

**ASSET PURCHASE AGREEMENT
AND
ESCROW INSTRUCTIONS**

Between

**Starlight Water Company, Inc.,
an Arizona corporation,
as Seller**

and

**Blue Ridge Domestic Water Improvement District,
a political subdivision of the State of Arizona,
as Buyer**

TABLE OF CONTENTS

RECITALS.....1

AGREEMENTS.....1

1. INCORPORATION OF RECITALS.....1

2. SALE AND PURCHASE OF ASSETS.....1

3. PURCHASE PRICE.....3

4. DISPOSITION OF EARNEST DEPOSIT.....3

5. THE CLOSING.....4

6. PRELIMINARY TITLE REPORT AND OBJECTIONS.....5

7. BUYER’S DUE DILIGENCE.....6

8. CONDITIONS PRECEDENT.....7

9. PRE-CLOSING COVENANTS OF THE PARTIES.....9

10. SELLER’S REPRESENTATION AND WARRANTIES.....10

11. BUYER’S REPRESENTATION AND WARRANTIES.....11

12. PRE-CLOSING COVENANTS OF THE PARTIES.....12

13. SURVIVAL PERIOD.....12

14. POST-CLOSING MAINTENANCE OF AND ACCESS TO INFORMATION.....13

15. BROKER’S COMMISSION.....13

16. ASSIGNMENT.....13

17. RISK OF LOSS.....14

18. EVENTS OF DEFAULT.....14

19. REMEDIES.....15

20. ATTORNEYS’ FEES.....15

21. NOTICES.....15

22. CLOSING COSTS AND PRORATIONS.....15

23. ESCROW AND CANCELLATION CHARGES.....	15
24. APPROVALS.....	15
25. ADDITIONAL ACTS.....	16
26. GOVERNING LAW; JURISDICTION; VENUE.....	16
27. BINDING AGREEMENT.....	16
28. CONSTRUCTION.....	16
29. TIME OF ESSENCE.....	16
30. INTERPRETATION.....	16
31. HEADING AND COUNTERPARTS.....	16
32. INCORPORATION BY REFERENCE.....	16
33. SEVERABILITY.....	16
34. NO PARTNERSHIP OR OTHER LIABILITY.....	16
35. GENERAL PROVISIONS REGARDING ESCROW AGENT.....	17

LIST OF EXHIBITS

- A Seller's Certificated Area Legal Description
- B Seller's Certificated Area Map
- C Form of Bill of Sale
- D Assignment and Assumption Agreement
- E Real Property Description
- F Form of Deed
- G Affidavit of Real Property Value
- H Non-Foreign Affidavit

LIST OF SCHEDULES

- Schedule 2.1 Purchased Assets
- Schedule 2.3 Excluded Assets
- Schedule 2.4 Assumed Liabilities

ASSET PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS

DATED: Dated to be effective as of **October 22, 2021** (the "Effective Date").

PARTIES: This Asset Purchase Agreement and Escrow Instructions ("Agreement") is between Starlight Water Company, Inc., an Arizona corporation ("Seller"), and Blue Ridge Domestic Water Improvement District, a political subdivision of the State of Arizona ("Buyer"). Seller and Buyer are referred to collectively as "Parties" and individually as "Party".

RECITALS

A. Seller is a public service corporation as defined in Article 15, Section 2, of the Arizona Constitution and, as such, is regulated by the Arizona Corporation Commission ("Commission"). Seller holds a Certificate of Convenience and Necessity ("CC&N") granted by the Commission which authorizes Seller to provide water utility service within a defined geographic area ("Certificated Area"), as set forth in the legal description attached hereto as Exhibit A and mapped in Exhibit B.

B. Seller owns and operates a water system which serves customers residing within Seller's Certificated Area ("Business").

C. Buyer desires to purchase certain assets and real property of Seller relating to the Business and to assume certain rights and obligations of Seller relating to the Business. Seller also desires to sell and transfer such assets and real property to Buyer and to assign to Buyer such rights and obligations subject to the terms and conditions set forth herein.

D. In connection with the transaction contemplated by this Agreement ("Purchase Transaction"), the Parties contemplate the Commission's cancellation and extinguishment of Seller's CC&N. However, such deletion and extinguishment will be conditioned upon the consummation of the Purchase Transaction in accordance with this Agreement and the consummation of the Purchase Transaction will be conditioned upon the Commission's approval of the cancellation and extinguishment of Seller's CC&N for the Certificated Area.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises, agreements, representations and warranties set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. INCORPORATION OF RECITALS. All of the foregoing Recitals are hereby incorporated herein by reference.

2. SALE AND PURCHASE OF ASSETS.

2.1. Assets to be Purchased. Subject to the terms and conditions set forth in this Agreement, Seller will sell, convey, transfer, assign and deliver to Buyer, and Buyer will purchase from Seller, upon Close of Escrow (as defined herein), all of Seller's right, title and interest in and to all assets of Seller solely related to the Business, including but not limited to any contracts, agreements, customer information, customer deposits, other deposits, prepaid items and refunds, rights to warranties guarantees and service contracts made by suppliers or manufacturers, equipment, tools, spare parts, specifications, plans, drawings, permits, test information, wells, storage tanks, service lines, water meters, fire hydrants or other infrastructure utilized in connection with the provision of water utility service to customers within Seller's Certificated Area ("Customers"), real property, easements, tenements, hereditaments and appurtenances pertaining to the real property, and improvements ("Improvements") affixed to real property (collectively, "Purchased Assets"), which are identified in Schedule 2.1, unless specifically excluded pursuant to Section 2.3 below. Good title to all Purchased Assets shall be conveyed to Buyer free and clear of all monetary liens and encumbrances.

