

Risk Factors Comparison 2024-03-07 to 2023-03-09 Form: 10-K

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In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition, or results of operations in future periods. The risks described below are not the only risks facing our company. Additional risks not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or results of operations in future periods. Legal, Regulatory, and Legislative Factors. ~~Proposals to change policy in Arizona made through legislative, regulatory, or ballot initiatives may impact our growth, business plans and financial condition. In Arizona, a person or organization may file a ballot initiative with the Arizona Secretary of State and, if a sufficient number of verifiable signatures are submitted, the initiative may be placed on the ballot for the public to vote on the matter. Ballot initiatives may relate to any matter, including taxes and policy and regulation related to our industry, and may change statutes or the state constitution in ways that could impact our customers, the Arizona economy, and the Company. The passage of certain initiatives could depress expected population growth, impact our business or growth plans, and have a material adverse impact on our financial condition, results of operations or cash flows.~~ We have significant obligations under Infrastructure Coordination and Financing Agreements (“ICFAs”), yet funds from our ICFAs are dependent on development activities by developers which we do not control and are also subject to certain regulatory requirements. Prior to 2014, we extended water and wastewater infrastructure financing to developers and builders through ICFAs. ~~ICFA. These agreements are contracts with developers or builders in which we coordinate and fund the construction of water, wastewater, and recycled water facilities that will be owned and operated by our regulated subsidiaries in advance of completion of developments in the area.~~ Our investment can be considerable, as we phase- in the construction of facilities in accordance with a regional master plan, as opposed to a single development. Developers and builders pay us agreed- upon fees upon the occurrence of specified development events for their development projects. The ACC requires us to record a portion of the funds we receive under ICFAs as contributions in aid of construction (“CIAC”), which are funds or property provided to a utility under the terms of a collection main extension agreement and / or service connection tariff, the value of which are not refundable. Amounts received as CIAC reduce our rate base once expended on utility plants. The developer is not required to pay the bulk of the agreed- upon fees until a development receives platting approval. Accordingly, we cannot always accurately predict or control the timing of the collection of our fees. If a developer encounters difficulties, such as during a real estate market downturn, that result in a complete or partial abandonment of the development or a significant delay in its completion, we will have planned, built, and invested in infrastructure that will not be supported by development and will not generate either payments under the applicable ICFA or cash flows from providing services. As a result, our return on our investment and cash flow stream could be adversely affected. ~~New~~ **We are subject to regulation by the ACC and our stricter financial condition depends upon our ability to recover costs in a timely manner from customers through regulated rates.** ~~20- We are subject to comprehensive regulation by several federal, state and local regulatory standards agencies that significantly influence our business, liquidity, and results of operations. In particular, the ACC is the regulatory authority with jurisdiction over privately- held water and wastewater utilities and our ability to fully recover costs from utility customers in a timely manner. The ACC has exclusive constitutional authority related to ratemaking and extensive constitutional authority to mandate accounting treatments, authorize long- term financing programs, evaluate significant capital expenditures and plant additions, examine and regulate transactions between a regulated subsidiary and its affiliated entities, and approve or disapprove some reorganizations, mergers, and acquisitions prior to their completion. Additionally, the ACC has statutory authority to oversee service quality and consumer complaints, and approve or disapprove expansion of service areas. The ACC is comprised of five elected members, each serving four year terms. Our profitability is affected by the rates we may charge and the timeliness of recovering costs incurred through our rates. Accordingly, our financial condition and results of operations are dependent upon the satisfactory resolution of any rate proceedings and ancillary matters which may come before the ACC. In addition, the ACC may reopen prior decisions and modify otherwise final orders under certain circumstances. Decisions made by the ACC could have a material adverse impact on our financial condition, results of operations and cash flows. Our water and wastewater systems are subject to condemnation by governmental authorities, which may result in the receipt of less than the fair market value of our assets and a loss of revenue from our operations. Municipalities and other governmental actions could increase subdivisions have historically been involved in the provision of water and wastewater services, and efforts may arise from time to time to convert some our- or regulatory compliance all of our assets to public ownership and operating- operation costs, require us to alter our existing treatment facilities, and / or cause us to build additional facilities, which could cause our profitability to suffer, particularly if we are unable to increase our rates to offset such costs.~~ ~~In Arizona law provides for the acquisition of~~ water and wastewater utilities are subject to regulation by water, environmental, public utility **property by** , and health and safety regulators, and we are required to obtain environmental permits from governmental agencies **through** in order to operate our facilities. Regulations relate to, among other- **their things power of eminent domain** , also known as **condemnation** standards and criteria for drinking water quality and for wastewater discharges, customer service and service delivery standards, waste disposal and raw groundwater abstraction limits, and rates and charges for our regulated services. There may be instances in the future when we are not in or cannot achieve compliance with new and evolving laws, regulations, and permits without incurring additional operating costs. For example, in 2006, the **assets of our former utility subsidiaries** U. S. Environmental Protection Agency (“EPA”) implemented a new arsenic maximum contaminant level, which effectively

Cave Creek Water Co. and Valencia Water Company, Inc., were required to be acquired from us by municipalities pursuant to condemnation proceedings, and our other installation-utility subsidiaries could be subjects of such proceedings in the future. Should a municipality or other governmental subdivision seek to acquire some or all of our assets through eminent domain, we would likely resist the acquisition. Contesting and an exercise of condemnation through eminent domain may result in costly legal proceedings and may divert the attention of our management from the operation of costly arsenic treatment systems at our business. Moreover, our efforts to resist any such condemnation of our water production facilities. To comply with federal, state, and local environmental laws, our existing facilities may not need to be altered. If a municipality or other governmental subdivision succeeds in acquiring some or all of our replaced assets through eminent domain, which may cause us to incur significant one-time additional costs. There is a risk that we will not receive adequate compensation for such assets and that we will incur significant one-time additional costs. Altered and new facilities and other capital improvements must be constructed and operated in accordance with multiple requirements, including, in certain cases, an Acquirer Protection Permit issued by the ADEQ, Arizona Pollution Discharge charges Elimination System permits. Condemnation also results in a loss of revenue from the ADEQ, and an air quality permit from Maricopa or Pinal Counties. The provision of potable water is subject to, among others, the requirements of the federal Safe Drinking Water Act, and effluent from wastewater treatment facilities must comply with other requirements. Regulated contaminants and associated maximum contaminant levels may change over time, requiring us to alter or build additional treatment facilities. Our costs of complying with current and future governmental laws and regulations could adversely affect our business or results of operations. If we fail to comply with these laws, regulations, or permits, we could be fined or otherwise sanctioned by regulators and our operations could be curtailed or shut down. We may also be exposed to product liability or breach of contract claims by third parties resulting from our noncompliance. These laws and regulations are complex and change frequently, and these changes may cause us to incur costs in connection with the remediation of actions that were lawful when they were taken. Failure by us to....., and settlement of Native American claims. Changes in, interpretations of, or enforcement trends related to tax rules and regulations may adversely affect our effective income tax rates or operating margins and we may be required to pay additional tax assessments. Our effective income tax rate could be adversely affected by various factors, many of which are outside of our control, including: • changes in tax laws, regulations, and / or interpretations of such tax laws in multiple jurisdictions, including but not limited to U. S. federal and state regulations or interpretations resulting from the 2017 Tax Cuts and Jobs Act (the "TCJA"); • increases in corporate tax rates and the availability of deductions or credits; • tax effects related to purchase accounting for acquisitions; and • resolutions of issues arising from tax examinations and any related interest or penalties. Our determination of tax liabilities is always subject to review or examination by applicable tax authorities. Any adverse outcome of such review or examination could have a material adverse effect on our financial condition and results of operations. Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service ("IRS") and other taxing authorities. See "Management's Discussion and Analysis of Results of Operations and Financial Condition — Corporate Transactions — ACC Tax Docket" in Part II, Item 7 of this report for more information on the ACC docket that addresses the utility ratemaking implications of the TCJA. We are exposed to various risks relating to legal proceedings or claims that could materially adversely affect our operating results. We are a party to lawsuits in the normal course of our business. Litigation in general can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. Responding to lawsuits brought against us, or legal actions that we may initiate, can often be expensive and time-consuming. Unfavorable outcomes from these claims and / or lawsuits could materially adversely affect our business, results of operations, and financial condition, and we could incur substantial monetary liability and / or be required to change our business practices. Proposals to change policy in Arizona....., results of operations or cash flows. Our ability to expand into new service areas and to expand current water and wastewater service depends on approval from regulatory agencies. Failure to obtain required regulatory approvals will adversely affect future growth. In Arizona, the ACC is the regulatory authority that oversees the formation, expansion, and ongoing operations of water and wastewater utilities. The ACC has authority, among other things, to determine service areas for utility providers. In order for our owned utilities to provide water or wastewater service, they must obtain a CC & N for a service area before they can service that area. In addition, our owned utilities and / or the developments that we serve must demonstrate to the ADWR that there exists a 100- year water supply and obtain either a CAWS "Certificate of Assured Water Supply," which is a certificate issued by the ADWR evidencing sufficient groundwater, surface water, or effluent of adequate quality will be continuously available to satisfy the water needs of the proposed use for at least one hundred years and which applies to a specific subdivision, or a DAWS, which applies to the utility's entire service area. The designation area is generally coterminous with the CC & N and can grow into adjacent areas as needed. Further, our wastewater facilities require ADEQ and / or EPA permits that regulate, among other things, the level of discharges from our facilities, the size of our facilities, and the location of our facilities. Any inability to obtain the necessary regulatory approvals, assured water supplies, or environmental permits would limit our ability to expand our water or wastewater service areas. If we chose to expand to states other than Arizona, we may have difficulty acquiring the necessary approvals and permits or complying with environmental, health and safety, or quality standards of such states. See "Business and Operational Factors — Doing business in jurisdictions other than Arizona may present unforeseen regulatory, legal, and operational challenges that could impede or delay our operations or adversely affect our profitability." Our water and wastewater systems are subject to condemnation by governmental authorities, which may result in the receipt of less than the fair market value of our assets and a loss of revenue from our operations. Municipalities and other governmental subdivisions have historically been involved in the provision of water and wastewater services, and efforts may arise from time to time to convert some or all of our assets to public ownership and operation. Arizona law provides for the acquisition of public utility

