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AGREEMENT AND PLAN OF MERGER

AMONG

NV NUON

NUON ACQUISITION SUB, INC.

AND

UTILITIES, INC.

DATED AS OF MARCH 21, 2001

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of March 21, 2001 among nv Nuon, a Dutch public company with limited liability ("Parent"), Nuon Acquisition Sub, Inc., an Illinois corporation and a wholly owned subsidiary of Parent ("Sub"), and Utilities, Inc., an Illinois corporation (the "Company").

WHEREAS the respective Boards of Directors of Sub and the Company and the Management Board and Supervisory Board of Parent have approved the acquisition of the Company by Parent on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, in furtherance of such acquisition, the respective Boards of Directors of Parent, Sub and the Company have each approved the merger of Sub with and into the Company (the "Merger"), upon the terms and subject to the conditions set forth in this Agreement, whereby each issued and outstanding Share, other than Shares owned directly or indirectly by Parent or the Company (which shall be canceled as provided in Section 3.01(b)) and Dissenting Shares, will be converted into the right to receive the Merger Consideration in cash;

WHEREAS, the Board of Directors of the Company has adopted resolutions approving the Merger and recommending that the Company's shareholders approve this Agreement; and

WHEREAS, Parent, Sub and the Company desire to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Sub and the Company hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Definitions. In this Agreement, the following terms have the meanings specified or referred to in this Section 1.01 and shall be equally applicable to both the singular and plural forms.

"**Acquisition Agreement**" means any letter of intent, agreement in principle, acquisition agreement or other similar agreement with respect to any Takeover Proposal.

"**Articles of Merger**" means articles of merger or other appropriate documents with respect to the Merger.

"**Benefit Plan**" has the meaning specified in Section 4.10(a).

"**Certificates**" has the meaning specified in Section 3.02(b).

"**Closing Date**" has the meaning specified in Section 2.02.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Company**" has the meaning specified in the first paragraph of this Agreement.

"**Company Charter**" means the Articles of Incorporation of the Company, as amended, as in effect on the date hereof.

"**Company Disclosure Letter**" means the letter dated the date hereof delivered by the Company to Parent prior to the execution of this Agreement, which letter relates to this Agreement.

"**Company Employee**" has the meaning specified in Section 4.07(ix).

"**Company Employee Agreement**" has the meaning specified in Section 4.10(a).

"**Company Employee Plan**" has the meaning specified in Section 4.10(a).

"**Company Lease**" has the meaning specified in Section 4.18.

"**Company Option Plans**" means, collectively, the Company's 1990 Stock Option Program, 1995 Stock Option Program, 1997 Stock Option Program and 1999 Stock Option Program.

"**Company Permits**" has the meaning specified in Section 4.13(a).

"**Company Real Property**" has the meaning specified in Section 4.17(a).

"**Company Shareholder Approval**" means the approval and adoption of this Agreement by the affirmative vote of the holders of at least a majority of the outstanding Shares.

"**Company Stock Options**" has the meaning specified in Section 4.03.

"**Confidentiality Agreement**" means the Confidentiality Agreement dated January 8, 2001 between Parent and Company.

"**Convertible Securities**" has the meaning specified in Section 4.03.

"**Covered Company Employee**" has the meaning specified in Section 7.09(a).

"**D&O Insurance**" has the meaning specified in Section 7.06(b).

"**Dissenting Shareholder**" has the meaning specified in Section 3.01(d).

"**Dissenting Shares**" has the meaning specified in Section 3.01(d).

"**Effective Time**" has the meaning specified in Section 2.03.

"**Environmental Claim**" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, notices, information requests, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation by any person or entity (including any Governmental Entity) alleging potential liability arising out of, based on or resulting from (a) the presence, or Release into the environment, of any Hazardous Substances at any location, whether or not owned, operated, leased or managed by the Company or any of its subsidiaries; (b) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; or (c) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting, from the presence or Release of any Hazardous Substances.

"**Environmental Laws**" means all federal, state, or local laws, rules, ordinances and regulations, common law, all applicable judicial or administrative decisions, orders and decrees, and contractual obligations relating to pollution, the environment (including ambient air, surface water, groundwater, drinking water supplies, aquifers, and surface or subsurface strata) or protection of human health and safety including laws and regulations relating to Releases of Hazardous Substances, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Substances and laws and regulations relating to occupational safety and health, in each case as of the date hereof.

"**Environmental Permits**" has the meaning specified in Section 4.16(a).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and any regulations promulgated thereunder.

"**ERISA Affiliate**" has the meaning specified in Section 4.10(j).

"**ESOP**" means the Company's Employee Stock Ownership Plan.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Expenses**" has the meaning specified in Section 7.05(c).

"**Governmental Entity**" means any foreign, federal, state or local government or any court, tribunal, administrative agency or commission or other governmental or regulatory agency or body.

"**Hazardous Substance**" means (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation, coal tar residue, and dielectric fluid in transformers or other equipment

containing polychlorinated biphenyls ("PCBs") in regulated concentrations; (b) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "extraordinarily hazardous substances," "toxic pollutants," "hazardous constituents" or words of similar import, under any Environmental Law; and (c) any other chemical, material, substance or waste, exposure to which is now prohibited, limited or regulated under any Environmental Law.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**IBCA**" means the Illinois Business Corporation Act of 1983, as amended.

"**Indemnitees**" has the meaning specified in Section 7.06(a)(i).

"**Intellectual Property Rights**" has the meaning specified in Section 4.20.

"**IRS**" has the meaning specified in Section 4.10(a).

"**knowledge**" as it relates to the Company, means, with respect to any matter, that any of James Camaren, Chairman of the Board and Chief Executive Officer; Lawrence Schumacher, President and Chief Financial Officer; Andrew Dopuch, Vice President and Secretary; David Carter, Vice President; Carl Wenz, Vice President, Regulatory Matters; John Haynes, Director, Corporate Accounting; Patty Owens, Director, Customer Relations & Administrative Services; Carl Daniel, Group Vice President; Don Rasmussen, Regional Vice President; Delos Williams, Regional Director; Harry Zimmer, Regional Director; or any of the individuals who may hereafter serve in the foregoing capacities, has actual knowledge of such matter.

"**Liens**" means all pledges, claims, liens, charges, encumbrances, mortgages, security interests, options and conditional sale agreements of any kind or nature whatsoever.

"**material adverse change**" or "**material adverse effect**" means, when used in connection with the Company, any change or effect (or any development that, insofar as can reasonably be foreseen is likely to result in any change or effect) that, individually or in the aggregate with any such other changes or effects, is or could reasonably be expected to be materially adverse to the business, operations, properties, assets, liabilities, financial condition or results of operations of the Company and its subsidiaries, taken as a whole, but shall exclude (i) any change or effect relating or due to economic, industry or regulatory conditions in states or regions in which the Company or any of its subsidiaries conduct operations or (ii) any adverse effect to the extent caused by an acquisition made by Parent after the date hereof of the capital stock or assets of a water utility or wastewater company (other than the Company or its subsidiaries).

"**Merger**" has the meaning specified in the second recital of this Agreement.

"Merger Consideration" means $[redacted]

"Option Consideration" has the meaning specified in Section 7.04(a).

"Parent" has the meaning specified in the first paragraph of this Agreement.

"Paying Agent" has the meaning specified in Section 3.02(a).

"Payment Fund" has the meaning specified in Section 3.02(a).

"PBGC" has the meaning specified in Section 4.10(d).

"Pension Plan" has the meaning specified in Section 4.10(a).

"Permitted Liens" means (a) Liens for taxes and other governmental charges and assessments which (i) are not yet due and payable or (ii) are being contested in good faith by appropriate proceedings and for which reserves have been provided to the extent required by and in accordance with generally accepted accounting principles, (b) Liens of landlords and Liens of carriers, warehousemen, mechanics and materialmen and other like Liens arising in the ordinary course of business for sums not yet due and payable or which are being contested in good faith by appropriate proceedings and for which reserves have been provided to the extent required by and in accordance with generally accepted accounting principles, (c) leases, services agreements and other similar agreements which may constitute Liens and are identified in the Company Disclosure Letter and (d) imperfections or irregularities of title and Liens on property which are not substantial in character, amount or extent so as to materially detract from the value of or materially impair the existing use of the property affected thereby and, in the case of Company Real Property, would not have a material adverse effect on the Company.

"person" means an individual, corporation, limit liability company, joint venture, partnership, association, trust, unincorporated entity or other entity.

"Preferred Shares" has the meaning specified in Section 4.03.

"Proxy Statement" means the proxy statement to be prepared by the Company and delivered to its shareholders in connection with the Shareholders Meeting to consider and vote upon the Company Shareholder Approval.

"Release" means any release, threatened release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface water, groundwater or property that results in liability under applicable Environmental Laws.

"Share" means each Common Share, par value $0.10 per share, of the Company.

"Shareholders Meeting" means a meeting of the Company's shareholders called for the purpose of obtaining the Company Shareholder Approval.

"**Significant Subsidiary**" means any subsidiary of the Company that accounts for (i) more than 10% of the Company's consolidated revenues, measured on the basis of the preceding twelve months, or (ii) has more than 20,000 customers included in its customer base at the end of the immediately preceding month.

"**Sub**" has the meaning specified in the first paragraph of this Agreement.

"**Subsequent Determination**" has the meaning specified in Section 6.02(b).

"**subsidiary**" means, with respect to any person, another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, 50% or more of the equity interest of which) is owned directly or indirectly by such first person.

"**Superior Proposal**" has the meaning specified in Section 6.02(b).

"**Surviving Corporation**" means the Company, as the surviving corporation in the Merger.

"**Takeover Proposal**" means any inquiry, proposal or offer from any person or group relating to any direct or indirect acquisition or purchase of 20% or more of the assets of the Company and its subsidiaries taken as a whole or assets that constitute 20% or more of the net revenues of the Company and its subsidiaries taken as a whole or 10% or more of any class of equity securities of the Company or any Significant Subsidiary of the Company, any tender offer or exchange offer that if consummated would result in any person or group beneficially owning 10% or more of any class of equity securities of the Company or any Significant Subsidiary of the Company, or any merger, consolidation, business combination, sale of all or substantially all the assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any Significant Subsidiary of the Company, other than the transactions contemplated by this Agreement, including any transactions approved in writing by Parent in accordance with this Agreement.

"**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), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, 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, and including any liability for the Taxes of any person under Treas. Reg. § 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract or otherwise.

"**Taxing Authority**" means any governmental agency, board, bureau, body, department or authority of any United States federal, state or local jurisdiction or any foreign jurisdiction, having jurisdiction, with respect to any Tax.

"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

"Termination Fee" means $7.0 million.

"Welfare Plan" has the meaning specified in Section 4.10(a).

ARTICLE II

The Merger

SECTION 2.01. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the IBCA, Sub shall be merged with and into the Company at the Effective Time. As a result of the Merger, the separate corporate existence of Sub shall cease and the Company shall continue as the Surviving Corporation and shall succeed to and assume all of the rights and obligations of Sub in accordance with the IBCA. At the election of Parent, any direct or indirect wholly owned subsidiary of Parent may be substituted for Sub as a constituent company in the Merger. In such event, the parties agree to execute an appropriate amendment to this Agreement, in form and substance reasonably satisfactory to Parent and the Company, in order to reflect the foregoing.

SECTION 2.02. Closing. The closing of the Merger will take place at 10:00 a.m. on a date to be mutually agreed by Parent and the Company (and, failing such agreement, on the second business day) after satisfaction or waiver of the conditions set forth in Article VIII (the "Closing Date"), at the offices of Fried, Frank, Harris, Shriver & Jacobson, 1001 Pennsylvania Avenue, N.W., Suite 800, Washington, D.C. 20004, unless another date, time or place is agreed to in writing by the parties hereto.

SECTION 2.03. Effective Time. Subject to the provisions of this Agreement, as soon as practicable on or after the Closing Date, the parties shall file Articles of Merger executed in accordance with the relevant provisions of the IBCA, and shall make all other filings or recordings required under the IBCA. The Merger shall become effective at such time as the Articles of Merger, executed in accordance with the relevant provisions of the IBCA, are duly filed with the Secretary of State of the State of Illinois and the Illinois Secretary of State has issued a certificate of merger, or at such other time as Sub and the Company shall agree should be specified in the Articles of Merger (the time the Merger becomes effective being hereinafter referred to as the "Effective Time").

SECTION 2.04. Effects of the Merger. The Merger shall have the other effects set forth in Section 11.50 of the IBCA.

SECTION 2.05. Articles of Incorporation and By-laws. (a) At the Effective Time, Article 4, Article 5 and Article 6 of the Company Charter shall be amended as hereinafter set forth and the Company Charter, as so amended, shall be the Articles of Incorporation of the

Surviving Corporation, until thereafter changed or amended as provided therein or by applicable law. Article 4, Article 5 and Article 6, as amended, shall be and read as follows:

> "Article 4. The total number of shares of all classes of capital stock which the corporation shall have authority to issue is 1,000 Common Shares, each with a par value of $0.10 per share. No shares shall be entitled to cumulative voting.
>
> Article 5. The business and affairs of the corporation shall be managed by or under the direction of a Board of Directors, with the number of directors to be set forth in the by-laws of the corporation.
>
> Article 6. Intentionally deleted.".

(b) At the Effective Time, the By-laws of the Company shall be amended in their entirety to conform to the By-laws of Sub (subject to the requirements of Section 7.06), as in effect immediately prior to the Effective Time, and, as amended, shall be the By-laws of the Surviving Corporation, until thereafter changed or amended as provided therein, in the Articles of Incorporation or by applicable law.

