

Corix Group of Companies

Cost Allocation Manual

July 3, 2019

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Introduction

The purpose of this manual is to provide an explanation of services provided by affiliates within the Corix Group of Companies ("Corix") and the methods used to allocate costs to the operating businesses. This Cost Allocation Manual ("CAM") has been prepared consistent with the NARUC Guidelines for Cost Allocations and Affiliate Transactions ("NARUC Guidelines").

Direct costs are identified up front in the following ways and are not subject to the discussion of this CAM as they are directly assigned to a business unit.¹

- If an individual spends greater than 85% of their time on an activity/service for a business unit, that individual is directly assigned to that business unit receiving the activity/service.
- "Shared Operating Costs" are costs that are managed centrally for administrative ease, cost savings and have vendor management by dedicated resources. These costs are directly assigned to the business units before the cost allocation process. Some examples of the largest of these costs are employee benefits and business insurance.

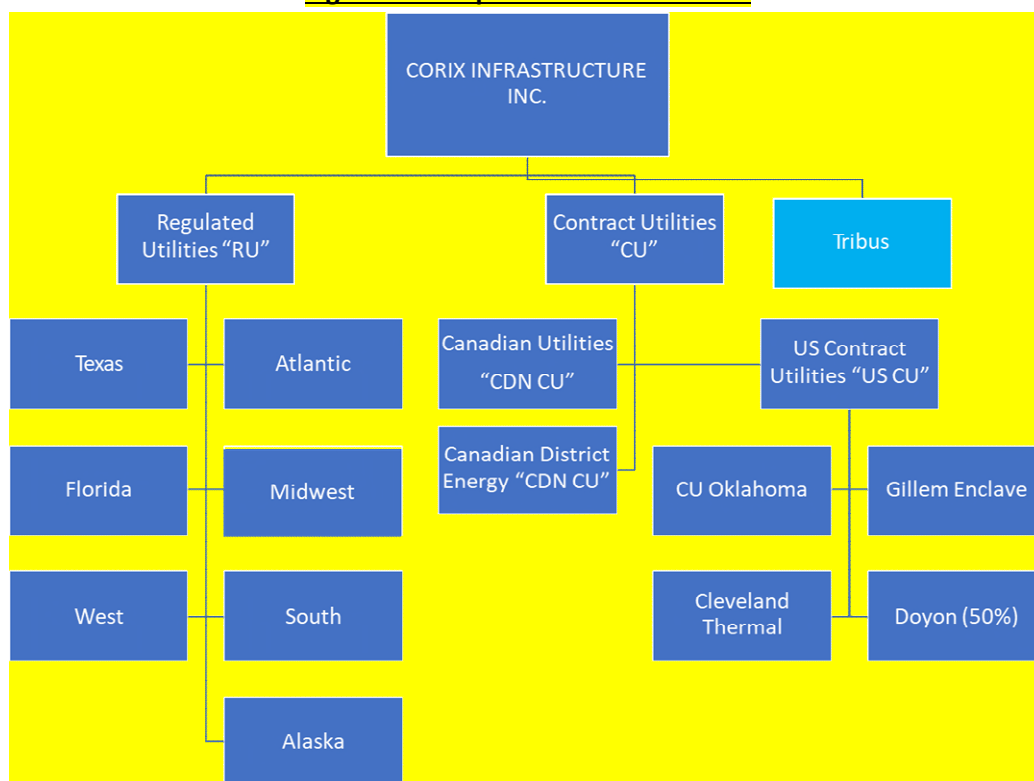
After direct assignment of direct costs, the indirect costs² are subject to the discussion of this CAM.

¹ Direct charges are costs incurred by one company for the exclusive benefit of, or specifically identified with, one or more companies, and which are directly charged to the company or companies that specifically benefited. Under the NARUC Guidelines, "Direct Costs" are defined as "costs which can be specifically identified with a specific service or product."

² Indirect charges (or allocated costs) are costs incurred by one company that are for the benefit of either (i) all of the Corix companies; or (ii) all of the regulated companies, and which are charged to the benefited companies using a methodology and allocation factors that link cost causation and cost recovery. Under the NARUC Guidelines, "Indirect Costs" are defined as "costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative, general, and taxes."