property by governmental agencies through their power of eminent domain, also known as condemnation. For example, the assets of our former utility subsidiaries, Cave Creek Water Co. and Valencia Water Company, Inc., were acquired from us by municipalities pursuant to condemnation proceedings, and our other utility subsidiaries could be subjects of such proceedings in the future. Should a municipality or other governmental subdivision seek to acquire some or all of our assets through eminent domain, we would likely resist the acquisition. ~~21~~ Contesting an exercise of condemnation through eminent domain may result in costly legal proceedings and may divert the attention of our management from the operation of our business. Moreover, our efforts to resist any such condemnation may not be successful. If a municipality or other governmental subdivision succeeds in acquiring some or all of our assets through eminent domain, there is a risk that we will not receive adequate compensation for such assets and that we will incur significant one-time charges. Condemnation also results in a loss of revenue from the operations of the affected utility. We are subject to environmental risks that may subject us to clean-up costs or litigation that could adversely affect our business, operating results, financial condition, and prospects. Under various federal and state environmental laws, regulations, ordinances, and other requirements, a current or previous owner or operator of real property or a facility may be liable for the costs of removal, remediation, or containment of hazardous or toxic substances on, under, in, or released from such property. These liabilities are not limited to a potential effect on our water supply and include, but are not limited to, liabilities associated with air, soil, or groundwater contamination at any real estate or facilities we own or operate, including liabilities assumed in an acquisition of another utility. Environmental laws often impose liability regardless of whether the owner or operator knew of or was responsible for the presence of the hazardous or toxic substances. Although we currently conduct environmental screening assessments on new properties that we propose to acquire or use to identify significant sources of contaminants on surrounding properties, these assessments are not comprehensive, nor have they been conducted for all of the property owned or used by us. As a result, hazardous or toxic substances may exist at properties owned or used by us. If hazardous or toxic substances are discovered at real property or facilities owned or used by us (including a landfill owned by another party that is used by us for disposal of hazardous substances), we could incur significant remediation costs, liability exposure, or litigation expenses that could adversely affect our profitability, results of operations, liquidity, and cash flows. **The risk of natural adverse weather** We are subject to regulation by the Arizona Corporation Commission and our financial condition depends upon, **pandemic outbreaks, global political events, war, or** our ability to recover **terrorism could disrupt our business, impacting operating** costs in a timely manner from customers through regulated rates. We are subject to comprehensive regulation by several federal, state and local regulatory agencies that significantly influence our business, liquidity, and results of operations and our ability to fully recover costs from utility customers in a timely manner. The ACC is the regulatory authority with jurisdiction over water and wastewater utilities. The ACC has exclusive authority to approve rates, mandate accounting treatments, authorize long-term financing programs, evaluate significant capital expenditures, **Our facilities are located in areas which have been and plant could be subject to natural disasters such as drought, floods, fires or earthquakes. Adverse weather conditions or other extreme changes in the weather, including resulting electrical and technological failures, may disrupt our business and adversely affect operating costs and capital expenditures. In** addition, **addition**, examine and regulate transactions between a regulated subsidiary and its affiliated entities, and approve or **our** disapprove some reorganizations, mergers, and acquisitions prior to their completion. Additionally, the ACC has statutory authority to oversee service quality and consumer complaints, and approve or disapprove expansion of service areas **are susceptible to pandemic outbreaks**. The ACC is comprised of five elected members, **terrorist acts, and operations may be** each serving four year terms. Our profitability is affected by **disruptive political events** the rates we may charge and the timeliness of recovering costs incurred through our rates. Accordingly, **both global** our financial condition and results of operations **domestic, such as civil unrest in countries in which our vendors are located** dependent upon the satisfactory resolution of any rate proceedings and ancillary matters which may come before the ACC. In addition, the ACC may reopen prior decisions and modify otherwise final orders under certain circumstances. Decisions made by the ACC could have a material adverse impact on our **or financial condition products are manufactured**, results of operations and cash flows **in the US where protests and other disturbances may affect our ability to operate**. ~~22~~ Inadequate water and wastewater supplies could have a material adverse effect upon our ability to achieve the customer growth necessary to increase our revenues. Our ability to meet the existing and future water demands of our customers depends on an adequate supply of water. In many areas of Arizona (including certain areas that we service), water supplies are limited and, in some cases, current usage rates exceed sustainable levels for certain water resources. Additionally, regulatory restrictions on the use of groundwater and the development of groundwater wells, lack of available water rights, drought, overuse of local or regional sources of water, protection of threatened species or habitats, or other factors, including climate change, may limit the availability of ground or surface water. No assurance can be given that we will be able to produce or purchase enough water to fully satisfy future customer demand. Further, we can make no guarantee that we will always have access to an adequate supply of water that will meet all quality standards, or that the cost of water will not adversely affect our operating results. As discussed above, we currently rely predominantly (and are likely to continue to rely) on the pumping of groundwater and the generation and delivery of recycled water for non-potable uses to meet future demands in our service areas. At present, groundwater (and recycled water derived from groundwater) is the primary water supply available to us. In areas where we have not applied for a DAWS, we have not performed hydrological studies or modeling to evaluate the amount of groundwater likely to be available to meet present and expected future demands. Insofar as we intend to rely on the pumping of groundwater ~~22~~ and the generation and delivery of recycled water to meet future demands in our current service areas, our ability and / or the ability of developers inside of our service areas to meet regulatory requirements and to demonstrate assured and adequate water supplies is essential to the continued growth of our service connections and our capacity to supply water to our customers. In the event that our wells cannot meet customer demand, we may, under certain circumstances, purchase water from surrounding municipalities, agencies, and other utilities. However, the cost of purchasing water is typically more expensive than producing it. Furthermore, these