SECTION 2.06. Directors. The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation upon and after the Effective Time, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 2.07. Officers. The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation upon and after the Effective Time, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE III

Effect of the Merger on the Capital Stock of Sub and the Company; Exchange of Certificates

SECTION 3.01. Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of Sub, the Company or the holder of any Shares or any shares of capital stock of Sub:

(a) Capital Stock of Sub. Each issued and outstanding Common Share, par value $0.10 per share, of Sub shall be converted into and become one validly issued, fully paid and nonassessable Common Share, par value $0.10 per share, of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent Owned Stock. Except for the Shares set forth in Sections 4.03(iii)(d) and (e), each Share that is issued and owned by the Company or by any subsidiary of the Company and each Share that is issued and outstanding and

owned by Parent or any subsidiary of Parent shall automatically be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Shares. Each Share issued and outstanding (other than Shares to be canceled in accordance with Section 3.01(b) and other than Dissenting Shares) shall be converted into the right to receive in cash, the Merger Consideration without interest. All such Shares, as of the Effective Time, shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without interest.

(d) Shares of Dissenting Shareholders. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding Shares held by a person (a "Dissenting Shareholder") who objects to the Merger and complies with all of the provisions of the IBCA concerning the right of holders of Shares to dissent from the Merger and obtain payment for their Shares ("Dissenting Shares") shall not be converted as described in Section 3.01(c), but shall be converted into the right to receive such consideration as may be determined to be due to such Dissenting Shareholder pursuant to the IBCA (unless such holder fails to perfect or withdraws or loses such holder's right to appraisal). If, after the Effective Time, such Dissenting Shareholder withdraws such holder's demand for payment or fails to perfect or otherwise loses his right of payment, in any case pursuant to the IBCA, the Shares of such Dissenting Shareholder shall be deemed to be converted as of the Effective Time into the right to receive the Merger Consideration. The Company shall give Parent (i) prompt notice of any demands for payment, withdrawals of such demands and other instruments served pursuant to the IBCA with respect to Dissenting Shares or Dissenting Shareholders and received by the Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent (which consent shall not be unreasonably withheld or delayed), make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands, except as required by law.

SECTION 3.02. Exchange of Certificates. (a) Paying Agent. Prior to the Effective Time, Parent shall designate a bank or trust company reasonably acceptable to the Company to act as paying agent in the Merger for the purpose of exchanging the Certificates for the Merger Consideration (the "Paying Agent"), and Parent shall, at or prior to the Effective Time, deposit or cause to be deposited with the Paying Agent in a separate fund established for the benefit of the holders of Shares (the "Payment Fund") funds in an amount necessary for the payment of the Merger Consideration upon surrender of certificates representing Shares as part of the Merger pursuant to Section 3.01 (it being understood that any and all interest earned on funds made available to the Paying Agent pursuant to this Agreement shall be turned over to Parent). At the Effective Time, Parent shall, to the extent necessary, also make available to the Surviving Corporation funds in an amount necessary for the payment of the Option Consideration.

(b) Exchange Procedure. As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of

a certificate or certificates that immediately prior to the Effective Time represented Shares (the "Certificates"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in a form and have such other provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the Shares theretofore represented by such Certificate shall have been converted pursuant to Section 3.01 less any required withholding of taxes as provided in Section 3.02(g), and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, payment may be made to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 3.02, each Certificate (other than Certificates representing Shares canceled in accordance with Section 3.01(b) and Dissenting Shares) shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the amount of cash, without interest, into which the Shares theretofore represented by such Certificate shall have been converted pursuant to Section 3.01. No interest will be paid or will accrue on the cash payable upon the surrender of any Certificate. In making payments to persons who have outstanding loans from the Company or any of its subsidiaries, Parent shall deduct any outstanding principal and accrued interest to the payment date from the relevant Merger Consideration and such amounts shall be considered repaid.

(c) No Further Ownership Rights in Shares. All cash paid upon the surrender of Certificates in accordance with the terms of this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares theretofore represented by such Certificates. At the Effective Time, the stock transfer books of the Company shall be closed, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be canceled and exchanged as provided in this Article III.

(d) Termination of Payment Fund. Any portion of the Payment Fund which remains undistributed to the holders of Shares for six months after the Effective Time shall be delivered to Parent, upon demand, and any holders of Shares who have not theretofore complied with this Article III and the instructions set forth in the letter of transmittal mailed to such holders after the Effective Time shall thereafter look only to Parent for payment of the Merger Consideration to which they are entitled, without any interest thereon.

(e) No Liability. None of Parent, Sub, the Company or the Paying Agent shall be liable to any person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificates shall not have been surrendered prior to five years after the Effective Time (or immediately prior to such earlier date on which any payment pursuant to this Article III would otherwise escheat to or become the property of any Governmental Entity), the cash payment in respect of such Certificate shall, unless otherwise provided by applicable law, become the property of the Surviving Corporation, free and clear of all Liens.

(f) Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent or the Paying Agent, the posting by such person of a bond, in such reasonable amount as Parent or the Paying Agent may direct as indemnity against any claim that may be made against them with respect to such Certificate, the Paying Agent will pay in exchange for such lost, stolen or destroyed Certificate the amount of cash to which the holders thereof are entitled pursuant to Section 3.01.

(g) Withholding Rights. Parent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of any applicable tax law. To the extent that amounts are so withheld by Parent, such amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made by Parent. Notwithstanding the foregoing, Parent shall be liable for and pay and indemnify each holder of Shares on an after-tax basis against any withholding Taxes imposed by The Netherlands.

ARTICLE IV

Representations and Warranties of the Company

The Company represents and warrants to Parent and Sub as follows:

SECTION 4.01. Organization. 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 in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not, either individually or in the aggregate, have a material adverse effect on the Company or prevent or materially delay the consummation of the Merger. The Company has delivered to Parent complete and correct copies of the Company Charter and its By-laws and made available to Parent the charter and By-laws (or similar organizational documents) of its subsidiaries. The

stock certificate books and the stock record books of the Company are correct and complete. The minute books (containing the records of meetings of the shareholders, the board of directors, and any committees of the board of directors) of the Company are correct and complete in all material respects. The Company is not in violation of any provision of the Company Charter or its By-laws.

SECTION 4.02. Subsidiaries. Item 4.02 of the Company Disclosure Letter lists, as of the date of this Agreement, each subsidiary of the Company. Except as set forth in Item 4.02 of the Company Disclosure Letter, all of the outstanding shares of capital stock of each subsidiary are owned by the Company, by another wholly owned subsidiary of the Company or by the Company and another wholly owned subsidiary of the Company, free and clear of all Liens, and are duly authorized, validly issued, fully paid and nonassessable. Except for the capital stock of its subsidiaries and except as set forth in Item 4.02 of the Company Disclosure Letter, as of the date of this Agreement, the Company does not own, directly or indirectly, any capital stock or other ownership interest in any person.

SECTION 4.03. Capitalization. The authorized capital stock of the Company consists of 20,000,000 Shares and 5,000,000 Preferred Shares, par value $0.10 per share (the "Preferred Shares"). As of the date of this Agreement:

(i) 649 Shares were held by the Company in its treasury;

(ii) 223,000 Shares were reserved for issuance upon exercise of outstanding options to purchase Shares ("Company Stock Options") issued pursuant to the Company Option Plans;

(iii) 6,456,295 Shares were issued and outstanding, including the following:

(a) 26,758 Shares were outstanding as restricted shares under the Company's Long Term Incentive Plan;

(b) 458,344 Shares were held by James Camaren, Lawrence Schumacher and Robert Wolfe, as trustees of the ESOP;

(c) 39,114 Shares were held by James Camaren, Lawrence Schumacher and Robert Wolfe, as trustees of the Utilities, Inc. Pension Plan (Money Purchase Plan);

(d) 8,286 Shares (which were purchased by the Company) were held in the name of the Utilities, Inc. Deferred Compensation A/C for the benefit of and to facilitate future payments to employees under the Executive Benefit Replacement Program; and

(e) 71,120 Shares (which were purchased by the Company) were held in the name of the Utilities, Inc. Deferred Compensation A/C for the

benefit of and to facilitate future payments to directors and former employees under the Company's Deferred Compensation Plan; and

(iv) no Preferred Shares were issued or outstanding.

Except as set forth above, as of the date of this Agreement, no shares of capital stock or other voting securities of the Company are issued, reserved for issuance or outstanding. All outstanding shares of capital stock of the Company are, and all shares which may be issued will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no bonds, debentures, notes or other indebtedness of the Company or any of its subsidiaries having the right to vote (or convertible into, or exchangeable for, securities having the right to vote ("Convertible Securities") on any matters on which shareholders of the Company may vote. Except for Company Stock Options and except as set forth in Item 4.03 of the Company Disclosure Letter, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its subsidiaries is a party or by which any of them is bound obligating the Company or any of its subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, Convertible Securities or other voting securities of the Company or of any of its subsidiaries or obligating the Company or any of its subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. Except as set forth on Item 4.03 of the Company Disclosure Letter, as of the date of this Agreement, there are no outstanding contractual obligations of the Company or any of its subsidiaries (i) to repurchase, redeem or otherwise acquire any shares of capital stock or Convertible Securities of the Company or (ii) to vote or to dispose of any shares of the capital stock of any of the Company's subsidiaries. Except as set forth in Item 4.03 of the Company Disclosure Letter, there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company. The Company is not a party to any voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of the Company.

SECTION 4.04. Authority. The Board of Directors of the Company, at a meeting duly called and held, at which all directors were present, has duly and unanimously adopted resolutions approving this Agreement and the Merger in accordance with the IBCA, determining that the terms of the Merger are fair to, and in the best interests of, the Company's shareholders and recommending that the Company's shareholders approve and adopt this Agreement. The Company has the requisite corporate power and authority to execute and deliver this Agreement and, subject to obtaining the Company Shareholder Approval, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by the Company of the Merger and of the other transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions so contemplated (in each case, other than, with respect to the Merger, the Company Shareholder Approval and the filings of the Articles of Merger in accordance with the IBCA). This Agreement has been duly executed and delivered by the Company and, assuming this Agreement constitutes a valid and binding obligation of each of

Parent and Sub, constitutes a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 4.05. Consent and Approvals; No Violations. Except as set forth in Item 4.05 of the Company Disclosure Letter, and except for (A) filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of the HSR Act and except for the Company Shareholder Approval and (B) the filing with the Secretary of State of Illinois of the Articles of Merger following receipt of the Company Shareholder Approval and the filing of a certified copy of the Articles of Merger with the Recorder of Deeds of Cook County, Illinois, to the knowledge of the Company, neither the execution, delivery or performance of this Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby will (i) conflict with or violate any provision of the Company Charter or the By-laws of the Company or of the charter or By-laws (or similar organizational documents) of any of its subsidiaries, (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except where the failure to make such filings or obtain such permits, authorizations, consents or approvals or to make such filings would not have a material adverse effect on the Company and would not reasonably be expected to prevent or materially delay the consummation of the Merger), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license, contract, agreement or other instrument or obligation to which the Company or any of its subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company, any of its subsidiaries or any of their properties or assets, except in the case of clauses (iii) or (iv) for violations, breaches or defaults that would not, individually or in the aggregate, have a material adverse effect on the Company and that would not reasonably be expected to prevent or materially delay the consummation of the Merger. To the Company's knowledge, as of the date of this Agreement, there is no fact, event or condition applicable to the Company or any of the Company's subsidiaries which will, or would, materially adversely affect securing the requisite approvals or consents of any Governmental Entity to the Merger and the transactions contemplated by this Agreement.

SECTION 4.06. Financial Statements. The Company has provided Parent with the audited consolidated balance sheets of the Company as of December 31, 2000, 1999 and 1998 and the audited consolidated statements of income, capitalization, common shareholders' equity and cash flows of the Company for the years ended December 31, 2000, 1999 and 1998. Item 4.06 of the Company Disclosure Letter contains the unaudited consolidated balance sheet of the Company as of February 28, 2001 and the related consolidated statements of income, capitalization and changes in common shareholders' equity for the two months then ended. Except as set forth therein, such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods

involved (except that the unaudited financial statements do not contain footnotes and are subject to normal recurring year-end adjustments which will not be material, individually or in the aggregate), and such financial statements present fairly, in all material respects, in accordance with generally accepted accounting principles the consolidated financial position and results of operations and cash flows of the Company and its subsidiaries, as of their respective dates and for the respective periods covered thereby. Except as disclosed in such financial statements or as required by generally accepted accounting principles, the Company has not, since December 31, 2000, made any material change in the accounting practices or policies applied in the preparation of financial statements.

SECTION 4.07. Absence of Certain Changes or Events. Except as set forth in Item 4.07 of the Company Disclosure Letter or as contemplated by this Agreement, since December 31, 2000, the Company and its subsidiaries have conducted their respective businesses only in the ordinary course consistent with past practice, and there has not been (i) as of the date hereof, any material adverse change with respect to the Company, (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock or any redemption, purchase or other acquisition of any of its capital stock, (iii) any split, combination or reclassification of any of its capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (iv) any damage, destruction or loss, whether or not covered by insurance, that has or could reasonably be expected to have a material adverse effect on the Company, (v) any revaluation by the Company of any of its material assets, (vi) any entry by the Company or its subsidiaries into any material agreement, contract, lease or license or amendment to such agreement, contract, lease or license, (vii) any material Tax election made or changed, any material Tax audit settled or any amended material Tax Returns filed, (viii) any issuance by the Company of any shares of its capital stock or granting by the Company of any options, rights, or warrants to purchase any such capital stock or any securities convertible into or exchangeable for any such capital stock, except for issuances of Shares upon the exercise of options and grants which are consistent with past practice and do not exceed grants of options for 50,000 Shares, (ix) except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company, any increase in any manner of the compensation or benefits of any employee, director or officer, former employee, or independent contractor providing personal services to the Company or its subsidiaries ("Company Employee"), (x) except for annual cash contributions to the ESOP in an amount equal to 4% of compensation (as defined in the ESOP) of the participants therein, any additional loan or commitment to the ESOP or any guaranty of any such loan or commitment, (xi) any entry into or amendment of any contract or agreement with any Company Employee, or any employment, severance or special pay arrangement with any Company Employee, except, in any case, in the ordinary course of business consistent with past practice, provided that the term "ordinary course of business" as used in this subsection shall not include any contract, agreement or arrangement involving the payment of cash or provision of benefits upon a change in control of the Company, or (xii) any agreement or commitment entered into with respect to any of the foregoing.