2.1.1. Administration of Receivables. The Parties shall read all customer meters and agree upon all meter readings on the Closing Date. After the Closing, Seller and Buyer shall cooperate with respect to payments made in the ordinary course by any third party so that Seller and Buyer each receive the third party payments appropriately payable to them under this Agreement. Buyer shall do all billings and collections after the Closing and shall use diligent efforts to collect all Receivables due from customers to Seller, including termination of service; provided, however, that Buyer shall not be required to commence legal proceedings for the collection of any Receivables. All monies Buyer receives from a customer shall be applied first to any debt such customer owes Seller and shall be promptly paid by Buyer to Seller.

2.2. The Schedules. Seller, after providing notice to Buyer, may prior to or at Close of Escrow supplement, amend or create any Schedule to this Agreement in order to add information or correct information previously supplied to Buyer. No such amendment shall be evidence, in and of itself, that the representations and warranties in the corresponding section are no longer true and correct. It is specifically agreed that such Schedules may be amended to add immaterial, as well as material, items thereto. To the extent any Schedule is supplemented or amended, Seller shall provide all information related to the updated Schedule to Buyer within 10 days of such amendment or supplementation. Notwithstanding the foregoing, Buyer must agree in writing to any supplement, amendment or revision to any Schedule to this Agreement.

2.3. Excluded Assets. The Purchased Assets do not include (i) Seller's CC&N, (ii) any cash and cash equivalents, except as provided in Section 3.1, (iii) trademarks, trade names and logos of Seller, (iv) any bank accounts and lock boxes of Seller, (v) any rights which accrue or will accrue to Seller under this Agreement, (vi) any rights arising out of occurrences before the Close of Escrow, (vii) mainline extension agreements, or (viii)

those assets related to the Business identified on Schedule 2.3 attached hereto (collectively, "Excluded Assets").

2.4. Assumed Liabilities. Unless otherwise set forth herein, at Close of Escrow, Seller will assign, and Buyer shall assume (without recourse), and agree to pay, discharge or perform, as appropriate, only those existing liabilities of Seller (i) set forth on Schedule 2.4 attached hereto, and (ii) all normal operating liabilities arising after the Close of Escrow ("Assumed Liabilities").

2.5. Excluded Liabilities. Buyer shall not assume, pay, discharge, perform or in any way be responsible or liable for any of the following liabilities or obligations of Seller (the "Excluded Liabilities"): (i) any federal, state or local income, sales or other tax payable with respect to the Business or Purchased Assets for any period prior to Close of Escrow; and (ii) any liability or obligation under or in connection with any of the Excluded Assets.

3. PURCHASE PRICE.

3.1. Purchase Price. In consideration of the sale and transfer by Seller of the Purchased Assets, the deletion and extinguishment of a portion of Seller's CC&N and the representations, warranties and covenants of Seller set forth herein, Buyer shall pay to Seller an amount (the "Purchase Price") of Two Million Seven Hundred Thousand and no/100 Dollars (\$2,700,000.00). Seller will provide Buyer One Hundred Ten Thousand and no/100 Dollars (\$110,000) in operating cash at the Close of Escrow.

3.2. Payment of Purchase Price. Upon delivery to Pioneer Title (Attn: _____) (the "Escrow Agent") of triplicate executed originals of this Agreement by each of Seller and Buyer, Buyer shall deposit One Thousand Dollars (\$1,000.00) ("Earnest Deposit") in immediately available funds in Escrow Agent's Escrow No. _____ ("Escrow"), the date of such delivery and deposit being referred to herein as the "Opening of Escrow". The Earnest Deposit shall be credited towards Buyer's payment to Seller of the Purchase Price, the balance of which shall be payable to Seller at Close of Escrow.

3.3. Mainline Extension Agreements and Reimbursement. Seller will retain responsibility for the Mainline Extension Agreements ("MEAs") after the Close of Escrow. Buyer agrees to cooperate with Seller to determine payment obligations under the MEAs.

4. DISPOSITION OF EARNEST DEPOSIT.

4.1. Disposition of the Earnest Deposit. Seller and Buyer hereby instruct Escrow Agent to put the Earnest Deposit in a federally insured daily interest-bearing passbook account on behalf of Seller and Buyer. The Earnest Deposit and interest thereon to the date of withdrawal (the "Interest") shall be applied as follows:

4.1.1. If Buyer cancels this Agreement as a result of a Seller Event of Default (as defined herein), Escrow Agent shall pay the Earnest Deposit and Interest to Buyer

within fifteen (15) business days of written notice given by Buyer to Escrow Agent and Seller of such Seller Event of Default (the “Notice of Seller Default”) unless, prior to the expiration of such fifteen business day period, Seller provides written notice of its objection to the Notice of Seller Default (the “Objection Notice”). If Seller provides an Objection Notice, the Parties shall endeavor in good faith to settle the matter within the following thirty (30) days. No suit related to the Earnest Deposit and Interest shall be brought or maintained during that period. If the Parties do not reach a final resolution within thirty (30) days after the delivery of the Objection Notice, Seller or Buyer shall be entitled to bring suit in accordance with Section 19.

4.1.2. If a Buyer Event of Default (as defined herein) exists prior to or at Close of Escrow, and such Buyer Event of Default is not cured within the applicable notice and cure period, Escrow Agent shall pay the Earnest Deposit and Interest to Seller promptly, without further written instructions from Seller or Buyer as Seller’s agreed and total liquidated damages, it being acknowledged and agreed that it would be difficult or impossible to determine Seller’s exact damages.

