 42 U.S.C. §§ 9607 and 9613(f) of the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), or any other Environmental Laws, with respect to the Liabilities. Buyer (on its own behalf and on behalf of its affiliates (including (effective upon the Closing), without limitation, the Company and the Subsidiaries) and the successors and assigns of any of the foregoing) hereby further unconditionally releases Seller and its affiliates from any and all claims, demands, and causes of action that any of them may now or in the future ever have against Seller or any of its affiliates for recovery under CERCLA or under any other Environmental Laws with respect to the Liabilities.

(i) Upon making any payment to an Indemnitee for any indemnification claim pursuant to this Section 11.02, the Indemnitor shall be subrogated, to the extent of such payment, to any rights which the Indemnitee may have against any other parties with respect to the subject matter underlying such indemnification claim.

(j) In calculating the amount of any Loss for which any Indemnitor is liable under this Agreement, there shall be deducted (i) the value of any federal or state income tax benefits and (ii) the amount of any insurance recoveries, excluding any amounts which are in effect self-insured whether through retention amounts or otherwise, the Indemnitee in fact receives as a direct consequence of the circumstances to which the Loss related or from which the Loss resulted or arose. The Indemnitee agrees to first make claim against any applicable insurance coverage, including, if applicable, the insurance coverage for the Company to seek recovery for any Loss, and the Indemnitor shall have the right to pursue such recovery against any such insurance coverage in the name of the insured.

(k) Each party shall use commercially reasonable efforts to mitigate any Loss suffered, incurred or sustained by such party arising out of any matter for which such party is entitled to indemnification herein, upon such party having obtained actual knowledge of such breach by the other party. In the event that such party fails to make such commercially reasonable efforts to mitigate such Loss, then notwithstanding anything else to the contrary contained herein, the other party shall not be required to indemnify such party for any Loss that could reasonably be expected to have been avoided had such party made such efforts.

(l) In the event that (i) any condition set forth in Article VII or VIII is not satisfied, (ii) the failure of such condition to be satisfied is expressly waived in writing by the party entitled to the benefit of such condition, and (iii) such party nevertheless consummates the transactions contemplated by this Agreement at the Closing, then such party shall be deemed to have waived any claim for Loss or other relief only to the extent that such Loss or other relief relates solely and directly to such condition that was so waived.

11.03. Interpretive Provisions. For purposes of this Agreement, the Company and the Subsidiaries shall be deemed to be affiliates of Seller prior to the Closing and affiliates of Buyer after the Closing.

11.04. Entire Agreement; No Third Party Beneficiaries. This Agreement (together with the Seller Disclosure Schedule and the Buyer Disclosure Schedule) (a) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, of the parties with respect to the subject matter hereof and (b) except for Section 9.04(b) and (c), is not intended to confer upon any person other than the parties hereto (and their respective successors and assigns) any rights or remedies

11.05. Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto; provided, however, that this Agreement or any rights or obligations hereunder may not be assigned by either Seller or Buyer without the prior written consent of the other party, except that Buyer may, at its election and without the consent of Seller (i) assign this Agreement to any affiliate of such party or (ii) make a security assignment to any lender providing financing in respect of Buyer's acquisition of the Stock, that (x) no such assignment of this Agreement or any of the rights or obligations hereunder shall relieve Buyer of its obligations under this Agreement, and (y) in the case of an assignment contemplated by clause (i) above, such assignee shall execute a counterpart of this Agreement agreeing to be bound by the provisions hereof as "Buyer," and agreeing to be jointly and severally liable with the assignor and any other assignee for all of the obligations of the assignor hereunder.

11.06. Headings; Construction. The headings of the Articles, Sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The terms "hereof" or "herein" and words of similar import shall be construed to refer to this Agreement in its entirety, including the Seller Disclosure Schedule and the Buyer Disclosure Schedule. The phrase "made available" in this Agreement shall mean that the information referred to has been made available if requested by the party to whom such information is to be made available. Reference to "dollars" or "\$" shall mean United States dollars. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the drafting party or causing any instrument to be drafted.

11.07. Modification and Waiver. No amendment, modification or alteration of the terms or provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by the parties hereto, except that any of the terms or provisions of this Agreement may be waived in writing at any time by the party which is entitled to the benefits of such waived terms or provisions. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

11.08. Broker's Fees. Each of the parties hereto (i) represents and warrants that it has not taken and will not take any action that would cause the other party hereto or the Company or its Subsidiaries to have any obligation or liability to any person for a finder's or broker's fee, and (ii) agrees to indemnify the other party hereto for breach of the foregoing representation and warranty, whether or not the Closing occurs.