Simplified Corix Corporate Structure

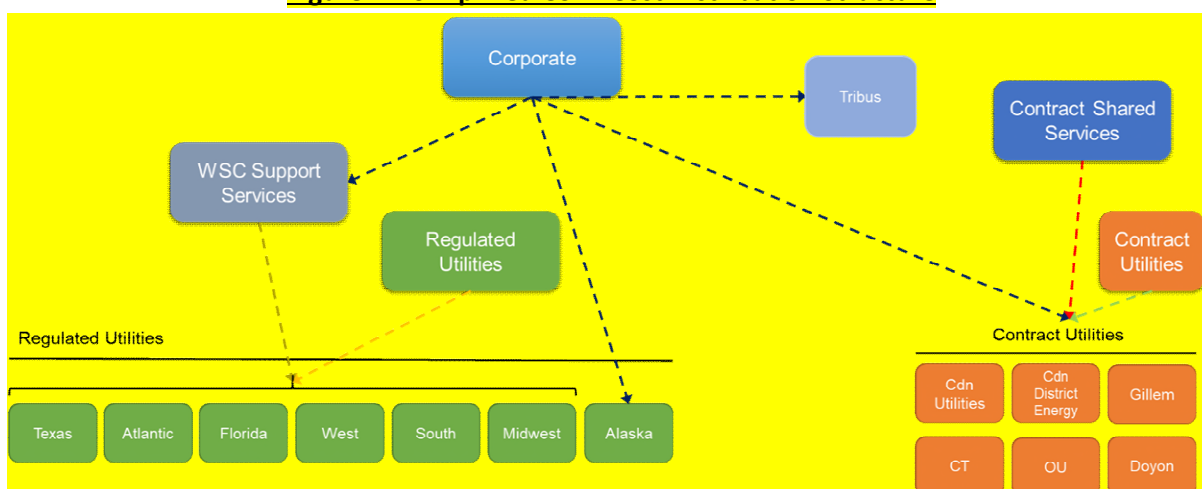
Figure 1 – Simplified Corix Structure³



The Corix Cost Distribution Structure

Corix is a leader in the implementation of sustainable water, wastewater, and energy utility infrastructure solutions for small to medium-sized communities across North America. Figure 2 shows a simplified cost distribution structure of Corix.

³ This structure reflects the grouping of the affiliates for cost distribution and does not indicate the corporate structure. Corporate holding intermediaries have been removed and Alaska, for example, is a regulated utility but is not owned by the same holding company as the other regulated utilities. In addition, while Doyon is included under US Contract Utilities, Corporate Services are not provided to Doyon which is managed as an investment and, therefore, has a notional allocation of costs from Corporate and Contract Shared Services to represent the organizational complexity arising from asset management.