4.1.3. If escrow closes, the Earnest Deposit and Interest shall be automatically applied against the Purchase Price at Close of Escrow.

4.2. Federal I.D. Numbers. With regard to Escrow Agent’s placement of the Earnest Deposit as provided in Section 4.1, Seller notes that Seller’s Federal I.D. Number is 86-0781677.

5. CLOSING.

5.1. Time, Date and Place of Closing. The Purchase Transaction shall close and all deliveries to be made at Close of Escrow shall take place at the office of Escrow Agent either: (i) within thirty (30) days of receipt of the Commission Order defined below, (ii) within thirty (30) days of Buyer’s receipt of financing, or (iii) on such other date and at such other place and/or time as the Parties may agree (the “Closing Date”), whichever is later. The Closing Date shall not be extended without written agreement of the parties. The term “Close of Escrow” shall mean the deliveries to be made by the Parties at the Closing Date in accordance with this Agreement.

5.2. Seller’s Obligations at Close of Escrow. At or prior to Close of Escrow, Seller shall execute and/or deliver or cause to be executed and/or delivered to Buyer:

5.2.1. a bill of sale from Seller to Buyer, a specimen of which is attached hereto as Exhibit C, with appropriate schedules attached (“Bill of Sale”);

5.2.2. an assignment and assumption agreement set forth in Exhibit D, with appropriate schedules attached (“Assignment and Assumption Agreement”) including permits and licenses, if any;

5.2.3. a special warranty deed with respect to Seller’s interest in the real property (“Real Property”) more particularly described on Exhibit E to the specimen special

warranty deed attached hereto as Exhibit F (“Deed”), along with an executed Affidavit of Real Property Value, a specimen of which is attached hereto as Exhibit G;

5.2.4. a sworn affidavit, in the form of Exhibit H attached hereto (“Non-Foreign Affidavit”) stating under penalty of perjury that Seller is not a “foreign person” as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (“Code”);

5.2.5. wire transfer instructions for the Purchase Price disbursement;

5.2.6. a Commission decision in accordance with Section 9.1.5 hereof; and

5.2.7. such other instruments and documents of the type or nature that are customarily provided by selling parties in connection with transactions of the type contemplated hereby and which Buyer reasonably deems to be necessary for Close of Escrow.

5.3. Buyer’s Obligations at Close of Escrow. At or prior to Close of Escrow, Buyer shall execute and/or deliver or cause to be executed and/or delivered to Seller:

5.3.1. the Assignment and Assumption Agreement;

5.3.2. the balance of the Purchase Price by wire transfer of immediately available funds to such account(s) as Seller shall advise Buyer in writing at or prior to the Close of Escrow; and

5.3.3. such other instruments and documents of the type or nature that are customarily provided by purchasing parties in connection with transactions of the type contemplated hereby and which Seller reasonably deems to be necessary for Close of Escrow.

5.4. Transfer Documents. The Bill of Sale, the Assignment and Assumption Agreement, the Deed and all documents which may be necessary to transfer the Purchased Assets are hereinafter collectively referred to as the “Transfer Documents.”

6. PRELIMINARY TITLE REPORT AND OBJECTIONS.

6.1. The Report and Objections.

6.1.1. Seller shall cause Escrow Agent to issue and deliver to the Parties a preliminary title report (commitment for title insurance) concerning the Real Property together with legible copies of all instruments referred to therein (collectively the “Report”), by 5:00 p.m. local time on the 30th day following the Opening of Escrow. The Report is to be preliminary to the extended coverage owner’s policy of title insurance to be issued to Buyer by Escrow Agent insuring Buyer’s fee simple title to the Real Property and Improvements in the amount of the Purchase Price (the “Owner’s Policy”). Seller shall pay only the premium for a standard Owner’s

Policy in the amount of the Purchase Price. Buyer shall pay the costs associated with any extended coverage as well as any endorsements requested by Buyer.

6.1.2. Buyer shall have until 5:00 p.m. local time on the 10th day after the Buyer's receipt of the Report in which to advise Seller and Escrow Agent, in writing, either: (i) that the condition of title to the Real Property as evidenced by the Report is acceptable; or, (ii) to object to any liens, encumbrances or other exceptions in the Report (excluding real property taxes and assessments not yet due and payable which may constitute a lien on the Real Property) (collectively the "Buyer's Objections"). Any exceptions in the Report which Buyer accepts shall be permitted exceptions (the "Permitted Exceptions"). If, for any reason, Buyer shall not have notified Seller and Escrow Agent of Buyer's Objections within the time specified in this Section 6.1, Seller shall provide written notice to Buyer of Buyer's failure to issue Buyer's Objections. If Buyer does not notify Seller and Escrow Agent of Buyer's Objections before 5:00 p.m. local time on the 10th day after Buyer's Receipt of such notice, Buyer shall be deemed to have approved of the condition of title of the Real Property as shown by the Report.

6.1.3. If Buyer's Objections are made within the time specified, Seller shall attempt, to the extent commercially reasonable, to cure Buyer's Objections within ninety (90) days of receipt of same. If Seller is unable to cure Buyer's Objections within such ninety-day period, Buyer shall either waive, in writing, the curing of such Buyer's Objections or Buyer shall cancel this Agreement, whereupon the Earnest Deposit plus Interest shall be payable immediately by Escrow Agent to Buyer and, except as otherwise provided in this Agreement, neither Seller nor Buyer shall have any further liability or obligation under this Agreement. If Buyer does not provide the written waiver of Buyer's Objections within ten (10) days following the end of the ninety-day period, Buyer shall be deemed to have elected to cancel this Agreement.