SECTION 4.08. No Undisclosed Liabilities. Except as set forth in Item 4.08 of the Company Disclosure Letter and the Company's audited consolidated balance sheet dated December 31, 2000 and the unaudited consolidated balance sheet as of February 28, 2001, neither the Company nor any of its subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, except for liabilities incurred in the ordinary course of business consistent with past practice, which, either individually or in the aggregate, have not had and would not reasonably be expected to have a material adverse effect on the Company.

SECTION 4.09. Information Supplied. The Proxy Statement and any amendment or supplement thereto, will not, at the time the Proxy Statement (or any amendment or supplement thereto) is first mailed to the Company's shareholders or at the time of the Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation or warranty is made by the Company with respect to statements made or incorporated by reference therein based on information supplied by Parent or Sub specifically for inclusion or incorporation by reference therein.

SECTION 4.10. Benefit Plans. Except as set forth in Item 4.10 of the Company Disclosure Letter:

(a) Each employee pension benefit plan ("Pension Plan"), as defined in Section 3(2) of ERISA, each employee welfare benefit plan, as defined in Section 3(1) of ERISA ("Welfare Plan"), and each deferred compensation, bonus, incentive, stock incentive, option, stock purchase, severance, or other employee benefit plan, agreement, commitment, or arrangement funded or unfunded, written or oral ("Benefit Plan"), which is currently maintained by the Company or any of its ERISA Affiliates (as defined in Section 4.10(j) below) or to which the Company or any of its ERISA Affiliates currently contributes, or is under any current obligation to contribute, or under which the Company or any of its ERISA Affiliates has any liability contingent or otherwise (including any withdrawal liability within the meaning of Section 4201 of ERISA) (collectively, the "Company Employee Plans" and individually, "Company Employee Plan"), and each management, employment, consulting, severance, non-compete, confidentiality, or similar agreement or contract between the Company or any subsidiary of Company, and any Company Employee pursuant to which the Company or any subsidiary of the Company, has or may have any liability, contingent or otherwise ("Company Employee Agreement"), as of the date of this Agreement, is listed in Item 4.10(a) of the Company Disclosure Letter. The Company has delivered or made available to Parent (in each case, as of the date of this Agreement) (i) current, accurate and complete copies of all documents embodying each Company Employee Plan and each Company Employee Agreement, including all amendments thereto and trust or funding agreements with respect thereto; (ii) the two most recent annual actuarial valuations, if any, prepared for each Company Employee Plan, to the extent applicable; (iii) the most recent determination letter received from the Internal Revenue Service ("IRS"), if any, for each Company Employee Plan and related trust which is intended to satisfy the requirements of Section 401(a) of the Code; (iv) if a Company Employee Plan is

funded, the most recent annual and periodic accounting of the Company Employee Plan assets; (v) the most recent summary plan description together with the most recent summary of material modifications, if any, required under ERISA with respect to each Company Employee Plan; and (vi) copies of the most recent annual reports (Series 5500 and all schedules thereto) filed, if any, as required under ERISA in connection with each Company Employee Plan or related trust. None of the Company, any subsidiary of Company or any ERISA Affiliate has any plan or commitment to establish any new Company Employee Plan, to enter into any Company Employee Agreement to modify or to terminate any Company Employee Plan or Company Employee Agreement (except in accordance with its terms, to the extent required by law or to conform any such Company Employee Plan or Company Employee Agreement to the requirements of any applicable law, in each case as previously disclosed to Parent, or as required by this Agreement), nor has any intention to do any of the foregoing been communicated to Company Employees.

(b) Each Company Employee Plan (and any related trust or other funding instrument) has been established, maintained, and administered in all material respects in accordance with its terms and in both form and operation is in compliance in all material respects with the applicable provisions of ERISA, the Code, and other applicable laws, statutes, orders, rules and regulations (other than adoption of any plan amendments for which the deadline has not yet expired). All material reports required to be filed with any Governmental Entity with respect to each Company Employee Plan have been timely filed.

(c) Each Company Employee Plan intended to qualify under Section 401 of the Code has received a determination letter from the IRS to the effect that such Company Employee Plan is so qualified and that each trust forming a part of such Company Employee Plan is exempt from tax pursuant to Section 501(a) of the Code and such plan will file for a determination letter by December 31, 2001 and make such changes as are required by the IRS in order to maintain such qualifications. To the knowledge of the Company, no circumstances exist which would adversely affect such qualification or exemption. Each Company Employee Plan can be amended, terminated or otherwise discontinued without liability to the Company, any subsidiary or any ERISA Affiliate.

(d) There is no litigation, arbitration, audit or investigation or administrative proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its ERISA Affiliates or, to the knowledge of the Company, any plan fiduciary by the IRS, the Department of Labor, the Pension Benefit Guaranty Corporation ("PBGC"), or any participant or beneficiary with respect to any Company Employee Plan as of the date of this Agreement. No event or transaction has occurred, or will occur by virtue of the consummation of the transactions contemplated hereby, with respect to any Company Employee Plan that would result in the imposition of any tax under Chapter 43 of Subtitle D of the Code. None of the Company, any of its ERISA Affiliates or, to the knowledge of the Company, any plan fiduciary of any Pension or Welfare Plan maintained by the Company or its subsidiaries has engaged in any transaction in violation of Section 406(a) or (b) of ERISA for which no exemption exists under Section 408 of ERISA or any "prohibited transaction" (as defined in Section 4975(c)(1) of the Code) for which no exemption exists under Section 4975(c)(2) or 4975(d) of the Code, or is

subject to any excise tax imposed by the Code or ERISA with respect to any Company Employee Plan.

(e) No liability under any Company Employee Plan has been funded, nor has any such obligation been satisfied, with the purchase of a contract from an insurance company as to which the Company or any of its subsidiaries has received notice that such insurance company is insolvent or is in rehabilitation or any similar proceeding.

(f) Neither the Company nor any of its ERISA Affiliates currently maintains, nor at any time in the previous six calendar years maintained or had an obligation to contribute to, any defined benefit pension plan covered by Title IV of ERISA, including any "multiemployer plan" as that term is defined in Section 3(37) of ERISA.

(g) None of the Company, any subsidiary or any ERISA Affiliate (i) maintains or contributes to any Company Employee Plan which provides, or has any liability to provide, life insurance, medical, severance or other employee welfare benefits to any Company Employee upon his retirement or termination of employment, except as may be required by Section 4980B of the Code; or (ii) has ever represented, promised or contracted to any Company Employee (either individually or to Company Employees as a group) that such Company Employee(s) would be provided with life insurance, medical, severance or other employee welfare benefits upon their retirement or termination of employment, except to the extent required by Section 4980B of the Code.

(h) Except as set forth in Item 4.10(h) of the Company Disclosure Letter, the execution of, and performance of the transactions contemplated in, this Agreement will not, either alone or in combination with another event, (i) constitute an event under any Company Employee Plan or Company Employee Agreement that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any Company Employee, or (ii) result in the triggering or imposition of any restrictions or limitations on the right of Company or Parent to amend or terminate any Company Employee Plan and receive the full amount of any excess assets remaining or resulting from such amendment or termination, subject to applicable Taxes. No payment or benefit which will or may be made by the Company, any subsidiary, Parent or any of its respective affiliates with respect to any Company Employee will be characterized as an "excess parachute payment," within the meaning of Section 280G(b)(1) of the Code.

(i) As of the date of this Agreement, no work stoppage or labor strike against the Company or any subsidiary of Company by Company Employees is pending or, to the knowledge of the Company, threatened. Neither the Company nor any subsidiary of the Company (i) is involved in or, to the knowledge of the Company, threatened with any labor dispute, grievance, or litigation relating to labor matters involving any Company Employees, including violation of any federal, state or local labor, safety or employment laws (domestic or foreign), charges of unfair labor practices or discrimination complaints, except for such matters that would not, individually or in the aggregate, have a material adverse effect on the Company;

(ii) has engaged in any unfair labor practices within the meaning of the National Labor Relations Act or the Railway Labor Act, except for such practices that would not, individually or in the aggregate, have a material adverse effect on the Company; or (iii) is, as of the date of this Agreement, bound by, any collective bargaining agreement or union contract with respect to Company Employees and no such agreement or contract is being negotiated by the Company or any of its affiliates as of the date hereof. No Company Employees are represented by any labor union for purposes of collective bargaining and, to the knowledge of the Company, no activities the purpose of which is to achieve such representation of all or some, of such Company Employees are threatened or ongoing.

(j) Neither the Company nor any of its ERISA Affiliates has any liability with respect to any plan, program, or arrangement maintained or contributed to by any ERISA Affiliate that would be a Company Employee Plan if it were maintained by the Company. For purposes of this Agreement, "ERISA Affiliate" means, with respect to the Company or Parent, as applicable, each trade, business or entity which is a member of a "controlled group of corporations," under "common control" or an "affiliated service group" with the Company or Parent, as applicable, within the meaning of Sections 414(b), (c) or (m) of the Code, or required to be aggregated with the Company or Parent, as applicable, under Section 414(o) of the Code, or is under "common control" with the Company or Parent, as applicable, within the meaning of Section 4001 (a)(14) of ERISA.

SECTION 4.11. Contracts; Indebtedness. (a) Except as set forth in Item 4.11(a) of the Company Disclosure Letter, as of the date of this Agreement, neither the Company nor any subsidiary of the Company is a party to or bound by (i) any contract, commitment, agreement or arrangement for the future purchase or sale of any material amount of assets or any capital stock, Convertible Securities or other equity interests, (ii) any contract, commitment, agreement or arrangement obligating the Company or any of its subsidiaries to purchase any products or services or otherwise relating to or affecting the business operations or assets of the Company which (A) is not terminable by the Company or such subsidiary of the Company without payment of penalty upon 90 days' (or less) notice and (B) provides for annual payments aggregating $250,000 or more, (iii) any other contract, commitment, agreement or arrangement to which the Company or any of its subsidiaries is a party or by which it is bound that provides for annual payments (by or to the Company or such subsidiary of the Company) in excess of $250,000 per annum, (iv) any material contract, commitment, agreement or arrangement under which the Company or any of its subsidiaries agrees to indemnify any person, (v) any contract, commitment, agreement or arrangement containing non-competition, exclusivity or other similar provisions that would materially restrict the ability of the Company or its subsidiaries to do business in any line of business or in any geographic area or with any person or (vi) any contract, commitment, agreement or arrangement in respect of any joint venture, partnership, development agreement, intellectual property license, or similar agreement. Except as set forth in Item 4.11(a) of the Company Disclosure Letter, none of the Company, any of its subsidiaries or, to the knowledge of the Company, any other party to such contract, commitment, agreement or arrangement is in violation of or in default under (nor does there exist, to the knowledge of the Company, any condition which upon passage of time or the giving of notice would cause such a violation of or default under) (i) any loan or credit agreement, note, bond, mortgage or indenture,

(ii) any lease or (iii) any other contract, commitment, agreement or arrangement to which the Company or any of its subsidiaries is a party or by which it or any of its properties or assets is bound, except in the case of clauses (ii) and (iii) for violations or defaults that could not reasonably be expected, individually or in the aggregate, to have a material adverse effect on the Company.

(b) Set forth in Item 4.11(b) of the Company Disclosure Letter is a list as of the date of this Agreement of all agreements, instruments and other obligations pursuant to which any indebtedness for borrowed money or capitalized lease obligations of the Company or any of its subsidiaries in an aggregate principal amount in excess of $250,000 is outstanding or may be incurred.

(c) Each contract, commitment, agreement and arrangement required to be listed in Item 4.11(a) of the Company Disclosure Letter is in full force and effect and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, of the Company or any subsidiary of the Company and, to the knowledge of the Company, of each other party thereto, subject to applicable bankruptcy, reorganization, insolvency, moratorium and other laws affecting creditors' rights generally and general equitable principles.

SECTION 4.12. Litigation. Except as set forth in Item 4.12 of the Company Disclosure Letter, as of the date of this Agreement, there is no suit, claim, action, arbitration or proceeding or investigation pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the Company or prevent or materially delay the consummation of the Merger. Except as set forth in Item 4.12 of the Company Disclosure Letter, as of the date of this Agreement, neither the Company nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the Company or prevent or materially delay the consummation of the Merger.

SECTION 4.13. Compliance with Applicable Law. (a) The Company and its subsidiaries hold all permits, licenses, variances, exemptions, orders, concessions, franchises, approvals and authorizations of all Governmental Entities necessary for the lawful conduct of their respective businesses substantially as conducted immediately prior to the date of this Agreement (the "Company Permits"), except for failures 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 on the Company and would not reasonably be expected to prevent or materially delay the consummation of the Merger. The Company has made available to Parent a true and complete list of all Company Permits used in and material to the business or operation of the Company.

(b) To the knowledge of the Company, the Company and its subsidiaries are in compliance with the terms of the Company Permits, except where the failure so to comply would not have a material adverse effect on the Company and would not reasonably be expected to prevent or materially delay the consummation of the Merger. Except as set forth in Item 4.13(b)

of the Company Disclosure Letter, the current conduct of the businesses of the Company and its subsidiaries does not violate any law, ordinance or regulation of any Governmental Entity, except for possible violations that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the Company or prevent or materially delay the consummation of the Merger.

