

Buddy Garcia, *Chairman*
Larry R. Soward, *Commissioner*
Bryan W. Shaw, Ph.D., *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

February 27, 2008

Mr. Mark H. Zeppa
Law Offices of Mark H. Zeppa, PC
4833 Spicewood Springs Road, Suite 202
Austin, Texas 78759

RE: TCEQ Docket No. 2006-1431-UCR, SOAH Docket No. 582-07-0804, Application from Algonquin Water Resources of Texas, LLC, to Purchase and Transfer a Portion of Certificate of Convenience and Necessity (CCN) No. 11072 from Silverleaf Resorts, Inc., and to Obtain Water CCN No. 13131 in, Comal, Montgomery, Smith and Wood Counties; Application No. 35017-S

TCEQ Docket No. 2006-1431-UCR, SOAH Docket No. 582-07-0804, Application from Algonquin Water Resources of Texas, LLC, to Purchase and Transfer CCN No. 20815 from Silverleaf Resorts, Inc., in Comal, Montgomery, Smith and Wood Counties; Application No. 35018-S

CN: 602882839; RN: 104709811 (water) RN: 104729637 (sewer)

Dear Mr. Zeppa:

Enclosed are the following documents issued by the Commission in the above referenced applications:

- certified copy of the order
- certified copies of the maps
- copy of the CCNs

This action is taken under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

You are now authorized to provide utility service in accordance with your approved tariff and the rules and regulations of the Commission. Your last step is to file a certified copy of the CCN map along with a written description of the CCN service area in the county clerk's office pursuant to Texas Water Code, Chapter 13.257 (r) and (s).

If you have any questions, please contact Ms. Elizabeth Flores by phone at 512/239-6846, by fax at 512/239-6972, by email at eflores@tceq.state.tx.us, or if by correspondence, include MC 153 in the letterhead address.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Chenoweth".

Todd Chenoweth, Director
Water Supply Division

TC/EF/al

Enclosures
P.O. Box 13087 • Austin, Texas 78711-3087 • 512-239-1000 • Internet address: www.tceq.state.tx.us

printed on recycled paper using soy-based ink

I hereby certify that this is a true and correct copy of a Texas Commission on Environmental Quality document, which is filed in the permanent records of the Commission. Given under my hand and the seal of office on

FEB 27 2008

Donna Castanuela, Chief Clerk
Texas Commission on Environmental Quality

APPLICATIONS BY ALGONQUIN WATER RESOURCES OF TEXAS, LLC, TO PURCHASE AND TRANSFER A PORTION OF CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) NO. 11072 FROM SILVERLEAF RESORTS, INC. AND OBTAIN WATER CCN NO. 13131 IN COMAL, MONTGOMERY, SMITH AND WOOD COUNTIES; AND TO PURCHASE AND TRANSFER ALL OF CCN NO. 20815 FROM SILVERLEAF RESORTS, INC. IN COMAL, MONTGOMERY, SMITH AND WOOD COUNTIES; APPLICATIONS NOS. 35017-S; 35018-S

BEFORE THE TEXAS COMMISSION

ON

ENVIRONMENTAL QUALITY

An application by Algonquin Water Resources of Texas, LLC (Algonquin), was presented to the Executive Director of the Texas Commission on Environmental Quality (Commission) on July 12, 2005 for review pursuant to Section 5.122 of the Texas Water Code and Commission rules. The application sought to purchase and transfer a portion of Certificate of Convenience and Necessity (CCN) No. 11072 (water) and all of CCN No. 20815 (sewer) from Silverleaf Resorts, Inc., and to obtain Water CCN No. 13131 in Comal, Montgomery, Smith and Wood Counties pursuant to Section 13.301 of the Code. The petition was accepted for filing and assigned application Nos. 35017-S and 35018-S. Algonquin provides sewer service in Smith County, Texas and is a public utility as defined in Section 13.002(23) of Code.

Notice was provided to the customers of the transferor and transferee and other affected parties on July 5, 2006, by Algonquin. The notice of the application complied with the notice requirements of 30 Texas Administrative Code (TAC) Section 291.112(c) and was sufficient to place affected persons on notice regarding the transfer of service.

TCEQ received two letters of protest requesting a contested case hearing under Section 13.301 of the Code. Pursuant to Section 13.301(e), the Executive Director determined that a hearing should be held on this matter and referred it to the State Office of Administrative Hearings (SOAH) for a contested-case hearing.

Catherine Egan, an administrative law judge of the SOAH, convened a preliminary hearing on January 30, 2007. Present were the following parties: Algonquin Water Resources of Texas, LLC, represented by Mark Zeppa; the Executive Director of the TCEQ, represented by Gabriel Soto. Also present were the following hearing requestors: Ronald Robertson, manager of Fouke Water Supply Corporation, and Robbie Arrington, manager of Pritchett Water Supply Corporation.

All of those present at the preliminary hearing announced that they had reached an agreement that settled all issues in controversy, and the matter was remanded to the Commission for approval by the Executive Director on February 6, 2007.

The Commission finds that Algonquin is capable of rendering adequate and continuous water and sewer utility service to every customer within the areas proposed to be added to Algonquin's service area and the certification of Algonquin is necessary for the service, accommodation, convenience, or safety of the public.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that:

The applications by Algonquin Water Resources of Texas, LLC to purchase a portion of the utility service areas covered by CCN Nos. 11072 and all of 20815, and to transfer those areas to Algonquin in Comal, Montgomery, Smith and Wood Counties, Texas, as reflected in the attached copy of the official water and sewer CCN maps of Comal, Montgomery, Smith and Wood Counties, is hereby approved.

The Chief Clerk of the Texas Commission on Environmental Quality shall forward a copy of this Order to all parties and issue Certificate of Convenience and Necessity Nos. 13131 (water) and 20815 (sewer) to Algonquin Water Resources of Texas, LLC.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: FEB 13 2008

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY



For the Commission



**TRANSFER OF
CERTIFICATE OF CONVENIENCE AND NECESSITY**

To Provide Sewer Service Under V.T.C.A., Water Code
and Texas Commission on Environmental Quality Substantive Rules

Certificate No. 20815

Certificate No. 20815 was transferred by Order of the Commission
in Docket No. 35018-S. Silverleaf Resorts, Inc.'s facilities and
lines were transferred to Algonquin Water Resources of Texas,
LLC (CCN No. 20818) in Comal, Montgomery, Smith and Wood
Counties.

Please reference Certificate No. 20815 for the location of maps and other information
related to the service area transferred.

Certificate of Convenience and Necessity No. 20815 is hereby TRANSFERRED by order
of the Texas Commission on Environmental Quality.

Issued Date: FEB 13 2008

A handwritten signature in cursive script, likely belonging to a member of the Texas Commission on Environmental Quality.

For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That


Algonquin Water Resources of Texas, LLC

having duly applied for certification to provide sewer utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 20815

to provide continuous and adequate sewer utility service to that service area or those service areas in Comal, Montgomery, Smith and Wood Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 35018-S are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Algonquin Water Resources of Texas, LLC to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this FEB 13 2008


For the Commission



Texas Commission On Environmental Quality

By These Presents Be It Known To All That

Algonquin Water Resources of Texas, LLC

having duly applied for certification to provide water utility service for the convenience and necessity of the public, and it having been determined by this commission that the public convenience and necessity would in fact be advanced by the provision of such service by this Applicant, is entitled to and is hereby granted this

Certificate of Convenience and Necessity No. 13131

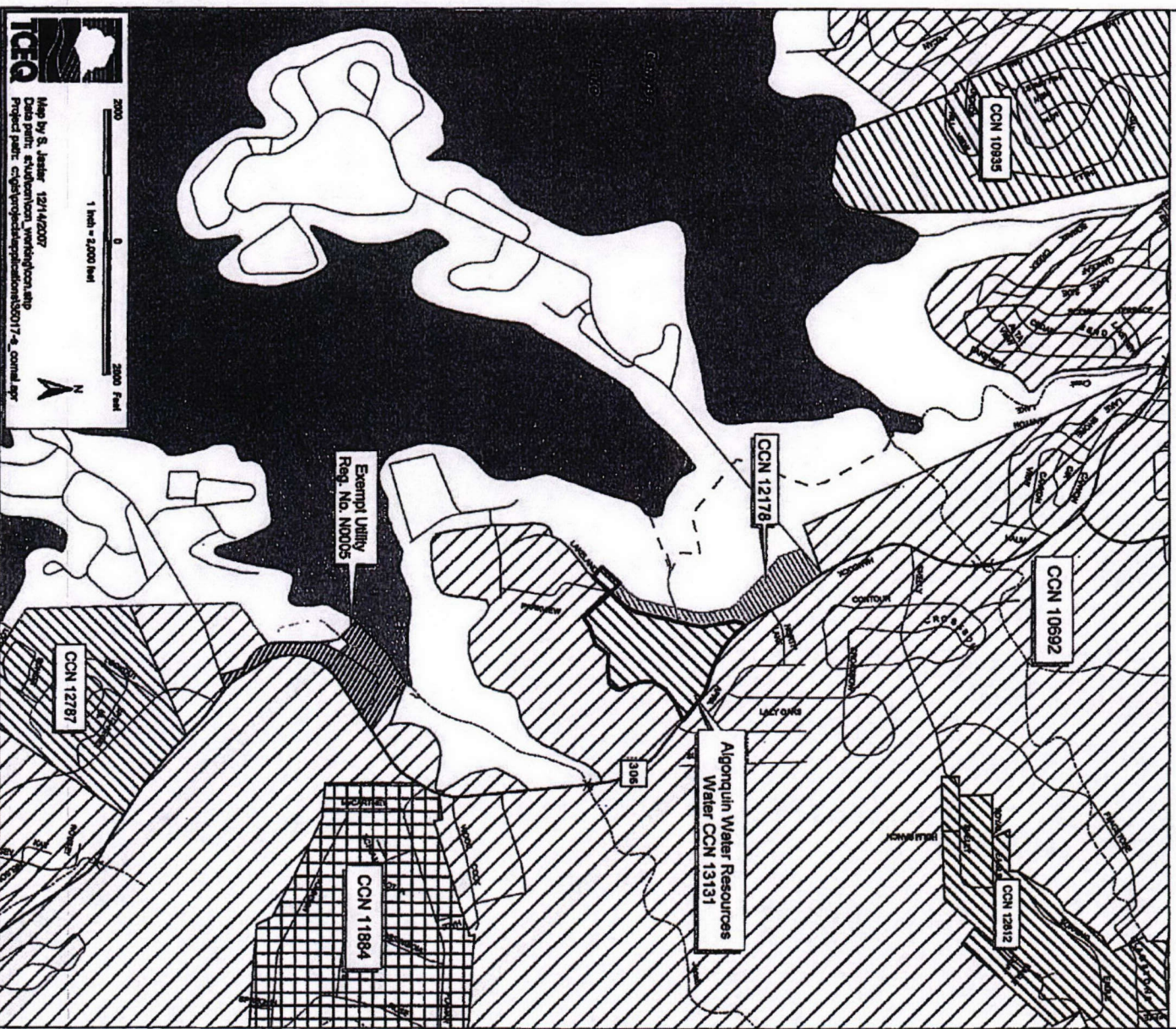
to provide continuous and adequate water utility service to that service area or those service areas in Comal, Montgomery, Smith and Wood Counties as by final Order or Orders duly entered by this Commission, which Order or Orders resulting from Application No. 35017-S are on file at the Commission offices in Austin, Texas; and are matters of official record available for public inspection; and be it known further that these presents do evidence the authority and the duty of Algonquin Water Resources of Texas, LLC to provide such utility service in accordance with the laws of this State and Rules of this Commission, subject only to any power and responsibility of this Commission to revoke or amend this Certificate in whole or in part upon a subsequent showing that the public convenience and necessity would be better served thereby.

Issued at Austin, Texas, this FEB 13 2008

A handwritten signature in black ink, appearing to read "D. Marks", written over a horizontal line.

For the Commission

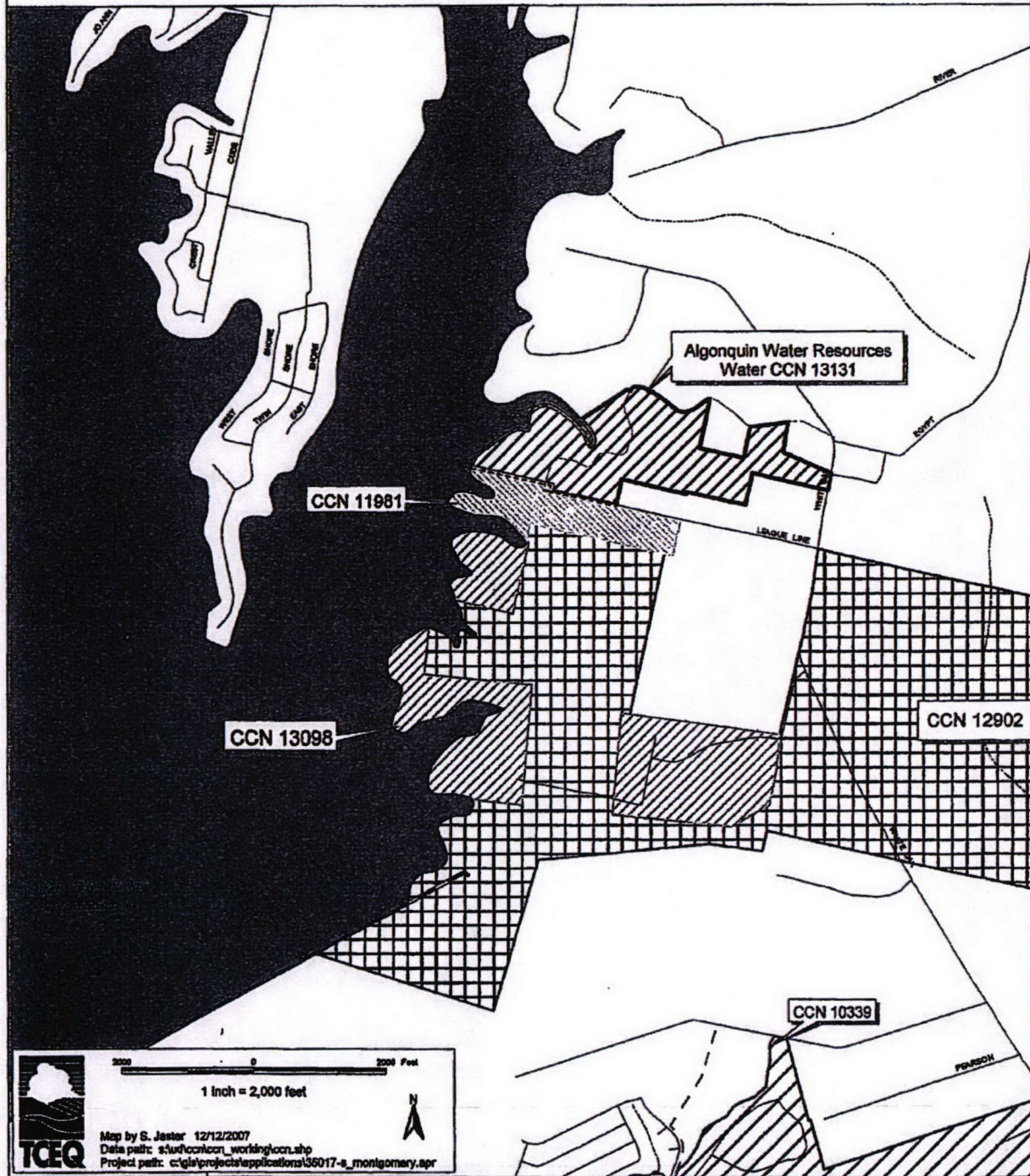
Algonquin Water Resources of Texas, LLC
Portion of Water Service Area
CCN No. 13131
Application No. 35017-S (Transferred a Portion of CCN 11072 from Silverleaf Resorts, Inc.)
Comal County

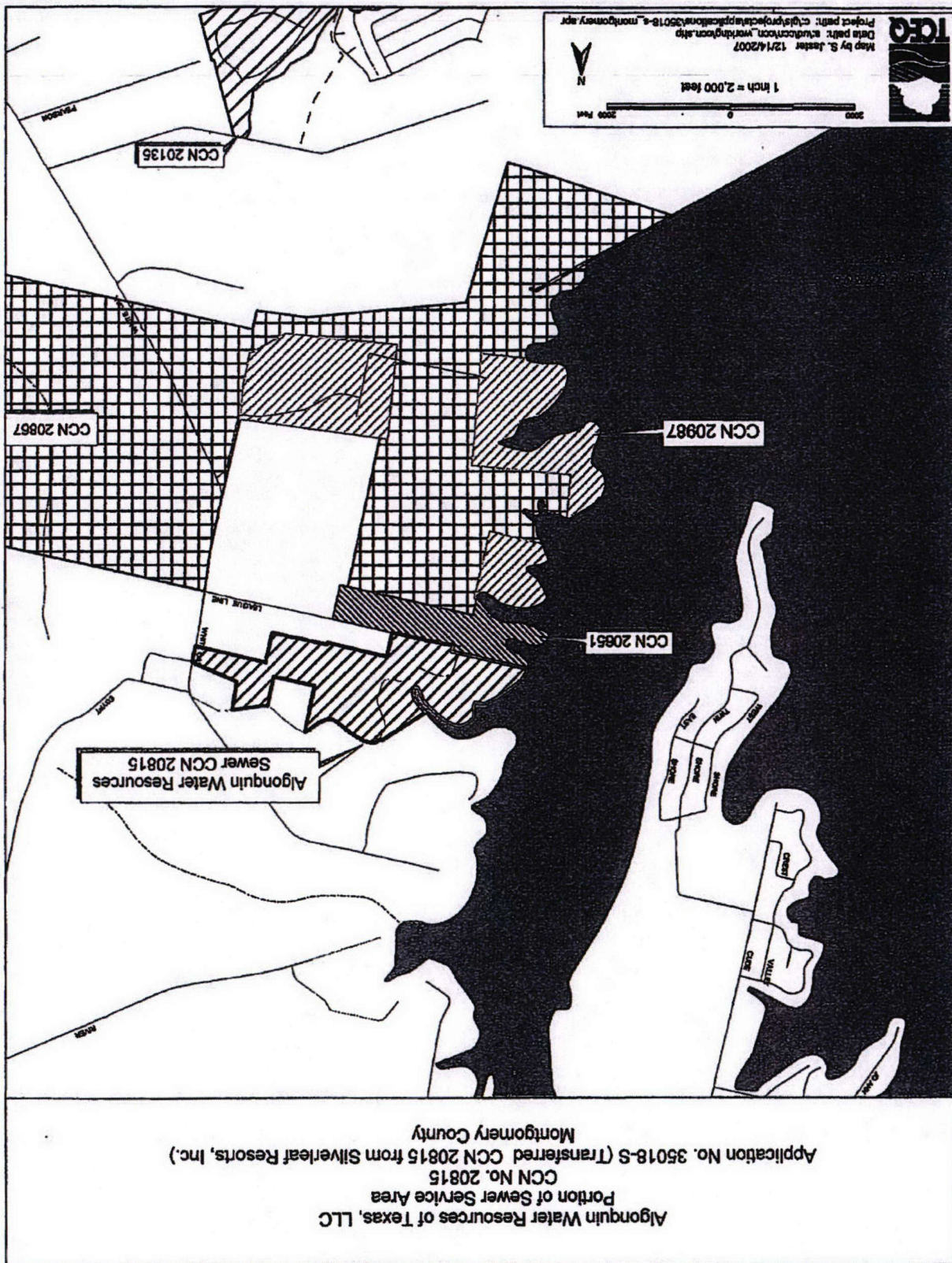


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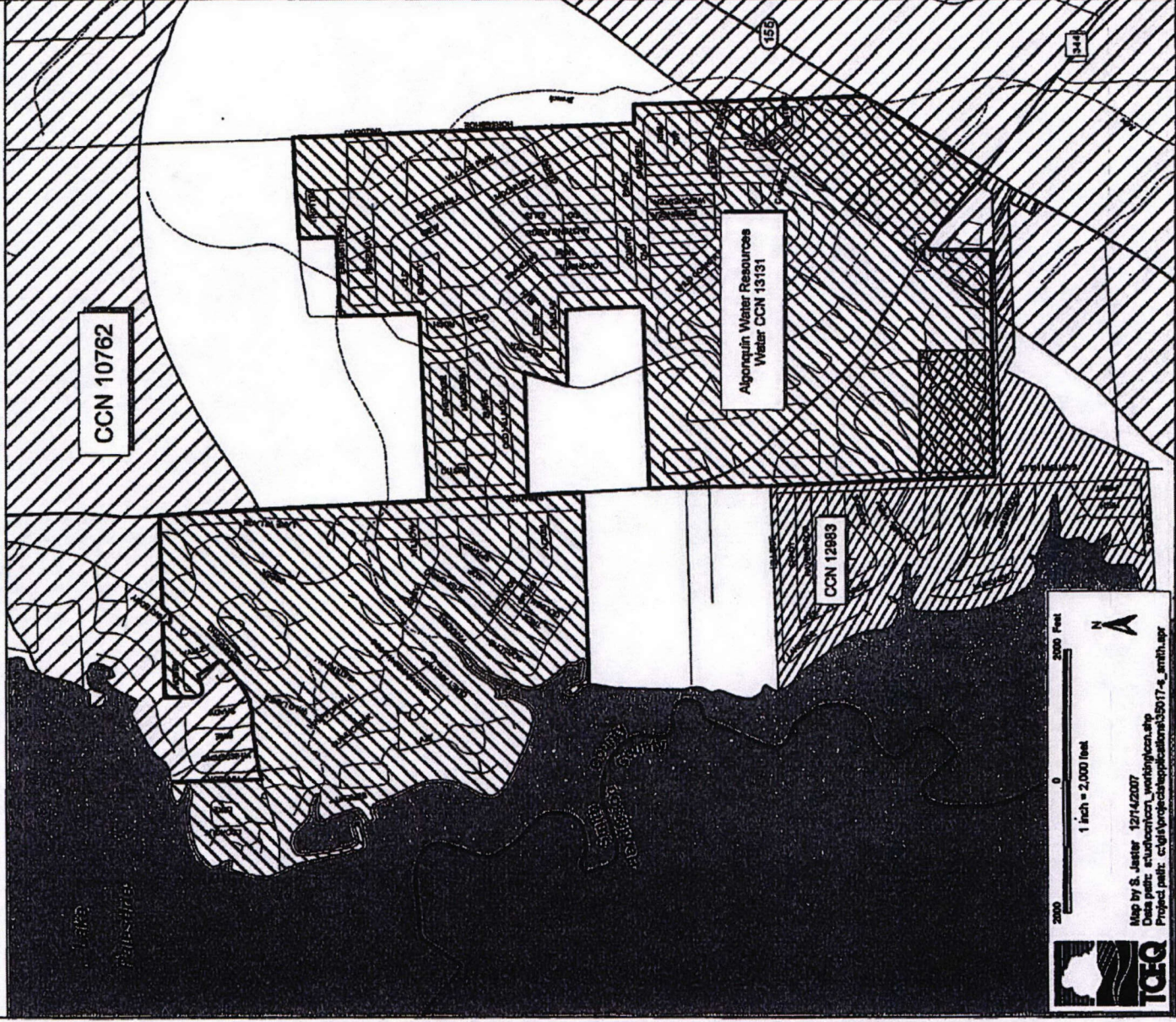
Algonquin Water Resources of Texas, LLC
Portion of Water Service Area
CCN No. 13131

Application No. 35017-S (Transferred a Portion of CCN 11072 from Silverleaf Resorts, Inc.)
Montgomery County