6.2. Supplemental Title Report and Objections.

6.2.1. Escrow Agent shall issue and deliver to the Parties any supplemental title report(s) deemed necessary by Escrow Agent (the "Supplemental Report"). Buyer shall have until 5:00 p.m. local time on the 10th day after Buyer's receipt of any Supplemental Report in which to advise Seller and Escrow Agent, in writing, of any objections Buyer may have to any item disclosed by the Supplemental Report(s) which was not set forth in the Report or a previous Supplemental Report (the "Supplemental Objections"). If, for any reason, Buyer shall not have notified Seller and Escrow Agent of Buyer's Supplemental Objections within the time specified in this Section 6.2, Seller shall provide written notice to Buyer of Buyer's failure to issue Buyer's Objections. If Buyer does not notify Seller and Escrow Agent of Buyer's Supplemental Objections before 5:00 p.m. local time on the 10th day after Buyer's Receipt of such notice, Buyer shall be deemed to have approved of the condition of title of the Real Property as shown by the Supplemental Report.

6.2.2. The provisions of Section 6.1.3 shall apply with regard to any attempted title cure by Seller, it being agreed that Seller shall have until 5:00 p.m. local time on the 30th day after Seller's receipt of the Supplemental Objections, if any, within which Seller, in Seller's sole discretion, may attempt to cure the Supplemental Objections.

7. BUYER'S DUE DILIGENCE.

7.1. Access to the Real Property. Seller shall permit Buyer access to the Real Property at any commercially reasonable time or times, provided Buyer shall give Seller at least 24 hours prior telephonic notice prior to entry upon the Real Property, to conduct Buyer's due diligence investigation. Neither Buyer nor its agents or consultants will disrupt or interfere with the operations of the Seller's Business during such investigation.

7.2. Buyer's Restoration of the Real Property. Buyer, at Buyer's sole cost and on or before the earlier of (a) Seller's request, or (b) termination of this Agreement, shall repair and restore any damage to the Real Property or the Improvements caused by any entry, testing and/or inspection of, on or upon the Real Property or the Improvements by Buyer or Buyer's representatives ("Buyer's Restoration Obligation").

7.3. Buyer's Indemnity. Buyer shall and does hereby agree to indemnify, defend and hold Seller harmless against any loss, damage or claim for personal injury or property damage arising from any acts or omissions on the part of Buyer or any agents, contractors or employees of Buyer in connection with Buyer's due diligence investigation (the "Buyer's Indemnity Obligations" and, together with Buyer's Restoration Obligation, the "Buyer's Restoration and Indemnity Obligations"). The Buyer's Restoration and Indemnity Obligations shall survive any termination of this Agreement or the Close of Escrow, as applicable, for a period of six (6) months after which Buyer's Restoration and Indemnity Obligations shall automatically terminate unless prior to the end of such twelve-month period, Seller shall have commenced an action against Buyer exclusively in Superior Court (the "Court") where the water system is located to enforce Buyer's obligations under this Section 7.

8. CONDITIONS PRECEDENT.

8.1. Buyer's Conditions Precedent. Buyer's obligation to perform under this Agreement is expressly subject to the satisfaction (or waiver) at or prior to Close of Escrow of the following:

8.1.1. The representations and warranties of Seller contained in Section 11 of this Agreement shall be true and correct in all material respects as of the Effective Date and shall be true and correct in all material respects as of Close of Escrow as if made at and as of such time, except for (i) changes permitted or contemplated hereby; and (ii) representations and warranties which are as of a specific date, in which event they shall be true and correct as of such date.

8.1.2. Seller shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to Close of Escrow pursuant to the terms hereof.

8.1.3. Escrow Agent shall have issued to Buyer the Owner's Policy (or a binding written commitment therefor) subject only to the Permitted Exceptions and those other matters, if any, approved or deemed approved by Buyer pursuant to this Agreement.

8.1.4. Buyer's Board of Directors (the "Board") shall have approved this Agreement and the Purchase Transaction, which approval shall not be subject to appeal or reversal (the "Board Approval"). The Board Approval shall be obtained by Buyer at Buyer's sole cost.

8.1.5. The Commission shall have entered a final order approving, among other things, the cancellation and extinguishment of the Seller's CC&N for the Certificated Area, Seller's sale of assets, and the transfer of Seller's Customers to the Buyer subject only to the consummation of the Purchase Transaction (the "Commission Order").

8.1.6. Buyer has received commercially acceptable financing for the transaction.

8.2. Seller's Conditions Precedent. Seller's obligation to perform under this Agreement is expressly subject to the satisfaction (or waiver) at or prior to Close of Escrow of the following:

8.2.1. The representations and warranties of Buyer contained in Section 12 of this Agreement shall be true and correct in all material respects as of the Effective Date and shall be true and correct in all material respects as of Close of Escrow as if made at and as of such time, except for (i) changes permitted or contemplated hereby; and (ii) representations and warranties which are as of a specific date, in which event they shall be true and correct as of such date.

8.2.2. Buyer shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to Close of Escrow pursuant to the terms hereof.

8.2.3. Buyer shall have certified in writing to Seller that it has obtained commercially reasonable financing for the transaction.

8.2.4. The Commission shall have entered the Commission Order.

9. PRE-CLOSING COVENANTS OF THE PARTIES.

9.1. Commission Approval.

9.1.1. Within twenty (20) days after Opening of Escrow, Seller shall file with the Commission an application ("Application") requesting the permanent cancellation and extinguishment of its CC&N and transfer of the Purchased Assets to Buyer subject to the consummation of the Purchase Transaction.