(c) Except as set forth in Item 4.13(c) of the Company Disclosure Letter, as of the date of this Agreement, no investigation or review by any Governmental Entity with respect to the Company or any of its subsidiaries is pending or, to the knowledge of the Company, threatened, nor has any Governmental Entity indicated in writing an intention to conduct any such investigation or review, other than, in each case, those the outcome of which could not reasonably be expected, individually or in the aggregate, to have a material adverse effect on the Company or prevent or materially delay the consummation of the Merger. Except as set forth in Item 4.13(c), 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 Entities, 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 that could not reasonably be expected to have a material adverse effect on the Company.

(d) The Company and each of its subsidiaries, to the extent applicable, is duly authorized and franchised by the relevant Governmental Entity 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 could not reasonably be expected to have a material adverse effect on the Company.

SECTION 4.14. Tax Matters. Except as set forth in Item 4.14 of the Company Disclosure Letter as of the date hereof:

(a) The Company and each of its subsidiaries have filed all material Tax Returns required to be filed by it. All such Tax Returns are (or, as to Tax Returns not filed on the date hereof, will be) complete and accurate in all material respects.

(b) All Taxes due and payable on all filed Tax Returns referred to in Section 4.14(a) (whether or not shown as due) with respect to the Company and each of its subsidiaries have been paid in full or reserves have been established on the relevant books and/or records. With respect to any period for which Tax Returns have not yet been filed, or for which Taxes are not yet due or owing, the Company and each of its subsidiaries have made, in accordance with past practice and custom, due and sufficient accruals for such Taxes in their respective books and records and financial statements.

(c) The unpaid Taxes of the Company and its subsidiaries did not as of the most recent fiscal month end exceed in any material respect the reserve for Tax liability (other than any reserve for deferred Taxes established to reflect timing differences between book and tax income) set forth on the face of the balance sheet for such month.

(d) No director or officer (or employee responsible for Tax matters) of any of the Company and its subsidiaries expects any Taxing Authority to assess any additional material Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax liability of any of the Company and its subsidiaries either (A) claimed or raised by any Taxing Authority in writing or, to the knowledge of the Company, other than in writing or (B) as to which any of the directors and officers (and employees responsible for Tax matters) of the Company and its subsidiaries has knowledge based upon personal contact with any agent of such Taxing Authority. Each deficiency resulting from any audit or examination relating to income taxes by any Taxing Authority has been paid. No material issues relating to Taxes were raised by the relevant Taxing Authority during any presently pending audit or examination, and no material issues relating to Taxes were raised in writing by the relevant Taxing Authority in any completed audit or examination that can reasonably be expected to recur in a later taxable period.

(e) There is no agreement or other document extending, or having the effect of extending, the period of assessment or collection of any material Taxes, or waiving any statute of limitations and no power of attorney with respect to any material Taxes has been executed or filed with any Taxing Authority.

(f) No Liens for Taxes exist with respect to any assets or properties of the Company or any of its subsidiaries, except for Permitted Liens.

(g) None of the Company or any of its subsidiaries is a party to or is bound by, and no payments are due or will become due pursuant to, any Tax sharing agreement, Tax indemnity obligation or similar agreement.

(h) The Company has delivered or made available to Parent correct and complete copies of all requested federal, state, local, and foreign income Tax Returns with respect to the Company and each of its subsidiaries,

(i) None of the Company or any of its subsidiaries has distributed the stock of a "controlled corporation" (within the meaning of that term as used in Section 355(a) of the Code) in a transaction subject to Section 355 of the Code within the past two years.

(j) To the knowledge of the Company, no claim has been made and is still pending by any Taxing Authority in a jurisdiction where neither the Company nor any of its subsidiaries files Tax Returns that the Company or any of its subsidiaries is or may be subject to taxation by that jurisdiction, or liable for Taxes owing to that jurisdiction.

(k) Item 4.14(k) of the Company Disclosure Letter lists all U.S. and non-U.S. federal, state and local income Tax Returns filed with respect to the Company and each of its

subsidiaries for taxable periods ending on or after December 31, 1997 and indicates those Tax Returns that have been audited.

(l) None of the Company or any of its subsidiaries has any material "deferred gains" or material "excess loss accounts" with respect to any "deferred intercompany transactions" within the meaning of Treas. Reg. § 1.1502-13 or § 1.1502-19, respectively.

(m) The Company and each of its subsidiaries have withheld and paid all material Taxes required to be withheld and paid in connection with amounts paid or owing to any Employee, independent contractor, creditor, shareholder, or other third party.

(n) None of the Company or any of its material subsidiaries: (i) is a "consenting corporation" within the meaning of Section 341(f) of the Code or has assets subject to an election under Section 341(f) of the Code; or (ii) is or has been required to make a material basis reduction pursuant to Treas. Reg. §§ 1.1 502-20(b) or 1.337(d)-2(b).

(o) None of the material assets of the Company or any of its subsidiaries: (i) is property that is required to be treated as being owned by any other person pursuant to the provisions of former Section 168(f)(8) of the Code; (ii) is "tax-exempt use property" within the meaning of Section 168(h) of the Code; or (iii) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.

(p) None of the Company or any of its subsidiaries has any actual, or to the knowledge of the Company, potential liability for any Taxes of any person (other than the Company and each of its subsidiaries) under Treas. Reg. § 1.1502-6 (or any similar provision of law in any jurisdiction), or as a transferee or successor, by contract, or otherwise, that is reasonably likely to have a material adverse effect on the Company.

SECTION 4.15. State Takeover Statutes. The provisions of Sections 7.85 and 11.75 of the IBCA are inapplicable to the Merger and this Agreement and the transactions contemplated by this Agreement. To the knowledge of the Company, no other state takeover statute or other similar statute or regulation applies or purports to apply to the Merger, this Agreement or any of the transactions contemplated by this Agreement.

SECTION 4.16. Environmental Matters. (a) Except as set forth in Item 4.16 of the Company Disclosure Letter: (i) the Company and each of its subsidiaries are in compliance with all applicable Environmental Laws except where the failure to be in such compliance would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company; (ii) the Company and each of its subsidiaries has obtained or has applied for all environmental, health and safety permits and governmental authorizations necessary for the construction of its facilities or the conduct of its operations (collectively, the "Environmental Permits"), and all such Environmental Permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and the Company and its subsidiaries are in compliance with all terms and conditions of such Environmental Permits, except where the failure to obtain, apply for, or be in compliance with, such Environmental

Permits would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company; (iii) as of the date of this Agreement, there is no Environmental Claim pending or, to the knowledge of the Company, threatened against the Company or any of its subsidiaries which would reasonably be expected to result, individually or in the aggregate, in a material adverse effect on the Company; (iv) except for Releases of Hazardous Substances the liability for which would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company, there have been no Releases of any Hazardous Substances that would be reasonably likely to form the basis of any Environmental Claim against the Company or any of its subsidiaries; (v) as of the date of this Agreement, the Company has no knowledge of any Environmental Claim pending or threatened, or of any Release of Hazardous Substances that would be reasonably likely to form the basis of any Environmental Claim, in each case against any person or entity (including any predecessor of the Company or any of its subsidiaries) whose liability the Company or any of its subsidiaries has or may have retained or assumed either contractually or by operation of law, except for Environmental Claims or Releases of Hazardous Substances the liability for which would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company; and (vi) to the knowledge of the Company, there are no past or present conditions, events, circumstances, facts, activities, practices, incidents, actions, omissions or plans: (A) that may interfere with or prevent continued compliance by the Company or any of its subsidiaries with Environmental Laws and the requirements of Environmental Permits, or (B) that may give rise to any liability under any Environmental Laws or that may form the basis of any Environmental Claim, in each case that would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Company.

(b) The Company has made available to Parent true and complete copies and results of any material environmental reports, studies, analyses, tests, or monitoring either possessed by the Company or any of its subsidiaries and requested by Parent, or otherwise within the knowledge of the Company, pertaining to Hazardous Substances at, on, about, under or within any real property currently or formerly owned, leased, operated or controlled by the Company or any of its subsidiaries or concerning compliance by the Company or any of its subsidiaries with Environmental Laws.

SECTION 4.17. Real Property. (a) Item 4.17 of the Company Disclosure Letter contains a list as of the date of this Agreement of each parcel of real property owned by the Company or its subsidiaries that is material to the Company and its subsidiaries, taken as a whole (the "Company Real Property").

(b) The Company and its subsidiaries have good title or have a valid and enforceable right to use, or a valid and enforceable leasehold interest in, all real property (including all buildings, fixtures and other improvements thereto) necessary for the conduct of their respective businesses as such businesses are now being conducted; except where the failure to have such title, right or interest would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company. Except as set forth in Item 4.17(b) of the Company Disclosure Letter, neither the Company's nor any of its subsidiaries' ownership of or leasehold interest in any such property is subject to any Liens except Permitted Liens.

SECTION 4.18. Leases. Item 4.18 of the Company Disclosure Letter contains a list as of the date of this Agreement of (i) each parcel of Company Real Property that is subject to or encumbered by any lease (a "Company Lease"), and (ii) each lease or similar agreement under which the Company or any of its subsidiaries is lessee of, or holds or operates, any real property owned by any third person that is material to the Company.

SECTION 4.19. Personal Property. Except as set forth in Item 4.19 of the Company Disclosure Letter, the Company and its subsidiaries own and have good title to all of the material assets reflected on the audited balance sheet dated as of December 31, 2000 as being owned by the Company or its subsidiaries and all material assets thereafter acquired by the Company or its subsidiaries (except to the extent that such assets have thereafter been disposed of as permitted by this Agreement), subject to no Liens, except for Permitted Liens. The Company and its subsidiaries own or have or hold by valid and existing lease, franchise or license each material piece of personal property used in its respective business.

SECTION 4.20. Intellectual Property. The Company and its subsidiaries own, or are validly licensed or otherwise have the right to use, all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, service mark rights, copyrights, know how and other proprietary intellectual property rights and computer software programs (collectively, "Intellectual Property Rights") that are necessary to the conduct of the business of the Company and its subsidiaries, taken as a whole. Item 4.20 of the Company Disclosure Letter sets forth a list as of the date of this Agreement of all registered or pending Intellectual Property Rights, as well as other Intellectual Property Rights that are material to the conduct of the business of the Company and its subsidiaries, taken as a whole. Except as set forth in Item 4.20 of the Company Disclosure Letter, no claims are pending or, to the knowledge of the Company, threatened that the Company or any of its subsidiaries is infringing or otherwise adversely affecting the rights of any person with regard to any Intellectual Property Right of a third party. To the knowledge of the Company, except as set forth in Item 4.20 of the Company Disclosure Letter, no person is infringing the Intellectual Property Rights of the Company or any of its subsidiaries.

SECTION 4.21. Required Vote. The affirmative vote of the holders of at least a majority of the Shares outstanding is the only vote of the holders of any class or series of capital stock of the Company necessary under applicable law or otherwise to approve this Agreement and the transactions contemplated hereby.

SECTION 4.22. Brokers. No broker, investment banker, financial advisor or other person, other than Goldman, Sachs & Co., the fees and expenses of which will be paid by the Company, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company.

SECTION 4.23. Opinion of Financial Advisor. The Company has received the opinion of Goldman, Sachs & Co., dated the date of this Agreement, to the effect that, as of the

date of this Agreement, the Merger Consideration to be received in the Merger by the Company's shareholders is fair to the Company's shareholders from a financial point of view.

SECTION 4.24. Eminent Domain. Except as set forth in Item 4.24 of the Company Disclosure Letter, as of the date of this Agreement, there are no pending, or to the Company's knowledge, threatened eminent domain, condemnation, governmental taking or similar proceedings affecting all or any portion of any Company Real Property.

SECTION 4.25. Insurance. (a) Each of the Company and its subsidiaries (through the Company) is, and has been continuously since January 1, 1998 (with respect to the Company) or since the later of January 1, 1998 or the date of their ownership by the Company (with respect to the Company's subsidiaries), 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 material insurance policy of the Company or any subsidiary of the Company. To the knowledge of the Company, there is no claim or basis for any claim under any such policy. To the knowledge of the Company, all insurance policies of the Company and its subsidiaries are valid, in full force and effect and enforceable policies.

(b) Item 4.25(b) of the Company Disclosure Letter sets forth a true and complete list, as of the date of this Agreement, 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.

SECTION 4.26. Material Interest of Officers, Directors and Others. (a) Except as set forth in Item 4.26(a) of the Company Disclosure Letter, the Company is not indebted to any shareholder, director, officer, employee or agent of the Company, except for amounts due as normal salary, wages, commissions or reimbursement of ordinary business expenses, and no shareholder, director, officer, employee or agent of the Company is indebted to the Company, except for ordinary business expense advances.

(b) Except as set forth in Item 4.26(b) of the Company Disclosure Letter or as disclosed in the most recent consolidated financial statements of the Company included in Item 4.06 of the Company Disclosure Letter, or the notes to such financial statements, none of (i) any shareholder beneficially owning five percent or more of any class of equity securities of the Company, (ii) any of the officers, employers or directors of the Company, (iii) any person with which any shareholder beneficially owning five percent or more of any class of equity securities

of the Company or any officer or director of the Company has any relationship by blood, marriage or adoption or (iv) any affiliate or associate of any of the foregoing, has (A) any contract, agreement or arrangement with, or relating to the business or operations of, the Company, (B) any property, real or personal, tangible or intangible, used or intended to be used in, or pertaining to, the business of the Company or (C) any business or entity which competes with, or is a customer or supplier of, the Company.