11.09. Expenses. Except as otherwise provided herein, Seller and Buyer shall each pay all costs and expenses incurred by it or on its behalf in connection with this Agreement and the transactions contemplated hereby, including, without limiting the generality of the foregoing, fees and expenses of its own financial consultants, accountants and counsel.

11.10. Definitions. For purposes of this Agreement:

(a) an "affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person, and as used in this definition "control" or any variation thereof means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise;

(b) "Applicable Law" with respect to any person, means any provision of law, rule or regulation to which such person or any of its subsidiaries is subject.

(c) "ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which is under common control or treated as a single employer with the Company under Section 4001 of ERISA or Section 414 of the Code.

(d) "Indebtedness" means, with respect to any person, (a) any obligations of such person for borrowed money, (b) any obligations of such person as lessee under a lease, (c) any reimbursement obligations (whether fixed or contingent) to reimburse any bank or other person in respect of amounts paid or payable under a standby letter of credit issued for the account of such person, and (d) any guarantee obligations of such person in respect of the indebtedness (of the kind otherwise described in this definition) of any other person.

(e) "Intellectual Property Rights" means all United States and foreign patents, trademarks, service marks and copyrights granted, registered or applied for and used by each of the Company and the Subsidiaries in connection with, and material to, the conduct of its business.

(f) "Judgment" with respect to any person means any court order, judgment or decree applicable to such person or its subsidiaries.

(g) "knowledge of Buyer" means the actual knowledge of those individuals set forth in Section 11.10(b) of the Buyer Disclosure Schedule;

(h) "knowledge of Seller" means the actual knowledge of those individuals set forth in Section 11.10(c) of the Seller Disclosure Schedule;

(i) “Material Adverse Effect” means any material adverse change or effect (i) on the business, assets, properties, condition (financial or otherwise) or results of operations of the Company and its Subsidiaries, taken as a whole, or (ii) which would reasonably be expected, directly or indirectly, to prevent or materially impede or delay the consummation of the transactions contemplated by this Agreement, except in the case of either (i) or (ii) for any change or effect (x) relating to financial markets or the economy in general, (y) affecting the water services or wastewater services industries generally and not specifically or disproportionately relating to the Company or its Subsidiaries, or (z) to the extent attributable to or resulting from the public announcement of the transactions contemplated by this Agreement or the identity of Buyer or its subsidiaries as the acquiring person hereunder including any loss of customers or employees or condemnation proceedings resulting therefrom;

(j) “Pension Plan” is any Company Benefit Plan maintained by the Company or its Subsidiaries that is subject to Title IV of ERISA.

(k) “person” means an individual, corporation, partnership, joint venture, association, trust, limited liability company, Governmental Authority, unincorporated organization or other entity;

(l) “Proceeding” means any claim, action, proceeding, writ, injunction, citation, lawsuit, arbitration or investigation (other than any Rate Case);

(m) “Rate Case” means any filing or proceeding before any PUC relating to any change or potential change in the rate base or in the rates or surcharges charged by Utilities, Inc. or the Subsidiaries for water, wastewater or reuse services.

(n) “reasonable best efforts” means the efforts that a prudent person desirous of achieving a certain result would use in similar circumstances to ensure that such result is achieved expeditiously;

(o) a “subsidiary” of any person means another person (i) of which 50% or more of the capital stock, voting securities, other voting ownership or voting partnership interests having voting power under ordinary circumstances to elect directors or similar members of the governing body of such corporation or other entity (or, if there are no such voting interests, 50% or more of the equity interests) are owned or controlled, directly or indirectly, by such first person or (ii) of which such first person is a general partner; and

(p) all other defined terms used herein shall have the meanings given to such terms in the other sections of this Agreement.