- 9.1.2. Seller shall be responsible for preparing, filing and prosecuting the Application. Buyer agrees to support the Application filed by Seller and shall expeditiously provide information reasonably requested by Seller in prosecuting the Application, including letters of support, written testimony, responses to data requests and other discovery, and attending meetings, public comment sessions, procedural conferences, hearings and open meetings.
- 9.1.3. In the event the Commission denies the Application, the Parties shall work cooperatively to remedy, to the extent commercially reasonable, the circumstance or circumstances which caused the Commission to deny the Application.
- 9.1.4. Upon Commission approval of the Application and Close of Escrow, Buyer shall assume the sole right, duty and obligation to provide water service within the Certificated Area and shall take all necessary and appropriate actions relating to such water utility service.
- 9.2. Further Assurances. Subject to the terms and conditions of this Agreement, each Party will use commercially reasonable efforts to (i) take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate the Purchase Transaction as soon as practicable after the Opening of Escrow, (ii) obtain and maintain all approvals required to be obtained from any third party and/or any Governmental Agency that are necessary to consummate the Purchase Transaction and (iii) obtain and maintain all financing necessary to consummate the Purchase Transaction.
- 9.3. Covenant to Satisfy Conditions. Seller will use its commercially reasonable efforts to ensure that the conditions set forth in Section 9 of this Agreement are satisfied, insofar as such matters are within the control of Seller. Buyer will use its commercially reasonable efforts to ensure that the conditions set forth in Section 9 of this Agreement are satisfied, insofar as such matters are within the control of Buyer.
10. SELLER'S PRESENTATIONS AND WARRANTIES. Subject to the terms, conditions, and limitations set forth in this Agreement, Seller hereby represents and warrants to Buyer as follows:
- 10.1. The Seller has all the requisite power and capacity to enter into this Agreement.
- 10.2. The Seller is duly organized, validly existing, and in good standing under the laws of the State of Arizona.
- 10.3. This Agreement has been duly executed and delivered by the Seller and constitutes a legally binding and enforceable obligation of the Seller enforceable against the Seller in accordance with its terms.
- 10.4. To Seller's knowledge, there are no unrecorded leases, which may affect title to the Real Property.

- 10.5. To Seller's knowledge, Seller has not received any notice of violation with regard to any applicable regulation, ordinance, requirement, covenant, condition or restriction relating to the present use or occupancy of the Real Property or the Improvements from any Governmental Agency.
- 10.6. To Seller's knowledge, there are and have been no violations by Seller of any environmental, health or safety laws which could reasonably be expected to have a material adverse effect on the Business following the Closing, and, to Seller's knowledge, no violations of any such laws have been committed on the Real Property. Seller, to its knowledge, has not received any notice of any violation with regard to any such applicable laws that remains unresolved as of the Effective Date.
- 10.7. With the exception of Buyer's ability to condemn the Business and the Purchased Assets pursuant to Buyer's power of eminent domain, no legal action or proceeding has been undertaken or, to Seller's knowledge, threatened with respect to or in any manner affecting the Real Property or Improvements.
- 10.8. This Agreement and its consummation will not conflict with or result in a breach of any agreement, judgment, order or government permit, nor will it result in the creation of a lien, or require consent of a third party or Governmental Agency, except as expressly set forth elsewhere in the Agreement.
- 10.9. Subject only to the Commission's approval of the Application and entry of the Commission Order, Seller has full power and authority to execute, deliver and perform under this Agreement as well as the Transfer Documents.
- 10.10. Except for the approval of the Commission and the Board no consent of any third party is required in order for Seller to enter into this Agreement and perform Seller's obligations hereunder.
- 10.11. The Financial Statements have been prepared in accordance with the requirements of the Commission and fairly present the financial position of the Seller and the results of operations as of the respective dates thereof; other than as disclosed in the financial statements, there are no undisclosed liabilities of any nature associated with the Purchased Assets as of the Closing Date, except as set forth on Schedule 2.4.
- 10.12. Personal property taxes that have become due with respect to the Purchased Assets (including those that will be prorated at Close of Escrow in accordance with this Agreement) have been paid or will be so paid by Seller prior to Close of Escrow.
11. BUYER'S REPRESENTATIONS AND WARRANTIES. Subject to the terms, conditions, and limitations set forth in this Agreement, Buyer hereby represents and warrants to Seller as follows:
- 11.1. Subject only to receipt of Board Approval, Buyer has full power and authority to execute, deliver and perform Buyer's obligations under this Agreement as well as the Transfer Documents

- 11.2. There are no actions or proceedings pending or to Buyer's knowledge, after due inquiry, threatened against Buyer which may in any manner whatsoever affect the validity or enforceability of this Agreement or any of the Transfer Documents.
- 11.3. This Agreement and the transaction contemplated hereby are being entered into in lieu of Buyer's potential condemnation of the Business and the Purchased Assets pursuant to Buyer's power of eminent domain.
- 11.4. The execution, delivery and performance of this Agreement and the Transfer Documents have not and will not constitute a breach or default under any other agreement, law or court order under which Buyer is a party or may be bound.