alternative sources may not always have an adequate supply to sell to us. Insufficient availability of water or wastewater treatment capacity could materially and adversely affect our ability to provide for expected customer growth necessary to increase revenues. We continuously look for new sources of water to augment our reserves in our service areas, but have not yet obtained material surface water rights. Our ability to obtain such rights may depend on factors beyond our control, such as the future availability of Colorado River water supplies. We also plan to construct facilities and obtain the necessary permits to recharge recycled water to stretch and augment our existing and planned future water supplies, but do not yet have this capability in all of our service areas. As a result, it is possible that, in the future, we will not be able to obtain sufficient water or water supplies to increase customer growth necessary to increase or even maintain our revenues. If we are unable to access adequate water supplies, such water shortage could adversely affect our business operations, results of operations, cash flow, and financial position in a variety of other ways, which may include, but are not limited to, the following: • result in water rationing; • adversely affect water supply mix by causing us to rely on more expensive purchased water; • adversely affect operating costs; • increase the risk of contamination to water systems due to the inability to maintain sufficient pressure; • increase capital expenditures for building pipelines to connect to alternative sources of supply, new wells to replace those that are no longer in service or are otherwise inadequate to meet the needs of customers, and reservoirs and other facilities to conserve or reclaim water; and • result in regulatory authorities refusing to approve new service areas if an adequate water supply cannot be demonstrated and restrictions on new customer connections may be imposed in existing service areas if there is not sufficient water. We may or may not be able to recover increased operating and construction costs as a result of water shortages on a timely basis, or at all, for our regulated utilities through the rate setting process. We **may have difficulty recruiting and retaining qualified..... business could be adversely affected.** We do not control when and where a developer may request service within our service areas, and if this occurs outside the location and capacity of existing infrastructure, it may require significantly more capital expenditures than currently anticipated. If a developer has an ICFA, and / or once a developer has entered into a service agreement with our utility subsidiary and the property being developed has been included within a service area, we have the obligation to serve under the terms of those **-23-** agreements and existing regulations. Although we have built substantial modern infrastructure within these utilities in areas where development is currently occurring, there is the potential that a developer may request service in another location within the service area. Extending / expanding the existing infrastructure to provide service may result in the need to make additional, currently unplanned, capital improvements and there is no guarantee that we may recover our costs timely. As a result, our return on our investment and cash flow stream could be adversely affected. **-23-** If we do not manage our anticipated growth effectively, we may not be able to develop or implement the infrastructure necessary to support our operations and could suffer a loss of profitability. Although we may not be able to achieve similar growth as we have seen since our formation in 2003, or grow at all, in future periods, we expect to continue to significantly expand our facilities, infrastructure, marketing, testing, management, and administrative operations, as well as our financial and accounting controls. This expansion has placed, and will continue to place, strain on our management and administrative, operational, technical, and financial infrastructure. If management is unable to manage growth effectively, the quality of our services, our ability to attract and retain key personnel, and our business or prospects could be harmed significantly. To manage growth effectively, we must: • continue to expand our water management capacity; • retain key management and augment our management team; • continue to enhance our technology, operations, and financial and management systems; • manage multiple relationships with our customers, regulators, suppliers, and other third parties; and • expand, train, and manage our employee base. We may not be able to effectively manage any expansion in one or more of these areas, and our failure to do so could harm our ability to maintain or increase revenues and operating results. The expenses incurred in pursuing growth could increase without a corresponding increase in our revenue base, which could decrease operating results and profit margin. In addition, future growth may require us to make significant capital expenditures or incur other significant expenses and may divert the attention of our personnel from our core business operations, any of which could affect our financial performance adversely. Increased operating expenses associated with the expansion of our business may negatively impact our operating income. Increased operating expenses associated with any expansion of our business may negatively impact our income as we, among other things: • seek to acquire new utilities and service areas; • expand geographically in and outside of Arizona; • make significant capital expenditures to support our ability to provide services in our existing service areas; • fund development costs for our system and technology; and • incur increased general and administrative expenses as we grow. As a result of these factors, we may not sustain or increase our profitability on an ongoing basis. We face risks associated with the design, construction, and operation of our systems that may adversely affect our business and financial condition. We are responsible for the design, construction, installation, and maintenance of our water treatment, reclamation, and distribution systems. We could be adversely affected by a failure to complete our construction projects on time or on budget, and a substantial delay in the progress of construction due to adverse weather, work stoppages, shortages of materials or labor, non-issuances of permits, nonperformance of suppliers or contractors, or other factors could result in a material increase in the overall cost of such projects. We cannot guarantee that our systems will operate as designed or be free from defects. The failure of our systems to operate properly could cause significant public harm. Any defects in our systems or significant reliability, quality, or performance problems with respect to our systems or services could have a number of negative effects on our profitability, results of operations, liquidity, and cash flows, including: **-24-** • loss of revenues; • diversion of management and development resources and the attention of engineering personnel; • significant customer relations problems; • increased repair, support, and insurance expenses; **-24-** • adverse regulatory actions; and • legal actions for damages by our customers, including but not limited to damages based on commercial losses and effects on human health. Operating costs, construction costs, and costs of providing services can be volatile and may rise faster than revenue. Our ability to increase rates over time is dependent upon approval of rate increases by the ACC, which may be inclined, for political or other reasons, to limit rate increases. However, our costs are subject to market conditions and other factors, and may increase significantly. For example,

costs for chemicals used to treat water and wastewater, as well as costs for power used to operate pumps and other equipment, can be volatile. See “ — Operational Factors — We depend on an adequate supply of electricity and chemicals for the delivery of our water, and an interruption in the supply of these inputs or increases in their prices could adversely affect our results of operations. ” Additionally, the second largest component of our operating costs after water production is made up of salaries and wages. These costs are affected by the local supply and demand for qualified labor. Other large components of our costs are general insurance, workers’ compensation insurance, employee benefits, and health insurance costs. These costs may increase disproportionately to rate increases authorized by utility regulators and may have a material adverse effect on our financial condition and results of operations. We rely on purchased electrical power to operate the wells and pumps that are needed in order to supply potable and recycled water to our customers. An extended interruption in power supply that we cannot remediate through the use of backup generators could adversely affect our ability to continue these operations. Electrical power costs are beyond our control and can increase unpredictably in substantial amounts. Under these circumstances, our cash flows between our general rate case filings and our earnings may be adversely affected until the ACC has authorized a rate increase. In addition, we require bulk supplies of chemicals for water and wastewater treatment, and if we were to suffer an interruption of supply that we cannot replace quickly, we might not be able to perform these functions adequately. Supply chain constraints may result in increased costs of supplies, products and materials that are critical to or used in the Company’s business operations. Also, some chemicals are available from a single source or a limited number of sources. There is no assurance that these suppliers will continue to produce the chemicals in the quantities and quality and at the times they are needed. Moreover, the replacement of any of these suppliers could lead to significant delays and increase in our costs. Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise. The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as: • increased frequency and duration of droughts; • challenges associated with changes in temperature or increases in ocean levels; • potential degradation of water quality; • decreases in available water supply and changes in water usage patterns; • increased precipitation and flooding; • increased frequency and severity of storms and other weather events; • increases in disruptions in service; • increased costs to repair damaged facilities; or • increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems. Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, laws and regulations have been enacted that seek to reduce or limit greenhouse gas emissions and require additional reporting and monitoring, and these –25– regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. There can be no assurance that we would be able to recover any expenditures or costs associated with the impact of climate variability and related laws and regulations on a timely basis, or at all, for our regulated utilities through the rate setting process.