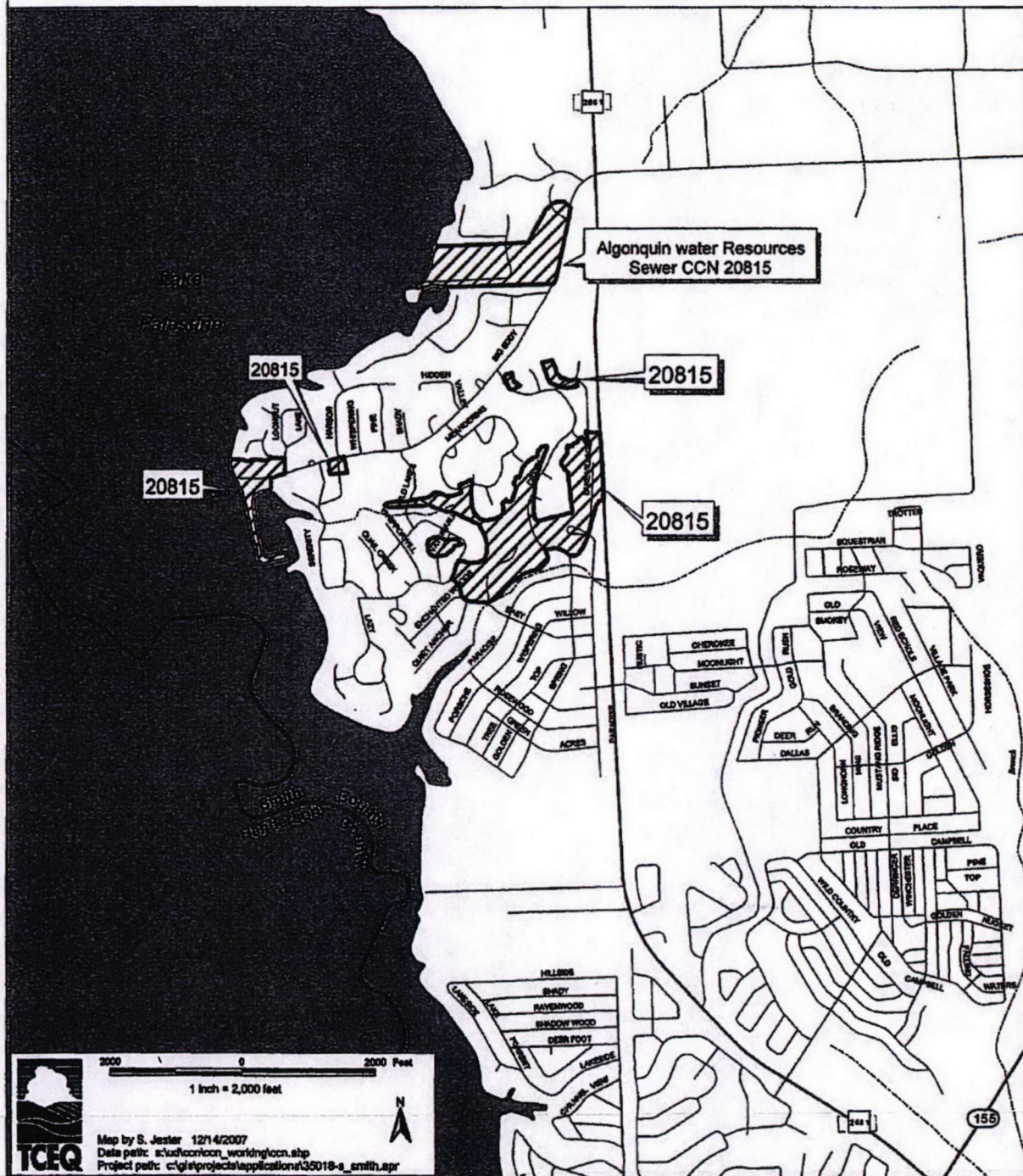


Algonquin Water Resources of Texas, LLC
Portion of Water Service Area
CCN No. 13131
Application No. 35017-S (Transferred a Portion of CCN 11072 from Silverleaf Resorts, Inc.)
Smith County



CCN No. 20815

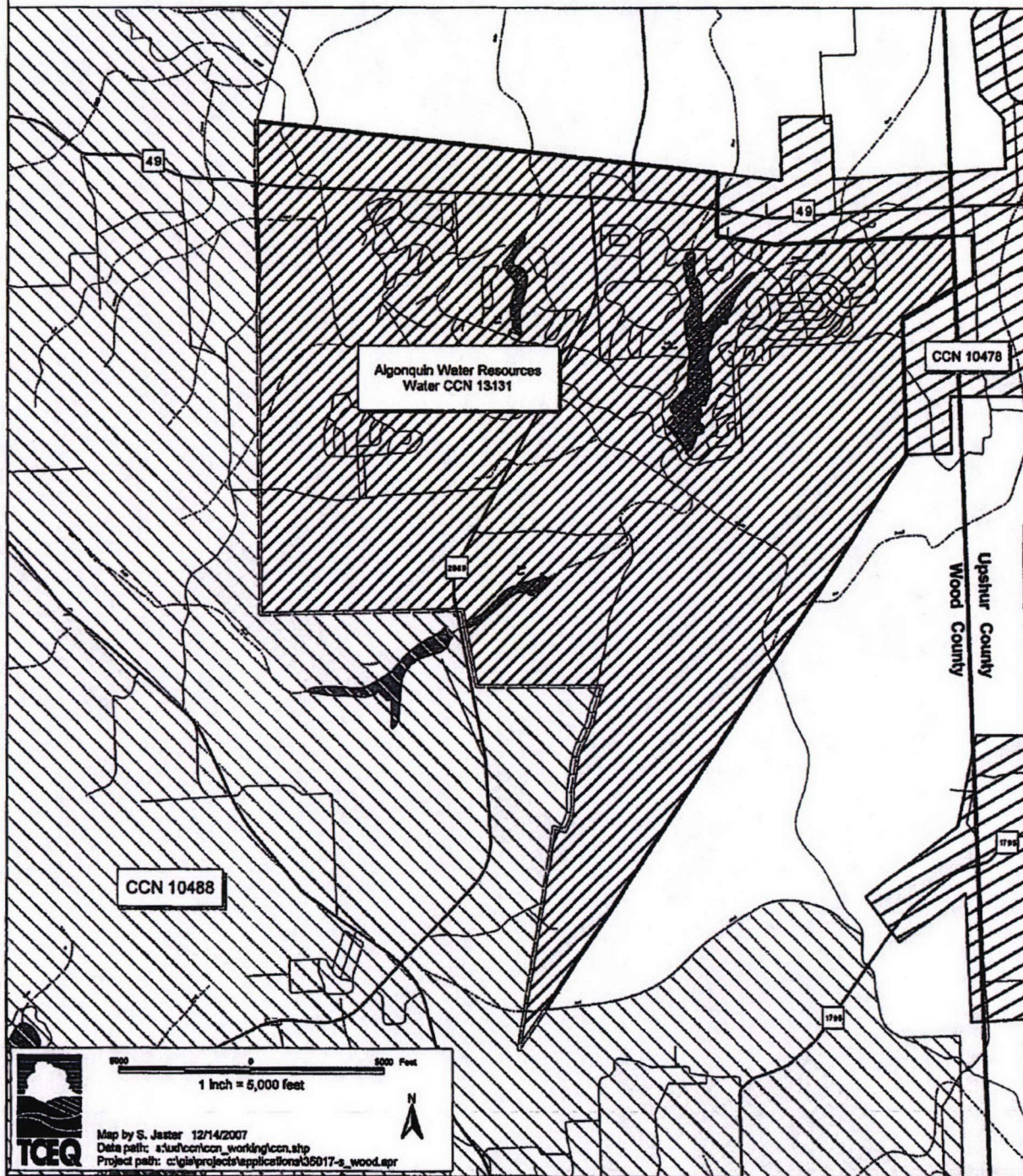
Smith County



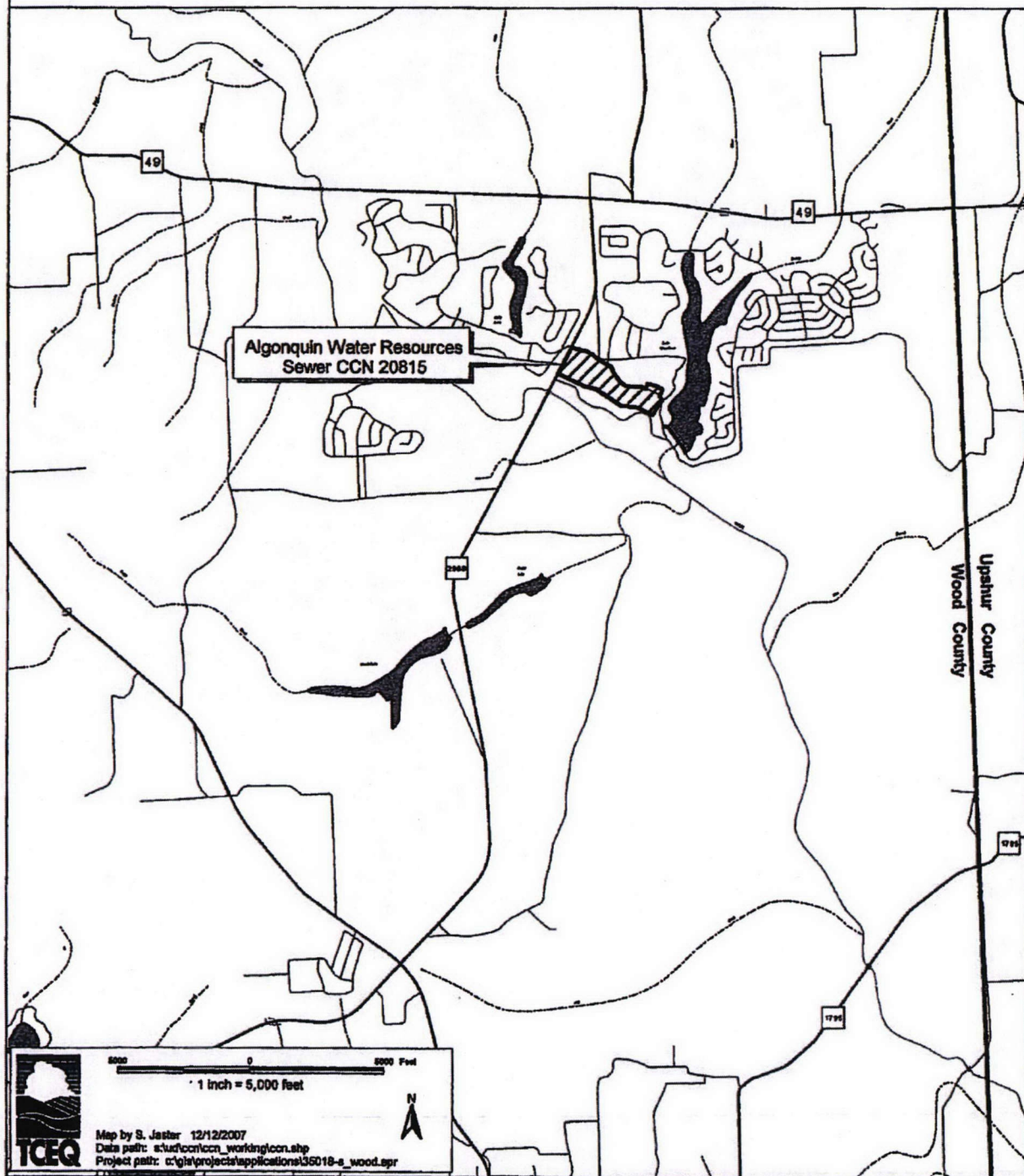
Algonquin Water Resources of Texas, LLC
Portion of Water Service Area

CCN No. 13131

Application No. 35017-S (Transferred a Portion of CCN 11072 from Silverleaf Resorts, Inc.)
Wood County

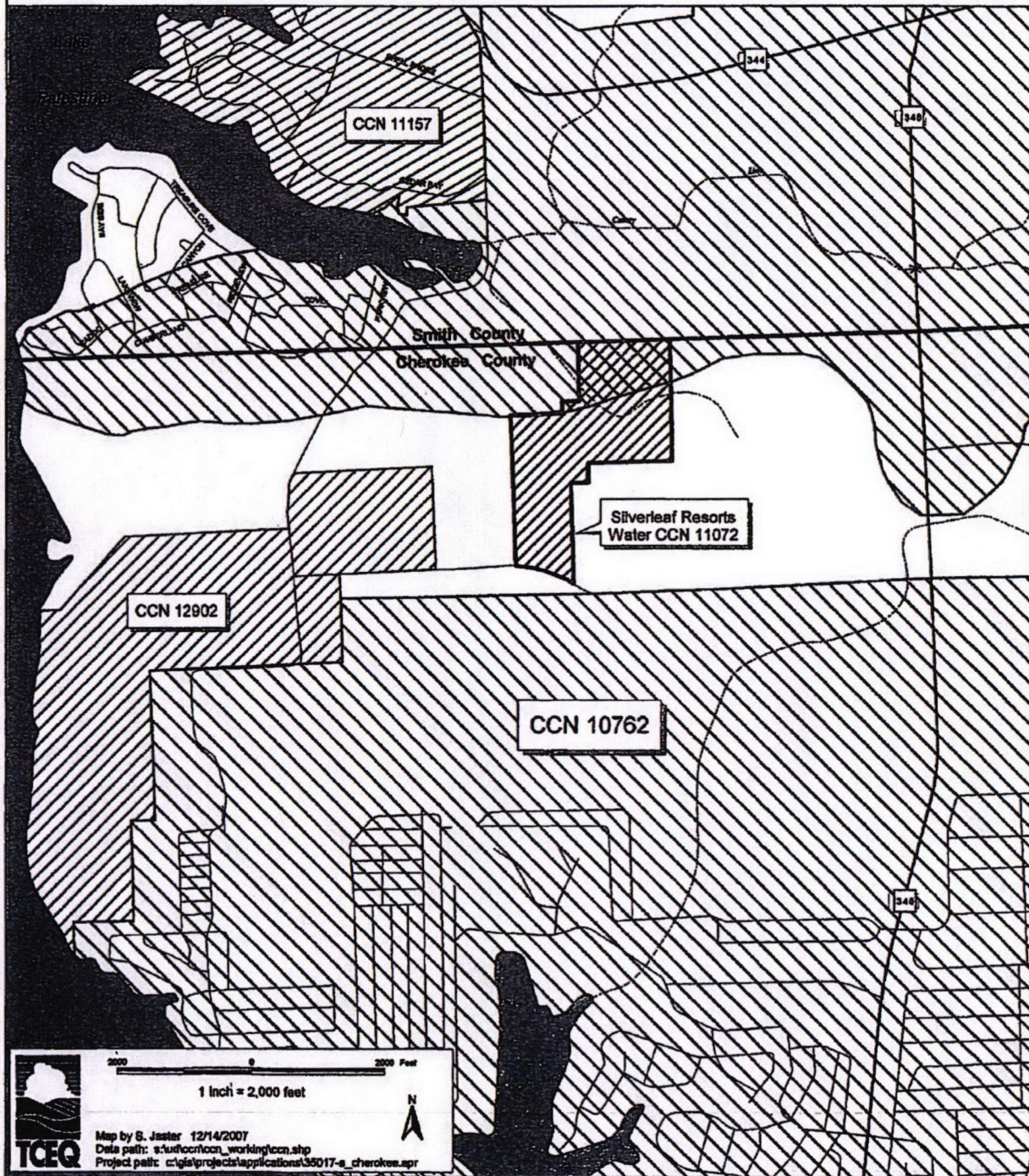


Algonquin Water Resources of Texas, LLC
Portion of Sewer Service Area
CCN No. 20815
Application No. 35018-S (Transferred CCN 20815 from Silverleaf Resorts, Inc.)
Wood County



Silverleaf Resorts, Inc.
Water Service Area
CCN No. 11072

Application No. 35017-S (Algonquin Water Resources of Texas, LLC, CCN No. 13131
Transferred a Portion of CCN 11072 from Silverleaf Resorts, Inc.)
Cherokee County



RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-09 Referencing the Direct Testimony of Matthew Garlick, Page 9, Lines 6-8, please provide a copy of the treated surface water contract between Liberty Silverleaf and the City of Conroe.

RESPONSE: See attached Emergency Water Supply Contract, dated September 16, 2014, between Liberty Utilities (Silverleaf Water) LLC and the City of Conroe, Texas.

OPUC RFI 1-9_City of Conroe Water Connection Agreement.pdf

Prepared by: Steve Ruppenthal, Manager, Operations

Sponsored by: Matthew Garlick, President, Arizona and Texas

**EMERGENCY WATER SUPPLY CONTRACT
BY AND BETWEEN
LIBERTY UTILITIES (SILVERLEAF WATER) LLC
AND
THE CITY OF CONROE, TEXAS**

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

THIS EMERGENCY WATER SUPPLY CONTRACT (this "Contract") is made and entered into as of the 16th day of September, 2014, by and between Liberty Utilities (Silverleaf Water) LLC, the owner of the Piney Shores Public Water Supply System – TCEQ ID No. 1700532) (hereinafter called "Piney Shores"), and the City of Conroe, Texas (hereinafter called "City"), a municipal corporation located in Montgomery County, Texas.

WITNESSETH:

WHEREAS, Piney Shores owns and operates a waterworks system supplying potable Water to residential and commercial customers within its service area boundaries; and

WHEREAS, the City owns and operates a waterworks system supplying potable Water to residential and commercial customers within its corporate boundaries and extraterritorial jurisdiction; and

WHEREAS, the Parties desire to enter into this Contract to establish the terms and conditions under which the City shall provide potable Water to Piney Shores during emergencies.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the City hereby agrees to provide for the delivery of Water upon the conditions specified and for the consideration hereinafter set forth, to-wit:

AGREEMENT

**ARTICLE I
DEFINITIONS**

Section 1.01. Definitions.

Unless the context requires otherwise, the following terms as used in this Contract shall have meanings as follows:

"City Water System" shall mean City's water production and distribution system, now owned or to be constructed, including but not limited to all water plants, water wells, ground storage tanks, pumps, distribution mains, valves, flow control devices, and related appurtenances.

"Contract" shall mean this agreement, including any amendments hereto.

"Emergency" shall mean an unanticipated water quality problem, or mechanical or electrical failure causing a loss of the production or distribution capacity of Piney Shores's Water System, which results in Piney Shores being unable to supply its customers with a minimal supply of Water or a fire requiring immediate use of the City's water system.

"Piney Shores Water System" shall mean Piney Shores' water production and distribution system, now owned or to be constructed, including but not limited to all water plants, water wells, ground storage tanks, pumps, distribution mains, valves, flow control devices, and related appurtenances.

"Party" shall mean either Piney Shores or the City.

"Parties" shall mean both Piney Shores and the City, collectively.

"Point(s) of Delivery" shall initially mean the agreed point at which Water from City's Water System enters the PINEYSHORES Water System, as shown on the approved plans for construction of the Water Interconnect Facilities.

"SJRA GRP" shall mean the San Jacinto River Authority groundwater reduction program of which the City of Conroe is a participating member.

"TCEQ" shall mean the Texas Commission on Environmental Quality or its successor state agency.

"Temporary Period" shall mean a period not to exceed thirty (30) days unless otherwise agreed in writing by the Parties.

"Texas Water Quality Control Act" shall mean the Texas Water Quality Control Act, as now or hereafter amended, codified as Chapter 26, Texas Water Code.

"Water Interconnect Facilities" shall mean all facilities necessary to interconnect the City Water System and the Piney Shores Water System, including without limitation, interconnection lines, meters, casings, backflow prevention controls, valves, storage tanks, pressure tanks and flow control devices as may reasonably be required by City.

"Interconnect Valve" shall mean the valve(s), valve box and connection vault which is part of the Water Interconnect Facilities which separates the Water in the Piney Shores Water System from that in the City Water System.

"Water" shall mean potable water meeting the minimum drinking water standards established by the Texas Department of Health or other regulatory agency with jurisdiction.

Section 1.02: Titles and Headings.

The titles and headings of the articles and sections of this Contract have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Contract or any provisions hereof or in ascertaining intent.

Section 1.03: Interpretations.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice-versa and words of the singular number shall be construed to include correlative words of the plural number and vice-versa. This Contract, and all the terms and provisions hereof, shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Contract. Nothing in this Contract shall be construed to violate any State or Federal statutory provision or any provision of the State or Federal constitutions, and all acts done pursuant to this Contract shall be performed in such manner as to conform thereto whether expressly provided or not. Where any procedure hereunder may be held by a court of competent jurisdiction to violate any State or Federal statutory or constitutional provision, the Parties shall have the power by resolution and/or otherwise to adopt and promulgate reasonable and necessary alternative procedures which will conform thereto and the Parties may agree that they would have entered this Contract notwithstanding the invalidity of any provision or provisions hereof.

**ARTICLE II
CONSTRUCTION OF INTERCONNECT**

A. Construction by Piney Shores at its sole cost.

Piney Shores shall, at its sole cost and expense, construct the Water Interconnect Facilities in accordance with the approved plans and specifications on file with the City's Department of Public Works. Piney Shores shall allow City's representatives to have access at all times to construction in progress and to make such inspections thereof as may be deemed necessary or desirable.

Upon completion of the construction of the Water Interconnect Facilities, Piney Shores shall provide City one set of "Record Drawings" and a certification by the engineer for Piney Shores that the Water Interconnect Facilities were built substantially in accordance with the plans and specifications and as indicated in the aforementioned "Record Drawings". Prior to initiation of Water supply by City, a pressure analysis, at the reasonable cost of Piney Shores, shall be performed by City.

B. Interconnect Valve and Title to Water

Piney Shores shall install, as part of the Water Interconnect Facilities, the Interconnect Valve. Piney Shores will have title to and possession and control of all Water on Piney Shores's side of the Point of Delivery, and City will have title to and possession and control of all Water on City's side of the Point of Delivery.

C. Maintenance.

Each Party to this Contract shall operate and maintain at its own expense all Water distribution lines owned by or on its side of the Interconnect Valve. Piney Shores shall maintain the Interconnect Valve, including the valves and valve box at the Point of Delivery, in good condition throughout the term of this Contract.

ARTICLE III
EMERGENCY DELIVERY OF WATER

Section 3.01. Normal Operations.

Except as provided in Article III hereof, it is agreed that, during normal operating conditions of the Parties' Water Systems, Water will be prevented from flowing through the Point of Delivery and no Water will be delivered by the City to Piney Shores. In the event that Piney Shores wishes to draw Water through the Point of Delivery, except during an Emergency or in accordance with the provisions of Article IV, it may do so only with the prior written consent of the City.

Section 3.02. Emergency Supply.

During an Emergency, Piney Shores may open the valve at the Point of Delivery and be supplied Water by the City, but only after providing notice of the Emergency to the operator for the City (provided that when the Emergency is a fire, the valve may be opened prior to such notice but notice must be given to the City's operator at the earliest practicable time). Notice required to be given to the operator of the City hereunder may be given to the City's engineer if the City's operator is unavailable to receive such notice and may be given to a member of the City's governing body if City's operator and engineer are both unavailable to receive such notice. Such notice shall include a description of the cause of the Emergency and the expected duration thereof. The City will provide Piney Shores with the names, addresses, and telephone numbers of its operator, engineer and governing body for the purposes of giving notice hereunder. Opening of the valve at the Point of Delivery for Water shall be confirmed in writing by Piney Shores to the City's governing body and operator on the next business day after the valve is opened. Piney Shores may continue to receive Water during the continuation of the Emergency without prior approval of the City; however, the City shall not be obligated to supply Water hereunder for longer than the Temporary Period. Should the duration of the Emergency extend beyond the Temporary Period, Piney Shores may request consent from the governing body of the City to

extend the Temporary Period for a subsequent Temporary Period. Such request shall be made in writing prior to the expiration of the initial Temporary Period. Any additional extensions shall likewise be requested in writing by Piney Shores prior to the end of the previously approved Temporary Period. Subject to City's right to terminate its emergency supply of Water as hereinafter provided, City shall not unreasonably withhold its consent for any requested extension. Notwithstanding any provision herein to the contrary, the City shall have the right to terminate immediately its supply of Water on an emergency basis to Piney Shores, if in the judgment of the City, the amount or circumstances of such supply would impair the City's ability to serve its own customers (including customers to whom the City is supplying Water on an emergency basis). The obligation of the City to deliver Water to Piney Shores shall run only to Piney Shores and shall in no event create any obligation to or duty toward, or any right of, any other party or any customer of Piney Shores.