12. PRE-CLOSING COVENANTS OF THE PARTIES.

- 12.1. Except in the ordinary course of Seller's Business prior to Close of Escrow or any earlier termination of this Agreement, Seller will not enter into or execute any employment, management or service contract with respect to the Seller's Business which will survive Close of Escrow without Buyer's prior written consent which consent shall not be unreasonably withheld or delayed. Any such contract so entered by Seller with Buyer's consent shall provide that such contract can be terminated by Seller or Seller's successor, at any time without penalty, upon not more than thirty (30) days' prior written notice to the other party thereto. When any such contracts are fully executed, Seller shall contemporaneously deliver a copy thereof to Buyer.
- 12.2. Except for any item to be prorated at Close of Escrow in accordance with this Agreement, all bills or other charges, costs or expenses arising out of or in connection with or resulting from Seller's use, ownership, or operation of the Business up to Close of Escrow shall be paid in full by Seller on or before Close of Escrow. Seller's obligations under this paragraph shall survive Close of Escrow.
- 12.3. Seller agrees that, between the Effective Date and Close of Escrow or any earlier termination of this Agreement, Seller, at Seller's sole cost, shall:
 - 12.3.1. continue to operate and maintain the Seller's Business as heretofore operated by Seller;
 - 12.3.2. maintain the Real Property and the Improvements in their current condition in accordance with historical operating practices;
 - 12.3.3. pay, in the normal course of business, all sums due for work, materials or services furnished or otherwise incurred in the ownership, use or operation of the Purchased Assets, but in no event will the failure to pay prior to Close of Escrow relieve Seller of its obligation to deliver the Purchased Assets to Buyer free of mechanics', material suppliers' and similar liens for work, materials or services furnished with respect to the Purchased Assets prior to Close of Escrow;

- 12.3.4. comply, in all material respects, with all Legal Requirements applicable to Seller's Business;
- 12.3.5. except as required by a Governmental Agency or in connection with the termination of Seller's Business: (i) not place or permit to be placed on any portion of the Real Property any new improvements of any kind; or (ii) remove or permit any Improvements to be removed from the Real Property without the prior written consent of Buyer;
- 12.3.6. except as required by a Governmental Agency, not restrict, rezone, file or modify any development plan or zoning plan or establish or participate in the establishment of any improvement district with respect to all or any portion of the Real Property without Buyer's prior written consent, which consent may be withheld at Buyer's sole discretion; and,
- 12.3.7. Seller shall not, by voluntary or intentional act or omission to act, further cause or create any easement, encumbrance, or mechanic's or materialmen's liens, and/or similar liens or encumbrances to arise or to be imposed upon the Purchased Assets or any portion thereof, that will affect title thereto subsequent to Close of Escrow without Buyer's prior written consent, which consent may be withheld at Buyer's sole discretion.
- 12.4. Should Seller receive notice or knowledge of any material information regarding any of the matters set forth in Section 11 or this Section 13 after the Effective Date and prior to Close of Escrow, Seller will promptly notify Buyer of the same in writing.
- 12.5. Should Buyer receive notice or knowledge of any material information regarding any of the matters set forth in Section 11 (as a result of its due diligence investigation), Section 12 or this Section 13 after the Effective Date and prior to Close of Escrow, Buyer will promptly notify Seller of the same in writing.
13. SURVIVAL PERIOD. All representations made in this Agreement by either Party shall survive the execution and delivery of this Agreement and the cancellation of this Agreement or Close of Escrow for a period of six (6) months after which each Party's warranties and related indemnity obligations shall automatically terminate unless prior to the end of the six-month period, either Party shall have brought suit against the other (only in the Court) to enforce the other's warranties.
14. POST-CLOSING MAINTENANCE OF AND ACCESS TO INFORMATION. Seller and Buyer acknowledge that after Close of Escrow, Seller or Buyer may need access to information or documents in the control or possession of the other Party for the purposes of concluding the Purchase Transaction, tax returns or audits, compliance with the government reimbursement programs and other laws and regulations, and the prosecution or defense of third party claims. Accordingly, Seller and Buyer shall keep, preserve and maintain in the ordinary course of business, and as required by law and relevant insurance carriers, all books, records, documents and other information in the possession or control of such Party and

relevant to the foregoing purposes for a period of two (2) years from Close of Escrow or such longer period of time as may be required by any Legal Requirement.

15. BROKER'S COMMISSION. The Parties represent and warrant to one another that they have not dealt with any finder, broker or realtor in connection with this Agreement. If any person shall assert a claim to a finder's fee or brokerage commission on account of alleged employment as a finder or broker in connection with the Purchase Transaction, the Party under whom the finder or broker is claiming shall indemnify and hold the other Party harmless from and against any such claim and all costs, expenses and liabilities incurred in connection with such claim or any action or proceeding brought on such claim, including, but not limited to, counsel and witness fees and court costs in defending against such claims. The provisions of this Section shall survive Close of Escrow or the earlier termination of this Agreement.
16. ASSIGNMENT. Neither Party may assign any right or obligation under this Agreement without the prior written consent of the other Party.
17. RISK OF LOSS. Prior to Close of Escrow, full risk of loss with respect to the Purchased Assets will remain with the Seller. Upon Close of Escrow, full risk of loss with respect to the Purchased Assets shall pass to Buyer.
18. EVENTS OF DEFAULT.