SECTION 4.27. Regulation as a Utility. Except as set forth in Item 4.27 of the Company Disclosure Letter, since December 31, 1998 (with respect to the Company or since the later of December 31, 1998 or the date of its ownership by the Company (with respect to each subsidiary of the Company) no Governmental Entity has denied the request of the Company or any of its subsidiaries to include any asset in the rate base for recovery in the amount of $250,000 or more.

ARTICLE V

Representations and Warranties of Parent and Sub

Parent and Sub, jointly and severally, represent and warrant to the Company as follows:

SECTION 5.01. Organization. Parent is a company with limited liability duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Sub is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation. Each of Parent and Sub has all requisite corporate power and authority to carry on its business as now being conducted.

SECTION 5.02. Authority. Each of Parent and Sub has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Parent and Sub (including approval of the Merger and this Agreement by the Management Board and Supervisory Board of Parent and the Board of Directors and shareholders of Sub in accordance with the IBCA) and no other corporate proceedings on the part of Parent and Sub are necessary to authorize this Agreement or to consummate such transactions. No vote of Parent's stockholders is required to approve this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by each of Parent and Sub and, assuming this Agreement constitutes a valid and binding obligation of the Company, constitutes a valid and binding obligation of each of Parent and Sub enforceable against it in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to creditors' rights generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 5.03. Consents and Approvals; No Violations. Except for filings, permits, authorizations, consents and approvals as may be required under, and other applicable requirements of the HSR Act, the laws of the State of Illinois, the laws of other jurisdictions in which Parent or the Company or its subsidiaries is qualified to do or is doing business and state takeover laws, and except for the filing with the Secretary of State of Illinois of the Articles of Merger following receipt of the Company Shareholder Approval and the filing of a certified copy of the Articles of Merger with the Recorder of Deeds of Cook County, Illinois, neither the execution, delivery or performance of this Agreement by Parent and Sub nor the consummation by Parent and Sub of the transactions contemplated hereby will, to the knowledge of Parent, (i) conflict with or violate any provision of the respective charter or By-laws (or similar organization documents) of Parent or Sub, (ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except where the failure to make such filings would not have a material adverse effect on Parent and would not reasonably be expected to prevent or materially delay the consummation of the Merger), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any loan or credit agreement, note, bond, mortgage, indenture, permit, concession, franchise, license, lease, contract, agreement or other instrument or obligation to which Parent or any of its subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, any of its subsidiaries or any of their properties or assets, except in the case of clauses (iii) and (iv) for violations, breaches or defaults that would not, individually or in the aggregate, have a material adverse effect on Parent and that would not reasonably be expected to prevent or materially delay the consummation of the Merger.

SECTION 5.04. Information Supplied. None of the information supplied or to be supplied by Parent or Sub specifically for inclusion or incorporation by reference in the Proxy Statement will, at the time the Proxy Statement is first mailed to the Company's shareholders or at the time of the Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

SECTION 5.05. Interim Operations of Sub. Sub is a direct, wholly owned subsidiary of Parent and was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

SECTION 5.06. Financing. Parent has on hand or available through fully committed bank facilities all funds necessary to purchase all of the Shares pursuant to the Merger, to fund the payment of the Option Consideration in accordance with Section 7.04 and to pay all fees and expenses related to the transactions contemplated by this Agreement.

SECTION 5.07. Litigation. There is no suit, claim, action, proceeding or investigation pending or, to the knowledge of Parent, threatened against Parent or any of its subsidiaries that, individually or in the aggregate, could reasonably be expected to have a

material adverse effect on Parent or prevent or materially delay the consummation of the Merger. Neither Parent nor any of its subsidiaries is subject to any outstanding order, writ, injunction or decree that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on Parent or prevent or materially delay the consummation of the Merger.

SECTION 5.08. Ownership of Shares. Neither Parent or Sub, nor any of their respective affiliates owns any Shares or is an "Interested Shareholder" as defined in Section 7.85 or Section 11.75 of the IBCA.

ARTICLE VI

Covenants

SECTION 6.01. Covenants of the Company. Except as set forth on Item 6.01 of the Company Disclosure Letter, during the period from the date of this Agreement through the Effective Time, the Company agrees as to itself and its subsidiaries that (except as expressly contemplated or permitted by this Agreement, or to the extent that Parent shall otherwise consent in writing):

(a) Ordinary Course. The Company shall, and shall cause its subsidiaries to, carry on their respective businesses in compliance with all material laws applicable to the Company and its subsidiaries, in the ordinary course and in all material respects in the manner as presently conducted, provided that the Company may (to the extent necessary) make payments not to exceed $1 million in the aggregate to the holders of the Collateral Trust Notes (as listed in Item 4.11(b)(1) of the Company Disclosure Letter) in order to secure any necessary consent of such holders to the transactions contemplated by this Agreement. The Company shall, and shall cause its subsidiaries to, use commercially reasonable efforts consistent with good business practices (subject to the terms of this Agreement) to preserve intact their present business organizations, keep available the services of their present officers and employees (subject to dismissals and retirements in the ordinary course), maintain their rights and franchises, and preserve their relationships with persons having business dealings with the Company and its subsidiaries.

(b) Dividends; Changes in Stock. Except as set forth in Item 6.01(b) of the Company Disclosure Letter, the Company shall not, and shall not propose to, and shall not permit any of its subsidiaries to, (i) declare, set aside or pay any dividends on or make other distributions in respect of any of its capital stock except for dividends by a direct or indirect wholly owned subsidiary of the Company to its parent, (ii) split, combine, subdivide or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any rights, warrants or options to acquire any such shares (other than in connection with the exercise of any outstanding Company Stock Options or the exercise of any put option or right of first refusal in accordance with the terms of the ESOP).

(c) Issuance of Securities. Except as set forth in Item 6.01(c) of the Company Disclosure Letter, the Company shall not, and shall not permit any of its subsidiaries to, issue, deliver, sell, pledge or encumber, or authorize or propose the issuance, delivery, sale, pledge or encumbrance of, any shares of its capital stock of any class or any Convertible Securities, or any rights, warrants, calls, subscriptions or options to acquire, any such shares or Convertible Securities, or any other ownership interest (including stock appreciation rights or phantom stock), other than (i) the issuance of Shares upon the exercise of Company Stock Options outstanding and (ii) the delivery of Shares under the Company's Executive Benefit Replacement Program and Deferred Compensation Plan not in excess of the number of Shares set forth in Section 4.03.

(d) Governing Documents. The Company shall not, and shall not permit any of its subsidiaries to, amend or propose to amend its charter or By-laws (or similar organizational documents).

(e) No Acquisitions. Except as set forth in Item 6.01(e) of the Company Disclosure Letter, the Company shall not, and shall not permit any of its subsidiaries to, acquire or agree to acquire (i) by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, or by any other manner, any business or any person or division thereof or (ii) any assets; except for (x) capital expenditures permitted by Section 6.01(i), (y) acquisitions from the Company or any direct or indirect wholly owned subsidiary of the Company, and (z) acquisitions in a single transaction or directly related transactions for total consideration (including the assumption of any indebtedness) in an amount not to exceed $2.5 million per acquisition. The Company shall not and shall not permit any of its subsidiaries to enter into any joint venture or partnership or similar arrangement.

(f) No Dispositions. Except as set forth in Item 6.01(f) of the Company Disclosure Letter and other than dispositions to the Company or any direct or indirect wholly owned subsidiary of the Company, the Company shall not, and shall not permit any of its subsidiaries to, sell, transfer, lease, license, encumber or otherwise dispose of, or agree to sell, transfer, lease, license, encumber or otherwise dispose of, any of its assets (including capital stock of its subsidiaries) in a single transaction or directly related transactions where the fair market value of such assets exceeds $2,500,000. The Company shall not, and shall not permit any subsidiary of the Company to, adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or its subsidiaries.

(g) Indebtedness. The Company shall not, and shall not permit any of its subsidiaries to, (i) incur any indebtedness for borrowed money or guarantee any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of the Company or any of its subsidiaries, guarantee any debt securities of others, enter into any other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, except (x) for working capital borrowings incurred in the ordinary course of business consistent with past practice, for borrowings incurred to finance acquisitions permitted by Section 6.01(e) or borrowings incurred

for capital expenditures permitted by Section 6.01(i), in the aggregate, with respect to all such borrowings, up to the total commitments from time-to-time available under credit facilities existing as of the date of this Agreement plus $12,500,000 (provided such borrowings can be prepaid at any time without premium or penalty), or (y) any extension, renewal or refinancing of any indebtedness or obligation (provided such borrowings can be prepaid at any time without premium or penalty) assumed pursuant to an acquisition permitted under Section 6.01(e) or any obligation permitted by this Section 6.01(g), (ii) create, incur or suffer or permit to exist any Lien, other than any Lien set forth in Item 6.01(g) of the Company Disclosure Letter, any Permitted Lien, or any Lien in connection with any debt permitted under this Section 6.01(g), or (iii) make any loans, advances or capital contributions to, or investments in, any other person, other than (A) to the Company or any direct or indirect wholly owned subsidiary of the Company, (B) any loans or advances to employees in special circumstances of need demonstrated by such employees, in the ordinary course of business and in accordance with past practice, up to $350,000 in the aggregate for all such loans or advances or (C) as otherwise permitted under Section 6.01(e).

(h) Tax Matters. The Company shall not change its fiscal year or make any Tax election or take any action or fail to take any action that would have a material adverse effect on the Tax liability of the Company or any of its subsidiaries. The Company shall prepare and file all material Tax Returns related to the Company and each of its subsidiaries for all periods for which such Tax Returns are due on or prior to the Closing Date and pay all Taxes due thereon in accordance with applicable law. The Company shall, before filing or causing to be filed any material income Tax Return of the Company or any of its subsidiaries, consult with Parent and its advisors as to the positions and elections that may be taken or made with respect to such Tax Return, and shall take such positions or make such elections as the Company and Parent shall jointly agree or, failing such agreement, shall take positions or make elections consistent with its past practices. The Company shall not amend any previously filed material income Tax Return without Parent's prior written consent, which consent shall not be unreasonably withheld or delayed.

(i) Capital Expenditures. Except as set forth in Item 6.01(i) of the Company Disclosure Letter or as required by any Governmental Entity (in which case the Company shall notify Parent and consult with Parent with respect to the nature of the expenditures and whether there are available alternatives to the making of such expenditures), neither the Company nor any of its subsidiaries shall make or agree to make any new capital expenditure or expenditures that, individually, exceeds $1,500,000 or, in the aggregate, exceed $6,000,000 per annum.

(j) Discharge of Liabilities. The Company shall not, and shall not permit any of its subsidiaries to, pay, discharge, settle or satisfy any claims, liabilities or obligations (whether absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge, settlement or satisfaction of liabilities or obligations incurred in the ordinary course of business consistent with past practice or in accordance with their terms, (i) recognized or disclosed in the most recent consolidated financial statements of the Company included in Item 4.06 of the Company Disclosure Letter or incurred since the date of such financial statements in the ordinary course of business consistent with past practice or (ii) related to any suit, claim,

action, proceeding or investigation, the payment, discharge, settlement or satisfaction of which could not exceed $500,000 per suit, claim, action, proceeding or investigation.

(k) Material Contracts. Except as otherwise permitted by this Agreement (including this Section 6.01), neither the Company nor any of its subsidiaries shall (i) enter into, modify in any material respect, amend in any material respect or terminate any material contract, agreement or arrangement to which the Company or such subsidiary of Company is a party or (ii) waive, release or assign any material rights or claims under any such material contract or agreement.

(l) Employee Matters. Neither the Company nor any of its subsidiaries shall (i) grant (x) any increases in the compensation of any of its directors, officers or key employees, except for increases required under agreements existing on the date hereof, and (y) increases in compensation of employees (other than directors, officers and key employees) in the ordinary course of business consistent with past practice that, in any event, do not increase the aggregate compensation of all such employees by more than 5% over the aggregate compensation in effect on the date hereof, (ii) amend, adopt or terminate any existing, employment, severance or termination agreement with any Company Employee, (iii) except as required to comply with applicable law, become obligated under any new Benefit Plan which was not in existence on the date hereof, or amend any such plan or arrangement in existence on the date hereof, (iv) enter into any collective bargaining agreement or enter into any substantive negotiations with respect to any collective bargaining agreement, except that the Company may renegotiate a collective bargaining agreement in effect on the date hereof, provided such agreement does not thereafter cover more than ten Company Employees or result in an increase in the hourly wage rate by more than 10% per year, (v) take any action to accelerate vesting of any benefits with respect to any Company Employee Plans (except as specifically required under the terms of the Company Employee Plans on the date hereof) or (vi) fund or take any action to cause a rabbi trust to be funded. Notwithstanding the foregoing, the Company may pay "retention bonuses" to employees who are not parties to existing written employment, severance or retention agreements in an aggregate amount not to exceed $250,000.

(m) Transactions with Affiliates. The Company shall not, and shall not permit any subsidiary of Company to, enter into directly or indirectly any transaction or group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any affiliate (as such terms is defined in Rule 12b-2 promulgated under the Exchange Act, as amended), other than the Company or another subsidiary of the Company, except in the ordinary course, and pursuant to the reasonable requirements of the Company's or such subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such subsidiary than would be obtainable in a comparable arm's-length transaction with a person not an affiliate.

(n) Accounting. The Company shall not change its fiscal year or adopt any material change in its accounting policies, procedures or practices, other than as required by the SEC or by law or to conform to changes in generally accepted accounting principles or

pronouncements by the Financial Accounting Standards Board, as concurred by the Company's independent auditors.

(o) Commitments. The Company shall not enter into or permit any of its subsidiaries to enter into any commitments, contracts or agreements to do any of the foregoing.