Section 3.03. Simultaneous Emergencies.

Notwithstanding anything else to the contrary contained herein, the City may, but shall not be obligated, to supply Water pursuant to this Contract if an Emergency exists for the City.

Section 3.04. Other Water Supply Contracts.

Either Party may enter into additional Water supply contracts with other persons, corporations, partnerships or political subdivisions of the State of Texas or any other entity.

Section 3.05. Payment.

All Water delivered to Piney Shores shall be metered, and the City shall read the meter and shall provide an invoice to Piney Shores within 30 days after the Point of Connection is closed. The rate to be charged to Piney Shores shall be the Minimum Monthly Base Charge By Meter Size, Non-residential Rates Inside City Limits, and any fees paid by the City to the Lone Star Ground Water Conservation District and any SJRA GRP fees or charges applicable to the Water delivered to Piney Shores. These rates are subject to change as they are changed for all other customers in this same rate class. If Piney Shores fails to pay the City within 45 days ("45-Day Period") after the receipt of the invoice from the City, then the City may, at its sole option, refuse to supply additional Water Piney Shores until such payment is made in full. Notwithstanding the foregoing, in the event of cessation of supply to Piney Shores, Piney Shores shall remain liable for the amount of the payment, and interest thereon shall accrue after the expiration of the 45-Day Period at the rate of ten percent (10%) per annum.

Section 3.06. Books and Records.

Each Party shall preserve for a period of at least four (4) years from the date of their respective origins, all books, records, test data, charts and other records pertaining to this Contract. Each Party shall have the right, at all reasonable business hours, to inspect such records

of the other party to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to any provision of this Contract.

ARTICLE IV **TERM AND GENERAL PROVISIONS**

Section 4.01. Approvals by Parties.

Whenever this Contract requires or permits approval or consent to be hereafter given by either Party such approval or consent shall be effective without regard to whether such approval or consent is given before or after the time required herein. Such approval or consent shall be evidenced by a resolution adopted by the governing body of the Party or by an appropriate certificate executed by a person, firm or entity authorized to determine and give approval or consent on behalf of said Party.

Section 4.02. Regulatory Compliance.

This Contract and the City's obligation to provide Water services to Piney Shores as provided herein shall be subject to all present and future laws, orders, rules and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction (and the Parties agree to cooperate to obtain compliance therewith). In the event that the City is required by any regulatory authority to pay any fee, service charge, penalty, or fine because of, or as a condition to, providing service to Piney Shores pursuant to this Contract, said fee, service charge, penalty, or fine may be billed to Piney Shores as an expense of providing service pursuant hereto, in addition to all amounts due pursuant to this Contract, provided such fee, service charge, penalty or fine is not due to improper actions or inactions of City. It is further provided that when receiving Water pursuant to this Contract and supplying such Water to its residents and other Water users, the Piney Shores acts in the capacity of owner and operator of a "public water system", as that term is used in the federal Safe Drinking Water Act, and, in that regard, is solely responsible for complying with all governmental rules, regulations, and laws relating to the protection of the health and welfare of its users including, but not limited to, keeping all necessary records and performing all necessary testing, monitoring and treatment, and the City will have no responsibility with respect thereto.

Section 4.03. Quality of Water.

The City shall provide treated Water meeting all applicable Texas and Federal regulations regarding Water quality, including the Safe Drinking Water Act.

Section 4.04. Drought Contingency Plan.

Piney Shores shall adopt and maintain a Drought Contingency Plan, consistent with and at least as restrictive as City's Drought Contingency Plan.

Section 4.05. Term.

This Contract shall be in force and effect from the date of its execution for a period of forty (40) years; however, this Contract shall earlier terminate (i) upon written agreement of the Parties or (ii) sixty (60) days after a Party receives written notification that the notifying Party can no longer supply Water during an Emergency without impairing the ability of the notifying Party to serve its own customers, including customers to whom the notifying Party is obligated to supply Water on an emergency basis.

Section 4.06. No Additional Waiver Implied.

No waiver or waivers of any breach or default by either Party of any term, covenant, condition, or liability hereunder, or of performance by the other Party of any duty or obligation hereunder, shall be deemed a waiver thereof in the future. Any such waiver or waivers shall not be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 4.07. Address and Notice.

Unless otherwise provided in this Contract, any notice herein provided or permitted to be given, made, or accepted by either Party must be in writing and may be given by depositing the same in the United States mail postage prepaid by certified mail, return receipt requested, or by delivering the same to an officer of such Party, or by prepaid telegram addressed to the Party to be notified. Notice deposited in the mail in the manner described above shall be conclusively deemed to be effective from and after the expiration of three (3) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the Party to be notified. For the purposes of notice, the addresses of the Parties shall be as follows:

Liberty Utilities (Silverleaf Water) LLC.
12725 W. Indian School Road, Suite D101
Avondale, Arizona 85392
Attn: Matthew Garlick _____

City of Conroe
Director of Public Works
P.O. Box 3066
Conroe, Texas 77305

The Parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address in the State of Texas by at least fifteen (15) days written notice to the other party.

Section 4.08. Modification.

This Contract shall be subject to change or modification at any time, but only with the mutual written consent of the Parties.

Section 4.09. Assignability.

This Contract shall be binding upon and inure to the benefit of the Parties and their successors, but this Contract shall not be assignable by either Party without the prior written consent of the other, except such consent shall not be unreasonably withheld for an assignment to the purchaser of the Piney Shores Public Water Supply System.

Section 4.10. Parties in Interest.

This Contract is for the sole and exclusive benefit of Piney Shores and City and shall not be construed to confer any benefit or right upon any other party.

Section 4.11 Provisions Severable.

The provisions of this Contract are severable, and, if any provision or part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such provision or part of this Contract to other persons or circumstances shall not be affected thereby.

Section 4.12. Merger.

This Contract embodies the entire understanding between the Parties regarding the subject matter set forth herein and there are no prior effective representations, warranties or contracts regarding same.

Section 4.13. Force Majeure.

If the City should be prevented, wholly or in part, from furnishing Water to Piney Shores under this Contract by reason of any force majeure, including without limitation, acts of God, unavoidable accident, acts of the public enemy, strikes, riots, floods, fires, government restraint or regulations, breaks in either Party's pipelines, power failure, or for any other cause beyond either Party's control, then the obligation of the City to deliver Water to Piney Shores shall be suspended during the continuance of such force majeure.

The term "Force Majeure", as used herein, shall include, but not be limited to, acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, war, blockades,

insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, droughts, tornadoes, hurricanes, arrests and restraints of government and people, explosions, breakage or damage to machinery, pipelines or canals, and any other inabilities of either party, whether similar to those enumerated or otherwise, and not within the reasonable control of the party claiming such inability, which by the exercise of due diligence and care such party could not have avoided.

Section 4.14. Breach of Contract.

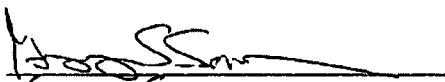
In enforcing the performance of the provisions of this Contract, any party hereto shall have the right to exercise all remedies available under law. In particular, any party hereto shall have the right to seek a temporary or permanent injunction to prohibit a party from violating the terms of this Contract. Both parties hereby agree that the providing of water during an emergency constitutes the providing of a good therefore Local Government Code Section 271.152 shall hereby apply.

Section 4.15. Attorney's Fees.

In accordance with Local Government Code, Section 271.159, if any Party hereto is the prevailing party in any legal proceedings against any signatory on this Contract brought under or with relation to this Contract, such prevailing Party shall additionally be entitled to recover court costs and reasonable and necessary attorneys' fees from any non-prevailing Party to such proceedings.

IN WITNESS WHEREOF, this Contract has been executed in multiple counterparts, each of equal dignity, as of the date and year first above written.

Liberty Utilities (Silverleaf Water) LLC

By: 
GREGORY SURENSEN
Title: PRESIDENT - ARIZONA
Date: SEPTEMBER 16, 2014

ATTEST:

By: BRIAN HAMRICK
Title: SENIOR PROJECT MANAGER
Date: SEPTEMBER 16, 2014

CITY OF CONROE, TEXAS

By:

Wanda Helder

Title:

Mayor

Date:

11-18-14

ATTEST:

By:

Jaco M. Grunin

Title:

Assistant City Secretary

Date:

11.18.14

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-10 Referencing the Direct Testimony of Matthew Garlick, Page 14, Lines 3-8, please provide a copy of all agreements between Silverleaf Resorts and GBRA obtained as a result of the purchase of the Silverleaf Resort Systems by Algonquin Water Resources of Texas, LLC.

RESPONSE: See the Agreement for Wholesale Sewage Treatment and Disposal Services, dated April 9, 2007, between GBRA and Silverleaf Resorts, Inc.

OPUC RFI 1-10_Agreement for Wholesale Sewage Treatment and Disposal Services dated April 9, 2007.pdf

Prepared by: Todd Wiley

Sponsored by: Matthew Garlick, President – West Region

AGREEMENT FOR WHOLESALE SEWAGE TREATMENT AND DISPOSAL SERVICES

This Agreement for Wholesale Sewage Treatment and Disposal Services (this "Agreement") is made and entered into this 9th day of APRIL, 2007 (the "Effective Date") by and between the Guadalupe-Blanco River Authority ("GBRA"), a conservation and reclamation district and political subdivision of the State of Texas created by special act of the Legislature pursuant to Article XVI, Section 59 of the Texas Constitution, and Silverleaf Resorts, Inc. ("Silverleaf"), a Texas corporation.

RECITALS:

WHEREAS, Silverleaf has developed, and plans to continue to develop, residential timeshare properties and associated facilities within that certain property in Comal County, Texas consisting of approximately 110 acres defined on Exhibit "A" (the "Property"), known as Silverleaf's Hill Country Resort on Canyon Lake; WHEREAS, Silverleaf holds certificate of convenience and necessity ("CCN") No. 11072 and CCN No. 20815 issued by the Texas Commission on Environmental Quality ("TCEQ") or its predecessors, each providing for Silverleaf to provide retail wastewater service to users within a certain certificated area defined in that CCN; and

WHEREAS, the certificated area defined under each of the two CCN's is shown on Exhibit A and, as reflected by Exhibit A, the two certificated areas combined comprise the Property; and

WHEREAS, GBRA and Silverleaf have previously entered into one or more agreements, pursuant to which GBRA is treating wastewater generated within portions of the Property at GBRA's Canyon Park Estates Wastewater Treatment Plant (the "Canyon Plant") and disposing of such treated wastewater pursuant to a permit issued by TCEQ; and

WHEREAS, the Parties desire to terminate all existing agreements and enter into this Agreement providing for GBRA to continue to treat and dispose of wastewater generated within the Property.

AGREEMENT

For and in consideration of the foregoing and the mutual promises, covenants, obligations, and benefits contained in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and Silverleaf agree as follows:

1. DEFINITIONS

- (1) "Infiltration Water" means water which leaks into a public sanitary sewer system.
- (2) "Other Customer" means any customer of GBRA's for wastewater service from the Canyon Plant other than Silverleaf or Algonquin, regardless of when GBRA and the Other Customer enter into the contract for such wastewater service.
- (3) "Required Effluent Criteria" means the effluent quality that will be used in the permitting and design for all flow from the Canyon Plant, including the existing facilities and the expansion. Such requirement will include carbonaceous biochemical oxygen demand (5-day CBOD) of 5 milligrams per liter (mg/L); total suspended solids (TSS) of 5 mg/L; ammonia nitrogen of 2 mg/L; and total phosphorus of 1 mg/L.
- (4) "Sewage" means the liquid and water-carried waste discharged from sanitary conveniences of dwellings and buildings or similar sources connected to a public sanitary sewer system.
- (5) "System" means the Canyon Plant, as well as the collection systems, lift stations, and easements necessary to transport sewage from Silverleaf's various facilities at the Hill Country Resort to the Canyon Plant.
- (6) "Termination Date" means the expiration date of the term of this Agreement, as defined in Section 20 of this Agreement.
- (7) "TCEQ" means the Texas Commission on Environmental Quality or any successor agency.
- (8) "Wastewater" means Sewage collected by a public sanitary sewer system, together with Infiltration Water as may be present.

2. TERMINATION OF EXISTING AGREEMENTS

Section 2.01 That certain Sewage System Modification, Construction and Wholesale Service Agreement dated June 8, 1998, by and between GBRA and Silverleaf, and that certain Amendment dated August 31, 2000, are terminated in all respects effective as of the Effective Date.

Section 2.02 GBRA and Silverleaf agree that the Sewage System Modification, Construction and Wholesale Service Agreement dated June 21, 1996, by and between

GBRA and Silverleaf Vacation Club, Inc., a predecessor of Silverleaf, has previously been terminated in all respects.

3. DESCRIPTION OF THE CANYON PLANT AND SILVERLEAF'S DEVELOPMENT

Section 3.01 The Canyon Plant is located adjacent to Hwy 306 in Comal County, Texas. It is owned and operated by GBRA under the terms of TPDES Wastewater Discharge Permit No. WQ 0011496-001. It is an extended aeration treatment plant with a current average daily capacity of 100,000 gallons per day ("gpd").

Section 3.02 Silverleaf has developed and plans to continue to develop, residential timeshare properties and associated facilities within the Property, as defined on Exhibit "A." The development generates wastewater that is collected by a wastewater collection system owned and operated by Silverleaf (the "Wastewater Collection System") and conveyed to the Canyon Plant. As of the Effective Date, Silverleaf has 305 residential units and a limited number of additional facilities such as laundry rooms and public area bathrooms connected to the Wastewater Collection System. A more detailed description of the existing Wastewater Collection System and other facilities within the Property, and existing development and connections within the Property is attached as Exhibit "B." A master plan for Silverleaf's proposed development will be prepared by Silverleaf and updated from time to time (the "Master Plan"). Silverleaf agrees that it will provide to GBRA an updated Master Plan no less than once each year and that it will periodically meet with GBRA to review such Master Plan.

4. SERVICE TO BE PROVIDED

Subject to the terms and conditions of this Agreement, GBRA shall own and operate the Canyon Plant, receive and treat at the Canyon Plant wastewater generated within the Property and collected by the Wastewater Collection System, and discharge or otherwise dispose of such treated wastewater in accordance with the discharge permit issued to GBRA by TCEQ or other authorization by law.

5. INTERIM SERVICE OBLIGATIONS OF GBRA

Section 5.01 During the "Interim Period," herein defined as the period of time from the Effective Date until the Commencement Date (hereinafter defined), GBRA will provide wholesale wastewater treatment and disposal service for the following number of individual Silverleaf residential units within the Property:

(a) GBRA will continue to provide domestic wastewater treatment and disposal service for those 315 residential units for Silverleaf Phases 1 through 13 within the Property, as such phases are recorded in the records of Comal County, as such units are connected to Silverleaf's Wastewater Collection System; and

(b) GBRA will provide domestic wastewater treatment and disposal service for additional residential units within the Property (in addition to the 315 residential units that are currently or will be connected to Silverleaf's Wastewater Collection System), up to a total number of residential units connected to the Wastewater Collection System not to exceed the number that GBRA determines can be served with the currently permitted capacity of the existing Canyon Plant. GBRA will quarterly report to Silverleaf the inflows of wastewater received at the Canyon Plant. Pursuant to Section 17 below, Silverleaf will complete and sign a Service Agreement (an example of which is shown as Exhibit "C"), and pay the then-applicable connection and monthly service fees for each additional unit connected to Silverleaf's Wastewater Collection System during the Interim Period.

Section 5.02 If at any time during the Interim Period GBRA determines that no additional Silverleaf units can be connected to the Wastewater Collection System without exceeding the Canyon Plant's current permitted hydraulic capacity or its permitted treatment parameters, or without violating that plant's TCEQ discharge permit in any other manner, GBRA shall provide notice to Silverleaf. After receiving such notice from GBRA, Silverleaf shall not connect any additional units to the Canyon Plant unless and until: (i) the Silverleaf Engineer has designed holding structures and ancillary facilities on property owned by Silverleaf sufficient to capture, properly store and, if necessary, aerate raw sewage (the "Silverleaf Holding Facilities") from any further additional residential units constructed by Silverleaf after GBRA's notice during the Interim Period (the "Additional Units"); (ii) GBRA has obtained all the necessary permits and other authorizations needed for construction of the Silverleaf Holding Facilities, and for hauling raw sewage from such holding facilities and the treatment and disposal of such sewage; (iii) Silverleaf has constructed the Silverleaf Holding Facilities on the Property; (iv) GBRA has arranged for equipment or contractors to haul raw sewage from the Silverleaf Holding Facilities to one or more alternative facilities for lawful treatment and disposal of the sewage from the Additional Units (the "Alternative Treatment Locations"); and (v) GBRA has arranged for the Alternative Treatment Locations to receive, treat and dispose of raw sewage from the Additional Units. As provided in Section 17.01b of this Agreement, Silverleaf will reimburse GBRA for its actual expenses related to hauling raw sewage from the Silverleaf Holding Facilities to the Alternative Treatment Locations. Alternatively, Silverleaf may, at its direct expense, haul the raw sewage from the Silverleaf Holding Facilities to the Alternative Treatment Locations designated by GBRA. The cost of any treatment and disposal of the raw sewage from the Additional Units at the Alternative Treatment Locations during the Interim Period may be an operating expense of the Canyon Plant. Silverleaf shall pay all the connection and monthly service fees for such Additional Units during such time, as if such Additional Units were connected to the Wastewater Collection System and all wastewater conveyed to and treated at the Canyon Plant.

6. PERMIT AMENDMENT FOR CANYON PLANT EXPANSION

Section 6.01 Within 90 days of the Effective Date, GBRA will prepare and file an application with TCEQ for an amendment to the Canyon Plant discharge permit to allow an expansion of the Canyon Plant to increase its treatment capacity by a minimum of 80,000 gpd (the "Additional Capacity"). The application to TCEQ will provide for a treatment process that produces an effluent quality of the Required Effluent Criteria or better for all of the flow from the Canyon Plant. GBRA will engage and manage the legal and technical consultants necessary to process the application in an expeditious manner. The amended permit will be in the name of GBRA.

Section 6.02 Silverleaf will engage a professional engineer licensed to practice in the State of Texas (the "Silverleaf Engineer") to provide technical assistance, design and construction-phase services for the permitting and expansion of the Canyon Plant. The selection of such engineer by Silverleaf will be subject to GBRA's approval. The replacement of such engineer will be subject to GBRA's prior approval. Silverleaf will cooperate in the processing of the application for amendment of the Canyon Plant permit, and its engineer will assist GBRA in the preparation and processing of the application, at Silverleaf's expense. Silverleaf shall provide such information, documentation and supporting witness testimony as may reasonably be necessary for GBRA to successfully prosecute the permit amendment at the TCEQ.

7. EXPANSION OF THE CANYON PLANT

Section 7.01 An expansion of the Canyon Plant will be designed by the Silverleaf Engineer, at Silverleaf's expense based upon the application submitted by GBRA to TCEQ pursuant to Section 6 above. GBRA will provide to the Silverleaf Engineer GBRA's design and specification requirements. The Silverleaf Engineer will design the expansion improvements in accordance with the requirements of GBRA, TCEQ and other regulatory authorities. The design will include the point or points at which the Silverleaf Wastewater Collection System will be connected to the Canyon Plant (the "Silverleaf Points of Delivery"). At its expense, GBRA will review and approve in writing the expansion plans and specifications prepared by the Silverleaf Engineer.

Section 7.02 Within 60 days of GBRA's receipt from the Silverleaf Engineer of the final approved plans and specifications, and from TCEQ of an unappealable permit amendment for the expansion of the Canyon Plant and any other necessary authorizations and approvals, GBRA will post the required notices and bid the expansion project using the plans and specifications prepared by the Silverleaf Engineer and approved by GBRA. After the bid opening, GBRA and the Silverleaf Engineer will provide to Silverleaf a certified bid tabulation, a ranking of the bidders, and notice naming the lowest bidder whose evaluation by GBRA and the Silverleaf Engineer using GBRA's standard procedures indicates that a contract award to such bidder would be in the best interest of

the expansion project (the "Initial Lowest Responsible Bidder"). Based on that evaluation and notice, GBRA will attempt to negotiate and enter into a construction contract with the Initial Lowest Responsible Bidder. If GBRA is unable to negotiate a contract with the Initial Lowest Responsible Bidder within 60 days of the bid opening, GBRA shall notify Silverleaf that it has been unable to negotiate a contract with such bidder. GBRA shall include in such notice a recommendation of whether to re-bid the project or to attempt to negotiate a contract with the second ranked bidder (the "Second Responsible Bidder"). Within 30 days of receipt of GBRA's notice and recommendation, Silverleaf shall direct GBRA to either re-bid the project or attempt to enter into a construction contract with the Second Responsible Bidder, and GBRA will comply with such direction. If GBRA rebids the project, it will follow the same procedures that were followed in the initial bidding process. If GBRA is unable to successfully negotiate a construction contract with the Initial Lowest Bidder or the Second Responsible Bidder following the second bid process, Silverleaf may assume responsibility for bidding the expansion project and selecting the construction contractor. The construction contractor selected to build the expansion of the Canyon Plant pursuant to this Section 7.02 will be the "Construction Contractor."

Section 7.03 GBRA shall construct, at Silverleaf's expense, the Canyon Plant expansion. GBRA will manage the construction in a professional manner using its staff and contract inspectors for construction management and inspection. GBRA will provide for materials testing and geotechnical investigations as required to professionally manage the project, and Silverleaf will pay for such testing and investigation services. Silverleaf will also pay to GBRA a monthly fee for construction management and inspection. Silverleaf's payments pursuant to this Section 7.03 are described in more detail in Section 17 below. GBRA will own the expanded facilities, including all land, structures, equipment and associated buildings. GBRA will follow TCEQ criteria for design and construction of the Canyon Plant expansion. .

Section 7.04 Subject to GBRA's inspection and approval, and a written certification from the Silverleaf Engineer as to its suitability, performance and compatibility with the equipment and processes at the existing Canyon Plant, the treatment equipment that Silverleaf currently owns and has in storage (the "Schreiber Plant") will be provided at no cost by Silverleaf to the Construction Contractor. The Construction Contractor will install the Schreiber Plant as part of the construction of the expansion. In its plans and specifications, the Silverleaf Engineer will provide for proper installation, alignment, testing and acceptance of the Schreiber Plant by the Construction Contractor.

Section 7.05 At Silverleaf's expense, Silverleaf may attend the periodic construction management meetings held by GBRA in its capacity as construction manager for the expansion project, and GBRA will provide reasonable notice of the normal meeting schedule. Silverleaf shall have the right to inspect at reasonable times the construction using its own personnel and at its own expense. Silverleaf will provide to GBRA reasonable notice before such inspections. Silverleaf shall also have the right to witness the acceptance tests, and GBRA will provide reasonable notice to Silverleaf of

such tests. Silverleaf shall be liable for all acts and omissions arising from its testing. Any damages or injury caused by Silverleaf in its testing shall be remedied by Silverleaf at its expense.

