

Acquisition of Galveston Water Utility Assets

March 2010



Utility Grade Water & Wastewater Assets

- Located near Galveston, TX approximately 50 miles south of Houston
- The system provided water distribution and waste water collection to approximately 260 equivalent residential connections at the end of 2009 (expected expansion to 470 equivalent connections)
- Bulk water and wastewater treatment service is supplied to the system by City of Galveston and the costs thereof passed through to customers together with all other prudently incurred operating expenses
- Assets include lift stations, pumping equipment, storage tanks, pressure tanks, a supplemental water chlorination system and water distribution and wastewater collection lines
- Net asset value of \$2,000,000. Purchase price for the system is US\$2,000,000, representing an equivalent rate base purchase price multiple of 1.0x.

Geographically Well Positioned

- Utility will leverage economies of scale from Liberty Water local office in Tyler, TX and Liberty Water operating staff expertise.

Regulated Utility Style Ratemaking

- Utility will operate under established ratemaking principles and rates established to provide a return comparable to other regulated Texas utilities of approximately 12% after tax

Utility Pro-Forma Financials (000's of USD)	2010E	2011E
Starting Rate Base	2,000	2,000
Depreciation	(38)	(50)
CAPEX	38	50
Year End Rate Base	2,000	2,000
Achieved Return	12.00%	12.00%
Net Income	180	240
Income Tax	97	129
EBT	277	369
Interest Expense	-	-
EBIT	277	369
Depreciation Expense	38	50
EBITDA	314	419

Pro-Forma Assumptions:

- Depreciation assumes an average 40 year useful life (2.5%/year) for the assets
- Capex is assumed to equal the depreciation rate to ensure the utility is operated in a sustainable fashion; actual Capex may be higher or lower
- The net income figure was calculated assuming a 100% equity investment with the rate of return set at 12%
- Income tax was assumed to be at a rate of 35%