Our operations of regulated utilities are currently located exclusively in the state of Arizona, and more specifically approximately 85.6 % of our active service connections are within a single municipality, which increases the impact of local conditions on our results of operations.- 25- The customers of our regulated utilities are currently located exclusively in the state of Arizona and 85.6 % of our active service connections are located in the City of Maricopa, Arizona. As a result, we cannot diversify or mitigate the risk risks of natural adverse presented by local regulatory, economic, political, demographic, and weather conditions , pandemic outbreaks, global political events, war, in this area. An adverse change in any of these conditions would therefore affect or our terrorism-profitability, results of operations, liquidity, and cash flows more significantly than if our utilities operated more broadly in other geographic areas. We rely on purchased electrical power to operate the wells and pumps that are needed in order to supply potable and recycled water to our customers. An extended interruption in power supply that we cannot remediate through the use of backup generators could disrupt our business, impacting operating costs and capital expenditures. Our facilities are located in areas which have been and could be subject to natural disasters such as drought, floods, fires or earthquakes. Adverse weather conditions or other extreme changes in the weather, including resulting electrical and technological failures, may disrupt our business and adversely affect our ability to continue these operating operations . Electrical power costs are beyond our control and capital expenditures can increase unpredictably in substantial amounts. Under these circumstances, our cash flows between our general rate case filings and our earnings may be adversely affected until the ACC has authorized a rate increase . In addition, our service areas we require bulk supplies of chemicals for water and wastewater treatment, and if we were to suffer an interruption of supply that we cannot replace quickly, we might not be able to perform these functions adequately. Supply chain constraints may result in increased costs of supplies, products and materials that are susceptible critical to pandemic outbreaks, terrorist acts, and or used in the Company’ s business operations . Also may be affected by disruptive political events- , some chemicals both global and domestic, such as civil unrest in countries in which our vendors are located available from a single source or a limited number of sources. There is no assurance that these suppliers will continue to products produce the chemicals in the quantities and quality and at the times they are manufactured needed. Moreover , and in the US where protests and other -- the disturbances may affect our ability replacement of any of these suppliers could lead to operate significant delays and increase in our costs . Our utilities business is subject to seasonal fluctuations and other weather- related conditions, such as droughts, which could adversely affect the supply of and demand for our services and our results of operations. We depend on an adequate water supply to meet the present and future needs of our customers. Whether we have an adequate water supply depends upon a variety of factors, including underground water supply from which groundwater is pumped, the rate at which it is recharged by rainfall and

snowpack, and changes in the amount of water used by our customers. In particular, the arid western U. S. region, which includes our present and potential service areas, has been required to deal with general conditions of water scarcity exacerbated by extended periods of drought. Drought conditions could interfere with our sources of water supply and could adversely affect our ability to supply water in sufficient quantities to our existing and future customers. Any future interruption to our water supply or restrictions on water usage during drought conditions or other legal limitations on water use could result in decreased customer billing and lower revenues or higher expenses that we would not be able to recoup without prior regulatory approval for a rate increase, which may not be granted. These conditions could also lead to increases in capital expenditures needed to build infrastructure to secure alternative water sources. Furthermore, customers may use less water even after a drought has ended because of conservation patterns developed during the drought. Population growth could also decline under drought conditions as individuals and businesses move out of the area or elect not to relocate there. Lower water use for any reason could lead to lower revenue. Demand for water is seasonal and varies with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the demand for our water may decrease, which would adversely affect our profitability, results of operations, liquidity, and cash flows. Consequently, the results of operations for one quarter are not necessarily indicative of results for future quarters or the full year. If future acquisitions do not achieve sufficient profitability relative to expenses and investment, our business and ability to finance our operations could be materially adversely affected. A typical element of a utility growth strategy is the acquisition or development of other water and wastewater utilities. The potential negotiation of future acquisitions and development of new projects could require us to incur significant costs and expose us to significant risks, including: • risks relating to the condition of assets acquired and exposure to residual liabilities of prior businesses; • operating risks, including equipment, technology and supply problems, failure to achieve expected synergies and operating efficiencies, regulatory requirements, and approvals necessary for acquisitions; • risks that potential acquisitions may require the disproportionate attention of our senior management, which could distract them from the management of our existing business; • risks related to our ability to retain experienced personnel of the acquired company; and - 26- • risks that certain acquisitions may require regulatory approvals, which could be refused or delayed and which could result in unforeseen regulatory expenses or unfavorable regulatory conditions. These issues could have a material adverse effect on our business and our ability to finance our operations. The businesses and other assets we acquire in the future may not achieve sufficient revenue or profitability to justify our investment, and any difficulties we may encounter in the integration process could interfere with our operations, reduce operating margins, and -26- divert management's attention. Acquisitions could also result in dilutive issuance of our equity securities, incurrence of debt and contingent liabilities, and fluctuations in quarterly results and expenses. The nature of our business exposes us to various liability claims, which may exceed the level of our insurance coverage and thereby not be reimbursed fully by insurance proceeds, or not be covered by our insurance at all, and may also make it difficult for us to obtain insurance coverage at affordable rates. In recent years, societal factors have resulted in increased litigation and escalating monetary claims against industries and employers. Although the national insurance market currently provides insurance coverage at affordable premiums, there is no guarantee this will continue or that we will continue to be able to obtain coverage against catastrophic claims and losses. While we may self-insure for some risks in the future, should an uninsured or underinsured loss occur, we may be unable to meet our obligations as they become due. The operation of our utilities is subject to the normal risks of occupancy as well as the additional risks of receiving, processing, treating, and disposing of water and waste materials. As a safeguard, we currently maintain general liability and workers' compensation insurance coverage, subject to deductibles at levels we believe are sufficient to cover future claims made during the respective policy periods. However, we may be exposed to multiple claims, including workers' compensation claims, that do not exceed our deductibles, and, as a result, we could incur significant out-of-pocket costs that could materially adversely affect our business, financial condition, and results of operations. In addition, the cost of insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry. Our future claims may exceed the coverage level of our insurance, and insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates, or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could materially adversely affect our business, financial condition, and results of operations. **We** may have difficulty recruiting and retaining qualified personnel, and due to the technical and specialized nature of our business, our profitability may suffer if we do not have the necessary workforce. Our operating utilities require some of our employees to be certified operators of record, a designation requiring specialized training and certification in water and wastewater systems. As workers with these qualifications retire in the industry, we may be unable to replace them readily in view of the relatively low number of younger workers that we believe are entering the workforce to pursue this line of work. Our operations **require a variety of regulated utilities are currently located exclusively in the other technical skills state of Arizona, and specialties in the more specifically approximately 91.0% of our active service connections are areas of engineering, systems analysis, laboratory work, and equipment repair, and we may have difficulty recruiting and retaining personnel within -- with a single municipality, which increases the these skills impact of local conditions on our results of operations. If** The customers of our regulated utilities are currently located exclusively in the state of Arizona and 91.0% of our active service connections are located in the City of Maricopa, Arizona. As a result, we cannot diversify **maintain an employee base with the skills necessary to conduct or our mitigate operations, our efficiency, margins, and ability to expand our business could be adversely affected. Contamination of the risks presented water supplied by local regulatory us may result in disruption in our services , economic loss of credibility , political lower demand for our services , demographic, and weather potential liability that could adversely affect our business and financial conditions-- condition in this. Our water supplies area-- are subject to contamination, including contamination from compounds, chemicals in**