Section 7.06 GBRA will provide the Silverleaf Engineer with the opportunity to review and comment on all change orders proposed by the Construction Contractor or GBRA. Without Silverleaf's approval, GBRA may approve individual change orders of less than \$1,000 and total change orders aggregating \$5,000. For change orders in excess of those described above, GBRA will first obtain Silverleaf's written approval. Such approval will not be unreasonably withheld or delayed.

Section 7.07 When requested by GBRA, the Silverleaf Engineer will provide to GBRA engineering services normally associated with the construction phase of similar projects. GBRA, Silverleaf and the Silverleaf Engineer will agree upon the scope of work for such engineering services. Silverleaf will pay for such engineering services.

Section 7.08 If GBRA desires to expand the Canyon Plant by more than 80,000 gpd, GBRA shall notify Silverleaf and the Silverleaf Engineer prior to submitting the application to TCEQ described in Section 6 above. GBRA shall pay the additional incremental cost of such expansion under the terms and conditions of a separate written agreement between Silverleaf and GBRA.

8. ACCEPTANCE OF EXPANDED CANYON PLANT

When GBRA completes final testing and acceptance of the expansion of the Canyon Plant, GBRA will provide written notice to Silverleaf of the date GBRA will put the expanded Canyon Plant into operation (the "Commencement Date"). On the Commencement Date and thereafter while the Canyon Plant is capable of treating domestic wastewater, GBRA will own and operate all elements and components of the expanded Canyon Plant.

9. UTILITIZATION OF UNUSED ORIGINAL CAPACITY

Within 30 days after the Commencement Date, GBRA will calculate and notify Silverleaf of the unutilized capacity, if any, in the Canyon Plant as it existed before the expansion project (the "Unused Original Capacity"). At its sole discretion, GBRA may use the Unused Original Capacity to serve Other Customers. Provided however, GBRA will not provide wastewater treatment and disposal service to more customers, including Other Customers and the Silverleaf units added during the Interim Period, than can be served by the capacity of the original Canyon Plant.

10. UNITS TO BE SERVED FROM EXPANSION

Section 10.01 Within 30 days after the Commencement Date, GBRA and Silverleaf will agree upon and document the approximate number of individual residential units that can be served by the Additional Capacity constructed during the expansion.

Section 10.02 Subject to Section 15 of this Agreement, Silverleaf will have exclusive use of the Additional Capacity (up to 80,000 gallons per day) for a period of twenty (20) years from the Commencement Date. During such twenty-year period, Silverleaf will not pay a connection fee for units connected to the Wastewater Collections System and served by the Canyon Plant from the Additional Capacity; provided however, Silverleaf will pay to GBRA the then-applicable inspection fee for each unit connected to the Wastewater Collection System. Following the twenty (20) year period described above, Silverleaf will maintain the right of first refusal for the remaining Additional Capacity, if any, by following these procedures: (i) after the twentieth anniversary of the Effective Date, GBRA will notify Silverleaf when GBRA receives a bona fide request for wastewater service using any of the remaining Additional Capacity; (ii) if Silverleaf desires to contract for any of the remaining Additional Capacity, within thirty (30) days of receiving the notice from GBRA, Silverleaf must give to GBRA written notice that Silverleaf desires to contract for such Additional Capacity; and (iii) within such thirty-day (30-day) notice period, Silverleaf will sign a GBRA Service Agreement for each unit that it desires to contract for, pay the then-applicable connection fee for each such unit, and begin paying the monthly service fees for each such unit. If Silverleaf does not contract for all of the remaining Additional Capacity during any such 30-day period, GBRA may provide wastewater service to Other Customers using the available Additional Capacity.

11. ACCEPTABLE DOMESTIC WASTESTREAM

The Canyon Plant existing as of the Effective Date was constructed and is operated by GBRA to process and dispose of domestic municipal waste. The expanded Canyon Plant will be designed, constructed and operated by GBRA to treat and dispose of domestic municipal waste. Water borne waste having characteristics other than domestic municipal waste and which cannot be treated by the Canyon Plant to the Required Effluent Criteria shall not be allowed by Silverleaf to enter its Wastewater Collection System or otherwise be delivered to GBRA for treatment and disposal at the Canyon Plant. An example list of unacceptable wastes is attached hereto as Exhibit "D" and incorporated herein for all purposes. If a type of non-standard waste is produced on the Silverleaf properties to be served hereunder that is not listed on Exhibit "D", GBRA must be notified and consent to accept such waste before it may be allowed to enter the Wastewater Collection System or otherwise delivered to the Canyon Plant. Silverleaf shall be responsible for all non-standard waste delivered to the Canyon Plant without prior GBRA consent and shall undertake, at its expense, any repairs to the Canyon Plant and/or other remediation to state waters or property caused by such non-standard waste.

12. COLLECTION SYSTEM

Section 12.01 At its expense, Silverleaf shall be responsible for designing, permitting, constructing, extending, modifying, testing, owning, operating and maintaining the Wastewater Collection System necessary to convey wastewater generated within the Property to the Canyon Plant at the Silverleaf Points of Delivery. Silverleaf agrees to design and construct all new portions of the Wastewater Collection System, and all modifications to or extensions of existing portions of such system, in a professional manner so as to control Infiltration Water in accordance with accepted engineering design standards and applicable statutes, rules and regulations. Prior to designing any new portion of the Wastewater Collection System or any modifications to or extensions of the existing portion, the Silverleaf Engineer shall request and GBRA shall provide to such engineer GBRA's design and testing parameters, and the Silverleaf Engineer will use such parameters in its design of such new portion, modification or extension. The Wastewater Collection System will also be designed to meet all the requirements of TCEQ and other regulatory agencies with applicable jurisdiction. Plans and specifications for any such new portion, modification or extension of the Wastewater Collection System will not be released for bid, and construction will not be initiated until the plans and specifications for such facilities have been approved in writing by GBRA. GBRA may, at its expense, inspect all construction of any new portion, modification or extension of the Wastewater Collection System, and GBRA may make suggestions on how the Wastewater Collection System may be optimized to interface and work in conjunction with GBRA's collection pipelines and the Canyon Plant. GBRA shall have the right to witness all acceptance tests of the Wastewater Collection System or any portion, modification or extension thereof, and GBRA will not be required to provide treatment of any wastes from those systems until the applicable portions of the collection systems pass those acceptance tests to GBRA's satisfaction.

Section 12.02 After the Effective Date, GBRA shall inspect the connection of all new Silverleaf residential timeshare buildings to the Wastewater Collection System. No sewage will be received and treated by GBRA from any Silverleaf timeshare building until GBRA has inspected and approved the connection of such building.

13. EXTENT OF SERVICE

GBRA will only be obligated to provide treatment for the number of Silverleaf units for which a connection fee has been paid (if applicable) and can be served without exceeding the permitted capacity of any component of the expanded Canyon Plant.

14. ADDITIONAL EXPANSION OF CANYON PLANT

Section 14.01 If requested by Silverleaf, GBRA will seek, at Silverleaf's expense, the permit amendments from TCEQ necessary to further increase the capacity of

the Canyon Plant beyond that created by construction of the Additional Capacity. The process to be used to implement an expansion to produce such added capacity requested by Silverleaf will be mutually agreed by GBRA and Silverleaf.

Section 14.02 If GBRA desires to file an application with TCEQ for a permit amendment to further increase the capacity of the Canyon Plant beyond that created by construction of the Additional Capacity, GBRA will give Silverleaf 60 days notice prior to filing such application. During this 60-day period, Silverleaf will have an opportunity to give notice to GBRA that Silverleaf wants to participate in the expansion of the Canyon Plant initiated by GBRA but only up to the extent such expansion is not needed by GBRA or Other Customers. The extent of Silverleaf's participation in such an expansion implemented pursuant to this Section 14.02 will be based upon terms and conditions mutually agreed by the Parties.

15. MANDATORY EXPANSION OR CURTAILMENT

After the Commencement Date, if users of the Canyon Plant from any source produce flows in any consecutive three-month period in excess of 75% of the expanded capacity of the Canyon Plant, GBRA will notify Silverleaf to limit or control the flow of wastewater from the Wastewater Collection System into the Canyon Plant, and GBRA will immediately begin the permitting and construction process necessary to increase the capacity of the Canyon Plant; or GBRA will, with Silverleaf's cooperation, seek a waiver from TCEQ under its regulations. If GBRA obtains such a waiver, Silverleaf agrees to limit its development and GBRA agrees to limit the connection of Other Customers so that sewage flows in excess of the then-current capacity of the Canyon Plant and the TCEQ waiver provisions are not produced.

16. OWNERSHIP OF TREATED EFFLUENT

Regardless of the source of the raw wastewater being treated at the Canyon Plant, GBRA will own the treated effluent from the facility. GBRA may dispose of or use such effluent as it desires without prior approval from Silverleaf, provided the disposal or alternate use of such effluent does not interfere with the customary uses and activities of Silverleaf's Hill Country Resort or create a nuisance for timeshare users of Silverleaf's property.

17. FEES AND CHARGES

Section 17.01 The following charges are payable by Silverleaf to GBRA:

- a. During the Interim Period, before Silverleaf connects any unit to the System, Silverleaf will complete a GBRA Service Agreement (a sample of which is attached hereto as Exhibit "C") for each unit and pay the then-

Section 17.02 Notwithstanding anything herein to the contrary, all of the payments to be made by Silverleaf under the Agreement shall be payable from any and all sources available to Silverleaf. Silverleaf represents and covenants that adequate assessments will be fixed and collected at all times to produce revenues that are adequate to make prompt payment of all charges to be paid by Silverleaf to GBRA under this Agreement. After the Commencement Date, GBRA will not be required to receive or treat any wastewater for Silverleaf until all of the invoices described in Sections 17.01c, 17.01d, 17.01e and 17.01f above have been paid to GBRA in full by Silverleaf.

Section 17.03 GBRA will render bills to Owner once each month for the payments required under this Agreement. GBRA shall, until further notice, render such bills on or before the 10th day of each month and such bills shall be due and payable at GBRA's office indicated below by the 20th day after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to Silverleaf. GBRA may, however, by sixty (60) days written notice change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable twenty (20) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to Silverleaf. Silverleaf shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to GBRA at its office in the City of Seguin, Texas, or at such other place as GBRA may from time to time designate by sixty (60) days written notice.

Section 17.04 All amounts due and owing to GBRA by Silverleaf shall, if not paid when due, bear interest at the maximum rate permitted by law, provided that such rate shall never be usurious. If any amount due and owing by Silverleaf is placed with an attorney for collection by GBRA, Silverleaf shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's collection expenses, including court costs and attorney's fees. In the event Silverleaf is delinquent in its payment to GBRA, GBRA shall give notice by certified mail or hand delivery of such delinquency to Silverleaf, and Silverleaf shall have ten (10) business days to make payment to GBRA. Silverleaf further agrees that GBRA may, at its option following such ten-day period, suspend this Agreement until all amounts due and unpaid are paid in full with interest as herein specified.

18. ADDITIONAL COVENANTS

Section 18.01 Silverleaf agrees to impose any necessary deed restrictions on lands within the Property in order to comply with the terms of GBRA's amended discharge permit from TCEQ and the terms and conditions of this Agreement (including a prohibition against the Prohibited Wastes described in Exhibit "D" to this Agreement). The deed restrictions will also provide that no septic tanks, or other on-site waste disposal

or treatment systems may be installed within the Property without GBRA's prior written approval.

Section 18.02 GBRA will provide to Silverleaf at no cost any necessary rights of way across GBRA's property that Silverleaf may need to construct any new portion of the Wastewater Collection System or any extension or modification thereof. The parties shall mutually agree as to the location of such rights of way so as to minimize any interference or inconvenience with the use of GBRA's property.

Section 18.03 Silverleaf will provide to GBRA at no cost any land or interests in land owned by Silverleaf that is necessary to expand the Canyon Plant in order to provide the Additional Capacity. The location and extent of such land or interest in land will be mutually agreed by the Parties.

19. AGREEMENT CONDITIONED ON PERMITTING

Section 19.01 The Parties agree to cooperate with each other in pursuing all permits and approvals that GBRA determines to be necessary or desirable for it to fulfill its obligations under this Agreement. This Agreement is expressly conditioned on GBRA obtaining all the necessary permits, approvals and governmental authorizations necessary to construct and operate the expansion of the Canyon Plant designed to provide the Additional Capacity.

Section 19.02 No party shall be required to undertake any act or omission that could reasonably be expected to result in a violation of local, state, or federal statutes or regulations.

20. TERM AND RIGHTS AFTER TERMINATION

Section 20.01 This Agreement shall be effective on the Effective Date and continue in effect for a period of 40 years, unless extended by mutual agreement of the parties or terminated pursuant to any of the terms of this Agreement (the "Termination Date").

Section 20.02 After the Termination Date, GBRA shall have no further obligation to provide any wastewater treatment and disposal services for wastewater generated within the Property.

21. FORCE MAJEURE

If for any reason of force majeure, either GBRA or Silverleaf shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation of Silverleaf to make the payments required under the terms of this

Agreement, then if the Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the event, or cause relied on, the obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, so long as such Party is exercising due diligence to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the force majeure relied upon, the Party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other Party. The term "force majeure" as used in this Agreement shall include, without limitation of the generality thereof, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, acts of terrorism, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accident or intentional), and any inability on the part of GBRA to deliver sewer treatment and disposal services through the Canyon Plant on account of any other cause not reasonably within the control of GBRA.

22. PERFORMANCE, VENUE AND MEDIATION

This Agreement is performable in Comal County, Texas. All parties agree that if either party should default on any of the conditions and covenants hereunder or threaten to do so, or should it be necessary for any reason for either to hire or retain an attorney to represent them in connection with this Agreement, the party found to be responsible agrees to pay to the prevailing party a reasonable amount for costs and attorney's fees. Before the commencement of litigation, the parties agree to submit any dispute arising hereunder not resolved by mutual agreement to non-binding mediation, with an impartial third party ("Mediator") qualified under Tex. Civ. Prac. & Rem. Code. The Mediator shall be selected by mutual agreement of the parties or by court order absent such agreement. The parties agree that this agreement may be enforceable by specific performance as well as any other remedy available at law or in equity. Venue over any cause of action arising from this agreement shall lie in the courts of Comal County, Texas and shall be subject to and interpreted by the laws of the State of Texas.

23. VOLUNTARY AGREEMENT IS UNDERSTOOD

GBRA and Silverleaf acknowledge receipt of a complete copy of this Agreement and further acknowledge that they have carefully examined all terms and conditions and fully understand the Agreement. Each party acknowledges that they voluntarily enter into this Agreement only for the purposes and considerations recited herein.

applicable connection fee charged by GBRA to provide wholesale sewer service for such unit. The current connection fee is \$1,450.00. The connection fee may be adjusted by the GBRA Board of Directors at any time and from time to time.

- b. Silverleaf will pay to GBRA, based on a monthly invoice from GBRA, for GBRA's actual expenses related to hauling raw sewage from the Silverleaf Holding Facilities constructed by Silverleaf to the Alternative Treatment Locations pursuant to Section 5.02 above.
- c. For the expenses related to filing and processing the permit amendment application with TCEQ for expansion of the Canyon Plant, GBRA will pay for its internal staff time, benefits, administrative and general charges (overhead), and travel. GBRA will also pay one-third (1/3rd) of the actual cost of GBRA's third party legal and technical consultants up to a maximum total payment by GBRA for such consultants of \$50,000. Based on a monthly invoice from GBRA, Silverleaf will reimburse GBRA for the remainder of GBRA's actual expenses for the legal and technical consultants engaged by GBRA for filing and processing the permit application. Provided however, if GBRA's actual expenses for such third party legal and technical consultants reaches a total of \$150,000, thereafter such third party expenses will be divided equally so that each Party pays 50% of the remaining costs.
- d. In order to secure performance of Silverleaf's obligation to pay for the expansion of the Canyon Plant as provided in Section 7.03, Silverleaf agrees to place in escrow the full amount of the Construction Contractor's bid determined pursuant to Section 7.02. Prior to GBRA signing the contract with the Construction Contractor for the expansion of the Canyon Plant, GBRA will provide notice to Silverleaf of the Construction Contractor selected to build the expansion of the Canyon Plant and the full amount of the Construction Contractor's bid. Upon receiving such notice from GBRA, Silverleaf will, within five (5) business days, deliver funds equal to the full amount of such Construction Contractor's bid to an escrow agent selected by Silverleaf and approved in advance in writing by GBRA, provided however that such approval by GBRA will not be unreasonably withheld or delayed (the "Escrow Agent"). The Escrow Agent shall invest these funds in an interest bearing account, the earnings from which shall be payable to Silverleaf. Silverleaf and GBRA shall instruct the Escrow Agent to make progress payments to GBRA as portions of the expansion of the Canyon Plant are being constructed and completed. The progress payments by the Escrow Agent to GBRA will be based upon requests by GBRA and certified by the Silverleaf Engineer. When GBRA and Silverleaf jointly notify the Escrow Agent that the expansion of the Canyon Plant has been satisfactorily completed and all costs have been paid, the Escrow Agent shall return the remaining

balance, if any, in the escrow account to Silverleaf. In no event shall GBRA advance construction costs itself. The cost of any change orders completed by the Construction Contractor pursuant to Section 7.06 will be paid directly by Silverleaf based upon monthly invoices submitted to Silverleaf by GBRA.

- e. Based on monthly invoices from GBRA, Silverleaf will pay to GBRA \$5,000 per month for GBRA's construction management and inspection services during the Construction Period (the "GBRA Management Fee"). Monthly invoices for partial months will be prorated, initially on the basis of \$167 per day. The "Construction Period" is defined as the period of time from the date GBRA gives notice to proceed to the Construction Contractor through the Commencement Date. The monthly GBRA Management Fee will increase by three percent (3%) each year on the anniversary of the Effective Date.
- f. Based on monthly invoices from GBRA, Silverleaf will reimburse GBRA for its actual cost of materials testing, geotechnical investigations and other construction-related expenses performed by GBRA in its capacity as construction manager. The Silverleaf Engineer will approve such invoices, but such approvals will not be unreasonably withheld or delayed. Without Silverleaf's approval, GBRA may authorize individual tests, investigations and construction-related expenses of less than \$2,500 per activity and total charges for such tests, investigations and construction-related expenses aggregating \$10,000.
- g. For each Silverleaf unit connected to the System during the Interim Period and after the Commencement Date, Silverleaf will pay to GBRA the monthly sewer service charge pursuant to this written Agreement and in accordance with the GBRA Service Agreement as shown by example in "Exhibit C". The current sewer service fee is \$40.00 per unit per month. The GBRA Board of Directors may adjust the service fee for the System at any time and from time to time.
- h. Before any Silverleaf unit is connected to the System after the Commencement Date, Silverleaf will pay to GBRA an inspection fee of \$50.00 per unit. The GBRA Board of Directors may adjust the inspection fee for the System at any time and from time to time.
- i. Before any Silverleaf unit is connected to the System following the twenty-year (20-year) period set out in Section 10.02 above, Silverleaf will complete a GBRA Service Agreement for each unit and pay to GBRA the then-applicable connection fee charged by GBRA to provide wholesale sewer service for such unit. The connection fee by be adjusted by the GBRA Board of Directors at any time and from time to time.

24. ADDRESSES AND NOTICE

Section 24.01 Unless otherwise provided in this Agreement, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any Party to another Party must be in writing and may be given or be served by depositing the same in the U.S. mail postpaid and registered or certified and addressed to the Party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of four (4) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the Party notified. The official addresses of the Parties for purposes of notices, correspondence or other matters arising hereunder shall be the following until written notice to the other Party of any change:

TO SILVERLEAF:

Silverleaf Resorts, Inc.
Attn: Robert Mead, CEO
1221 Riverbend Drive, Suite 120
Dallas, Texas 75247
(214) 631-1166
Fax (214) 905-0514

TO GBRA:

Guadalupe-Blanco River Authority
Attn: William E. West, Jr., General Manager
933 East Court Street
Sequin, Texas 78155
(830) 379-5822
Fax (830) 379-9718

Section 24.02 Any and all notices or other communications required or permitted by this Agreement or by law to be delivered to, served on or given to either party to this Agreement, by the other party to this Agreement, shall be in writing and shall be deemed properly delivered, given or served when personally delivered to the party to whom it is directed, or in lieu of personal service, when deposited in the United States mail, first-class postage prepaid, certified mail, return receipt requested, at the address for notices set forth herein. The parties may change this address by giving written notice of the change to the other party in the manner provided herein.

25. SOLE AGREEMENT

This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter hereof, and no other agreement, statement or promise relating to the subject matter of this Agreement which is not contained herein shall be valid or binding,

26. ASSIGNMENT

Silverleaf may not assign this Agreement without the prior written approval of GBRA; provided, however, Silverleaf may assign its rights and obligations under this Agreement to Algonquin Water Resources of Texas ("Algonquin"), upon giving written notice of such assignment to GBRA and written documentation of Algonquin's assumption of such obligations, if and to the extent CCN No. 11072 or CCN No. 20815 is lawfully transferred from Silverleaf to Algonquin. Thereafter, Algonquin shall be the wholesale sewer customer of GBRA under this Agreement for the area covered by the transferred CCN or portion thereof, and shall have all obligations under this Agreement relating to such area and its retail operations; provided, however, as the real estate developer ultimately benefiting from the terms of this Agreement, Silverleaf shall retain and continue to be responsible for all obligations and liabilities under this Agreement related to Sections 5, 6, 7, 10, 12, 14, 15 and 18.

27. VALIDITY AND SEVERABILITY

The validity of this Agreement and any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Texas. The provisions of this Agreement are severable, and the judicially declared invalidity of any provision(s) herein shall not invalidate the remainder so long as such purpose and intent can be lawfully achieved.

28. AMENDMENT

This Agreement may be amended only by the mutual agreement of GBRA and Silverleaf.

29. NUMBER AND GENDER

Wherever the context shall so require, all words herein in the male gender shall be deemed to include the female or neuter gender, all singular words shall include the plural, and all plural words shall include the singular.

30. AUTHORSHIP

This Agreement shall be construed without regard to any party's authorship; and no presumption will apply in favor or against any party in the interpretation of this Agreement based upon authorship.

31. WAIVER

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Silverleaf or GBRA shall not be deemed a waiver by GBRA or Silverleaf of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement.


32. NO THIRD PARTY BENEFICIARIES

This Agreement does not create any third party benefits to any person or entity other than the signatories hereto and their authorized successors in interest, and is solely for the consideration herein expressed.

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Agreement to be duly executed in multiple counterparts, each of which shall constitute an original.

EXECUTED in Guadalupe COUNTY, TEXAS on April 3, 2007.


**GUADALUPE-BLANCO RIVER
AUTHORITY**

By: 
William E. West, Jr.,
General Manager

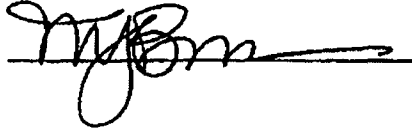
ATTEST:



SILVERLEAF RESORTS, INC.

By: 
Robert Mead, Jr. CEO

ATTEST:



THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 3rd day of April, 2007.

SEAL



Susan K. Cochran
Notary Public for the State of Texas
Name: Susan K. Cochran
Commission expires: 10-10-08

THE STATE OF TEXAS §

COUNTY OF DALLAS §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Robert Mead, Jr. known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of Silverleaf Resorts, Inc., and that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 9th day of April, 2007.

SEAL



Patricia Penna
Notary Public for the State of Texas
Name: PATRICIA Penna
Commission expires: 3/5/10

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-11 Referencing the Direct Testimony of Matthew Garlick, Page 15, Lines 2-4, to the extent not already provided, please provide a copy of the executed Agreement for Wholesale Treatment and Disposal Services between Silverleaf Resorts and GBRA.

