

POLICY NO:	306	TITLE:	Cash Management
SECTION:	Finance		
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AUTHORITY:	Board of Directors	REFERENCE:	
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PURPOSE

To manage cash to ensure adequate short and medium-term liquidity to fulfil Aquatera’s business strategy and to optimize our return on equity and return on assets.

POLICY STATEMENT

Aquatera Utilities Inc. maintains cash and liquid investments as working capital for ongoing operating and capital purposes, manages customer deposits and contributions, and secures funding adequate to fulfil on its business strategy. These objectives require Management to observe internal controls and fiscal conservatism over its cash and investments, generate accurate cash flow forecasts, and maintain relationships and agreements that provide adequate access to sources of debt financing.

GENERAL REQUIREMENTS

It is Aquatera’s policy that appropriate internal controls and accepted best practices be utilized in the handling, receiving, safeguarding, transporting, depositing, and the accounting of all the Company’s cash and investments.

There must be a segregation of duties in order to safeguard the Company’s assets. For example, the responsibilities of receiving cash, recording cash, depositing cash and the reconciliation of the deposit must be separated and performed by different individuals. In no instance should the individual accepting the cash be the same individual responsible for making the deposit and/or performing the reconciliation. Responsibility over transaction proceeds should be clearly delineated and assigned to specific individual(s) to ensure accountability.

Strong processes and associated documentation will exist for transaction processes and personnel will be trained to execute those processes.

WORKING CAPITAL

Working Capital is defined as cash and equivalents, investments, accounts receivable, prepaids, inventory and accounts payable or accrued liabilities. Working Capital is a big source and use of funds. Decisions regarding payment terms for Accounts Receivable, material collection actions, any material financing arrangements, material inventory purchases, and any loans or advances must be approved by the CFO. Material for these purposes means \$100,000 or greater. The CFO will ensure that reporting and monitoring of working capital occurs at least monthly.

The CFO will ensure that:

1. Forecasting of near-term cash flows is done regularly with a view to ensuring both liquidity and short-term optimization of cash and investments.
2. Longer-term forecasting will be done to ensure adequate financial resources exist to fund operations, capital requirements, debt obligations and other business as usual payments.
3. A plan will be reviewed annually with the Board as part of the Budgeting process.
4. Adequate financial resources (including reasonably anticipated cash flows and committed bank facilities) are in place to cover the next 12 months' financial commitments.

Investments will be managed in accordance with Policy #302.

Accounts Receivable will typically have terms of 30 days or less from the date of invoice unless otherwise approved by the CFO. Invoices for services and/or goods will be rendered as soon as practical after delivery. The Company will maintain detailed reporting on its accounts receivable and have adequate resources to oversee collection activities.

Unless valid disputes exist, Accounts Payable will be paid in accordance with supplier terms or as reasonably close thereto as possible.

GRANTS, INCENTIVES & CUSTOMER OR SHAREHOLDER CONTRIBUTIONS

Funding for various activities undertaken by Aquatera may come from Governments, Customers, Shareholders, or other stakeholders. Such sources may include tax credits. Management should thoroughly investigate and secure funds that help reduce pressure on Revenue Rates or other Aquatera fees.

FINANCING ARRANGEMENTS

Financing arrangements are any arrangements which result in assets, services or cash being advanced to or made available to the Company and for which payment is not due within 90 days. Financing arrangements also include any bank facilities or leases.

Financing arrangements are an important part of the capital structure for Aquatera. Management will manage the relationships with financing sources with due regard to this importance and will ensure adherence to the terms of such agreements.

Financing arrangements will be structured with due regard to the following considerations:

- A. Providing adequate liquidity for Aquatera for at least the next 12 months.
- B. Managing costs for the Company and its customers.
- C. Ensuring flexibility for access to other sources of financing.
- D. Managing risk, including counter-party risk.

Any new financing arrangement with an expected exposure greater than \$100,000 must be approved by the CFO and any such arrangement with an expected exposure greater than \$1,000,000 requires Board approval.

No financing arrangement should be undertaken if it has a reasonable possibility of resulting in the Company's inability to comply with either or both of the following (capitalized terms defined in the associated agreements):

1. Aquatera's Unanimous Shareholder Agreement (USA) which requires the Company to limit its Debt to a Debt-to-Equity ratio of 1:1. Preferred Shares are included in Equity for this purpose.

2. Within the Company's debt agreements, financial maintenance covenants exist that limit the amount of Debt that Aquatera is permitted to carry. These covenants include a Debt-to-Capitalization covenant and a Debt Service Coverage Ratio.

CASH DIVIDENDS ON PREFERRED SHARES

Preferred Shares are an important part of the capital structure for Aquatera. The payment of cash dividends on the Preferred Shares is addressed in the Unanimous Shareholders Agreement (USA).

All Preferred Share dividends beyond the 5% mandatory dividend on Class D and E shares require unanimous shareholder consent.

CUSTOMER DEPOSITS

Customer Deposits are periodically required to address potential collection issues. Deposits should be held as long as legitimate concerns on collectability of future receivables exist. Customer Billing will do at least annual reviews of Customer Deposits with a view to returning deposits no longer required. Aquatera pays interest on Customer Deposits when such deposits are returned to customers. Interest is paid at 1% for each year that those deposits are held.

Cash and investments associated with Customer Deposits and Contributions are to be segregated from cash and investments associated with Working Capital Funds, except on a very short-term basis.

INTERCOMPANY INVESTMENTS

Under certain circumstances, business operations may be carried out in legal entities other than Aquatera Utilities Inc. Such circumstances may arise for many reasons including a desire to preserve Aquatera's non-taxable status, to manage legal liabilities, or to allow investment by other parties. The structure of the investments in and lending to such entities will be dependent on a variety of factors.

All investments in, or loans to, entities that are or will be controlled by Aquatera, either directly or indirectly, will be approved by the Board of Directors on terms suitable for the circumstances. All intercompany investments and loans will be documented appropriately for that entity/situation.

INFRASTRUCTURE CHARGES (IC)

IC are charged and managed in accordance with Policy 310.

SEGREGATION OF CUSTOMER DEPOSITS AND IC

Cash and investments associated with Customer Deposits and unallocated IC are to be segregated from cash and investments associated with Working Capital Funds. At least annually, there should be a true up of the liabilities to cash and investments held separately. Funds held in the investment account in excess of the liabilities will be returned to the Company whereas the Company will fund any excess of the liabilities over the assets in the investment accounts.

FINANCIAL MONITORING:

Financial planning, budgeting, reporting and auditing are monitored by the Board, through the Audit & Risk Committee.

REVIEW:

This Cash Management Policy is reviewed annually by the Board, through the Audit and Risk Committee.

RESPONSIBILITIES

Aquatera Board of Directors will review and approve any revisions to this policy.

Chief Executive Officer will review and approve any procedures related to this policy.

Aquatera Administration will carry out the policy based on the established procedures.

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