groundwater systems, pollution resulting from man-made sources (such as perchlorate and methyl tertiary butyl ether), and possible biological terrorist attacks. Contamination of water sources can lead to human death and illness, damage to natural resources and other parts of the environment, and cause other harms. Among other things, if we are found to be liable for consequences of water contamination arising out of human exposure to hazardous substances in our water supplies or other damage, we would be subject to civil or criminal enforcement actions, litigation, and other proceedings or clean up obligations. Further, our insurance policies may not apply or be sufficient to cover the costs of these claims, which could be significant. Cleaning up water sources can be very expensive and if we are required to do so, it could have a material and adverse change in any of these conditions would therefore affect effect on our profitability business, operating results, and financial condition. In the event that our water supply is contaminated, we may have to interrupt or stop the use of that water supply until we are able to treat the water or to substitute the supply of water from another water source, including, in some cases, through the purchase of water from a supplier. We may incur significant costs in order to warn consumers and to treat the contaminated source through expansion of current treatment facilities or development of new treatment methods. Using a new water source is generally associated with increased costs compared to an existing water source -27- and, as indicated above, purchasing water is typically more expensive than obtaining the water from other means. If we are unable to treat or substitute our water supply in a cost-effective manner, our financial condition, results of operations, cash flow, liquidity, and reputation may be adversely affected. We may not be able to recover costs associated of operations, cash flow, liquidity, and cash flows more significantly than if reputation may be adversely affected. We may not be able to recover costs associated with treating contaminated water our or utilities operated more broadly in developing new sources of supply through other -- the geographic areas rate setting process or through insurance. We may have difficulty accomplishing our growth strategy within and outside of our current service areas. This would cause us to rely more heavily on regulatory rate increases to increase our revenues. Our ability to expand our business, both within our current service areas and into new areas, involves significant risks, including, but not limited to: • not receiving or maintaining necessary regulatory permits, licenses, or approvals; • downturns in economic or population growth and development in our service areas; • risks related to planning and commencing new operations, including inaccurate assessment of the demand for water, engineering and construction difficulties, and inability to begin operations as scheduled; • droughts or water shortages that could increase water conservation efforts to a point that materially reduces revenue; • regulatory restrictions or other factors that could adversely affect our access to sources of water supply; • our potential inability to identify suitable acquisition opportunities or to form the relationships with developers and municipalities necessary to form strategic partnerships; and • barriers to entry presented by existing water utilities in prospective service areas. If we are unable to execute our growth strategy effectively, we will need to rely more heavily on regulatory rate increases to increase our revenue. However, there can be no assurance that the regulatory authorities will approve any rate increases. -27- We face competition for new service areas and acquisition targets. We face competition from other water and wastewater utilities for new service areas and with respect to acquisitions of smaller utilities. These competitors consist primarily of municipalities and investor-owned utilities seeking expansion opportunities. Some of our competitors are larger than we are and have more resources and access to capital than we do. If we are unable to compete effectively for new service areas and acquisitions of existing utilities, our ability to increase our rate base and revenue could be adversely affected. Service interruptions, including due to any disruption or problem at our facilities could increase our expenses. A natural disaster (such as an earthquake, fire, or flood) or an act of terrorism could cause substantial delays in our operations, damage or destroy our equipment or facilities, and cause us to incur additional expenses and lose revenue. The insurance we maintain against natural disasters may not be adequate to cover our losses in any particular case, which would require us to expend significant resources to replace any destroyed assets, thereby materially and adversely affecting our financial condition and prospects. Other global incidents, such as the COVID-19 pandemic, could have a similar effect of disrupting our business to the extent they reach and impact the service areas in which we operate, the availability of supplies we need, the customers we serve, or the employees who operate our businesses. See “Business and Operational Factors—The COVID-19 global pandemic could adversely effect our business operations, cash flows, and financial position to an extent that is difficult to predict” for additional information. Any failure of our network of treatment facilities, water and wastewater pipes and water reservoirs could result in losses and damages that may affect our financial condition and reputation. Our utilities distribute water and collect wastewater through an extensive network of pipes and store water in reservoirs located across our service areas. A failure of major pipes or reservoirs could result in injuries and property damage for which we may be liable. The failure of major pipes and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Any failures and shutdowns may limit our ability to supply water in sufficient quantities to customers and to meet the water and wastewater delivery requirements prescribed by applicable utility regulators, which would adversely affect our financial condition, results of operations, cash flow, liquidity, and reputation. Risks associated with the collection, treatment, and disposal of wastewater and the operation of water utilities may impose significant costs that may not be covered by insurance, which could result in increased insurance premiums. The wastewater collection, treatment, and disposal operations of our utilities are subject to substantial regulation and involve significant environmental risks. If collection or sewage systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, potentially causing damage to persons or property, injury to the environment including aquatic life, and economic damages, which may not be recoverable in rates. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, results of operations, and financial condition. Moreover, in the event that we are deemed liable for any damage caused by overflow, losses might not be covered by insurance policies, and such losses may make it difficult to secure insurance in the future at acceptable insurance premium rates. Similarly, any related business interruption or other losses might not be covered by insurance policies, which would also make it difficult for us to secure

insurance in the future at acceptable insurance premium rates. We may also incur liabilities under environmental laws and regulations requiring investigations and cleanup of environmental contamination at our properties or at off-site locations where there have been adverse environmental impacts. The discovery of **28-** previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs, and could adversely affect our financial condition, results of operations, cash flow, and liquidity. Such remediation losses may not be covered by insurance policies and may make it difficult for us to secure insurance in the future at acceptable insurance premium rates. **We are subject to industrial risks**