RESPONSE: See the Agreement for Wholesale Sewage Treatment and Disposal Services, dated April 9, 2007, between GBRA and Silverleaf Resorts provided in response to OPUC RFI 1-10.

Prepared by: Steve Ruppenthal, Manager, Operations

Sponsored by: Matthew Garlick, President, Arizona and Texas

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-12 Referencing the Direct Testimony of Matthew Garlick, Page 15, Lines 13-15, please provide a copy of the notice that was provided by GBRA informing Silverleaf Resorts that payments for expansion of the Canyon Plant would be coming due.

RESPONSE: As stated in Mr. Garlick's testimony, "[i]n early 2009, GBRA informed Silverleaf Resorts that payments for expansion of the Canyon Plant would be coming due shortly as construction of capacity progressed." Liberty Silverleaf cannot locate any written notices from GBRA to Silverleaf Resorts as stated in this question.

Prepared by: Todd Wiley

Sponsored by: Matthew Garlick, President – West Region

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-13 Referencing the Direct Testimony of Matthew Garlick, Page 16, Lines 1-2, please provide a copy of the Note and Credit Agreement dated July 29, 2010 between Liberty Sub Corp and Silverleaf Resorts.

RESPONSE: See attached Note and Credit Agreement dated July 2010.

OPUC RFI 1-13 Note and Credit Agreement.pdf

Prepared by: Todd Wiley

Sponsored by: Matthew Garlick, President – West Region

NOTE AND CREDIT AGREEMENT

by and between

**SILVERLEAF RESORTS, INC.,
a Texas Corporation**

and

**LIBERTY WATER CO.
a Delaware Corporation**

Dated as of July____, 2010

NOTE AND CREDIT AGREEMENT

This **NOTE AND CREDIT AGREEMENT** is entered into as of July __, 2010, between **SILVERLEAF RESORTS, INC.**, a Texas Corporation ("**Borrower**") and **LIBERTY WATER CO.**, a Delaware Corporation ("**Lender**").

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereby covenant and agree as follows:

ARTICLE I

DEFINITIONS

As used herein, the following words and terms shall have the respective meanings indicated opposite each of them:

"**Affiliate**" shall mean any Person controlled by, controlling or under common control with Borrower.

"**Agreement**" shall mean this Note and Credit Agreement, as the same may be amended, modified or supplemented from time to time.

"**Algonquin**" shall mean Algonquin Water Resources of Texas, LLC.

"**Assigned Rights**" shall have the meaning assigned to it in Section 5.1.

"**Authorized Officer**" shall mean, as to any Person, the Chairman, the President, Chief Executive Officer, Chief Financial Officer, Vice President or other officer duly authorized by the board of directors of such Person.

"**Borrower**" shall have the meaning set forth in the first paragraph of this Agreement.

"**Business Day**" shall mean a day when Lender is open for business.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, as now or hereafter in effect, together with all regulations, rulings and interpretations thereof or thereunder issued by the Internal Revenue Service.

"**Collateral**" shall mean the property and collateral described in the Security Documents, which grants a Lien in favor of Lender as security for the Obligations.

"**Contingent Obligation**" shall mean, with respect of any Person, any obligation of such Person guaranteeing or intended to guarantee any Debt or other obligation (the "primary obligation") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary

obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, that notwithstanding the foregoing, the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation of any Person shall be the amount of the primary obligation or such lesser amount to which the maximum exposure of such Person shall have been specifically limited.

"Debt" shall mean, with respect to any Person at any time, without duplication, (a) indebtedness for borrowed money or for the deferred purchase price of property or services purchased, excluding unsecured trade accounts payable within 120 days after the creation thereof, (b) all indebtedness of others for borrowed money or for the deferred purchase price of property or services secured by a Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person, (c) capitalized lease obligations, (d) all obligations payable out of the proceeds of production from property of such Person, whether or not the obligation secured thereby shall have been assumed by such Person, and (e) Contingent Obligations of such Person.

"Default" shall mean any of the events specified in Section 10.1, whether or not there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Dollars" and "\$" shall mean lawful currency of the United States of America.

"Event of Default" shall mean any of the events specified in Section 10.1, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act.

"Extension Agreement" shall mean that certain Wastewater Facilities Extension Agreement, dated as of the date hereof, by and between Borrower and Algonquin.

"GAAP" means generally accepted accounting principles set forth in the Accounting Standards Codification, the single source of authoritative non-governmental U.S. generally accepted accounting principles.

"Governmental Authority" shall mean any government, any state or other political subdivision thereof, or any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Governmental Requirement" means any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, franchise, permit, certificate, license, award, authorization or other direction, guideline, or requirement of any Governmental Authority, including, without limitation, any requirement under common law.

"Highest Lawful Rate" shall mean, with respect to Lender, the maximum non-usurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged, or received with respect to the Loan or on other amounts, if any, due to Lender pursuant to this Agreement or any other Loan Document, under laws applicable to Lender which are presently in effect, or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious interest rate than applicable laws now allow. At all times, if any, as Chapter 303 ("Chapter 303") of the Texas Finance Code, shall establish the Highest Lawful Rate for any purpose under this Agreement or any other Loan Document, the Highest Lawful Rate shall be the "indicated rate ceiling" as defined in Chapter 303 from time to time in effect. To the extent required by applicable law in determining the Highest Lawful Rate with respect to Lender as of any date, there shall be taken into account the aggregate amount of all payments and charges theretofore charged, reserved or received by Lender hereunder or under the other Loan Documents which constitute or are deemed to constitute interest under applicable law.

"incur" (including the correlative terms "incurred," "incurring," "incurs" and "incurrence"), when used with respect to any Debt, shall mean create, incur, assume, guarantee or in any manner become liable in respect of such Debt.

"Indemnified Parties" shall have the meaning set forth in Section 11.10.

"Investment" means, as applied to any Person, any direct or indirect purchase or other acquisition by such Person of stock or other securities of any other Person, or any direct or indirect loan, advance or capital contribution by such Person to any other Person, or any other item which would be classified as an "investment" on a balance sheet of such Person prepared in accordance with GAAP, including any direct or indirect contribution by such Person of property or assets to a joint venture, partnership or other business entity in which such Person retains an interest.

"Lender" shall have the meaning set forth in the first paragraph of this Agreement.

"Lien" shall mean (a) any interest in property (whether real, personal or mixed and whether tangible or intangible) which secures the payment of Debt or an obligation owed to, or a claim by, a Person other than the owner of such property, whether such interest is based on the common law, statute or contract, including, without limitation, any such interest arising from (and irrespective of whether created by such owner or another Person) a mortgage, charge, pledge, security agreement, conditional sale, capitalized lease or trust receipt, or arising from a lease, consignment or bailment given for security purposes, and (b) any exception to or defect in the title to or ownership interest in such property, including, without limitation, reservations, rights of entry, possibilities of reverter, encroachments, easements, rights of way and restrictive covenants (other than minor exceptions to or irregularities in the title or ownership interest in such property which do not materially impair the use of such property for its intended purpose).

"Loan" shall mean the credit facilities in the maximum amount of the Term Loan to be funded by Lender to Borrower pursuant to the term of this Agreement as the same may be renewed or extended or increased from time to time.

"Loan Documents" shall mean this Agreement, the Security Agreement, and all instruments, certificates and agreements now or hereafter executed or delivered to Lender pursuant to any of the foregoing and the transactions connected therewith, and all amendments, modifications, renewals, extensions, increases and rearrangements of, and substitutions for, any of the foregoing.

"Material Adverse Effect" shall mean any material adverse effect on (a) the financial condition, business, properties, assets, prospects or operations of Borrower or any Subsidiary, (b) the ability of Borrower to repay the Obligations owing by Borrower or the ability of Borrower to perform on a timely basis any other obligations under this Agreement or any other Loan Document to which it is a party, (c) the validity or enforceability of any Loan Document or (d) the rights and remedies of Lender under any Loan Document.

"Maturity Date" shall mean the earlier of (i) the date upon which the final Upgrade Cost Payment is made pursuant to the Extension Agreement, (ii) the date that is 10 years following the date hereof, subject to extension at the option of Lender, or (iii) the date of the acceleration of the Obligations pursuant to the terms of the Loan Documents on which all outstanding principal and accrued interest hereunder is due and payable.

"Obligations" shall mean the Term Loan and all of the other obligations of Borrower now or hereafter existing under the Loan Documents, whether for principal, interest, fees, expenses, indemnification or otherwise.

"Officer's Certificate" shall mean a certificate signed in the name of Borrower by an Authorized Officer.

"Payment Date" shall mean the first day of each month, beginning with the first such day following the month hereof (or if any such date is not a Business Day, then the next preceding Business Day).

"Person" shall mean an individual, partnership, joint venture, corporation, limited liability company, joint stock company, bank, trust, unincorporated organization and/or a government or any department or agency thereof.

"Reserved Credit" shall have the meaning assigned to it in Section 2.1.

"Security Agreement" shall mean that certain Security Agreement, dated as of the date hereof, executed by Borrower in favor of Lender.

"Security Documents" means each and every security agreement, guaranty, pledge, mortgage, deed of trust or other collateral security agreement required by or delivered to Lender from time to time to secure the Obligations, or any portion thereof, including, without limitation, the Security Agreement.

"Subsidiary" shall mean any corporation, partnership, limited liability company, joint venture, association, bank or other business entity of which 50% or more of the indicia of equity rights is at the time directly or indirectly owned by Borrower or any Subsidiary.

"Term Loan" shall mean a term loan in an aggregate amount of principal outstanding not to exceed \$2,245,000, as the same may be increased with the express written consent of Lender.

"Upgrade Cost Payment" shall mean any Upgrade Cost Payment to Borrower pursuant to, and as defined in, the Extension Agreement.

"Wire Request" shall mean Borrower's request, in the form of the attached Exhibit A and in accordance with the terms of Section 2.1(a), for the advance of funds pursuant to the Term Loan in accordance with the wire instructions and account information provided therein .

ARTICLE II

THE CREDIT FACILITY

Section 2.1. Commitment.

(a) **Term Loan.** Upon the terms and conditions and relying upon the representations and warranties set forth herein and in the other Loan Documents, Lender agrees, upon receipt of the Wire Request in the form of the attached Exhibit A, to make the Term Loan to Borrower in an initial advance and any subsequent advances as contemplated in Section 4.1(b), , provided that 10% of the initial amount advanced under such Term Loan (the **"Reserved Credit"**) shall be withheld by Utility as security for the full performance of Developer under this Agreement and the other Loan Documents.

(b) **Promise to Pay.** Upon the terms and conditions of this Agreement and the other Loan Documents, Borrower agrees and promises to pay to the order of Lender the amount of the Term Loan, together with interest on such amount as determined in accordance with the provisions of Section 3.1 and payable on each Payment Date and the Maturity Date, commencing with the first Payment Date following the date hereof.

(c) **Termination of Term Loan.** The outstanding principal balance of the Term Loan, together with all accrued but unpaid interest thereon shall be due and payable in full on the Maturity Date.

(d) **Use of Proceeds.** The Term Loan shall be used for any internal business purposes at the discretion of Borrower.

ARTICLE III

INTEREST RATE PROVISIONS

Section 3.1. Interest Rate. The Term Loan shall bear interest on the unpaid principal amount thereof from time to time outstanding, until the Maturity Date, at a rate per annum (calculated based on a year of 360 days in each case for the actual days elapsed) equal to the lesser of (a) 15.48%, or (b) the Highest Lawful Rate.

ARTICLE IV

PAYMENTS

Section 4.1. Required Payments.

(a) **Interest Payments.** Beginning on the first Payment Date and continuing on each subsequent Payment Date until the Maturity Date, Borrower shall make payments, in immediately available funds, of interest owed in accordance with Section 3.1.

(b) **Principal Payments.** Upon receipt of any Upgrade Cost Payment pursuant to the Extension Agreement, Borrower shall promptly pay to Lender the amount of such Upgrade Cost Payment, which, upon the implementation of interim rates in respect of the rate case pertaining to that portion of the Upgrade Cost included in the Rate Base (as each are defined in the Extension Agreement) and giving rise to such Upgrade Cost Payment under the Extension Agreement, shall be a payment in partial retirement of principal hereunder, provided that any portion of any such Upgrade Cost Payment not permitted, upon subsequent hearing by the TCEQ or otherwise, to be applied to the Rate Base of Algonquin shall be subject to full and prompt refund to Algonquin in accordance with the terms of the Extension Agreement, and, if Algonquin shall be required, by TCEQ or otherwise, to refund or pay to any person any portion of any interim rates charged during the period prior to such adverse rate case disposition, Borrower shall pay such amount in full to Lender contemporaneously with the refund of the Upgrade Cost Payment required under the Extension Agreement, which such amount shall be a fee and shall not be applied against the interest or principal due hereunder. If Lender at its sole discretion elects to re-advance funds to Borrower to enable Borrower to refund to Algonquin any portion of any such Upgrade Cost Payment not permitted into the Rate Base as contemplated in Exhibit C of the Extension Agreement, then such advance will be considered an advance under Section 2.1 (a) hereof and the amount of principal owed hereunder shall be accordingly increased. All outstanding principal owed hereunder is due not later than the Maturity Date, and Borrower shall immediately pay to Lender any principal amount outstanding at such time.

Section 4.2. Optional Prepayments. Borrower shall have the right at any time and from time to time to prepay, in whole or in part, without penalty, the Term Loan; provided, that (a) at the time of such prepayment, no Default or Event of Default exists, (b) Borrower shall pay at the time of such prepayment all accrued, but unpaid interest due and owing hereunder, and (c) Borrower shall have delivered a notice of payment, as required in Section 4.3.

Section 4.3. Notice of Payments. Borrower shall give Lender at least thirty (30) days' prior written notice of each prepayment proposed to be made by Borrower pursuant to Section 4.2, specifying the principal amount thereof to be prepaid and the prepayment date. Notice of such prepayment having been given, the principal amount of the Loan specified in such notice, together with interest thereon to the date of prepayment, shall become due and payable on such prepayment date.

Section 4.4. Place of Payment or Prepayment. All payments and prepayments made in accordance with the provisions of this Agreement shall be made to Lender in immediately available funds at the address referred to in Section 11.2.

Section 4.5. No Prepayment Premium or Penalty. Each prepayment pursuant to Section 4.2 shall be without premium or penalty.

Section 4.6. Payments on Business Day. Whenever any payment or prepayment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.

ARTICLE V

TRANSFER OF CONTRACT RIGHTS

Section 5.1. Transfer. In consideration of the Loan, Borrower hereby transfers and assigns to Lender all of its right to and interest in all payments (including the Upgrade Cost Payments) under the Extension Agreement (the "Assigned Rights"), which such payments, when and as actually received by Lender, shall constitute payments pursuant to Section 4.1(b). Any payments pursuant to the Extension Agreement that are received by Borrower after the date hereof shall be the property of Lender and shall be held in trust by Borrower for the benefit of Lender and segregated from the funds and accounts of Borrower until such payments are transferred to Lender.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants that:

Section 6.1. Organization and Qualification. Borrower is (i) duly organized, validly existing and in good standing under the laws of the state of its organization and has full legal right, power and authority to carry on its business as presently conducted and to execute, deliver and perform its obligations under this Agreement and all other Loan Documents executed by it, and (ii) is duly qualified to do business and in good standing in each jurisdiction in which the nature of the business it conducts makes such qualification necessary or desirable.

Section 6.2. Authorization. Borrower's execution, delivery and performance of the Loan Documents executed by it (i) have been duly authorized by all necessary action under Borrower's organizational documents and otherwise, (ii) do not and will not require any consent of any other person or entity, and (iii) do not and will not require any consent, license, permit authorization or other approval (including foreign exchange approvals) of any Governmental Authority, or any notice to, exemption by, any registration, declaration or filing with or the filing of any other action in respect of any Governmental Requirement.

Section 6.3. No Conflicts. Neither execution or delivery by Borrower of any Loan Document nor the fulfillment of or compliance with its terms and provisions will (i) violate any Governmental Requirement of any Governmental Authority or the basic organizational documents of Borrower or (ii) conflict with or result in a breach of the terms, conditions or

provisions of, or cause a default under, any material agreement, instrument, franchise, license or concession to which Borrower is a party or bound.

Section 6.4. Enforceability. Each Loan Document to which Borrower is a party has been duly and validly executed, issued and delivered by Borrower, is in proper legal form for prompt enforcement and is Borrower's valid and legally binding obligation enforceable in accordance with its terms. Borrower's obligations under each Loan Document to which it is a party rank and will rank at least equal in priority of payment with all of Borrower's other debt.

Section 6.5. Accuracy of Information; No Material Adverse Change. All information supplied to Lender and all statements made to Lender by or on behalf of Borrower in connection with this Agreement are and will be true, correct, complete, valid and genuine in all material respects. Each of Borrower's financial statements furnished to Lender fairly presents the financial condition and results of operations of Borrower as of its date and for the period then ended. No material adverse change has occurred in the financial condition or results of operations reflected in any such statements since their dates, and all assets listed on such statements are subject to Borrower's management control and disposition and, except as shown therein, are available to satisfy any claim rightfully made pursuant to the Loan Documents executed by Borrower. There has been no material adverse change in the financial condition or results of operations of Borrower since December 31, 2009.

Section 6.6. Taxes. Borrower has filed all tax returns required to be filed and paid all taxes shown thereon to be due by the due date or extension thereof, including interest and penalties, except for taxes being diligently contested in good faith and for payment of which adequate reserves have been set aside.

Section 6.7. Litigation and Other Proceedings. There is no condemnation or other action, suit or proceeding pending or, to the best of Borrower's knowledge, threatened against or affecting Borrower or any Collateral, at law or in equity, or before or by any Governmental Authority, which might result in any material adverse change in Borrower's business or financial condition or in any Collateral or in other material property of Borrower or any interest in it.

Section 6.8. No Defaults. Borrower is not in default with respect to any Governmental Requirement, in the payment of any debt for borrowed money or under any agreement or other papers evidencing or securing any such debt, which has not been waived.

Section 6.9. Solvency. Borrower is solvent and no bankruptcy or insolvency proceedings are pending or contemplated by or, to Borrower's knowledge, against Borrower. Borrower's liabilities and obligations under this Agreement and the other Loan Documents do not and will not render Borrower insolvent, cause Borrower's liabilities to exceed Borrower's assets or leave Borrower with too little capital to properly conduct all of its business as now conducted or contemplated to be conducted.

Section 6.10. Representations and Warranties. No representation or warranty contained in any Loan Document executed by Borrower and no statement contained in any certificates, schedule, list, financial statement or other papers furnished to Lender by or on behalf of Borrower contains or will contain any untrue statement of material fact, or omits or will omit

to state a material fact necessary to make the statements contained herein or therein not misleading.

Section 6.11. Compliance with Governmental Requirements. Borrower and the property of Borrower covered by the Loan Documents are in compliance with all Governmental Requirements and Borrower manages and operates (and will continue to manage and operate) its business in accordance with good industry practices.

Section 6.12. Title to Properties. Borrower has good, sufficient and legal and beneficial title to, or valid leasehold interest in, all of the assets listed on its balance sheet, and the Collateral is subject to no Liens in any jurisdiction. The Collateral is not in the possession of any third party bailee. In the event that Borrower, after the date hereof, intends to store or otherwise deliver the Collateral to such a bailee, then Borrower will receive the prior written consent of Lender and such bailee must acknowledge in writing that the bailee is holding such Collateral for the benefit of Lender.

Section 6.13. Authorization to File. Borrower hereby authorizes Lender to file financing statements, financing statement amendments and any other public statements or notices of a security interest without notice to Borrower, with all appropriate jurisdictions, as Lender deems appropriate, in order to perfect or protect Lender's interest in the Collateral.

ARTICLE VII

CONDITIONS

Section 7.1. Initial Conditions. Lender will not be obligated to make the Term Loan hereunder unless all of the following conditions shall be satisfied:

(a) **Approvals.** Borrower shall have obtained all orders, approvals or consents of all Persons required for the execution, delivery and performance by Borrower of the Loan Documents to which Borrower is a party.

(b) **Required Documents and Certificates.** Lender shall have received the following, in each case in form, scope and substance satisfactory to Lender:

(i) the Security Agreement, duly executed by Borrower, and applicable UCC-1 financing statements;

(ii) the Extension Agreement, duly executed by Borrower;

(iii) an Officer's Certificate from Borrower, dated as of the date hereof, certifying (A) the Articles of Incorporation and Bylaws, as amended and in effect, of Borrower; (B) resolutions duly adopted by the Board of Directors of Borrower authorizing the transactions contemplated by the Loan Documents; and (C) the incumbency and specimen signatures of the officers of Borrower authorized to execute documents on its behalf;

(iv) a certificate (or certificates) from the appropriate public official(s) of the jurisdiction in which Borrower is organized as to the continued existence and good standing of Borrower;

(v) a certificate (or certificates) from the appropriate public official(s) of each jurisdiction in which Borrower is authorized and qualified to do business as to the due qualification and good standing of Borrower unless failure is not reasonably likely to have a Material Adverse Effect;

(vi) a legal opinion from counsel for, and issued upon the express instructions of, Borrower, in form, substance and scope reasonably satisfactory to Lender, certifying that the representations and warranties contained in Sections 6.1, 6.2, 6.3 and 6.4 are true and correct on and as of the date hereof; and

(vii) such other documents as Lender shall reasonably request.

ARTICLE VIII

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that until payment in full of the Obligations, Borrower shall:

Section 8.1. Financial Statements and Information. Furnish or cause to be furnished to Lender a copy of each of the following within the times indicated:

(a) as soon as available and in any event no later than 120 days after the end of Borrower's fiscal year, annual audited consolidated financial statements for Borrower, and all notes thereto, including a balance sheet and statements of income, retained earnings and cash flows for such fiscal year and the immediately preceding fiscal year in comparative form, all prepared in conformity with GAAP on a consolidated basis and accompanied by a report and opinion of independent certified public accountants satisfactory to Lender stating that such accountants have conducted audits of such financial statements in accordance with generally accepted auditing standards and that, in their opinion, such financial statements present fairly, in all material respects, Borrower's financial position as of their date and the results of Borrower's operations and cash flows for the period they covered in conformity with GAAP;

(b) as soon as available and in any event within 45 days after the end of each quarter, unaudited consolidated financial statements for Borrower, including a balance sheet as at the close of such quarter and an income statement for such quarter, all prepared in accordance with GAAP on a consolidated basis and certified on behalf of Borrower by an appropriate officer or other responsible party acceptable to Lender; and

(c) such other information relating to Borrower's financial condition and affairs as Lender may from time to time reasonably request or as may be required from time to time by any Loan Document.

Section 8.2. Maintenance of Existence/Good Standing and Permits. Maintain (a) its existence and obtain and maintain all franchises and permits necessary for Borrower continuously to be in good standing in the State of Texas with full power and authority to conduct its regular business and to own and operate its property; (b) all licenses, permits, other authorization and agreements necessary to operate and maintain its various businesses; and (c) its property, including leasehold estates, in a good, operable condition.

Section 8.3. Compliance With Governmental Requirements. Conduct its business in substantial compliance with all Governmental Requirements and comply with and punctually perform all of the covenants, agreements and obligations imposed upon it to the extent any failure to so comply could reasonably be expected to have a Material Adverse Effect or cause any representation or warranty in the Loan Documents to be false or misleading.