Figure 2 – Simplified Corix Cost Distribution Structure


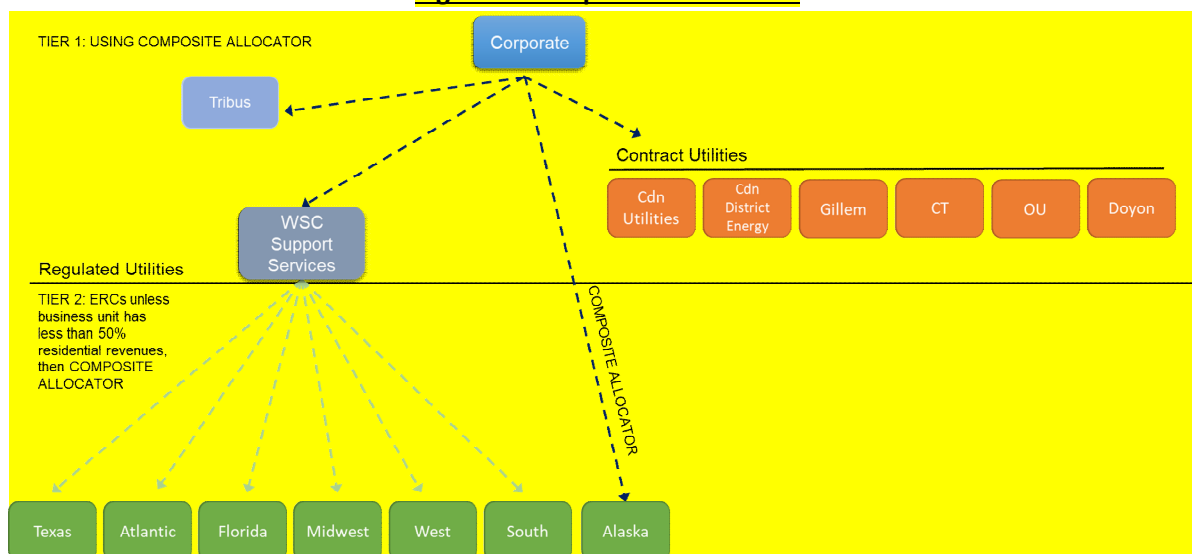
- **Corix Corporate/Cost Structure**

- Corix Infrastructure Inc. ("Corporate") is the ultimate corporate parent and as a pure play utility business enjoys a wide spectrum of technical and industry expertise in all facets of sustainable water, wastewater and energy systems, including innovative technologies, operating tools and regulatory resources required to develop sustainable multi—utility services. A detailed description of the Corix Corporate Services provided to all business units except for Doyon is included in Appendix A.
- WSC Support Services – WSC Support Services activities are listed in Table 3 and are currently provided to all business units under the Regulated Utilities except for Alaska.
- Contract Shared Services – Contract Shared Services activities are listed in Table 4 and are currently provided to all business units under the Contract Utilities except for Doyon.
- Tribus – Tribus Services is a Corix company but managed separately. Tribus receives very minimal services from the corporate group and is addressed in this manual.
- Regulated Utilities – Represents the US Regulated Utilities in 18 states. There are certain resources which are dedicated to the Regulated Utilities as depicted by the box in Figure 2 and described below.
- Contract Utilities – Represents the contract businesses in the Corix group of companies along with the regulated water and energy businesses in British Columbia and Alberta. There are certain resources which are dedicated to the Contract Utilities as depicted by the box in Figure 2 and described below. As noted above, Doyon does not receive the same services as the other affiliates included here and, therefore, receives a notional allocation of costs from Corporate and Contract Shared Services.

Scope of Services from Corporate and Allocation of Costs

Please refer to Figure 3 for a diagram of the various flows of costs from Corporate to WSC Support Services and the Contract Utilities. Below Figure 3 is a narrative which explains the diagram of the various cost flows.

Figure 3 – Corporate Cost Flows



To begin the process, Tribus is allocated 2% of certain costs at the corporate level before the Tier 1 allocation since the Tribus business is not managed through Corix but does receive very minimal services from the corporate group. Then, the remaining corporate costs are subject to a Tier 1 allocation between (i) WSC Support Services for the Regulated Utilities; (ii) Alaska; and, (iii) the Contract Utilities (with the exception of the notional allocation made to Doyon as noted above).

The Tier 1 allocation for corporate costs is based on the composite allocator shown in Table 1 since it best represents the size, scope and complexity of operating business units.

Table 1 – Composite Allocator

Factor	Weight
Gross Revenue	33.33%
Headcount	33.33%
Gross Property, Plant & Equipment	33.33%
Total	100%

The Contract Utilities entity uses the Tier 1 allocator all the way down to the operating businesses. The Regulated Utilities entity (through WSC Support Services) uses a Tier 2 allocator of Equivalent Residential Connections (ERCs) to allocate costs all the way down to the operating businesses. The one exception is if an operating business has less than 50% residential revenues then it is allocated costs using the Tier 1

composite allocator because the businesses are different. As of the time of this writing, the Alaska business unit is allocated using the Tier 1 composite allocator and the remaining costs in Regulated Utilities (through WSC Support Services) are allocated via ERCs as shown in Figure 3.

Corix maintains enterprise-wide standards for many functions such as IT, cybersecurity, safety, human resources, and asset management and maintenance providing efficiencies and expertise across the business units. Corix provides financial and strategic management, legal and regulatory compliance oversight, corporate governance, and oversight of administrative and support services to WSC Support Services (which, in turn provides support services to the lower 48 Regulated Utilities), Alaska, and the Contract Utilities. The Corporate Services are necessary for all the affiliates, including the regulated utility subsidiaries, to have access to capital for projects and operations. The Corix affiliates benefit from the expertise and access to capital through use of shared services, maximizing economies of scale and minimizing redundancy. The use of shared expertise provides each of the affiliates with benefits it could not economically achieve on a stand-alone basis including strategic management advice and access to capital at competitive rates.

The following table shows the scope of services from the corporate office and the Tier 1 allocation method for these costs. The services and categories are as of the time of this writing and are subject to change based on potential changes in the needs of the operating businesses. Notwithstanding these allocation methodologies, if a charge is related solely to the regulated utilities or the non-regulated utilities those costs are direct charged to the business for which they are incurred. If organizational restructuring or realignments are implemented, any allocations would be completed based on the composite allocator identified in Table 1 until they are expressly incorporated in an update of the CAM.