Contamination of the water supplied by us may result in disruption in our services, loss of credibility, lower demand for our services, and potential liability that could adversely affect our **results of operations** business and financial condition. Our **The operations of our** water supplies and wastewater treatment plants involve physical, chemical, and biological processes and the use of pumps, generators, and other industrial equipment. As a result, our operations are subject to contamination **various industrial risks**, including contamination from compounds, chemicals **chemical spills** in groundwater systems, pollution discharges or releases of toxic or hazardous substances or gases, effects resulting from confined operating spaces, fires, explosions, mechanical failures, storage tank leaks, and electric shock. These risks can result in personal injury, loss of life, catastrophic damage to or destruction of property and equipment or environmental damage, and related legal proceedings, including those commenced by regulators, neighbors, or others. They may also result in **man-** an **made sources** unanticipated interruption or suspension of our operations and the imposition of liability. The loss or shutdown over an extended period of operations at any of our treatment facilities or any losses relating to these risks could have a material adverse impact on our profitability, results of operations, liquidity, and cash flows. Service interruptions, including due to any disruption or problem at our facilities could increase our expenses. A natural disaster (such as perchlorate and **an methyl tertiary butyl ether earthquake, fire, or flood**), or **and - an** possible biological act of terrorist **terrorism** could cause substantial delays in our operations attacks. Contamination of water sources can lead to human death and illness, damage or destroy our equipment or facilities, and cause us to incur additional expenses and lose revenue. The insurance we maintain against natural disasters may not be adequate to cover our losses in any particular case, which would require us to expend significant resources and other parts of the environment, and cause other harms. Among other things, if we are found to **replace any destroyed assets, thereby materially and adversely affecting** be liable for consequences of water contamination arising out of human exposure to hazardous substances in our water supplies or **our financial condition and prospects.** other **Other** damage **global incidents**, such as a pandemic we would be **28-** subject to civil or criminal enforcement actions, litigation, and other proceedings or clean up obligations. Further, our insurance policies may not apply or be sufficient to cover the costs of these claims, which could be significant. Cleaning up water sources can be very expensive and if we are required to do so, it could have a **similar** material and adverse effect **on - of disrupting** our business to the extent they reach and impact the service areas in which we operate, **the availability of supplies we need, the customers we serve, or the employees who operate our businesses.** See “ — Business and Operational Factors — **Pandemics, epidemics or disease outbreaks, such as the COVID- 19 pandemic, could adversely affect our business** operating **operations** results, **cash flows**, and financial **position to an extent** condition. In the event that our water supply is **difficult** contaminated, we may have to interrupt **predict.** ” or for additional information **stop the use of that water supply.....** the rate setting process or through insurance. We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or other sanctions. Water and wastewater utilities, including Palo Verde and Santa Cruz, have large customer bases and as a result are exposed to public criticism regarding, among other things, the reliability of their water and wastewater services, the quality of water provided, the timeliness and accuracy of bills that are provided for such services, and the quality of customer service. Adverse publicity and negative customer sentiment may render regulators and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable regulatory outcomes, as well as increased regulatory oversight, lower rates, and more stringent regulatory requirements. Unfavorable regulatory outcomes may include the enactment of more stringent laws and regulations governing our operations, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material adverse impact on our business, financial condition, results of operations, and cash flows. **We are subject to industrial risks that could adversely affect our results of operations.** The operations **occurrence** of our water and wastewater treatment plants involve physical, chemical, and biological processes and the use of pumps, generators, and other industrial equipment. As a result, our operations are subject to various industrial risks, including chemical spills, discharges or releases of toxic or hazardous substances or gases, effects resulting from confined operating spaces, fires, explosions, mechanical failures, storage tank leaks, and electric shock. These risks can result in personal injury, loss of life, catastrophic damage to or destruction of property and equipment or environmental damage, and related legal proceedings, including those commenced by regulators, neighbors, or others. They may also result in an unanticipated interruption or suspension of our operations and the imposition of liability. The loss or shutdown over an extended period of operations at any of our treatment facilities or any losses relating to these risks could have a material adverse impact on our profitability, results of operations, liquidity, and cash flows. The COVID-19 global pandemic **pandemics , epidemics** could adversely affect our **or** business operations **disease outbreaks**, such as the **cash flows**, and financial position to an extent that is difficult to predict. The COVID- 19 pandemic has, **could** adversely affected **— affect** economies, supply chains, workforce participation and financial markets across the globe. Since the initial outbreak, new variants of COVID-19 that are significantly more contagious than previous strains, have emerged. The spread of these new strains initially caused many government authorities and businesses to reimplement prior restrictions in an effort to lessen the spread of COVID-19 and its variants; however, while many of these restrictions have been lifted, uncertainty remains as to whether additional restrictions may be initiated or again reimplemented in responses to surges in COVID-19 cases. While the COVID-19 pandemic did not have a material effect on our business operations, results of operations, cash flows, and financial position **. These** for the year ended December 31, 2022, the COVID-

COVID-19 pandemic and the related responses from government authorities could adversely impact us in a number of ways, including ~~include~~, **among others** but not limited to, the following: ~~•~~ disruptions to our operations and business activities, including any closures of offices or facilities, and to those of governmental agencies regulating our business, suppliers, customers, and other business partners; ~~•~~ **reduce** demand for our water and wastewater services from our commercial customers, particularly ~~as if~~ businesses are shutdown; ~~•~~ greater difficulty in collecting customer receivables; ~~•~~ a slowdown or disruption in the supply chain for the supplies used in our operations, including chemicals used to treat water and wastewater, in addition to higher costs; ~~•~~ **and** limitations on employee resources, productivity, and availability, including due to sickness, government restrictions, labor supply shortages, and the desire of employees to avoid contact with large groups of people.

There would be many variables and uncertainties associated with any future pandemics, epidemics or disease outbreaks, including, but not limited to, the duration and severity of the outbreak; • the extent of travel restrictions, business closures and other measures imposed by governmental authorities; availability of vaccines; and other factors that may be currently unknown or considered immaterial, to fully assess the potential impact legislative or regulatory efforts to impose new requirements on our operations; ~~•~~ a continuation of worsening of general economic conditions, including increased inflation; ~~•~~ an increase in the cost or the difficulty to obtain debt or equity financing could affect our financial condition or future investment opportunities; and ~~•~~ an increase in regulatory restrictions or continued market volatility could hinder our ability to execute strategic business activities, including acquisitions, as well as negatively impact our stock price. Additionally, the COVID-19 pandemic could affect our internal controls over financial reporting as a portion of our workforce is required to work from home and therefore new processes, procedures, and controls could be required to respond to changes in our business environment. Further, should any key employees become ill from COVID-19 and unable to work, the attention of the management team could be diverted. Any of the foregoing could adversely affect our business operations, results of operations, cash flows, and financial position. The potential effects of the COVID-19 pandemic may also impact our other risk factors described in this "Risk Factors" section. The degree to which the COVID-19 pandemic impacts our business operations, results of operations, cash flows, and financial position will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the COVID-19 pandemic; its severity; the emergence and severity of its variants; the actions to contain the virus or treat its impact, such as the availability and efficacy of vaccines (particularly with respect to emerging strains of the virus) and potential hesitancy to utilize them; general economic factors, such as increased inflation; supply chain constraints; labor supply issues; restrictions on travel and transportation; and how quickly and to what extent normal economic and operating conditions can resume. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — COVID-19 Update," included in Part II, Item 7 of this report, for additional information.

We may decide to pursue growth opportunities in states other than Arizona. Other states may present substantially different regulatory frameworks, and we may have difficulty acquiring the necessary approvals and permits or complying with environmental, health and safety, or quality standards. In addition, it may become more costly or difficult for us to comply with a multitude of standards and requirements across multiple states. Other states may also expose us to new legal precedents, condemnation risks, and liability concerns based on state legislation or case law. Our cost structure in other states may be significantly different than our current cost structure due to regional differences. For example, our cost structure may be significantly impacted by differences in labor and energy costs in other markets and the significant portion of overall production costs that they represent. If the general public perceives recycled water to be unsafe, we will have difficulty executing our business plan and could face a loss of revenue. Our Total Water Management model emphasizes the maximum use of recycled water for non-potable purposes. To implement this model, we cultivate relationships with developers, municipalities, and members of the communities we serve and focus on educating them regarding the benefits and safety of recycled water. If the recycled water supplied to customers is contaminated, either as a result of terrorism, system failure, pipeline, or other causes, public perception regarding the safety of recycled water would likely suffer, regardless of whether we are at fault and potentially even if the contaminated water was supplied by another person. Public perception of an unsafe water supply would harm our business, particularly with respect to our ability to implement water recycling as a key element of our business strategy.

~~Market and Financial Factors~~ We will need additional capital to grow our business, and additional financing may not be available to us on favorable terms when required, or at all. Adequate funds to support our growth may not be available when needed or on terms acceptable to us. We may need to raise additional funds to support more rapid expansion, improve our facilities and infrastructure, develop new and enhanced technologies, or respond to evolving regulatory standards. We may experience difficulty in raising the necessary capital due to volatility in the capital markets or increases in the cost of infrastructure finance. Increasingly stringent bond rating standards could make it more difficult for us to finance our growth by issuing tax-exempt bonds as we have in the past. In addition, we require regulatory approval from the ACC for some means of raising capital, such as issuance of debt by our regulated utilities, and approval may be denied or delayed. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of expansion opportunities, make the capital expenditures necessary to support our growth, or otherwise execute our strategic plan. ~~significant future indebtedness will depend in part on our ability to generate cash flow. This ability is affected by general economic, financial, competitive, legislative, regulatory, and other factors~~ that are beyond our control. If our business does not generate sufficient cash flow from operations or if we are unable to borrow money or otherwise generate funds sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to growth opportunities, which could adversely affect our operating results and business prospects.

