



Investment Policy

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PURPOSE

This policy is established to ensure that funds which Aquatera Utilities Inc. may receive by way of cash flows, surpluses, trust funds, reserves, or any other source, are invested to provide security, diversification, yield, and term as well as providing optimal returns.

POLICY STATEMENT

It is the policy of Aquatera Utilities Inc. to invest funds in a manner which will provide the highest investment return with the maximum security while meeting our daily cash-flow requirements.

TERMS OF THE POLICY

SCOPE

1. This investment policy applies to all funds of Aquatera Utilities Inc. on deposit or invested in investment securities.
2. The funds are accounted for in Aquatera Utilities Inc.'s Annual Audited Financial Report and include:
 - a. Operating Funds
 - b. Reserve Funds
 - c. Any new fund created by the Board of Directors, unless specifically exempted

PRUDENCE

1. Investments are to be made with the same good judgement and care - under circumstances then prevailing - that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, considering the probable safety of their capital as well as the probable income to be derived.

2. The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INVESTMENT OBJECTIVES

The primary objectives, in order of priority, of Aquatera Utilities Inc.'s investment activities, shall be:

1. **Safety**
Investments for Aquatera Utilities Inc. shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity**
Aquatera Utilities Inc.'s investment portfolio will remain sufficiently liquid to enable Aquatera Utilities Inc. to meet all operating requirements which might be reasonably anticipated.
3. **Return on Investment**
Aquatera Utilities Inc.'s investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account Aquatera Utilities Inc.'s investment risk constraints and the cash flow characteristics of the portfolio.

AUTHORITY

1. Authority to manage Aquatera Utilities Inc.'s investment program is derived from the Board of Directors resolutions.
2. Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who shall establish procedures for the operation of the investment program consistent with this investment policy.
3. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Chief Financial Officer. The Investment Manager selected by the Chief Financial Officer is required to act in the best interest of Aquatera Utilities Inc. at all times.
4. The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

ETHICS AND CONFLICTS OF INTEREST

1. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions.
2. Employees and investment officials shall disclose to the Aquatera Utilities Inc. Chief Financial Officer any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Aquatera Utilities Inc.'s portfolio.
3. Employees and officers shall subordinate their personal investment transactions to those of Aquatera Utilities Inc. particularly with regard to the time of purchases and sales.

INVESTMENT MANAGER

1. The Chief Financial Officer may designate an Investment Manager to provide investment advice on the portfolio.
2. The financial institutions eligible to act as Investment Manager on the portfolio must:
 - a. Be able to tender investments that meet the requirements of this policy,
 - b. Be a member of the Canadian Investor Protection Fund,
 - c. Prepare and present annual reviews for the Chief Financial Officer, detailing:
 - i. rate of return summaries and comparison to appropriate benchmarks, and
 - ii. a summary of the investment portfolio held by the Investment Manager, including investment amounts, interest rates, maturity dates, and maturity amounts,
 - d. Be prepared to present portfolio reviews to either the Chief Financial Officer or directly to the Board on an annual basis, and
 - e. Be able to invest Aquatera Utilities Inc. funds in securities from at least five (5) different securities issuers.

INVESTMENTS

Investments shall be made in adherence to the preceding policy and shall be restricted to those outlined in Schedule I. No investment in instruments other than those indicated as acceptable in this policy shall be executed unless specifically approved by Board of Directors.

CUSTODY AND SEGREGATION

Investments may be held by the financial institution in bulk segregation in accounts in the name of Aquatera Utilities Inc.

DIVERSIFICATION

Aquatera Utilities Inc. must diversify its investments by security type and institution. Maximum percentages of the investment portfolio that may be invested with any single issuer or within any investment type are outlined in Schedule I.

MAXIMUM INVESTMENT TERMS

1. To the extent possible, Aquatera Utilities Inc. will attempt to match its investments with anticipated cash flow requirements.
2. Reserve funds with no anticipated cash flow requirement may be invested in securities with maturity dates up to ten (10) years from the investment date.

PERFORMANCE EVALUATION

1. The investment portfolio will be designed to achieve a stated industry benchmark rate of return during a pre-set measurement period.
2. Aquatera Utilities Inc.'s investment strategy will be active. The performance benchmarks to ensure productivity of the accounts shall be the three-month Government of Canada T-Bill Index and an appropriate Bond Index.

REPORTING

The Chief Financial Officer will report on investment activity and returns to the Board on an annual basis. Reports will include performance and interest earnings.

DEFINITIONS

INVESTMENT INSTRUMENTS

1. Banker's Acceptances

This instrument is essentially a commercial draft drawn by a borrower for payment on a specified date and accepted, or guaranteed by the borrower's bank. A counter signature on the draft signifies the bank's acceptance. Once a draft of this nature has been co-signed, it becomes a "Banker's Acceptance" and is backed by the credit of the accepting bank. These instruments are actively and openly traded in the money markets and as a result are extremely liquid.

2. Bearer Deposit Notes

These securities are short-term promissory notes that are issued by a bank. They are direct obligations of the specific issuing bank and generally have a term that ranges from one week to one year. They are liquid in nature and yield approximately the same as a banker's acceptance.

3. Commercial Paper

These instruments are short-term unsecured promissory notes that are issued by major Canadian corporations. These notes are backed by the general credit of the issuing corporation and are usually unsecured. These instruments are traded actively in the money markets and usually have a maturity of less than one year. The notes may be interest bearing or issued at a discount and are issued in either bearer or fully registered form.