Table 2 – Summary of Corporate Scope of Services and Tier 1 Allocation Method⁴

Type of Cost	Tier 1 Allocation Methodology	Rationale	Examples
Corporate Office (CEO)	2% direct to Tribus then Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for CEO, support staff, etc.; Board of Directors fees; Third party services
Corporate Finance (Includes internal audit, tax, and treasury)	2% direct to Tribus then Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for CFO, treasury, internal audit, reporting and consolidation, tax,

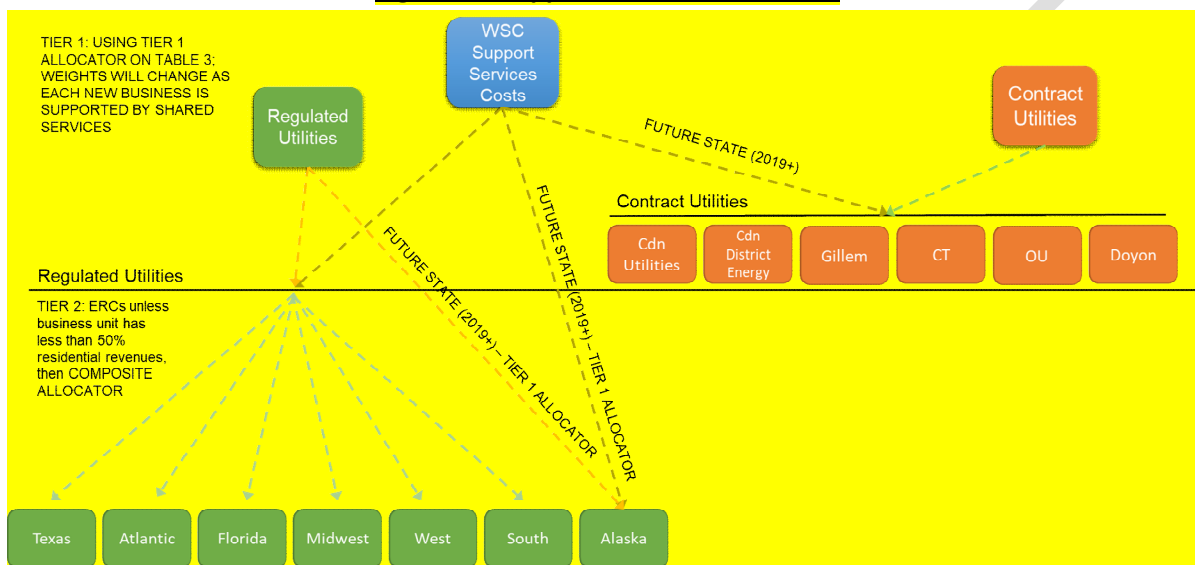
⁴ A more detailed description of the Corporate Services is included in Appendix A.

			and strategic finance, etc.; Third party services such as audit, tax; Computer licenses for corporate performance management tool, etc.
Human Resources Corporate	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs; Recruitment expenses; Third party services such as compensation studies, etc.
Information Technology	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for IT strategy and planning services such as enterprise cyber security program development, maintenance and monitoring, etc.; Third party services such as consulting
Legal Corporate	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for legal compliance; Third party services such as consulting for general corporate and enterprise matters
Corporate Health, Safety, and Environmental	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for health, safety and environmental oversight; Safety incentive program; Software licenses costs for health and

			safety programs; Third party services for safety assessments, surveys, training, and audits
Corporate Communications	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for overall policies guidance on communications, monitoring of media, etc.; Third party services for corporate internet site, video, advertising, and media monitoring
Business Development	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for overall business development oversight; Third party services such as engineering, legal, and accounting to support the evaluation of potential acquisitions
Continuous Improvement	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for Project Management Office (PMO); Third party services such as consultants to support evaluation and implementation of initiatives

Please refer to Figure 4 for a diagram of the various flows of costs from Support Services to the operating companies. Below Figure 4 is a narrative which explains the diagram of the various cost flows.

Figure 4 – Support Services Cost Flows



The Contract Utilities entity uses the Tier 1 allocator all the way down to the operating businesses. The Regulated Utilities entity (through WSC Support Services) uses a Tier 2 allocator of Equivalent Residential Connections (ERCs) to allocate costs all the way down to the operating businesses. The one exception is if the operating business has less than 50% residential revenues then the Tier 1 composite allocator is used to allocate costs since the businesses are different. As of the time of this writing, the Alaska business unit is allocated using the Tier 1 allocator and the remaining costs in Regulated Utilities (through WSC Support Services) are allocated via ERCs.