18.1. Buyer's Event of Default. Buyer shall be in default under this Agreement if any of the following events shall occur:

- 18.1.1. Buyer shall fail to fully and timely perform any of Buyer's obligations under this Agreement and such failure shall continue past 5:00 p.m. local time on the 30th day after Buyer's receipt of written notice from Seller specifying Buyer's non-compliance (or such longer period as is reasonably necessary to cure such non-compliance);
- 18.1.2. if any material representation or warranty made by Buyer in this Agreement shall be false or misleading in any material respect;
- 18.1.3. if Buyer shall: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or not contest the appointment of a receiver or trustee for itself or for all or any part of its property; (iii) file a petition seeking relief under the bankruptcy, arrangement, reorganization of other debtor relief laws of the United States, any state or any other competent jurisdiction; or, (iv) make a general assignment for the benefit of its creditors; or,
- 18.1.4. if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Buyer, a receiver or trustee for Buyer, or for all or any part of Buyer's property.

18.2. Seller's Event of Default. Seller shall be in default under this Agreement if any of the following events shall occur:

18.2.1. Seller shall fail to fully and timely perform any of Seller's obligations under this Agreement and such failure shall continue past 5:00 p.m. local time on the 30th day after Seller's receipt of written notice from Buyer specifying Seller's non-compliance (or such longer period as is reasonably necessary to cure such non-compliance);

18.2.2. if any material representation or warranty made by Seller in this Agreement shall be false or misleading in any material respect;

18.2.3. if Seller shall: (i) voluntarily be adjudicated as bankrupt or insolvent; (ii) seek, consent to or not contest the appointment of a receiver or trustee for itself or for all or any part of its property; (iii) file a petition seeking relief under the bankruptcy, arrangement, reorganization of other debtor relief laws of the United States, any state or any other competent jurisdiction; or, (iv) make a general assignment for the benefit of its creditors; or,

18.2.4. if a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Seller, a receiver or trustee for Seller, or for all or any part of Seller's property.

19. REMEDIES.

19.1. Seller's Breach. If a Seller Event of Default shall exist, Buyer, at Buyer's sole option, may either: (i) by written notice to Seller and Escrow Agent cancel this Agreement, obtain a refund of the Earnest Deposit and Interest in accordance with Section 4.1.1 and, except as otherwise provided in this Agreement, neither the Seller nor the Buyer shall have any further liability or obligation hereunder, provided, however, that if Seller fails to fully and timely perform Seller's obligations, Buyer shall also be entitled to seek and enforce all legal and equitable remedies against Seller in regard thereto; or, (ii) bring suit for specific performance of this Agreement to compel transfer of the Purchased Assets to Buyer. Buyer waives any right to claim any punitive, incidental or consequential damages from Seller.

19.2. Buyer's Breach. If a Buyer Event of Default shall exist, Seller, at Seller's sole option, may either: (i) by written notice to Buyer and Escrow Agent cancel this Agreement and obtain or retain, as applicable, the Earnest Deposit and Interest in accordance with Section 4.1.2 as Seller's agreed and total liquidated damages provided, however, that if Buyer fails to fully and timely perform Buyer's obligations pursuant to Section 7.3 or 17 hereof, Seller also shall be entitled to seek and enforce all legal and equitable remedies against Buyer in regard thereto; or (ii) bring suit for specific performance of this Agreement by Buyer. Except as provided in this Section 19.2 and in Section 4.1.2, Seller hereby waives any right to seek any equitable or legal remedies against Buyer in connection with this Agreement. Seller waives any right to claim any punitive, incidental or consequential damages from Buyer.

20. ATTORNEYS' FEES. If there is any litigation to enforce any provisions or rights arising herein, the unsuccessful Party in such litigation, as determined by the Court shall pay the successful Party, as determined by the Court, all costs and expenses, including, but not limited to, reasonable attorneys' fees incurred by the successful Party, such fees to be determined by the Court.
21. NOTICES. Communications required or permitted under this Agreement shall be in writing, which includes email, to the authorized representative designated below. The mailing and email addresses for the initial representatives are set forth below.

Company: Starlight Water Company, Inc.
Attn: James and Barbara Studnek
951 Briarwood Dr.
East Wenatchee, WA 98802
Bjs1140@yahoo.com

And

Steve Wene
swene@law-msh.com

District: Blue Ridge Domestic Water Improvement District
Attn: John Ritter
PO Box 19656
Happy Jack, AZ 86024-0656
kjritteraz@yahoo.com

And

Riley Snow
Riley@rileysnowlaw.com

Upon written notice to the other party, a party can change the representative without amending this Agreement.

22. CLOSING COSTS AND PRORATIONS. Seller and Buyer agree to pay all respective closing costs as provided in this Agreement. All prorations shall be calculated through escrow as of Close of Escrow based upon the latest available information. Any other closing costs not specifically designated as the responsibility of either Party in this Agreement shall be paid by Buyer and Seller according to the usual and customary allocation of the same by Escrow Agent. Seller agrees that all closing costs payable by Seller shall be deducted from Seller's proceeds otherwise payable to Seller at Close of Escrow. Except as provided in this Agreement, Seller and Buyer shall each bear their own costs in regard to the Purchase Transaction.