~~Our growth depends significantly on increased residential and commercial development in our service areas, and if developers or builders are unable to complete additional residential and commercial projects, our revenue may not increase. The growth of our customer base depends almost entirely on the success of developers in developing residential and commercial properties within our CC & N areas. A CC & N is a permit issued by the ACC allowing a public service corporation to serve a specified area, and preventing other public service corporations from~~

offering the same services within the specified area, which we refer to as "service areas." Moreover, real estate development is a cyclical industry and, for example, the growth rate of development, especially residential development, from 2006 through 2019, both nationally and in Arizona had been below historical rates. **During the second half of 2020, residential real estate development began to rise to similar 2006 rates and strong growth continued through 2021. While 2022 presented signs of market stabilization, indicators of market cooling appeared towards the end of the year.** The single family housing market is affected by a number of national and regional economic factors, including: • interest rates and general levels of economic output; • levels of activity in the local real estate market; • the state Foreclosure rates in our service areas, as well as other factors affecting real estate development, could affect the growth of our regulated customer base or result in a decline in our revenue. A slowdown or severe downturn in the housing market could have an adverse effect on our operating results and financial condition. During periods of economic distress, there may be an increase in home foreclosures and vacancies. For example, during the economic downturn beginning in 2008, our utilities experienced an increase in the number of vacant homes, reaching a peak of 4,020 vacant connections as of February 28, 2009, approximately 11.9% of our total connections at the time. Accordingly, in the event of an economic downturn, we may experience a material reduction in revenues. Although the U. S. economy and housing market continue to perform well, we cannot predict the overall trajectory of the market. Our growth depends significantly on increased residential and commercial development in our service areas, and if developers or builders are unable to complete additional residential and commercial projects, our revenue may decline.

Technology Our existing indebtedness could affect our business..... legislative, regulatory, and other factors **Factors** that are beyond our control. If..... in the local real estate market; - 31- **Maintaining our operational technology** • the state of domestic credit markets, mortgage standards, and **information technology systems or implementing new systems could result** availability of credit; • competition from other builders and other projects in **higher than expected** the area and other states; • federal programs to assist home purchasers; • costs and availability of labor and materials; • government regulations affecting land development, home building, and mortgage financing; • availability of financing for **or otherwise** development and for home purchasers; • changes in the income tax treatment relating to real property ownership; • unexpected increases in development costs; • increased commute times and fuel costs that may adversely **impact** affect the desirability of outlying suburbs; • availability of, among other things, other utilities, adequate transportation, and school facilities; and • environmental problems with such land. While many developers presently hold necessary zoning approvals, land development within our service areas could also be affected by changes in governmental policies, including, but not limited to, governmental policies to restrict or **our internal control controls environment** development. This may include, **operations, and profitability.**

Upgrades and improvements to computer systems and networks, for **or** example, actions by the local school districts to restrict admissions to local schools because of inadequate classroom space or, because of other **the implementation** problems, such as failure by local municipalities to approve plats for the development. An increase in current residential foreclosure rates or a deep or prolonged slowdown of **new systems, may require** the development process and the related absorption rate within the various developments in our service areas because of any or all of the foregoing could materially and adversely affect growth of our customer base and the generation of revenue. Many national builders and developers in our service areas own or control substantial amounts of the developable **management's time and** **and financial resources to complete, and may also result** in **system or network defects or operational errors due to multiple factors, including employees' ability to effectively use such new or upgraded system.** While we continue to implement technology to improve our business processes and customer interactions, any technical or other difficulties in transitioning, upgrading or improving existing or **implementing new technology systems may increase costs beyond these those areas.** There anticipated and have **an** **adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting.** We may also experience difficulties integrating current systems with new or upgraded systems, which may **impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated,** no assurance that these builders and developers **any such impacts could** have the **a material adverse impact on our business,** financial capability to continue **condition, results of operations, and cash flows** complete their developments. **Technology Factors** Our information technology systems may be vulnerable to unauthorized external or internal threats due to hacking, ransomware, viruses, or other cybersecurity breaches. As operators of critical infrastructure, we may face a heightened risk of cyberattacks from internal or external sources. For example, a hacker accessed a Florida water treatment plant's control system and attempted to increase the amount of lye used to treat the water to a potentially dangerous level. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyberattacks and unauthorized access. While we have instituted safeguards to protect our information technology systems, those safeguards may not always be effective due to the evolving nature of cyberattacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful in the event of a cyberattack. If our information technology systems, or that of third parties on which we rely on, are affected by a significant cyber breach, this could result in, among other things, a significant disruption to our operations; costly investigations and remediation; misappropriation of confidential information of the Company or that of our customers, employees, business partners or others; litigation and potential liability; enforcement actions and investigations by regulatory authorities; loss of customers and contracts; harm to our reputation; and a loss of management time, attention and resources from our regular business operations, any of which could have a negative impact on our business, results of operations, and cash flows. These types of events, either impacting our facilities or the industry in general, could also cause us to incur additional security and insurance related costs. Our cyber insurance is subject to a number of exclusions and may not cover the total loss or damage caused by a breach. In addition, the costs of responding to and recovering from a cyber incident

may not be covered by insurance. We rely on information technology systems to assist with the management of our business and customer relationships. A disruption or interruption of these systems could adversely affect our business and operations. Our information technology systems, which includes information technology functions that are outsourced to various third- party service providers and software vendors, are an integral part of our business. For example, our information technology ~~-32-~~ systems allow us, among other things, to bill our customers, provide customer service through our call center, manage certain financial records, track assets and accounts receivable collections, read water meters remotely, identify high water usage, and identify water theft from disconnected meters. A disruption of our information technology systems could significantly limit our ability to manage and operate our business efficiently, which in turn could cause our business to suffer and cause our results of operations to be reduced. Further, our information technology systems are vulnerable to damage or interruption from: • power loss, computer systems failures, and internet, telecommunications, or data network failures; • operator negligence or improper operation by, or supervision of, employees; • physical and electronic loss of customer data, including as a result of or security breaches, cyberattacks, misappropriation, and similar events; • computer viruses; • intentional acts of vandalism and similar events; and ~~-32-~~ • fires, floods, earthquakes, and other natural disasters. Damages or interruptions due to any of the foregoing could result in, among other things, difficulties managing and operating our business efficiently, such as with the timely issuances of billings, physical and electronic loss of customer, employee or financial data, security breaches, misappropriation of property, and other adverse consequences. The lack of redundancy for some of our information technology systems, including billing systems, could exacerbate the impact of any of the foregoing events. Additionally, we may not be successful in further developing, implementing or acquiring technology to enable us to continue to operate at our current level of efficiency or to meet the future needs of our business. Any of the foregoing could have a material adverse impact on our business, financial condition, results of operations, and cash flows. ~~Maintaining~~ **We rely on telecommunications vendors to interlink our sites and enable centralized management of Information and Operation Technologies. Disruption of those interlinks may adversely affect our results of operational operations technology and- . The centralized management of information and operation technology technologies systems rely on functions that are provided by third- party providers and are an integral part of or our implementing new systems business. A disruption of those interlinks could significantly limit result in higher than expected costs or our otherwise ability to manage and operate our business efficiently, which in turn could cause our business to suffer and adversely impact affect our results of internal controls environment, operations , and profitability.** Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management' s time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use such new or upgraded system. While we continue to implement technology to improve our business processes and customer interactions, any technical or other difficulties in transitioning, upgrading or improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could have a material adverse impact on our business, financial condition, results of operations, and cash flows- .