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Table 3 – Summary of WSC Support Services Scope of Services and Tier 1 Allocation Method

Type of Cost	Tier 1 Allocation Methodology	Rationale	Examples (See Appendix C)
Chief Shared Services Office	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for leadership to provide services efficiently and economically, etc.; Third party services
Accounting / Accounts Payable	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for bookkeeping, tax determination, financial statement preparation, etc.; Third party services for audit and tax, etc.
Human Resources Support	Headcount	Support costs driven by number of employees	Direct employee labor and non-labor costs for payroll, employee onboarding, employee training, etc.; Third party services
Information Technology Support	Headcount	Support costs driven by number of employees	Direct employee labor and non-labor costs for software and hardware administration, IT support, etc.; Third party services
Billing	Customers	Support costs driven by number of customers	Direct employee labor and non-labor costs for billing support, etc.; Third party services
Customer Service	Call Volume by Operating Business	Support costs driven by call volume	Direct employee labor and non-labor costs for customer

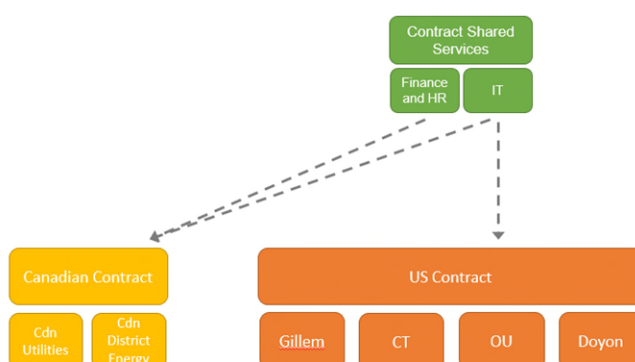
			correspondence and communication via call center, etc.; Third party services
Fleet Administration	Headcount	Support costs driven by number of employees	Direct employee labor and non-labor costs for overall fleet administration; Third party services
Health, Safety, and Environmental Support	Headcount	Support costs driven by number of employees	Direct employee labor and non-labor costs for leadership and/or administration of health, safety, and environment best practices; Third party services
Legal Support	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for legal counsel on various matters across the business; Third party services
External Communications Support	Composite Allocator (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs for external communications to customers, regulators, etc.; Third party services
All Other Indirect Capital, Depreciation and Costs	Composite Allocator (See Table 1)	Corporate Complexity	Leasehold improvements, building rent, facility administration

Scope of Services from Contract Shared Service and Allocation of Costs

Please refer to Figure 5 for a diagram of the various flows of costs from Contract Shared Services to the Contract Utilities group. Below Figure 5 is a narrative which explains the diagram of the various cost flows. Please note that this group will be eliminated as the WSC Support Services organization services all of Corix.

Figure 5 – Contract Shared Services Cost Flows

TIER 1: CONTRACT ONLY USES ONE TIER



Contract Shared Services costs are allocated to the Contract Utilities businesses via the Tier 1 allocation. WSC Support Services for Finance, HR and IT will not be charged to the Contract Utilities businesses until integration is complete and the Contract Shared Services group is eliminated (in order to ensure avoidance of redundancy). As the WSC Support Services group commences serving the other parts of the business that it currently does not (Contract Utilities), the weights of the allocators will change with the elimination of the Contract Shared Services group.

The following table shows the scope of services from the Contract Shared Services and the Tier 1 allocation method for these costs. The services and categories are as of the time of this writing and are subject to change based on potential changes in the needs of the operating businesses.

Table 4 – Summary of Contract Shared Services Scope of Services and Tier 1 Allocation Method

Type of Cost	Tier 1 Allocation Methodology	Rationale	Examples
Finance (Accounts Payable)	Composite Allocator to Canadian Contract (See Table 1)	Corporate Complexity	Direct employee labor and non-labor costs; Third party services
Human Resources Support	Headcount in Canadian Contract	Support costs driven by number of employees	Direct employee labor and non-labor costs; Third party services
Information Technology Support	Composite Allocator to Contract Utilities (Canada and US, see Table 1)	Corporate Complexity: includes IT support, infrastructure and projects	Direct employee labor and non-labor costs; Third party services

Cost Distribution at the Regulated Utilities, Contract Utilities, President, Vice-President, Regional, State and Operating Company Cost Centers

All shared costs which require allocation within a business unit (Regulated Utilities, Contract Utilities, President, Vice-President, Regional, State, Operating Company Cost Centers, etc.) will be handled similarly as discussed above. The Contract Utilities entity uses the Tier 1 allocator all the way down to the operating businesses. The units within the Regulated Utilities entity will use their current allocation methodology approved by the regulator.