SECTION 6.02. No Solicitation. (a) The Company and its subsidiaries and their respective officers, directors, employees, representatives, agents and affiliates (including any investment banker, financial advisor, attorney or accountant retained by the Company or any of its subsidiaries) shall immediately cease any discussions or negotiations with any parties that may be ongoing with respect to a Takeover Proposal. The Company shall not, nor shall it permit any of its subsidiaries to, and it shall use its best efforts to cause its officers, directors, employees, agents, affiliates and any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its subsidiaries not to, directly or indirectly, after the date hereof (i) solicit, initiate or knowingly encourage (including by way of furnishing information), or knowingly take any other action to facilitate, any inquiry or the making of any proposal which constitutes a Takeover Proposal or potential Takeover Proposal, (ii) participate in any discussions or negotiations regarding any Takeover Proposal or potential Takeover Proposal or in connection with a Takeover Proposal or potential Takeover Proposal, or (iii) disclose any nonpublic information relating to it or its subsidiaries or afford access to the properties, books or records of it or its subsidiaries to any person or group that has made or to such party's knowledge is considering making any Takeover Proposal provided, however, that at any time prior to receipt of the Company Shareholder Approval, the Company may, in response to a Takeover Proposal made after the date of this Agreement and which did not otherwise result from a breach of this Section 6.02, and subject to providing prior written notice of its decision to take such action to Parent and compliance with Section 6.02(c), (x) furnish information with respect to the Company or its subsidiaries to any person making a Takeover Proposal after the date of this Agreement pursuant to a confidentiality agreement containing terms no less favorable to the Company than the Confidentiality Agreement and (y) participate in discussions or negotiations regarding such Takeover Proposal (or revised Takeover Proposal) but, in each case only if the Company's Board of Directors determines, after consultation with the Company's outside counsel, that failure to furnish information or to participate in such discussions or negotiations would be inconsistent with the Company's Board of Directors' fiduciary duties to the Company's shareholders under applicable law.

(b) Except as set forth in this Section 6.02(b), neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent, the approval or recommendation by such Board of Directors or such committee of the Merger or this Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any Takeover Proposal or (iii) cause or permit the Company to enter into any Acquisition Agreement. Notwithstanding the foregoing, in the event that, prior to receipt of the Company Shareholder Approval, the Company receives a Superior Proposal, the Board of Directors may (subject to this and the following sentences) withdraw or modify its approval or recommendation of the Merger and this Agreement or inform its shareholders that it no longer believes that the transactions contemplated by this Agreement are

advisable and no longer recommends approval of this Agreement and the transactions contemplated hereby (a "Subsequent Determination"), but only at a time that is after the fifth business day following Parent's receipt of written notice advising Parent that the Board of Directors of the Company has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal (and including a copy thereof with all accompanying documentation, if in writing), identifying the person making such Superior Proposal and stating that it intends to make a Subsequent Determination. For purposes of this Agreement, a "Superior Proposal" means any proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into a Takeover Proposal which the Board of Directors of the Company determines in its good faith judgment (based on, among other things, the advice of a financial advisor of nationally recognized reputation) to be more favorable to the Company's shareholders than the transactions contemplated by this Agreement taking into account such factors as the Board of Directors of the Company determines in its good faith judgment (including whether, in the good faith judgment of the Board of Directors of the Company after obtaining the advice of a financial advisor of nationally recognized reputation, the third party is reasonably able to finance and otherwise consummate the transaction, and any proposed changes to this Agreement that may be proposed by Parent in response to such Takeover Proposal). The Company shall submit this Agreement to its shareholders at the Shareholders Meeting even if the Board of Directors of the Company shall have made a Subsequent Determination.

(c) In addition to the obligations of the Company set forth in paragraphs (a) and (b) of this Section 6.02, the Company shall promptly advise Parent in writing of any inquiry made after the date of this Agreement with respect to a Takeover Proposal, request made after the date of this Agreement for nonpublic information (except in the ordinary course of business and not in connection with a possible Takeover Proposal) or of any Takeover Proposal delivered to the Company after the date of this Agreement, the material terms and conditions of such inquiry, request or Takeover Proposal and the identity of the person making such inquiry, request or Takeover Proposal. The Company will promptly inform Parent of any change in the status and details (including amendments or proposed amendments) of any such inquiry, request or Takeover Proposal.

(d) Nothing contained in this Agreement shall prohibit the Company from taking and disclosing to its shareholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure to the Company's shareholders if, in the good faith judgment of the Board of Directors of the Company, after consultation with the Company's outside counsel, failure to so disclose would be inconsistent with the Company's Board of Directors' fiduciary duties to the Company's shareholders under applicable law; provided, however, neither the Company nor its Board of Directors nor any committee thereof shall, except as permitted by Section 6.02(b), withdraw or modify, or propose to withdraw or modify, its position with respect to this Agreement or the Merger or approve or recommend, or propose to approve or recommend, a Takeover Proposal.

SECTION 6.03. Other Actions. The Company shall not, and shall not permit any of its subsidiaries to, take or fail to take any action that would, or that could reasonably be expected to, result in (i) any of the representations and warranties of the Company set forth in

this Agreement that are qualified as to materiality becoming untrue, (ii) any of such representations and warranties that are not so qualified becoming untrue in any material respect, or (iii) any of the conditions set forth in Section 8.01 or Section 8.03 not being satisfied (subject to the Company's right to take actions specifically permitted by Sections 6.01 and 6.02).

SECTION 6.04. Advice of Changes; Regular Reporting; Transition Planning. (a) The Company shall confer on a regular and frequent basis with Parent and report (to the extent permitted by law or regulation or any applicable confidentiality agreement) on operational and strategic matters concerning the Company and its subsidiaries. During the period from the date hereof to the Effective Time, the Company shall give prompt written notice to Parent of (x) the occurrence, or failure to occur, of any event which occurrence or failure would cause or could reasonably be expected to cause any representation or warranty of the Company that is qualified as to materiality to be untrue or inaccurate or any representation or warranty of the Company that is not so qualified to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time, or (y) any failure of the Company to comply with or satisfy any of its covenants, conditions or agreements to be complied with or satisfied hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.04 shall not limit or otherwise affect the remedies available hereunder to Parent, or modify in any way any disclosure made in or in connection with this Agreement as of the date hereof. The Company shall give prompt notice to Parent of any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement.

(b) As soon as practicable after the end of each month, but in no event later than 17 days after the end of each month, during the period from the date of this Agreement until the Effective Time, the Company will prepare and promptly deliver to Parent copies of the Company's unaudited balance sheet as of the end of such month and unaudited income statement for the month then ended. All financial statements delivered hereunder by the Company shall (a) be prepared in conformity with generally accepted accounting principles applied on a consistent basis during the periods involved (except that such financial statements need not contain footnotes and may be subject to normal recurring year-end adjustments) and (b) present fairly, in all material respects, in accordance with generally accepted accounting principles, the consolidated financial position and results of operations of the Company and its subsidiaries, as of their respective dates and for the respective periods covered thereby. The Company shall promptly provide to Parent (or its counsel) a copy of each material report, schedule, statement and other document filed with, or received from, any Governmental Entity and all other information concerning its business, operations, properties and personnel as Parent may reasonably request.

(c) Carel Kok, as Member of the Management Board and Chief Growth Officer of Parent, and James Camaren, as Chairman of the Board and Chief Executive Officer of the Company, jointly shall be responsible for coordinating all aspects of transition planning and implementation relating to the Merger and the other transactions contemplated hereby. If either such person ceases to hold such office of his company for any reason, such person's successor shall assume his predecessor's responsibilities under this Section 6.04.

(d) Parent shall have the right to have a designated representative of Parent attend, as a non-voting observer, meetings of the Company's board of directors, provided that the Company's board of directors shall have the right, in is sole discretion, to exclude such observer from all or any part of any meeting of the board of directors when any matters relating to the Merger or other Takeover Proposal are being discussed.

(e) In furtherance of this Section 6.04, the Company and Parent agree that at any time after the condition described in Section 8.01(b)(i) has been satisfied, Parent shall have the right to designate an employee or other representative of Parent ("Parent Employee") who (i) shall be provided office space at the Company's headquarters and (ii) shall have regular access to the Chief Executive Officer and the President of the Company. The Parent Employee shall not be an officer, employee or agent of the Company or any of its subsidiaries nor shall the Parent Employee have any right to any compensation, benefits or indemnity from the Company or any of its subsidiaries; Parent shall be responsible for all costs and expenses of the Parent Employee.

SECTION 6.05. Utility Filings. Except for filings in the ordinary course of business consistent with past practice that would not reasonably be expected to have a material adverse effect on the Company, the Company shall inform Parent reasonably in advance of (i) making any filing to implement any change in any of its or its subsidiaries' rates or surcharges for water service or (ii) executing any agreement with respect thereto. The Company shall, and shall cause its subsidiaries to, deliver to Parent (or its counsel) a copy of each such filing or agreement.

ARTICLE VII

Additional Agreements

SECTION 7.01. Shareholder Approval; Preparation of Proxy Statement. (a) The Company shall as soon as practicable following the date hereof (but in no event later than 60 days following the date hereof), duly call, give notice of, convene and hold the Shareholders Meeting for the purpose of obtaining the Company Shareholder Approval. The Company shall, through its Board of Directors, recommend to its shareholders that the Company Shareholder Approval be given except as set forth in Section 6.02(b).

(b) The Company shall as soon as practicable following the date hereof, (i) prepare a Proxy Statement and cause the Proxy Statement to be mailed to the Company's shareholders, (ii) subject to Sections 6.02 and 6.03, use reasonable efforts to obtain the Company Shareholder Approval, including soliciting from its shareholders proxies or consents and (iii) otherwise comply with all legal requirements applicable to the Shareholders Meeting. Parent shall promptly supply such information for inclusion in the Proxy Statement as shall reasonably be requested by the Company. If at any time prior to the Shareholders Meeting there shall occur any event that should be set forth in an amendment or supplement to the Proxy Statement, the Company shall promptly prepare and mail to its shareholders such an amendment or supplement. Parent and the Company shall consult and cooperate with each other with respect to the Proxy Statement and the Shareholders Meeting. The Company shall give Parent and its counsel the

opportunity to review and suggest comments on any Proxy Statement, or any amendment or supplement thereto, prior to its being mailed to the Company's shareholders and the Proxy Statement or any amendment or supplement thereto shall be in a form reasonably satisfactory to Parent.

(c) At the Shareholders Meeting, Parent agrees to cause all Shares owned by Parent or any affiliate of Parent to be voted in favor of the Company Shareholder Approval.

SECTION 7.02. Access to Information. Upon reasonable notice and subject to restrictions contained in any confidentiality agreement to which the Company is subject, the Company shall, and shall cause each of its subsidiaries to, afford to Parent and to the officers, employees, accountants, counsel, environmental consultants and other representatives of Parent reasonable access, during normal business hours during the period prior to the Effective Time, upon reasonable advance notice, to all their respective properties, books, contracts, commitments and records as shall be reasonably requested and, during such period, the Company shall (and shall cause each of its subsidiaries to) furnish promptly to Parent (a) a copy of each report, schedule, statement and other document filed or received by it during such period pursuant to the requirements of the federal or state securities laws or the federal income Tax laws and (b) all other information (including federal, state or foreign Tax Returns) concerning its business, operations, properties and personnel as Parent may reasonably request. Parent agrees that such investigations shall be conducted 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, the Company shall not be required to provide access to its properties for the purpose of enabling Parent or its authorized representatives to conduct any environmental-related tests or soil borings unless, in any such case, Parent shall reasonably determine in good faith that such actions are reasonably necessary for Parent to assess the nature and economic or other implications to the Company or any of its subsidiaries of (i) any Environmental Claim initiated or threatened after the date of this Agreement against the Company or any of its subsidiaries or (ii) the discovery by the Company or any of its subsidiaries after the date of this Agreement of a Hazardous Substance or the Release of Hazardous Substances that, in any such case, would be reasonably likely to form the basis of any Environmental Claim against the Company or any of its subsidiaries. Parent shall bear responsibility for all of its own costs and expenses incurred in connection with any action taken by it or on its behalf pursuant to the foregoing sentence and shall indemnify and hold harmless the Company and its affiliates from any and all property damage or personal injury to the extent caused by any such action taken by Parent or on its behalf (it being understood that Parent shall have no responsibility for the remediation of any Hazardous Substance discovered). Except as otherwise agreed to by the Company, unless and until the consummation of the Merger, and notwithstanding termination of this Agreement, the terms of the Confidentiality Agreement shall apply to all information furnished thereunder or hereunder.

SECTION 7.03. Reasonable Efforts. (a) Each of the Company, Parent and Sub agree to use commercially reasonable efforts to take, or cause to be taken, all actions, and to assist and cooperate with the other parties in doing all things, necessary to comply promptly with all legal requirements that may be imposed on itself with respect to the Merger (which actions

shall include furnishing all information required under the HSR Act and in connection with approvals of or filings with any other Governmental Entity) and shall promptly cooperate with and furnish information to each other in connection with any such requirements imposed upon any of them or any of their subsidiaries in connection with the Merger. Each of the Company, Parent and Sub shall, and shall cause its subsidiaries to, use its reasonable efforts to take all reasonable actions necessary to obtain (and shall cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party required to be obtained or made by Parent, Sub, the Company or any of their subsidiaries in connection with the Merger or the taking of any action contemplated thereby or by this Agreement. Subject to applicable laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult with the other on all the information relating to the Company and its subsidiaries or Parent and Sub, as the case may be, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. Parent acknowledges that (i) certain of the Company's employees are parties to promissory notes with Bank One, N.A. under which such employees borrow funds to purchase Shares, which notes are secured by the Shares so purchased and (ii) the Company is a party to the Purchase Agreement dated October 1, 1994 between the Company and Bank One, N.A. pursuant to which Bank One, N.A. has a right to put such Shares of any employee to the Company at the price such employee paid for the Shares in the event that any such employee defaults on his related promissory note. To the extent that, in order to satisfy the condition set forth in Section 8.03(f), Bank One, N.A. requires payment or confirmation of payment of any such promissory note as a condition to obtaining a release of the Company's obligations under such Purchase Agreement, the Company and Parent shall cooperate in establishing such arrangements (e.g. agreeing to disburse a portion of an applicable employee's Merger Consideration to Bank One, N.A., on such employee's behalf) as shall be reasonably necessary (and which do not involve adverse financial consequences for the Company or Parent) to obtain such release.