Risks Related to the Ownership of Our Common Stock The concentration of our stock ownership with our officers, directors, certain stockholders, and their affiliates will limit your ability to influence corporate matters. Our directors, executive officers, and stockholders holding more than 5 % of our capital stock and their affiliates beneficially own, in the aggregate, approximately 54 % of our outstanding common stock, including 45 % beneficially owned in the aggregate by our former director, William S. Levine, and current director Jonathan L. Levine. As a result, these stockholders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of us or our assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us. There can be no assurance that their interests will not conflict with the interests of our other stockholders. Our common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above your purchase price. The market price for our common stock is likely to be volatile, due to many factors, outside our control, including those described elsewhere in this “ Risk Factors ” section, as well as the following: ~~-33-~~ • our operating and financial performance and prospects; • our quarterly or annual earnings or those of other companies in our industry compared to market expectations; • conditions that impact demand for our services; • future announcements concerning our business or our competitors' businesses; • **regulatory developments, including those related to the ACC;** • the public' s reaction to our press releases, other public announcements, and filings with the SEC; • the size of our public float; • coverage by or changes in financial estimates by investment analysts or failure to meet their expectations; • the market' s perception towards our reduced disclosure as a result of being a ~~“~~ **“** smaller reporting company ” as defined in the Exchange Act; • market and industry perception of our success, or lack thereof, in pursuing our growth strategy; • strategic actions by us or our competitors, such as acquisitions or restructurings; • changes in laws or regulations which adversely affect our industry or us; • changes in accounting standards, policies, guidance, interpretations, or principles; • changes in senior management or key personnel; ~~-33-~~ • issuances, exchanges, or sales, or expected issuances, exchanges, or sales of our capital stock; • changes in our dividend policy; • adverse resolution of new or pending litigation against us; and • changes in general market, economic, and political conditions in the U. S., and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war (including the ongoing ~~war wars~~ **between Russia and Ukraine and between Israel and Hamas**), other geopolitical uncertainties, public health concerns ~~(including health epidemics or outbreaks of communicable diseases such as the COVID-19 pandemic)~~, and responses to such events. In addition, stock markets have experienced extreme price and volume fluctuations

that have affected and continue to affect the market prices of equity securities of many companies in our industry. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business. We cannot assure you that we will pay dividends on our common stock, and our indebtedness could limit our ability to pay dividends on our common stock. We currently intend to continue to pay a regular monthly dividend on our common stock of \$ 0. 02483-02508 per share (\$ 0. 29796-30096 per share annually). However, our future dividend policy is subject to our compliance with applicable law, and is dependent on, among other things, our results of operations, financial condition, level of indebtedness, capital requirements, contractual restrictions, restrictions in our debt agreements and on the terms of any preferred stock we may issue in the future, business prospects, and other factors that our board of directors may deem relevant. Dividend payments are not mandatory or guaranteed; there can be no assurance that we will continue to pay a dividend in the future. Our failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act as a public company could have a material adverse effect on our business and share price. We have to comply with Section 404 (a) of the Sarbanes- Oxley Act of 2002 (the "Sarbanes- Oxley Act"). Section 404 (a) of the Sarbanes- Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. Additionally, once we are no longer deemed a smaller reporting company that is a non- accelerated filer, our independent registered public accounting firm will be required pursuant to Section 404 (b) of the Sarbanes- Oxley Act to attest to the effectiveness of our internal control over financial reporting on an annual basis. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. We may encounter problems or delays for any requested improvements and receiving a favorable attestation in connection with the attestation to be provided by our independent registered public accounting firm after we cease to be a smaller reporting -34- company that is a non- accelerated filer. If our independent registered public accounting firm is unable to provide an unqualified attestation report on our internal controls after we cease to be a smaller reporting company that is a non- accelerated filer, investors could lose confidence in our financial information and the price of our common stock could decline. Additionally, the existence of any material weakness or significant deficiency would require management to devote significant time and incur significant expense to remediate any such material weakness or significant deficiency and management may not be able to remediate any such material weakness or significant deficiency in a timely manner. The existence of any material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations, and cause stockholders to lose confidence in our reported financial information, all of which could materially and adversely affect our business and share price. Taking advantage of the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors. We are a "smaller reporting company" as defined in the Exchange Act. As such, we are eligible to take advantage of certain exemptions from various reporting requirements that are otherwise applicable generally to public companies including, but not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 (b) of the Sarbanes- Oxley Act (so long as we also remain a non- accelerated filer); (ii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and (iii) reduced disclosure obligations regarding financial statements. - 34- We may take advantage of the scaled disclosures available to smaller reporting companies for so long as our voting and non- voting common stock held by non- affiliates is less than \$ 250 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than \$ 100 million during the most recently completed fiscal year and our voting and non- voting common stock held by non- affiliates is less than \$ 700 million measured on the last business day of our second fiscal quarter. We cannot predict if investors will find our common stock less attractive as a result of our taking advantage of these exemptions and as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. Delaware law, certain provisions in our certificate of incorporation and bylaws, and regulations of the ACC may prevent efforts by our stockholders to change the direction or management of the Company. We are a Delaware corporation, and the anti- takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including, but not limited to, the following: • only allowing our board of directors, Chairman of our board of directors, Chief Executive Officer, or President to call special meetings of our stockholders; • setting forth specific procedures regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings; • requiring advance notice and duration of ownership requirements for stockholder proposals; • permitting our board of directors to issue preferred stock without stockholder approval; and • limiting the rights of stockholders to amend our bylaws. These provisions could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take other corporate actions you desire. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Additionally, the ACC must determine that certain types of transactions will not impair our financial status, prevent us from attracting capital at fair and reasonable terms, or impair our ability to provide safe, reasonable, and adequate service. Pursuant to this regulatory mandate, the ACC may impose conditions that could discourage, delay, or prevent a transaction involving a change in control of our company. -35- General Risk Factors If our operating and financial performance in any given period does not meet the guidance that we provide to the public or the expectations of investment analysts, our stock price may decline.

We may provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward- looking statements subject to the risks and uncertainties described in this Form 10- K and in our other public filings with the SEC and public statements. Whether or not we provide guidance, investment analysts may publish their estimates of our future financial performance. Our actual results may not always be in line with or exceed any guidance we have provided or the expectations of investment analysts, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts or if we or investment analysts reduce estimates of our performance for future periods, the market price of our common stock may decline. Substantial future sales of our common stock..... our ability to raise future capital. If investment analysts cease to publish research or reports about our business or if they publish negative evaluations of our common stock, the price of our common stock could decline. The trading market for our common stock will rely in part on the research and reports that investment analysts publish about us or our business. However, if no or few analysts commence coverage of the Company, the trading price of our stock would likely decrease. Even if we do obtain such analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our common stock could decline. If one or more of these analysts cease to cover our **- 35-** common stock, we could lose visibility in the market for our stock, which in turn could cause our common stock price to decline –Substantial future sales of our common stock,or the perception in the public markets that these sales may occur,may depress our stock price.Sales of substantial amounts of our common stock in the public market,or the perception that these sales could occur,could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares.We have also filed a registration statement registering under the Securities Act of 1933,as amended (the “ Securities Act ”),the shares of our common stock reserved for issuance in respect of stock options and other incentive awards granted to our officers and certain of our employees.If these officers or employees cause a large number of securities to be sold in the public market,such sales could also reduce the trading price of our common stock and impede our ability to raise future capital . We incur costs as a result of being a public company in the U. S. As a public company in the U. S., we incur significant legal, accounting, insurance, and other expenses, including costs associated with U. S. public company reporting requirements. The expenses incurred by U. S. public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time- consuming and costly. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action, and potentially civil litigation.