4. Corporate Bonds

These instruments are interest-bearing debt which are secured by the assets of the issuing corporation. These securities generally have a maturity that is greater than one year and form part of the money markets only when the long-term debt approaches maturity. These instruments are actively traded within the markets and do have some degree of liquidity.

5. Debentures

Debentures are similar to bonds and represent interest-bearing debt, however, debentures are secured only by the general credit of the issuing organization. Typically these instruments are offered by organizations that have exhausted their ability to issue bonds or by organizations that have a high enough credit standing that they are not required to pledge any specific assets. These instruments have a reasonable degree of liquidity and usually have a yield that is higher than similar bonds.

6. Federal and Provincial Crown Corporation Notes

These investments are guaranteed by the Government of Canada or the issuing Province and are secured by the assets of the issuing Crown. These securities can range in term and can be either discounted or interest-bearing. These investments are very liquid and yield approximately the same as other Federal or Provincial obligations.

7. Government of Canada, Provincial, and Municipal Bonds

This instrument is essentially an interest-bearing debt that is secured by the assets of the Government of Canada, the issuing Province, or Municipality. These securities have a maturity that is greater than one year and form part of the money market only when the long-term debt approaches maturity. As with the other government securities these instruments are actively traded and generally considered high quality investments.

8. Government of Canada Treasury Bills

The Bank of Canada, as agent for the Government of Canada, calls for tenders at noon each Tuesday for a specified amount of Treasury bill. These are short-term promissory notes issued by the Government of Canada that are used to finance ongoing expenditures. Treasury bills are issued in bearer form only and are sold at a discount to mature at a stated par value. There is no risk of default and they are extremely liquid and considered a prime investment choice.

9. Provincial Treasury Bills and Notes

These securities are issued periodically by the major provinces in Canada and are actively traded in the money markets. These instruments are very liquid and are usually issued in bearer form. These instruments can be interest-bearing or sold at a discount and are considered to be prime investment vehicles due to the minimal risk associated with default.

10. Term Receipts

These instruments have various labels including Certificate of Deposit (CDs), Term Deposits, Fixed Term Deposits, Guaranteed Investment Certificates (GICs), Term Deposit Certificates, Deposit Receipts, etc. These instruments are generally fully registered, non-transferable, interest-bearing notes. Terms range from one day to six years. While some of these instruments do have call features which allow them to be liquidated on demand, most tend to be non-liquid investments. These instruments are direct obligations of the issuing bank.

OTHER DEFINITIONS

1. Bank of Canada Rate (Bank Rate)

The bank rate is the interest rate that the Bank of Canada charges for advances made to the Canadian chartered banks. The bank rate is set at the upper limit of the Bank of Canada's operating band for the overnight financing rate. This is the rate at which major participants in the money market borrow and lend one-day funds.

2. Basis Point

A basis point is 1/100 of a percentage point.

3. Bearer Form Securities

A negotiable security that can be redeemed by whoever has actual physical custody of the security. These securities are not in the name of the owner and usually have a clause on the actual security that states something such as "Pay to the Bearer".

4. DBRS

Dominion Bond Rating Service is a company that investigates and reports on the credit worthiness of governments and corporations issuing securities in the Canadian financial markets. A short-term debt rated R-1 is of superior quality as entities with this rating are considered strong credits which typically exemplify above average strength in key areas of consideration for debt protection. Bonds rated 'A' are also of satisfactory credit quality and protection of interest and principal is considered substantial.

5. Liquidity

In the context of a firm, liquidity is the ability to meet its financial obligations as they become due. In the context of investments, liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal or accrued interest.

6. Market Value

The Price at which a security is currently trading and therefore, presumably, purchased or sold for.

7. Portfolio

A collection of securities owned by the investor.

8. Diversification

A fundamental investment principle that reduces risk by diversifying the maturity terms and the types of investments held within the portfolio.

9. Prime Rate

The rate of interest that chartered banks charges for advancements made to select organizations and individuals that are considered by the bank to be a "prime" customer.

10. Rate of Return

The yield obtained on a security based on its purchase price or its current market value.

SCHEDULE I

Approved Investments

	* Maximum percentage per Institution/ Investment Type	DBRS Minimum Rating (Money Market)	DBRS Minimum Rating (Bond Market)
Government (Maximum 100% of Portfolio):			
Securities issued or guaranteed by:			
The Government of Canada	100%	R1 (L)	AA
Provincial Governments within Canada	100%	R1 (L)	A (low)
Municipal Governments within Canada	50%	R1 (L)	A
Schedule I Chartered Banks (Maximum 100% of Portfolio)			
Obligations of or guarantees of			
Per any Financial Institution	50%	R1 (L)	A
Provincially Guaranteed Financial Institutions (Maximum 50% of Portfolio)			
Province of Alberta Treasury Branches	50%	R1 (L)	A
Other Financial Institutions (Maximum 25% of Portfolio)			
Obligations of or guarantees of			
Rated Schedule II Banks, Trust Companies, and Credit Unions	10%	R1 (L)	A
Corporations (Maximum 25% of Portfolio)			
Securities issued by Canadian Corporations			
Commercial Paper (terms up to 1 year only)	10%	R1 (L)	
Corporate Bonds (terms more than 1 year)	10%		A
Pooled Funds (Maximum 25% of Portfolio)			
Units issued by any of the above Financial Institutions	25%	R1 (L)	

* Based on the entire portfolio and the original settlement amounts at the time of booking the investment