Updating Allocations

Tier 1 Allocation percentages are updated annually. Please see Table 5.

Table 5 – Tier 1 Allocation Time Periods⁵

Inputs	Reference
Gross Revenue	Trailing Twelve Months as of June 30 th of prior year (i.e. 2020 allocation is based on gross revenue from July 1, 2018 – June 30, 2019)
Headcount	June 30 th of prior year (i.e. 2020 allocation is based on June 30, 2019 value)
Gross Property, Plant & Equipment	June 30 th of prior year (i.e. 2020 allocation is based on June 30, 2019 value)

⁵ Due to available information, 2019 inputs are tied into the budget process. Therefore, revenue is 2018 Year End Forecast, plant is mid-year, and headcount is based on 2019B. We do not expect this to materially change any outcome.

Customers	June 30 th of prior year (i.e. 2020 allocation is based on June 30, 2019 value)
Call Volume by Operating Business	June 30 th of prior year (i.e. 2020 allocation is based on June 30, 2019 value)

The allocation percentages will also be updated as the business unit changes how it is receiving support services (i.e. when a Contract Utilities business unit is serviced by WSC Support Services and not Contract Shared Services).

The Tier 2 allocation percentages will be updated as per the current allocation methodology approved by the regulator. Currently for all business units except Alaska, this is updating ERC's monthly.

Appendix A – Description of Corporate Services

This description is designed to demonstrate the nature of services provided by corporate that are required by the water, wastewater and energy utilities. This description examines each of the corporate areas and provide a narrative of the services provided. For purposes of the overview below, the regulated utility operating unit (Regulated Unit) of the Corix Group of Companies is comprised of several regulated utilities operating in 18 states.

Corporate Office

The costs in this group include direct employee labor and non-labor costs for CEO, support staff, etc. Also included are Board of Directors fees and third-party services.

This area represents the Corix Corporate CEO function. At the regulated operating unit there is a Divisional President that is charged with executing on the business plan for the regulated water and waste water utilities to serve customers and a regulated utility chief executive who works closely with local leadership in evaluating capital investment plans and operating budgets, as well as providing expertise on and leadership with addressing customer concerns, industry best practices, and setting short and long-term operating strategies. The Corix Corporate CEO sets overall direction and corporate strategy, provides guidance to operational leadership to optimize Corix's lines of business and identify complementary aspects of Corix's businesses to achieve synergies where possible for the benefit of multiple stakeholders including the customers of the operating companies, interacts with shareholders to source capital, and at a high-level works with other members of the Corix Corporate Executive Management Team and the corporate debt holders to secure appropriate financing and rates. The Corix Corporate CEO reviews Corix's and its subsidiaries' activities to foster the corporate culture and values of honesty, integrity, transparency and accountability to our customers, our regulators and our shareholder. The Corix Corporate CEO is the main conduit to shareholders on all matters of governance and ensures an appropriate governance structure exists in each operating unit.

Finance

The costs in this group include direct employee labor and non-labor costs for CFO oversight, accounting support, consolidations, treasury, taxation, internal audit, strategic planning, and full scope corporate reporting, etc. Also included are third party services such as audit and tax along with computer licenses for the corporate performance management tool, etc.

Corix's head office finance group ("Finance") provides a comprehensive suite of services to the business units including: CFO oversight, accounting support, consolidations, treasury, taxation, internal audit, strategic planning, and full scope corporate reporting.

The CFO function provides oversight of the financial affairs of the Corix business units including long term strategic planning and financial analysis. This also includes full scope management reporting to the board of director and Corix's shareholder.

Accounting support includes compliance with US GAAP, reconciliation, ERP support and transactional support.

Corporate consolidation and controllership provide review and preparation of reports to achieve the "full picture" lens required to access debt and equity financing. In addition, this group oversees all corporate holding companies, accounting for reorganizations and tax planning initiatives, and presents results and budgets to audit committee and the board. Financial reporting policy and research originates from this function.