Section 8.4. Payment of Obligations. Pay punctually and discharge when due, (a) any debt incurred by it and discharge, perform and observe the covenants, provisions and conditions to be performed, discharged and observed on its part in connection therewith or in connection with any agreement or other instrument relating thereto or in connection with any mortgage, pledge or lien existing at any time upon any of the property or assets of Borrower, provided, however, that nothing contained in this Section 8.4 shall require Borrower to pay, discharge, renew or extend any such indebtedness or to discharge, perform or observe any such covenants, provisions and conditions so long as Borrower shall be diligently and in good faith contesting any claims which may be asserted against it with respect to any such indebtedness or any such covenants, provisions and conditions and shall set aside on its books reserves with respect thereto deemed adequate by Lender; and (b) all taxes, lease payments and any other obligations arising in connection with the ownership and operation of Borrower's businesses.

Section 8.5. Notification of Material Adverse Change. Immediately upon acquiring knowledge of any material adverse change in its assets, liabilities, financial condition, business, operations, affairs or circumstances, notify Lender in writing thereof, setting forth the nature of such change in reasonable detail, and take or cause to be taken all such steps as are necessary or appropriate to remedy promptly any such change.

Section 8.6. Notification of Defaults. Immediately upon acquiring knowledge thereof, notify Lender by telephone (and confirm such notice in writing within five (5) days) of the existence of any Default or Event of Default hereunder or of any default or event of default (however denominated) under any of the Loan Documents, or under the loan papers evidencing and/or securing any other Debt, specifying the nature and duration thereof and what action Borrower has taken, is taking and proposes to take with respect thereto. In no event shall silence by Lender be deemed a waiver by it of a Default or an Event of Default. Borrower will take all such steps as are necessary or appropriate to remedy promptly any such Default or Event of Default.

Section 8.7. Additional Information. Furnish to Lender such information relating to the Collateral or Borrower's financial condition and affairs as Lender may from time to time request or as may be required from time to time by any Loan Document.

Section 8.8. Books and Records. At all times maintain proper books of record and account in accordance with GAAP.

Section 8.9. Other Information. Borrower shall furnish to Lender from time to time upon Lender's request such other information relating to Borrower, the Collateral, or any other security for the Loan.

ARTICLE IX

NEGATIVE COVENANTS

Borrower covenants and agrees that until payment in full of the Obligations, Borrower will not, without obtaining the prior written consent of Lender:

Section 9.1. Liens. Create or suffer to be created or to exist any Lien on the Collateral, Assigned Rights or Reserved Credit excepting only (a) Liens in favor of Lender to secure the Obligations, Liens subordinated to Liens in favor of Lender under terms acceptable to Lender in its sole discretion and to which Lender is a party, and (b) Liens created by operation of law in the ordinary course of business for amounts not yet due (or being contested in good faith by appropriate proceedings or other appropriate actions which are sufficient to prevent enforcement of such Liens) and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with GAAP.

Section 9.2. Organizational Documents. Modify or amend its organization documents or suffer or permit a material modification or amendment to its organizational documents in any manner that reasonably could be expected to affect any rights of Lender under the Loan Documents or have a Material Adverse Effect.

Section 9.3. Change of Name or Location. Change its name or the location of its chief executive office without first notifying Lender in writing of such change at least thirty (30) days before its effective date.

Section 9.4. Character of Business. Change the general character of its business as conducted on the date hereof, or engage in any type of business not reasonably related to its business as presently conducted.

ARTICLE X

EVENTS OF DEFAULT; REMEDIES

Section 10.1. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" (herein so called) under this Agreement:

(a) Borrower shall fail to pay when due any principal of or interest on the Obligations or any monetary amount due under this Agreement or any other Loan Document and such failure remains uncured for a period of ten (10) days after Borrower has been provided with written notice thereof;

(b) any covenant, agreement or condition contained in this Agreement or in any other Loan Document is not fully and timely performed, observed or kept by Borrower in all material respects and such failure of performance by Borrower remains uncured for a period of thirty (30) days after Borrower has been provided written notice thereof;

(c) any representation, warranty, certification or statement made or deemed to have been made by Borrower in this Agreement or by Borrower or any other Person (excluding Lender) in any certificate, financial statement or other document delivered pursuant to this Agreement, including, without limitation, any other Loan Document, shall prove to have been incorrect in any material respect when made;

(d) any event or condition shall occur and continue unremedied or unwaived for a period beyond any applicable cure period provided pursuant to the terms of any Debt of Borrower in excess of \$500,000, which entitles (or, with the giving of notice or lapse of time or both, would entitle) the holder of any such Debt to accelerate the maturity thereof;

(e) Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(f) an involuntary case or other proceeding shall be commenced against Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of thirty (30) days; or an order for relief shall be entered against Borrower under the federal bankruptcy laws as now or hereafter in effect;

(g) one or more final judgments or orders for the payment of money in an aggregate amount outstanding at any time in excess of \$500,000 shall be rendered against Borrower and such judgment or order (i) shall continue unsatisfied and unstayed (unless bonded with a supersedeas bond at least equal to such judgment or order) for a period of thirty (30) days or (ii) is not fully paid and satisfied at least ten days prior to the date on which any of its assets may be lawfully sold to satisfy such judgment or order;

(h) one or more judgments or orders for the payment of money shall be rendered against Borrower, whether or not otherwise bonded or stayed, which has a Material Adverse Effect; or

(i) the sale, pledge, encumbrance, assignment or transfer, voluntarily or involuntarily, of any of the Borrower's interest in the Collateral, without the prior written consent of Lender.

Section 10.2. Remedies. If any of the Events of Default specified in Section 10.1 shall occur, then (a) Lender shall be entitled to declare the Obligations and all interest accrued and unpaid thereon, and all other amounts payable pursuant to the Obligations, this Agreement, and the other Loan Documents, to be forthwith due and payable, whereupon the Obligations, all such interest and all such other amounts, shall become and be forthwith due and payable without presentment, demand, protest, or further notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by Borrower, and (b) Lender may avail itself of any and all powers, rights and remedies available at law or provided in this Agreement and the other Loan Documents or any other document executed pursuant hereto or in connection herewith; provided, however, that with respect to any Event of Default described in Section 10.1(e) or 10.1(f), the entire unpaid principal amount of the Obligations, all interest accrued and unpaid thereon and all such other amounts payable under the Obligations, this Agreement and the other Loan Documents, shall automatically become immediately due and payable, without presentment, demand, protest, or any notice of any kind (including, without limitation, notice of default, notice of intent to accelerate and notice of acceleration), all of which are hereby expressly waived by Borrower.

Section 10.3. Certain Other Remedial Matters. Upon the occurrence of any Event of Default, Lender shall also have the right immediately and without notice, to take possession of and exercise possessory rights with regard to any property securing payment of the Obligations, including but not limited to the Collateral. All powers, rights and remedies of Lender set forth in this Article X shall be cumulative and not exclusive of any other power, right or remedy available to Lender under any Governmental Requirement or under this Agreement, the other Loan Documents or any other document executed pursuant hereto or in connection herewith to enforce the performance or observance of the covenants and agreements contained in this Agreement and the other Loan Documents, and no delay or omission of Lender to exercise any power, right or remedy shall impair any such power, right or remedy, or shall be construed to be a waiver of the right to exercise any such power, right or remedy. Every power, right or remedy of Lender set forth in this Agreement, the other Loan Documents or any other document executed pursuant hereto or in connection herewith, or afforded by Governmental Requirement may be exercised from time to time, and as often as may be deemed expedient by Lender.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Waivers, Etc. No failure or delay on the part of Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No course of dealing between Borrower and Lender shall operate as a waiver of any right of Lender. No modification or waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on

Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances.

Section 11.2. Notices. All notices and other communications provided for herein shall be in writing (including telex, facsimile, or cable communication) and shall be mailed, couriered, telecopied, telexed, cabled or delivered addressed as follows:

If to Borrower:

Silverleaf Resorts, Inc.
Attn: Robert E. Mead
1221 River Bend Drive, Suite 120
Dallas, Texas 75247
Telephone : (214) 631-1166
Facsimile: (214) 905-0514

If to Lender:

Liberty Water Co.
Attn: President
2845 Bristol Circle
Oakville, Ontario
Canada L6H 7H7
Telephone: 905 465-4500
Facsimile: (905) 465-4514

or as to Borrower or Lender, to such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, delivered by courier, telecopied, telexed, transmitted, or cabled, become effective when three (3) Business Days have elapsed after being deposited in the mail (with first class postage prepaid and addressed as aforesaid), or when confirmed by telex answerback, transmitted to the correct telecopier, or delivered to the courier or the cable company, except that notices and communications from Borrower to Lender shall not be effective until actually received by Lender.

Section 11.3. GOVERNING LAW. EACH LOAN DOCUMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

Section 11.4. Survival of Representations, Warranties and Covenants. All representations, warranties and covenants contained herein or in the other Loan Documents or made in writing by Borrower in connection herewith or therewith shall survive the execution and delivery of this Agreement and the Note, and will bind and inure to the benefit of the respective successors and assigns of the parties hereto, whether so expressed or not. No investigation at any time made by or on behalf of Lender shall diminish Lender's right to rely thereon.

Section 11.5. Counterparts; Execution by Facsimile Transmission. This Agreement may be executed in several counterparts, and by the parties hereto on separate counterparts, and each counterpart, when so executed and delivered, shall constitute an original instrument, and all such separate counterparts shall constitute one and the same instrument. The method of execution of each Loan Document may be by means of facsimile transmission, and delivery of such a facsimile transmission shall be deemed an original for purposes hereof.

Section 11.6. Separability. Should any clause, sentence, paragraph or section of this Agreement be judicially declared to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, and the parties hereto agree that the part or parts of this Agreement so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such part or parts had never been included herein. Each covenant contained in this Agreement shall be construed (absent an express contrary provision herein) as being independent of each other covenant contained herein, and compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other covenants.

Section 11.7. Descriptive Headings. The section headings in this Agreement have been inserted for convenience only and shall be given no substantive meaning or significance whatsoever in construing the terms and provisions of this Agreement.

Section 11.8. Successors and Assigns; Participations.

(a) All covenants, promises and agreements by or on behalf of Borrower or Lender contained in this Agreement and the other Loan Documents shall bind and inure to the benefit of their respective successors and permitted assigns. Borrower may not assign or transfer any of its rights or obligations under the Loan Documents without the prior written consent of Lender.

Section 11.9. Interest. All agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand being made on the Obligations or otherwise, shall the amount contracted for, charged, reserved or received by Lender for the use, forbearance, or detention of the money to be loaned under this Agreement or otherwise or for the payment or performance of any covenant or obligation contained herein or in any other Loan Document exceed the Highest Lawful Rate. If, as a result of any circumstances whatsoever, fulfillment by Borrower of any provision hereof or of any of such documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by applicable usury law or result in Lender having or being deemed to have contracted for, charged, reserved or received interest (or amounts deemed to be interest) in excess of the maximum lawful rate or amount of interest allowed by applicable law to be so contracted for, charged, reserved or received by Lender, then, ipso facto, the obligation to be fulfilled by Borrower shall be reduced to the limit of such validity, and if, from any such circumstance, Lender shall ever receive interest or anything which might be deemed interest under applicable law which would exceed the Highest Lawful Rate, such amount which would be excessive interest shall be refunded to Borrower, or, to the extent (i) permitted by applicable

law and (ii) such excessive interest does not exceed the unpaid principal balance of the Obligations, applied to the reduction of the principal amount owing on account of the Obligations and not to the payment of interest. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the indebtedness of Borrower to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full term of such indebtedness until payment in full of the principal thereof (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Highest Lawful Rate. The terms and provisions of this Section 11.9 shall control and supersede every other provision hereof and of all other agreements between Borrower and Lender. Borrower and Lender agree that Chapter 15 of the Texas Finance Code shall not apply to this Agreement or the Loan.

Section 11.10. Indemnification. Borrower agrees:

(a) TO INDEMNIFY LENDER, ITS AFFILIATES AND EACH OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, SHAREHOLDERS, REPRESENTATIVES, AGENTS, ATTORNEYS, ACCOUNTANTS AND EXPERTS ("INDEMNIFIED PARTIES") FROM, HOLD EACH OF THEM HARMLESS AGAINST AND PROMPTLY UPON DEMAND PAY OR REIMBURSE EACH OF THEM FOR, THE INDEMNITY MATTERS WHICH MAY BE INCURRED BY OR ASSERTED AGAINST OR INVOLVE ANY OF THEM (WHETHER OR NOT ANY OF THEM IS DESIGNATED A PARTY THERETO) AS A RESULT OF, ARISING OUT OF OR IN ANY WAY RELATED TO (I) ANY ACTUAL OR PROPOSED USE BY BORROWER OF THE PROCEEDS OF THE LOAN, (II) THE EXECUTION, DELIVERY AND PERFORMANCE OF THE LOAN DOCUMENTS, (III) THE OPERATION OF THE BUSINESS OF BORROWER OR THE SUBSIDIARIES, (IV) THE FAILURE OF BORROWER OR ANY OF THE SUBSIDIARIES TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT OR WITH ANY GOVERNMENTAL REQUIREMENT, (V) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OF BORROWER OR ANY OF THE SUBSIDIARIES SET FORTH IN ANY OF THE LOAN DOCUMENTS, (VI) ANY ASSERTION THAT LENDER WAS NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE LOAN DOCUMENTS OR (VII) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL AND ALL OTHER EXPENSES INCURRED IN CONNECTION WITH INVESTIGATING, DEFENDING OR PREPARING TO DEFEND ANY SUCH ACTION, SUIT, PROCEEDING (INCLUDING ANY INVESTIGATIONS, LITIGATIONS OR INQUIRIES) OR CLAIM AND INCLUDING ALL INDEMNITY MATTERS ARISING BY REASON OF THE NEGLIGENCE OF ANY INDEMNIFIED PARTY (EXCEPT AS TO THE EXTENT ANY SUCH INDEMNITY MATTERS HAVE BEEN CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY, IT BEING THE INTENT OF THE PARTIES THAT EACH INDEMNIFIED PARTY SHALL BE INDEMNIFIED FROM INDEMNITY MATTERS CAUSED BY THE NEGLIGENCE, WHETHER SOLE, JOINT, CONCURRENT, CONTRIBUTORY, ACTIVE OR PASSIVE, OF SUCH INDEMNIFIED PARTY); AND

(b) TO INDEMNIFY AND HOLD HARMLESS FROM TIME TO TIME THE INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL LOSSES, CLAIMS, COST RECOVERY ACTIONS, ADMINISTRATIVE ORDERS OR PROCEEDINGS, DAMAGES AND LIABILITIES TO WHICH ANY SUCH PERSON MAY BECOME SUBJECT (I) UNDER ANY ENVIRONMENTAL LAW APPLICABLE TO BORROWER, THE SUBSIDIARIES, OR ANY OF THEIR PROPERTIES, INCLUDING, WITHOUT LIMITATION, THE TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON ANY OF THEIR PROPERTIES, (II) AS A RESULT OF THE BREACH OR NON-COMPLIANCE BY BORROWER OR ANY SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO BORROWER OR ANY SUBSIDIARY, (III) DUE TO PAST OWNERSHIP BY BORROWER OR ANY

SUBSIDIARY OF ANY OF ITS PROPERTIES OR PAST ACTIVITY ON ANY OF ITS PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (IV) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT OR DISPOSAL OF HAZARDOUS SUBSTANCES ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY BORROWER OR ANY SUBSIDIARY OR (V) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE BUSINESS OF BORROWER OR ANY SUBSIDIARY.

(c) Borrower's obligations under this Section 11.10 shall survive the termination of this Agreement and the payment in full of the Obligations and all other amounts payable hereunder.

Section 11.11. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by Borrower herefrom or therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, as to amendments, and by Lender in all cases, and then, in any case, such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 11.12. Relationship of the Parties. This Agreement provides for the making of a loan by Lender, in its capacity as a lender, to Borrower, in its capacity as a borrower, and for the payment of interest and repayment of principal by Borrower to Lender. The relationship between Lender and Borrower is limited to that of creditor/secured party, on the one hand, and debtor, on the other hand. The provisions herein for compliance with financial, environmental, and other covenants, delivery of financial, environmental and other reports, and financial, environmental and other inspections, investigations, audits, examinations or tests are intended solely for the benefit of Lender to protect its interests as a lender in assuring payments of interest and repayment of principal and nothing contained in this Agreement or any other Loan Document shall be construed as permitting or obligating Lender to act as financial or business advisors or consultants to Borrower or any Subsidiary, as permitting or obligating Lender to control Borrower or any Subsidiary or to conduct or operate Borrower's or any Subsidiary's operations, as creating any fiduciary obligation on the part of Lender to Borrower or any Subsidiary, or as creating any joint venture, agency, or other relationship between the parties other than as explicitly and specifically stated in this Agreement. Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and the other Loan Documents and to obtain the advice of such counsel with respect to all matters contained herein. Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to apply to Lender for the financial accommodations provided hereby and to execute and deliver this Agreement and the other Loan Documents.

Section 11.13. Certain Matters of Construction. The masculine and neuter genders used in this Agreement each includes the masculine, feminine and neuter genders, and whenever the singular number is used, the same shall include the plural where appropriate, and vice versa. Wherever the term "including" or a similar term is used in this Agreement, it shall be read as if it

were written "including by way of example only and without in any way limiting the generality of the clause or concept referred to."

Section 11.14. JURY TRIAL WAIVER. EACH OF BORROWER AND LENDER, FOR ITSELF AND ANY OF ITS AFFILIATES, HEREBY WAIVES ANY RIGHT TO A JURY TRIAL WITH RESPECT TO ANY MATTER ARISING OR RELATING TO THIS AGREEMENT, THE NOTE OR THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

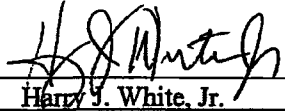
Section 11.15. FINAL AGREEMENT. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement effective as of _____, 2010.

BORROWER:

SILVERLEAF RESORTS, INC.,
a Texas corporation

By: 
Name: Harry J. White, Jr.
Title: Chief Financial Officer

LENDER:

LIBERTY WATER CO.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Algonquin is executing this Agreement for the sole and limited purpose of consenting to the provisions of Section 5.1.

ALGONQUIN:

ALGONQUIN WATER RESOURCES OF
TEXAS, LLC,
a _____

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement effective as of _____, 2010.

BORROWER:

SILVERLEAF RESORTS, INC.,
a Texas corporation

By: _____
Name: _____
Title: _____

LENDER:

LIBERTY WATER CO.,
a Delaware corporation

By: _____
Name: **Jim E. Robertson**
Title: _____

Algonquin is executing this Agreement for the sole and limited purpose of consenting to the provisions of Section 5.1.

ALGONQUIN:

**ALGONQUIN WATER RESOURCES OF
TEXAS, LLC,**
a _____

By: _____
Name: **Jim E. Robertson**
Title: _____

Exhibit A

Wire Request

Having duly executed and delivered that certain Note and Credit Agreement (the "Agreement"), dated as of July ____, 2010, by and between Silverleaf Resorts, Inc., a Texas Corporation ("Silverleaf"), and Liberty Water Co., a Delaware corporation ("Liberty"), Silverleaf hereby (i) certifies that all of the representations and warranties of Silverleaf included in the Agreement are true and correct as of the date hereof, (ii) certifies that Silverleaf is not in breach of any covenant of the Agreement, and (iii) requests that Liberty wire the advance contemplated by Section 2.1(a) of the Agreement to Silverleaf in accordance with the following wire instructions:

Financial Institution: _____

Name on Account: _____

Routing No.: _____

Account No.: _____

SILVERLEAF RESORTS, INC.,
a Texas corporation

By: _____

Name: _____

Title: _____

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-14 Referencing the Direct Testimony of Matthew Garlick, Page 16, Lines 6-7, please provide a copy of the Wastewater Facilities Line Extension Agreement between Liberty and Silverleaf Resorts.

RESPONSE: See attached file: OPUC RFI 1-14_Wastewater Facilities Extension Agreement dated July 2010.pdf.

Prepared by: Steve Ruppenthal, Manager, Operations

Sponsored by: Matthew Garlick, President, Arizona and Texas

THIS WASTEWATER FACILITIES EXTENSION AGREEMENT (this "Agreement"), is entered into this ____ day of July, 2010, by and between **ALGONQUIN WATER RESOURCES OF TEXAS, LLC** a Texas limited liability company ("Utility"), and **SILVERLEAF RESORTS INC.**, a Texas Corporation ("Developer") and, together with Utility, the "Parties," each of which individually is a "Party").

RECITALS

WHEREAS, the Utility is a retail public sewer utility and holds a Certificate of Convenience and Necessity granted by the Texas Commission on Environmental Quality (the "Commission"), as well as other required permits and governmental approvals authorizing it to provide wastewater utility service in the area that encompasses the Hill Country Resort (the "Development") located in Comal County, Texas; and

WHEREAS, the Utility is currently providing wastewater collection service to the built out portion of the Development, and such wastewater is currently treated and disposed of by a wastewater treatment plant (the "GBRA Facility") owned and operated by the Guadalupe Blanco River Authority (the "GBRA"); and

WHEREAS, in anticipation of increased demand for wastewater treatment and disposal capacity as the remainder of the Development is built out in the near future and pursuant to that certain Agreement for Wholesale Sewage Treatment and Disposal Services, dated April 9, 2007, by and between Developer and GBRA (the "GBRA Agreement"), Developer has incurred and paid to subcontractors and/or the GBRA construction costs in the total amount of approximately \$2,245,000 (as set forth in more detail on the attached **Exhibit B**, the "Upgrade Cost") to upgrade and expand the sewer treatment plant, sludge disposal facilities, effluent disposal facilities and related appurtenances located at the GBRA Facility (as more particularly described in the attached **Exhibit A**, the "New Facilities"); and

WHEREAS, pursuant to the GBRA Agreement, Developer has the right to exclusive use of up to 80,000 gallons per day of additional wastewater treatment capacity (the "Rights"); and

WHEREAS, Developer is prepared to transfer the Rights to Utility, and Utility is prepared to accept the Rights, in accordance with the terms of this Agreement.

NOW, THEREFORE, the Parties hereby agree as follows:

AGREEMENT

I. SERVICE; APPLICABLE RATES

A. Service. The wastewater collection service provided by the Utility to the Development (the "Service") shall be in accordance with good utility practice for wastewater utility service and consistent with the Utility's Tariff, the Commission's *Rules and Regulations* (the "Rules") and all other applicable laws and regulations

B. Applicable Rates. The charges for the Service shall be at the applicable rates of the Utility (the "Rates") which are maintained on file with the Commission. The Rates are

subject to change from time to time upon application of the Utility and approval by the Commission.

II. ASSIGNMENT OF RIGHTS

A. **Rights to Capacity.** Developer hereby sells, transfers and assigns to Utility all of its right in and title to the Rights, which shall be the sole property of Utility, free and clear of any liens or encumbrances.

B. **Liens.** Developer acknowledges its duty to obtain lien waivers from all persons providing labor, materials or services in respect of the New Facilities. Developer hereby irrevocably waives any rights it may now have or which it may acquire hereafter to record liens against the New Facilities, the Utility or its property. Developer shall also promptly pay, satisfy and discharge, or bond over, all mechanics', material men's and other liens, and all claims, obligations and liabilities which may be asserted against the Utility or its property by reason of Developer's construction of the New Facilities.

III. WORKMANSHIP, MATERIALS, EQUIPMENT AND MACHINERY;

A. **Materials, Workmanship, Equipment and Machinery.** Developer hereby acknowledges and agrees that Utility shall have no liability or responsibility for the design and construction of the New Facilities, and Developer agrees to indemnify and hold Utility harmless against and from any claims, liabilities or losses regarding, relating to or arising out of the design or construction of the New Facilities.