(b) Without limiting Section 7.03(a), Parent, Sub and the Company each shall use commercially reasonable efforts to avoid the entry of or to have vacated or terminated, any decree, order or judgment that would restrain, prevent or delay the Closing on or before the Extension Date, including defending through litigation on the merits any claim asserted in any court by any Person.

SECTION 7.04. Company Stock Options and Restricted Stock. (a) At the Effective Time, each holder of a then outstanding Company Stock Option, whether or not then exercisable, shall, in settlement thereof and without any action by such holder, be deemed to have made a disposition of such Company Stock Option to the Company and shall receive from the Company for each Share subject to such Company Stock Option an amount (subject to any applicable withholding tax) in cash equal to the excess, if any, of the Merger Consideration over the per Share exercise price of such Company Stock Option (such amount being hereinafter referred to as the "Option Consideration") but only to the extent the Company Stock Options are exercisable and vested at the Effective Time. Any option to purchase Shares which prior to the date hereof has ceased to be exercisable by reason of the termination of employment or service

with the Company of any employee or director of the Company shall not be deemed to be an outstanding Company Stock Option for purposes of this Section 7.04. Upon receipt of the Option Consideration, each Company Stock Option shall be canceled. The disposition of any Company Stock Option to the Company in exchange for the Option Consideration shall be deemed a release of any and all rights the holder had or may have had in respect of such Company Stock Option. Prior to the Effective Time, the Company shall use its reasonable efforts to obtain all necessary consents or releases from holders of Company Stock Options and to take all such other lawful action as may be necessary to give effect to the transactions contemplated by this Section 7.04 (except for such action that may require the approval of the Company's shareholders).

(b) Except as otherwise agreed to by the parties, (i) the Company Options Plans and the Company's Long Term Incentive Plan shall terminate as of the Effective Time and the provisions in any other plan, program or arrangement providing for the issuance or grant of any other interest in respect of the capital stock of the Company shall be canceled as of the Effective Time and (ii) the Company shall take all action necessary to ensure that following the Effective Time no participant in the Company Option Plans, the Company's Long Term Incentive Plan, ESOP, Executive Benefit Replacement Plan or other plans, programs or arrangements shall have any right thereunder to acquire equity securities of the Company, the Surviving Corporation or any subsidiary of the Company or the Surviving Corporation and to terminate the Company Option Plans and the Company's Long Term Incentive Plan.

(c) All amounts payable pursuant to this Section 7.04 shall be subject to any required withholding of Taxes. Notwithstanding the foregoing, with respect to payments made pursuant to this Section 7.04, Parent shall be liable for and pay and indemnify each holder of Company Stock Options on an after-tax basis against any withholding Taxes imposed by The Netherlands.

SECTION 7.05. Fees and Expenses. (a) Except as provided below in this Section 7.05, all fees and expenses incurred in connection with the Merger, this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses, whether or not the Merger is consummated.

(b) The Company shall pay, or cause to be paid, by wire transfer in same day funds to Parent the sum of (x) the Expenses and (y) the Termination Fee under the circumstances and at the times set forth as follows:

(i) if Parent or Sub terminates this Agreement under Section 9.01(f), the Company shall pay the Expenses and the Termination Fee within two business days after termination of this Agreement; and

(ii) if, at the time of any other termination of this Agreement (other than (A) a termination by the Company pursuant to Section 9.01(g) or (B) provided that the Company is not at the time of such termination in breach of its obligations under Section 6.02, Section 7.01, or Section 7.03, a termination pursuant to Section 9.01(a), Section

9.01(b)(i), Section 9.01(b)(iii) or Section 9.01(h)), a Takeover Proposal shall have been made after the date hereof, the Company shall pay the Expenses, if terminated by the Company, concurrently therewith or, if terminated by Parent, within two business days after termination of this Agreement; in addition, if within twelve months of such termination, the Company shall enter into an Acquisition Agreement providing for a Takeover Proposal or a Takeover Proposal shall be consummated, the Company shall pay the Termination Fee concurrently with the earlier of the entering into of such Acquisition Agreement or the consummation of such Takeover Proposal.

(c) "Expenses" shall mean $5,000,000, which amount reimburses Parent and Sub for the cost and value of its management time and travel and for its fees and expenses prior to any termination of this Agreement in connection with the negotiation, execution, delivery and performance of this Agreement, the Merger or the consummation of any of the transactions contemplated by this Agreement, including all fees and expenses of law firms, commercial banks, investment banking firms, accountants, experts and consultants to Parent or Sub. In no event shall more than one Termination Fee be payable.

(d) The Company acknowledges that the agreements contained in the Section 7.05 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, Parent would not enter into this Agreement. Accordingly, if the Company fails to promptly pay any amounts owing pursuant to this Section 7.05 when due, including the Termination Fee, the Company shall pay the costs and expenses (including reasonable legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee and/or expense at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid to the date it is paid.

SECTION 7.06. Directors and Officers. (a) (i) The Articles of Incorporation and By-laws of the Surviving Corporation shall contain the provisions with respect to indemnification set forth in the Company Charter and the By-laws of the Company on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of the directors, officers, employees or agents (present or former) of the Company and its Subsidiaries who at any time prior to the Effective Time were identified as prospective indemnitees under the Company Charter or the By-laws of the Company (the "Indemnitees") in respect of actions or omissions occurring at or prior to the Effective Time in their capacities as such or taken at the request of the Company or its Subsidiaries (including the transactions contemplated by this Agreement), unless such modification is required by law.

(ii) Parent will not permit the provisions with respect to indemnification set forth in the Charter and By-Laws (or any similar organizational document) of any of the Company's subsidiaries on the date of this Agreement to be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of the Indemnitees in respect of actions or omissions occurring at or prior to the Effective Time in their capacities a such or taken at

the request of the Company or its subsidiaries (including the transactions contemplated by this Agreement), unless such modification is required by law.

(b) From and after the Effective Time, in the event of any threatened, pending or actual claim, action, suit, proceeding or investigation, whether civil, criminal or administrative, including any such claim, action, suit, proceeding or investigation in which any of the Indemnitees is, or is threatened to be, made a party by reason of the fact that he or she is or was a director, officer, employee or agent of the Company or any of its subsidiaries, or is or was serving at the request of the Company or any of its subsidiaries as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether before or after the Effective Time, the Surviving Corporation shall indemnify and hold harmless, as and to the full extent permitted by applicable law (including by advancing expenses promptly after statements therefore are received (subject to the prior receipt of a written undertaken to repay such advances as Section 8.75(e) of the IBCA contemplates)), each of the Indemnitees against any losses, claims, damages, liabilities, costs, expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any such claim, action, suit, proceeding or investigation. In the event of any such claim, action, suit proceeding or investigation (whether arising before or after the Effective Time) (i) if the Company (prior to the Effective Time) or the Surviving Corporation (after the Effective Time) has not promptly assumed the defense of such matter, the Indemnitees may retain counsel satisfactory to them, and the Company (prior to the Effective Date) or the Surviving Corporation (after the Effective Time) shall pay all fees and expenses of such counsel for the Indemnitees promptly, after statements therefore are received, and (ii) the Company (prior to the Effective Time) or the Surviving Corporation (after the Effective Time) will use its respective best efforts to assist in the vigorous defense of any such matter; provided, however, that neither the Company nor the Surviving Corporation shall be liable for any settlement effected without its prior written consent (which consent shall not be unreasonably withheld); and provided, further, that the Surviving Corporation shall have no obligation under the foregoing provisions of this Section 7.06 to any Indemnitee when and if a court of competent jurisdiction shall ultimately determine and such determination shall have become final and non-appealable, that indemnification of such Indemnitee in the manner contemplated hereby is prohibited by applicable law. Upon the finality of any such determination that the Surviving Corporation is not liable for an Indemnitee's indemnification claims, such Indemnitee will reimburse the Surviving Corporation for any fees, expenses and costs incurred by the Surviving Corporation in connection with the defense of such claims.

Any Indemnitee wishing to claim indemnification under this Section 7.06 upon learning of any such claim, action, suit, proceeding or investigation, shall notify the Company (prior to the Effective Time) or the Surviving Corporation (after the Effective Time), thereof (provided that the failure to give such notice shall not affect any obligations hereunder, except to the extent that the indemnifying party is actually and materially prejudiced thereby). Notwithstanding anything contained herein to the contrary, neither the Company (prior to the Effective Time) nor the Surviving Corporation (after the Effective Time) shall be obligated pursuant to this Section 7.06(b) to pay the fees and expenses of more than one law firm in addition to any appropriate local counsel) for all Indemnitees as a group with respect to each

such matter unless there is, under applicable standards of professional conduct (as reasonably determined by counsel to such Indemnitees), a conflict on any significant issue between the positions of any two or more of such Indemnitees, in which event, any additional counsel as may be reasonably required and shall be reasonably satisfactory to Parent may be retained by such Indemnitees. Parent will provide or cause the Surviving Corporation to provide, for a period of not less than six years after the Effective Time, the Company's current directors and officers an insurance and indemnification policy that provides coverage for events occurring at or prior to the Effective Time (the "D&O Insurance") that is no less favorable than the Company's existing policy or, if substantially equivalent insurance coverage is unavailable, the best available coverage; provided, however, that Parent and the Surviving Corporation shall not be required to pay an annual premium for the D&O Insurance in excess of two times the last annual premium paid by the Company prior to the date hereof, but in such case shall purchase as much such coverage as possible for such amount.

(c) This Section 7.06 shall survive the consummation of the Merger and is intended to be for the benefit of, and shall be enforceable by, the Indemnitees referred to herein, their heirs and personal representatives and shall be binding on Parent and Sub and the Surviving Corporation and their respective successors and assigns. In the event Parent or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) conveys all or substantially all of its properties and assets to any person then, and in each case, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, assume its respective obligations set forth in this Section 7.06.

SECTION 7.07. Obligations of Sub. Subject to the terms and conditions set forth in this Agreement, Parent shall take all actions necessary to cause Sub to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

SECTION 7.08. Certain Litigation. The Company agrees that it shall not settle any litigation commenced after the date hereof against the Company or any of its directors by any shareholder of the Company relating to the Merger or this Agreement, without the prior written consent of Parent (which consent shall not be unreasonably withheld or delayed). In addition, the Company shall not voluntarily cooperate with any third party that may hereafter seek to restrain or prohibit or otherwise oppose the Merger and shall cooperate with Parent and Sub to resist any such effort to restrain or prohibit or otherwise oppose the Merger, unless the Board of Directors of the Company determines in good faith, after consultation with the Company's outside counsel, that failing so to cooperate with such third party or cooperating with Parent or Sub, as the case may be, would be inconsistent with its fiduciary duties under applicable law.

SECTION 7.09. Employee Benefits. (a) For at least twelve months following the Effective Time, Parent shall maintain, or shall cause the Surviving Corporation to maintain, any such employee welfare, benefit, pension and similar plans and programs as reasonably

determined by Parent for officers and employees of the Company and its subsidiaries ("Covered Company Employee") that are no less favorable in the aggregate than those in place on the date hereof (and, in any event, the benefits to employees under the ESOP shall not be deemed to exceed the historical contribution of 4% of compensation). It is understood that the benefits provided to Covered Company Employees under current plans in respect of Shares or rights to acquire Shares shall be substituted by Parent with equivalent value benefits no less favorable in the aggregate than those in place on the date hereof. Covered Company Employees shall be given credit for all service with the Company and its subsidiaries (or service credited by the Company and its subsidiaries) under all employee benefit plans and arrangement maintained by Parent or any of its subsidiaries in which they become participants for purposes of eligibility, vesting, level of participant contributions and benefit accruals (but not defined benefit pension accruals) and all subject to an offset, if necessary, to avoid duplication of benefits to the same extent as if rendered to Parent or its respective subsidiaries. Parent shall cause to be waived any pre-existing condition limitation under its welfare plans that might otherwise apply to Covered Company Employees. Parent agrees to recognize (or cause to be recognized) the dollar amount of all expenses incurred by Covered Company Employees during the calendar year in which the Effective Time occurs for purposes of satisfying the calendar year deductible and co-payment limitations for such year under the relevant benefit plans of Parent and its subsidiaries.

(b) Parent shall maintain (or shall cause to be maintained) the Company's standard severance policy as in effect as of the Effective Time for a period of at least twelve months from the Effective Time.

(c) Parent shall honor or cause to be honored all Benefit and Welfare Plans and all severance agreements, employment agreements, retention agreements, death benefit agreements and non-competition agreements with Covered Company Employees entered into prior to the date of this Agreement set forth in Item 7.09 of the Company Disclosure Letter; provided, however, that this undertaking is not intended to prevent the Surviving Corporation or its subsidiaries from enforcing such contracts, agreements, collective bargaining agreements and commitments in accordance with their terms, including any reserved right to amend, modify, suspend, revoke or terminate any such contract, agreement, collective bargaining agreement or commitment.

(d) Nothing contained herein shall be construed to obligate Parent or any subsidiary thereof to employ, or cause the Company or its subsidiaries from and after the Effective Time to continue to employ, any Company Employee, except as required under an existing employment agreement.