23. ESCROW CANCELLATION CHARGES. If escrow fails to close because of a Seller's Event of Default, Seller shall be liable for any cancellation charges of Escrow Agent charges. If escrow fails to close because of a Buyer's Event of Default, Buyer shall be liable for any cancellation charges of Escrow Agent. If escrow fails to close for any other reason, Seller and Buyer shall each be liable for one-half of any cancellation charges of Escrow Agent.
24. APPROVALS. Concerning all matters in this Agreement requiring the consent or approval of any Party or as a condition precedent to action by any of the Parties, the Parties agree that any such consent to each approval shall not be unreasonably withheld unless otherwise provided in this Agreement.
25. ADDITIONAL ACTS. The Parties agree to execute promptly such other documents and to perform such other acts as may be reasonably necessary to carry out the purpose and intent of this Agreement.
26. GOVERNING LAW; JURISDICTION; VENUE. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Arizona. In the event any litigation may arise regarding this Agreement, Seller and Buyer shall and do hereby submit exclusively to the jurisdiction of and Seller and Buyer hereby agree that the proper venue shall be exclusively in the Superior Court for the State of Arizona as to permitted litigation.
27. BINDING AGREEMENT. This Agreement constitutes the binding agreement between Seller and Buyer for the sale and purchase of the Purchased Assets subject to the terms set forth in this Agreement. Subject to the limitations on assignment set forth in this Agreement, this Agreement shall bind and inure to the benefit of the Parties and their respective successors and assigns. This Agreement supersedes all other written or verbal agreements between the Parties concerning the Purchase Transaction. No claim of waiver or modification concerning any provision of this Agreement shall be made against a Party unless based upon a written instrument signed by the Parties.
28. CONSTRUCTION. The terms and provisions of this Agreement represent the results of negotiations among the Parties, each of which has been or has had the opportunity to be represented by counsel of its own choosing, and neither of which has acted under any duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and the Parties each hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of this Agreement that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the Party whose attorney prepared the executed Agreement or any earlier draft of the same.
29. TIME OF ESSENCE. Time is of the essence of this Agreement.
30. INTERPRETATION. If there is any specific and direct conflict between, or any ambiguity resulting from, the terms and provisions of this Agreement and the terms and provisions of any document, instrument or other agreement executed in connection herewith or in furtherance hereof, including any Exhibits hereto, the same shall be consistently interpreted

in such manner as to give effect to the general purposes and intention as expressed in this Agreement which shall be deemed to prevail and control.

31. HEADINGS AND COUNTERPARTS. The headings of this Agreement are for reference only and shall not limit or define the meaning of any provision of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument
32. INCORPORATION BY REFERENCE. All Exhibits to this Agreement are fully incorporated herein as though set forth at length herein.
33. SEVERABILITY. If any provision of this Agreement is determined by the Court to be unenforceable, the remaining provisions shall nevertheless be kept in effect.
34. NO PARTNERSHIP OR OTHER LIABILITY. Any and all provisions, implications, or interpretations of or from this Agreement to the contrary notwithstanding, no partnership, joint venture or other relationship is created, implied or acknowledged between or among the Parties.
35. GENERAL PROVISIONS REGARDING ESCROW AGENT.
 - 35.1. Calculation of Prorations. Escrow Agent will make all adjustments and/or prorations on the basis of the actual number of days in a month, and by credit and/or debit to the respective accounts of Seller and Buyer in the Escrow.
 - 35.2. Close of Escrow. For purposes of the instructions to Escrow Agent and all other purposes hereunder, the expression "Close of Escrow" shall mean the date the Deed is recorded.
 - 35.3. Disbursements. Escrow Agent shall: (i) make disbursements by wire transfer of federal funds; (ii) mail instruments to the addresses set forth in Section 21, unless Escrow Agent is instructed otherwise; and, (iii) wire funds to Seller by wire transfer as directed by Seller.
 - 35.4. Amendments to Instructions. No change of instructions shall be of any effect on the Escrow unless given in writing by Seller and Buyer. In the event conflicting demands are made or notices served upon Escrow Agent with respect to the Escrow, the Parties hereto expressly agree that Escrow Agent shall have the absolute right at Escrow Agent's election to do either or both of the following: (i) withhold and stop all further proceedings in, and performance of, the Escrow; or (ii) file a suit in interpleader and obtain an order from the Court requiring the Parties to interplead and litigate in such Court their several claims and rights among themselves. In the event such interpleader suit is brought, Escrow Agent shall ipso facto be fully released and discharged from all obligations to further perform any and all duties or obligations imposed upon Escrow Agent in the Escrow, and the Parties jointly and severally agree to pay all reasonable costs, expenses, and reasonable attorneys' fees expended or incurred by Escrow Agent,

the amount thereof to be fixed and a judgment therefor entered by the Court in such suit.

- 35.5. Release of Escrow Agent. Except for Escrow Agent's negligence, fraud or breach of contract, Escrow Agent shall not be held liable for the identity, authority or rights of any person executing any document deposited in the Escrow, or for Seller or Buyer's failure to comply with any of the provisions of any agreement, contract or other instrument deposited in the Escrow and Escrow Agent's duties hereunder shall be limited to the safekeeping of such money, instruments, or other documents received by Escrow Agent as escrow holder, and for the disposition of same in accordance with the written instructions accepted by Escrow Agent in the Escrow.
- 35.6. Escrow Transaction. It is agreed by the Parties that so far as Escrow Agent's rights and liabilities are concerned, this transaction is an escrow and not any other legal relation.

(signature pages follow)

IN WITNESS WHEREOF, the Parties have executed this Asset Purchase Agreement and Escrow Instructions as of the Effective Date.

STARLIGHT WATER COMPANY, INC.

By: James Studnek Pres.
James Studnek, President

BLUE RIDGE DOMESTIC WATER IMPROVEMENT DISTRICT

By: John Call Oct 22
Chairman

ATTEST:

Sue Davis
District Clerk

APPROVED AS TO FORM:

Riley
District Counsel

ESCROW AGENT'S ACCEPTANCE

The foregoing fully executed Asset Purchase Agreement and Escrow Instructions ("Agreement") together with the Earnest Deposit is accepted by the undersigned this ____ day of _____, 2021 which for the purposes of this Agreement shall be deemed to be the date of Opening of Escrow.

By: _____
Escrow Officer