IV. INVOICES; UPGRADE COST ADJUSTMENTS; TIME OF PAYMENT; INCOME TAX; REFUND; TRANSFER; ASSIGNMENT

A. **Invoices.** Developer agrees to furnish Utility, within thirty (30) days after execution of this Agreement, copies of subcontractor, vendor and all other invoices evidencing the expenditure of all direct and reasonable funds comprising the Upgrade Cost.

B. **Adjustments to Upgrade Cost.** Notwithstanding any contrary provision hereof, the Upgrade Cost shall be adjusted as follows:

1. Upon the failure of Developer to provide invoices in respect of any amount of the Upgrade Cost in accordance with Section IV(A), the Upgrade Cost shall be reduced by such amount; and
2. Upon Developer's presentation to Utility, within thirty (30) days after execution of this Agreement, reasonably sufficient evidence of any additional direct and reasonable cost relating to the construction of the New Facilities, which was unknown to Developer at the time of the execution of this Agreement but otherwise falls within the scope of the Upgrade Cost, the amount of the Upgrade Cost shall be increased by such additional cost, provided that Utility shall have the right to deny any and all such increases to the extent that the aggregate amount of such increases exceeds \$10,000.

C. **Upgrade Cost Payments.** Subject to the terms of this Agreement, the Utility shall pay to Developer (each payment an “Upgrade Cost Payment” and collectively, the “Upgrade Cost Payments”) such amounts, and at such times, as are provided for consistent with the methodology set out in **Exhibit C** attached hereto (the “Payment Schedule”). The Upgrade Cost Payments shall continue in accordance with the Payment Schedule until the earlier of the following events: (i) the total of the Upgrade Cost Payments equals the value of the total Upgrade Cost adjusted for depreciation (if any), as further detailed in **Exhibit C**, or (ii) 10 years following the date hereof.

D. **Maximum Payment; Interest on Upgrade Cost; Limitation on Revenues.** The total of the Upgrade Cost Payments shall in no event exceed the amount of the Upgrade Cost, as adjusted for depreciation and otherwise pursuant to the terms of this Agreement. No interest shall be paid by the Utility on any amount of the Upgrade Cost or the Upgrade Cost Payments.

E. **Transfer of Rights.** In the event of the sale, conveyance or transfer of the Rights by the Utility, pursuant to the approval of the Commission, the Utility’s payment obligation under Section IV(C) hereof shall terminate (except as to any payment which is then due), conditioned upon the transferee assuming, and agreeing to pay Developer, any sums becoming payable to Developer thereafter in accordance with the provisions of this Agreement.

F. **Assignment; Utility’s Right of First Refusal.** Developer shall not assign this Agreement, or any of its rights or obligations hereunder, to any other party without the prior written consent of Utility.

V. **RISK; INDEMNIFICATION; INSURANCE**

A. **Indemnification.** Developer shall indemnify and hold Utility, its affiliates, and their respective officers, directors, employees and agents harmless for, from and against all claims or other liability, whether actually asserted or threatened, arising out of or related to Developer’s funding for the construction of the New Facilities. To the fullest extent permitted by law, Developer, and its successors, assigns and guarantors, shall defend, indemnify and hold harmless Utility, its affiliates, and their respective partners, members, directors, principals, officers, agents, employees, representatives, consultants, insurers and/or sureties, from and against any and all liabilities, claims, damages, losses, costs, expenses (including but not limited to, attorney’s fees), injuries, causes of action, or judgments occasioned by, contributed to and/or in any way caused, in whole or in part, by Developer and/or Developer’s contractors, agents or employees, or any subcontractor, consultant or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, relating to construction, design and/or installation of the New Facilities, including but not limited to any active or passive negligence of Utility, and/or any act or omission of Utility, unless such negligence, act and/or omission of Utility was the sole cause of such liability and/or claim. The provisions of this section shall apply to any claim arising out of or related to construction of the New Facilities that is sustained or asserted before or after completion of the work or termination of this Agreement. The provisions of this section extend to and include all claims, just or unjust, based on a tort, strict liability, contract, lien,

statute, stop notice, rule, safety regulation, ordinance or other affiliated relief or liability, and whether the injury complained of arises from any death, personal injury, sickness, disease, property damage (including loss of use), economic loss, patent infringement, copyright infringement, or otherwise, even if such claim may have been caused in part by Utility as set forth above.

VI. NOTICE

Any notice required or permitted under this Agreement must be in writing and must be given by either: (i) personal delivery; (ii) United States certified mail, return receipt requested, with all postage prepaid and properly addressed; (iii) any reputable, private overnight delivery service with delivery charges prepaid and proof of receipt; or (iv) facsimile with confirmation of transmittal. Notice sent by any of the foregoing methods must be addressed or sent to the party to whom notice is to be given, as the case may be, at the addresses or telecopy numbers set forth below:

UTILITY:

Algonquin Water Resources of Texas, LLC, d/b/a Liberty Water
Attn: President
12725 W. Indian Development Road, Suite D-101
Avondale, AZ 85392

DEVELOPER:

Silverleaf Resorts Inc.
Attn: Robert E. Mead,
1221 River Bend Drive, Suite 120
Dallas, TX 75247

With copy to:

George R. Bedell, Esq.
Meadows, Collier, Reed, Cousins, Crouch & Ungerman, L.L.P.
901 Main St., Suite 3700
Dallas, TX 75202

Any Party may change its address for purposes of delivery and receipt of notices by giving notice to the other Party in accordance with this section. Notice provided by the methods described above will be deemed to be received: (i) on the day of delivery, if personally delivered; (ii) on the date which is three (3) days after deposit in the United States mail, if given by certified mail; (iii) on the next regular business day after deposit with an express delivery service for overnight, "same day", or "next day" delivery service; or (iv) on the date of transmittal, if given on a regular Business Day and during regular business hours by facsimile machine or telecopy. No notice will be effective unless provided by one of the methods described above.

VII. MISCELLANEOUS

This Agreement may not be modified or amended except by a writing signed by both Parties. The recitals at the beginning of this document are hereby incorporated by reference and made a part of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. It is the understanding of the Utility and Developer that this Agreement is consistent with all Rules and authorized Tariffs of the Utility, and does not require approval by the Commission. This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and expressly supersedes and revokes all other prior or contemporaneous promises, representations and assurances of any nature whatsoever with respect to the subject matter hereof. The remedies provided in this Agreement shall not be deemed exclusive remedies but shall be in addition to all other remedies available at law or in equity. No waiver by either Party of any breach of this Agreement nor any failure by either party to insist on strict performance by the other Party of any provision of this Agreement shall in any way be construed to be a waiver of any future or subsequent breach by such defaulting Party or bar the non-defaulting Party's right to insist on strict performance by the defaulting Party of the provisions of this Agreement in the future. Developer is an independent contractor and not an agent or employee of the Utility. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Parties hereto and their respective successors and assigns.

Each party represents that it is a sophisticated commercial party capable of understanding all of the terms of this Agreement, that it has had an opportunity to review this Agreement with its counsel, and that it executes this Agreement with full knowledge of the terms of the Agreement.


[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

**ALGONQUIN WATER RESOURCES
OF TEXAS, LLC**
A Texas limited liability company

By: _____
Name: _____
Title: _____

SILVERLEAF RESORTS INC.
a Texas corporation

By:  _____
Harry J. White, Jr.
Chief Financial Officer

STATE OF TEXAS)
)
County of Comal,)

The foregoing instrument was acknowledged before me this _____ day of _____, 2010 by _____, as _____ of Algonquin Water Resources of Texas, LLC, a Texas limited liability company, for and on behalf of the company.

Notary Public

My Commission Expires:

STATE OF TEXAS

County of DALLAS

The foregoing instrument was acknowledged before me this 29 day of July, 2010 by Harry J. White, Jr., as CFO of Silverleaf Resorts, Inc., a Texas corporation, for and on behalf of the company.

Joann Posival
Notary Public

My Commission Expires:



EXHIBIT A
ENGINEERING PLAN – NEW FACILITIES

Please see attached.

LXA # _____

EXHIBIT B**SUMMARY OF THE ACTUAL COSTS OF NEW FACILITIES
TO EXPAND GBRA WASTEWATER PLANT CAPACITY**

Item	Details	Total
Legal	Reagan Burrus	112.50
Engineering	Wasteline Engineering	183,118.55
Engineering	GBRA	81,009.61
Plant Sewers	Water Treatment Constr.	389,785.00
Cap Ovhd		21,073.20
Collection	GBRA*	1,568,884.63
Sewer – Gravity		
TOTAL		2,243,983.63
Incremental Capacity Provided (GPD)		80,000
Capacity Cost (\$/GPD)		28.05

** Does not include final draw; total cost is subject to adjustment for additional costs identified by the Developer and/or GBRA.*

Initials _____

EXHIBIT C
**CALCULATION METHODOLOGY FOR RATE BASE INCLUSION AND UPGRADE
 COST PAYMENTS**

Each Upgrade Cost Payment shall be made from time to time based on the following principles and methodology:

- The estimated life for the New Facilities will be determined in accordance with Commission guidelines and rulings, as they may change from time to time, for depreciating wastewater treatment plant assets of the type comprising the New Facilities.
- Upgrade Cost Payments will be made from time to time for any proportional amount of the Upgrade Cost that (i) Utility has included in its rate base in applications to the Commission for adjustment of its wastewater rates and tariffs, and (ii) has not previously been paid to Developer as an Upgrade Cost Payment.
- Utility shall (i) make commercially reasonable efforts to include 100% of the Upgrade Cost in its rate base at the earliest possible date and (ii) at any time it reasonably believes that any portion of the Upgrade Cost not yet by then included in the rate base is associated with plant capacity that is then used or useful, include such portion in a future rate application to the Commission as soon as possible thereafter.
- Utility shall have no obligation to pay Upgrade Cost Payments in respect of any portion of the Upgrade Cost that is not permitted by the Commission to be included in the asset base value upon which the Utility is allowed the opportunity to earn a fair and reasonable rate of return (the "Rate Base"), and Utility shall have the right to require, and the Developer shall make, the full and immediate refund of all or any part of any Upgrade Cost Payment that had previously been made to Developer in respect of amounts which Utility has attempted to include in the Rate Base but which it is not successful in getting so included in the Rate Base in the first rate case immediately following the Upgrade Cost Payment.

Sample Calculation for Illustrative Purposes Only

End of Year	Test Year?	% Total Included	Cumulative % Included	Opening Balance of Upgrade Cost	UCP	Closing Balance of Upgrade Cost	Cumulative UCP
1	Yes	75%	75%	2,243,983	1,682,988	560,996	1,682,988
2	No	0%	75%	560,996	-	560,996	1,682,988
3	Yes	25%	100%	560,996	560,996	-	2,243,983
					2,243,983	Total UCP	
					2,243,983	Opening Upgrade Cost Balance	
					-	Delta	

Initials _____

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-15 Referencing the Direct Testimony of Matthew Garlick, Page 16, Lines 14-19, please provide a workpaper showing the Upgrade Cost Payments included within this filing. Within the workpaper, please clearly show the location within the filing and amount of such payments.

RESPONSE: The table below lists the upgrade cost payments included in this filing along with the location within the filing.

FWO	Asset Description	NARUC	Payment Amount	Bates Reference
8116-10014-0015	Building 41	331	\$ 29,415	LU 000041 Line 12 Column D.1
8116-20012-0013	Section 12 Utilities	361	\$ 51,252	LU 000102 Line 5 Column D.1
8116-20014-0012	Section 10 Building 52	361	\$ 68,450	LU 000102 Line 5 Column D.1
8116-20014-0013	Section 12 Pool	363	\$ 8,622	LU 000102 Line 6 Column D.1
8116-20014-0015	Building 41	361	\$ 3,434	LU 000102 Line 5 Column D.1

Prepared by: Leticia Washington, Manager, Rates and Regulatory Affairs

Sponsored by: Leticia Washington, Manager, Rates and Regulatory Affairs

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-16 Referencing the Direct Testimony of Gaetana Girardi, Page 20, Lines 17-20, please explain why the acquisition of the Empire Electric District necessitated a change to the Utility Four-Factor Methodology within the CAM. Please quantify the allocated cost impact of the change to the Utility Four-Factor Methodology specific to Liberty Silverleaf.

RESPONSE: As noted in the 2017 CAM, the CAM is based on the NARUC Guidelines for Cost Allocations and Affiliate Transactions. The CAM is reviewed and updated annually to incorporate the latest size and scope of affiliates. In the event that a significant acquisition occurs, the CAM is reviewed to ensure the correct balance of utilities size and scope and overall cost structure. The difference in allocations for Liberty Silverleaf of the change in the four factor methodology is \$19,967 less under the 2017 CAM.

Prepared by: Leticia Washington, Manager, Rates and Regulatory Affairs and Gaetana Girardi,
Director – Regulatory Strategy

Sponsored by: Gaetana Girardi, Director – Regulatory Strategy

Liberty Utilities (Silverleaf Water and Sewer) C

Helly Ranch Account numbe	Big Eddy Account numbe	Piney Sheres Account numbe	Hill Country Account numbe	Account description	2016 Four	2017 Four
					Factor 25-25-25-25	Factor 40-20-20-20
					Amount	Amount
8110-2-0100-69-5010-6368	8112-2-0100-69-5010-6368	8114-2-0100-69-5010-6368	8116-2-0100-69-5010-6368	LABS Business Labor Allocatio	8,364.06	\$ 15,885.83
8110-2-0100-69-5010-6369	8112-2-0100-69-5010-6369	8114-2-0100-69-5010-6369	8116-2-0100-69-5010-6369	LABS Corporate Service labor allocatio	9,274.16	
8110-2-0100-69-5200-6343	8112-2-0100-69-5200-6343	8114-2-0100-69-5200-6343	8116-2-0100-69-5200-6343	LABS US Bus - Admi	5,817.25	11,049.6
8110-2-0100-69-5200-6371	8112-2-0100-69-5200-6371	8114-2-0100-69-5200-6371	8116-2-0100-69-5200-6371	LABS US Corp - Admi	6,156.25	
8110-2-0100-69-5010-6343	8112-2-0100-69-5010-6343	8114-2-0100-69-5010-6343	8116-2-0100-69-5010-6343	LABS US Bus - Labo	1,573.01	\$ 6,509.30
8110-2-0100-69-5010-6371	8112-2-0100-69-5010-6371	8114-2-0100-69-5010-6371	8116-2-0100-69-5010-6371	LABS US Corp - Labo	5,601.25	
8110-2-0100-69-5200-6368	8112-2-0100-69-5200-6368	8114-2-0100-69-5200-6368	8116-2-0100-69-5200-6368	LABS Business NonLabor Allocatio	13,056.28	\$24,727.07
8110-2-0100-69-5200-6369	8112-2-0100-69-5200-6369	8114-2-0100-69-5200-6369	8116-2-0100-69-5200-6369	LABS Corporate Service - Admi	13,926.97	
8110-2-0100-69-5200-6346	8112-2-0100-69-5200-6346	8114-2-0100-69-5200-6346	8116-2-0100-69-5200-6346	LU Canada Allocation - Labou	3,086.71	\$ 2,781.28
8110-2-0100-69-5200-6347	8112-2-0100-69-5200-6347	8114-2-0100-69-5200-6347	8116-2-0100-69-5200-6347	LU Canada Allocation - Admi	16,203.94	\$14,640.07
8110-2-0100-69-5200-6348	8112-2-0100-69-5200-6348	8114-2-0100-69-5200-6348	8116-2-0100-69-5200-6348	APUC Allocation - Labou	11,261.01	\$10,164.66
8110-2-0100-69-5200-6349	8112-2-0100-69-5200-6349	8114-2-0100-69-5200-6349	8116-2-0100-69-5200-6349	APUC Allocation - Adm	18,639.02	\$16,893.76
8110-2-0100-69-5200-6373	8112-2-0100-69-5200-6373	8114-2-0100-69-5200-6373	8116-2-0100-69-5200-6373	LU Region Admi	22,726.37	\$34,073.05
8110-2-0100-69-5010-6373	8112-2-0100-69-5010-6373	8114-2-0100-69-5010-6373	8116-2-0100-69-5010-6373	LU Region Labor	15,144.60	
8110-2-0100-69-5200-6372	8112-2-0100-69-5200-6372	8114-2-0100-69-5200-6372	8116-2-0100-69-5200-6372	LUSC Admin	1,019.04	981.52
8110-2-0200-69-5010-6368	8112-2-0200-69-5010-6368	8114-2-0200-69-5010-6368	8116-2-0200-69-5010-6368	LABS Business Labor Allocation	5,899.26	\$11,427.94
8110-2-0200-69-5010-7370	8112-2-0200-69-5010-7370	8114-2-0200-69-5010-7370	8116-2-0200-69-5010-7370	LABS Corporate Service labor allocatio	6,548.76	
8110-2-0200-69-5200-7371	8112-2-0200-69-5200-7371	8114-2-0200-69-5200-7371	8116-2-0200-69-5200-7371	LABS US Bus - Admi	4,012.69	7,948.89
8110-2-0200-69-5200-7372	8112-2-0200-69-5200-7372	8114-2-0200-69-5200-7372	8116-2-0200-69-5200-7372	LABS US Corp - Admi	3,897.67	
8110-2-0200-69-5010-7371	8112-2-0200-69-5010-7371	8114-2-0200-69-5010-7371	8116-2-0200-69-5010-7371	LABS US Bus - Labo	1,108.72	\$ 4,682.66
8110-2-0200-69-5010-7372	8112-2-0200-69-5010-7372	8114-2-0200-69-5010-7372	8116-2-0200-69-5010-7372	LABS US Corp - Labo	3,821.40	
8110-2-0200-69-5200-7340	8112-2-0200-69-5200-7340	8114-2-0200-69-5200-7340	8116-2-0200-69-5200-7340	LABS Business NonLabor Allocatio	9,064.66	\$17,814.38
8110-2-0200-69-5200-7370	8112-2-0200-69-5200-7370	8114-2-0200-69-5200-7370	8116-2-0200-69-5200-7370	LABS Corporate Service - Admi	9,830.59	
8110-2-0200-69-5200-7346	8112-2-0200-69-5200-7346	8114-2-0200-69-5200-7346	8116-2-0200-69-5200-7346	LU Canada Allocation - Labou	2,179.48	\$ 3,609.80
8110-2-0200-69-5200-7347	8112-2-0200-69-5200-7347	8114-2-0200-69-5200-7347	8116-2-0200-69-5200-7347	LU Canada Allocation - Admi	11,475.45	\$10,531.77
8110-2-0200-69-5200-7348	8112-2-0200-69-5200-7348	8114-2-0200-69-5200-7348	8116-2-0200-69-5200-7348	APUC Allocation - Labc	7,966.60	\$ 7,312.25
8110-2-0200-69-5200-7349	8112-2-0200-69-5200-7349	8114-2-0200-69-5200-7349	8116-2-0200-69-5200-7349	APUC Allocation - Adm	13,245.82	\$12,153.03
8110-2-0200-69-5200-7374	8112-2-0200-69-5200-7374	8114-2-0200-69-5200-7374	8116-2-0200-69-5200-7374	LU Region Admi	16,021.23	\$24,511.46
8110-2-0200-69-5010-7374	8112-2-0200-69-5010-7374	8114-2-0200-69-5010-7374	8116-2-0200-69-5010-7374	LU Region Labor	10,675.63	
8110-2-0200-69-5200-7373	8112-2-0200-69-5200-7373	8114-2-0200-69-5200-7373	8116-2-0200-69-5200-7373	LUSC Admin	773.81	706.09
					258,371.69	238,404.45
					258,372.00	
Rates API						
Variance					0.31	

{19,967.24} Impact for new 40-20-20-20

Liberty Algonquin Business Services US

*LABS US And ELABS are reported in the same account

*ELABS has its own monthly summary

ELABS monthly summary

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	2017 Total	
LABS US Total Cost Pool US (\$)	\$34,165.65	\$118,153.62		\$53,100.44	\$49,435.75	\$101,034.43	\$119,381.31	\$99,353.94	\$27,547.84	\$105,680.58	\$78,498.31	\$72,226.50	\$110,178.64	\$969,757.01
APCo (% of Empire Included)	\$146.53	\$16,947.15		\$28,482.54	\$20,742.20	\$12,501.34	\$12,814.36	\$14,011.88	\$5,995.92	\$12,053.90	\$10,284.21	\$7,342.74	\$5,590.26	\$151,913.03
LU SUB Corp	\$29,019.12	\$99,880.86	-	\$148,818.09	\$42,906.67	\$88,533.09	\$106,566.95	\$85,342.06	\$21,551.92	\$93,626.68	\$69,214.10	\$64,883.76	\$104,588.38	\$554,931.68

LABS US Bus Admin 8020 2 0100 69 5200 6343	\$ 1,057.30	\$ 7,660.99		\$ 10,627.43	\$ 2,368.98	\$ 2,995.39	\$ 1,190.38	\$ 1,304.25	\$ 8,849.87	\$ 10,964.98	\$ 665.59	\$ 1,373.80	\$ 6,724.80	\$ 55,783.76
LABS US Corp Admin 8020 2 0100 69 5200 6371	\$ 1,145.25		\$ 38,966.56	\$ 7,639.21	\$ 7,932.44	\$ 7,671.48		\$ 11,094.84	\$ 7,770.30	\$ 15,017.17	\$ 9,509.20	\$ 3,414.40	\$ 993.49	\$ 111,154.34
Empire							\$ (6,458.72)	\$ 660.67	\$ 720.37	\$ 4,360.97	\$ 1,319.20	\$ 2,951.95	\$ 3,707.04	\$ 7,261.48
ELABS							\$ 28,702.25	\$ 19,722.08	\$ 1,775.29		\$ 6,188.16	\$ 15,802.71	\$ 28,044.51	\$ 100,235.00
LU SUB Corp Total	\$ 2,202.55	\$ 7,660.99	\$ 38,966.56	\$ 18,266.64	\$ 10,301.42	\$ 10,666.87	\$ 23,433.91	\$ 32,781.84	\$ 19,115.83	\$ 30,343.12	\$ 17,682.13	\$ 23,542.86	\$ 39,469.84	\$ 274,434.58

LABS

*LW 8020 (Corporate and Business)(Expensed) with E	\$ 2,202.55	\$ 7,580.96	\$ 38,966.56	\$ 18,266.64	\$ 10,301.39	\$ 10,666.87	\$ 23,433.91	\$ 32,781.84	\$ 18,931.01	\$ 30,343.14	\$ 17,682.13	\$ 23,542.86	\$ 39,469.84	\$ 274,169.70	\$ 264.88
Without Elabs	\$ 2,202.55	\$ 7,580.96		\$ 15,874.12	\$ 10,301.39	\$ 10,666.87	\$ 7,291.50	\$ 6,297.97	\$ 1,590.47	\$ 6,909.35	\$ 5,107.79	\$ 4,788.22	\$ 7,718.29	\$ 86,329.48	
Variance	\$ -	\$ 80.03		\$ 2,392.52	\$ 0.03	\$ -	\$ 16,142.41	\$ 26,483.87	\$ 17,525.36	\$ 23,433.77	\$ 12,574.36	\$ 18,754.64	\$ 31,751.55	\$ 188,105.10	
Removal (Adjustments)		\$ -		\$ (1,705.35)		\$ (948.59)	\$ (744.48)	\$ (4,794.86)	\$ 64.94	\$ (3,862.47)	\$ (3,320.54)	\$ (3,515.41)	\$ (914.69)	\$ (19,741.45)	
Adjusted:W 8020 (Corporate and Business)(Expensed)	\$ 2,202.55	\$ 7,580.96	\$ 38,966.56	\$ 16,568.79	\$ 10,301.39	\$ 9,718.28	\$ 22,689.43	\$ 27,986.98	\$ 18,995.95	\$ 26,480.67	\$ 14,361.59	\$ 20,027.45	\$ 38,555.15	\$ 254,428.25	