Internal Audit

Internal audits evaluate a company's internal controls, including its corporate governance and accounting processes. They ensure compliance with laws and regulations, accurate and timely financial reporting and data collection. The business units and WSC and Contract Shared Services do not have an internal audit function. This group is resident in the Corporate Group and provides internal audit services based on annual risk analysis of key areas and also based on requests from business units who may require assessments of processes, fraud investigations or IT control assessments. Their assessment findings are generally available to all business units unless there is some issue of confidentiality or litigation.

Tax

Tax compliance is a necessary function for any corporation to lawfully operate. Each of the businesses must timely file federal and state tax returns and other corporate filings. The Corix Corporate tax group coordinates the tax planning activities for all Corix business units and either undertakes tax compliance activities, directs tax compliance activities taking place in business units or oversees outside tax professionals who may be providing services to individual business units. This group also works with external auditors for annual audit tax provision and reviews of Corix's consolidated financial statements and tax returns.

A recent example of the specific support services this groups provides is the assistance across the enterprise in understanding, evaluating and implementing changes related to the Tax Cuts and Jobs Act

of 2017 ("TCJA"). The Corporate Tax group also reviews tax provisions used in reporting for bank purposes and other tax regulations to ensure compliance across the enterprise, files the corporate tax return and engages in supervision and tax planning for the Corix group of companies including responding to inquiries, requests or audits that arise from the governing authorities. It also provides strategic tax perspectives into Corix's planning process, coordinates corporate tax audits, and develops and implements cross-border transfer pricing policies. To carry out these responsibilities, the Corix tax group assists the Corix business units in their annual planning and budget cycle and ensures that business unit forecasts are incorporated in corporate strategic planning – another function UI could not perform given the consolidated organizational structure of Corix. The Corix tax group also creates and maintains the framework for strong internal tax controls and procedures necessary for any responsibly run and reputable corporation.

Human Resources Corporate

The costs in this group include direct employee labor and non-labor costs, recruitment expenses, and third-party services such as compensation studies, etc.

Corporate HR is responsible for company-wide policies, programs and practices for all aspects of HR function and general overall guidance and direction. HR Shared Services Group (WSC) administers the day-to-day human resource programs and services that are aligned to corporate policies and practices for the business units that it services. Corporate HR sources company-wide vendors to get economies of scale for all aspects of HR function such as Total Rewards, Talent Management/Succession Planning, Learning Management and HCM systems. The corporate HR group also arranges benefit programs for employees across the entire Corix organization which provides significant economies of scale and risk sharing benefits. The corporate group also undertakes other activities – such as comprehensive compensation reviews, recruitment, and human resources administration of executive positions, reporting to the Board, and company-wide talent management and leadership training program development etc.

Treasury

Corix corporate treasury services include long- and short-term capital needs planning for both debt and equity. Corix Corporate staff interact with the shareholder and the capital markets to arrange, extend, or change terms of financing. This group analyzes the use of private placement versus floating rate versus the use of swaps to find the appropriate stable financing for the entity given its capital and operating needs over the short and long term.

Corix Corporate Services also often arranges financing at the local level, but leverages its financing syndicate to optimize the financing rates for the Corix operations. This gives us more negotiation leverage to get optimal spreads from prime or Libor which are for the benefit of local ratepayers. We also monitor

the use of revolvers and monitor covenant coverage and help to ensure interest spreads relative to coverage ratios are optimized to minimize interest costs to the benefit of ratepayers.

Corporate Information Technology ("IT")

The costs in this group include direct employee labor and non-labor costs for IT strategy and planning services such as enterprise cyber security program development, maintenance and monitoring, and third-party services such as consulting. Corporate IT provides company-wide security breach protocol and response support and expertise on network, security strategy and data center management. For example, Corporate IT constantly monitors for changes in legislation in data privacy, various security requirements for contracts, and provides security awareness training. As part of its enterprise function, the corporate IT group works with representatives of the business units served to share best practices, trends in security management and review organizational KPIs. All of these functions support cybersecurity and data protection that benefit the customer.

The regulated and contract units (through WSC and Contract Shared Services) primarily provisions and maintains their own IT infrastructure and applications, except for some enterprise applications. The IT Strategy group provides IT Strategy and planning services to enhance the overall application and technology services to the organization and identifies opportunities to leverage technology solutions across the group. It is also responsible for the enterprise cyber security program development, maintenance and monitoring which is a critical function and requires specialist resources, which do not exist within the Regulated Utilities or Contract Utilities group.