11.11. Notices. Any notice, request, instruction or other document to be given hereunder by any party hereto to any other party shall be in writing and shall be given (and will be deemed to have been duly given upon receipt) by delivery in person, by electronic facsimile transmission, or other standard forms of written telecommunications, by overnight courier or by registered or certified mail, postage prepaid, to the parties at the following addresses:

(a) if to Seller, to:

Nuon Global Solutions USA Inc.
c/o n.v. Nuon
P.O. Box 41920
1009 DC Amsterdam
The Netherlands
Attention: Pieter Jobsis

with a copy (which shall not constitute notice to Seller) to:

Fried, Frank, Harris, Shriver & Jacobson LLP
1001 Pennsylvania Avenue, N.W.
Suite 800
Washington, DC 20004
Attention: Richard I. Ansbacher
Andrew P. Varney
Telephone: (202) 639-7000
Telecopy No.: (202) 639-7003

(b) if to Buyer, to:

Hydro Star, LLC
2929 Allen Parkway
Houston, TX 77019
Attention: John Stokes
Telephone: (713) 831-2452
Telecopy No.: (713) 831-2447

with a copy (which shall not constitute notice to Buyer) to:

AIG Highstar Capital II, L.P.
599 Lexington Avenue, 25th Floor
New York, NY 10022
Attention: Scott Litman
Telephone: (646) 735-0527
Telecopy No.: (646) 735-0795

and

Akin Gump Strauss Hauer & Feld LLP
1111 Louisiana Street, 44th Floor
Houston, Texas 77002
Attention: Michael Wood
Telephone: (713) 220-8111
Telecopy No.: (713) 236-0822

or at such other address for a party as shall be specified by like notice.

11.12. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of New York applicable to agreements made and to be performed wholly within such jurisdiction without regard to any applicable conflicts of law. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any Proceeding arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any Proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 11.11 shall be effective service of process for any Proceeding brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of this Agreement or the transactions contemplated hereby in the courts of the State of New York or the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum.

11.13. Public Announcements. Neither Seller nor Buyer shall make any public statements, including, without limitation, any press releases, with respect to this Agreement and the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld) except as may be required by Applicable Law or the rules of any applicable stock exchange. If a public statement is required to be made by Applicable Law or the rules of any applicable stock exchange, the parties shall consult with each other in advance as to the contents and timing thereof.

11.14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

11.15. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.


11.16. Partial Invalidity. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under Applicable Law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be Executed on its behalf as of the date first above written.

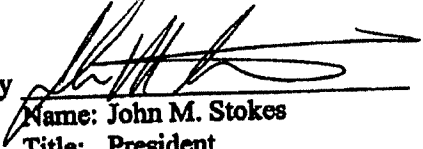
NUON GLOBAL SOLUTIONS USA B.V.

By


Name: G. Pieter Jöbsis
Title: Chief Executive Officer

HYDRO STAR, LLC

By


Name: John M. Stokes
Title: President

The undersigned hereby agrees with Buyer and Seller to be bound by the provisions of the foregoing Agreement applicable to it, including, without limitation, Section 11.02(h), effective upon the Closing.

NUON GLOBAL SOLUTIONS USA INC.

By

Name: G. Pieter Jöbsis

Title: Chief Executive Officer



CERTIFICATIONS RECORD
Kentucky
2005

EXHIBIT 4

Operator	Job Title	Start Date	Manager	Water Certifications	Sewer Certifications	Other Certifications	Systems
Bolt, Greg	Operator	10/16/1996	Leonard	III Distribution	-		Middlesboro
Fields, Woodrow	Operator	2/2/2005	Leonard	III-A Treatment	-		Middlesboro
Heck, Travis	Meter Reader	10/2/2002	Leonard	II Distribution	-		Middlesboro
Johnson, Harvey	Operator	9/17/1979	Leonard	III Distribution, IV-A Treatment	-	Class IV-A, Backflow Preventor, Meter Tester	Middlesboro
Leonard, James	Regional Manager	6/12/1978	Daniel	III Distribution, IV-A Treatment	-	Backflow Preventor, Meter Tester	Middlesboro, Clinton
Mills, Gary	Operator	5/23/2000	Leonard	III Distribution, IV-A Treatment	-	Backflow Preventor, Meter Tester	Middlesboro
Onsht, James	Meter Reader	6/24/2002	Leonard	-	-		Middlesboro
Partin, Mike	Operator	11/17/2003	Leonard	-	-		Middlesboro
Pickard, Michael	Area Manager	5/26/2004	Leonard	II Distribution, II-BD Treatment	II-W/W, Bio&Nat (lagoon)	TN: II Treatment, II Distribution, II Collection, Electrical	Clinton
Russell, Dale	Area Manager	10/9/1989	Leonard	III Distribution	-	Backflow Preventor	Middlesboro
Turner, John	Operator	1/7/1990	Leonard	-	-		Clinton