LABS US

Allocations %

Corporate (9800)	\$ 15,195.86	\$ 57,330.72		\$ (7,641.66)	\$ 27,954.78	\$ 44,761.30	\$ 66,849.99	\$ 32,924.77	\$ 7,982.12	\$ 41,402.33	\$ 39,013.92	\$ 38,147.98	\$ 28,325.93	\$ 392,248.04	
Transition (9801)											\$ 4,106.41	\$ 1,251.11	\$ 1,846.42	\$ 7,203.94	
HR (9810)														\$ -	
Payroll (9811)														\$ -	
L&D (9812)														\$ -	
EH&S (9815)				\$ 33,000.82	\$ (2,073.96)	\$ 19,246.03	\$ 23,191.75	\$ 19,005.70	\$ (8,281.99)	\$ 33,899.24	\$ 5,621.21	\$ 18,777.16	\$ 96,161.33	\$ 238,547.29	
Purchasing (9825)														\$ -	
Facilities (9826)														\$ -	
Executive (9860)														\$ -	
Finance (9820)	\$ 18,969.79	\$ 60,822.90		\$ 27,741.28	\$ 23,554.93	\$ 37,027.10	\$ 29,339.57	\$ 47,423.47	\$ 27,847.71	\$ 30,379.01	\$ 30,756.77	\$ 14,050.25	\$ (16,155.04)	\$ 331,757.74	
Risk (9821)														\$ -	
Treasury (9822)														\$ -	
Legal (9823)														\$ -	
Internal Audit (9824)														\$ -	
F&A (9827)														\$ -	
Compliance (9828)														\$ -	
Communications (9870)														\$ -	

Total	\$ 34,165.65	\$ 118,153.62		\$ 53,100.44	\$ 49,435.75	\$ 101,034.43	\$ 119,381.31	\$ 99,353.94	\$ 27,547.84	\$ 105,680.58	\$ 78,498.31	\$ 72,226.50	\$ 110,178.64	\$ 969,757.01	
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LU Allocation															
Corporate (9800)	\$ 13,930.15	\$ 52,555.47		\$ 795.47	\$ 26,284.84	\$ 41,393.59	\$ 61,820.39	\$ 30,403.67	\$ 7,370.92	\$ 38,232.10	\$ 36,026.57	\$ 35,226.94	\$ 26,156.97	\$ 370,197.07	
Transition (9801)	\$ -	\$ -		\$ 62,896.97	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,791.98	\$ 1,155.31	\$ 1,705.04	\$ 69,549.29	
HR (9810)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Payroll (9811)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
L&D (9812)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
EH&S (9815)	\$ -	\$ -		\$ 30,436.77	\$ (1,966.71)	\$ 17,919.31	\$ 21,593.03	\$ 17,673.48	\$ (7,701.46)	\$ 31,523.05	\$ 5,227.19	\$ 17,460.96	\$ 89,420.85	\$ 221,586.48	
Purchasing (9825)	\$ -	\$ -		\$ 122.29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122.29	
Facilities (9826)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Executive (9860)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Finance (9820)	\$ 15,088.97	\$ 47,325.40		\$ 26,677.56	\$ 18,588.54	\$ 29,220.20	\$ 23,153.53	\$ 37,264.90	\$ 21,882.46	\$ 23,871.53	\$ 24,168.37	\$ 11,040.55	\$ (12,694.47)	\$ 265,587.52	
Risk (9821)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Treasury (9822)	\$ -	\$ -		\$ 5,642.43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,642.43	
Legal (9823)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Internal Audit (9824)	\$ -	\$ -		\$ 14,556.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,556.80	
F&A (9827)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Compliance (9828)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Communications (9870)	\$ -	\$ -		\$ 7,689.80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,689.80	
Total	\$ 29,019.12	\$ 99,880.86		\$ 148,818.09	\$ 42,906.67	\$ 88,533.09	\$ 106,566.95	\$ 85,342.06	\$ 21,551.92	\$ 93,626.68	\$ 69,214.10	\$ 64,883.76	\$ 104,588.38	\$ 554,931.68	

LW 8020

Corporate (9800)	\$ 1,057.30	\$ 3,988.96		\$ 60.38	\$ 3,949.05	\$ 3,916.12	\$ 4,438.70	\$ 2,243.69	\$ 543.95	\$ 2,821.41	\$ 2,658.65	\$ 2,599.64	\$ 1,930.30	\$ 30,208.15	
Transition (9801)	\$ -	\$ -		\$ 7,941.83	\$ 1,934.43	\$ 1,405.73	\$ -	\$ -	\$ -	\$ 278.84	\$ 85.26	\$ 125.83	\$ 11,772.92		
HR (9810)	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Liberty Algonquin Business Services US

*LABS US And ELABS are expensed in the same account

**ELABS has its own monthly summary

ELABS monthly analysis

	Jan-17	Feb-17	Mar-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	2017 Total
Payroll (9811)	\$ -	\$ -	\$ -	\$ -	\$ 77.25	\$ 18.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 95.28
L&O (9812)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36.10
ELABS (9815)	\$ -	\$ -	\$ -	\$ 2,310.15	\$ (141.21)	\$ 1,286.61	\$ 1,190.38	\$ 1,304.25	\$ (568.34)	\$ 2,326.30	\$ 385.75	\$ 1,288.56	\$ 6,598.97	\$ 15,981.42
Purchasing (9825)	\$ -	\$ -	\$ -	\$ 15.45	\$ -	\$ 241.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257.44
Facilities (9826)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Executive (9860)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.93	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.93
Finance (9820)	\$ 1,145.25	\$ 3,582.00	\$ -	\$ 2,024.83	\$ 1,883.48	\$ 2,394.19	\$ 1,662.42	\$ 2,750.03	\$ 1,614.86	\$ 1,761.64	\$ 1,783.55	\$ 814.76	\$ (936.81)	\$ 20,490.20
Risk (9821)	\$ -	\$ -	\$ -	\$ -	\$ 449.02	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449.02
Treasury (9822)	\$ -	\$ -	\$ -	\$ 712.46	\$ -	\$ 531.25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,243.71
Legal (9823)	\$ -	\$ -	\$ -	\$ -	\$ 498.48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498.48
Internal Audit (9824)	\$ -	\$ -	\$ -	\$ 1,838.04	\$ 1,580.40	\$ 810.44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,228.88
IS&A (9827)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compliance (9828)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Communications (9870)	\$ -	\$ -	\$ -	\$ 970.98	\$ 70.49	\$ 19.48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,060.95
Total	\$ 2,202.55	\$ 7,580.96	\$ -	\$ 15,874.12	\$ 10,301.39	\$ 10,666.87	\$ 7,291.50	\$ 6,297.97	\$ 1,590.47	\$ 6,909.35	\$ 5,107.79	\$ 4,788.22	\$ 7,718.29	\$ 86,329.48
***Variance														

***Variance are due to ELABS. ELABS has an individual monthly summary

LABS US Actual GL Allocations to Regulated Facility

Holly Ranch

2017 Test Year HR	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	
Regulated Facility % - WTR	45.82	157.69	810.55	379.97	214.28	221.88	487.45	681.90	393.79	631.17	367.81	489.72	821.02	5,703.05
8110-2-0100-69-5200-6343 Bus	20.46	192.47		226.20	50.42	63.75	498.77	284.47	186.06	317.58	166.72	292.30	515.75	7,814.95
8110-2-0100-69-5200-6371 Corp	22.16	0.00	978.95	162.58	168.84	163.28		413.26	216.87	328.25	209.63	208.79	324.33	3,196.95
Variance	(3.20)	34.78	168.40	8.82	4.98	5.15	11.32	15.83	9.14	14.66	8.54	11.37	19.06	(308.85)

2017 Test Year HR

Regulated Facility % - SWR	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	
LABS Allocation to Regulated Facility	6.51	22.40	115.15	53.98	30.44	31.52	69.25	96.87	55.94	89.67	52.25	69.57	116.64	810.20
8110-2-0200-69-5200-7371 Bus	3.34	12.81		38.82	8.88	11.22	87.81	50.08	32.75	55.91	29.35	51.46	90.78	474.22
8110-2-0200-69-5200-7372 Corp	3.61	0.00	0.00	93.78	28.74	28.74	0.00	72.75	38.18	57.79	36.90	36.76	57.10	455.33
Variance	0.44	(9.59)	(115.15)	79.62	8.16	8.44	18.56	25.96	14.99	24.03	14.00	18.65	31.25	119.35

Big Eddy

2017 Test Year BE WTR	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	1.08%	
Regulated Facility % - WTR	23.77	81.81	420.52	197.13	111.17	115.11	252.89	353.77	204.30	327.45	180.82	254.07	425.95	2,858.76
8112-2-0100-69-5200-6343 Bus	11.79	52.71		137.48	29.53	37.34	292.12	166.61	108.97	186.00	97.64	171.19	302.06	1,588.44
8112-2-0100-69-5200-6371 Corp	12.71	0.00	268.12	95.23	98.88	95.63		242.04	127.02	192.25	122.77	122.29	189.85	1,566.89
Variance	0.73	(29.10)	(152.40)	30.58	17.24	17.86	39.23	54.88	31.69	50.80	29.59	39.41	64.06	196.57

2017 Test Year BE SWR

Regulated Facility % - SWR	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	1.01%	
LABS Allocation to Regulated Facility	22.29	76.72	394.34	184.86	104.25	107.95	237.15	331.75	191.58	307.07	178.94	238.25	399.43	2,774.59
8112-2-0200-69-5200-7371 Bus	11.83	39.71		129.11	28.78	36.39	284.69	162.37	106.20	181.27	95.16	166.84	294.38	1,536.73
8112-2-0200-69-5200-7372 Corp	12.81	0.00	201.96	92.81	96.37	93.20		235.89	123.79	187.36	119.65	119.18	185.13	1,488.15
Variance	2.35	(37.01)	(192.38)	37.06	20.90	21.64	47.54	66.51	38.41	61.56	35.87	47.77	80.08	230.29

Piney Shores

2017 Test Year PS WTR	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	
Regulated Facility % - WTR	10.13	34.86	179.16	83.99	47.36	49.04	107.74	150.72	87.04	139.51	81.30	108.24	181.47	1,260.57
8114-2-0100-69-5200-6343 Bus	10.52	26.80		62.40	13.91	17.59	137.59	78.47	51.33	87.61	45.98	80.63	142.27	755.11
8114-2-0100-69-5200-6371 Corp	0.00	0.00	136.30	44.85	46.57	45.04	0.00	114.00	59.83	90.55	57.83	57.60	89.47	742.04
Variance	0.39	(8.06)	(42.86)	23.26	13.12	13.59	29.85	41.75	24.12	38.65	22.52	29.99	50.27	236.58

2017 Test Year PS SWR

Regulated Facility % - SWR	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
LABS Allocation to Regulated Facility	9.64	33.17	170.50	79.92	45.07	46.67	102.53	143.44	82.83	132.76	77.37	103.01	172.70	1,199.61
8114-2-0200-69-5200-7371 Bus	4.77	26.31		41.29	9.70	11.64	91.04	51.82	33.96	57.97	30.43	53.35	94.14	506.02
8114-2-0200-69-5200-7372 Corp	5.17		133.81	29.68	30.82	29.80	0.00	75.43	38.59	59.91	38.26	38.11	59.20	539.78
Variance	0.30	(6.86)	(36.69)	(8.95)	(5.05)	(5.23)	(11.49)	(16.09)	(9.28)	(14.88)	(8.68)	(11.55)	(19.36)	(153.81)

Liberty Algonquin Business Services US

*LABS US And ELABS are expensed in the same account

**ELABS has its own monthly summary

ELABS monthly analysis

Hill Country

2017 Test Year HC WTR

Regulated Facility % - WTR

8116-2-0100-69-5200-6343 Bus

8116-2-0100-69-5200-6371 Corp

Variance

	Jan-17	Feb-17	Mar-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17 2017 Total
		Feb Correction											
2017 Test Year HC WTR	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%
Regulated Facility % - WTR	9.06	31.17	160.21	75.10	42.35	43.86	96.35	134.78	77.84	124.76	72.70	96.80	162.28
8116-2-0100-69-5200-6343 Bus	4.59	22.00	111.91	54.95	12.75	15.49	121.18	69.11	45.20	77.16	40.51	71.01	125.30
8116-2-0100-69-5200-6371 Corp	4.97	0.00	111.91	39.50	41.02	39.67	0.00	100.40	52.69	79.75	50.93	50.73	78.80
Variance	0.50	(9.17)	(48.30)	19.35	10.92	11.30	24.83	34.73	20.05	32.15	18.74	24.94	41.82

2017 Test Year HC SWR

Regulated Facility % - SWR

LABS Allocation to Regulated Facility

8116-2-0200-69-5200-7371 Bus

8116-2-0200-69-5200-7372 Corp

Variance

	Jan-17	Feb-17	Mar-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17 2017 Total
2017 Test Year HC SWR	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
Regulated Facility % - SWR	25.42	87.50	449.75	210.83	118.90	123.12	270.48	378.37	218.50	350.22	204.09	273.73	455.56
LABS Allocation to Regulated Facility	13.83	39.80	202.46	90.11	93.57	90.49	229.04	120.19	182.92	116.18	115.72	178.75	1,434.41
8116-2-0200-69-5200-7371 Bus	14.98												
8116-2-0200-69-5200-7372 Corp	3.39	(47.70)	(247.29)	4.64	2.61	2.70	5.95	8.33	4.81	7.71	4.49	5.98	10.03
Variance													

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-17 Referencing the Direct Testimony of Gaetana Girardi, Page 21, Lines 3-6, please provide all applicable Final Orders in which a Regulatory Commission has approved Liberty's 2017 CAM.

RESPONSE: On page 21, lines 3-6 of her testimony, Ms. Girardi states that “Liberty Utilities has also received favorable regulatory treatment and review of its CAM and cost allocation in other states. Further, in the recently filed settlement for Liberty Tall Timbers and Liberty Woodmark, the parties agreed to language acknowledging the benefits of the allocation methodologies under the CAM.” Liberty Utilities has not yet received a rate case decision approving allocations under the 2017 CAM, which only became effective on January 1, 2017. As stated in Ms. Girardi’s testimony, however, Liberty Utilities corporate cost allocations have been reviewed and approved in various jurisdictions across the country in prior years. Most recently, for example, the Arizona Corporation Commission approved revenue requirements, including cost allocations under the CAM, in Decision No. 75510 (April 22, 2016 – Liberty Utilities (Black Mountain Sewer) Corp.), Decision No. 75809 (November 21, 2016 – Liberty Utilities (Bella Vista Water) Corp. and Liberty Utilities (Rio Rico Water & Sewer) Corp.) and Decision No. 76019 (March 22, 2017 – Liberty Utilities (Entrada Del Oro Sewer) Corp.).

Prepared by: Gaetana Girardi, Director – Regulatory Strategy

Sponsored by: Gaetana Girardi, Director – Regulatory Strategy

RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-18 Referencing the Direct Testimony of Gaetana Girardi, Page 21, Line 10, please provide workpapers demonstrating the derivation and allocation of the \$258,372 to Liberty Silverleaf. Within these workpapers, please include:

- a. Total Direct Costs incurred by APUC, LUC, LABS Canada, and LUSC on behalf of Liberty Silver leaf.
- b. Total Indirect Costs incurred by APUC, LUC, LABS Canada, and LUSC and how such costs are allocated to Liberty Silverleaf. Please provide all source data used in the derivation of allocation factors and clearly demonstrate which allocation factor from the CAM was applied to allocate each type of indirect cost to Liberty Silverleaf.
- c. Ensure that the workpapers provided are maintained in their native, Excel-based format with all formulas and links intact.

RESPONSE:

- a. Total direct cost incurred from APUC, LUCC, LABS Canada and LUSC to Liberty Silverleaf is \$92,504.69.
- b. Total indirect cost incurred from APUC, LUC, LABS Canada and LUSC to Liberty Silverleaf is \$164,074.19.
- c. Please refer to attached excel document Silverleaf Data Request OPUC RFI 1st set.xlsx on the tab labeled Derivation on \$258,372. The reference tab links to all workbooks with detail corporate cost allocations. Refer to tabs labeled OPUC RFI 1-18 for derivation of cost in attached excel file Silverleaf Data Request OPUC 1st set.

Prepared by: Leticia Washington, Manager, Rates and Regulatory Affairs

Sponsored by: Gaetana Girardi, Director — Regulatory Strategy

Liberty Utilities (Silverleaf Water and Sewer) Corp					
Please see reference tab for corresponding workbook					
Holly Ranch Account number	Big Eddy Account number	Piney Shores Account number	Hill Country Account number	Account description	Amount
8110-2-0100-69-5010-6368	8112-2-0100-69-5010-6368	8114-2-0100-69-5010-6368	8116-2-0100-69-5010-6368	LABS Business Labor Allocations	8,364.06
8110-2-0100-69-5010-6369	8112-2-0100-69-5010-6369	8114-2-0100-69-5010-6369	8116-2-0100-69-5010-6369	LABS Corporate Service labor allocation	9,274.16
8110-2-0100-69-5200-6343	8112-2-0100-69-5200-6343	8114-2-0100-69-5200-6343	8116-2-0100-69-5200-6343	LABS US Bus - Admin	5,817.25
8110-2-0100-69-5200-6371	8112-2-0100-69-5200-6371	8114-2-0100-69-5200-6371	8116-2-0100-69-5200-6371	LABS US Corp - Admin	6,156.25
8110-2-0100-69-5010-6343	8112-2-0100-69-5010-6343	8114-2-0100-69-5010-6343	8116-2-0100-69-5010-6343	LABS US Bus - Labor	1,573.01
8110-2-0100-69-5010-6371	8112-2-0100-69-5010-6371	8114-2-0100-69-5010-6371	8116-2-0100-69-5010-6371	LABS US Corp - Labor	5,601.25
8110-2-0100-69-5200-6368	8112-2-0100-69-5200-6368	8114-2-0100-69-5200-6368	8116-2-0100-69-5200-6368	LABS Business NonLabor Allocations	13,056.28
8110-2-0100-69-5200-6369	8112-2-0100-69-5200-6369	8114-2-0100-69-5200-6369	8116-2-0100-69-5200-6369	LABS Corporate Service - Admin	13,926.97
8110-2-0100-69-5200-6346	8112-2-0100-69-5200-6346	8114-2-0100-69-5200-6346	8116-2-0100-69-5200-6346	LU Canada Allocation - Labour	3,086.71
8110-2-0100-69-5200-6347	8112-2-0100-69-5200-6347	8114-2-0100-69-5200-6347	8116-2-0100-69-5200-6347	LU Canada Allocation - Admin	16,203.94
8110-2-0100-69-5200-6348	8112-2-0100-69-5200-6348	8114-2-0100-69-5200-6348	8116-2-0100-69-5200-6348	APUC Allocation - Labour	11,261.01
8110-2-0100-69-5200-6349	8112-2-0100-69-5200-6349	8114-2-0100-69-5200-6349	8116-2-0100-69-5200-6349	APUC Allocation - Admin	18,639.02
8110-2-0100-69-5200-6373	8112-2-0100-69-5200-6373	8114-2-0100-69-5200-6373	8116-2-0100-69-5200-6373	LU Region Admin	22,726.37
8110-2-0100-69-5010-6373	8112-2-0100-69-5010-6373	8114-2-0100-69-5010-6373	8116-2-0100-69-5010-6373	LU Region Labor	15,144.60
8110-2-0100-69-5200-6372	8112-2-0100-69-5200-6372	8114-2-0100-69-5200-6372	8116-2-0100-69-5200-6372	LUSC Admin	1,019.04
8110-2-0200-69-5010-6368	8112-2-0200-69-5010-6368	8114-2-0200-69-5010-6368	8116-2-0200-69-5010-6368	LABS Business Labor Allocations	5,899.26
8110-2-0200-69-5010-7370	8112-2-0200-69-5010-7370	8114-2-0200-69-5010-7370	8116-2-0200-69-5010-7370	LABS Corporate Service labor allocation	6,548.76
8110-2-0200-69-5200-7371	8112-2-0200-69-5200-7371	8114-2-0200-69-5200-7371	8116-2-0200-69-5200-7371	LABS US Bus - Admin	4,012.69
8110-2-0200-69-5200-7372	8112-2-0200-69-5200-7372	8114-2-0200-69-5200-7372	8116-2-0200-69-5200-7372	LABS US Corp - Admin	3,897.67
8110-2-0200-69-5010-7371	8112-2-0200-69-5010-7371	8114-2-0200-69-5010-7371	8116-2-0200-69-5010-7371	LABS US Bus - Labor	1,108.72
8110-2-0200-69-5010-7372	8112-2-0200-69-5010-7372	8114-2-0200-69-5010-7372	8116-2-0200-69-5010-7372	LABS US Corp - Labor	3,821.40
8110-2-0200-69-5200-7340	8112-2-0200-69-5200-7340	8114-2-0200-69-5200-7340	8116-2-0200-69-5200-7340	LABS Business NonLabor Allocations	9,064.66
8110-2-0200-69-5200-7370	8112-2-0200-69-5200-7370	8114-2-0200-69-5200-7370	8116-2-0200-69-5200-7370	LABS Corporate Service - Admin	9,830.59
8110-2-0200-69-5200-7346	8112-2-0200-69-5200-7346	8114-2-0200-69-5200-7346	8116-2-0200-69-5200-7346	LU Canada Allocation - Labour	2,179.48
8110-2-0200-69-5200-7347	8112-2-0200-69-5200-7347	8114-2-0200-69-5200-7347	8116-2-0200-69-5200-7347	LU Canada Allocation - Admin	11,475.45
8110-2-0200-69-5200-7348	8112-2-0200-69-5200-7348	8114-2-0200-69-5200-7348	8116-2-0200-69-5200-7348	APUC Allocation - Labor	7,966.60
8110-2-0200-69-5200-7349	8112-2-0200-69-5200-7349	8114-2-0200-69-5200-7349	8116-2-0200-69-5200-7349	APUC Allocation - Admin	13,245.82
8110-2-0200-69-5200-7374	8112-2-0200-69-5200-7374	8114-2-0200-69-5200-7374	8116-2-0200-69-5200-7374	LU Region Admin	16,021.23
8110-2-0200-69-5010-7374	8112-2-0200-69-5010-7374	8114-2-0200-69-5010-7374	8116-2-0200-69-5010-7374	LU Region Labor	10,675.63
8110-2-0200-69-5200-7373	8112-2-0200-69-5200-7373	8114-2-0200-69-5200-7373	8116-2-0200-69-5200-7373	LUSC Admin	773.81
					258,371.69
				Rates APP	258,372.00

Liberty Utilities (Silverleaf Water and Sewer) Corp								
Please see reference tab for corresponding workbook								

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RESPONSE TO REQUEST FOR INFORMATION

OPUC RFI 1-21 Referencing Attachment CG-2, Table 1, please provide the total cost incurred by APUC in the test year for Legal Costs; Tax Services; Audit; Investor Relations; Director Fees and Insurance; Licenses, Fees, and Permits; Escrow and Transfer Agent Fees; Other Professional Services; Other Administration Costs; and Executive and Strategic Management. Please provide the direct costs for each of the above assigned to Liberty Silverleaf. To the extent such costs are allocated, please demonstrate the development of the allocation methodology used to allocate these costs to Liberty Silverleaf, including the source data used to develop the allocation methodology.

RESPONSE: The total cost incurred by APUC and allocated in 2017 to Liberty Silverleaf is \$31,885. See Schedules below.

Prepared by: Leticia Washington, Manager, Rates and Regulatory Affairs

Sponsored by: Gaetana Girardi, Director – Regulatory Strategy