Corporate Legal Department

The costs in this group include direct employee labor and non-labor costs for legal compliance. Also included are third party services such as consulting for general corporate and enterprise matters.

The regulated unit has certain embedded legal resources and utilizes some external legal services, but a significant portion of the legal compliance work is done corporately. This work includes company structuring and maintenance, capital and debt financing documentation, negotiation and management, insurance and risk oversight and corporate governance including board and committee coordination. This work is required to maintain corporate status, enable the corporate and debt and equity structure, and ensure legal compliance so the group of companies can exist and legally own and operate utility systems and provide service to customers. The corporate legal group also drafts and oversees required corporate policies and procedures and supports internal needs including corporate development, information technology, finance and tax, human resources, HSE, corporate communications and transformation project legal needs. Centralized management of legal advice and contract negotiation enables corporate

operations and growth in alignment with corporate strategy and on a more efficient cost basis than would external legal service providers.

Corporate Health, Safety, and Environmental ("HSE")

The costs in this group include direct employee labor and non-labor costs for health, safety, and environmental oversight. Also included are costs for the safety incentive program, software licenses costs for health and safety programs, and third-party services for safety assessments, surveys, training, and audits.

Corporate HSE planning includes the review for compliance with all national and federal government mandates, development and deployment of company-wide HSE policies, procedures and training manuals, forms and tools for standardized programs to be used across the business units, compliance programs, assessment programs, industry research, and incident investigation and audits. This group is also involved in developing preventative programs across the Corix group of companies to provide an environment of safety, safe operation and environmental stewardship. In fulfilling these activities this group works with individuals in the business units and engages consultants or commissions studies to facilitate these programs and best practices that benefit all units. It would be impractical and expensive for individual business units to develop their own HSE policies, procedures and training manuals. Corporate HSE also is responsible for reporting to the Board and monitoring compliance and interactions and the undertaking of all major compliance investigations. HSE Shared Services Group (WSC) and/or BU HSE staff administer the day-to-day HSE programs and services aligned to corporate policies and practices for the Business Units. Within the business units, there may be health and safety staff who focus on familiarity and compliance with local requirements, permits and regulators and undertake training delivery, monitor compliance, and interactions.

Corporate Communications

The costs in this group include direct employee labor and non-labor costs for overall policies guidance on communications, monitoring of media, etc. and third-party services for corporate internet site, video, advertising, and media monitoring.

This function provides overall policies guidance on both internal and external communications, monitoring of media, maintains the company-wide internet and intranet as well as the associated license and maintenance costs, and provides overall employee communication support as required and as back up support to the business units. Communications Shared Services Group (WSC) and/or the business units may additionally have their own staff for local interface and interaction and lever off the corporate expenditures for intranet and internet.

Business Development

The costs in this group include direct employee labor and non-labor costs for overall business development oversight and third-party services such as engineering, legal, and accounting to support the evaluation of potential acquisitions.

Growing the overall business creates economies of scale for the entire organization, with the benefit being that fixed costs are shared over a broader base of assets resulting in lower costs for each business unit compared to what they would otherwise have to pay if they were standalone businesses. The business development group's mandate is to generate corporate growth consistent with the goals and objectives of the company. Seeking and executing large and/or complex acquisitions and winning project bids that require substantial investments, the business development group facilitates the economies of scale required to share costs across the organization in a meaningful way. Business development will help on strategy, complex issues that arise, will lend resources to execute a transaction and provide general oversight. Because of the number of opportunities to grow the business with small as well as large opportunities, the business development team is a group of mobile resources with the time to meet prospective sellers. These business development opportunities will ultimately create a bigger customer base over which to spread the costs (thus mitigating the impact of rising costs).

Continuous Improvement

The costs in this group include direct employee labor and non-labor costs for the Project Management Office (PMO). Also included are costs for third party services such as consultants to support evaluation and implementation of initiatives.

In the interest of continually improving our processes and thereby always providing the best value for customers, we use best practice continuous improvement approaches to gain efficiencies within the organization and identify ways to serve our customers more effectively. Transformational and/or strategic change and management is done at a corporate level. We would expect to maintain a Project Management Office (PMO) to oversee projects and consulting expenses to help deliver on these objectives. PMO's primary objective can be summarized as 1) ensure alignment of projects with organizational strategy, 2) ensure delivery excellence following PPM best-practices, and 3) support continued improvement across the company.