ARTICLE VIII

Conditions Precedent

SECTION 8.01. Conditions to Each Party's Obligation To Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Company Shareholder Approval. The Company Shareholder Approval shall have been obtained.

(b) Other Approvals. (i) The waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

(ii) All authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by, any Governmental Entity, which the failure to obtain, make or occur would have the effect of making the Merger or any of the transactions contemplated hereby illegal shall have been obtained, shall have been made or shall have occurred.

(c) No Injunctions Or Restraints. No statute, rule, regulation, executive order, decree, judgment, restraining order, injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction or other Governmental Entity or other legal restraint or prohibition making the Merger illegal or prohibiting or preventing the consummation of the Merger shall be in effect, provided, however, that each of the parties shall have used commercially reasonable efforts to prevent the entry of any such decree, judgment, injunction or other order and to cause any such decree, judgment, injunction or other order to be vacated or lifted.

(d) No Challenge. There shall not be pending or threatened any action, suit, proceeding or investigation by any Governmental Entity, before a court or governmental body, seeking material damages in connection with, or challenging or seeking to restrain or prevent the consummation of, the transactions contemplated by, or the performance by any of the parties hereto of their respective obligations under or with respect to, this Agreement.

SECTION 8.02. Conditions to the Company's Obligation to Effect the Merger. The obligation of the Company to effect the Merger shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following additional conditions:

(a) Performance of Obligations; Representations and Warranties. Parent and Sub shall have performed or complied with all obligations, agreements and covenants contained in this Agreement required to be performed or complied with by them on or prior to the Closing Date that are qualified as to materiality and shall have performed in all material respects each of their other obligations and complied in all material respects with each of their other agreements and covenants contained in this Agreement required to be performed or complied with on or prior to the Closing Date that are not so qualified by materiality, each of the representations and warranties of Parent and Sub contained in this Agreement that is qualified by materiality or material adverse effect shall be true and correct on and as of the Closing Date as if made on and as of such date (other than to the extent that any such representation and warranty, by its terms, is expressly limited to a specific date, in which case such representation and warranty shall be true and correct as of such date) and each of the representations and warranties that is not so qualified shall be true and correct in all material respects on and as of the Closing Date as if made on and

as of such date (other than to the extent that any such representation and warranty, by its terms, is expressly limited to a specific date, in which case such representation and warranty shall be true and correct as of such date), in each case except as contemplated or permitted by this Agreement.

(b) Officer's Certificate. Parent shall have furnished to the Company a certificate, dated the Closing Date, signed on behalf of Parent by an appropriate officer of Parent, certifying to the effect that the conditions set forth in Section 8.02(a), insofar as they relate to Parent or Sub, have been satisfied in full.

(c) Other Documents. Parent and Sub shall have furnished to the Company at the closing of the Merger such other customary documents, certificates or instruments (other than legal opinions) as the Company may reasonably request evidencing compliance by Parent and Sub with the terms of this Agreement.

SECTION 8.03. Conditions to Parent's and Sub's Obligations to Effect the Merger. The obligations of Parent and Sub to effect the Merger shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following additional conditions:

(a) Performance of Obligations; Representations and Warranties. The Company shall have performed or complied with all obligations, agreements and covenants contained in this Agreement required to be performed or complied with by on or prior to the Closing Date that are qualified as to materiality and shall have performed in all material respects each of its other obligations and complied in all material respects with each of its other agreements and covenants contained in this Agreement required to be performed or complied with on or prior to the Closing Date that are not so qualified by materiality, each of the representations and warranties of the Company contained in this Agreement that is qualified by materiality or material adverse effect shall be true and correct on and as of the Closing Date as if made on and as of such date (other than to the extent that any such representation and warranty, by its terms, is expressly limited to a specific date, in which case such representation and warranty shall be true and correct as of such date) and each of the representations and warranties that is not so qualified shall be true in all material respects on and as of the Closing Date as if made on and as of such date (other than to the extent that any such representation and warranty is, by its terms, expressly limited to a specific date, in which case such representation and warranty shall be true and correct as of such date), in each case except as contemplated or permitted by this Agreement.

(b) Absence of Certain Changes. Since the date of this Agreement, there shall have occurred no material adverse change with respect to the Company.

(c) Officer's Certificate. The Company shall have furnished to Parent a certificate, dated the Closing Date, signed by an appropriate officer of the Company, certifying to the effect that the conditions set forth in Sections 8.03(a) and (b), insofar as they relate to the Company, have been satisfied.

(d) Consent. The Company or the appropriate subsidiary of the Company shall have obtained (i) the consent to the Merger from each of the persons set forth in Item 8.03(d) of

the Company Disclosure Letter and (ii) all other consents under all agreements to which the Company or any subsidiary of the Company is a party, except in the case of subsection (ii) where the failure to obtain any consents or approvals prior to the Closing Date would not have a material adverse effect on the Company or its subsidiaries.

(e) Other Documents. The Company shall have furnished to Parent at the closing of the Merger such other customary documents, certificates or instruments (other than legal opinions) as Parent may reasonably request evidencing compliance by the Company with the terms of this Agreement.

(f) Release. The Company shall have been released without qualification from all liabilities and obligations under that certain Purchase Agreement dated October 1, 1994 between the Company and Bank One, N.A.

ARTICLE IX

Termination and Amendment

SECTION 9.01. Termination. This Agreement may be terminated at any time prior to the Effective Time by written notice by the terminating party to the other party (except if such termination is pursuant to Section 9.01(a)), whether before or after approval of the terms of this Agreement by the shareholders of the Company:

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company by written notice to the other party:

(i) if there shall be any law or regulation that makes consummation of the Merger illegal or otherwise prohibited or if any Governmental Entity having competent jurisdiction shall have issued at order, judgment, decree or ruling or taken any other action (which the parties shall have used commercially reasonable efforts to resist, resolve or lift, as applicable, in accordance with Section 7.03) enjoining, restraining or otherwise prohibiting the consummation of the Merger and such order, judgment, decree and ruling or other action shall have become final and nonappealable; provided, however, that the right to terminate this Agreement under this Section 9.01(b)(i) shall not be available to any party whose failure to comply with Section 7.03 has been the cause of, or resulted in, the failure of the Merger to have occurred;

(ii) if, at the Shareholders Meeting (including any adjournment thereof) this Agreement shall fail to be adopted and approved by the requisite vote of the shareholders of the Company;

(iii) if the Merger shall not have been consummated before May 1, 2002 (or any Extension Date (as defined below)); provided, however, that either Parent or the Company may by written notice to the other delivered on or prior to May 1,

2002 (or any Extension Date) extend, from time to time, such date to a date (the "Extension Date") not later than October 31, 2002 if the failure of the Merger to be effected on or prior to May 1, 2002 (or any Extension Date) shall have resulted from the failure of the conditions set forth in Section 8.01(b) to be satisfied but all other conditions to the Merger set forth in Article VIII shall be fulfilled or shall be capable of being fulfilled; and provided, further, that the right to terminate this Agreement pursuant to this Section 9.01(b)(iii) shall not be available to any party whose failure to fulfill any of its (and in the case of Parent, and Sub's) obligations contained in this Agreement has been the cause of, or resulted in, the failure of the Merger to have occurred on or prior to the aforesaid date;

(c) by Parent (provided that Parent is not then in breach in any material respect of any obligation, agreement or covenant contained herein), if there has been a breach by the Company of any agreement or covenant of the Company required to be performed or complied with by it under this Agreement prior to the date of such termination that would cause the condition set forth in Section 8.03(a) or Section 8.03(b) not to be satisfied and which breach has not been cured within 30 business days following receipt by the Company of written notice thereof;

(d) by Parent, if there has been a breach of any representation or warranty of the Company set forth in this Agreement that is qualified as to materiality or there has been a material breach of any such representation or warranty that is not so qualified, in each case which breach has not been cured within 30 business days following receipt by the Company of written notice thereof;

(e) by Parent, if (i) the Board of Directors of the Company or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Sub its approval or recommendation of the Merger or this Agreement, or approved or recommended any Takeover Proposal, (ii) the Board of Directors of the Company shall fail to include in the Proxy Statement its recommendation without modification or qualification that its shareholders approve this Agreement and the Merger or (iii) the Board of Directors of the Company or any committee thereof shall have resolved to do any of the foregoing;

(f) by Parent, if (i) the Company shall have breached Section 6.02, (ii) the Company shall fail to call the Shareholders Meeting in accordance with Section 7.01 or (iii) the Board of Directors of the Company or any committee thereof shall have resolved to do any of the foregoing;

(g) by the Company (provided that the Company is not then in breach in any material respect of any obligation, agreement, covenant, representation, or warranty contained herein), if (i) there has been a material breach by Parent or Sub of any agreement or covenant of Parent or Sub required to be performed or complied with by it under this Agreement prior to the date of such termination that would cause the condition set forth in Section 8.02(a) not to be satisfied, or (ii) Parent or Sub shall have breached in any material respect any of their respective representations or warranties contained in this Agreement, which breach described in clause (i)

or (ii) above has not been cured within 30 business days following receipt by Parent or Sub, as applicable, of written notice thereof; or

(h) by Parent, in the event that holders of more than 15% of all issued and outstanding Shares shall have duly asserted dissenters' rights and delivered a written demand for payment in accordance with Section 11.70 of the ILBCA (and have not withdrawn or rescinded such assertion or demand); provided, however, that Parent may only exercise its right to terminate this Agreement pursuant to this subsection (h) on or before the ninetieth (90^{th}) day after the date of the Shareholders Meeting.

SECTION 9.02. Effect of Termination. In the event of a termination of this Agreement by either the Company or Parent as provided in Section 9.01, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Parent, Sub or the Company or their respective officers or directors, except with respect to Section 4.22, the last sentence of Section 7.02, Section 7.05, this Section 9.02 and Article X; provided, however, that nothing herein shall relieve any party from liability or damages for any willful breach of any of its representations, warranties, covenants or agreements contained in this Agreement.

SECTION 9.03. Amendment. This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors at any time before or after obtaining the Company Shareholder Approval (if required by law), but, after any such approval, no amendment shall be made which by law or the Company Charter requires further approval by such shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

SECTION 9.04. Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (iii) waive compliance with any of the agreements or conditions contained herein which may legally be waived. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party.

ARTICLE X

Miscellaneous

SECTION 10.01. Nonsurvival of Representations, Warranties and Agreements. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 10.01 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Effective Time of the Merger.

SECTION 10.02. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed), sent by overnight courier (providing proof of delivery) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Sub, to:

nv Nuon
P.O. Box 41920
1009 DC Amsterdam
The Netherlands
Attention: Eric Lauterslager, Corporate Secretary
Telephone No.: 31-20-579-4104
Telecopy No.: 31-20-597-4210

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

Fried, Frank, Harris, Shriver & Jacobson
1001 Pennsylvania Avenue, N.W.
Suite 800
Washington, DC 20004
Attention: Richard I. Ansbacher
Richard A. Steinwurtzel
Telephone: (202) 639-7000
Telecopy. (202) 639-7004

(b) if to the Company, to:

Utilities, Inc.
2335 Sanders Road
Northbrook, IL 60062
Attention: James L. Camaren
Telephone No.: (847) 498-6440
Telecopy No.: (847) 498-6498

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

Sidley & Austin
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603
Attention: Larry A. Barden

Kevin F. Blatchford
Telephone No.: (312) 853-7000
Telecopy No.: (312) 853-7036

SECTION 10.03. Interpretation. 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. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. 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 Company Disclosure Letter. 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.

SECTION 10.04. Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

SECTION 10.05. Entire Agreement; No Third Party Beneficiaries. This Agreement (including the Confidentiality Agreement, the Company Disclosure Letter and the other documents and the instruments referred to herein) (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) except as provided in Sections 7.04(a) and 7.06, is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

SECTION 10.06. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY APPLICABLE CONFLICTS OF LAW.

SECTION 10.07. Publicity. For so long as this Agreement is in effect, neither the Company nor Parent shall, or shall permit any of its subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may issue or cause the publication of such press release or other public announcement if required by applicable law or the rules of any applicable securities exchange, in which case the disclosing party will advise and consult with the other party on the timing and content of such press release or other public announcement prior to making the disclosure.

SECTION 10.08. Assignment. Except as expressly permitted by this Agreement, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Any attempted assignment in violation of this Section 10.08 shall be deemed void and of no force or effect. This Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors.

SECTION 10.09. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement or the Confidentiality 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 or the Confidentiality Agreement and to enforce specifically the terms and provisions of this Agreement or the Confidentiality Agreement in the United States District Court for the Northern District of Illinois or in an Illinois state court located in Cook County, Illinois, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (i) consents to submit such party to the personal jurisdiction of the United States District Court for the Northern District of Illinois or any Illinois state court located in Cook County, Illinois in the event any dispute arises out of this Agreement or any of the transactions contemplated hereby, (ii) agrees that such party will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (iii) agrees that such party will not bring any action relating to this Agreement or any of the transactions contemplated hereby in any court other than the United States District Court for the Northern District of Illinois or a Illinois state court located in Cook County, Illinois and (iv) waives any right to trial by jury with respect to any claim or proceeding related to or arising out of this Agreement or any of the transactions contemplated hereby.

SECTION 10.10. 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.

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

NV NUON

By _____
Name:
Title:

NUON ACQUISITION SUB, INC.

By _____
Name:
Title:

UTILITIES, INC.

By _____
Name: James L. Camaren
Title: Chairman & CEO

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

NV NUON

By _____
Name: Rudolf Bosveld
Title:

NUON ACQUISITION SUB, INC.

By _____
Name: Rudolf Bosveld
Title: President

UTILITIES, INC.

By _____
Name:
Title: