

**EXHIBIT 11 - RESPONSES TO SUPPLEMENTAL INTERROGATORIES**

Exhibit 11, Tab 1, Schedule 1

Responses to Supplemental Interrogatories from Board Staff

**RESPONSES TO SECOND ROUND OF INTERROGATORIES**  
**FROM BOARD STAFF**

1. Reference: S1.(1) Response to Board Staff Interrogatory 10

**Request**

Is the figure of \$1,034/hr for executive costs a typo? If not, please provide an explanation and arithmetical reconciliation as to how GLPT arrives at this number. If the figure includes travel costs, or other incidentals, please indicate why these would not already been captured in an existing Account for travel expenses.

**Response**

The \$1,034/hr includes the annual costs for salary, stock compensation, incentive pay and benefits for the 2009 year. The hourly amounts were calculated based on a 7.5 hour work day over 240 working days per year for each of the two executives providing service. The amount allocated to GLPT reflects an average of 13.5 days per executive per year, on the assumption of a 7.5 hour work day.

Any travel costs associated with these activities are absorbed by the parent company and are not reflected in any part of GLPT's rate application.

2. Reference: S2.(1) Response to Board Staff Interrogatory 12

**Requests**

- (i) GLPT did not answer the question in the Response to Board Staff Interrogatory 12, part (ii). Staff asked for GLPT to define “Natural Business Growth”. Staff did not ask whether or not it was occurring. Please define this term and provide concrete examples of what items GLPT would and would not consider “Natural Business Growth” in the context of this proceeding and recent reorganization.
- (ii) Please explain why the growth in staffing levels and OM&A, in particular at the OSCC, would have occurred regardless of the sale of GLPDI.
- (iii) In the Response to Board Staff Interrogatory 12, part (vii), please confirm if the incremental OM&A from 2009 to 2010 due to “natural business growth” is a permanent increase, or a temporary increase related to work programs at GLPT. Does GLPT expect work programs to decrease in 2011 and beyond to lower levels than those recorded in the test year application?

**Responses**

- (i) Natural Business Growth was a term developed by GLPT to classify certain costs. Natural Business Growth is defined by GLPT as growth that would have occurred in the transmission business regardless of the reorganization of Great Lakes Power Limited or the sale of the distribution business. This growth is related to activities that are required to maintain or improve existing operations while adhering to regulatory requirements.

The increase in vegetation management expenditures (ROW Maintenance) are an example of Natural Business Growth. The increased expenditures are required to ensure that GLPT is able to comply with IESO reliability standards for vegetation management and vegetation-caused outages, adopted from NERC reliability standards (Vegetation Management Standard FAC-003-01). GLPT has had to meet these standards regardless of any organizational or corporate changes that have taken place in connection with the transmission and distribution businesses. As such, GLPT classifies the increases in OM&A between 2006 and 2010 as a direct result of natural growth or development of the transmission business.

One example of an item that is not considered Natural Business Growth is GLPT’s reallocation of executive salaries, excluding the amount of \$70,000 related to Director, Legal and Regulatory, as this amount would have been incurred in transmission operations regardless of the split of transmission and distribution. This allocation in costs occurred as a result of the development of the organizational structure. Prior to the sale of the distribution business the shared general management team was able to oversee both the distribution business and the transmission business. At the time of the sale of the distribution business, the

members of the shared management team were relieved of their duties related to the distribution business and have since been able to focus 100% of their time and resources on the transmission business. As a result, these costs are allocated entirely to GLPT. While GLPT has experienced an increase in costs related to a stand alone management team, GLPT has received the benefit of increased productivity of the management team as outlined in response to Board Staff Supplementary Interrogatory S7(i).

Other examples of Natural Business Growth are set out in GLPT's response to Board Staff Interrogatory 12.

- (ii) Any staffing levels associated with the OSCC are independent of the sale of GLPDI because only a small component of the OSCC served the distribution business. This component continues to be provided to Algoma Power Inc., as described in response to Board Staff Interrogatory 38(ii).

Other areas where growth in staffing levels and OM&A are experienced include vegetation management, office complex costs and transmission development, all of which are a direct result of the changing environment in which GLPT operates, and would have occurred regardless of the sale of GLPDI.

- (iii) The incremental OM&A from 2009 to 2010 due to Natural Business Growth is a permanent increase related to work programs at GLPT. For the most part, GLPT does not expect work programs to decrease in 2011 and beyond to levels lower than those recorded in the test year application. The only decrease GLPT anticipates at this time is in vegetation management. The total decrease in this activity will be determined during the 2011 budgeting process, and will be incorporated in GLPT's next transmission rate application.

3. Reference: S3.(1) Response to Board Staff Interrogatory 18

**Requests**

- (i) Please provide an explanation and table which provides a summary of the evolution with respect to office complex allocation percentages. The table should clearly show 12% allocation as the starting point, and progress through to the 52% allocation to GLPT as applied, providing with each change an approximate date that the change took place, and the specific driver(s) behind the increase.
- (ii) Please provide the square footage of the building being used by GLPT at 12% allocation and contrast it with the 52% allocation. Please quantify the amount of space allocated to GLPT which is sitting idle, i.e. if GLPT has allocated excess building capacity. Does Algoma Power Inc. have a similar allocation of excess building capacity for future growth?
- (iii) Please provide the square footage of the facility that is occupied by the OSCC in both absolute terms and as a percentage of the total internal office square footage.

**Responses**

- (i) GLPT has reconciled the office complex allocation percentages to 54% as outlined in the response to Board Staff Interrogatory 18 as opposed to the 52% referenced above.

	Allocation %	Date of Change	Specific Driver
<b>Initial Allocation</b>	<b>12%</b>		Based upon employees performing transmission functions only and excluding employees that perform distribution only or a combination of transmission and distribution.
Increase related to re-allocation of office space arising from the physical separation of transmission and distribution	29%	January 1, 2009	Accurate allocation by square footage based upon stand-alone transmission
Increase related to OSCC	13%	July 1, 2009	Full Control of OSCC
<b>Allocation for Test Year</b>	<b>54%</b>		

- (ii) The square footage of the building GLPT used at 12% is not determinable. As stated in GLPT's response to SEC Interrogatory #13(f), prior to the separation, the distribution and transmission businesses shared employees and space. As such, for the time period prior to the separation, specific allocation of space at the facility at Sackville Rd. is not available.

The square footage of the building GLPT used at 54% is approximately 23,090 square feet, of which 11,440 square feet is considered office square footage. The remaining area reflects the building's basement, which includes storage, IT facilities, worker change rooms and other non-office areas.

Currently, GLPT has approximately 268 square feet of available office space for future expansion. This is reflected in the floor plan provided at Exhibit 10, Tab 3, Schedule 2, Appendix 13(f).

GLPT is not aware of any excess capacity that may or may not be available to Algoma Power Inc. in its portion of the complex.

- (iii) The area of the facility that is occupied by the OSCC is approximately 2,900 square feet or 26% of the current GLPT office allocation.

4. Reference: S4.(1) Response to Board Staff Interrogatory 21

### **Requests**

- (i) With reference to the second table provided at the Response to Board staff Interrogatory 21, part (iii), on what basis are the non-inflationary increases of 4.7% for “Union employees” in 2008-2009, as well as the non-inflationary increase of “Non-Union” employees” of 10.6% for 2008-2009 and, and 7.4% for 2009-2010, considered reasonable increases in light of the economic environment cited by and faced by the utility in these operating years?
- (ii) The Response to Board staff Interrogatory 21, part (vi), did not respond directly to the original Board staff Interrogatory 21, part (vi). Please reproduce the 19% and 40% figures mathematically based on the explanation provided. If a mathematically based response to provide this calculation is not possible, please provide an explanation as to why the calculation cannot be provided?
- (iii) With reference to Response to Board staff Interrogatory 21, part (ix), please confirm that any increases in addition to the 3% inflationary figure as a result of job class progressions may occur and are in no way automatic or guaranteed increases to the 3% figure presented.

### **Responses**

- (i) As noted in GLPT’s response to Board Staff Interrogatory #21(x), the non-inflationary increases are related to changes in staff mix and salary progressions. The changes in staff mix as related to non-unionized employees relates to changes made to the composition of the senior management team. The organizational structure of the senior management team is not unusual for the industry. This is reflected in the benchmarking study performed by First Quartile Consulting, as discussed in response to Board Staff Interrogatory 5. The changes in staff mix as related to unionized employees relates primarily to the allocation of OSCC staff to GLPT. OSCC staff are in relatively high pay bands.

Compensation is also affected by salary progressions which are commensurate with experience and education. GLPT operates in a competitive marketplace for personnel and requires highly skilled employees with various types of expertise to operate effectively. The skills of many of GLPT’s employees are sought after even in difficult economic environments (perhaps even more so in these environments, as companies are seeking higher productivity levels and greater efficiencies), and GLPT has an obligation to attract and retain high quality human resources by rewarding performance where warranted.



(ii)

<b>Increases in Benefits per FTE - 2006-2010</b>	<b>Union</b>	<b>Non-Union</b>
Pension Expense	11.6%	6.4%
Post-Employment Benefits	1.5%	1.8%
Employer Health Tax	1.3%	1.6%
Canada Pension	0.9%	0.9%
Dental Premiums	1.5%	1.7%
Health Premiums	4.1%	4.7%
Life Insurance Premiums	0.2%	0.2%
Long-Term Disability Premiums	2.0%	2.4%
Vision-care	0.8%	0.9%
Short-Term Disability Premiums	3.6%	1.1%
Employment Insurance	-0.1%	-0.1%
WSIB	0.2%	0.2%
	<b>27.5%</b>	<b>21.8%</b>
Estimated Variance Resulting from Staff Mix	<b>-1.0%</b>	<b>21.1%</b>
<b>Net Variance</b>	<b>26.4%</b>	<b>42.9%</b>
<b>Variance in Table 4-2-3 A</b>	<b>19.6%</b>	<b>39.6%</b>

The table above demonstrates the various drivers for the increase in the cost of benefits on a per FTE basis. The figures were calculated based on an average employee in each of the union and non-union groups (using the average base salary for each of 2006 and 2010 provided in *Table 4-2-3 A*). The figures are not precise primarily because there are a number of factors that can affect benefit costs such as an employee's base wages, marital status, and in some cases personal choices. However, this does provide some additional insight as to what the specific drivers are for the increases.

The variance resulting from staff mix was calculated at a high level. For the non-union group, the increase was significant because instead of temporary staff growing proportionally with the regular staff, the temporary staff decreased significantly. A high level walk-through for this calculation is as follows:

GLPT took the total benefits from 2006 (\$259,600), divided it by the total number of regular staff ( $13.5 - 2.7 = 10.8$ ) to come up with a "2006 benefit cost per regular employee" of approximately \$24,000. The "2006 benefit cost per regular employee" was applied to the 2010 regular employees ( $\$24,000 * 25 = \$600,000$ ) to identify what the benefit costs would be in 2010 using the 2010 staff mix. As noted, this yielded a total benefit cost of \$600,000, which when divided by the number of FTE's for 2010 (25.8) yielded a benefit cost per FTE of \$23,300. The variance between this benefit cost per FTE and the 2006 benefit cost per FTE was deemed to be the variance resulting from the change in the staff mix. In this case, it was

$((\$23,300 - \$19,200) / \$19,200)$ , or 21%.

(iii) Confirmed.

5. Reference: S5.(1) Response to Board Staff Interrogatory 23

**Requests**

- (i) Please provide further explanation as to how the table provided in Response to Board Staff Interrogatory 23, part (ii) is intended to be interpreted.

For instance it appears that if “Business Performance” is met 43.5% of the time for 2006, does this mean 56.5% of the time this objective was not met? Or is the appropriate interpretation if “Business Performance” for 2006 is at the 43.5% level with a weighting of 30%, that this would represent an exceeding of the objectives, on a weighted basis? (i.e.,  $0.435/0.3$ )

- (ii) In general, a company that consistently meets or exceeds its incentives may have its targets set too low. Targets that are too easily achievable generally do not provide the necessary incentive for performance improvement. Conversely, targets that are set too high result in unattainable levels of achievement and foster a defeatist attitude among employees. Generally, good performance incentives are said to be “tight but attainable”. Please comment on the level of achievement of GLPT’s performance/incentive plan with reference to the passage above.
- (iii) Can the chart be interpreted that GLPT has been progressively worse performing on “Business Performance” since 2006? Please comment on GLPT’s performance as portrayed in the chart provided.
- (iv) Based on Response to Board Staff Interrogatory 23, part (iv), can GLPT confirm that it has no idea what its performance is compared to other utilities? If GLPT does not compare itself to other utilities, then how does GLPT reasonably set and monitor its incentive plan and ensure that it implements strategies consistent with good utility practice and/or industry-wide practices?
- (v) In Response to Board Staff Interrogatory 23, part (iii) GLPT indicates that the goal is to have “employees achieve an average of 100% of incentive pay over their employment lifetime.” Please explain fully what this means and provide an example using a typical GLPT employee.

**Responses**

- (i) The appropriate interpretation is that used in the latter part of the question posed above. For 2006, the 43.5% level with a weighting of 30% indicates that GLPT exceeded the expectations and staff were rewarded at a ratio of  $0.435/0.3$  times the target incentive compensation for that objective. For 2009, the 17% level indicates that GLPT did not meet expectations and as a result staff were rewarded at a ratio of  $0.17/0.3$  times the target incentive compensation for that objective.

Each key performance criteria in GLPT's incentive plan (GLPT corporate performance objectives, working group performance, and individual performance) has an individual weighting, depending on the performance achieved within each key performance criteria.

- (ii) GLPT believes its incentive plan establishes targets that are "tight but attainable". Over the past 4 years, an average GLPT employee earned an incentive pay equal to 1.2 times their target incentive rate. Given that an employee has the potential to earn anywhere between 0 and 2 times the target incentive, it demonstrates that the targets are attainable when appropriate effort is put forth. At the same time, there has still been sufficient opportunity for employees to earn additional incentive-based compensation, which promotes further performance improvement.

GLPT would be concerned about the level of difficulty if incentive payouts were consistently at or near the maximum possible payout (ie. an average payout of 1.5 – 2.0 times the target).

- (iii) The chart can be interpreted that GLPT has had declining performance with respect to its net operating income, which is the measure of "Business Performance", since 2006. As described in responses to various interrogatory questions filed on March 3, 2010, and as illustrated in GLPT's historical and pro-forma financial statements, GLPT's net income and ROE performance has been decreasing since 2006. As described in GLPT's response to VECC Interrogatory #11, GLPT's costs have increased over this period of time with no corresponding increase in revenue.
- (iv) GLPT's incentive plan forms a part of the overall compensation package and cannot be compared to other incentive plans on a stand-alone basis. Where a competitor's incentive plan may be more or less attractive than GLPT's, there will be other factors such as base salary or benefits that may offset the discrepancies that exist in the incentive plan.

Over the past several years, GLPT has experienced various successes and challenges in attracting and retaining employees. This indicates to GLPT that the overall compensation package offered by the company is comparable to and competitive with other companies that are competing for the same human resources.

- (v) Please refer to Board Staff Supplementary Interrogatory S5 (ii). Ideally, an employee will have an average factor of 1.0 over their employment lifetime, with peaks and valleys that may occur from year to year. This is possible because the maximum factor is 2.0 and the minimum factor is 0. An average factor of 1.0 would provide that employee with 100% of their target incentive pay over that period. This means that over the course of an employee's employment with GLPT, the employee will on average meet their target level of performance.

6. Reference: S6.(1) Response to Board Staff Interrogatory 25  
S6.(2) Response to Board Staff Interrogatory 6(i) plus Appendix  
S6.(3) First Quartile Consulting Report, page 2, Graph 1 and 2

**Requests**

- (i) The list of companies provided at Reference S6.(2) forms the panel of companies which were mapped at Reference S6.(3). The companies were plotted on the graphs in quartiles rather than as individual companies.

Please provide updated versions of Graphs 1, 2, 3, and 4 at Reference S6.(3), to depict in the updated Graphs for each individual company its metric in each of the Graphs and denote that company by its alphanumeric identification. Please indicate as specific footnotes to the tables if the information for certain companies from the panel are not available for any of the plots requested.

- (ii) In Response to Board Staff Interrogatory 25, part (v), GLPT states that:

*“[The] decision to sell its distribution assets to Great Lakes Power Distribution Inc. (GLPDI) did not create upward pressure on total compensation or **staffing levels at the time of the asset sale.**” (emphasis added)*

Did the sale of the assets have an effect on total compensation or staffing levels in the period **after** the asset sale?

**Responses**

- (i) Please see **Appendix 6(i)**.
- (ii) The sale of assets to GLPDI did not have any effect on total compensation or staffing levels in the period after the sale of assets. The impacts on total compensation and staffing levels occurred after the sale of GLPDI’s shares, which is not the same as the asset sale to GLPDI. As noted in response to Board Staff Interrogatory 25(v):

“With the exception of the change in the sharing of the General Management team arising from the sale of GLPDI, any incremental positions filled in GLPT for 2009 or 2010 are related to natural business growth, as defined in GLPT’s response to Board Staff Interrogatory #12(ii). The increase in total compensation related to the shared management team is \$409,990, as reflected in Exh.4/Tab2/Sch.2 at p. 51.”

Any sharing of the general management team ended with the sale of the GLPDI shares.

7. Reference: S7.(1) Response to Board Staff Interrogatory 28

**Requests**

- (i) With reference to the Response to Board Staff Interrogatory 28, part (i) (b), please demonstrate how there has been “increased productivity relating to GLPT specific duties” for the stated new positions given that directly traceable costs for these activities have approximately doubled from previous figures. Is it not the case that comparative productivity has *decreased* on account of the increased costs regardless of any improved focus? Is GLPT using some other criteria to define productivity? Please provide an explanation and reasoning for such explanation.
- (ii) With reference to the Response to Board Staff Interrogatory 28, part (i) (b), please provide evidence which shows that accounting personnel have been reduced by 50% without a proportionate decrease in workload.

**Responses**

- (i) There has been increased productivity related to GLPT-specific duties for the General Manager, Director of Administration and the Director of Legal and Regulatory on the basis that these functions are now dedicated entirely to the transmission business. Prior to the sale of the distribution business, these functions were shared between the transmission business and the distribution business and, as a result, the scope of responsibility for these functions was wider. At that time, to complete work tasks in support of that wider scope of responsibility, the business formerly retained outside service providers to a greater extent than at present and, as described in response to Board Staff Interrogatory 39(i), relied upon the provision of services from its parent company to a greater extent than at present. Currently, by being dedicated entirely to the transmission business, GLPT has been able to reduce its dependence on consulting services with respect to First Nation and Métis affairs and for certain legal matters. Please see response to Board Staff Interrogatory 14(iii). In addition, as described in response to Board Staff Interrogatory 39(i), GLPT has been able to reduce its reliance on its shareholder for the provision of various services.<sup>1</sup>

In addition to the reduced reliance on its parent company and outside service providers, the senior management team has been able to expand its focus on transmission-specific activities and objectives. These include, for example, seeking external financing and applying to the Board for revised rates. For the above reasons, GLPT regards its senior management team as being more “productive”.

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<sup>1</sup> As described in 39(i), due to oversight the provision of these services from the parent company was not charged back to GLPT in the past.

The capacity of GLPT's senior management team is appropriately sized for an organization of similar complexity. In addition, the costs are reasonable as confirmed by the benchmarking report described in response to Board Staff Interrogatory 5.

- (ii) The following paragraph expands on the earlier response to give Board Staff a better understanding of the statement made by GLPT:

Immediately prior to the sale of distribution there were 7 staff employed in the accounting department. After the split of transmission and distribution, GLPT (transmission) retained 3 of the 7 staff. Although GLPT only retained 3 of the 7 staff, the three staff members were allocated more than 3/7 of the former workload. This is because a number of tasks require a fixed amount of time, regardless of the volume or size related to it. Some examples of these types of tasks include running payroll, running accounts payable, creating monthly reports and analyses for internal reporting, and preparing financial statements. Many of these tasks are required regardless of the size of the company and require a similar amount of time and effort to complete.

8. Reference: S8.(1) Response to Board Staff Interrogatory 38

**Requests**

- (i) With reference to Response to Board Staff Interrogatory 38, part (ii), please provide the accompanying forecasted dollar amount that is attributed to the 5% allocation of costs of the OSCC for “contact service”. Is this allocation for both capital and operating costs? Please explain.
- (ii) With reference to Response to Board Staff Interrogatory 38, part (ii), please provide any evidence GLPT has to support its claim that the original response that the historical allocation between transmission and distribution functions at the GLPL OSCC was 5%. (Presumably this means 95% was allocated to transmission functions.) Similar to the Navigant Report, were any professional studies performed to confirm that this allocation was/is appropriate? If not, please provide the basis for this allocation

**Responses**

- (i) Please refer to GLPT’s response to Board Staff Interrogatory #41(i) for the forecasted dollar amount to be allocated to the distribution company for OSCC services. This allocation includes OM&A costs only, which includes the appropriate 5% portion of the operating lease for the SCADA system.
- (ii) Please refer to GLPT’s response to Board Staff Interrogatory #41(i) which outlines the actual historical allocation between transmission and distribution. Based on the actual duties performed, management in charge of the OSCC determined the 5% estimate to be a reasonable approximation of the time and resources dedicated to the distribution business. There were no professional studies performed to confirm this allocation. In GLPT’s opinion, given the limited work performed on behalf of distribution, such a study would not have yielded an appropriate cost-benefit. To clarify, the Navigant Report dealt with the allocation of OSCC as between generation and transmission. The Report found that generation was allocated 60% and transmission/distribution was allocated 40%. Of the total costs, 2% was allocated to distribution (representing 5% of the portion allocated to transmission/distribution under the Navigant Report) and 38% was allocated to transmission (representing 95% of the portion allocated to transmission/distribution under the Navigant Report).



9. Reference: S9.(1) Response to Board Staff Interrogatory 45

**Preamble**

Board Staff Interrogatory 45 asked why management chose a partnership structure for GLPT LP rather than a corporation like that of the two owners. The Response to that Board Staff Interrogatory 45 referenced to another Response to Board Staff Interrogatory 47 ii). The response stated that another holding within Brookfield Infrastructure Holdings (Canada) Inc. (“BIH”) was structured as a partnership, a partnership structure simplifies tax return filing requirements within a group of related entities, and a partnership structure facilitates the sharing of losses within a related group of entities. The response did not address any tax advantages or disadvantages for GLPT LP (for specifically the Applicant) being structured as a partnership.

**Requests**

- (i) What are the advantages for tax purposes for GLPT LP (for specifically the Applicant) being structured as a partnership rather than a corporation, or a division of a corporation, as suggested by GLPT in the Response to Board Staff Interrogatory 47 ii)?
- (ii) What are the disadvantages for tax purposes for GLPT LP (for specifically the Applicant) being structured as a partnership rather than a corporation, or a division of a corporation, as suggested by GLPT in Response to Board Staff Interrogatory 47 ii)?

**Responses**

- (i) There are no tax-specific advantages or disadvantages for the Applicant itself from structuring GLPT LP as a partnership, since the transmission business operations are subject to Canadian and Ontario corporate taxation regardless of the form of its holding. That is, GLPT LP cannot reasonably be viewed in isolation for tax purposes because substantially all of its income and capital are taxed at the corporate level in the same way as it would be if it were a division of its limited partner, BIH (Canada), and the balance is taxed in the hands of the general partner, GLPT GP Inc.
- (ii) Please see GLPT’s response to Supplementary Interrogatory S9(i) above.

10. Reference: S10.(1) Response to Board Staff Interrogatory 46

**Preamble**

Board Staff Interrogatory 46 asked what other corporate structures were considered and rejected for the Transmission Business of the former GLPL and reasons for the rejection of other structures. Response to that Board Staff Interrogatory 46 referenced the Response to Board Staff Interrogatory 47 ii). The response stated that the partnership result is no different than had BIH held its share of the business assets of GLPT and Island Timberlands LP directly as separate divisions in the same corporation. The response did not specifically state the other corporate structures that were considered and did not provide reasons for the rejection of any alternative structure.

**Request**

- (i) In the Response to Board Staff Interrogatory 47 ii), GLPT stated that:

*“the result is no different than had BIH held its share of the business assets of GLPT and Island Timberlands directly as separate divisions in the same corporation.”*

Please outline the reasons for the rejection of this structure. Why did GLPT not state specifically that it considered structuring GLPT as a division of a corporation, or as another specific structure? Please outline the other structures that were considered and the reasons for rejection of these other structures, in particular from a tax planning standpoint

**Response**

- (i) Holding GLPT’s business through a limited partnership was considered from the outset by BIH (Canada) to be the preferred ownership structure since BIH (Canada)’s other investment, Island Timberlands, was already in partnership form at the time it was acquired and keeping BIH (Canada) as a pure holding company invested in partnerships offered the tax compliance and loss utilization efficiencies outlined in the response to Board Staff Interrogatory #47 (ii).

As a consequence of the partnership structure being the natural choice under the circumstances, there was no formal analysis performed of the alternative structures and the reasons for consideration and rejection of alternatives was implicit rather than explicit.

While holding a business through a partnership rather than simply as a division of a corporation is tax-neutral on a day-to-day basis, the existence of a partnership can simplify any potential corporate reorganization involving the relevant business.

11. Reference: S11.(1) Response to Board Staff Interrogatory 48

### Preamble

Board Staff Interrogatory 48 i) asked whether the Applicant believed that costs not incurred or not expected to be incurred in its normal business operations should be recovered from Ontario's ratepayers and to explain why, with reference to the Applicant bearing the burden of proof and ensuring that costs are reasonable and prudently incurred, as quoted in the Preambles to that Board Staff Interrogatory 48. The Response to Board Staff Interrogatory 48 cited that "in strict legal theory it is the partners who are the relevant parties in contracts entered into by a partnership." The response did not specifically address whether the requested tax provision in the proposed revenue requirement was "reasonable and prudently incurred" and did not "bear the burden of proof" to support these costs. The Response to Board Staff Interrogatory 48 stated that the **partners** of the Applicant and not the applicant itself had reasonably expected to incur these costs. No reference to "prudently incurred" costs was made by the Applicant in the response. The response did not state why these costs should be recovered from Ontario's ratepayers.

### Requests

- (i) Please state how the Applicant, and not its owners, bears the burden of proof and actually incurs "reasonable and prudently incurred" costs with respect to the requested tax provision in the proposed revenue requirement. Please explain why these costs should be recovered from Ontario's ratepayers.
- (ii) Please provide the case law references that describe what the Applicant is characterizing as "strict legal theory". The Applicant has stated that in "strict legal theory" it is the partners who are the relevant parties in contracts entered into by a partnership.

### Responses

- (i) GLPT believes the questions in Interrogatory S11 are posed from the perspective that the Applicant, GLPT LP, is a separate legal entity (See response to S11(ii), below) and that the questions suggest that any costs incurred in respect of its business that it did not incur on its own account may not be relevant to the proposed revenue requirement. While such an approach is effective and consistent with both the substance and form of a business carried on by a **corporation**, this model is not applicable to a business carried on in a **partnership**. Such an approach is inconsistent with the both the substance and legal form of Canadian partnerships.

Since partnerships are not distinct legal persons and cannot be distinguished from their partners under either common law or Canadian tax law, it is appropriate for the Board to consider the following tax-related responses as though BIH (Canada) and Great Lakes Power Transmission GP Inc., the two partners of GLPT LP, were the relevant

Applicants. This is because the partnership is comprised of the two partners. Their partnership does not create a separate or distinct legal entity. This is basically the case both in terms of economic substance and common law and it is consistent for rate application purposes as well.

GLPT interprets the question as a request for an explanation of how the Applicant, and not its owners, discharges the Applicant's burden of proof and actually incurs reasonable and prudently incurred" costs in respect of the requested tax provision and why such costs should be recovered from Ontario's ratepayers. Under the circumstances, GLPT cannot be distinguished from its partners for legal and tax purposes and, as such, it would be inequitable and legally incorrect to do so for rate application purposes. Ontario ratepayers should bear only the costs, risks and benefits arising from the provision of the regulated services in question. This standard would not be met if GLPT's rates did not take into consideration the corporate taxation of GLPT's income arising from the provision of its services.

GLPT believes that the tax calculations in question are reasonable and prudently incurred costs. Except where noted in GLPT's pre-filed evidence, taxes are calculated in compliance with both the letter and spirit of enacted federal and Ontario tax law.

(ii) A concise summary of common law and tax law views on partnerships and their partners is provided in *Madsen v. The Queen* 99 DTC 5470 (Federal Court of Appeal):

"A partnership's lack of separate legal personality is what distinguishes it from an individual or corporation. The *Income Tax Act* (the "Act") maintains this lack of legal personality, and does not generally treat partnerships as taxpayers. Instead, it is the individual partners who pay tax on the basis of their particular share of the income or losses of the partnership. In order for this "flow through" of tax consequences to take place, subsection 96(1) of the Act requires that the income or losses of the partnership be computed as if the partnership were a "separate person" and each "partnership activity" . . . were carried on by the partnership as a separate person. . . . As a part of this conceptual separation, expenditures to acquire depreciable property are capitalized at the partnership level, and capital cost allowance is only deductible at that stage. Section 1102(1a) protects the integrity of calculating capital cost allowance at the partnership level by ensuring that depreciable assets owned by a partner in his or her personal capacity are not intermingled with assets of the same class owned by the partnership. The foregoing "regime" implies nothing more than a notional construct for calculating a taxpayer's tax liability. It is a purely administrative convenience necessary to sustain the Act's view of the partnership as a conduit or vehicle for taxpayers.

In this way, the fiction of a partnership as an entity separate from the partners is temporary and does not extend to colour the true legal nature of transactions at the time they are entered into by a partnership. The characterization of legal relationships is generally left to established principles of partnership law. This approach was most recently affirmed by this Court in *Adams v. Canada* (appeal by Robinson) where

Robertson, J.A. made the following observations:

*[11] It is well accepted that at common law a partnership does not constitute a distinct legal person such that it is separate from its members. Indeed, it is the lack of a separate legal personality and limited liability that distinguishes a partnership from a corporation. In this regard, the Income Tax Act recognizes the lack of legal personality of a partnership by not treating "it" as a taxpayer. Admittedly, a partnership must file an annual information return setting out the income of the partnership, but it is the individual partners who are liable to pay tax on the partnership's income. For taxation purposes the partnership is treated as a "separate person resident in Canada" solely for the purpose of calculating income at the partnership level. In this way each partner's share of the income may be allocated accordingly: see paragraph 96(1)(a).*

*[12] Accepting that a partnership does not constitute a distinct legal entity, neither at common law nor for tax purposes, then in strict legal theory the true tenants under a lease entered into by a partnership are the individual partners existing as of the date of the lease. Title to land, whether it be freehold or leasehold, cannot vest in a non-entity such as a partnership: see A.B. Oosterhoff, W.B. Rayner, Anger and Honsberger Law of Real Property, vol. 2 (Toronto: Canada Law Book, 1985) at 1256. In the present case each of the eighteen doctors in the Partnership must be deemed to have been a tenant under the lease agreement of May 21, 1985."*

### **Preamble**

Board Staff Interrogatory 48 ii) asked that given the Board's objectives to protect the interests of consumers with respect to prices, and to promote economic efficiency and cost effectiveness in the industry, what were the assumptions and evidence that the Board should consider in approving recovery of the tax costs that will not be incurred by the regulated utility. The Response to Board Staff Interrogatory 48 ii) referenced the fact that a partnership does not constitute a distinct legal person. The response stated that:

*"...the standalone principle should be invoked such that only BIH's income earned from the regulated transmission business is taken into consideration when determining relevant income tax costs in respect of the transmission business."*

The Board's objectives were not addressed by the Applicant in its response. The response did not address the fact that the tax costs will not be incurred by GLPT LP, the regulated utility.

**Requests:**

- (iii) Given the Board's objectives to protect the interest of consumers with respect to prices and to promote economic efficiency and cost effectiveness in the industry, why should the Board approve a tax provision in GLPT LP's revenue requirement when these costs will not be incurred? The Applicant should specifically reference these Board objectives in its response.
- (iv) Why should the standalone principle be invoked when the partnership will not actually incur tax costs?

**Responses**

(iii) The tax provisions included in GLPT's rate application should be approved because a) such income taxes are costs incurred by the partners of GLPT LP that are directly related in the provision of transmission services in the Province of Ontario; and b) since these same taxes would also be incurred had the transmission business been held as a division of BIH (Canada) rather than through a limited partnership, the choice of investment vehicle in no way infringes on the interests of consumers with respect to economic efficiency and cost effectiveness in the industry.

(iv) The standalone principal was raised in GLPT's response to Board Staff Interrogatory #48 (ii) in the context of which tax costs are relevant for inclusion in GLPT's revenue requirement. That initial response and the foregoing responses in this submission affirm that taxes directly related to income earned by GLPT LP are relevant to the rate application. Since BIH (Canada) has two sources of income, one regulated (GLPT LP) and one not regulated (a timber business), the standalone principal was invoked in the interest of Ontario ratepayers to clarify that income from the timber business was not relevant to the determination of taxes specifically related to the power transmission business.

12. Reference: S12.(1) Response to Board Staff Interrogatory 49

**Preamble**

Board Staff Interrogatory 49 i) asked whether it is in the public interest of Ontario ratepayers that such ratepayers should pay for notional taxes that will not be incurred by GLPT LP since management chose its structure to be a non-taxable entity. The response referenced the Response to Board Staff Interrogatory 48 i) and ii). The response to the Interrogatory referenced “strict legal theory” such that it is the partners who are the relevant parties in contracts entered into by a partnership. The response to the Interrogatory referenced the fact that a partnership does not constitute a distinct legal person. The response to the Interrogatory stated that:

*“... the standalone principle should be invoked such that only BIH’s income earned from the regulated transmission business is taken into consideration when determining relevant income tax costs in respect of the transmission business.”*

These responses did not specifically reference the public interest of Ontario ratepayers.

**Request**

- (i) Please explicitly reference the public interest of Ontario ratepayers as to whether it is in their interest that such ratepayers should pay for notional taxes that will not be incurred by GLPT LP.

**Response**

- (i) Under the circumstances, the Applicant cannot be distinguished from its partners for legal and tax purposes and, as such, it is the opinion of GLPT that it would be inequitable and legally incorrect to do so for regulatory purposes. Ontario ratepayers should bear only the costs, risks and benefits arising from the provision of the regulated services in question. This standard would not be met if GLPT’s rates did not take into consideration the corporate taxation of GLPT’s income arising from the provision of its services.

While GLPT acknowledges that it would not be in the public interest to include taxes (notional or otherwise) that are not relevant to the regulated business, this is not the case with respect to GLPT LP’s rate application. The taxable income allocated to the partners of GLPT LP is relevant due to the nature of partnerships under common law and similar treatment under Canadian tax law. It is in the public interest for Ontario ratepayers to bear tax costs directly relevant to the services provided by GLPT LP.

**Preamble**

Board Staff Interrogatory 49 ii) asked why Brookfield believes it is in the public

interest of Ontario ratepayers that in all likelihood the distributions to the ultimate unitholders of GLPT LP may reside outside of Ontario, and the Ontario government may not get the benefit of tax revenues on such distributions. The Response to Board Staff Interrogatory 49 ii) stated that:

*“both partners of GLPT are taxable Canadian corporations and as such incur tax liabilities...”*

That response also indicated that distributions paid by BIH are paid after tax. The response did not specifically reference the fact that the Ontario government may not get the benefit of tax revenues on distributions to the ultimate unitholders of GLPT LP. It is not clear from that Response to Board Staff Interrogatory 49 ii) why it is stated that BIH distributions are paid after tax when BIH does not pay any tax.

### **Requests**

- (ii) Please explain how the Ontario government will get the benefit of tax revenues on distributions to the ultimate unitholders of GLPT LP.
- (iii) Why is the Applicant referencing in its Response to Board Staff Interrogatory 49 ii) that all distributions by BIH are paid after tax, and that both partners of GLPT are taxable Canadian corporations, when in the Response to Board Staff Interrogatory 55 f) BIH did not pay any income taxes in 2007 and 2008 and in the Response to Board Staff Interrogatory 55 e) GLPT Inc. did not pay any income or capital taxes in 2007 and paid nominal taxes 2008 (less than \$150 of total federal, provincial, and capital taxes)?

### **Responses**

- (ii) This question relates to Ontario government tax policy and not rate-making policy. As such, GLPT submits that the taxation of the ultimate investors of GLPT is beyond the scope of the Board’s mandate. This is elaborated upon in the response to Supplemental Interrogatory 15 iii) below.

It should be noted that the taxation of GLPT’s ultimate investors would be expected to be similar for all other publicly-held utilities in Ontario. For example, Union Gas and Enbridge Gas Distribution Inc. are each regulated by the Board but are wholly owned subsidiaries of public corporations (Spectra Energy and Enbridge Inc., respectively) that have other interests, operations and shareholders residing outside of Ontario.

- (iii) That the partners of GLPT LP are taxable Canadian corporations is a statement of fact. “Taxable Canadian corporation” is defined for the purposes of the Income Tax Act in subsection 89(1) and basically includes all Canadian corporations that are not tax-exempt entities. That is, both BIH (Canada) and GLPT GP Inc. are subject to taxation on their income and, in contrast to a pension fund or crown corporation, have no outright exemption from taxation in Canada.

While a corporation may be a taxable Canadian corporation, it is still only liable for



paying tax in a year in which it has taxable income. The Board observed that BIH did not pay income tax in 2007 or 2008. This is due to tax losses sustained on BIH's share of the Island Timberlands business. As outlined in GLPT's submissions on the standalone principle, it is GLPT's position that the results of BIH's unregulated activities should not factor into the calculation of regulatory revenue requirement of the regulated business.

That BIH's distributions to its shareholders are made "after tax," is also a statement of fact. A corporation is generally precluded under corporate law from making distributions to the extent that such distribution would impair the corporation's ability to satisfy its obligations. As the tax authorities are viewed as creditors in respect of any income tax liabilities, distributions are generally limited to a corporation's cash on hand after any tax liabilities have been taken into consideration.

13. Reference: S13.(1) Response to Board Staff Interrogatory 50

### **Preamble**

Board Staff Interrogatory 50 asked if GLPT believed that there is a precedent in Ontario for its request to receive a tax proxy in the revenue requirement of a regulated entity that is not taxable and to state the precedent. The Response to Board Staff Interrogatory 50 stated that GLPT believed that there is no other regulated utility in Ontario that is a limited partnership and there is no precedent in Ontario.

That response also stated that as noted in Response to Board Staff Interrogatory 47 ii) (which referenced the GLPL Distribution decision [EB-2007-0744]):

*“...the Board has established a tax allowance in an analogous circumstance of business divisions, which are in themselves not taxable entities.”*

Board staff is not clear on why the Applicant is referring to the EB-2007-0744 decision as an “analogous circumstance” and indicating that a business division, such as GLPL’s Distribution division in EB-2007-0744, is not a taxable entity. Board staff is also unclear on this statement in light of references in Great Lakes Power Limited’s 2007 electricity distribution rate application, Reply Submission, June 2, 2008 [EB-2007-0744] which stated the following:

- Page 21 “The GLPL Distribution [Division] as a regulated entity creates a tax burden for GLPL Corporate.”
- Page 22 “GLPL’s distribution net income forms part of GLPL’s corporate net income and therefore forms part of GLPL’s corporate taxable income.”
- Page 24 “At issue is the manner in which GLPL Distribution accounts for and reports for tax purposes the revenue it earns for distributing electricity in a particular year. The accounting and reporting of revenues for income tax purposes must be determined. If in a particular year GLPL Distribution on a stand alone basis reports taxable income, then GLPL Distribution would be entitled to a tax allowance.”

### **Requests**

- (i) With the above references to the EB-2007-0744 Reply Submission in mind, why does the Applicant believe that the EB-2007-0744 decision is an “analogous circumstance” to the Applicant’s circumstance, particularly since:
  - a) the corporate structures of a division and a limited partnership are different; and
  - b) GLPL Distribution was established to be taxable in EB-2007-0744 and in this proceeding the Applicant has established that GLPT LP is not

taxable. (Reference Exh.1/Tab3/Schl/GLPT LP's 2008 audited financial statements/Note 13 on page 13: "...the Partnership is not subject to income taxation...")

Please explain why the Applicant agrees or disagrees with these statements.

### **Responses**

(i) While GLPT agrees that divisions of a corporation have fundamental differences with partnerships in terms of form, there are in substance sufficient similarities between the structures to inform the Board on the equitable treatment of partnerships in the absence of definitive regulations on the matter.

In particular, as a division of a corporation, GLPL's Distribution business was not in and of itself a standalone legal person. This parallels GLPT's legal status as a limited partnership. Moreover, the income earned by GLPL's Distribution division was taxed in the hands of the corporate entity that owns the division: Great Lakes Power Limited. Similarly, GLPT LP's income is taxed in the hands of the two corporate entities that have partnership interests (i.e., each has an undivided interest in the limited partnership's assets and liabilities): BIH (Canada) and GLPT GP Inc. In substance, GLPL's Distribution division and GLPT LP have much in common in terms of taxation.

In this context, the quotations cited by the Board from the Reply Submission dated June 2, 2008 [EB-2007-0744] (pages 21, 22 and 24) are analogous to the case at hand. To illustrate, the quotations have been revised below by inserting the names of GLPT LP, BIH and GLPT GP Inc., as appropriate. This illustration demonstrates that the principles being expressed remain equally true if the references to GLPL and its distribution division are applied instead to GLPT and its partners:

*Page 21 "[GLPT LP] as a regulated entity creates a tax burden for [BIH and GLPT GP Inc.]."*

*Page 22 "[GLPT LP's] net income forms a part of [BIH and GLPT GP Inc.'s] corporate net income and therefore forms part of [BIH and GLPT GP Inc.'s] corporate taxable income."*

*Page 24 "At issue is the manner in which [GLPT LP] accounts for and reports for tax purposes the revenue it earns for [transmitting] electricity in a particular year. The accounting and reporting of revenues for income tax purposes must be determined. If in a particular year [GLPT LP] on a standalone basis reports taxable income, then [GLPT LP] would be entitled to a tax allowance."*

Rather than GLPL Distribution having been established to be taxable in EB-2007-0744, it was established that the taxable income arising from GLPL Distribution's operations were relevant to determining the tax costs to be included in GLPL Distribution's regulatory revenue requirement. This is a subtle but important

distinction because the taxable income arising from GLPT's transmission operations are relevant to the current rate application in much the same way.

14. Reference: S14.(1) Response to Board Staff Interrogatory 51

**Preamble**

Board Staff Interrogatory 51 i) asked for the split between the return of capital and income on the distributions from GLPT LP in 2008, in dollars and percentages. The Response to Board Staff Interrogatory 51 i) referenced the fact that no SIFT tax is applicable to distributions by GLPT LP. That response stated that

*“a partnership’s entire income for the year will be taxed in the hands of the partners regardless of whether any actual cash distributions are made.”*

That response indicated that the taxation of partnership income is independent of the partnership’s cash distribution policies. That response did not state how the payments from the Applicant are structured to its owners and how these payments were characterized for tax purposes.

**Request**

- (i) How were the payments from the Applicant structured to its owners in 2008 and 2009? How was it characterized for tax purposes? Please provide a breakdown in dollars and percentages between income, return on capital, and draw on capital.

**Response**

(i) As a partnership, all of GLPT LP’s income for a year is allocated to its partners, included in the partners’ income and added to the partners’ respective capital accounts. All cash distributions are draws against the balances of those capital accounts. As expressed in the response to Board Staff Interrogatory #51 (i), the taxation of the partnership income is completely independent of these draws.

The 2008 audited financial statements for GLPT LP reported total allocations of partnership income of \$10.71 million and distributions of \$9.54 million.

At the time of filing this response, GLPT expects that the 2009 financial statements will report allocations of partnership income of \$7.42 million and distributions of \$9.0 million.

**Preamble**

Board Staff Interrogatory 51 ii) asked for the planned or actual distribution splits between the return on capital and income from GLPT LP for 2009 through 2013, in dollars and percentages. The Response to Board Staff Interrogatory 51 ii) referenced the fact that no SIFT tax is applicable to distributions by GLPT LP so the split between return of capital and income is not relevant. That response did not state how the

payments from the Applicant are structured to its owners and how these payments were characterized for tax purposes.

**Request**

- (ii) How will the payments from the Applicant be structured to its owners for 2009 through to 2013? How will it be characterized for tax purposes? Please provide a breakdown in dollars and percentages between income, return on capital, and draw on capital.

**Response**

- (ii) As discussed in response S14 (i), all income for each of the partnership's fiscal years will be automatically allocated to the partners, included in their taxable income and added to their partnership capital accounts. All cash distributions to the partners will be draws against those partnership capital accounts.

**Preamble**

Board Staff Interrogatory 51 iii) asked the Applicant to demonstrate how tax will be paid by the partners of GLPT LP, in light of the fact that distributions to the partners will likely be a return of capital and no tax will be paid. Response to Board Staff Interrogatory 51 iii) stated that any distributions of cash by GLPT LP to the partners should have no impact on the taxability of the partnership income in the hands of the partners. The tax impacts of the cash distributions were not discussed.

**Request**

- (iii) Please describe the tax implications of the cash distributions by GLPT LP to the partners with references to the differences between income, return on capital, and draw on capital.

**Response**

- (iii) As discussed in GLPT's response to Interrogatory #51 i), the concepts of distributions of income versus capital are relevant to trusts but not to partnerships. All cash distributions by a partnership are draws on the partners' respective capital accounts. In basic terms, for tax purposes, income earned by the partnership in a year is included in a partner's taxable income for that year and is also added to the adjusted case of the partner's partnership interest (i.e., the tax equivalent of the capital account). Draws on the capital account reduce the adjusted cost base of the partner's partnership interest. If a limited partner's adjusted cost base goes below zero due to a distribution of cash, the partner is deemed to have realized a capital gain for tax purposes to the extent of the negative adjusted cost base.

15. Reference: S15.(1) Response to Board Staff Interrogatory 52

### **Preamble**

Board Staff Interrogatory 52 asked for the split between return of capital and income on the distributions from Brookfield Infrastructure Partners LP to the public unitholders in 2006, 2007, and 2008, in dollars and percentages. The Response to Board Staff Interrogatory 52 stated that the split between income and returns of capital is not relevant to the partnership.

That response referenced an extract from BIP's public declarations but did not specifically provide the exact reference. That response indicated that distributions received by the unitholders reduce the tax cost of Brookfield Infrastructure Partners units.

However, that response did not state that that this is similar to a return on capital, where tax on the distributions paid is deferred until the unit is sold. The response did not indicate what the reduction of tax cost was for the unitholders in 2006, 2007, and 2008, in dollars and percentages.

### **Requests**

- (i) Please provide the exact reference document including page number for "BIP's public declarations" stated in the response to Staff IR #52.
- (ii) What was the reduction of tax cost of the units for the Brookfield Infrastructure Partners LP unitholders in 2006, 2007, and 2008, due to distributions paid by the LP, in dollars and percentages? Does the Applicant agree that a reduction of tax cost is similar to a return on capital?
- (iii) As the "ultimate" unitholders of GLPT LP are the unitholders of Brookfield Infrastructure Partners LP, and distributions paid to these unitholders are a reduction of tax cost of the units (effectively deferring tax to be paid), why is it in the best interests of Ontario ratepayers to pay for a notional tax cost in GLPT LP's revenue requirement when the Ontario government may not get in the future the benefit of tax revenues paid by the unitholders?

### **Responses**

- (i) As disclosed in footnote 4 of the response to interrogatory 52 i), BIP's declarations can be most easily accessed at the following web page:

[http://www.brookfieldinfrastructure.com/ir\\_tax.html](http://www.brookfieldinfrastructure.com/ir_tax.html)

The referenced statement can be found under the heading "Tax Treatment of

Distributions”.

(ii) BIP was established in 2007, so there is no 2006 information to report. Further, BIP did not acquire the transmission assets until March, 2008.

BIP’s comprehensive income for 2008, its first full year of operations, was US\$24.1 million. Cash from operating activities was US\$22.3 million. Distributions to unitholders in the year were US\$20.3 million. For Canadian tax purposes total taxable income allocated to partners for 2008 was \$15.7 million (\$0.678 per unit times 23,160,269 partnership units outstanding). Roughly 77% of the 2008 distributions related to taxable income earned for tax purposes in 2008. GLPT submits that this fact in isolation is not in any way probative in respect of this rate application. First, this includes results from several unregulated investments in addition to GLPT LP. Second, due to temporary differences between tax and accounting rules, in any given year, it is expected that income for tax purposes will not necessarily equal the accounting results.

Concerning the question of reductions in tax cost and whether they are similar to returns of capital, partnership distributions/draws and returns of capital are similar in the sense that they both reduce the adjusted cost base of the investment on which the cash distribution is made.

(iii) The tax calculations included in the rate submission are limited to the allocations of taxable income from GLPT LP to its direct partners. No amounts relating to the potential taxation of the indirect owners of GLPT are included in the rate submission. GLPT respectfully submits that BIP’s distributions to its investors are not relevant to the current rate application as the scope of the interests of the Ontario ratepayers does not extend so broadly to encompass Ontario fiscal policy and its overall system of taxation. The OEB has no jurisdiction to pierce the corporate veil of the corporate partners of GLPT LP to establish a tax allowance based upon the unitholders of BIP. In other words, the Board cannot look past a corporation to the ultimate owner of the corporation because the corporation is a separate and distinct entity in law.

Concerning whether BIP’s distributions are tax-deferred, the distributions to partners come from after-tax cash sources. That is, a distribution comes either from partnership income that has already been allocated to—and subject to taxation in the hands of—the partner, or from the original capital contributed to the partnership by the partner, which would have come from the partner’s own after-tax cash holdings. While partnership distributions do reduce the adjusted cost base of the partner’s interest in the partnership, the only tax deferral related to this is the fact that taxation on a partnership interest itself is contingent on a) the partner actually disposing of the interest; or b) the adjusted cost base of the interest being reduced below zero (as discussed in GLPT’s response to Interrogatory S14 (iii)).



16. Reference: S16.(1) Response to Board Staff Interrogatory 54

**Preamble**

Board Staff Interrogatory 54 asked the Applicant to provide the audited financial statements for GLPL Transmission Division for the years ended December 31, 2005 and 2006. The audited financial statements for the year ended December 31, 2006 were not filed in response to Board Staff Interrogatory 54 or in the original application.

**Request**

- (i) Please file the audited financial statements for the year ended December 31, 2006 for GLPL Transmission Division.

**Response**

- (i) GLPT omitted this document from its response to Board Staff Interrogatory 54 in error. Please see **Appendix 16(i)** for the requested document.

17. Reference: S17.(1) Response to Board Staff Interrogatory 55

**Preamble**

Board Staff Interrogatory 55 a) asked for the federal T2 and Ontario CT23 signed tax returns, and all supporting schedules, and the federal and Ontario Notice of Assessment and any Notice of Reassessment (with Statement of Adjustments) for the corporation that owned the GLPL Transmission division for the 2006, 2007, and 2008 tax years. The tax returns and some notices of assessment were filed, however the audited financial statements which accompanied the tax returns filed with The Canada Revenue Agency were not filed.

**Requests**

- (i) Please provide the audited financial statements which accompanied the tax returns filed with The Canada Revenue Agency and the Ministry of Finance for the corporation that owned the GLPL Transmission division for the 2006, 2007, and 2008 tax years. If the audited financial statements are viewed as confidential by the Applicant, please state exactly where in the audited financial statements that competitive information is being disclosed.
- (ii) The Applicant stated in its response to the IR that “GLPT is seeking copies of GLPL’s Ontario notices of assessment for 2006, 2007, and 2008, as well as GLPL’s 2006 federal notice of assessment from its parent.” Please provide such notices of assessment. Please provide any federal and Ontario notices of reassessment.

**Responses**

- (i) The requested information is being filed in accordance with the Board’s *Practice Direction on Confidential Filings*.
- (ii) No additional information is available at the time of filing this interrogatory response.

**Preamble**

Board Staff Interrogatory 55 d) asked for the federal T2 and Ontario CT23 signed tax returns, and all supporting schedules, and the federal and Ontario Notice of Assessment and any Notice of Reassessment (with Statement of Adjustments) for Great Lakes Power Transmission Inc. (“GLPT Inc.”) and Brookfield Infrastructure Holdings (Canada) Inc. (“BIH (Canada) Inc.”) for the 2006, 2007, and 2008 tax years. The tax returns and some notices of assessment were filed, however the audited financial statements which accompanied the tax returns filed with The Canada Revenue Agency were not filed.

### Requests

- (iii) Please provide the audited financial statements which accompanied the tax returns filed with The Canada Revenue Agency and the Ministry of Finance for GLPT Inc. and BIH (Canada) Inc. for the 2006, 2007, and 2008 tax years. If the audited financial statements are viewed as confidential by the Applicant, please state exactly where in the audited financial statements that competitive information is being disclosed.
- (iv) The 2007 BIH (Canada) Inc. Ontario Notice of Assessment was not filed as stated. The Applicant stated that other notices of assessments had not been received yet from the taxation authorities. Please provide the 2007 BIH (Canada) Inc. Ontario Notice of Assessment. Please provide the federal and Ontario notices of assessment for GLPT Inc. for 2007 and 2008. Please provide the federal and Ontario notices of assessment for BIH (Canada) Inc. for 2008. Please provide any federal and Ontario notices of reassessment.

### Responses

- (iii) GLPT Inc. and BIH (Canada) had no income from transmission activities in 2006 and 2007. As such, GLPT has not included financial statements for that period. There are no audited financial statements which accompanied the tax returns in 2008. The partners prepared an income reconciliation form that was provided with the 2008 income tax returns. GLPT has attached this information for both GLPT Inc. and BIH (Canada). The information in respect of GLPT Inc. is provided in **Appendix 17(iii)** and the information in respect of BIH (Canada) is being filed in accordance with the Board's *Practice Direction on Confidential Filings*.
- (iv) No additional information is available at the time of filing this interrogatory response.

18. Reference: S18.(1) Response to Board Staff Interrogatory 60

### **Preamble**

Board Staff Interrogatory 60 i) asked for the fair market value in dollars for tax purposes of the transmission assets on, or about, March 12, 2008. The Response to Board Staff Interrogatory 60 i) stated that the fair market value of the transmission assets on March 12, 2008 for tax purposes is dictated by the net book value of the fixed assets, which was \$210.4 million. Staff is unclear why the Applicant stated that the fair market value of the transmission assets for tax purposes was “dictated by the net book value of the fixed assets.”

### **Requests**

- (i) Does the Applicant believe that it is a true statement that “the fair market value of the transmission assets on March 12, 2008 for tax purposes is dictated by the net book value of the fixed assets...”, as stated in the Response to Board Staff Interrogatory 60 i)? Please explain.
- (ii) Does the Applicant agree that the statement quoted in (i) above is contradictory to the statement made in the prefiled evidence on Exh. 4/Tab3/Sch.2/Page 5/Lines 13-14. This statement in the prefiled evidence states “... the tax value of the assets to GLPT going forward is higher than GLPL ‘s closing balance.”

Please provide explanation of the seemingly contradictory statements shown above.

### **Responses**

- (i) The applicant believes the statement is true. The future cash flow is directly related to the net book value of the assets.
- (ii) GLPT does not agree that the statement quoted in (i) above is contradictory to the statement made in the prefiled evidence on Exh. 4/Tab3/Sch.2/Page 5/Lines 13-14. The statement quoted in (i) above relates to the determination of fair market value. The reference to tax value in the statement referred to in (ii) relates to the calculation of UCC balances for tax purposes. Put more simply, the UCC of the transmission assets when acquired by GLPT LP was higher than the historic UCC in the hands of GLPL prior to the sale because the new UCC is based on the March 2008 purchase price (i.e., fair market value), which exceeds the historic UCC. This is elaborated in the response to (iii), below.

### **Preamble**

Board Staff Interrogatory 60 iii) and iv) asked for the tax values in dollars of the assets sold by GLPL on or about March 12, 2008 and for the tax values in dollars of the assets

purchased by GLPT LP on or about March 12, 2008.

### **Requests**

- (iii) Why is the opening UCC of assets purchased approximately \$48 million greater than the closing UCC of assets sold?
- (iv) Please explain how the Response to Board Staff Interrogatory 60 iv) impacts the numbers provided in that same Response to Board Staff Interrogatory 60 part iii) and part iv) - please provide detailed calculations.

This statement by the Applicant in the Response to Board Staff Interrogatory 60 iv) stated that:

*“...under Canadian tax law, the maximum UCC that can be added from the purchase of depreciable assets from a related party is the original cost to the vendor plus 50% of any capital gains realized by the vendor upon the sale.”*

Please provide the tax reference material that supports the above quoted statement.

### **Responses**

- (iii) The opening UCC of assets purchased by GLPT LP is approximately \$48 million greater than the closing UCC of assets sold by GLPL because the new UCC is based on the amount paid by GLPT LP for the assets. However, since this was a non-arm's length transaction, the maximum amount GLPT LP can add to its opening UCC balance is the original cost incurred by the vendor plus 50% of any capital gains realized by the vendor upon the sale, as per subparagraph 13(7)(e)(ii) of the *Income Tax Act*.
- (iv) As referenced in (iii), above, the provision that limits UCC in non-arm's length transactions is subparagraph 13(7)(e)(ii) of the *Income Tax Act*.

To reconcile the \$48 million difference between GLPL's closing UCC balance of \$140 million and GLPT LP's opening UCC balance of \$188 million, the \$188 million balance is determined pursuant to subparagraph 13(7)(e)(ii) of the *Act* as follows:

Original tax cost of transmission assets:	\$179.6 million
Plus 50% on gain on sale of assets:	\$8.8 million
Equals total UCC to GLPT LP:	\$188.4 million

19. Reference: S19.(1) Response to Board Staff Interrogatory 61

**Preamble**

Board Staff Interrogatory 61 ii) asked who was the regulator that approved the comprehensive revaluation of \$78,941,000 to be included in rate base. The Applicant stated in its response that:

*“neither the AOP [APH] nor GAAP required that assets and liabilities that had been previously valued in accordance with GAAP be revalued for purposes of establishing APH accounts.”*

The Applicant did not list the regulator that approved the comprehensive revaluation in rate base.

**Request**

- (i) Please state the regulator that knowingly approved the comprehensive revaluation of \$78,941,000 in rate base.

**Response**

- (i) There was no regulatory requirement for GLPL to make a rate filing in respect of the comprehensive revaluation.

At all times, GLPT and its predecessor, GLPL, accounted for all transactions and prepared its financial statements in accordance with GAAP. The APH was approved by the Board in November 1999, with an implementation date of January 1, 2000. The APH was wholly prospective in its application and its transition provisions applied only to the capitalization of MEU's. The value of GLPL's assets as of December 31, 2000 was its net book value of its assets based upon GAAP and the APH accounts were established on that basis. The APH did not require disclosure of any asset revaluations in periods prior to the implementation of the APH. The transaction in question occurred four years prior to the APH and before contemplation of market opening.

For clarification purposes, the amount that was initially recorded in GLPL's audited financial statements relating to the 1996 comprehensive revaluation was \$84,100,000. The difference between the \$84,100,000 and \$78,941,000 represents the value associated with assets that had been written off between 1996 and 2005. These are gross asset values before depreciation. The depreciated amount included in the 2001 rate application (RP-2001-0035) was \$76,480,520.

**Preamble**

Board Staff Interrogatory 61 iii) asked for the Decision that approved the comprehensive revaluation of \$78,941,000 to be included in rate base. No decision reference was provided.

### **Request**

- (ii) Please state the decision reference that approved the comprehensive revaluation of \$78,941,000 in rate base.

### **Response**

- (ii) Please see response to (i) above.

### **Preamble**

Board Staff Interrogatory #61 v) asked whether the treatment (of the Applicant requesting to disregard the implications of the tax revaluation for regulatory tax purposes) was not inconsistent with what was done before with the previous comprehensive revaluation of \$78,941,000 for accounting and regulatory purposes that was apparently included in rate base. The Applicant stated in its Response to Board Staff Interrogatory 61 v) that “GLPT does not believe the tax treatment of the two transactions to be inconsistent.” In the prefiled evidence (Exh. 4/Tab 3/Sch.2/Pg. 4-6), the Applicant is requesting to disregard the implications of the tax revaluation for regulatory tax purposes. It is stated In Exh. 4/Tab 3/Sch.2/Pg. 6/Lines 18-19 that:

*“the transaction is effectively neutral for both accounting and tax purposes in the eyes of the ratepayer.”*

### **Requests**

- (iii) Although the 1996 transaction was not recognized as a taxable transaction by The Canada Revenue Agency, this comprehensive revaluation of \$78,941,000 was apparently added to rate base, and it is unclear whether this bump up was included in the UCC used to calculate CCA in prior proceedings. This higher CCA could have been used to calculate a lower tax proxy in EB-2005-0241.

In this proceeding, the implications of the tax revaluation for regulatory tax purposes is requested to be disregarded, thus the ratepayers do not get the benefit of a higher UCC and CCA, and lower requested tax proxy.

- (iv) Please explain why this is not an inconsistency of treatment.

Does the Applicant agree that ratepayers have been paying higher rates since 1996 due to the comprehensive revaluation of \$78,941,000 of fixed assets being included in rate base? Please explain why the Applicant agrees or disagrees with the statement.

- (v) Does the Applicant agree that the comprehensive revaluation of \$78,941,000

was not generated from building assets, but rather that the acquirer (Brascan) incurred these costs in buying the underlying assets at a premium over the underlying book value? Please explain why the Applicant agrees or disagrees with the statement.

- (vi) Does the Applicant agree that the excess of the \$78,941,000 over the underlying value of the fixed assets for regulatory purposes should have been shown as goodwill and excluded from rate base in prior proceedings and in this current proceeding? Please explain why the Applicant agrees or disagrees with the statement.
- (vii) Does the Applicant agree that the last rates approved for Great Lakes Power Limited, prior to RP-2001-0035, was in 1995, prior to the comprehensive revaluation of \$78,941,000 that occurred in 1996? Please explain why the Applicant agrees or disagrees with the statement.
- (viii) Does the Applicant agree that RP-2001-0035 was the first rate case before any regulator to determine the revenue requirement for Great Lakes Power Limited's Transmission Division, subsequent to the comprehensive revaluation of \$78,941,000 which occurred in 1996? Please explain why the Applicant agrees or disagrees with the statement.
- (ix) If the Applicant does not agree with the previous Question/Request, i.e., in (viii) above, please provide the rate case reference and provide the reference within the case that disclosed the comprehensive revaluation.
- (x) Does the applicant agree that the rate base disclosed in RP-2001-0035, Schedule 2, Transmission Revenue Requirement, for the year ending December 31, 2000 was \$125,625,000 and included the comprehensive revaluation of \$78,941,000? Please explain why the Applicant agrees or disagrees with the statement.
- (xi) Does the Applicant agree that this comprehensive revaluation of \$78,941,000 was not disclosed in RP-2001-0035? Please explain why the Applicant agrees or disagrees with the statement. If the Applicant does not agree, please provide the reference in RP-2001-0035 or in a prior proceeding which disclosed the comprehensive revaluation.

### **Responses**

- (iii) The 1996 comprehensive revaluation was not a taxable transaction. As a result, there was no change permitted to UCC balances for tax purposes. At the time of filing RP-2001-0035, GLPL believed that the financial statements prepared in accordance with GAAP and the then UCC balances for tax purposes should be carried forward to form the basis of the transmission utility for rate making purposes.



With respect to the March 12, 2008 transaction, GLPT believes it is abiding by the APH, since that transaction occurred post 2000, and is accounting for the transaction appropriately. GLPL incurred the tax consequence of the transfer through Recapture of Capital Cost Allowance and Reductions in UCC values, and no incremental cost (or benefit) related to the transaction was experienced by the ratepayer.

- (iv) It is the Applicant's position that the rates charged were and are appropriate, as the rates are based on a rate base that was net book value at the time it was initially approved by Board and was consistent with GAAP and the APH.
- (v) The comprehensive revaluation in 1996 was related to a fair market revaluation that resulted from Brascan's purchase of the majority interest in GLP Inc., the company that effectively controlled the transmission assets at the time. The comprehensive revaluation was consistent with and in accordance with Canadian GAAP and was included in the audited financial statements of GLPL.
- (vi) No, please see (i) above.
- (vii) The applicant agrees that the rate approval prior to RP-2001-0035 was before the 1996 transaction.
- (viii) RP-2001-0035 was the first rate case before the Board.
- (ix) Not applicable.
- (x) Please see (i) above.
- (xi) Please see (i) above.

20. Reference: S20.(1) Response to Board Staff Interrogatory 65  
S20.(2) Response to SEC Interrogatory 11  
S20.(3) Ontario Resource and Transmission Assessment Criteria, Issue 5.0, issued by the Independent Electricity System Operator (“IESO”)/Section 2.7.1 “The Bulk Power System Contingency Criteria”/pages 7-8

### Preamble

- (1) In Reference S20.(1) (Response to Board Staff Interrogatory 65), part (i), the Applicant stated in part that:

*“The Redevelopment project can be broken down into two sub projects: (1) Equipment replacement and (2) Station re-configuration.*

*For the equipment replacement portion of the project, these costs are all “non-discretionary” based on the fact that the drivers for replacement are:*

- *Inadequate Voltage Ratings*
- *Inadequate Fault interrupting ratings”*

- (2) In Reference S20.(2) (Response to SEC Interrogatory 11), Question (c), it is stated that:

*“Project need is described at Exhibit 2, Tab 1, Schedule 1 at pp. 14–19. To date, through continuous monitoring, GLPT has identified the following performance issues:*

- *Bus Connection Overheating - Infrared scans identified thermal issues on a number of bus connections. Where possible, connections were replaced. However, due to the existing bus configuration limitations, access to certain connectors was not possible and the connections have not been replaced. GLPT continues to monitor this situation.*
- *Insulator Cracking - It has been identified that 63 station strain bus insulators were cracked. 30 of the 63 were replaced. The other 33 cannot be replaced due to the existing station configuration limitations. (See Exhibit 2, Tab 1, Schedule 1, p. 17).*
- *Breaker Heating - It was identified that a connection between a bushing and bus conductor on Circuit Breaker 492 was overheating. The breaker was taken out of service, repaired and placed back into service.”*

- (3) In Reference S20.(3), page 8, second paragraph lists the seven (7) severe

contingencies that the bulk system should withstand.

### **Requests**

- (i) In regard to Reference S20.(2) and Preamble (2), please give details on the period of time needed and the effort level expected to replace the remaining bus connections referred to.
- (ii) In regard to Reference S20.(2) and Preamble (2), please give details on the period of time needed and the effort level expected to replace the remaining 33 station strain bus insulators referred to.
- (iii) To justify the replacement of 115 kV equipment/facilities at Third Line TS, did GLPT's staff or its consultants perform an assessment of the existing configuration and the system elements (breakers, buses. .etc) within it, simulating the seven (7) contingencies as stated in Reference S20.(3), page 8, second paragraph? If such a study was completed please provide it. If such a study was not carried out, please explain why this was not undertaken? and how long would it take to complete such a study?

### **Responses**

- (i) It is GLPT's intention to replace all bus connections through the Redevelopment Project. The Redevelopment Project would replace the existing 115 kV section of Third Line TS, which includes all bus connections. Regarding the possibility of replacing the remaining bus connections referred to in Preamble (2) as a stand-alone project, the time and effort required would be very significant and project feasibility would be a significant challenge. In particular, such a stand-alone project, as a result of the current station configuration, would require multiple total station outages. It is estimated that up to five outages would be required, each lasting approximately 10-12 hours. Each outage represents the estimated period of time needed to replace one connector. Each such outage would result in the entire City of Sault Ste Marie, as well as all connected industrial customers and generators, being without power for the entire duration of each such outage. The feasibility of coordinating and communicating such a series of lengthy outages would be an extremely significant challenge. As the connectors in question are located mid-way on the main bus and are of a 'T' compression configuration where, if the heating is internal (which can only be determined by close examination), then, if an outage could be coordinated, the entire main bus would also require replacement. This work would involve the replacement of the conductor drop and main bus connections and potentially the main bus, which would add significant time, cost and complexity to the project. Due to these complexities and the significant impact the project would have, GLPT does not believe that the replacement of the bus connections alone is a prudent approach. The Redevelopment Project would address the issues related to the bus connections in a more efficient manner and with no impact to connected loads, while also

addressing the myriad of other deficiencies associated with the station, as described in the pre-filed evidence.

- (ii) It is GLPT's intention to replace all station strain bus insulators through the Redevelopment Project. The Redevelopment Project would replace the existing 115 kV section of Third Line TS, which includes all station strain bus insulators. Regarding the possibility of replacing the station strain bus insulators referred to in Preamble (2) as a stand-alone project, for the same reasons as described in response to 20(i), above, the time and effort required would be very significant and project feasibility would be a significant challenge. Because these insulators support a bus that crosses above both main buses, a total station outage would be required for isolation. GLPT estimates the time to replace one set of strain insulators (3 phases) is approximately 10 - 12 hours. As such, to replace all suspect insulators would require up to 11, 12-hour station outages, if such outages could be coordinated. Due to these complexities and the significant impact the project would have, GLPT does not believe that the replacement of the station strain bus insulators alone would be a prudent approach. The Redevelopment Project would address the issues related to these insulators in a more efficient manner and with no impact to connected loads, while also addressing the myriad of other deficiencies associated with the station, as described in the pre-filed evidence.
- (iii) GLPT has not performed these studies or hired consultants to perform these studies as it is GLPT's understanding that it is the responsibility of the IESO to do so. The IESO performs studies on the Bulk Power System annually as per the following NERC standards: TPL-001, TPL-002, TPL-003 and TPL-004 and in accordance with NPCC criteria A-02.

The IESO studies have identified high post contingency voltages present within the GLPT system under certain conditions and has discussed these with GLPT. GLPT has communicated to the IESO that the existing GLPT equipment cannot withstand the post contingency voltages.

GLPT does not have a copy of any of the annual IESO studies that have been completed.

21. Reference: S21.(1) Response to Board Staff Interrogatory 65  
S21.(2) Ontario Resource and Transmission Assessment Criteria,  
Issue 5.0, issued by the Independent Electricity System  
Operator (“IESO”)

### **Preamble**

(1) In Reference S21.(1), the Applicant stated that

*“For the station reconfiguration portion of the project, these costs are also classified as “non-discretionary” as it falls under both the need to satisfy obligations specified by Regulatory Organizations as well as addressing equipment loading issues. Specifically, transmitters are required to satisfy all applicable standards when modifying or building new facilities.”*

### **Request**

- (i) In regard to Reference S21.(1) and Preamble (1), please indicate where in the Report it is stated that the reconfiguration of an existing station has to comply with the requirements in Reference S21.(2), which GLPT is citing as justification for classing the “Station Reconfiguration” as “non-discretionary”.

### **Response**

- (i) It is GLPT’s belief that it is “Good Utility Practice” to follow IESO guidelines when modifying or constructing new facilities, this includes following the guidelines in the IESO Ontario Resource and Transmission Assessment Criteria (ORTAC). Specific sections applicable to the Redevelopment Project are as follows:
- 4.7.2 Loading Criteria, page 23, paragraph 3 states that “circuit breakers, current transformers, disconnect switches, buses and all other system elements must not be restrictive.” The existing overhead cross-bus at Third Line TS is underrated and is therefore restrictive.
  - B.2 - Analysis of System Connections section, page B-2, states that the key factors that must be considered when evaluating a switching or transformer station include:
    - Extendibility- The design should allow for forecast need for future extensions if practical. The current configuration of the 115 kV portion of Third Line TS does not allow for any future extensions.
    - Maintainability - The design must take into account the practicalities of maintaining the substation and associated

circuits. It should allow for elements to be taken out of service for maintenance without negatively impacting *security* and quality of supply. The current configuration of the 115 kV portion of Third Line TS does not allow for maintenance of any equipment associated with the overhead cross bus. Moreover, for certain elements of the station to be taken out of service, there would be a negative impact on security and quality of supply.

- Operational Flexibility - The physical layout of individual circuits and groups of circuits must permit the required operation of the *IESO-controlled grid*. The current physical configuration of the 115 kV portion of Third Line TS does not provide appropriate operational flexibility.
- B.3 General Requirements for Station Layouts explains:
  - “This section identifies general requirements for all station layouts based on *good utility practice* and operational efficiency. Acceptable system performance will dictate the acceptability of any proposed layout. This section provides the electrical single line diagram and does not reflect physical layouts. See section B.4 for information on physical layout.”
- B.3.3 – Maximum Breakers section, page B-4:
  - “Station layout should be such that a maximum of 6 High Voltage (500kV, 230kV and 115kV) and up to 2 capacitor or 2 Low Voltage breakers are needed to trip following any fault (operation of the capacitor breaker does not involve interruption of fault current).”
  - GLPT staff considered the current configuration of the 115 kV portion of Third Line TS in light of this requirement and found that, should a fault occur on the North bus, circuit breakers 435, 455, 473, 492, 512, 515 and 495 (all 115 kV High Voltage circuit breakers) would trip. This would result in a total of 7 breakers operating. Similarly, should a fault occur on the South Bus, circuit breakers 445, 465, 462, 485, 482, 505 and 502 would trip. This is not compliant with the ORTAC report.

22. Reference: S22.(1) Exh. 2/Tab 1/Sch. 1/p. 15/lines 1-3  
S22.(2) Response to SEC Interrogatory 11  
S22.(3) Response to Board Staff Interrogatory 63, Exhibit 10/  
Tab 1/Sch 2/Appendix 63(i), the Wardrop Report  
S22.(4) Exh 2/Tab 1/Sch. 1/p. 23/lines 5-10  
S22.(5) Ontario Resource and Transmission Assessment Criteria,  
Issue 5.0, issued by the Independent Electricity System  
Operator (“IESO”)

### **Preamble**

- (1) In Reference S22.(1), the Applicant stated that:

*“The circuits, breakers, disconnect switches, bus components (insulators), PTs and protection equipment (relays) are at the end of their typical useful life and are therefore in need of replacement. “*

- (2) In Reference S22.(2) (Response to SEC Interrogatory 11), Question (d), the Applicant stated that:

*“It is GLPT’s intention to decommission the existing portion of the 115 kV section of the station as the assets are taken out of service. Where possible, GLPT intends to redeploy assets that are removed from service. “*

- (3) In Reference S22.(3) (The Wardrop report), in the Table on page 25 of 36, the item titled “major matl’s — diameter breakers”, it shows for Option 2, \$2,700,000 and for Option 5, \$3,060,000

- (4) In Reference S22.(4), GLPT stated that:

*“Station Expandability - The proposed design provides sufficient space within the station to permit future growth at minimal incremental cost, relative to current project costs. This would relate to any additional 115 kV circuits or a third autotransformer, should the need arise. For example, this would allow the station to accommodate growth arising from the need to connect renewable energy generation facilities.”*

### **Requests**

- (i) In regard to References S22.(1) and S22.(2) and the corresponding Preambles (1) and (2), please clarify whether or not GLPT’s intention is to redeploy all 15 breakers it now has regardless of the Option that would be implemented?
- (ii) With regard to Reference S22.(3), and Preamble (3), please clarify whether the cost estimate shown in page 25 under the item titled “major matl’s — diameter

breakers” include the cost of breakers in the case of Option 2 and that of Option 5.

- (iii) In Reference S22.(3), the layout for Option 2 (on page 9) show that for additions of four new positions, 5 new breakers are needed, and for Option 5 (on page 12) additions of four new positions, 9 new breakers are needed. Given the fact the GLPT stated in Reference S22.(4) that expandability is expected, please provide the cost data by completing the Table below:

Scenario	Option 2 Total Station Cost (for Scenario (II), add cost of <b>5</b> new breakers) \$	Option 5 Total Station Cost (for Scenario (II) add cost of <b>9</b> new breakers) \$
<b>(I) Status Quo</b> - assume the <b>existing 15 breakers would be replaced with new breakers</b>		
<b>(II) Expansion</b> - assume additional breakers to accommodate <b>4 New Positions</b>		

- (iv) Given that the in Reference S22.(5), the IESO report recommends a station layout reflecting (Breaker and a Third Configuration - similar to Option 2), and that GLPT is proposing Option 5 reflecting (Breaker and a Half Configuration), please provide quantitative analysis to show the cost/benefit analysis for each of the two scenarios and the associated costs (which GLPT will be providing) as outlined in Question (iii) above.
- (v) Should the Board ends up classifying this project in total or in part as “Discretionary”, how long would it take the Applicant to provide evidence based on economic evaluation of quantitative benefits versus costs to support justification for the Redevelopment Project.

**Responses**

- (i) GLPT will not deploy any of its 14 bulk oil breakers, which are insufficiently rated for continued use, as explained in Exhibit 2, Tab 1, Schedule 1- Equipment Age and page 16 of 81 – Equipment Rating. GLPT will re-deploy one SF-6 breaker that currently has adequate fault interrupting ratings as well as adequate voltage ratings.
- (ii) The referenced cost estimate includes the purchase of new breakers.



- (iii) GLPT has not stated that expansion is expected. Reference S22. (4) comments that the proposed design would permit future growth, but does not go so far as to state that such future growth is expected at this time. The new station will be designed in accordance with the IESO Ontario Resource and Transmission Assessment Criteria (ORTAC), Appendix B, section B.2 – Analysis of System Connections, bullet two – Extendibility. As such, the new station will allow for the possibility of future extensions, if necessary and practical. The ability to accommodate potential future extensions is a function of station configuration and is not associated with any incremental costs. As such, ratepayers are not being asked to incur any present costs associated with future extendibility. No future extensions are being proposed as part of the Redevelopment Project. Accordingly, no estimates have been developed.

Scenario	Option 2 Total Station Cost (for Scenario (II), add cost of 5 new breakers)	Option 5 Total Station Cost (for Scenario (II) add cost of 9 new breakers)
<b>(I) Status Quo -</b> assume the <b>existing 15 breakers would be replaced with new breakers</b>	\$20,202,500 (includes 25% contingency per Wardrop Report, p. 20)	\$21,596,250 (includes 25% contingency per Wardrop Report, p. 20)
<b>(II) Expansion -</b> assume additional breakers to accommodate <b>4 New Positions</b>	No estimates have been developed for cost of potential future breakers	No estimates have been developed for cost of potential future breakers

- (iv) GLPT would like to clarify that there are two basic options available. The first basic option is to do-nothing. This is reflected by Option 1 in the Wardrop Report, which was eliminated from further consideration as it was found to provide an inadequate resolution to the problems being addressed. The second basic option is to do something. Options 2-5 in the Wardrop Report all fall within this category. Options 2-5 are all similar in their configuration and cost. Moreover, each of Options 2-5 meet IESO requirements as set out in the ORTAC report. The proposed breaker and a half configuration provides all of the benefits of the breaker and a third configuration, as well as additional benefits. With respect to the request for quantitative cost/benefit analysis, given the preliminary nature of the cost estimates and the 25% contingency included within the estimates, the approximate \$1.4 million difference between the cost estimates for Options 2 and 5 is not a prudent basis for distinguishing between the two options. Rather, GLPT selected Option 5, on the recommendations made by Wardrop, on the basis that this option will provide the greatest benefit. The benefits of Option 5 relative to the benefits of Option 2 are described

beginning on p. 27 of Exhibit 2, Tab 1, Schedule 1 of the pre-filed evidence.

- (v) GLPT reiterates its submission that this is a non-discretionary project for the reasons set out in its pre-filed evidence at Exhibit 2, Tab 1, Schedule 1. Among the reasons for this classification that have been provided are as follows:
- The only feasible solution to the significant worker safety issues associated with the 115 kV bus is the Redevelopment Project;
  - The only reasonable and safe alternative that would avoid significant supply interruptions to the City of Sault Ste Marie and directly connected loads is the Redevelopment Project;
  - All major existing equipment, including disconnect switches, have inadequate voltage ratings and are therefore in need of replacement;
  - GLPT is obligated to meet the requirements set out in the Transmission System Code. Section 6.1.1 of the Code requires a transmitter to design and construct new or modified connection facilities in accordance with all applicable standards and instruments referred to in section 5.1.2 of the Code. Section 5.1.2 of the Code identifies the following standards and instruments: the Code, the transmitter's licence, its operating agreement with the IESO, the Market Rules, all connection agreements, good utility practice, the standards of all applicable reliability organizations and any applicable law. Options 2-5 described in the Wardrop Report would enable GLPT to meet the standards of good utility practice and the standards of applicable reliability organizations. As noted, GLPT believes that Option 5 is the preferred option.

GLPT estimates that it may take at least 3 months to develop an economic evaluation of quantitative benefits versus costs to support justification for the Redevelopment Project. This estimate would be in addition to the time needed to identify and retain a suitably qualified third party consultant to provide such evaluation services.

23. Reference: S23.(1) Exh. 5/Tab 1/Sch. 1 - Cost of Capital  
S23.(2) Response to Board Staff Interrogatory 92  
S23.(3) Response to Board Staff Interrogatory 93  
S23.(4) Response to Board Staff Interrogatory 94  
S23.(5) Response to Board Staff Interrogatory 95

### **Preamble**

- (1) In Reference S23.(1), GLPT states that it is proposing a deemed capital structure of 57.5% debt and 42.5% equity for the 2010 test year.
- (2) In Reference S23.(2), GLPT states that it “has updated its debt/equity structure to a structure of 55/45, in accordance with its actual capital structure, which was also approved for the transmission company in EB-2005-0241.” It has provided similar statements in Reference S23.(4), and has used the 55% debt and 45% in the tables shown in Reference S23.(2) and in the filed Revenue Requirement Work Form spreadsheets filed in Reference S23.(5).
- (3) In Reference S23.(3), GLPT shows a pro forma “actual” 2010 capital structure of 56.61 % debt and 43.39% equity.

### **Requests**

- (i) Please provide further explanation of why GLPT has changed its proposed capital structure for setting the 2010 revenue requirement and rates to 55% debt and 45% equity.
- (ii) If the expected pro forma “actual” structure is expected to be 56.61 % and 43.39% as shown in Reference S23.(3), why is GLPT now proposing a 55% debt and 45% equity deemed capital structure in Reference S23.(2) and S23.(4)?

### **Responses**

- (i) The Board’s Cost of Capital Report (EB-2009-0084) indicates on page 50 that a reassessment of a transmitter’s capital structure will only be undertaken in the event of a significant change in the company’s business and/or financial risk. Given there has not been a significant change in the company’s business and/or financial risk, there is no reason to reassess GLPT’s capital structure at this time.

Because GLPT’s evidence was filed prior to the release of the Board’s Report, GLPT had indicated its intention to transition to a 60/40 capital structure in accordance with its interpretation of the Board’s December 2006 Report on Cost of Capital. However, in light of the Board’s more recent Report, GLPT now requests that it maintain its capital structure of 55/45, as approved in EB-

2005-0241. As indicated above, there has not been a significant change in the company's business and/or financial risk. Therefore, there are no identifiable reasons to reassess the capital structure at this time.

- (ii) Please refer to Board Staff Supplementary Interrogatory S23 (i). GLPT is not proposing to change its current Board Approved capital structure of 55% debt and 45% equity as there has not been a significant change in the company's business and/or financial risk.

24. Reference: S24.(1) Exh. 5/Tab 1/Sch. 1 - Cost of Capital  
S24.(2) Response to Board Staff Interrogatory 93  
S24.(3) Response to Board Staff Interrogatory 94  
S24.(4) Excerpt from pages 41-42 of the Reply Submissions of  
Kitchener-Wilmot Hydro Inc., February 10, 2010, in its  
2010 Distribution Rates application being considered  
under Board File No. EB-2009-0267

### **Preamble**

- (1) In Reference S24.(2) part (ii), GLPT states that:

*Neither GLPT nor its predecessor GLPL has had a short-term debt component in its rate base or revenue requirement for rate-setting purposes. GLPT has not been in front of the Board for rate-setting purposes since 2005, which is prior to the publishing of the Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors on December 20, 2006. This report was GLPT's first experience with a short-term debt component of rate base.*

- (2) In Reference S24.(4), Kitchener-Wilmot Hydro Inc. states:

***81. It is a well understood principle of corporate finance that firms need both a long-term (or permanent) investment in working capital and a short-term or cyclical one. The permanent working capital investment provides an ongoing positive net working capital position, that is, a level of current assets that exceeds current liabilities. This allows KW Hydro to operate with a comfortable financial margin and minimizes the risk of being unable to pay its employees, vendors, lenders, or the government (for taxes). To have a continuous positive net working capital, a company must finance part of its working capital on a long-term basis.***

***82. Beyond this permanent working capital investment, KW Hydro also needs seasonal or cyclical working capital. Since the demand for power and KW Hydro's controllable expenses vary over the course of a year, KW Hydro needs to finance these costs to prepare for their peak sales period and accounts receivable until cash is collected. KW Hydro acknowledges that cyclical working capital can sometimes be financed by short-term debt since the seasonal build-up of assets to address seasonal demand will be reduced and converted to cash to repay borrowed funds within a short predictable period. However, KW Hydro does not accept the suggestion that the cyclical portion of working capital should be used as a proxy for the short-term debt applicable to a***

*utility's capitalization structure. [Emphasis added.]*

### **Requests**

- (i) Please confirm GLPT's view that its rate base, for rate-setting purposes consists of net fixed assets and an allowance for cash working capital.
- (ii) Please confirm GLPT's understanding of whether short-term debt was taken into account in the setting of electricity distribution and transmission rates when GLPT had its rates set under Board File No. EB-2005-0241.
- (iii) Please provide GLPT's view on Kitchener-Wilmot Hydro's submission that working capital is composed of both long-term (or permanent) and short-term (or cyclical) components which are funded, or can be funded, respectively by longer-term and short-term debt financing. Please explain your response.
- (iv) GLPT's proposal amounts to funding its rate base, including the allowance for cash working capital, through equity and long-term debt only. Please explain in detail how only using longer-term capitalization (equity and long-term) is efficient for financing cyclical or short-term working capital requirements.
- (v) Given that the Board has adopted a short-term debt component of rate base for setting the revenue requirement and rates for electricity transmission and distribution sector, as documented in the December 20, 2006 Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, and continued in the December 11, 2009 Report of the Board on Cost of Capital for Ontario's Regulated Utilities, to reflect, in part short-term funding of at least part of the working capital allowance, should not the Board deem a portion of GLPT's rate base, for rate-setting purposes, as funded by short-term debt.
- (vi) If the Board were to deem a portion of rate base as being funded by short-term debt, please provide, with reasons and support, GLPT's estimates of what should be the short-term debt capitalization and the short-term debt rate.

### **Responses**

- (i) Confirmed.
- (ii) GLPT is not aware of short-term debt being incorporated in the setting of any electricity rates when GLPT had its rates set under Board File No. EB-2005-0241.
- (iii) GLPT agrees with the quoted portion of the Kitchener-Wilmot Hydro submission, as stated in Preamble (2), subject to the circumstances described in 24(iv) below.

- (iv) GLPT's working capital requirements are relatively small in comparison to many other utilities. This is demonstrated by the working capital allowance sought by GLPT in this rate application. The Board's standard calculation of a utility's working capital allowance is 15% of controllable expenses. For GLPT, this would equate to a working capital allowance of approximately \$1.7M. However, GLPT is only seeking a working capital allowance of approximately \$0.4M, which is only 3.6% of its controllable expenses.

Given that the total working capital allowance sought is only \$0.4M (0.2% of GLPT's total rate base of \$209M), of which at least a portion is funded by long-term debt, GLPT's view is that deeming a portion of this allowance as cyclical or short-term would produce a result that is not materially different from the result of using the long-term debt rate for all working capital requirements.

As a result, to simplify the calculation and allow for regulatory efficiency, GLPT has not included a short-term debt provision in its cost of capital calculation.

- (v) Given that the total working capital allowance sought by GLPT in this application is only \$0.4M (0.2% of GLPT's total rate base of \$209M), of which at least a portion is funded by long-term debt, GLPT's view is that deeming a portion of this allowance as cyclical or short-term would produce a result that is not materially different from the result of using the long-term debt rate for all working capital requirements.

As a result, to simplify the calculation and allow for regulatory efficiency, GLPT has not included a short-term debt provision in its cost of capital calculation.

- (vi) If the Board were to deem a portion of rate base as being funded by short-term debt, GLPT would submit that for simplicity, the portion of rate base be equal to one half of the working capital allowance sought in the application. This would represent the cyclical or short-term working capital requirements of GLPT, which would attract the short-term debt rate. Based on the working capital allowance sought in the application, this would equate to a short-term debt capitalization of approximately \$200,000.

The appropriate short-term debt rate would be the short-term debt rate calculated by the Board and released annually for each rate year (along with the other cost of capital parameters). Per the Board's letter dated February 24, 2010, the rate would be 2.07%.

25. Reference: S25.(1) Response to Board Staff Interrogatory 97,(iv)

### **Preamble**

(1) In Response to Board Staff Interrogatory 97,(iv), GLPT responded by stating that:

*As demonstrated in the table in GLPT's response to Board Staff Interrogatory 96 (i), there is very little year-over-year variation in the actual charge determinants of the three pools. The one area where a five year average would have produced an inaccurate figure is in the Transformation Connection pool. In this case, GLPT used a three year average which eliminates the older information that is based on peak load information collected under different circumstances. Therefore, it is GLPT's opinion that the simple average method employed by GLPT is the "best fit technique."*

(2) Board staff is of the view that performing regression analysis on the monthly data provided by GLPT (see Response to Board Staff Interrogatory 97,(i) using the monthly data in the "live MS-Excel spreadsheet") is important in order to compare the results proposed by GLPT with the results of a methodology used in various applications including load forecasting.

### **Requests**

(i) Please provide the results of regression analysis to produce forecasts for the year 2010 performed as follows:

#### For Network and Line Connection

- (a) for the Network Pool and the Line Connection Pool, please use the "66 monthly demand data"<sup>2</sup> provided by GLPT in its Response to Board Staff Interrogatory 97,(i), to perform linear regression which would produce a single forecasted monthly demand for the Network Pool and another single forecasted monthly demand for the Line Connection Pool. Also provide for the two regressions performed, the standard adequacy test results, such as the "R-Square" results.. .etc.
- (b) For each of the two monthly data sets (a Network set and a Line Connection set), repeat the exercise in (a) except this time please attempt non-linear regression techniques and provide for each non-linear model tested the "model's standard adequacy results" such as the "R-Square"...etc.
- (c) Compare the non-linear models' results, from (b) above, with

---

<sup>2</sup> The monthly demand data covers 6 months of 2004, 12 months for each of the following 5 years (2005 to 2009).



results produced in (a) and select the best fit model. Use the monthly result from the best fit model to produce an annual demand<sup>3</sup> for each of the two pools.

For Transformation Connection

- (d) For the Transformation Connection Pool please use the “36 monthly demand data”<sup>4</sup> provided by GLPT in its Response to Board Staff Interrogatory 97,(i), and perform a linear regression which would produce a single forecasted monthly demand for the Transformation Connection Pool. Also provide the standard adequacy test results, of the model such as the “R-Square” results. ..etc.
- (e) Repeat the exercise in (d) except please attempt non-linear regression techniques and provide for each non-linear model tested the “model’s adequacy results” such as the “R-Square”...etc.
- (f) Compare the non-linear models’ results, from (e) above, with results produced in (d) and select the best fit model. Use the monthly result from the best fit model to produce an annual demand<sup>5</sup> for the Transformation Connection Pool.

Responses

Please see **Appendix 25**.

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<sup>3</sup> The monthly demand multiplied by 12 would produce the annual demand.

<sup>4</sup> The monthly demand data for the years 2007, 2008 and 2009. Older data does not reflect the current situation due to sale of Transformation assets to a customer as indicated in the pre-filed evidence.

<sup>5</sup> The monthly demand multiplied by 12 would produce the annual demand.

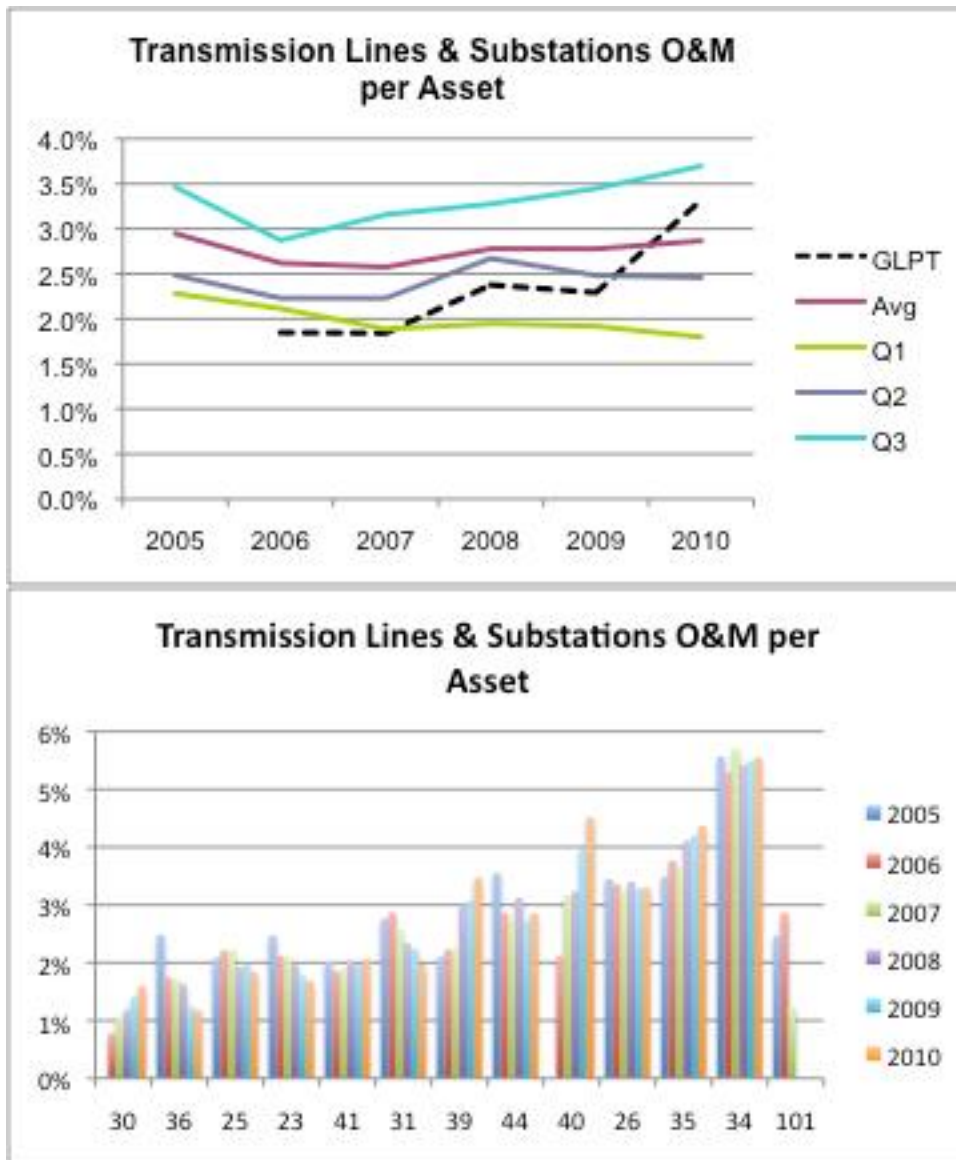
Exhibit 11, Tab 1, Schedule 2

Appendices to the Supplemental Responses to Interrogatories  
from Board Staff

**EXHIBIT 11 - TAB 1 - SCHEDULE 2  
LIST OF APPENDICES**

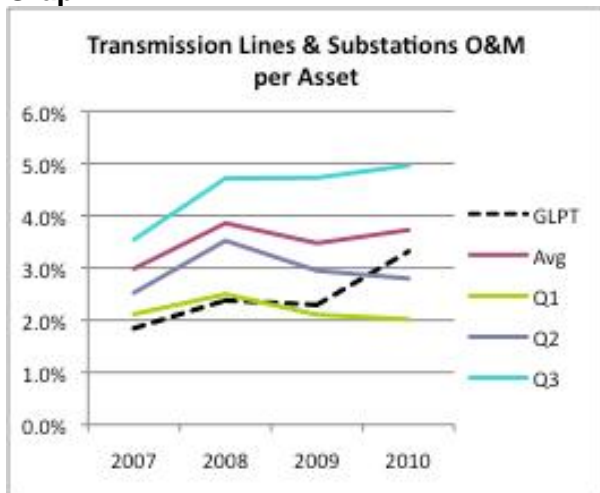
- 6(i) Updated Graphs from FQC
- 16(i) 2006 Audited Financial Statements - GLPL Transmission Division
- 17(iii) 2008 Income Reconciliation - GLPT Inc.
- 25 Demand Forecasts

Graph 1:

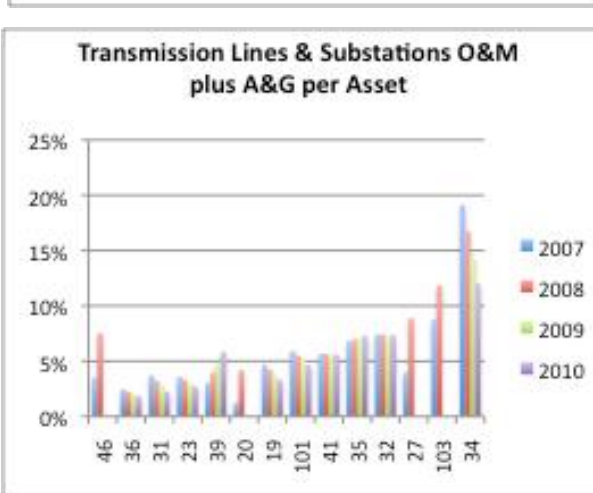
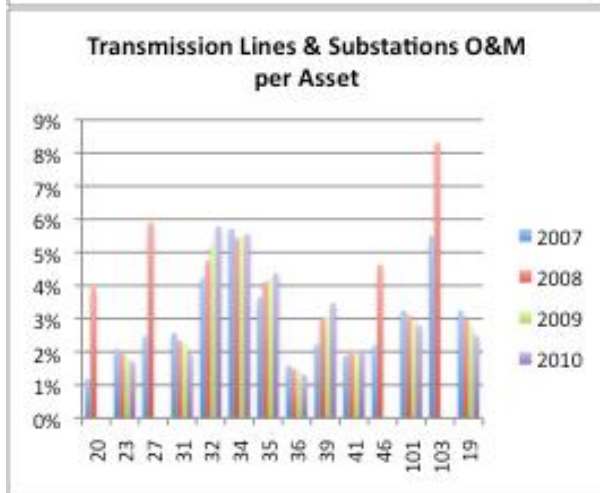
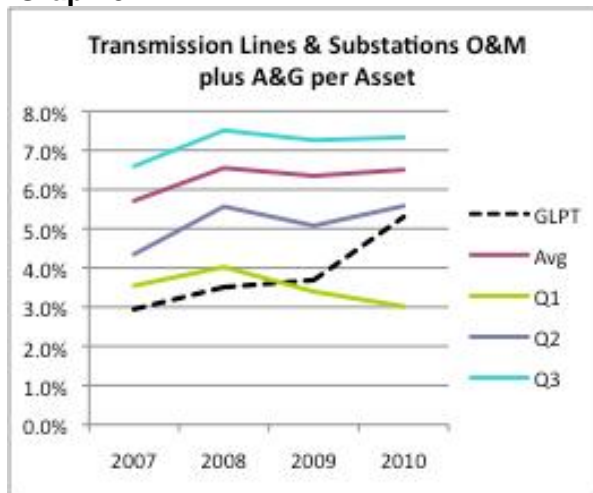


Footnote: companies 30 and 40 are missing 2005 data and company 101 is missing 2007. 2009 and 2010 is projected for all companies except 101.

**Graph 2**



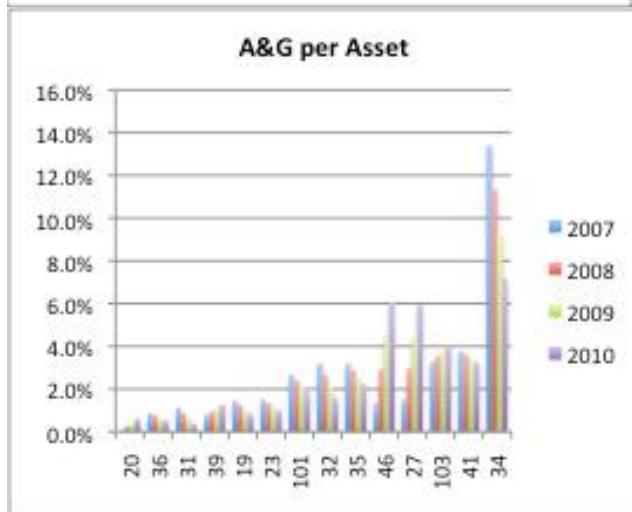
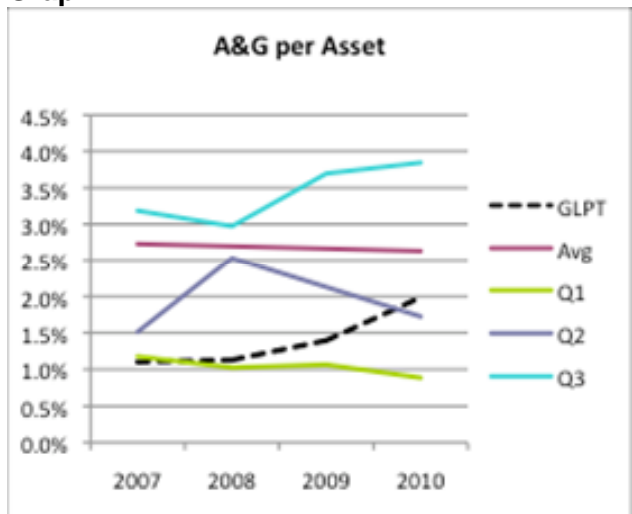
**Graph 3**



Graph 2 footnotes: For companies 20, 27, 46 and 103, 1QC did not calculate a forecast because of the significant jump in data from one year to the next. No company is missing data for 2007 and 2008.

Graph 3 footnotes: For companies 20, 27, 46, and 103, 1QC did not calculate a forecast because of the significant jump in data from one year to the next. No company is missing data for 2007 and 2008.

**Graph 4**



Graph 4 footnotes: No data was missing, so all companies have all data.

## Financial Statements

# **GREAT LAKES POWER LIMITED TRANSMISSION DIVISION**

December 31, 2006

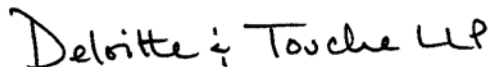
## Auditors' Report

To the Directors of  
Great Lakes Power Limited

We have audited the balance sheet of Great Lakes Power Limited Transmission Division (the "Division") as at December 31, 2006 and the statements of capital account, income, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
March 22, 2007



**GREAT LAKES POWER LIMITED TRANSMISSION DIVISION**  
**BALANCE SHEET**  
**As at December 31**

<i>thousands of CDN dollars</i>	Notes	2006	2005
<b>Assets</b>			
<i>Current assets</i>			
Cash		\$ 4,937	\$ 1,960
Accounts receivable		3,512	5,595
Due from related parties	3	8,500	6,505
Prepaid expenses and other		157	109
Taxes receivable		-	616
Current portion of regulatory asset	6	1,649	1,649
		<b>18,755</b>	16,434
<b>Regulatory asset</b>	6	<b>3,299</b>	4,948
<b>Property, plant and equipment</b>	4	<b>195,954</b>	182,182
		<b>\$ 218,008</b>	\$ 203,564
<b>Liabilities and Capital Account</b>			
<i>Current liabilities</i>			
Accounts and other payables		\$ 5,159	\$ 10,356
Taxes payable		4,501	-
Due to related parties	3	6,173	1,086
		<b>15,833</b>	11,442
<b>Future income taxes</b>	9	<b>21,513</b>	23,236
<b>First mortgage bonds</b>	5	<b>115,750</b>	115,750
		<b>153,096</b>	150,428
<b>Capital account</b>		<b>64,912</b>	53,136
		<b>\$ 218,008</b>	\$ 203,564

*See accompanying notes to the financial statements.*

**GREAT LAKES POWER LIMITED TRANSMISSION DIVISION**  
**STATEMENT OF CAPITAL ACCOUNT**  
**Year ended December 31**

<i>thousands of CDN dollars</i>	<b>2006</b>	<b>2005</b>
Balance, beginning of year	\$ 53,136	\$ 44,154
Net income	11,776	8,982
<b>Balance, end of year</b>	<b>\$ 64,912</b>	<b>\$ 53,136</b>

*See accompanying notes to the financial statements.*

**GREAT LAKES POWER LIMITED TRANSMISSION DIVISION**  
**STATEMENT OF INCOME**  
 Year ended December 31

<i>thousands of CDN dollars</i>	Notes	2006	2005
<b>Revenues</b>		<b>\$ 34,686</b>	<b>\$ 28,909</b>
<b>Expenses</b>			
Operating and administrative		4,277	4,558
Maintenance		1,475	968
Interest	8	6,555	2,565
Depreciation		5,530	4,425
Taxes, other than income taxes		482	519
		<b>18,319</b>	<b>13,035</b>
<b>Net operating income</b>		<b>16,367</b>	<b>15,874</b>
Loss on disposal of property, plant and equipment, net	6	(1,436)	(1,671)
Other income		179	90
<b>Net income before income taxes</b>		<b>15,110</b>	<b>14,293</b>
Income taxes - current	9	5,057	5,413
Income taxes - future	9	(1,723)	(102)
<b>Net income</b>		<b>\$ 11,776</b>	<b>\$ 8,982</b>

*See accompanying notes to the financial statements.*

**GREAT LAKES POWER LIMITED TRANSMISSION DIVISION**  
**STATEMENT OF CASH FLOWS**  
 Year ended December 31

<i>thousands of CDN dollars</i>	Notes	2006	2005
<b>Operating activities</b>			
Net income		\$ 11,776	\$ 8,982
Items not affecting cash			
Depreciation		5,530	4,425
Future income taxes		(1,723)	(102)
Loss on disposal of property, plant and equipment, net	6	1,436	1,671
Net change in non-cash working capital	7	7,042	7,576
		<b>24,061</b>	<b>22,552</b>
<b>Investing activities</b>			
Due from related parties		(1,995)	(6,405)
Proceeds on disposition of property, plant and equipment		250	-
Additions to property, plant and equipment		(19,339)	(44,079)
		<b>(21,084)</b>	<b>(50,484)</b>
<b>Financing Activities</b>			
Due to related parties		-	27,000
		-	27,000
Increase (decrease) in cash		2,977	(932)
Cash, beginning of year		1,960	2,892
Cash, end of year		\$ 4,937	\$ 1,960

*See accompanying notes to the financial statements.*

# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006  
*(in thousands of CDN dollars)*

## 1. NATURE AND DESCRIPTION OF BUSINESS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on the basis that the Transmission Division (the "Division") of Great Lakes Power Limited ("GLPL") operates as a separate legal entity. The Division is engaged in the transmission of electricity to the area adjacent to Sault Ste. Marie, Canada and is subject to the regulations of the Ontario Energy Board (the "OEB"). These divisional financial statements do not include all of the assets, liabilities, revenues and expenses of GLPL. Consolidated financial statements of GLPL have been prepared for issuance to the shareholders and have been reported on by its auditors.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied in the preparation of these financial statements:

(a) *Property, plant and equipment*

Property, plant and equipment are recorded at cost, including costs of acquisition incurred by the Division and its parent, less accumulated depreciation. The cost of the property, plant and equipment is depreciated over the estimated service lives of the assets as follows:

	Method	Rate
Buildings	Straight-line	40 years
Transmission stations, towers and related fixtures	Straight-line	25 to 40 years
Equipment	Straight-line	5 to 40 years

Construction work in progress is not depreciated until the assets are put into service.

(b) *Impairment of long-lived assets*

The Division reviews long-lived assets for other than temporary impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The determination of whether impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets, as compared to the carrying value of the assets. Should an asset be considered to be impaired, an impairment loss is recognized in an amount equal to the excess of the asset's carrying value over its fair value.

(c) *Capitalization of interest*

Interest on funds used in construction is charged to construction work in progress at the prescribed rate of return applicable to the rate base.

(d) *Revenue recognition*

The Division recognizes revenue on an accrual basis, when electricity is wheeled, at the regulated rate established by the OEB.

# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(in thousands of CDN dollars)

(e) *Income taxes*

The Division uses the asset and liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Division's financial affairs and its impact on taxable income and tax losses.

(f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. During the years presented, management has made a number of estimates and valuation assumptions including accruals, depreciation and those relevant to the defined benefit pension plan. Estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

(g) *Rate Regulation*

On January 1, 2005, the Division adopted CICA Handbook Accounting Guideline 19, *Disclosure by Entities Subject to Rate Regulation*. The Division is regulated by the OEB. Accounting standards recognize that rate regulation can create economic benefits and obligations, which are reported in the financial statements as regulatory assets and liabilities. When the regulation provides assurance that incurred costs will be recovered in the future, the Division may defer these costs and report them as a regulatory asset. If current recovery is provided for costs expected to be incurred in the future, the Division reports a regulatory liability. Also, if the regulation provides for lesser or greater planned revenue to be received or returned by the Division through future rates, the Division recognizes and reports a regulatory asset or liability, respectively. The measurement of such regulatory assets and liabilities are subject to certain estimates and assumptions, including assumptions made in the interpretation of the regulation.

### 3. RELATED PARTY TRANSACTIONS

- (a) The Division has provided advances to and received advances from entities under common control in the normal course of operations. The Division has also provided advances to and received advances from other divisions of GLPL. These advances are non-interest bearing, unsecured and due on demand.
- (b) In the normal course of operations, Riskcorp Inc., an insurance broker related through common control, entered into transactions with GLPL to provide insurance. These transactions have been measured at exchange value. The total cost allocated to the Division in 2006 for these services was \$117 (2005 - \$124) and no amount remains outstanding at year end (2005 - \$nil).
- (c) As a result, the following balances are receivable (payable) at December 31:

# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(in thousands of CDN dollars)

	2006	2005
<i>Due from related parties</i>		
Advances to other divisions of GLPL	\$ 8,500	\$ 6,505
<i>Due to related parties</i>		
Advances from other divisions of GLPL	\$ (5,892)	\$ (1,081)
Advances from entities under common control	(281)	(5)
	\$ (6,173)	\$ (1,086)

## 4. PROPERTY, PLANT AND EQUIPMENT

	2006			2005
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 544	\$ -	\$ 544	\$ 544
Buildings	15,466	4,475	10,991	11,318
Transmission stations, towers and related fixtures	231,568	49,342	182,226	147,349
Equipment	-	-	-	350
Construction work in progress	2,193	-	2,193	22,621
	\$ 249,771	\$ 53,817	\$ 195,954	\$ 182,182

Cost and accumulated depreciation as at December 31, 2005 were \$230,881 and \$48,699, respectively.

Property, plant and equipment were comprehensively revalued to fair value in 1996. At December 31, 2006, the fair value adjustment and the related accumulated depreciation were \$78,941 and \$19,888, respectively (2005 - \$78,941 and \$17,915, respectively).

## 5. FIRST MORTGAGE BONDS

	2006	2005
Series 1 First Mortgage Bonds	\$ 384,000	\$ 384,000
Subordinated First Mortgage Bonds	115,000	115,000
	\$ 499,000	\$ 499,000

The Series 1 First Mortgage Bonds ("Series 1 Bonds") bear interest at the rate of 6.60%. Semi-annual payments of interest only are due and payable on June and December 16 each year until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Series 1 Bonds will commence on December 16, 2013 and will continue until and including June 16, 2023. The Series 1 Bonds will not be fully amortized by their maturity date. The remaining principal balance of the Series 1 Bonds will be fully due on June 16, 2023.

The Subordinated First Mortgage Bonds bear interest at the rate of 7.80%, payable on June and December 16 each year, and are due on June 16, 2023.

The Series 1 First Mortgage Bonds and the Subordinated First Mortgage Bonds are both secured by a charge on generation and transmission present and future real property assets of GLPL. The fair market value of the First Mortgage Bonds is \$576,262 (2005 - \$526,713) based on current market prices for debt with similar terms.

# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(in thousands of CDN dollars)

A total of \$115,750 of the Series 1 Bonds (2005 - \$115,750) has been allocated to the Division. Interest on the allocated Bonds is expensed in accordance with the interest rate prescribed by regulation. In 2006, the interest rate was 6.6% (2005 - 6.6%).

## 6. EFFECT OF RATE REGULATION

The Division recorded the following regulatory asset as at December 31, 2006:

	2006	2005
<i>Regulatory assets</i>		
Deferred loss on disposal of transmission assets	\$ 4,948	\$ 6,597
Less: current portion	(1,649)	(1,649)
Long-term portion	\$ 3,299	\$ 4,948

The Division operates in accordance with the regulations of the OEB. Regulatory assets and liabilities represent certain revenues earned or costs incurred in the current year or in prior years that have been or are expected to be recovered from customers upon approval from the OEB. In the absence of rate regulation, these balances would have been recorded as revenues or expenses in the statement of income.

### *Deferred loss on disposal of transmission assets*

As prescribed by regulatory order, gains or losses on disposal of assets are recorded as a regulatory asset or liability subject to approval by the OEB. For the year ended December 31, 2005, the Division incurred a loss on disposal of transmission assets of \$8,246. This regulatory asset is recovered over a period of five years, which commenced on April 1, 2005. During 2006, the Division recovered \$1,649 (2005 - \$1,649) of the deferred loss. As the deferred loss on disposal of transmission assets has been approved by the OEB for recovery, there is no risk of non-collection of this balance.

## 7. STATEMENT OF CASH FLOWS

	2006	2005
Accounts receivable	\$ 2,083	\$ (3,310)
Prepaid expenses and other	(48)	375
Due to related parties	5,087	169
Taxes receivable / payable	5,117	5,276
Accounts and other payables	(5,197)	5,066
	\$ 7,042	\$ 7,576

Non-cash activities for the year ended December 31 include:

	2006	2005
Regulatory asset recorded as a result of loss on disposal of transmission assets (note 7)	\$ -	\$ 8,246
Due to related parties settled through the allocation of First Mortgage Bonds	\$ -	\$ 27,000
Taxes payable settled through the allocation of First Mortgage Bonds	\$ -	\$ 20,000



# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006  
*(in thousands of CDN dollars)*

## 8. INTEREST AND FINANCING FEES

The net interest and financing fees recorded in the financial statements as at December 31 are comprised as follows:

	<b>2006</b>	2005
Interest expense incurred	\$ 7,659	\$ 4,687
Capitalized interest	<b>(1,104)</b>	(2,122)
	<b>\$ 6,555</b>	\$ 2,565

## 9. INCOME TAXES

The provision for income taxes in the statements of income represents an effective tax rate different than the Canadian statutory rate of 36% (2005 – 36%). The differences are as follows:

	<b>2006</b>	2005
Net income before income taxes	\$ 15,110	\$ 14,293
Computed income tax recovery at Canadian statutory rate	5,440	5,144
Increase resulting from:		
Large corporation tax	-	205
Impact of future rate change on future income tax liability	<b>(2,007)</b>	-
Other	<b>(99)</b>	(38)
Income tax provision	<b>\$ 3,334</b>	\$ 5,311
<b>Future income tax liabilities</b>		
CCA in excess of book depreciation	\$ 21,598	\$ 23,163
Other	<b>(85)</b>	73
	<b>\$ 21,513</b>	\$ 23,236

The Division's future income tax liability of \$21,513 (2005 – \$23,236) is comprised principally of temporary differences relating to the CCA in excess of book depreciation. At December 31, 2006, the Division did not have any unused capital losses (2005 – \$nil).

## 10. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The Division's long-term debt bears interest at a rate set periodically by the OEB. Consequently, there is cash flow exposure.

### (b) Fair value

The carrying amounts in the balance sheet of accounts receivable and accounts and other payables approximate their fair values, reflecting their short maturities.

The fair value of the related party balances is not determinable by management due to the related party nature of these balances.

# GREAT LAKES POWER LIMITED TRANSMISSION DIVISION NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(in thousands of CDN dollars)

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## (c) Credit risk

Credit risk arises from the potential for a counterparty to default on its contractual obligations and is limited to those contracts where the Division would incur a loss in replacing the defaulted transaction. The Division's financial instruments that are potentially exposed to credit risks are accounts receivable. The Division actively manages its exposure to credit risk by assessing the ability of counterparties to fulfill their obligations under the related contracts prior to entering into such contracts, and continually monitors these exposures.

## 11. COMMITMENTS, CONTINGENCIES AND GUARANTEES

In the normal course of operations, the Division executes agreements that provide for indemnification and guarantees to third parties in transactions such as debt issuances. The nature of substantially all of the indemnification undertakings prevents the Division from making a reasonable estimate of the maximum potential amount the Division could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Division has not made significant payments under such indemnification agreements.

On behalf of GLPL, Brookfield Power Corporation obtained a letter of credit totaling \$19,008 (2005 - \$19,008) to cover nine months of interest payments on the Series 1 First Mortgage Bonds. No amount has been drawn against this letter of credit.

In the normal course of operations, the Division has committed as at December 31, 2006 to spend approximately \$5,500 (2005 - \$12,700) on capital projects in future years.

The Division may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the ordinary course of business which the Division believes would not reasonably be expected to have a material adverse effect on the financial condition of the Division.

The Division has asset retirement obligations associated with its transmission lines. The retirement date for these lines cannot be reasonably estimated and therefore the fair value of the associated liability cannot be determined at this time. As a result, no liability has been accrued in these financial statements.

## 12. NEW FINANCIAL INSTRUMENTS STANDARDS

On January 27, 2005, the CICA issued three new accounting standards: Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, and Handbook Section 3865, *Hedges*. These standards were effective January 1, 2007. The impact of implementing these new standards is not reflected in these financial statements.

Great Lakes Power Transmission Inc.  
2008 Allocation of Taxable Income from GLPT LP

Great Lakes Power Transmission LP ("GLPT") - net income before taxes for the year ending December 31, 2008		11,565,000
Less 2008 income before asset sale March 12, 2008		<u>(3,149,080)</u>
		8,415,920
Adjustments to arrive at taxable income:		
Add:		
Depreciation	5,274,183	
Loss on disposal	1,421,194	
Deduct:		
Capital cost allowance	(11,345,613)	
Capitalized interest	(272,480)	
Legal fees	<u>(573,797)</u>	
		<u>(5,496,513)</u>
Total GLPT net income for tax purposes for the period March 13, 2008 to December 31, 2008		2,919,407
GLPT Inc.'s share of GLPT partnership income		<u>0.01%</u>
General partner's share of GLPT 2008 taxable income		<u><u>292</u></u>

**Findings:**

Network demand had a relatively small but statistically significant negative linear trend component. Both line connection demand and transformation connection demand had very small and statistically insignificant linear trend components. In all three cases, non-linear trend components were found to be statistically insignificant. Note that the trend components were analyzed after the demands had been deseasonalized as all three demand series exhibited seasonality, particularly the network and transformation connection demand series. Using the linear trend model for network demand and averages for the line connection and transformation connection demands along with their respective seasonal components, the recommended forecasts are as follows:

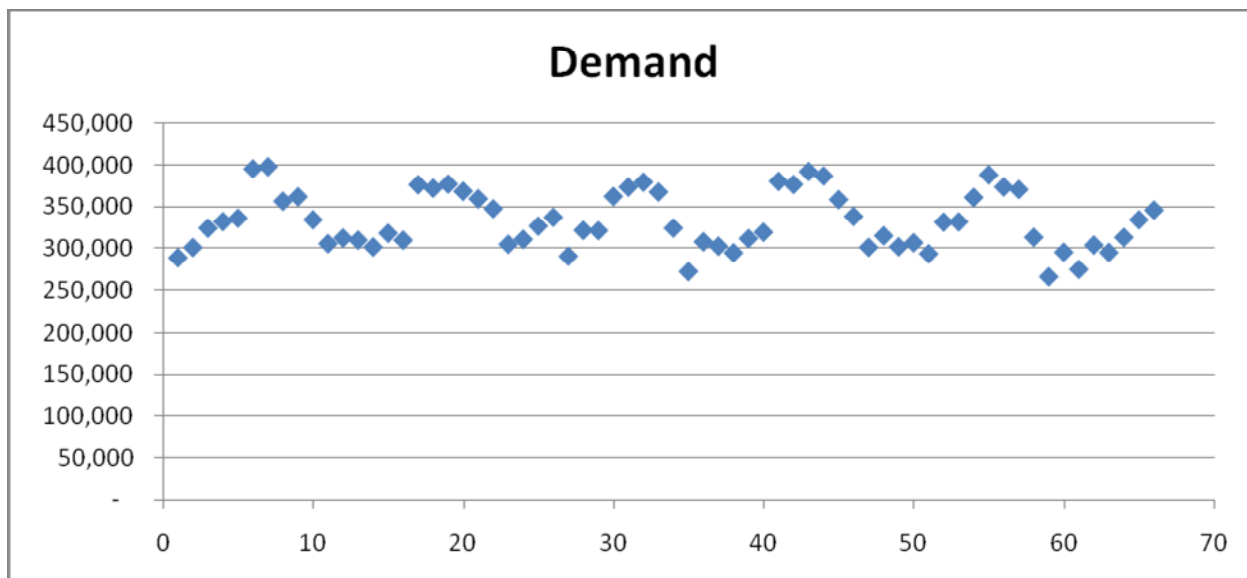
Year	Network Demand (kw)	Line Connection Demand (kw)	Transformation Connection Demand (kw)
2010	3,870,613	2,950,531	1,033,728
2011	3,826,668	2,950,531	1,033,728
2012	3,782,723	2,950,531	1,033,728
2013	3,738,778	2,950,531	1,033,728
2104	3,694,833	2,950,531	1,033,728

It should be noted that projecting trend components into the future is riskier the farther into the future one goes and the forecasts are less reliable.

**Details:**

**Network:**

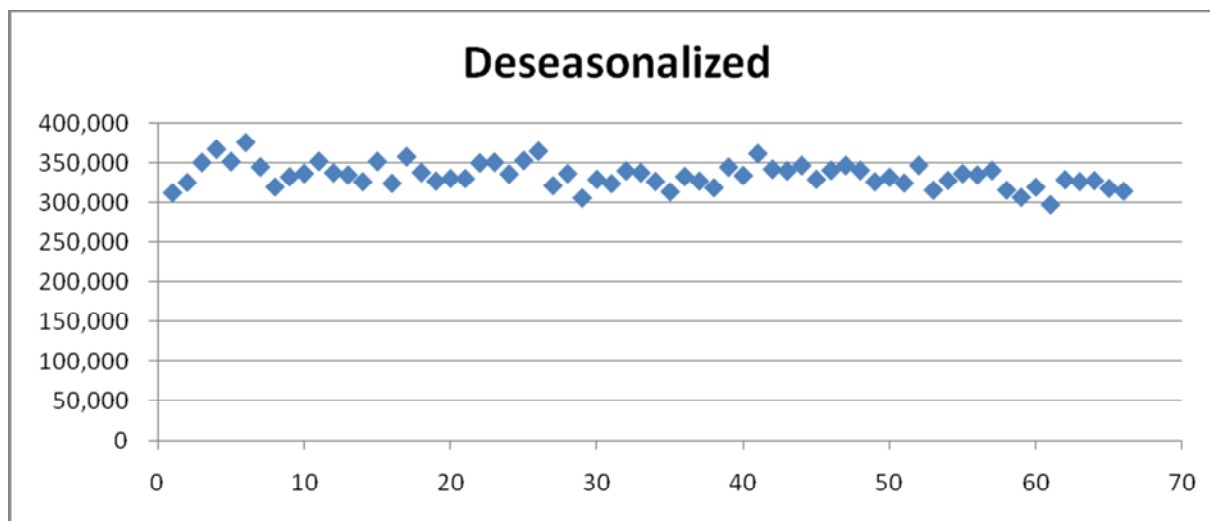
A plot of the demand data showed significant seasonality.



The data were deseasonalized following a standard procedure. A centered 13-month moving average was calculated (with the 1<sup>st</sup> and 13<sup>th</sup> months counted half) for each month and the monthly demand was divided by its centered moving average. An average monthly ratio was then computed for each of the 12 months and these ratios were scaled to average one. These scaled ratios formed the following monthly indices.

Month	Index
1	1.151595
2	1.114340
3	1.087368
4	0.992366
5	0.868731
6	0.925185
7	0.925394
8	0.924495
9	0.904323
10	0.955399
11	1.051079
12	1.099726

Each month's demand was then divided by its monthly index to deseasonalize the data. The resulting demand more clearly shows a trend, although it is small.



A linear regression identified the trend component as - 305.17 kw per month (the intercept representing the deseasonalized monthly demand prior to the first of the 66 months in the data set was 344,647 kw). The r-squared was .1480 and the p-value for testing whether the linear trend component was significantly different from 0 was .0014 (below .05 is significant and below .01 is highly significant). This model (along with the monthly indices) was used to make the forecasts reported in the findings section.

Note that if the average were used with no trend component, the forecast would be 4,013,078 kw each year.

Although there is no visible curvature to the trend (the trend itself is just barely visible) two non-linear models were tried - one with a squared term in addition to the linear term and one with a square root term in addition to the linear term. The demand data are numbered (from 1 to 66 in this case) and the linear trend was evaluated by regressing the demand data against their numbers. Squared term refers to including the number squared as an independent variable (and square root term refers to including the square root of the number as an independent variable). The results are shown below for the model using the squared term:

R-squared	.1663
p-value for linear trend coefficient	.751
p-value for non-linear trend coefficient	.243

Using non-linear trend components to extrapolate into the future is risky and is seriously recommended against when the coefficients are statistically insignificant as they are here. For completeness, however, if this model were used, the forecasts would be:

Year	Network Demand (kw)
2010	3,782,458
2011	3,656,845
2012	3,509,406
2013	3,340,142
2104	3,149,053

The corresponding results and forecasts for the model using the square root term (again, it is recommended against using these) are as follows:

R-squared	.1678
p-value for linear trend coefficient	.071
p-value for non-linear trend coefficient	.226

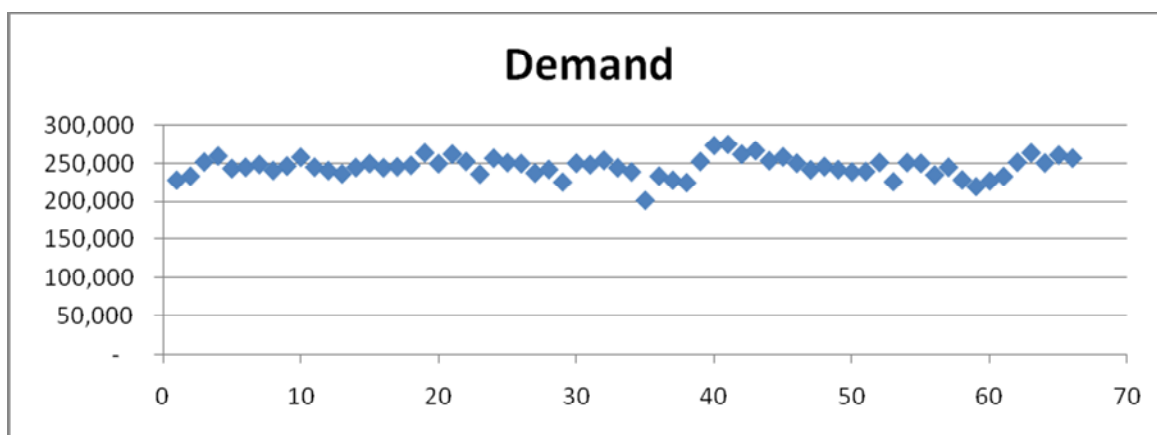
Year	Network Demand (kw)
2010	3,817,231
2011	3,738,227
2012	3,655,825
2013	3,570,646
2104	3,483,142

Although there are an infinite number of non-linear models possible, the data do not exhibit any clear non-linear patterns (other than seasonality) and it is not believed that further examination of non-linear models would be fruitful.

Full Details of the regressions and monthly forecasts are included in the Appendix.

**Line Connection:**

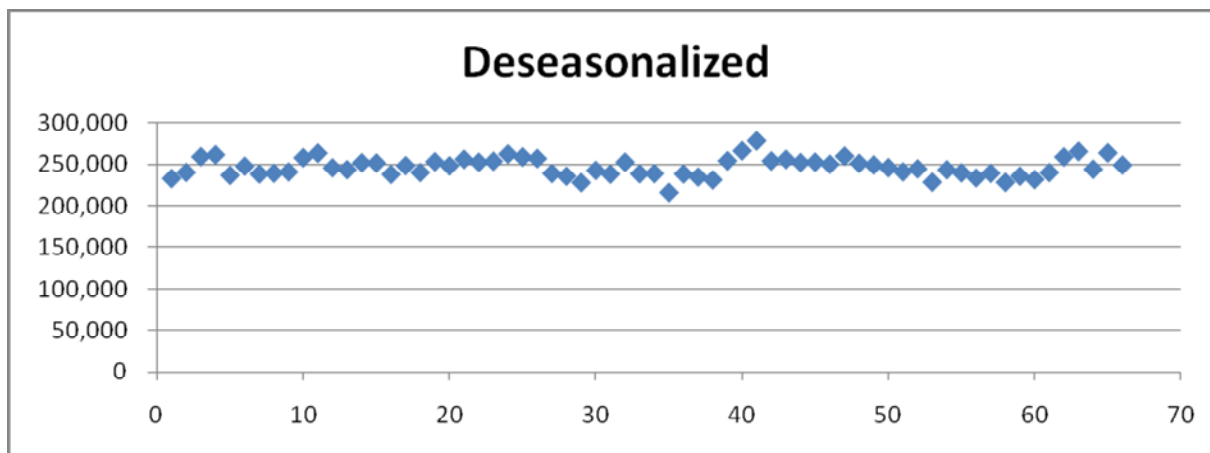
A plot of the demand data showed some seasonality, but not as much as for the network demand.



The data were deseasonalized as before. The monthly indices are as follows.

Month	Index
1	1.043454
2	1.007007
3	1.024668
4	1.001207
5	0.931662
6	0.979808
7	0.971713
8	0.972589
9	0.994251
10	1.028238
11	1.043454
12	1.007007

Each month's demand was then divided by its monthly index to deseasonalize the data. The resulting demand shows no visible trend:



Not surprisingly, the trend regressions were insignificant for the linear as well as the non-linear models. For completeness, the results are shown below:

The following results are for the model with only the linear term:

R-squared	.0018
p-value for linear trend coefficient	.738

Although not recommended, if this model were used, the forecasts would be:

Year	Line Connection Demand (kw)
2010	2,939,035
2011	2,935,498
2012	2,931,960
2013	2,928,422
2104	2,924,884

The following results are for the non-linear model with the squared term:

R-squared	.0019
p-value for linear trend coefficient	.943
p-value for non-linear trend coefficient	.992

Although not recommended, if this model were used, the forecasts would be:



Year	Line Connection Demand (kw)
2010	2,938,422
2011	2,934,318
2012	2,930,062
2013	2,925,656
2104	2,921,099

The following results are for the non-linear model with the square root term:

R-squared	.0051
p-value for linear trend coefficient	.607
p-value for non-linear trend coefficient	.645

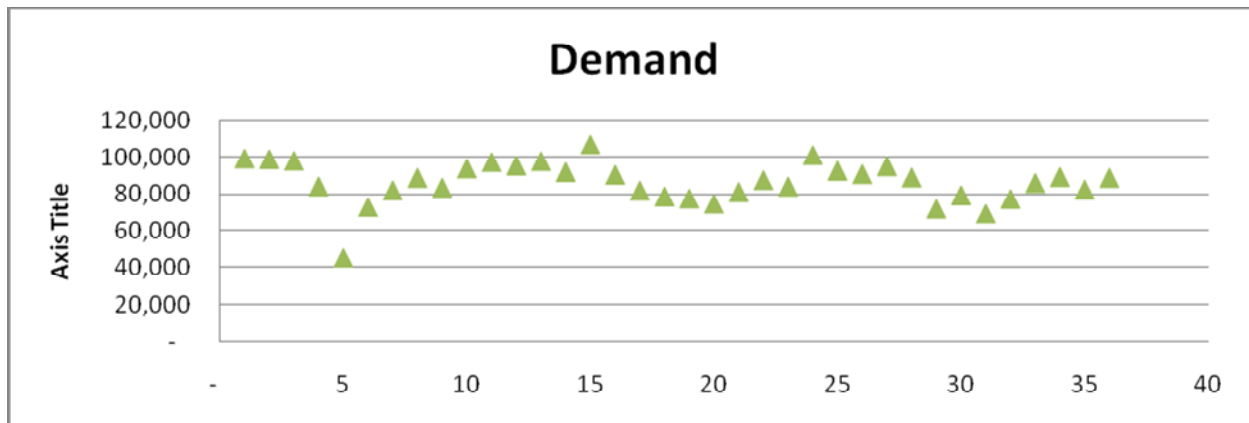
Although not recommended, if this model were used, the forecasts would be:

Year	Line Connection Demand (kw)
2010	2,922,671
2011	2,908,425
2012	2,893,144
2013	2,877,016
2104	2,860,180

Full Details of the regressions and monthly forecasts are included in the Appendix.

**Transformation Connection:**

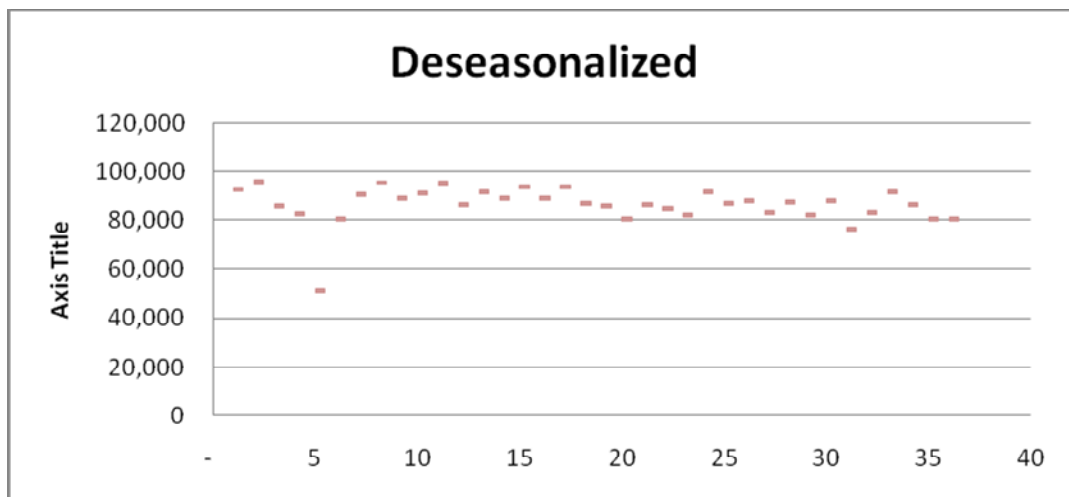
A plot of the demand data showed significant seasonality.



The data were deseasonalized as before. The monthly indices are as follows.

Month	Index
1	1.071876
2	1.035377
3	1.144433
4	1.018737
5	0.877215
6	0.906422
7	0.906404
8	0.931820
9	0.940097
10	1.034768
11	1.026218
12	1.106632

Each month's demand was then divided by its monthly index to deseasonalize the data. The resulting demand shows no clear trend:



Not surprisingly, the trend regressions were insignificant for the linear as well as the non-linear models. For completeness, the results are shown below:

The following results are for the model with only the linear term:

R-squared	.0144
p-value for linear trend coefficient	.485

Although not recommended, if this model were used, the forecasts would be:

Year	Line Connection Demand (kw)
2010	1,008,605
2011	996,029
2012	983,452
2013	970,875
2104	958,299

The following results are for the non-linear model with the squared term:

R-squared	.0498
p-value for linear trend coefficient	.374
p-value for non-linear trend coefficient	.276

Although not recommended, if this model were used, the forecasts would be:

Year	Line Connection Demand (kw)
2010	923,958
2011	784,343
2012	593,864
2013	352,520
2104	60,311

One clearly sees here the dangers of extrapolating a non-linear trend very far into the future, especially when it is not significant. If carried forward one more year, the forecasted demand would be negative.

The following results are for the non-linear model with the square root term:

R-squared	.0274
p-value for linear trend coefficient	.442
p-value for non-linear trend coefficient	.511

Although not recommended, if this model were used, the forecasts would be:

Year	Line Connection Demand (kw)
2010	980,390
2011	938,873
2012	893,505
2013	845,305
2104	794,906

Full Details of the regressions and monthly forecasts are included in the Appendix.

## Appendix

The detailed regression outputs from the models are shown below.

### Network Demand

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.384659988
R Square	0.147963307
Adjusted R Square	0.134650233
Standard Error	14167.26097
Observations	66

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	2230732485	2230732485	11.11413593	0.001427935
Residual	64	12845522132	200711283.3		
Total	65	15076254617			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	344646.5469	3527.752157	97.69579368	2.24588E-71	337599.0519	351694.0419
Index	-305.174556	91.53990754	-3.333787025	0.001427935	-488.046542	-122.3025701

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.407856454
R Square	0.166346887
Adjusted R Square	0.139881708
Standard Error	14124.37193
Observations	66

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	2507888018	1253944009	6.285500343	0.00324369

Residual	63	12568366599	199497882.5
Total	65	15076254617	

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	339851.2003	5377.914222	63.19386779	1.06271E-58	329104.2964	350598.1042
Index	117.9442623	370.3987228	0.318425132	0.751215706	-622.238515	858.1270396
Index Squared	-6.315206244	5.357903742	-1.17867109	0.242961805	-17.02212241	4.391709919

SUMMARY  
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.409641432
R Square	0.167806102
Adjusted R Square	0.141387249
Standard Error	14112.00496
Observations	66

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	2529887527	1264943763	6.351755574	0.003069535
Residual	63	12546367090	199148684		
Total	65	15076254617			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	331183.7031	11532.81233	28.71664722	6.69422E-38	308137.2169	354230.1893
Index	-890.1696066	485.9331088	-1.831876838	0.071697749	-1861.229429	80.89021585
Index Square Root	6038.940992	4927.21307	1.22563017	0.224899973	-3807.308548	15885.19053

**Line Connection Demand**

SUMMARY  
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.041874998
R Square	0.001753515
Adjusted R Square	0.013844086
Standard Error	11362.1632
Observations	66

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	14513556.02	14513556.02	0.112422124	0.738499835
Residual	64	8262320166	129098752.6		
Total	65	8276833722			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	247182.376	2829.262186	87.36637317	2.72016E-68	241530.2751	252834.4769
Index	24.61566044	73.41513446	0.335294086	0.738499835	171.2792501	122.0479292

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.041894226
R Square	0.001755126
Adjusted R Square	0.029935187
Standard Error	11451.97483
Observations	66

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	14526887.8	7263443.901	0.055383681	0.946168081
Residual	63	8262306834	131147727.5		
Total	65	8276833722			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	247149.1175	4360.387747	56.68053665	8.95056E-56	238435.578	255862.657
Index	21.68108923	300.3175554	0.072193879	0.942676325	621.8178299	578.4556514
Index Squared	-0.04379957	4.344163343	0.010082395	0.991987409	8.724917215	8.637318075

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.071643698
R Square	0.005132819

Adjusted R Square	0.026450266
Standard Error	11432.58378
Observations	66

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	42483493.43	21241746.72	0.162517989	0.850356006
Residual	63	8234350229	130703971.9		
Total	65	8276833722			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	243065.8165	9343.097846	26.01554865	2.09516E-35	224395.1255	261736.5076
Index	203.4907135	393.6698572	0.516907022	0.607031057	990.1771417	583.1957147
Index Square Root	1846.538512	3991.691924	0.462595448	0.645248202	6130.221212	9823.298236

**Transformation Connection Demand**

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.120194984
R Square	0.014446834
Adjusted R Square	0.014540024
Standard Error	7711.023849
Observations	36

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	29634366.05	29634366.05	0.498392558	0.485016867
Residual	34	2021636219	59459888.8		
Total	35	2051270585			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	87759.75784	2624.842212	33.43429843	1.35065E-27	82425.4367	93094.07898
Index	87.33781226	123.7133408	0.705969233	0.485016867	338.7535683	164.0779438



SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.22312154
R Square	0.049783222
Adjusted R Square	0.007805674
Standard Error	7685.388984
Observations	36

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	102118858.5	51059429.26	0.864458699	0.430600432
Residual	33	1949151727	59065203.84		
Total	35	2051270585			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	84310.8985	4066.522173	20.73292482	1.69886E-20	76037.49697	92584.30002
Index	457.2189261	506.7994202	0.902169394	0.373504925	573.8722419	1488.310094
Index Squared	14.71774968	13.28570836	1.107788105	0.275962632	41.74772643	12.31222707

SUMMARY  
 OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.165623955
R Square	0.027431294
Adjusted R Square	0.031512263
Standard Error	7775.25519
Observations	36

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	56269007.42	28134503.71	0.4653824	0.631953034
Residual	33	1995001578	60454593.27		
Total	35	2051270585			

	<i>Standard</i>					
	<i>Coefficients</i>	<i>Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	81880.02717	9245.210175	8.856480882	3.09062E-10	63070.50573	100689.5486
Index	540.5394487	694.0847513	0.778780182	0.441658163	1952.665486	871.5865886
Index Square Root	3497.996516	5269.999787	0.663756482	0.511457162	7223.898614	14219.89165

The forecasts were first made on a monthly basis. The annual forecasts were then made by summing up the monthly forecasts. The monthly forecasts are shown below.

Month	Year	Network				Line Connection				Transformation Connection			
		Average	Linear Trend	Trend w/ Square Term	Trend w/ Square Rt Term	Average	Linear Trend	Trend w/ Square Term	Trend w/ Square Rt Term	Average	Linear Trend	Trend w/ Square Term	Trend w/ Square Rt Term
January	2010	385120	373347	367825	369631	257063	256203	256168	255173	92336	90604	86907	89135
February	2010	372661	360929	355107	357091	248084	247229	247192	246168	89192	87428	83278	85835
March	2010	363641	351861	345699	347877	252435	251540	251499	250392	98586	96537	91276	94580
April	2010	331870	320816	314741	316959	246655	245755	245713	244565	87758	85845	80532	83925
May	2010	290524	280582	274858	277009	229522	228662	228620	227491	75567	73843	68700	72033
June	2010	309403	298533	291993	294518	241383	240455	240407	239154	78083	76222	70295	74188
July	2010	309473	298318	291321	294088	239389	238444	238393	237086	78081	76142	69574	73940
August	2010	309173	297746	290289	293305	239605	238635	238581	237207	80271	78195	70758	75756
September	2010	302426	290973	283210	286417	244942	243926	243867	242394	80984	78808	70585	76168
October	2010	319507	307116	298408	302075	253314	252239	252174	250580	89139	86654	76780	83547
November	2010	351505	337552	327401	331754	243862	242802	242736	241132	88403	85848	75210	82565
December	2010	367774	352839	341607	346507	254277	253146	253073	251329	95330	92479	80062	88718
January	2011	385120	369130	356713	362217	257063	255894	255816	253979	92336	89480	76508	85621
February	2011	372661	356848	344186	349885	248084	246931	246852	245007	89192	86343	72867	82403
March	2011	363641	347879	334877	340814	252435	251237	251152	249201	98586	95338	79364	90746
April	2011	331870	317182	304715	310486	246655	245460	245372	243394	87758	84777	69569	80477
May	2011	290524	277401	265949	271320	229522	228387	228302	226393	75567	72924	58950	69034
June	2011	309403	295145	282365	288433	241383	240165	240072	237992	78083	75272	59900	71060
July	2011	309473	294929	281550	287978	239389	238157	238060	235925	78081	75192	58859	70783
August	2011	309173	294361	280388	287178	239605	238348	238246	236037	80271	77219	59413	72483
September	2011	302426	287662	273388	280400	244942	243632	243523	241191	80984	77823	58807	72837
October	2011	319507	303617	287886	295695	253314	251935	251817	249328	89139	85569	63451	79852
November	2011	351505	333703	315666	324710	243862	242510	242392	239920	88403	84773	61629	78872

December	2011	367774	348812	329162	339110	254277	252841	252713	250057	95330	91319	65026	84705
January	2012	385120	364912	343507	354445	257063	255586	255452	252686	92336	88357	61565	81706
February	2012	372661	352767	331238	342338	248084	246634	246499	243752	89192	85258	58067	78595
March	2012	363641	343897	322078	333426	252435	250934	250792	247917	98586	94138	62602	86508
April	2012	331870	313548	292884	303721	246655	245164	245019	242132	87758	83710	54288	76680
May	2012	290524	274219	255460	265378	229522	228112	227972	225213	75567	72004	45482	65744
June	2012	309403	291757	271054	282086	241383	239876	239724	236744	78083	74322	45663	67639
July	2012	309473	291540	270097	281610	239389	237870	237714	234682	78081	74242	44302	67342
August	2012	309173	290975	268805	280797	239605	238061	237899	234786	80271	76242	44119	68925
September	2012	302426	284350	261921	274140	244942	243338	243167	239906	80984	76837	43045	69228
October	2012	319507	300119	275626	289062	253314	251631	251448	247993	89139	84485	45736	75857
November	2012	351505	329854	302019	317391	243862	242217	242035	238628	88403	83697	43698	74890
December	2012	367774	344785	314718	331432	254277	252536	252341	248704	95330	90159	45299	80389
January	2013	385120	360695	328206	346382	257063	255278	255074	251312	92336	87234	42079	77505
February	2013	372661	348686	316263	334515	248084	246336	246133	242421	89192	84173	38879	74517
March	2013	363641	339915	307301	325772	252435	250632	250418	246556	98586	92939	40988	81979
April	2013	331870	309914	279247	296718	246655	244868	244654	240797	87758	82642	34688	72630
May	2013	290524	271038	243391	259232	229522	227837	227631	223965	75567	71085	28295	62241
June	2013	309403	288369	258061	275524	241383	239587	239364	235427	78083	73373	27583	64004
July	2013	309473	288151	256960	275030	239389	237583	237356	233370	78081	73292	25903	63691
August	2013	309173	287590	255541	274207	239605	237773	237540	233469	80271	75266	24875	65157
September	2013	302426	281038	248809	267679	244942	243045	242799	238554	80984	75852	23298	65410
October	2013	319507	296620	261629	282220	253314	251327	251066	246589	89139	83400	23635	71639
November	2013	351505	326004	286461	309847	243862	241925	241667	237272	88403	82622	21417	70690
December	2013	367774	340758	298273	323520	254277	252232	251955	247285	95330	88999	20881	75842
January	2014	385120	356478	310811	338079	257063	254970	254683	249872	92336	86110	18049	73085
February	2014	372661	344605	299262	326463	248084	246039	245755	241026	89192	83088	15302	70232
March	2014	363641	335933	290547	317898	252435	250329	250032	245132	98586	91739	14523	77227
April	2014	331870	306280	263806	289516	246655	244572	244275	239401	87758	81574	10770	68384
May	2014	290524	267857	229742	252914	229522	227561	227278	222661	75567	70166	7390	58573
June	2014	309403	284981	243384	268782	241383	239297	238992	234051	78083	72423	5662	60201
July	2014	309473	284763	242140	268273	239389	237296	236986	232002	78081	72342	3662	59877
August	2014	309173	284204	240595	267443	239605	237486	237168	232094	80271	74289	1681	61222
September	2014	302426	277727	234053	261049	244942	242751	242418	237144	80984	74867	-434	61429
October	2014	319507	293121	245894	275202	253314	251024	250671	245127	89139	82316	-2852	67243
November	2014	351505	322155	268991	302111	243862	241632	241285	235860	88403	81546	-5214	66317
December	2014	367774	336730	279828	315412	254277	251927	251556	245809	95330	87839	-8228	71114

Exhibit 11, Tab 2, Schedule 1

Responses to Supplemental Interrogatories from the  
Vulnerable Energy Consumers' Coalition (VECC)

**RESPONSES TO SECOND ROUND OF INTERROGATORIES  
FROM VULNERABLE ENERGY CONSUMERS COALITION**

18. Reference: Ex 10/T2/S1 IR#3 a)

**Preamble**

In looking at this response, most projects appear to come in service near the end of each year. To quantify, if somewhat crudely, an average quarter in which projects come into service may be calculated by the following scheme:

- For projects which come into service in a specific quarter, assign the number of the in-service quarter to the project, i.e., assign the number "1" to projects that come into service in quarter one, the number "2" to projects that come into service in quarter two, etc.;
- For projects which come into service in e.g., "second half 2010," (quarter 3 or quarter 4) assign the "average" of the quarters, here the number "3.5";
- For projects in-service mid-year, e.g., "Mid-2010" assign the number "2.5"; and
- For projects whose in-service date straddles two quarters, e.g., "Q2-2008/Q3-2008" assign the average of the two quarters' numbers, in this case "2.5."

If such a coding is applied to the 36 projects specified in the referenced response, the "average in-service date" is quarter 3.55.

**Request**

- a) Has it been GLPT's experience that by far most projects are in-service considerably later than mid-year? If so, please explain why, in general, so few projects are in-service by mid-year.

**Response**

- a) In the last few years, it has been GLPT's experience that many projects come into service later than mid-year. However, while this has been our experience over the past number of years, this, in and of itself, does not preclude the ability of projects to come into service throughout the year. In GLPT's opinion, the appropriate assumption is that assets can come into service at various times throughout the year. Please refer to GLPT's response to SEC Interrogatory #5 from the first round of interrogatories.

19. Reference: Ex 10/T2/S1 IR#4 a)

**Requests**

- a) For the previously approved projects, i.e., all but the three lines "Other Capital Additions" that were "not previously approved" for the years 2007-2009, does GLPT agree that in the aggregate the approved spending was 5.90% above the actual total?
- b) If possible, please provide the total contingency amount included in the Board approved \$25,277,200 Subtotal referenced in a) above.
- c) Please detail any changes made after 2006 in GLPT's approach with respect to budgeting for contingencies.

**Responses**

- a) GLPT agrees that in aggregate, and excluding the Transmission Reinforcement Project (TRP), the approved spending was 5.90% above the actual total. If TRP is included in the analysis, the approved spending was 1.31% below the actual total.

- b) GLPT allots contingency allowances to projects for two main reasons:

The first reason contingency allowances are included is for projects that may be unclear in terms of input prices or scope. By way of example, the fluctuating price of a material or piece of equipment can significantly affect the cost of a project, particularly when preparing a budget 6-12 months (or more) in advance of the project.

The second reason for contingency allowances is to capture items not itemized in the original estimate. When preparing a project budget, GLPT considers the main cost drivers, but does not delve into the deepest details of the potential costs, as the benefit of such an activity does not outweigh the cost. As a result, GLPT includes a contingency to capture some of the relatively insignificant costs that arise throughout the course of a project.

GLPT has typically budgeted 10% for contingencies. However, this is based on project type. In some circumstances, a contingency greater than or less than 10% may be considered. The total contingency amount included in the \$25,277,200 is estimated to be approximately \$2.3M, or 10% for each project.

- c) GLPT has not changed its approach with respect to budgeting for contingencies.

20. Reference: Ex 10/T2/S1 IR#4 a) and b)

### **Preamble**

The Appendix indicates that the approved corporate capital budget for GLPT was \$11,274,930 in 2006. However, the response to #4 a) indicates that 2006 Board approved total for 2006 was \$13,392,200.

### **Requests**

- a) Please explain why the Board approved capital expenditures for 2006 exceeded the corporate capital budgeted amount by more than \$2.1 M.
- b) Please confirm that the actual 2006 capital spending of \$14,308,727 includes \$2.913M of spending that was approved for spending in 2005 (CIRS Phases 1 & 2 and Hollingsworth TS Refurb). If unable to so confirm, please explain.
- c) Please provide the contingency amounts included in the corporate approved capital budgets for each year 2006-2010 inclusive.

### **Responses**

- a) The reason for the \$2.1 million difference is that GLPT's approved capital budget was based on required cash flow and not what was going to be placed into service in the given year. Specifically, in 2005 GLPT spent approximately \$2.1 million on the Patrick Street refurbishment and because the items purchased and services contracted were not yet "used and useful" GLPT could not place them into service and capitalize the expenditure. An additional \$2.7 million was spent in completing the Patrick Street refurbishment project in 2006 where all assets were placed into service and the total amount of \$4.8 million was capitalized.
- b) Confirmed.
- c) GLPT has applied a 10% contingency to all projects that have occurred or will occur between 2006 and 2010. Based on this, the portion of each annual budget that is contingency would be 9.09%. This is not equal to 10% because the 10% factor is applied to the original amount, not the overall total. In terms of an example, a \$10 project would attract a \$1 contingency, making it \$11 in total. The \$1 contingency is 9.09% of the total cost of the project (1/11).

2006 estimate - \$1,025k

2007 estimate - \$1,025k

2008 estimate - \$809k

2009 estimate - \$1,108k

2010 estimate - \$1,473k



21. Reference: Ex 10/T2/S1 IR#4 b)

**Requests**

- a) Please provide the details with respect to any contractual or structural changes that would be expected to result in changes in lead or lag days since the study was completed (if applicable.)
- b) Will the July 1, 2010 implementation have any consequences with respect to WCA? Please explain.

**Responses**

- a) Not applicable, other than noted below. GLPT anticipates that an updated study would refresh the existing data, and GLPT would expect the study to yield similar lead and lag days.
- b) GLPT anticipates that the July 1, 2010 implementation of HST will impact the working capital allowance methodology. A portion of the existing PST will become an input tax credit and will no longer form part of GLPT's capital and OM&A expenditures. This will not be the case for all expenditures, as there are a number of expenditures that are not eligible for an input tax credit on the provincial portion of the HST. Some of these expenditures include energy costs, vehicle costs, and telecommunications costs. At the time of filing this response, GLPT has not completed a full assessment of the impact of HST on the transmission business.

22. Reference: Ex 10/T2/S1 IR#6

**Requests**

- a) Please indicate whether providing the information requested in parts a) and b) of the referenced IR is (i) impossible or (ii) merely arduous in GLPT's view.
- b) Please indicate whether GLPT is able to provide an estimate of 2010 savings due to the implementation of the HST. If able, please provide an estimate. If not, please explain why not.
- c) Is GLPT amenable to the establishment of a deferral account to track actual savings related to HST implementation?

**Responses**

- a) To identify precise figures in response to parts a) and b) would be extremely difficult, and the process of doing so would be subject to human error. Because GLPT records expenses inclusive of PST, in order to provide the requested information, GLPT would have to review every invoice received during each month of 2009, determine whether PST was payable and separately record that number. GLPT estimates there would be approximately 1000 invoices that would need to be reviewed in this manner.
- b) Please see GLPT's response to part c) below.
- c) GLPT is amenable to the establishment of a deferral account to track actual savings related to HST implementation.

23. Reference: Ex 10/T2/S1 IR#12

**Requests**

- a) Please indicate why energy savings due to building envelope improvements are unaffected by Algoma Power Inc.'s implementation of any of the recommendations.
- b) Please provide an update to part a) of IR #12.

**Responses**

- a) The implementation of the building envelope improvements to GLPT's portion of the complex are entirely under GLPT's control and, as such, will not be affected by Algoma Power Inc.'s implementation of any of the recommendations.
- b) At the time of filing this interrogatory response, GLPT has no additional information on the intentions of Algoma Power Inc. with respect to implementing any of the recommendations found in the energy audit report.

24. Reference: Ex 10/T2/S1 IR#15

**Request**

- a) Is it GLPT's view that ratepayers would be adversely affected if the incentive plan were made less generous? Please explain fully.

**Response**

- a) The incentive pay forms part of the total compensation package that GLPT provides to its employees. A reduction in the incentive pay program would represent a reduction in the total compensation offered by GLPT, and will expose GLPT to the loss of highly skilled employees. In addition, the incentive plan focuses GLPT's employees on activities that are in the best interest of the ratepayer as laid out in response to Board Staff Interrogatory 23 (iii). GLPT utilizes the incentive plan to fairly compensate employees while focusing their attention on activities that are in the best interest of the ratepayer.

Exhibit 11, Tab 3, Schedule 1

Responses to Supplemental Interrogatories from the  
School Energy Coalition (SEC)

**RESPONSES TO SECOND ROUND OF INTERROGATORIES  
FROM SCHOOL ENERGY COALITION**

1. **Request**

Please provide any internal planning memoranda, analyses, or other documents, whether prepared by the Applicant, its predecessor(s), or any related party, dated after 2005 that expressly reference changes to operating practices, business structure, or regulatory approach in order to increase the amount of costs that are recoverable in transmission rates.

**Response**

There are no such documents.

2. **Request**

Please confirm that the Application does not include any changes in amounts, presentation, or accounting treatment, resulting from the implementation of, or changes in anticipation of, International Financial Reporting Standards.

**Response**

Confirmed.

3. **Request**

[10/3/1, p. 1] Please provide the documents requested.

**Response**

All inquiries related to non-regulated activities or entities, including Brookfield Infrastructure Partners LP, and the respective tax arrangements are irrelevant. With respect to GLPT LP, please see response to Board Staff Supplemental Interrogatory 10(i).



4. **Request**

[10/3/1, p. 5] With respect to this response:

- a. Please file the “internal assessment” referred to in (b).
- b. Please confirm that the document contained in 10/3/2/App. 4(d) is the only document meeting the criteria in the question. Please explain how that document relates to vegetation management.

**Response**

- a. The internal assessment comprised the following:
  - Review of NERC FAC-003 and its application to GLPT,
  - Determination of GLPT’s obligations under NERC and IESO standards,
  - Comparison of new standards to existing vegetation management work programs, and
  - Development of program improvements necessary to meet standards.

No formal written assessment was prepared based on the above analysis.

- b. GLPT confirms this is the only document that meets the criteria in this question. The line “Forestry Major “ROW” Maintenance” reflects the potential cost savings in vegetation management. The cost reductions reflected in this column were the reductions made to the major maintenance programs GLPT had originally planned for 2009.

5. **Request**

[10/3/1, pp 8-9] With respect to this response:

- a. Please provide the Canadian tax returns for each of the partners for 2008. Please calculate, with respect to each of those tax returns, the impact on the actual tax payable for 2008 of the income allocated as a partner of the Applicant.
- b. Please advise the Net Book Value of the assets transferred for \$92.5 million fair market value.
- c. Please explain why a different formula is used for fair market value in 2008 (d) vs. 2007 (b).

**Response**

- a. The 2008 Canadian tax returns for each partner were included in the confidential filing "Attachment B". The 2008 tax return included in "Attachment B" for Great Lakes Power Transmission Inc. (GLPTI) reflects the impact on the actual tax payable for 2008 of the income allocated as a partner of the Applicant.

GLPT has prepared 2008 *pro forma* Federal and Ontario tax returns for BIH reflecting only the income from GLPT. Please see **Appendix 5(a)** for the calculation.

- b. The Net Book Value of the property, plant and equipment assets transferred is \$203.5 million. These assets were transferred for \$92.5 million in cash, plus the assumption of \$120.0 million in debt.
- c. The formula used does not differ between the years as both formulas used a market rate and a relative spread. The difference was merely in the inputs to the formula with respect to base rate and the spread. As a result of the change in ownership of the transmission assets and the spin-off of GLPT's debt, the 2007 fair value was calculated by Brookfield Renewable Power Inc., while the 2008 fair value was calculated by Brookfield Infrastructure Partners. Each parent company utilizes a policy for what sources to use as inputs, and the change in inputs between 2007 and 2008 was deemed by the auditors to have had an immaterial effect on the calculation.

6. **Request**

[10/3/1, p 10] With respect to this response:

- a. Please advise how many months of actuals and how many months of forecast were used in the pro forma financials.
- b. Please provide an estimate of the actual tax (federal and provincial) payable by each of the partners of the Applicant for each of 2009 and 2010, and disaggregate those figures into tax payable on the income allocated from the Applicant, and tax payable for income from all other sources.

**Response**

- a. Nine months of actual data was incorporated into the pro-forma, and three months of data was forecast.
- b. BIH contains operations from GLPT as well as non-regulated activities of which GLPT has no direct knowledge. Regardless of the level of tax actually paid by BIH, BIH will incur a tax liability as a result of the income allocated to it from GLPT. The income allocated to BIH will be 99.9% of the net income (before taxes) generated by GLPT (2009 - \$3.41 million, 2010 - \$7.19 million). As stated above, this will create a tax burden at BIH. If this were the only activity engaged in by BIH, this would create a tax payable. However, because of the blending of non-regulated income with regulated income at the corporate level, there is potential for the tax liability to be impacted by income or losses that may be incurred in the non-regulated businesses of BIH.

GLP Transmission Inc. only contains the operation of GLPT and as such there would be no other tax payable for income from all other sources. GLP Transmission Inc. is allocated 0.1% of the net income (before taxes) generated by GLPT (2009 - \$0.003 million, 2010 - \$0.007 million). GLP Transmission Inc. pays tax at the effective rates on that income.

Additional information is provided in GLPT's confidential filing dated April 9, 2010.

7. **Request**

[10/3/1, p. 13] Please reconcile the answer to (c) with the statement in the Form 20-F, as requested.

**Response**

GLPT LP was formed in 2007. The reference to 1982 appears to be an error.

8. **Request**

[10/3/1, p. 17] Please provide the split between actual and forecast, showing how many months of actual was used, and the dollar amounts of each of actual and forecast. Please explain why 2009 was considered to be a “unique” year.

**Response**

Nine months of actual data and three months of forecast data was used. Please see the table below.

(\$000's)	USofA	Actual at Sept. 30	Forecast for Oct-Dec	Total 2009
<b>Revenue</b>	4325	(\$316.8)	(\$83.2)	(\$400.0)
<b>Expenses</b>	4330	313.4	86.6	400.0

2009 was a unique year because of the transition of the transmission and distribution businesses into separate entities. Through the process, work was completed by the transmission company on behalf of the distribution company, and vice versa. All of this work was tracked, billed at actual cost, and accounted for through the merchandising and jobbing accounts. Whether an employee completed a transmission-related task as an employee of GLPL (pre-June 30<sup>th</sup>) or as an employee of Great Lakes Power Distribution Inc. (ie. post June 30<sup>th</sup>), the net cost to GLPT would have been identical. As a result, there were no incremental costs associated with the unique 2009 activity.

9. **Request**

[10/3/1, p. 19] Please confirm that the forecast of \$475,000 for 2010 for “the costs of managing the buffer zones” is expected to continue at a similar level in subsequent years. If that is not the case, please provide the Applicant’s best estimates for each of 2011 and 2012 for this category of costs.

**Response**

Confirmed.

10. **Request**

[10/3/1, p. 23] Please complete the chart at the top of the page for each of 2006 through 2009. For each variance in a category between one year and the next of \$50,000 or more, please provide a brief explanation of the reason for the increase or decrease. For each of the years 2006 through 2009, please advise the amount of any legal costs related to transactions (such as purchases or sales, reorganizations, etc.) that are included in the total.

**Response**

<b>Legal Cost Category</b>	<b>2006 Actual</b>	<b>2007 Actual</b>	<b>2008 Actual</b>	<b>2009 Bridge</b>	<b>2010 Test Year</b>
Transmission System Code	\$121.0	\$0.0	\$0.0	\$0.0	\$0.0
2005/2006 Transmission Rates	95.0	39.3	-	-	-
MAAD Application for Asset Sale	130.0	16.8	-	-	-
2010 and 2011 Rate Application	-	-	96.6	400.0	\$345.0
2010 Rate Application - Intervenors	-	-	-	-	60.0
Connection Cost Responsibility	-	-	85.6	-	-
Licence Application	-	-	32.3	15.2	-
Interpretation of Legislation	-	3.8	4.1	5.1	5.0
Other General Legal Counsel	78.5	30.7	82.7	99.7	40.0
<b>Total</b>	<b>\$424.5</b>	<b>\$90.6</b>	<b>\$301.4</b>	<b>\$520.0</b>	<b>\$450.0</b>

“2009 Other” contains costs related to transmission development, the Green Energy and Green Economy Act, the OEB Cost of Capital proceeding, the OEB Incentive Rates proceeding and other miscellaneous expenses.

“2008 Other” contains costs related to miscellaneous transmission development costs, Transmission System Code issues, preparation for stakeholder meetings, the IPSP proceeding and other miscellaneous expenses.

“2006 Other” contains costs for Hydro One review, Connection and Cost Recovery research and other miscellaneous expenses.

11. **Request**

[10/3/1. P. 27] Please advise the total amount of corporate expenses incurred by BIP, in the categories for which a total of \$298,600 is allocated to the Applicant, and the total amount of those expenses allocated to related parties other than the Applicant or BIP.

**Response**

In the categories for which \$298,600 is allocated to GLPT, BIP incurs total costs of approximately \$4,750,000.

BIP does not allocate corporate costs to the other entities because it is neutral as to how it receives its compensation. BIP could be compensated directly, which would result in a diminishment of corporate profits from the companies served. Alternatively, BIP could be compensated through increased profitability since the costs for its services would not be expensed to the companies served. For a regulated utility, this does not apply because expenses that are not recognized for regulatory purposes will not have a corresponding increase in corporate profitability.



12. **Request**

[10/3/1, p. 28] Please explain why no payments are being made to the Applicant for the use of the Applicant’s poles by the fibre optic network. If any reference to use of the poles is contained in any agreement, please provide that agreement.

**Response**

This provision was left out of the agreement as a result of an oversight when preparing the lease agreement. GLPT will accept a \$20,602 reduction to its revenue requirement representing the total revenue that would have been received, as calculated in the following table:

Annual Rental Fee per Pole	\$22.35
Number of Shared Poles	1,573
Annual Revenue Generated	35,157
Portion of Costs charged back to GLPT thru agreement	41.40%
\$ Charged back to GLPT thru agreement	14,555
<b>Net Incremental Revenue for GLPT</b>	<b><u><u>\$20,602</u></u></b>

To address this oversight, GLPL has agreed to enter into a joint use agreement with GLPT, in which an annual rental of \$35,157, adjusted to \$20,602, to account for the appropriate maintenance cost allocations under the Fibre Optic Agreement, will be paid by GLPL to GLPT in exchange for GLPL’s use of GLPT’s poles for its fibre optic network.

13. **Request**

[10/3/1, p. 31] Please provide any tax planning memorandum that includes reference to, or analysis of, the choice of structure of the asset sale and its tax impacts.

**Response**

There are no tax planning memoranda that include reference to, or analysis of, the choice of structure of the asset sale and its tax impacts. Given the relatively straightforward transaction from a tax perspective, no tax planning memorandum was specifically prepared for this transaction.

14. **Request**

[10/3/1, p 32] Please provide the offering document related to the issuance of the bonds by GLPL as referenced in the response to (d). Please provide the Supplemental Trust Indenture under which those bonds were issued. Please explain any differences between the terms of the original issuance, and the terms of issuance of the Series 1 Bonds issued by the Applicant on March 12, 2008.

**Response**

Please see **Appendix 14** for copies of the following:

- Final Offering Memorandum (June 12, 2003)
- Deed of Trust (June 16, 2003)
- First Supplemental Indenture (June 16, 2003)
- Amendment to the Deed of Trust (July 17, 2003)
- Second Supplemental Indenture (July 31, 2003)

There is no difference in the financial terms of the Series 1 Bonds issued on March 12, 2008 as compared to the terms of the original issuance on June 16, 2003.

With respect to non-financial terms, there are changes to the Deed of Trust under which the Series 1 Bonds were issued by GLPT on March 12, 2008 as compared to the terms of the original issuance under the Deed of Trust dated June 16, 2003. Of particular note, under the new Deed of Trust for GLPT, no capital reserve account is required and there was a reduction in the amount of the debt service reserve account.

15. **Request**

[10/3/2/App 7(a), p. 4] Please explain in detail the “Other expenses” of \$1,916,000 in Oct/Nov, 2009.

**Response**

The other expenses recorded in Q4-2009 are related to adjustments made to regulatory asset and liability accounts. GLPT anticipates that the 2009 audited financial statements will reflect these other expenses as a reduction in revenue instead of an expense.

The costs are related to recording the following regulatory accounts:

Account 1505 – true-up of lost revenue and over-collected costs - \$71,400

Account 1508 – recording of avoided meter costs - \$593,700

Accounts 1562/1592 – LCT, Capital and Income Tax true-ups - \$1,244,700

Total - \$1,909,800

The remaining \$6k is related to carrying charges on the outstanding deferred rate impact accrual (Account 1574), offset by income earned on GLPT’s bank balance.

16. **Request**

[10/3/2/App.19(b), pp 10-16] With respect to the First Supplemental Trust Indenture:

- a. Please explain the business rationale behind the two separate “Canada Yield Price” formulae in s. 1.3(1).
- b. Please explain why the Original Indenture had a Fourth Supplemental Trust Indenture dated March 12, 2008 (see s. 1.3(4)), the same day as the new Trust Indenture and the First Supplemental Trust Indenture thereunder. Please explain the purpose of the Fourth Supplemental Trust Indenture, and file a copy of that document.
- c. Please provide an explanation, preferably with a numerical example, of how the Redemption Price referred to in s. 1.3(7) is to be calculated.
- d. Please confirm that the interest rate of 6.60% set out in s. 1.3(11) was not intended to be a market interest rate, but reflected the interest rate on the bonds the Series 1 Senior Bonds were replacing. Please advise the interest rate for the bonds issued on each of June 13, 2003, July 31, 2003, June 30, 2006 and March 12, 2008. Please advise how much of the bonds the Series 1 Senior Bonds were replacing were issued on each of those dates.
- e. With respect to s. 2.7, please provide an explanation of the circumstances in which the interest to be paid on the Series 1 Senior Bonds is intended to be net of tax. Please explain what tax liabilities are included in the Indemnified Tax, and under what circumstances it is expected that this indemnity would arise.

**Response**

- a. A different spread applies in determining the redemption price of the bonds if the bonds are redeemed pursuant to section 2.5 or 2.8 of the First Supplemental Indenture. Section 2.5 sets out the calculation of the redemption price if the bonds are redeemed at the option of the issuer for no reason. Section 2.8 sets out the calculation of the Redemption Price if the bonds are redeemed by the issuer because of a change in the withholding tax imposed on the interest payments (essentially increasing the overall interest required to be paid under the bonds). GLPT notes that the relationship between the spreads and prepayment costs is such that the higher the spread, the lower the prepayment cost.
- b. The 2003 Deed of Trust, including the First, Second and Third Supplemental Indentures thereunder, were for the generation and transmission businesses. The Fourth Supplemental Indenture (dated March 12, 2008) under the 2003 Deed of Trust is currently relevant for generation only as it contemplated the separation of the transmission and generation assets and the issuance of new bonds against the transmission assets. The 2008 Deed of Trust and the First Supplemental thereunder, both of which are also dated March 12, 2008, are applicable only to transmission. A

copy of the Fourth Supplemental Trust Indenture is provided in **Appendix 16(b)**.

- c. As stated in s. 1.3(7), the redemption price is the greater of (i) the outstanding principal amount thereof to be redeemed, and (ii) the Canada Yield Price of the principal amount thereof to be redeemed, together with accrued and unpaid interest up to but excluding the date fixed for redemption.

The Canada Yield Price is the price for any bonds to be redeemed that provides a yield from the redemption date to maturity of those bonds equal to the Government of Canada Yield (defined in s.1.3(3)) plus a spread that is dependent on the circumstance under which the bonds are being redeemed. If bonds are redeemed pursuant to s. 2.5, the spread is equal to 0.40% until June 16, 2021, and 0.25% thereafter. If bonds are redeemed pursuant to s. 2.8, the spread is equal to 1.75%.

Essentially, the Canada Yield Price is intended to compensate bondholders for losing the interest income that they would have received in respect the bonds being redeemed over the interest income that they would be able to earn if they reinvested the prepayment proceeds in Government of Canada Bonds plus a spread . As the Government of Canada Yield (the market yield on Government of Canada Bonds) declines, it reduces the interest income available to bondholders in the open market if bonds are redeemed and the redemption fee charged to GLPT increases in order to equalize the lower earnings available on the open market with the 6.60% that would have been received under the bonds up to their maturity.

#### **Redemption under s. 2.5:**

If the Bonds were to be redeemed under s. 2.5 on June 16, 2010, based on GLPT's estimate of the current Government of Canada Yield, GLPT estimates that the redemption fee would be equal to approximately \$146M. This is the principal value plus the present value of the bondholders' "lost earnings" between this date and the date of maturity. This is based on a Government of Canada Yield of 3.88%, which is GLPT's best estimate based on the information available, plus a spread of 0.40% .

#### **Redemption under s. 2.8:**

If the Bonds were to be redeemed under s. 2.8 on June 16, 2010, based the same estimated 3.88% Government of Canada Yield, GLPT estimates that the redemption fee would be equal to approximately \$129M. This is the principal value plus the present value of the bondholders' "lost earnings" between this date and the date of maturity. This is based on a Government of Canada Yield of 3.88%, which is GLPT's best estimate based on the information available, plus a spread of 1.75%. As noted, the relationship between the spreads and prepayment costs is such that the higher the spread, the lower the prepayment cost.

- d. The interest rate set out in s. 1.3(11) of the First Supplemental Trust Indenture under the 2008 Deed of Trust is the same as the original rate reflected in the First Supplemental Trust Indenture under the 2003 Deed of Trust, and was not intended to be the market interest rate at the time. By maintaining the same interest rates on the

bonds, no makewhole premium (calculated pursuant to s. 2.5 of the First Supplemental Trust Indenture under the 2003 Deed of Trust was payable). The interest rate payable under all senior bonds (issued on June 13, 2003 and refinanced in respect of transmission on March 12, 2008) has been 6.60% from their date of issuance. The rate of interest on all outstanding subordinate bonds (issued on July 31, 2003 and only relevant for generation) has been 7.80% from their date of issuance. No bonds were issued on June 30, 2006.

- e. All payments under the bonds are required to be made net of taxes. If the withholding is in respect of any Indemnified Tax, the payment required to be made under the bonds is increased such that after the withholding is made, the bondholder receives the full amount of interest and makewhole it had expected to receive prior to the withholding. Please see the definition of "Indemnified Tax" in section 1.3(4) of the referenced document for the detailed definition. In general terms, "Indemnified Tax" was intended to address withholding taxes subsequently imposed on US bondholders who purchased more than \$3.125 million of bonds as part of the initial offering. Section 2.7 of the referenced document is a standard gross-up provision.

17. **Request**

[10/3/2/App. 22] With respect to the Mercer Valuation:

- a. p. 6. Please identify, and describe in detail, the “ad hoc increase effective September 1, 2009”.
- b. p. 21. Please explain why a 2.5% long term CPI inflation rate was assumed when the Bank of Canada manages core CPI to a 2.0% target.

**Response**

- a. The ad hoc increase effective September 1, 2009 was in respect of a correction to the pensioner upgrade provided under the Memorandum of Settlement with the Power Workers Union dated January 6, 2001. At that time a pension upgrade was negotiated for members of the GLPL Retirement Plan who retired prior to January 1, 2001 such that their pensions would be based on "final average three-year earnings" instead of "final average five-year earnings" at retirement. Each retired member was to have his or her pension adjusted so it would be based on a three-year average earnings. Instead of individual pension increases, an average increase for the retirees was applied for those who retired prior to January 1, 1995: each eligible retired member who retired prior to January 1, 1995 received a 6.2% increase to their pension at that time.

The increase effective September 1, 2009 was in respect of any retired member subject to the 2001 Memorandum of Settlement who retired before January 1, 1995 and whose actual final average three-year earnings exceeded their five-year average earnings by more than 6.2%. Members whose final average three-year earnings were equal to or less than 6.2% higher than their five-year average earnings did not receive an increase effective September 1, 2009. The increase applied to any retired member subject to the 2001 Memorandum of Settlement, or any surviving spouse of such member, who retired before January 1, 1995 and who was receiving a pension on January 1, 2009.

- b. The long term CPI inflation assumption is based on the implicit long term inflation rate obtained by comparing the Government of Canada long term bond yields to the Government of Canada real return bond yields. That implicit inflation rate can be described as the bond market's pricing of future long-term inflation. For the 2007-2009 period, the average monthly implicit inflation for each year in the period varied between 2.15% and 2.55%. The implicit inflation is 2.47% for February 2010. Consequently, Mercer believes that the assumed CPI inflation rate of 2.5% used for the going concern actuarial valuation at July 1, 2009 can be considered as "best estimate" as of the valuation date.

Mercer notes that due to the GLPT Retirement Plan's formula for cost of living adjustments, the CPI inflation assumption will not affect the plan's going concern liabilities if the CPI assumption is between 2% and 4% per year. In other words the going concern liabilities under this report would not have changed if a CPI inflation



assumption of 2.00% instead of 2.50% had been used. However, to the extent that a lower CPI inflation assumption would have resulted in lower assumed rates of increases in pensionable earnings, increases in yearly maximum pensionable earnings (“YMPE”) and increases in the maximum pension permitted by the Income Tax Act, the going concern liabilities would have decreased.

18. **Request**

[10/1/1, p. 1] Please provide the calculation for each of the responses in (a) and (b).

**Response**

Calculation of GLPT's response to part (a) of Board Staff Interrogatory #1:

(\$000's)			
<b>Revenue Requirement (pre-filed evidence)</b>		<b>\$39,365.1</b>	
Requested Rate Base		208,999.2	
Change in Rate Base (1%)		2,090.0	
Cost of Capital	8.42%	176.0	
Depreciation	1% of total depreciation	74.1	
Capital Tax	1% of capital tax	1.5	
Cost of Capital	calculated above	176.0	
Income Taxes	assuming 1% changes in:	Interest	31.4
		CCA	<u>\$282.9</u>
	and appropriate changes to:	Income	<u>0.72%</u>
		Capital tax	

Calculation of GLPT's response to part (b) of Board Staff Interrogatory #1:

(\$000's)	
<b>Revenue Requirement (pre-filed evidence)</b>	<b>\$39,365.1</b>
OM&A	11,105.6
Depreciation	7,406.9
Property Taxes	258.2
Capital Taxes	145.5
	<u>18,916.2</u>
	<b>\$189.2</b>
	0.48%

<b>(\$000's)</b>		
<b>Revenue Requirement (pre-filed evidence)</b>	<b>\$39,365.1</b>	
OM&A	11,105.6	
Depreciation	-	
Property Taxes	258.2	
Capital Taxes	145.5	
	<u><b>11,509.3</b></u>	
	<b>\$115.1</b>	0.29%

19. **Request**

[10/1/1, pp 3-4] With respect to this response:

- a. Please explain the difference in cost between the 2007 infrared scan and the 2010 infrared scan.
- b. Please advise how much of the \$16.6 million figure in 2010 is expected to be paid to Hydro One, and provide a breakdown, with amounts, of the services being purchased for that total.

**Response**

- a. The infrared scan cost will differ from year to year depending on how much line (kms) or how many stations are scanned. The 2007 infrared scan was specific to issues GLPT had with the sleeves on the # 3 Sault 115 kV transmission line which amounted to \$13,000. In 2010 GLPT plans to contract Hydro One to perform scans on a number of circuits. It is estimated that the cost for having Hydro One perform this work will be up to \$60,000 for 2010.
- b. GLPT will be paying up to \$60,000 to Hydro One in 2010 for performing infrared scans on lines that include the following:
  - P21G and P22G
  - K24G
  - W23K
  - #3 Sault

GLPT does not expect to pay any of the \$16.6 million to Hydro One. That amount, as indicated in the referenced interrogatory response, will be paid to third parties other than Hydro One and other transmitters.

20. **Request**

[10/1/1, p. 17] Please explain the large jump in “Danger Tree Management” costs in 2010, and explain why that large increase is expected to continue after the test year.

**Response**

The increase in danger tree management is a result of GLPT catching up with work that was deferred in 2009, as well as the continued implementation of an enhanced vegetation management system. With the activation of tools such as the GIS system and the vegetation mapping and development system, GLPT is better equipped to identify and manage danger trees, and as a result there will be incremental costs associated with this in 2010. GLPT will continue to do danger tree management. GLPT anticipates the danger tree management portion of the vegetation management system will start to decrease in 2011.

21. **Request**

[10/1/1. P. 20] Please provide each of the hourly rates in (i) on a per-FTE basis.

**Response**

The amounts indicated in response to Board Staff Interrogatory 10 (i) reflects the fully loaded hourly rate on a per-FTE basis.

22. **Request**

[10/1/1, p. 30] Please confirm that the Applicant expects to fill the vacancies referred to in (v) before the end of the test year. Please advise the amount of contractor and consulting savings built into the Application as a result of filling these vacancies, show where these savings are reflected in the Application, and show how they track the timing of filling the vacancies.

**Response**

GLPT expects to fill the vacancies before the end of the test year.

The contractor and consulting savings can be summarized as follows:

- 2009 Cost Reduction - \$80,000 (part of Cost Driver #3 in account 4805),
- 2010 Cost Reduction - \$6,660 (Cost Driver #3 in account 4805), and
- 2010 Cost Reduction - \$24,517 (Other Minor Variance in account 4805).

GLPT would also like to clarify that not all of the activities and costs associated with the engineering staff affect OM&A. A great deal of capital related work is completed by GLPT's engineering staff, and as a result the associated costs are not directly reflected in the application, but instead are incorporated into project spending found in Exhibit 2.

GLPT's savings in the application do not track the timing of filling vacancies. The immediate savings related to a reduction in contractor costs in year of hire are assumed to be offset by the salary and hiring costs of the new employee.

23. **Request**

[10/1/1, p. 80] Please provide the business case for the “lease arrangement” referred to. Please provide the calculation of the \$294,000 benefit. Please provide the lessor company’s full costs relating to the leased property, the portion of all costs paid by the Applicant, and the remaining costs including how they are recovered by the lessor.

**Response**

The business case is that the lease arrangement entered into provided an economical option. Under this arrangement, GLPT only contributes 50% of the depreciation cost, and does not provide any return on investment to GLPL for owning the assets. This results in an annual benefit of \$294,000 that is passed on to rate-payers in Ontario, plus the avoided cost of capital associated with the assets. This arrangement was entered into to help mitigate the impact on ratepayers.

The \$294,000 benefit is the amount of depreciation that is being absorbed by GLPL, the former user of the SCADA system. Although still owned by GLPL, the system control centre is an asset used only by GLPT (with very limited services being provided to Algoma Power Inc.), and as a result the \$294,000 annual depreciation expense that is being borne by GLPL results in a benefit to GLPT and its ratepayers.

GLPL’s full costs related to the lease property are the full depreciation costs, which equate to approximately \$588,000. Of this cost, \$294,000 is recovered from GLPT through the lease agreement, and the remaining \$294,000 is absorbed by GLPL with no recovery.

GLPT is responsible for all OM&A costs associated with maintaining and operating the SCADA assets. None of these costs are borne by GLPL.



24. **Request**

[10/1/1, p. 82] Please provide all agreements and other documents, forming part of or related to the sale transaction under which the distribution business was sold, which reference the sharing of the OSCC. Where a document references the sharing of the OSCC, please provide the full document, not just the excerpt with the reference.

**Response**

No document part of or related to the sale transaction, under which the distribution business was sold, references OSCC.

25. **Request**

[10/1/1, p. 84] Please advise why no severance costs were paid to employees in the course of reducing the OSCC staffing from 16 to 9.

**Response**

At the time of reducing the OSCC staff from 16 to 9, severance was avoided through:

- Retirements,
- Re-deploying employees in the distribution business (prior to the sale), or
- Re-deploying employees to other positions within generation's system control centre.

26. **Request**

[10/1/1, p. 89] Please advise when the transmission business first started using the 15 year life for substation control equipment. Please advise the most recent case reference in which there was approval by the Board of that depreciation rate for the Applicant or a predecessor in the transmission business. Please file the study or other document justifying the 15 year life when it was initially introduced, and when it was last approved. Please advise the dollar impact on the amount of depreciation in the test year resulting from the 6.67% rate as opposed to the standard 2.50% rate.

**Response**

GLPT has been using the 15 year life for this type of equipment since the 1950's. In response to Board staff's Interrogatory #30 in the EB-2005-0241 proceeding (from which a settlement proposal was approved by the Board), GLPL stated the following:

"GLPL has a subclass within account 1715 for substation control equipment consistent with the APH definitions; however, GLPL has historically depreciated this according to the system supervisory equipment rate of 6.67%."

Further to this, the table in the same response reflects two depreciation rates for account 1715 – 2.50% and 6.67%, which reflect useful lives of 40 and 15 years, respectively.

GLPT does not have a depreciation study or document justifying the useful life. GLPT estimates that if all of the assets depreciated over 15 years were instead depreciated over 40 years for the test year, the net impact to depreciation expense would be a decrease of approximately \$11,000.

27. **Request**

[10/1/1, pp. 95-6] Please provide all tax planning memoranda, letters, opinions, or other documents dealing with the tax advantages of utilizing the structure referred to in (ii).

**Response**

There are no tax planning memoranda, letters, opinions, or other documents dealing with the tax advantages of utilizing the structure referred to in (ii). Given the relatively straightforward transaction from a tax perspective, no tax planning memorandum was specifically prepared for this transaction.

28. **Request**

[10/1/1, p. 120] Please advise the impact on rate base and revenue requirement in the test year of the 1996 revaluation of assets and liabilities.

**Response**

The depreciated amount arising from the comprehensive revaluation and forming the net book value of GLPL's assets and included in the 2001 rate application (RP-2001-0035) was \$76,480,520. As a result of further depreciation and write-off, \$52,146,300 is included in the 2010 test year rate base.

<b>Revenue Requirement:</b>		<b>(\$000's)</b>
Cost of Equity	Rate Base * 45% * 9.85%	\$2,311.4
Cost of Debt	Rate Base * 55% * 6.874%	1,971.5
Depreciation	Gross Value * 2.5%	1,973.5
Capital Taxes	Rate Base * 0.075%	39.1
Income Taxes		1,924.0
<b>Total</b>		<b>\$8,219.5</b>

The impact to income taxes was calculated using the revenue requirement work form.

29. **Request**

[10/1/1, p. 137] Please file the “internal assessment” referred to, if it is not the same document referred to in Question 4 above.

**Response**

Please refer to SEC supplemental response #4.

30. **Request**

[10/1/1, p. 142] Please provide any studies, reports or analyses that deal in whole or in part with the expected useful lives of assets acquired June 30, 2009 from GLPL.

**Response**

No studies dealing with the expected useful lives of assets acquired at June 30, 2009 were completed. The remaining service life based on the original purchase date was adopted by GLPT upon purchasing the fleet and IT assets from GLPL's distribution division. By way of example, if an asset with a useful life of five years was purchased by GLPL's distribution division on July 1, 2008, and subsequently purchased by GLPT on June 30, 2009, one year of the useful life had expired and therefore GLPT is depreciating the remaining net book value over the remaining four year useful life.

31. **Request**

[10/1/1, pp. 148, 150, 152-5] Please advise how much, if any, of the amounts marked “Contracts” in each of the tables on these six pages was paid or payable to entities related to or affiliated with the Applicant.

**Response**

No amount marked as “Contracts” was paid or payable to entities related to or affiliated with the Applicant.



32. **Request**

[10/1/1, p. 203] Please provide a detailed breakdown of the \$1 million, showing the transactions for which the expenditures were made, the nature of the costs within each of “regulatory approvals” and “transfer of assets”, including amounts of the different types of costs within those two categories.

**Response**

As stated in response to Board Staff Interrogatory #106, approximately \$440,000 was incurred as an expense related to the regulatory approvals for the transaction in which the transmission assets of GLPL were transferred on March 12, 2008 to GLPT. The costs related to the regulatory approvals were the legal expense incurred by GLPT. The approvals in question included an omnibus application that encompassed five different applications necessary to establish GLPT as a new transmitter. Activities included the following:

- legal advice as to the approvals required to establish GLPT as a new transmitter
- legal advice related to the OEB approval to permit the transaction (MAAD)
- licensing applications to permit the existence of two transmitters to serve the GLPT customers - one licensed transmitter to own the assets (GLPT) and another to operate the assets (GLPL)
- request to transfer the existing transmission rate order
- request to transfer ongoing regulatory obligations under GLPL’s leave to construct order
- consider issues arising under the Affiliate Relationship Code, including transfer pricing
- preparation of an Operation and Maintenance Agreement to permit GLPL (the licensed operator) to provide services to GLPT (the licensed asset owner)
- act as legal counsel in the resulting proceeding
- review of transaction documents from a regulatory perspective and provide advice during the transaction (including financing-related regulatory issues).

Also as stated in response to Board Staff Interrogatory #106, approximately \$555,000 was incurred as an expense related to the transfer of assets in respect of the transaction above. These activities included:

- review of all material contracts (including real estate matters) and due diligence
- obtaining all contractual consents, waivers and acknowledgements
- preparation of transaction documents
- legal opinions
- coordination between the financing and sale transactions
- approvals under the *Competition Act*.

Costs cannot be broken out further on a component basis as each were ongoing mandates treated as a singular matter by the two law firms acting as legal counsel.

33. **Request**

[10/1/2/App. 38(i)] With respect to the SCADA agreement:

- a. p. 1. Please advise the total amount of “technical support” costs included in the test year OM&A or capital forecasts.
- b. p. 2. Please advise the total amount of all costs referred to in section 2.3 that are included in the test year OM&A or capital forecasts.
- c. p. 2. Please provide the business case for the licensing arrangement set forth in this agreement (if it is different from the business case referred to in Question 23 above).
- d. p. 6. Please advise the other uses to which each category of assets referred to in the first para. of Schedule A are currently being put by GLPL.

**Response**

- a. GLPT did not include any costs related to “technical support” in the test year OM&A or capital forecasts. GLPT is required to provide technical support to GLPL in the first year of the three year initial term commencing June 30, 2009. As the equipment is fully operational any technical support required from GLPT during the test year is expected to be minimal.
- b. As noted in GLPT’s response to Board Staff Interrogatory #38 (iii), the expected maintenance costs included in the 2010 budget are \$49,400. This is the net amount after the 5% billing to Algoma Power Inc. This is the extent of the maintenance costs for the SCADA equipment included in the test year OM&A.

With respect to capital forecasts, GLPT did not forecast any capital spending on the SCADA equipment in question.

- c. The business case is the same as that described in Question 23.
- d. There are no other uses by GLPL.

34. **Request**

[10/1/2/App. 54(i), p. 8] Please advise whether Riskcorp Inc. still provides any services to the Applicant. If it does, please provide the details of those services, and identify all costs included in the test year forecasts of OM&A or capital relating to those services.

**Response**

Riskcorp Inc. still provides insurance to GLPT. The following insurance coverage and corresponding cost is brokered by Riskcorp Inc.:

- Property Insurance - \$136,000
- Automobile Insurance - \$20,000
- Comprehensive General Liability Insurance - \$11,000
- Umbrella Liability Insurance - \$31,000
- Professional Errors and Omissions Insurance - \$12,000
- Non-owned Aircraft Insurance - \$1,500

The costs associated with this coverage are included in account 5635.

35. **Request**

[10/1/2/App. 60(v), p. 11] Please provide the allocations of Purchase Price referred to in section 3.7.

**Response**

The allocation of the Purchase Price was as follows:

- Work in progress - \$6.9 Million
- Fixed Assets - \$203.5 Million

The Fixed Assets for tax purposes were allocated as follows:

Class 1 \$114 Million

Class 8 \$0.3 Million

Class 47 \$89.2 Million

36. **Request**

[10/2/2/App. 4(b)] Please advise the date this multi-year plan was approved. Please provide the most recently approved multi-year capital plan, including the date it was approved, the plan itself, and any presentation material or other supporting documents provided to the Board or other decision maker as part of the approval process. If there are no multi-year capital spending plans, please provide the Applicant's most recent strategic plan. If there is no strategic plan specific to the Applicant, please provide the strategic plan of the closest upstream company in the corporate group that does have a strategic plan.

**Response**

Please see **Appendix 36**. The multi-year capital plan was approved in 2009 during the annual budgeting process for 2010.

37. **Request**

[10/2/2/App. 5(a), p. 1] Please provide the numerical calculations supporting the two dollar figures in the first paragraph.

**Response**

GLPT is unable to reconcile the two dollar figures in the first paragraph. GLPT believes the two dollar figures were calculated on information that was outdated upon filing the 2005/2006 transmission rate application (EB-2005-0241). The methodology set out in Appendix 5(a) was the basis of the amounts actually relied upon in EB-2005-0241.

38. **Request**

[10/2/2/App. 15(e)] Please advise the date this multi-year plan was approved. Please provide the most recently approved multi-year operating plan, including the date it was approved, the plan itself, and any presentation material or other supporting documents provided to the Board or other decision maker as part of the approval process. If there are no multi-year operating plans, please provide the Applicant's most recent strategic plan. If there is no strategic plan specific to the Applicant, please provide the strategic plan of the closest upstream company in the corporate group that does have a strategic plan.

**Response**

Please see **Appendix 38**.

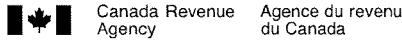


Exhibit 11, Tab 3, Schedule 2

Appendices to the Supplemental Responses to Interrogatories  
from SEC

**EXHIBIT 11 - TAB 3 - SCHEDULE 2  
LIST OF APPENDICES**

- 5(a) 2008 BIH (Canada) Inc. Pro Forma Tax Return for GLPT Income Only
- 14 Final Offering Memorandum - June 12, 2003  
GLPL Deed of Trust - June 16, 2003  
First Supplemental Trust Indenture - June 16, 2003  
Amendment to Deed of Trust - July 17, 2003  
Second Supplemental Trust Indenture - July 31, 2003
- 16(b) Fourth Supplemental Trust Indenture - March 12, 2008
- 36 2010 Approved Multi-Year Capital Plan
- 38 GLPT 2010 Budget



T2 CORPORATION INCOME TAX RETURN

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Ontario (for tax years ending before 2009), Quebec, or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

Parts, sections, subsections, and paragraphs mentioned on this return refer to the federal Income Tax Act. This return may contain changes that had not yet become law at the time of printing.

Send one completed copy of this return, including schedules and the General Index of Financial Information (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see www.cra.gc.ca or Guide T4012, T2 Corporation - Income Tax Guide.

055 Do not use this area

Identification Business Number (BN) 001

Corporation's name 002 BIH (CANADA) INC. PRO FORMA GLPT INCOME TAX

Address of head office Has this address changed since the last time you filed your T2 return? 010 1 Yes 2 No X

011 BROOKFIELD PLACE SUITE 300 012 181 BAY STREET, P.O. BOX 762

City Province, territory, or state 015 TORONTO 016 ON

Country (other than Canada) Postal code/Zip code 017 018 M5J 2T3

Mailing address (if different from head office address) Has this address changed since the last time you filed your T2 return? 020 1 Yes 2 No X

021 c/o 022 BROOKFIELD PLACE SUITE 300 023 181 BAY STREET, P.O. BOX 762

City Province, territory, or state 025 TORONTO 026 ON

Country (other than Canada) Postal code/Zip code 027 028 M5J 2T3

Location of books and records Has the location of books and records changed since the last time you filed your T2 return? 030 1 Yes 2 No X

031 BROOKFIELD PLACE SUITE 300 032 181 BAY STREET, P.O. BOX 762

City Province, territory, or state 035 TORONTO 036 ON

Country (other than Canada) Postal code/Zip code 037 038 M5J 2T3

040 Type of corporation at the end of the tax year 1 Canadian-controlled private corporation (CCPC) 4 X Corporation controlled by a public corporation 2 Other private corporation 5 Other corporation (specify, below) 3 Public corporation

If the type of corporation changed during the tax year, provide the effective date of the change. 043

To which tax year does this return apply? Tax year start 060 2008-01-01 Tax year-end 061 2008-12-31

Has there been an acquisition of control to which subsection 249(4) applies since the previous tax year? 063 1 Yes 2 No X

If yes, provide the date control was acquired 065

Is the date on line 061 a deemed tax year-end in accordance with subsection 249(3.1)? 066 1 Yes 2 No X

Is the corporation a professional corporation that is a member of a partnership? 067 1 Yes 2 No X

Is this the first year of filing after: Incorporation? 070 1 Yes 2 No X Amalgamation? 071 1 Yes 2 No X

If yes, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? 072 1 Yes 2 No X

If yes, complete and attach Schedule 24.

Is this the final tax year before amalgamation? 076 1 Yes 2 No X

Is this the final return up to dissolution? 078 1 Yes 2 No X

If an election was made under section 261, state the functional currency used 079

Is the corporation a resident of Canada? 080 1 Yes X 2 No If no, give the country of residence on line 081 and complete and attach Schedule 97.

081 Is the non-resident corporation claiming an exemption under an income tax treaty? 082 1 Yes 2 No X

If the corporation is exempt from tax under section 149, tick one of the following boxes: 085 1 Exempt under paragraph 149(1)(e) or (l) 2 Exempt under paragraph 149(1)(j) 3 Exempt under paragraph 149(1)(t) 4 Exempt under other paragraphs of section 149

Do not use this area 091 092 093 094 095 096 100

**Attachments**

**Financial statement information:** Use GIFL schedules 100, 125, and 141.

**Schedules** – Answer the following questions. For each Yes response, **attach** to the T2 return the schedule that applies.

	Yes	Schedule
Is the corporation related to any other corporations?	<input checked="" type="checkbox"/>	9
Is the corporation an associated CCPC?	<input type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders?	<input checked="" type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/>	11
If you answered <b>yes</b> to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter acquired after August 31, 1989?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership identification number has been assigned?	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust?	<input type="checkbox"/>	22
Did the corporation have any foreign affiliates during the year?	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the federal <i>Income Tax Regulations</i> ?	<input type="checkbox"/>	29
Has the corporation had any non-arm's length transactions with a non-resident?	<input checked="" type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input checked="" type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input checked="" type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) is the corporation claiming the refundable portion of Part I tax?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming reserves of any kind?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Is the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal or provincial foreign tax credits, or any federal or provincial logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<input checked="" type="checkbox"/>	
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	<input type="checkbox"/>	92

Attachments - continued from page 2

Table with columns for question, line number, Yes/No checkboxes, and Schedule reference. Includes questions about foreign affiliates, SR&ED, dividends, and CCPC/DIC status.

Additional information

Table for additional information including questions about corporate inactivity, business activity changes, and principal products. Includes line numbers 280-295.

Taxable income

Table for calculating taxable income, showing net income (line 300) and various deductions (lines 311-350) leading to taxable income (line 360).

\* This amount is equal to 3 times the Part VI.1 tax payable at line 724.

**Small business deduction**

**Canadian-controlled private corporations (CCPCs) throughout the tax year**

Income from active business carried on in Canada from Schedule 7	400	A
Taxable income from line 360, <b>minus</b> 10/3 of the amount on line 632*, <b>minus</b> 3 times the amount on line 636**, and <b>minus</b> any amount that, because of federal law, is exempt from Part I tax	405	B

**Calculation of the business limit:**

For all CCPCs, calculate the amount at line 4 below.

400,000	x	Number of days in the tax year after 2006 and before 2009	366	=	400,000	1	
		Number of days in the tax year	366				
500,000	x	Number of days in the tax year after 2008		=		2	
		Number of days in the tax year	366				
<b>Add amounts at lines 1 and 2</b>						<b>400,000</b>	<b>4</b>

Business limit (see notes 1 and 2 below)	410	C
--	-----	---

- Notes:**
- For CCPCs that are not associated, enter the amount from line 4 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate the amount from line 4 by the number of days in the tax year divided by 365, and enter the result on line 410.
  - For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

**Business limit reduction:**

Amount C	x	415 ***	D	=	11,250	E	
Reduced business limit (amount C <b>minus</b> amount E) (if negative, enter "0")						425	F

**Small business deduction**

Amount A, B, C, or F whichever is the least	x	Number of days in the tax year before January 1, 2008		x	16 %	=	5
		Number of days in the tax year	366				
Amount A, B, C, or F whichever is the least	x	Number of days in the tax year after December 31, 2007	366	x	17 %	=	6
		Number of days in the tax year	366				
<b>Total of amounts 5 and 6 – enter on line 9</b>						<b>430</b>	<b>G</b>

- \* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.
- \*\* Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporate tax reductions under section 123.4.

**\*\*\* Large corporations**

- If the corporation is not associated with any corporations in both the current and the previous tax years, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered at line 415 is: (Total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

**Resource deduction**

Taxable resource income [as defined in subsection 125.11(1)]	435	H					
Amount H	x	Number of days in the tax year in 2006		x	5 %	=	I
		Number of days in the tax year	366				
Amount H	x	Number of days in the tax year in 2007		x	7 %	=	J
		Number of days in the tax year	366				

**Note:** Resource deduction is no longer available for tax years starting after December 31, 2006.

<b>Resource deduction – Total of amounts I and J</b>	<b>438</b>	<b>K</b>
--	------------	----------

Enter amount K on line 10.

**General tax reduction for Canadian-controlled private corporations**

**Canadian-controlled private corporations throughout the tax year**

Taxable income from line 360										A
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27										B
Amount QQ from Part 13 of Schedule 27										C
Taxable resource income from line 435										D
Amount used to calculate the credit union deduction from Schedule 17										E
Amount from line 400, 405, 410, or 425, whichever is the least										F
Aggregate investment income from line 440										G
Total of amounts B, C, D, E, F, and G										H
Amount A minus amount H (if negative, enter "0")										I
Amount I		x	Number of days in the tax year before January 1, 2008		x	7 %	=			J
			Number of days in the tax year	366						
Amount I		x	Number of days in the tax year after December 31, 2007, and before January 1, 2009	366	x	8.5 %	=			K
			Number of days in the tax year	366						
Amount I		x	Number of days in the tax year after December 31, 2008, and before January 1, 2010		x	9 %	=			L
			Number of days in the tax year	366						
Amount I		x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=			L1
			Number of days in the tax year	366						
<b>General tax reduction for Canadian-controlled private corporations – Total of amounts J, K, L, and L1</b>										M
Enter amount M on line 638.										

**General tax reduction**

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, or a mutual fund corporation, and for tax years starting after May 1, 2006, any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from line 360 (for tax years starting after May 1, 2006, amount Z)										2,919,407	N
Lesser of amounts V and Y (line Z1) from Part 9 of Schedule 27											O
Amount QQ from Part 13 of Schedule 27											P
Taxable resource income from line 435											Q
Amount used to calculate the credit union deduction from Schedule 17											R
Total of amounts O, P, Q, and R											S
Amount N minus amount S (if negative, enter "0")										2,919,407	T
Amount T	2,919,407	x	Number of days in the tax year before January 1, 2008		x	7 %	=				U
			Number of days in the tax year	366							
Amount T	2,919,407	x	Number of days in the tax year after December 31, 2007, and before January 1, 2009	366	x	8.5 %	=	248,150			V
			Number of days in the tax year	366							
Amount T	2,919,407	x	Number of days in the tax year after December 31, 2008, and before January 1, 2010		x	9 %	=				W
			Number of days in the tax year	366							
Amount T	2,919,407	x	Number of days in the tax year after December 31, 2009, and before January 1, 2011		x	10 %	=				W1
			Number of days in the tax year	366							
<b>General tax reduction – Total of amounts U, V, W, and W1</b>								248,150			X
Enter amount X on line 639.											

**Refundable portion of Part I tax**

**Canadian-controlled private corporations throughout the tax year**

Aggregate investment income from Schedule 7 ..... **440** x 26 2 / 3 % = ..... **A**

Foreign non-business income tax credit from line 632 .....

**Deduct:**

Foreign investment income from Schedule 7 ..... **445** x 9 1 / 3 % = .....  
 (if negative, enter "0") .....

Amount A minus amount B (if negative, enter "0") ..... **C**

Taxable income from line 360 .....

**Deduct:**

Amount from line 400, 405, 410, or 425, whichever is the least .....

Foreign non-business income tax credit from line 632 ..... x 25 / 9 = .....

Foreign business income tax credit from line 636 ..... x 3 = .....  
 .....

..... x 26 2 / 3 % = ..... **D**

Part I tax payable minus investment tax credit refund (line 700 minus line 780) .....

**Deduct:** Corporate surtax from line 600 .....

Net amount ..... **E**

**Refundable portion of Part I tax** – Amount C, D, or E, whichever is the least ..... **450** ..... **F**

**Refundable dividend tax on hand**

Refundable dividend tax on hand at the end of the previous tax year ..... **460**

**Deduct:** Dividend refund for the previous tax year ..... **465** ..... **G**

**Add the total of:**

Refundable portion of Part I tax from line 450 above .....

Total Part IV tax payable from Schedule 3 .....

Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation ..... **480** ..... **H**

**Refundable dividend tax on hand at the end of the tax year** – Amount G plus amount H ..... **485**

**Dividend refund**

**Private and subject corporations at the time taxable dividends were paid in the tax year**

Taxable dividends paid in the tax year from line 460 of Schedule 3 ..... x 1 / 3 ..... **I**

Refundable dividend tax on hand at the end of the tax year from line 485 above ..... **J**

**Dividend refund** – Amount I or J, whichever is less (enter this amount on line 784) .....



**Part I tax**

**Base amount of Part I tax** – Taxable income (line 360 or amount Z, whichever applies) multiplied by 38.00 % ..... **550** 1,109,375 A

**Corporate surtax calculation**

Base amount from line A above ..... 1,109,375 1

**Deduct:**

10 % of taxable income (line 360 or amount Z, whichever applies) ..... 291,941 2  
 Investment corporation deduction from line 620 below ..... 3  
 Federal logging tax credit from line 640 below ..... 4  
 Federal qualifying environmental trust tax credit from line 648 below ..... 5

For a mutual fund corporation or an investment corporation throughout the tax year, enter amount a, b, or c below on line 6, whichever is the least:

28.00 % of taxable income from line 360 ..... a  
 28.00 % of taxed capital gains ..... b  
 Part I tax otherwise payable ..... c  
 (line A plus lines C and D minus line F)

Total of lines 2 to 6 ..... 291,941 7

Net amount (line 1 minus line 7) ..... 817,434 8

**Corporate surtax\***

Line 8 817,434 x Number of days in the tax year before January 1, 2008 ..... x 4 % = **600** B  
 Number of days in the tax year 366

\* The corporate surtax is zero effective January 1, 2008.

Recapture of investment tax credit from Schedule 31 ..... **602** C

**Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income**  
 (if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 ..... i  
 Taxable income from line 360 .....  
**Deduct:**  
 Amount from line 400, 405, 410, or 425, whichever is the least .....  
 Net amount ..... ii

**Refundable tax on CCPC's investment income** – 6 2 / 3 % of whichever is less: amount i or ii ..... **604** D

Subtotal (add lines A, B, C, and D) ..... 1,109,375 E

**Deduct:**

Small business deduction from line 430 ..... 9  
 Federal tax abatement ..... **608** 291,941  
 Manufacturing and processing profits deduction from Schedule 27 ..... **616**  
 Investment corporation deduction ..... **620**  
 Taxed capital gains **624**  
 Additional deduction – credit unions from Schedule 17 ..... **628**  
 Federal foreign non-business income tax credit from Schedule 21 ..... **632**  
 Federal foreign business income tax credit from Schedule 21 ..... **636**  
 Resource deduction from line 438 ..... 10  
 General tax reduction for CCPCs from amount M ..... **638**  
 General tax reduction from amount X ..... **639** 248,150  
 Federal logging tax credit from Schedule 21 ..... **640**  
 Federal political contribution tax credit ..... **644**  
 Federal political contributions **646**  
 Federal qualifying environmental trust tax credit ..... **648**  
 Investment tax credit from Schedule 31 ..... **652**  
 Subtotal ..... 540,091 F

**Part I tax payable** – Line E minus line F ..... 569,284 G  
 Enter amount G on line 700.

Summary of tax and credits

Federal tax

Part I tax payable	700	569,284
Part I.3 tax payable from Schedule 33, 34, or 35	704	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	

Total federal tax 569,284

Add provincial or territorial tax:

Provincial or territorial jurisdiction . . . **750** MJ  
 (if more than one jurisdiction, enter "multiple" and complete Schedule 5)  
 Net provincial or territorial tax payable (except Ontario [for tax years ending before 2009], Quebec, and Alberta) . . . **760**  
 Provincial tax on large corporations (New Brunswick and Nova Scotia) . . . **765**

Total tax payable **770** 569,284 A

Deduct other credits:

Investment tax credit refund from Schedule 31	780
Dividend refund	784
Federal capital gains refund from Schedule 18	788
Federal qualifying environmental trust tax credit refund	792
Canadian film or video production tax credit refund (Form T1131)	796
Film or video production services tax credit refund (Form T1177)	797
Tax withheld at source	800
Total payments on which tax has been withheld	<b>801</b>
Provincial and territorial capital gains refund from Schedule 18	808
Provincial and territorial refundable tax credits from Schedule 5	812
Tax instalments paid	840

Total credits **890** B

Refund code **894** Overpayment

Balance (line A minus line B) 569,284

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start  Change information **910** Branch number  
**914** Institution number **918** Account number

If the result is negative, you have an overpayment. If the result is positive, you have a balance unpaid. Enter the amount on whichever line applies.

Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid 569,284

Enclosed payment **898** 569,284

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes  2 No

Certification

I, **950** PRO FORMA ONLY **951** Last name in block letters **954** First name in block letters Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I further certify that the method of calculating income for this tax year is consistent with that of the previous year except as specifically disclosed in a statement attached to this return.

**955** Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation **956** Telephone number

Is the contact person the same as the authorized signing officer? If no, complete the information below **957** 1 Yes  2 No

**958** Name in block letters **959** Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering 1 for English or 2 for French. Indiquez votre langue de correspondance en inscrivant 1 pour anglais ou 2 pour français.

**990**  1

NET INCOME (LOSS) FOR INCOME TAX PURPOSES

Corporation's name	Business Number	Tax year end Year Month Day
BIH (CANADA) INC. PRO FORMA GLPT INCOME TAX		2008-12-31

- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- Please provide us with the applicable details in the identification area, and complete the applicable lines that contain a numbered black box. You should report amounts in accordance with the Generally Accepted Accounting Principles (GAAP).
- Sections, subsections, and paragraphs referred to on this schedule are from the *Income Tax Act*.

Net income (loss) after taxes and extraordinary items per financial statements			8,415,920	A
<b>Add:</b>				
Amortization of tangible assets	104	5,274,183		
Loss on disposal of assets	111	1,421,194		
Subtotal of additions		6,695,377	6,695,377	
<b>Other additions:</b>				
<b>Miscellaneous other additions:</b>				
604				
Subtotal of other additions	199	0	0	
<b>Total additions</b>	<b>500</b>	<b>6,695,377</b>	<b>6,695,377</b>	
<b>Deduct:</b>				
Capital cost allowance from Schedule 8	403	11,345,613		
Subtotal of deductions		11,345,613	11,345,613	
<b>Other deductions:</b>				
<b>Miscellaneous other deductions:</b>				
700 Capitalized interest	390	272,480		
701 Other current items capitalized for accounting	391	573,797		
704				
Total	394			
Subtotal of other deductions	499	846,277	846,277	
<b>Total deductions</b>	<b>510</b>	<b>12,191,890</b>	<b>12,191,890</b>	
<b>Net income (loss) for income tax purposes</b> – enter on line 300 of the T2 return			<b>2,919,407</b>	

\* For reference purposes only



Ministry of Revenue  
Corporations Tax  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

2007

CT23 Corporations Tax and Annual Return

EB-2009-0408

Exhibit 11

Table 3

Schedule 2

Appendix (05(a))

10 of 25

Corporations Tax Act – Ministry of Finance (MOF)  
Corporations Information Act – Ministry of Government Services (MGS)

Ministry Use

This form is a combination of the Ministry of Finance (MOF) **CT23 Corporations Tax Return** and the Ministry of Government Services (MGS) **Annual Return**. Page 1 is a common page required for both Returns. For tax purposes, depending on which criteria the corporation satisfies, it must complete either the **Exempt from Filing (EFF)** declaration on page 2 or file the **CT23 Return** on pages 3-17. Corporations that **do not** meet the EFF criteria but **do** meet the Short-Form criteria, may request and file the **CT23 Short-Form Return** (see page 2).

The **Annual Return** (common page 1 and MGS Schedule A on pages 18 and 19, and Schedule K on page 20) contains non-tax information collected under the authority of the *Corporations Information Act* for the purpose of maintaining a public database of corporate information. This return must be completed by Ontario share-capital corporations or Foreign-Business share-capital corporations that have an extra-provincial licence to operate in Ontario.

MGS Annual Return Required? (Not required if already filed or Annual Return exempt. Refer to Guide)  Yes  No **Page 1 of 20**

Corporation's Legal Name (including punctuation) <b>BIH (CANADA) INC. PRO FORMA GLPT INCOME TAX</b>		Ontario Corporations Tax Account No. (MOF)	
Mailing Address <b>PRO FORMA RETURN BROOKFIELD PLACE SUITE 300 181 BAY STREET, P.O. BOX 762 TORONTO ON CA M5J 2T3</b>		This Return covers the Taxation Year Start <input type="text"/> year <input type="text"/> month <input type="text"/> day <b>2008-01-01</b> End <input type="text"/> year <input type="text"/> month <input type="text"/> day <b>2008-12-31</b>	
Has the mailing address changed since last filed CT23 Return? <input type="checkbox"/> Yes	Date of Change <input type="text"/> year <input type="text"/> month <input type="text"/> day	Date of Incorporation or Amalgamation <input type="text"/> year <input type="text"/> month <input type="text"/> day <b>2007-08-02</b>	
Registered/Head Office Address <b>BROOKFIELD PLACE SUITE 300 181 BAY STREET, P.O. BOX 762 TORONTO ON CA M5J 2T3</b>		Ontario Corporation No. (MGS) <input type="text"/>	
Location of Books and Records <b>BROOKFIELD PLACE SUITE 300 181 BAY STREET, P.O. BOX 762 TORONTO ON CA M5J 2T3</b>		Canada Revenue Agency Business No. (if applicable, enter) <input type="text"/>	
Name of person to contact regarding this CT23 Return <b>PRO FORMA ONLY</b>	Telephone No. <input type="text"/>	Fax No. <input type="text"/>	Jurisdiction Incorporated <input type="text"/> <b>Ontario</b>
Address of Principal Office in Ontario (Extra-Provincial Corporations only) (MGS) <b>Ontario Canada</b>		If not incorporated in Ontario, indicate the date Ontario business activity commenced and ceased: Commenced <input type="text"/> year <input type="text"/> month <input type="text"/> day Ceased <input type="text"/> year <input type="text"/> month <input type="text"/> day <input checked="" type="checkbox"/> Not Applicable	
Former Corporation Name (Extra-Provincial Corporations only) <input checked="" type="checkbox"/> Not Applicable (MGS)		Preferred Language / Langue de préférence <input checked="" type="checkbox"/> English <input type="checkbox"/> French anglais français	
Information on Directors/Officers/Administrators must be completed on MGS Schedule A or K as appropriate. If additional space is required for Schedule A, only this schedule may be photocopied. State number submitted (MGS). <input type="text"/> No. of Schedule(s)		Ministry Use	
If there is <b>no change</b> to the Directors'/Officers'/Administrators' information previously submitted to MGS, please check (X) this box. Schedule(s) A and K are not required (MGS). <input checked="" type="checkbox"/> No Change			

**Certification (MGS)**

I certify that all information set out in the **Annual Return** is true, correct and complete.

Name of Authorized Person (Print clearly or type in full)

**PRO FORMA ONLY**

Title  **D** Director  **O** Officer  **P** Other individuals having knowledge of the Corporation's business activities

**Note: Sections 13 and 14 of the Corporations Information Act provide penalties for making false or misleading statements or omissions.**

# CT23 Corporations Tax Return

Identification continued (for CT23 filers only)

Please check applicable (X) box(es) and complete required information.

## Type of corporation

- 1**  Canadian-controlled Private (CCPC) all year (Generally a private corporation of which 50% or more shares are owned by Canadian residents.) (fed.s.125(7)(b))
- 2 Other Private
- 3 Public
- 4 Non-share Capital
- 5 Other (specify) ▼

Share Capital with full voting rights owned by Canadian Residents  (nearest percent) %

- 2**  1 Family Farm corporation s.1(2)
- 2 Family Fishing corporation s.1(2)
- 3 Mortgage Investment corporation s.47
- 4 Credit Union s.51
- 5 Bank Mortgage subsidiary s.61(4)
- 6 Bank s.1(2)
- 7 Loan and Trust corporation s.61(4)
- 8 Non-resident corporation s.2(2)(a) or (b)
- 9 Non-resident corporation s.2(2)(c)
- 10 Mutual Fund corporation s.48
- 11 Non-resident owned Investment corporation s.49
- 12 Non-resident ship or aircraft under reciprocal agreement with Canada s.28(b)
- 14 Bare Trustee corporation
- 15 Branch of Non-resident s.63(1)
- 16 Financial institution prescribed by Regulation only
- 17 Investment Dealer
- 18 Generator of electrical energy for sale or producer of steam for use in the generation of electrical energy for sale
- 19 Hydro successor, municipal electrical utility or subsidiary of either
- 20 Producer and seller of steam for uses other than for the generation of electricity
- 21 Insurance Exchange s.74.4
- 22 Farm Feeder Finance Co-operative corporation
- 23 Professional corporation (incorporated professionals only)

- This is the first year filing after incorporation or an amalgamation (If checked, attach Ontario Schedule 24.)
- Amended Return
- Taxation year end change – Canada Revenue Agency approval required
- Final taxation year up to dissolution (Note: for discontinued businesses, see guide.)
- Final taxation year before amalgamation
- The corporation has a floating fiscal year end
- There has been a transfer or receipt of asset(s) involving a corporation having a Canadian permanent establishment outside Ontario
- There was an acquisition of control to which subsection 249(4) of the federal *Income Tax Act* (ITA) applies since the previous taxation year  
If checked, date control was acquired  year  month  day
- The corporation was involved in a transaction where all or substantially all (90% or more) of the assets of a non-arm's length corporation were received in the taxation year and subsection 85(1) or 85(2) of the federal ITA applied to the transaction (If checked, attach Ontario Schedule 44.)
- First year filing of a parent corporation after winding-up a subsidiary corporation(s) under section 88 of the federal ITA during the taxation year. (If checked, attach Ontario Schedule 24.)
- Section 83.1 of the CTA applies (redirection of payments for certain electricity corporations)

- Yes No
- Was the corporation inactive throughout the taxation year?
  - Has the corporation's Federal T2 Return been filed with the Canada Revenue Agency?

Are you requesting a refund due to:

- the Carry-back of a Loss?
- an Overpayment?
- a Specified Refundable Tax Credit?
- Are you a member of a Partnership or Joint Venture?

### Complete if applicable

Ontario Retail Sales Tax Vendor Permit no. (Use head office no.)

Ontario Employer Health Tax Account no. (Use head office no.)

Specify major business activity

**Income Tax**

**Allocation** – If you carry on a business through a permanent establishment in a jurisdiction outside Ontario, you may allocate the portion of taxable income deemed earned in that jurisdiction to that jurisdiction (s.39) (Int.B. 3008).

Net Income (loss) for Ontario purposes (per reconciliation schedule, page 15)	- - - - -	±	From	690	2,919,407	.
Subtract: Charitable donations	- - - - -	-		1		.
Subtract: Gifts to Her Majesty in right of Canada or a province and gifts of cultural property (Attach schedule 2)	- - - - -	-		2		.
Subtract: Taxable dividends deductible, per federal Schedule 3	- - - - -	-		3		.
Subtract: Ontario political contributions (Attach Schedule 2A) (Int.B. 3002R)	- - - - -	-		4		.
Subtract: Federal Part VI.1 tax	• x 3	-		5		.
Subtract: Prior years' losses applied – Non-capital losses	- - - - -	-	From	704		.
	From 715					
Net capital losses (page 16)	• x inclusion rate	50.000000%	=	714		.
Farm losses	- - - - -	-	From	724		.
Restricted farm losses	- - - - -	-	From	734		.
Limited partnership losses	- - - - -	-	From	754		.
<b>Taxable Income (Non-capital loss)</b>	- - - - -	=		10	2,919,407	.

Addition to taxable income for unused foreign tax deduction for federal purposes - - - - - + 11

**Adjusted Taxable Income** 10 + 11 (if 10 is negative, enter 11) = 20 2,919,407

<b>Taxable Income</b>									
From 10 (or 20 if applicable)	2,919,407	• x 30	100.0000%	x 12.5%	x 33	÷ 73	366	= + 29	.
			Ontario Allocation						
From 10 (or 20 if applicable)	2,919,407	• x 30	100.0000%	x 14%	x 34	366 ÷ 73	366	= + 32	408,717
			Ontario Allocation						
<b>Income Tax Payable</b> (before deduction of tax credits)					29 + 32			= 40	408,717

**Incentive Deduction for Small Business Corporations (IDSBC) (s.41)**

**If this section is not completed, the IDSBC will be denied.**

Did you claim the federal Small Business Deduction (fed.s.125(1)) in the taxation year or would you have claimed the federal Small Business Deduction had the provisions of fed.s.125(5.1) not been applicable in the taxation year? (X) Yes  No

* Income from active business carried on in Canada for federal purposes (fed.s.125(1)(a))	- - - - -		50	.
Federal taxable income, less adjustment for foreign tax credit (fed.s.125(1)(b))	+ 51	.		
Add: Losses of other years deducted for federal purposes (fed.s.111)	+ 52	.		
Subtract: Losses of other years deducted for Ontario purposes (s.34)	- 53	.		
	=		54	.
Federal Business limit (line 410 of the T2 Return) for the year before the application of fed.s.125(5.1)	- - - - -		55	.

**Ontario Business Limit Calculation**

320,000 x	Days after Dec. 31, 2002 and before Jan. 1, 2004	31	÷	** 366	= + 46	.
400,000 x	Days after Dec. 31, 2003	34	366 ÷ **	366	= + 47	.
Business Limit for Ontario purposes	46 + 47	=	44	.		
		x	Percentage of Federal Business limit (from T2 Schedule 23). Enter 100% if not associated.	48	%	= 45
<b>Income eligible for the IDSBC</b>	- - - - -	From	30	100.0000%	x 56	= 60
			***Ontario Allocation		Least of 50, 54 or 45	

\* **Note:** Modified by s.41(6) and (7) for corporations that are members of a partnership. (Refer to Guide.)  
 \*\* **Note:** Adjust accordingly for a floating taxation year and use 366 for a leap year.  
 \*\*\* **Note:** Ontario Allocation for IDSBC purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.41(4)).

continued on Page 5

Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF) Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

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DOLLARS ONLY

Income Tax continued from Page 4

**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days

Days after Dec. 31, 2003 Total Days

Calculation of IDSBC Rate  $7\% \times \frac{31}{73} \times 366 = + 89$

IDSBC Rate for Taxation Year  $89 + 90 = 78$  8,5000

Claim From 60  $\times$  From 78 8,5000% = 70

Corporations claiming the IDSBC must complete the Surtax section below if the corporation's taxable income (or if associated, the associated group's taxable income) is greater than the amount in 114 below.

Surtax on Canadian-controlled Private Corporations (s.41.1)

Applies if you have claimed the Incentive Deduction for Small Business Corporations.

Associated Corporation - The Taxable Income of associated corporations is the taxable income for the taxation year ending on or before the date of this corporation's taxation year end.

\*Taxable Income of the corporation From 10 (or 20 if applicable) + 80

If you are a member of an associated group (X) 81 (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	* Taxable Income (if loss, enter nil)
			+ 82
			+ 83
			+ 84
Aggregate Taxable Income	80 + 82 + 83 + 84, etc.		= 85

**Number of Days in Taxation Year**

Days after Dec. 31, 2002 and before Jan. 1, 2004 Total Days

Days after Dec. 31, 2003 Total Days

320,000  $\times \frac{31}{73} \times 366 = + 115$

400,000  $\times \frac{34}{73} \times 366 = + 116$

115 + 116 = 114

(If negative, enter nil) = 86

**Number of Days in Taxation Year**

Days after Dec. 31, 2002 Total Days

Calculation of Specified Rate for Surtax  $4.6670\% \times \frac{38}{73} \times 366 = + 97$

From 86  $\times$  From 97% = 87

From 87  $\times$  From 60  $\div$  From 114 = 88

Surtax Lesser of 70 or 88 = 100

\* Note: Short Taxation Years - Special rules apply where the taxation year is less than 51 weeks for the corporation and/or any corporation associated with it.

continued on Page 6

**Additional Deduction for Credit Unions (s.51(4))** (Attach schedule 17) - - - - - 110 \_\_\_\_\_.

**Manufacturing and Processing Profits Credit (M&P) (s.43)**

**Applies** to Eligible Canadian Profits from manufacturing and processing, farming, mining, logging and fishing carried on in Canada, as determined by regulations.

Eligible Canadian Profits from mining are the "resource profits from the mining operations", as determined for Ontario depletion purposes, after deducting depletion and resource allowances but excluding amounts from sale of Canadian resource property, rentals or royalties. If you are claiming this credit, attach a copy of Ontario schedule 27.

The whole of the active business income qualifies as Eligible Canadian Profits if: **a)** your active business income from sources other than manufacturing and processing, mining, farming, logging or fishing is 20% or less of the total active business income and **b)** the total active business income is \$250,000 or less.

**Eligible Canadian Profits** - - - - - + 120 \_\_\_\_\_.

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - From 56 \_\_\_\_\_.

Add: Adjustment for Surtax on Canadian-controlled private corporations

From 100 \_\_\_\_\_ ÷ From 30 100.0000% ÷ From 78 8.5000% = 121 \_\_\_\_\_.

\*Ontario Allocation

Lesser of 56 or 121 - - - - - + 122 \_\_\_\_\_.

120 - 56 + 122 - - - - - = 130 \_\_\_\_\_.

**Taxable Income** - - - - - + From 10 2,919,407 \_\_\_\_\_.

Subtract: Income eligible for the Incentive Deduction for Small Business Corporations (IDSBC) - - - - - From 56 \_\_\_\_\_.

Add: Adjustments for Surtax on Canadian-controlled private corporations - - - - - + From 122 \_\_\_\_\_.

Subtract: Taxable Income 10 2,919,407 X Allocation % to jurisdictions outside Canada - - - - - 140 \_\_\_\_\_.

Subtract: Amount by which Canadian and foreign investment income exceeds net capital losses - - - - - 141 \_\_\_\_\_.

10 - 56 + 122 - 140 - 141 - - - - - = 142 2,919,407 \_\_\_\_\_.

**Claim**

		<b>Number of Days in Taxation Year</b>	
		Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days
143 _____	X From 30 100.0000% X	33 ÷ 73	366
Lesser of 130 or 142	Ontario Allocation		
	1.5 % X		
		= + 154 _____.	
143 _____	X From 30 100.0000% X	Days after Dec. 31, 2003	Total Days
Lesser of 130 or 142	Ontario Allocation	34	366 ÷ 73
	2 % X		
		= + 156 _____.	
M&P claim for taxation year	154 + 156	= 160 _____.	

\* **Note:** Ontario Allocation for M&P Credit purposes may differ from 30 if Taxable Income is allocated to foreign jurisdictions. See special rules (s.43(1))

**Manufacturing and Processing Profits Credit for Electrical Generating Corporations** = 161 \_\_\_\_\_.

**Manufacturing and Processing Profits Credit for Corporations that Produce and Sell Steam for uses other than the Generation of Electricity** - - - - - = 162 \_\_\_\_\_.

**Credit for Foreign Taxes Paid (s.40)**

**Applies** if you paid tax to a jurisdiction outside Canada on foreign investment income (Int.B. 3001R). (Attach schedule) - - - - - 170 \_\_\_\_\_.

**Credit for Investment in Small Business Development Corporations (SBDC)**

**Applies** if you have an unapplied, previously approved credit from prior years' investments in new issues of equity shares in Small Business Development Corporations. Any unused portion may be carried forward indefinitely and applied to reduce subsequent years' income taxes. (Refer to the former *Small Business Development Corporations Act*)

Eligible Credit 175 \_\_\_\_\_      Credit Claimed 180 \_\_\_\_\_

**Subtotal of Income Tax** 40 - 70 + 100 - 110 - 160 - 161 - 162 - 170 - 180 - - - - - = 190 408,717 \_\_\_\_\_.



Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF)

Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

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Income Tax continued from Page 6

Specified Tax Credits (Refer to Guide)

Ontario Innovation Tax Credit (OITC) (s.43.3) Applies to scientific research and experimental development in Ontario.

Eligible Credit From 5620 OITC Claim Form (Attach original Claim Form) + 191

Co-operative Education Tax Credit (CETC) (s.43.4) Applies to employment of eligible students.

Eligible Credit From 5798 CT23 Schedule 113 (Attach Schedule 113) + 192

Ontario Film & Television Tax Credit (OFTTC) (s.43.5)

Applies to qualifying Ontario labour expenditures for eligible Canadian content film and television productions. Name of Production 204

Eligible Credit From 5850 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) + 193

Graduate Transitions Tax Credit (GTTC) (s.43.6)

Applies to employment of eligible unemployed post secondary graduates, for employment commencing prior to July 6, 2004 and expenditures incurred prior to January 1, 2005. No. of Graduates From 6596 194

Eligible Credit From 6598 CT23 Schedule 115 (Attach Schedule 115) + 195

Ontario Book Publishing Tax Credit (OBPTC) (s.43.7)

Applies to qualifying expenditures in respect of eligible literary works by eligible Canadian authors.

Eligible Credit From 6900 OBPTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) + 196

Ontario Computer Animation and Special Effects Tax Credit (OCASE) (s.43.8)

Applies to labour relating to computer animation and special effects on an eligible production.

Eligible Credit From 6700 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) + 197

Ontario Business-Research Institute Tax Credit (OBRITC) (s.43.9)

Applies to qualifying R&D expenditures under an eligible research institute contract.

Eligible Credit From 7100 OBRITC Claim Form (Attach original Claim Form) + 198

Ontario Production Services Tax Credit (OPSTC) (s.43.10)

Applies to qualifying Ontario labour expenditures for eligible productions where the OFTTC has not been claimed.

Eligible Credit From 7300 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) + 199

Ontario Interactive Digital Media Tax Credit (OIDMTC) (s.43.11)

Applies to qualifying labour expenditures of eligible products for the taxation year.

Eligible Credit From 7400 of the Certificate of Eligibility issued by the Ontario Media Development Corporation (OMDC) (Attach the original Certificate of Eligibility) + 200

Ontario Sound Recording Tax Credit (OSRTC) (s.43.12)

Applies to qualifying expenditures in respect of eligible Canadian sound recordings.

Eligible Credit From 7500 OSRTC Claim Form (Attach both the original Claim Form and the Certificate of Eligibility) + 201

Apprenticeship Training Tax Credit (ATTC) (s.43.13)

Applies to employment of eligible apprentices. No. of Apprentices From 5896 202

Eligible Credit From 5898 CT23 Schedule 114 (Attach Schedule 114) + 203

Other (specify) + 203.1

Total Specified Tax Credits 191 + 192 + 193 + 195 + 196 + 197 + 198 + 199 + 200 + 201 + 203 + 203.1 = 220

Specified Tax Credits Applied to reduce Income Tax = 225

Income Tax 190 - 225 OR Enter NIL if reporting Non-Capital Loss (amount cannot be negative) = 230 408,717

To determine if the Corporate Minimum Tax (CMT) is applicable to your Corporation, see Determination of Applicability section for the CMT on Page 8. If CMT is not applicable, transfer amount in 230 to Income Tax in Summary section on Page 17.

OR

If CMT is not applicable for the current taxation year but your corporation has CMT Credit Carryovers that you want to apply to reduce income tax otherwise payable, then proceed to and complete the Application of CMT Credit Carryovers section part B, on Page 8.

**Corporate Minimum Tax (CMT)**

Total Assets of the corporation ..... + [240] 223,027,000 .  
 Total Revenue of the corporation ..... + [241] 35,074,000 .

The above amounts include the corporation's and associated corporations' share of any partnership(s) / joint venture(s) total assets and total revenue.

If you are a member of an associated group (X) [242]  (Yes)

Name of associated corporation (Canadian & foreign) (if insufficient space attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Total Assets	Total Revenue
SEE BROOKFIELD ASSET MANAGEMENT INC. TAX F		2008-12-31	+ [243] 5,000,000 .	+ [244] 10,000,000 .
			+ [245] .	+ [246] .
			+ [247] .	+ [248] .
Aggregate Total Assets	[240] + [243] + [245] + [247], etc.		= [249] 228,027,000 .	
Aggregate Total Revenue	[241] + [244] + [246] + [248], etc.			= [250] 45,074,000 .

**Determination of Applicability**

Applies if either Total Assets [249] exceeds \$5,000,000 or Total Revenue [250] exceeds \$10,000,000.

**Short Taxation Years** – Special rules apply for determining total revenue where the taxation year of the corporation or any associated corporation or any fiscal period of any partnership(s) / joint venture(s) of which the corporation or associated corporation is a member, is less than 51 weeks.

**Associated Corporation** – The total assets or total revenue of associated corporations is the total assets or total revenue for the taxation year ending on or before the date of the claiming corporation's taxation year end.

If CMT is applicable to current taxation year, complete section **Calculation: CMT** below and **Corporate Minimum Tax Schedule 101**.

**Calculation: CMT** (Attach Schedule 101.)

Gross CMT Payable - - CMT Base From Schedule 101 [2136] . X From [30] 100.0000 % X 4 % = [276] .  
 if negative, enter zero Ontario Allocation

Subtract: Foreign Tax Credit for CMT purposes (Attach Schedule) - - [277] .

Subtract: Income Tax - - From [190] 408,717 .

**Net CMT Payable** (If negative, enter Nil on Page 17.) - - = [280] .

If [280] is less than zero and you do not have a CMT credit carryover, transfer [230] from Page 7 to **Income Tax Summary, on Page 17**.

If [280] is less than zero and you have a CMT credit carryover, complete A & B below.

If [280] is greater than or equal to zero, transfer [230] to **Page 17** and transfer [280] to **Page 17, and to Part 4 of Schedule 101: Continuity of CMT Credit Carryovers**.

**CMT Credit Carryover available** From Schedule 101 - - - - - From [2333] .

**Application of CMT Credit Carryovers**

**A.** Income Tax (before deduction of specified credits) - - - - - + From [190] 408,717 .  
 Gross CMT Payable - - - - - + From [276] .  
 Subtract: Foreign Tax Credit for CMT purposes - - - - - - From [277] .  
 If [276] - [277] is negative, enter NIL in [290] = .  
**Income Tax eligible for CMT Credit** - - - - - = [300] 408,717 .

**B.** Income Tax (after deduction of specified credits) - - - - - + From [230] 408,717 .  
 Subtract: CMT credit used to reduce income taxes - - - - - - [310] .  
**Income Tax** - - - - - = [320] 408,717 .

Transfer to page 17

If A & B apply, [310] cannot exceed the lesser of [230], [300] and your CMT credit carryover available [2333] .

If only B applies, [310] cannot exceed the lesser of [230] and your CMT credit carryover available [2333] .

Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF) Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

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**Capital Tax** (Refer to Guide and Int.B. 3011R)

If your corporation is a Financial Institution (s.58(2)), complete lines 480 and 430 on page 10 then proceed to page 13.

If your corporation is not a member of an associated group and/or partnership and the Gross Revenue and Total Assets as calculated on page 10 in 480 and 430 are both \$3,000,000 or less, your corporation is exempt from Capital Tax for the taxation year, except for a branch of a non-resident corporation. A corporation that meets these criteria should disregard all other Capital Tax items (including the calculation of Taxable Capital). Enter NIL in 550 on page 12 and complete the return from that point. All other corporations must compute their Taxable Capital in order to determine their Capital Tax payable.

Members of a partnership (limited or general) or a joint venture, must attach all financial statements of each partnership or joint venture of which they are a member. The Paid-up Capital of each corporate partner must include its share of liabilities that would otherwise be included if the partnership were a corporation. If Investment Allowance is claimed, Total Assets must be

adjusted by adding the corporation's share of the partnership's Total Assets and by deducting investments in the partnership as it appears on the corporation's balance sheet, in addition to any other required adjustments (s.61(5)). Special rules apply to limited partnerships (Int.B. 3017R).

Any Assets and liabilities of a corporation that are being utilized in a joint venture must be included along with the corporation's other Assets and liabilities when calculating its Taxable Paid-up Capital.

Special rules and rates apply to Non-Resident corporations (s.63, s.64 and s.69(3)).

**Paid-up Capital of Non-resident:** Paid-up capital employed in Canada of a non-resident subject to tax by virtue of s.2(2)(a) or 2(2)(b), and whose **business is not carried on solely in Canada** is deemed to be the **greater** of (1) taxable Income in Canada divided by 8 percent or (2) total assets in Canada minus certain indebtedness in accordance with the provisions of s.63(1)(a) (Int.B. 3010).

**Paid-up Capital**

Paid-up capital stock (Int.B. 3012R and 3015R)	- - - - -	+ 350	97,587,000 .
Retained earnings (if deficit, deduct) (Int.B. 3012R)	- - - - -	+ 351	1,167,000 .
Capital and other surpluses, excluding appraisal surplus (Int.B.3012R)	- - - - -	+ 352	. .
Loans and advances (Attach schedule) (Int.B. 3013R)	- - - - -	+ 353	2,080,000 .
Bank loans (Int.B. 3013R)	- - - - -	+ 354	. .
Bankers acceptances (Int.B. 3013R)	- - - - -	+ 355	. .
Bonds and debentures payable (Int.B. 3013R)	- - - - -	+ 356	. .
Mortgages payable (Int.B. 3013R)	- - - - -	+ 357	119,079,000 .
Lien notes payable (Int.B. 3013R)	- - - - -	+ 358	. .
Deferred credits (including income tax reserves, and deferred revenue where it would also be included in paid-up capital for the purposes of the large corporations tax) (Int.B. 3013R)	- - - - -	+ 359	. .
Contingent, investment, inventory and similar reserves (Int.B. 3012R)	- - - - -	+ 360	. .
Other reserves not allowed as deductions for income tax purposes (Attach schedule) (Int.B. 3012R)	- - - - -	+ 361	. .
Share of partnership(s) or joint venture(s) paid-up capital (Attach schedule(s)) (Int.B. 3017R)	- - - - -	+ 362	. .
<b>Subtotal</b>	- - - - -	= 370	<b>219,913,000 .</b>
Subtract: Amounts deducted for income tax purposes in excess of amounts booked (Retain calculations. Do not submit.) (Int.B. 3012R)	- - - - -	- 371	68,764,900 .
Deductible R & D expenditures and ONTTI costs deferred for income tax if not already deducted for book purposes (Int.B. 3015R)	- - - - -	- 372	. .
<b>Total Paid-up Capital</b>	- - - - -	= 380	<b>151,148,100 .</b>
Subtract: Deferred mining exploration and development expenses (s.62(1)(d)) (Int.B. 3015R)	- - - - -	- 381	. .
<b>Electrical Generating Corporations Only</b> – All amounts with respect to electrical generating assets, except to the extent that they have been deducted by the corporation in computing its income for income tax purposes for the current or any prior taxation year, that are deductible by the corporation under clause 11(10)(a) of the Corporations Tax Act, and the assets are used both in generating electricity from a renewable or alternative energy source and are qualifying property as prescribed by regulation	- - - - -	- 382	. .
<b>Net Paid-up Capital</b>	- - - - -	= 390	<b>151,148,100 .</b>

**Eligible Investments** (Refer to Guide and Int.B. 3015R)

Attach computations and list of corporation names and investment amounts. Short-term investments (bankers acceptances, commercial paper, etc.) are eligible for the allowance only if issued for a term of and held for 120 days or more prior to the year end of the investor corporation.

Bonds, lien notes and similar obligations, (similar obligations, e.g. stripped interest coupons, applies to taxation years ending after October 30, 1998)	- - - - -	+ 402	. .
Mortgages due from other corporations	- - - - -	+ 403	. .
Shares in other corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+ 404	. .
Loans and advances to unrelated corporations	- - - - -	+ 405	. .
Eligible loans and advances to related corporations (certain restrictions apply) (Refer to Guide)	- - - - -	+ 406	. .
Share of partnership(s) or joint venture(s) eligible investments (Attach schedule)	- - - - -	+ 407	. .
<b>Total Eligible Investments</b>	- - - - -	= 410	. .

continued on Page 10

**Capital Tax** continued from Page 9

<b>Total Assets</b> (Int.B. 3015R)						
Total Assets per balance sheet	-	-	-	-	-	+ 420 223,027,000 .
Mortgages or other liabilities deducted from assets	-	-	-	-	-	+ 421 .
Share of partnership(s)/joint venture(s) total assets (Attach schedule)	-	-	-	-	-	+ 422 .
Subtract: Investment in partnership(s)/joint venture(s)	-	-	-	-	-	- 423 .
<b>Total Assets as adjusted</b>	-	-	-	-	-	= 430 223,027,000 .
Amounts in 360 and 361 (if deducted from assets)	-	-	-	-	-	+ 440 .
Subtract: Amounts in 371, 372 and 381	-	-	-	-	-	- 441 68,764,900 .
Subtract: Appraisal surplus if booked	-	-	-	-	-	- 442 .
Add or Subtract: Other adjustments (specify on an attached schedule)	-	-	-	-	-	+ 443 .
<b>Total Assets</b>	-	-	-	-	-	= 450 154,262,100 .

<b>Investment Allowance</b> ( 410 ÷ 450 ) × 390	-	-	-	-	-	Not to exceed 410 = 460 .
<b>Taxable Capital</b> 390 - 460	-	-	-	-	-	= 470 151,148,100 .

<b>Gross Revenue</b> (as adjusted to include the share of any partnership(s)/joint venture(s) Gross Revenue)	-	-	-	-	-	480 35,074,000 .
<b>Total Assets</b> (as adjusted)	-	-	-	-	-	From 430 223,027,000 .

**Calculation of Capital Tax for all Corporations except Financial Institutions**

Note: This version (2007) of the CT23 may only be used for a taxation year that commenced after December 31, 2004. Financial Institutions use calculations on page 13.

**Important:**

If the corporation is a family farm corporation, family fishing corporation or a credit union that is not a Financial Institution, complete only Section A below.

- OR If the corporation is **not** a member of an associated group and/or partnership, complete Section B below, then review only the Capital Tax calculations in Section C on page 11, selecting and completing the one specific subsection (e.g. C3) that applies to the corporation.
- OR If the corporation **is** a member of an associated group and/or partnership, complete Section B below and Section D on page 11, and if applicable, complete Section E or Section F on page 12. Note: if the corporation is a member of a connected partnership, please refer to the CT23 Guide for additional instructions before completing the Capital Tax section.

**SECTION A**

This section applies only if the corporation is a family farm corporation, a family fishing corporation or a credit union that is not a Financial Institution (Int.B. 3018).

Enter NIL in 550 on page 12 and complete the return from that point.

**SECTION B**

**B1.** Calculation of Taxable Capital Deduction (TCD)

		<b>Number of Days in Taxation Year</b>				
		Days after Dec. 31, 2004 and before Jan. 1, 2006	Total Days			
7,500,000 ×		36	73 366	= +	501	.
		Days after Dec. 31, 2005 and before Jan. 1, 2007	Total Days			
10,000,000 ×		37	73 366	= +	502	.
		Days after Dec. 31, 2006 and before Jan. 1, 2008	Total Days			
12,500,000 ×		38	73 366	= +	504	.
		Days after Dec. 31, 2007	Total Days			
15,000,000 ×		39 366	73 366	= +	505	15,000,000 .
		<b>Taxable Capital Deduction (TCD)</b>				
		501 + 502 + 504 + 505		=	503	15,000,000 .

**B2.** This section applies to corporations to calculate the prorated capital tax rate.

Calculation of Capital Tax Rate

		<b>Number of Days in Taxation Year</b>				
		Days before Jan. 1, 2007	Total Days			
0.3 % ×		556	73 366	= +	511	%
		Days after Dec. 31, 2006 and before Jan. 1, 2009	Total Days			
0.225 % ×		557 366	73 366	= +	512	0.2250 %
<b>Capital Tax Rate</b>		511 + 512		=	516	0.2250 %

continued on Page 11

Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF)

Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

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Capital Tax Calculation continued from Page 10

**SECTION C**

This section applies if the corporation is not a member of an associated group and/or partnership.

C1. If  and  on page 10 are both \$3,000,000 or less, enter NIL in  on page 12 and complete the return from that point.

C2. If Taxable Capital in  is equal to or less than the TCD in , enter NIL in  on page 12 and complete the return from that point.

C3. If Taxable Capital in  exceeds the TCD in , complete the following calculation and transfer the amount from  to  on page 12, and complete the return from that point.

$$\begin{aligned}
 &+ \text{ From } \boxed{470} \text{ .....} \\
 &- \text{ From } \boxed{503} \text{ .....} \\
 &= \boxed{471} \text{ .....} \times \text{ From } \boxed{30} \text{ .....} \times \text{ From } \boxed{516} \text{ .....} \times \frac{\boxed{555}}{\boxed{366}} \text{ .....} = + \boxed{523} \text{ .....}
 \end{aligned}$$

Ontario Allocation                      Capital Tax Rate                      Days in taxation year  
(366 if leap year)                      Transfer to  on page 12 and complete the return from that point  
*If floating taxation year, refer to Guide.*

**SECTION D**

This section applies ONLY to a corporation that is a member of an associated group (excluding Financial Institutions and corporations exempt from Capital Tax) and/or partnership. You must check either  or  and complete this section before you can calculate your Capital Tax Calculation under either Section E or Section F.

D1.   (X if applicable) All corporations that you are associated with do not have a permanent establishment in Canada.  
 If Taxable Capital  on page 10 is equal to or less than the TCD  on page 10, enter NIL in  on page 12 and complete the return from that point.  
 If Taxable Capital  on page 10 exceeds the TCD  on page 10, proceed to Section E, enter the TCD amount in  in Section E, and complete Section E and the return from that point.

D2.   (X if applicable) One or more of the corporations that you are associated with maintains a permanent establishment in Canada.  
 You and your associated group may continue to allocate the TCD by completing the Calculation below. Or, the associated group may file an election under subsection 69(2.1) of the Corporations Tax Act, whereby total assets are used to allocate the TCD among the associated group. Once a ss.69(2.1) election is filed, all members of the group will then be required to file in accordance with the election and allocate a portion (portion is henceforth referred to as Net Deduction) of the capital tax effect relating to the TCD to each corporation in the group on the basis of the ratio that each corporation's total assets multiplied by its Ontario allocation is to the total assets of the group.  
 The total asset amounts and Ontario allocation percentages to be used for this calculation must be taken from each corporation's financial information from its last taxation year ending in the immediately preceding calendar year.  
 In addition, although each corporation in the associated group may deduct its Net Deduction amount as apportioned by the total asset formula, the group may, at the group's option, reallocate the group's total Net Deduction among the group on what ever basis the corporate group wishes, as long as the total of the reallocated amounts does not exceed the group's total Net Deduction amount originally calculated for the associated group.

D2. Calculation is on next page

continued on Page 12

**Capital Tax Calculation** *continued from Page 11*

**D2. Calculation** Do not complete this calculation if ss.69(2.1) election is filed

Taxable Capital From **470** on page 10 - - - - - + From **470** 151,148,100.

**Determine aggregate taxable capital of an associated group (excluding financial institutions and corporations exempt from capital tax) and/or partnership having a permanent establishment in Canada**

Names of associated corporations (excluding Financial Institutions and corporations exempt from Capital Tax) having a permanent establishment in Canada (if insufficient space, attach schedule)	Ontario Corporations Tax Account No. (MOF) (if applicable)	Taxation Year End	Taxable Capital
SEE BROOKFIELD ASSET MANAGEMENT INC. TAX F		2008-12-31	+ <b>531</b> _____
GREAT LAKES POWER TRANSMISSION INC.		2008-12-31	+ <b>532</b> _____
			+ <b>533</b> _____
Aggregate Taxable Capital <b>470</b> + <b>531</b> + <b>532</b> + <b>533</b> , etc.			= <b>540</b> 151,148,100.

If **540** above is equal to or less than the TCD **503** on page 10, the corporation's Capital Tax for the taxation year, is NIL.

Enter NIL in **523** in section E below, as applicable.

If **540** above is greater than the TCD **503** on page 10, the corporation must compute its share of the TCD below in order to calculate its Capital Tax for the taxation year under Section E below.

$$\text{From } \mathbf{470} \text{ } 151,148,100. \div \text{From } \mathbf{540} \text{ } 151,148,100. \times \text{From } \mathbf{503} \text{ } 15,000,000. = \mathbf{541} \text{ } 15,000,000.$$

Transfer to **542** in Section E below

**Ss.69(2.1) Election Filed**

**591** (X if applicable) **Election filed.** Attach a copy of Schedule 591 with this CT23 Return. Proceed to **Section F** below.

**SECTION E**

This section applies if the corporation is a member of an associated group and/or partnership whose total **aggregate** Taxable Capital **540** above, exceeds the TCD **503** on page 10.

Complete the following calculation and transfer the amount from **523** to **543**, and complete the return from that point.

$$\begin{aligned} &+ \text{From } \mathbf{470} \text{ } 151,148,100. \\ &- \mathbf{542} \text{ } \text{_____} \\ &= \mathbf{471} \text{ } 151,148,100. \times \text{From } \mathbf{30} \text{ } 100.0000\% \times \text{From } \mathbf{516} \text{ } 0.2250\% \times \frac{\text{Days in taxation year } \mathbf{555} \text{ } 366}{366 \text{ (366 if leap year)}} = + \mathbf{523} \text{ } 340,083. \end{aligned}$$

Total Capital Tax for the taxation year  
Transfer to **543** and complete the return from that point

**SECTION F**

This section applies if a corporation is a member of an associated group and the associated group has filed a ss.69(2.1) election

$$\begin{aligned} &+ \text{From } \mathbf{470} \text{ } \text{_____} \times \text{From } \mathbf{30} \text{ } 100.0000\% \times \text{From } \mathbf{516} \text{ } 0.2250\% - - - - - = + \mathbf{561} \text{ } \text{_____} \\ &- \text{Capital tax deduction from } \mathbf{995} \text{ relating to your corporation's Capital Tax deduction, on Schedule 591 - - - - - = From } \mathbf{995} \text{ } \text{_____} \\ &= \mathbf{562} \text{ } \text{_____} \\ &\text{Capital Tax - - - - - } \mathbf{562} \text{ } \text{_____} \times \frac{\text{Days in taxation year } \mathbf{555} \text{ } 366}{366 \text{ (366 if leap year)}} = \mathbf{563} \text{ } \text{_____} \end{aligned}$$

Total Capital Tax for the taxation year  
Transfer to **543** and complete the return from that point

\* If floating taxation year, refer to Guide.

Capital Tax before application of specified credits	= <b>543</b> 340,083.
Subtract: Specified Tax Credits applied to reduce capital tax payable (Refer to Guide)	- <b>546</b> _____
<b>Capital Tax</b> <b>543</b> - <b>546</b> (amount cannot be negative)	= <b>550</b> 340,083.

Transfer to Page 17

continued on Page 13

Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF)

Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

2008-12-31

Capital Tax continued from Page 12

Calculation of Capital Tax for Financial Institutions

1.1 Credit Unions only

For taxation years commencing after May 4, 1999 enter NIL in 550 on page 12, and complete the return from that point.

1.2 Other than Credit Unions

(Retain details of calculations for amounts in boxes 565 and 570. Do not submit with this tax return.)

565 x 567 % x From 30 100.0000 % x 555 366 Days in taxation year = + 569
Lesser of adjusted Taxable Paid Up Capital and Basic Capital Amount in accordance with Division B.1 Capital Tax Rate (1) (Refer to Guide) Ontario Allocation \* 366 (366 if leap year)

570 x 571 % x From 30 100.0000 % x 555 366 Days in taxation year = + 574
Adjusted Taxable Paid Up Capital in accordance with Division B.1 in excess of Basic Capital Amount Capital Tax Rate (2) (Refer to Guide) Ontario Allocation \* 366 (366 if leap year)

Capital Tax for Financial Institutions - other than Credit Unions (before Section 2) 569 + 574 = 575

\* If floating taxation year, refer to Guide.

2. Small Business Investment Tax Credit

(Retain details of eligible investment calculation and, if claiming an investment in CSBIF, retain the original letter approving the credit issued in accordance with the Community Small Business Investment Fund Act. Do not submit with this tax return.)

Allowable Credit for Eligible Investments - 585
Financial Institutions: Claiming a tax credit for investment in Community Small Business Investment Fund (CSBIF)? (X) Yes

Capital Tax - Financial Institutions 575 - 585 = 586
Transfer to 543 on Page 12

Premium Tax (s.74.2 & 74.3) (Refer to Guide)

(1) Uninsured Benefits Arrangements - 587 x 2 % = 588
Applies to Ontario-related uninsured benefits arrangements.

(2) Unlicensed Insurance (enter premium tax payable in 588 and attach a detailed schedule of calculations. If subject to tax under (1) above, add both taxes together and enter total tax in 588.)
Applies to Insurance Brokers and other persons placing insurance for persons resident or property situated in Ontario with unlicensed insurers.

Deduct: Specified Tax Credits applied to reduce premium tax (Refer to Guide) - 589

Premium Tax 588 - 589 = 590
Transfer to page 17

Reconcile net income (loss) for federal income tax purposes  
 with net income (loss) for Ontario purposes if amounts differ

Net Income (loss) for federal income tax purposes, per federal T2 Schedule 1 - - - - - ± 600 2,919,407.  
 Transfer to Page 15

Add:

Federal capital cost allowance	- - - - -	+ 601	11,345,613.
Federal cumulative eligible capital deduction	- - - - -	+ 602	.
Ontario taxable capital gain	- - - - -	+ 603	.
Federal non-allowable reserves. Balance beginning of year	- - - - -	+ 604	.
Federal allowable reserves. Balance end of year	- - - - -	+ 605	.
Ontario non-allowable reserves. Balance end of year	- - - - -	+ 606	.
Ontario allowable reserves. Balance beginning of year	- - - - -	+ 607	.
Federal exploration expenses (e.g. CEDE, CEE, CDE, COGPE)	- - - - -	+ 608	.
Federal resource allowance (Refer to Guide)	- - - - -	+ 609	.
Federal depletion allowance	- - - - -	+ 610	.
Federal foreign exploration and development expenses	- - - - -	+ 611	.
Crown charges, royalties, rentals, etc. deducted for Federal purposes (Refer to Guide)	- - - - -	+ 617	.
Management fees, rents, royalties and similar payments to non-arms' length non-residents ▼			

Number of Days in Taxation Year

612	• x 5 / 12.5 x	Days after Dec. 31, 2002 and before Jan. 1, 2004	Total Days	33	÷ 73	366	= + 633	.
612	• x 5 / 14 x	Days after Dec. 31, 2003	Total Days	34	366 ÷ 73	366	= + 634	.

Total add-back amount for Management fees, etc. 633 + 634 = + 613.

Federal Scientific Research Expenses claimed in year from line 460 of fed. form T661 excluding any negative amount in 473 from Ont. CT23 Schedule 161 + 615.

Add any negative amount in 473 from Ont. CT23 Schedule 161 + 616.

Federal allowable business investment loss + 620.

Total of other items not allowed by Ontario but allowed federally (Attach schedule) + 614.

Total of Additions 601 to 611 + 617 + 613 + 615 + 616 + 620 + 614 = 11,345,613. 640 11,345,613.  
 Transfer to Page 15

Deduct:

Ontario capital cost allowance (excludes amounts deducted under 675)	- - - - -	+ 650	11,345,613.
Ontario cumulative eligible capital deduction	- - - - -	+ 651	.
Federal taxable capital gain	- - - - -	+ 652	.
Ontario non-allowable reserves. Balance beginning of year	- - - - -	+ 653	.
Ontario allowable reserves. Balance end of year	- - - - -	+ 654	.
Federal non-allowable reserves. Balance end of year	- - - - -	+ 655	.
Federal allowable reserves. Balance beginning of year	- - - - -	+ 656	.
Ontario exploration expenses (e.g. CEDE, CEE, CDE, COGPE) (Retain calculations. Do not submit.)	- - - - -	+ 657	.
Ontario depletion allowance	- - - - -	+ 658	.
Ontario resource allowance (Refer to Guide)	- - - - -	+ 659	.
Ontario current cost adjustment (Attach schedule)	- - - - -	+ 661	.
CCA on assets used to generate electricity from natural gas, alternative or renewable resources.	- - - - -	+ 675	.

Subtotal of deductions for this page 650 to 659 + 661 + 675 681 11,345,613.  
 Transfer to Page 15

continued on Page 15



Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF)

Taxation Year Ended

BIH (CANADA) INC. PRO FORMA GLPT INCC

2008-12-31

Schedule 2

Appendix 05(a)

DOLLARS ONLY

23 of 25

**Reconcile net income (loss) for federal income tax purposes with net income (loss) for Ontario purposes if amounts differ**

continued from Page 14

Net Income (loss) for federal income tax purposes, per federal Schedule 1 - - - - - From ± 600 2,919,407.

Total of Additions on page 14 - - - - - From = 640 11,345,613.

Sub Total of deductions on page 14 - - - - - From = 681 11,345,613.

**Deduct:**

**Ontario New Technology Tax Incentive (ONTTI) Gross-up**

(Applies only to those corporations whose Ontario allocation is less than 100% in the current taxation year.)

Capital Cost Allowance (Ontario) (CCA) on prescribed qualifying intellectual property deducted in the current taxation year - - - 662.

**ONTTI Gross-up deduction calculation:**

Gross-up of CCA

$$\left[ \begin{array}{l} \text{From} \\ 662 \end{array} \right] \times \left[ \begin{array}{l} 100 \\ \text{From } 30 \\ 100.0000 \\ \text{Ontario Allocation} \end{array} \right] - \text{From } 662 = 663$$

**Workplace Child Care Tax Incentive (WCCT)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures:  $\left[ \begin{array}{l} 665 \\ \text{From } 30 \\ 100.0000 \\ \text{Ontario allocation} \end{array} \right] \times 30\% \times 100 = 666$

**Workplace Accessibility Tax Incentive (WATI)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures:  $\left[ \begin{array}{l} 667 \\ \text{From } 30 \\ 100.0000 \\ \text{Ontario allocation} \end{array} \right] \times 100\% \times 100 = 668$

Number of Employees accommodated 669

**Ontario School Bus Safety Tax Incentive (OSBSTI)**

(Applies to the eligible acquisition of school buses purchased after May 4, 1999 and before January 1, 2006.) (Refer to Guide)

Qualifying expenditures:  $\left[ \begin{array}{l} 670 \\ \text{From } 30 \\ 100.0000 \\ \text{Ontario allocation} \end{array} \right] \times 30\% \times 100 = 671$

**Educational Technology Tax Incentive (ETTI)**

(Applies to eligible expenditures incurred prior to January 1, 2005.)

Qualifying expenditures:  $\left[ \begin{array}{l} 672 \\ \text{From } 30 \\ 100.0000 \\ \text{Ontario allocation} \end{array} \right] \times 15\% \times 100 = 673$

Ontario allowable business investment loss - - - - - + 678.

Ontario Scientific Research Expenses claimed in year in 477 from Ont. CT23 Schedule 161 + 679.

Amount added to income federally for an amount that was negative on federal form T661, line 454 or 455 (if filed after June 30, 2003) - - - - - + 677.

Total of other deductions allowed by Ontario (Attach schedule) - - - - - + 664.

**Total of Deductions** 681 + 663 + 666 + 668 + 671 + 673 + 678 + 679 + 677 + 664 = 11,345,613. ▶ 680 11,345,613.

**Net income (loss) for Ontario Purposes** 600 + 640 - 680 - - - - - = 690 2,919,407.

Transfer to Page 4

Continuity of Losses Carried Forward

	Non-Capital Losses (1)	Total Capital Losses	Farm Losses	Restricted Farm Losses	Listed Personal Property Losses	Limited Partnership Losses (6)
<b>Balance at Beginning of Year</b>	700 (2)	710 (2)	720 (2)	730	740	750
<b>Add:</b>						
Current year's losses (7)	701	711	721	731	741	751
Losses from predecessor corporations (3)	702	712	722	732		752
<b>Subtotal</b>	703	713	723	733	743	753
<b>Subtract:</b>						
Utilized during the year to reduce taxable income	704 (2)	715 (2) (4)	724 (2)	734 (2) (4)	744 (4)	754 (4)
Expired during the year	705		725	735	745	
Carried back to prior years to reduce taxable income (5)	706 (2) to Page 17	716 (2) to Page 17	726 (2) to Page 17	736 (2) to Page 17	746	
<b>Subtotal</b>	707	717	727	737	747	757
<b>Balance at End of Year</b>	709 (8)	719	729	739	749	759

Analysis of Balance at End of Year by Year of Origin

Year of Origin (oldest year first) year month day	Non-Capital Losses	Non-Capital Losses of Predecessor Corporations	Total Capital Losses from Listed Personal Property only	Farm Losses	Restricted Farm Losses
800 9th preceding taxation year 2001-06-30	817 (9)	860 (9)		850	870
801 8th preceding taxation year 2002-06-30	818 (9)	861 (9)		851	871
802 7th preceding taxation year 2003-06-30	819 (9)	862 (9)		852	872
803 6th preceding taxation year 2004-06-30	820	830	840	853	873
804 5th preceding taxation year 2005-06-30	821	831	841	854	874
805 4th preceding taxation year 2006-06-30	822	832	842	855	875
806 3rd preceding taxation year 2007-06-30	823	833	843	856	876
807 2nd preceding taxation year 2007-08-01	824	834	844	857	877
808 1st preceding taxation year 2007-12-31	825	835	845	858	878
809 Current taxation year 2008-12-31	826	836	846	859	879
<b>Total</b>	829	839	849	869	889

Notes:

- (1) Non-capital losses include allowable business investment losses, fed.s.111(8)(b), as made applicable by s.34.
- (2) Where acquisition of control of the corporation has occurred, the utilization of losses can be restricted. See fed.s.111(4) through 111(5.5), as made applicable by s.34.
- (3) Includes losses on amalgamation (fed.s.87(2.1) and s.87(2.11)) and/or wind-up (fed.s.88(1.1) and 88(1.2)), as made applicable by s.34.
- (4) To the extent of applicable gains/income/at-risk amount only.
- (5) Generally a three year carry-back applies. See fed.s.111(1) and fed.s.41(2)(b), as made applicable by s.34.
- (6) Where a limited partner has limited partnership losses, attach loss calculations for each partnership.
- (7) Include amount from 11 if taxable income is adjusted to claim unused foreign tax credit for federal purposes.
- (8) Amount in 709 must equal total of 829 + 839.
- (9) Include non-capital losses incurred in taxation years ending after March 22, 2004.

Corporation's Legal Name

Ontario Corporations Tax Account No. (MOF) Taxation Year End

BIH (CANADA) INC. PRO FORMA GLPT INCC

2008-12-31

**Request for Loss Carry-Back (s.80(16))**

**Applies** to corporations requesting a reassessment of the return of one or more previous taxation years under s.80(16) with respect to one or more types of losses carried back.

- If, after applying a loss carry-back to one or more previous years, there is a balance of loss available to carry forward to a future year, it is the corporation's responsibility to claim such a balance for those years following the year of loss within the limitations of fed.s.111, as made applicable by s.34.
- Where control of a corporation has been acquired by a person or group of persons, certain restrictions apply to the carry-forward and carry-back provisions of losses under fed.s.111(4) through 111(5.5), as made applicable by s.34.
- Refunds arising from the loss carry-back adjustment may be applied by the Minister of Finance to amounts owing under **any Act administered by the Ministry of Finance.**

- Any late filing penalty applicable to the return for which the loss is being applied will not be reduced by the loss carry-back.
- The application of a loss carry-back will be available for interest calculation purposes on the day that is the latest of the following:
  - 1) the first day of the taxation year after the loss year,
  - 2) the day on which the corporation's return for the loss year is delivered to the Minister, or
  - 3) the day on which the Minister receives a request in writing from the corporation to reassess the particular taxation year to take into account the deduction of the loss.
- If a loss is being carried back to a **predecessor corporation**, enter the predecessor corporation's account number and taxation year end in the spaces provided under Application of Losses below.

**Application of Losses**

	Non-Capital Losses	Total Capital Losses	Farm Losses	Restricted Farm Losses
<b>Total amount of loss</b>	910	920	930	940
<b>Deduct:</b> Loss to be carried back to preceding taxation years and applied to reduce taxable income				
	Predecessor Ontario Corporation's Tax Account No. (MOF)	Taxation Year Ending year month day		
i) 3 <sup>rd</sup> preceding	901	2007-06-30	911	921
ii) 2 <sup>nd</sup> preceding	902	2007-08-01	912	922
iii) 1 <sup>st</sup> preceding	903	2007-12-31	913	923
<b>Total loss to be carried back</b>	From 706	From 716	From 726	From 736
<b>Balance of loss available for carry-forward</b>	919	929	939	949

**Summary**

Income Tax	- - - - - +	From 230 or 320	408,717	•
Corporate Minimum Tax	- - - - - +	From 280		•
Capital Tax	- - - - - +	From 550	340,083	•
Premium Tax	- - - - - +	From 590		•
<b>Total Tax Payable</b>	- - - - - =	950	<b>748,800</b>	•
Subtract: Payments	- - - - - -	960		•
Capital Gains Refund (s.48)	- - - - - -	965		•
Qualifying Environmental Trust Tax Credit (Refer to Guide)	- - - - - -	985		•
Specified Tax Credits (Refer to Guide)	- - - - - -	955		•
Other, specify	- - - - - -			•
<b>Balance</b>	- - - - - =	970	<b>748,800</b>	•
<b>If payment due</b>	- - - - -	Enclosed * 990	<b>748,800</b>	•
<b>If overpayment: Refund</b> (Refer to Guide)	- - - - - =	975		•
		year month day		
<b>Apply to</b>		980		•
				(Includes credit interest)

**Certification**

I am an authorized signing officer of the corporation. I certify that this CT23 return, including all schedules and statements filed with or as part of this CT23 return, has been examined by me and is a true, correct and complete return and that the information is in agreement with the books and records of the corporation. I further certify that the financial statements accurately reflect the financial position and operating results of the corporation as required under section 75 of the *Corporations Tax Act*. The method of computing income for this taxation year is consistent with that of the previous year, except as specifically disclosed in a statement attached.

Name (please print)

Title

Full Residence Address

BROOKFIELD PLACE SUITE 300  
181 BAY STREET, P.O. BOX 762  
TORONTO  
ON M5J 2T3

Signature

Date

**Note:** Section 76 of the *Corporations Tax Act* provides penalties for making false or misleading statements or omissions.

\* Make your cheque (drawn on a Canadian financial institution) or a money order in Canadian funds, payable to the **Minister of Finance** and print your Ontario Corporation's Tax Account No. (MOF) on the back of cheque or money order. (Refer to Guide for other payment methods.)

The securities offered under this final confidential offering memorandum (the "Offering Memorandum") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. Accordingly, except to the extent permitted by the Agency Agreement, the securities may not be offered or sold in the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

This Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions and to those persons where and to whom they may be lawfully offered for sale. This Offering Memorandum is not, and in no circumstances is to be construed as, a prospectus or advertisement or public offering of securities. No securities commission or similar authority in Canada, the United States or in any other jurisdiction has reviewed this material or has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of this material by any securities commission or similar authority. This Offering Memorandum is submitted on a confidential basis for use by a limited number of institutional purchasers solely in connection with the consideration of the purchase of these securities on a "private placement" basis. This Offering Memorandum may not be reproduced in whole or in part and its use for any purpose other than to evaluate an investment in the securities described herein is prohibited. By their acceptance of this Offering Memorandum, recipients agree that they will not transmit, reproduce or make available to anyone, other than their professional advisors, this Offering Memorandum or any information contained in it, or otherwise use the information contained herein to the detriment of the Issuer. No one is authorized to make any representation or give any warranty on behalf of the Issuer other than those representations and warranties made or referred to in this Offering Memorandum. Prospective investors will be entitled to copies of or access to the Trust Indenture Documents, the Acres Reports, the Hydrology Report, the Independent Economic Consultant's Report, and the BEMI Agreement (as hereinafter defined), subject to such prospective investors executing such confidentiality agreements as the Issuer or the Agents may reasonably require by contacting Donald Tremblay at Brascan Power Corporation at (819) 986-4600, or David Keith at Scotia Capital Inc. at (416) 863-7776. See "Details of the Offering". This Offering Memorandum contains summaries, believed to be accurate, of certain terms of the Security and material contracts relating to the ownership, operation and maintenance of the Power Assets. These summaries do not purport to be complete and are qualified in their entirety by reference to the actual text of the agreements referred to. The information contained in this Offering Memorandum has been furnished or supplied by the Issuer based on the most accurate information available at the time of printing and there is no representation or warranty by Scotia Capital Inc., Trilon Securities Corporation or any other person other than the Issuer as to the accuracy or completeness of such information.

## FINAL CONFIDENTIAL OFFERING MEMORANDUM

New Issue by way of Private Placement

June 12, 2003



# GREAT LAKES POWER LIMITED

**\$384,000,000**

## 6.60% Senior Bonds Due June 16, 2023 (Series 1)

The 6.60% series 1 senior secured bonds (the "Senior Bonds") will be issued by Great Lakes Power Limited (the "Issuer") and will be direct, unconditional obligations of the Issuer, secured by, among other things, a first-ranking charge on the Power Assets (as hereinafter defined). Recourse under the Senior Bonds will be limited to the Secured Assets (as hereinafter defined). See "Details of the Offering — Limited Recourse".

The Senior Bonds will be issued pursuant to a trust indenture (the "Trust Indenture") between the Issuer and CIBC Mellon Trust Company (the "Indenture Trustee"), as trustee for the holders of the Senior Bonds and all other Bonds (as hereinafter defined) issued thereunder from time to time (the "bondholders"). The Senior Bonds will rank prior to any Subordinate Bonds (as hereinafter defined) and *pari passu* with all Additional Senior Bonds (as hereinafter defined) issued by the Issuer from time to time pursuant to the Trust Indenture.

The Senior Bonds will bear interest from their date of issue at a rate of 6.60% per annum, calculated semi-annually in arrears. Semi-annual payments of interest only will be due and payable on June 16 and December 16 in each year, commencing December 16, 2003 until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Senior Bonds, calculated on the basis of a 25-year amortization period, will commence on December 16, 2013 and will continue until and including June 16, 2023. The Senior Bonds will not be fully amortized by their maturity date. The principal balance of all Senior Bonds and all interest accrued and unpaid thereon, if any, is to be fully paid on June 16, 2023.

The Senior Bonds have been assigned a preliminary rating of A(low) by Dominion Bond Rating Service Limited ("DBRS"). See "Credit Rating".

Prior to investing in the Senior Bonds, prospective investors should consult with their legal, investment, accounting, tax and other advisors to determine the consequences of an investment in the Senior Bonds. Prospective investors should not construe the contents of this Offering Memorandum as investment or legal advice. **The Senior Bonds will not be obligations of, nor be guaranteed by any party other than the Issuer, and recourse against the Issuer will be**

*Continued on next page*

Scotia Capital Inc.

Trilon Securities Corporation

limited to the Secured Assets (as hereinafter defined). Certain of the information contained hereon is based upon forward-looking statements or information which reflect the Issuer's expectations regarding the Issuer's future growth, results of operations, performance, business prospects and opportunities. The Issuer believes that such statements and information are based upon reasonable estimates and assumptions and are otherwise based on information currently available to the Issuer. However, forward-looking statements are inherently uncertain, and factors such as those described under the caption "**Risk Factors**" in this Offering Memorandum may cause events or results to differ from those projected and those differences may be material. Therefore, undue reliance should not be placed on such forward-looking statements and information. These forward-looking statements are made as of the date of this Offering Memorandum, and the Issuer has and assumes no obligation to update or revise them to reflect new events or circumstances, to report significant changes resulting from any effects that occur during the forecasted period, or to compare the forecast with the actual results. See "**Risk Factors**".

The Issuer is not a reporting issuer in Ontario or in any other jurisdiction in Canada or the United States and has no intention of becoming one. There is currently no secondary market for the Senior Bonds. Scotia Capital Inc. ("Scotia Capital") and Trilon Securities Corporation ("Trilon Securities") (collectively, the "Agents") expect, but are not obligated, to make a market in the Senior Bonds. There can be no assurance that a secondary market will develop or, if a secondary market does develop, that it will provide holders of the Senior Bonds with liquidity for their investment or that it will continue for the life of the Senior Bonds.

In connection with this offering, the Issuer is a "related issuer" and may be a "connected issuer" of Trilon Securities under applicable securities laws. Trilon Securities is an indirect subsidiary of Brascan Corporation ("Brascan"), which indirectly owns 100% of the Issuer. In connection with this offering, the Issuer may be considered a "connected issuer" of Scotia Capital under applicable securities laws. Scotia Capital is affiliated with a Canadian chartered bank that has extended credit facilities to an affiliate of the Issuer. Neither Trilon Securities nor Scotia Capital will receive any benefit in connection with this offering other than the fees payable to it under its respective Agency Agreement. See "Plan of Distribution".

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### **Price: \$1,000 per \$1,000 (par) of Senior Bonds**

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This offering is being made on a "private placement" basis pursuant to exemptions from the prospectus requirements of applicable laws and regulations in the Province of Ontario and other provinces in Canada. Purchasers of Senior Bonds will be obliged to establish their qualification to invest in accordance with the requirements of the securities laws of the jurisdiction in which they reside. **As this offering is being made pursuant to exemptions from prospectus requirements of applicable securities laws, there will be restrictions on the resale of the Senior Bonds.** See "Restrictions on Resale".

The Agents conditionally offer the Senior Bonds for sale if, as and when issued and delivered by the Issuer in accordance with the conditions contained in the Agency Agreements between the Issuer and the Agents referred to under "**Plan of Distribution**" and subject to the approval of certain legal matters on behalf of the Issuer by Torys LLP and on behalf of the Agents by McCarthy Tétrault LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Issuer reserves the right to close the subscription books at any time without notice. Closing is expected to occur on June 16, 2003, or such other date as may be mutually agreed between the Issuer and the Agents.

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## SUMMARY OF TERMS OF OFFERING

*This is a summary only and is qualified by the more detailed information appearing elsewhere in this Offering Memorandum. Capitalized terms used but not defined herein are defined in Appendix 1 of this Offering Memorandum.*

### The Offering

<b>Issue:</b>	\$384,000,000 aggregate principal amount of 6.60% series 1 senior secured bonds due June 16, 2023 (the "Senior Bonds"). The rights of holders of Senior Bonds will rank prior to the rights of holders of any Subordinate Bonds issued by the Issuer from time to time under the Trust Indenture. The Senior Bonds will rank <i>pari passu</i> with, and will be secured equally and proportionately with each other and with all other Additional Senior Bonds issued by the Issuer from time to time pursuant to the Trust Indenture, without discrimination or preference.
<b>Issuer:</b>	Great Lakes Power Limited
<b>Indenture Trustee:</b>	CIBC Mellon Trust Company
<b>Price:</b>	\$1,000 per \$1,000 (par) of Senior Bonds
<b>Minimum Denomination:</b>	\$10,000 and \$1,000 thereafter
<b>Interest Rate:</b>	6.60% per annum, calculated semi-annually in arrears
<b>Interest and Principal Payments:</b>	Semi-annual payments of interest only will be due and payable on June 16 and December 16 in each year, commencing on December 16, 2003 until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Senior Bonds, calculated on the basis of a 25-year amortization period, will commence on December 16, 2013 and will continue until and including June 16, 2023. The Senior Bonds will not be fully amortized by their maturity date. The principal balance of all Senior Bonds and all interest accrued and unpaid thereon, if any, is to be fully paid on June 16, 2023.
<b>Maturity:</b>	The Senior Bonds will be dated the date of issue and will mature on June 16, 2023.
<b>Limited Recourse:</b>	Recourse as against the property, undertaking and assets of the Issuer under the Senior Bonds, all other Bonds and the Trust Indenture Documents will be limited to the Secured Assets. None of the bondholders nor the Indenture Trustee will have recourse to any person (other than the Issuer and GLPI in respect of its guarantee relating to the Shikwamkwa Dam) or to any property, undertaking or assets of any person other than the Issuer and GLPI in respect of its guarantee relating to the Shikwamkwa Dam, and recourse against the property, undertaking and assets of the Issuer will be limited to the Secured Assets.
<b>Credit Rating:</b>	The Senior Bonds have received a preliminary rating of A(low) from DBRS. It will be a condition of closing that the Senior Bonds receive a final rating of A(low) from DBRS. See "Credit Rating".
<b>Use of Proceeds:</b>	The proceeds of this offering will be used by the Issuer to repay all existing outstanding indebtedness secured against the Secured Assets, to fund the Debt Service Reserve Account (if the Issuer elects not to deliver on the Closing Date a letter of credit in the amount required to be deposited therein), to pay the expenses of this offering, including the fees and expenses



that will be owing to the Agents and the Indenture Trustee, and otherwise for general corporate purposes.

**Optional Redemption:**

Provided that there is no Event of Default then continuing, the Issuer will have the right to redeem Senior Bonds at any time and from time to time, in whole or in part, upon payment of a redemption price (the "**Redemption Price**") equal to the greater of par and the Canada Yield Price, together with, in each case, accrued and unpaid interest up to but excluding the date fixed for redemption. Senior Bonds will be redeemed on a *pro rata* basis and all Senior Bonds so redeemed will be cancelled and may not be reissued.

**Purchase of Bonds:**

Provided that there is no Default or Event of Default then continuing, the Issuer will have the right to purchase Senior Bonds at any time and from time to time, in whole or in part, by private agreement or in the open market or by tender to all the holders of the Senior Bonds. All Senior Bonds so purchased will be cancelled and may not be reissued.

**Agents:**

Scotia Capital Inc. ("**Scotia Capital**") and Trilon Securities Corporation ("**Trilon Securities**") have been retained by the Issuer to sell the Senior Bonds pursuant to the Agency Agreements. In connection with this offering, the Issuer is a "related issuer" and may be a "connected issuer" of Trilon Securities under applicable securities laws. Trilon Securities is an indirect subsidiary of Brascan Corporation ("**Brascan**"), which indirectly owns 100% of the Issuer. In connection with this offering, the Issuer may be considered a "connected issuer" of Scotia Capital under applicable securities laws. Scotia Capital is affiliated with a Canadian chartered bank that has extended credit facilities to an affiliate of the Issuer. Neither Trilon Securities nor Scotia Capital will receive any benefit in connection with this offering other than the fees and expenses payable to it under its respective Agency Agreement.

**Investment Eligibility:**

In the opinion of Torys LLP, counsel to the Issuer, and McCarthy Tétrault LLP, counsel to the Agents, the Senior Bonds, at the date of their issue, will be qualified investments under the *Income Tax Act* (Canada) (the "**Tax Act**") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (collectively, "**Plans**") or a registered education savings plan. See "**Eligibility for Investment**".

**Foreign Property:**

As at the date hereof, Senior Bonds will not be foreign property under the Tax Act for Plans and other persons subject to tax under Part XI of the Tax Act.

**Restrictions on Resale:**

As this offering is being made pursuant to exemptions from the prospectus and/or registration requirements of applicable securities laws, there will be restrictions on the resale of the Senior Bonds. See "**Restrictions on Resale**".

**The Power Assets and The Security**

**The Power Assets:**

The Power Assets consist of all of the Issuer's rights in and to (i) the lands upon which the hydroelectric power generation facilities listed in the table below (excluding the High Falls generating station which is expected to be decommissioned in 2003) (the "**Generation Assets**") are located and all interests in lands owned, leased or otherwise held by the Issuer in connection with the Generation Assets or the operation by the Issuer of its transmission and/or generation businesses (collectively, the "**Lands**"), (ii) the Generation Assets and all buildings and improvements owned by the Issuer and now or hereafter located on the Lands, including all of the Issuer's fixed machinery,

plants, equipment, apparatus, fittings and other fixtures incorporated into the Lands (as constituted from time to time) (the “Improvements”), (iii) the power transmission system owned and operated by the Issuer including all transmission stations, lines, poles, wires, equipment and property used by the Issuer in connection with its transmission system (the “Transmission Assets”), (iv) the Water Power Leases, and (v) all buildings, plants, constructions, reservoirs, sub-stations, dams, flumes, canals, channels, equipment, machinery, generators, turbines, transformers, computer hardware and other personal property located on the Lands and used by the Issuer in connection with its generation and/or transmission businesses. The Power Assets will include all of the assets used by the Issuer in its generation and transmission businesses as at the Closing Date. The Issuer also owns and operates a low voltage distribution system that includes 1,700 km of low voltage lines and 11 distribution stations and services approximately 11,500 customers (the “Distribution Assets”). The Distribution Assets will not form part of the Secured Assets.

The Issuer or its predecessors have serviced the City of Sault Ste. Marie and surrounding areas in the Algoma region since the 1890s. The Transmission Assets consist of approximately 726 km of 44-kV to 230-kV transmission lines and comprise part of the IMO-controlled grid in the Province of Ontario. The Generation Assets are located on the Magpie, Michipicoten, Montreal and St. Mary’s Rivers and have a total installed capacity of approximately 349 MW. The following are the generating stations comprising the Issuer’s Generation Assets:

**Long Term Annual Average Performance of the Generation Assets**

	Capacity (MW)	No. of Units	Long Term Capacity Factor (%)	Long-Term Average <sup>(4)</sup> (GWh)	In-Service Date
<i>Magpie River</i>					
Steephill Falls . . . . .	15.5	1	46%	62.1	1990
Harris . . . . .	12.5	1	47%	51.4	1990
Mission . . . . .	15.0	1	49%	63.8	1990
<i>Michipicoten River</i>					
Hollingsworth . . . . .	23.2	1	56%	113.9	1959
McPhail . . . . .	12.8	2	63%	70.9	1954
High Falls <sup>(1)</sup> . . . . .	27.0	3	n.a.	n.a.	1929-1950
Dunford <sup>(2)</sup> . . . . .	45.0	2	61%	241.1	2003
Scott Falls . . . . .	22.5	2	60%	119.2	1952
<i>Montreal River</i>					
MacKay . . . . .	62.0	3	38%	205.4	1937-1957
Gartshore . . . . .	23.0	1	48%	97.1	1958
Hogg . . . . .	18.5	1	47%	75.5	1965
Andrews . . . . .	46.9	3	41%	170.1	1938-1975
<i>St. Mary’s River</i>					
F. H. Clergue . . . . .	52.2	3	84%	382.0	1982-3
<b>Total<sup>(3)</sup> . . . . .</b>	<b>349.1</b>	<b>21</b>	<b>54%</b>	<b>1,652.5</b>	

- (1) The High Falls Generating Station is expected to be decommissioned in 2003.
- (2) The Dunford Generating Station is a new generating station that will replace the High Falls Generating Station.
- (3) Excluding the High Falls Generating Station.
- (4) Based on the results of hydrology studies performed by Acres. See “The Issuer’s Power Assets — Independent Engineer’s Report”.

**Expert Reports:**

Acres International Limited (“Acres”) was engaged by the Issuer to conduct an independent condition assessment of the Generation Assets and Transmission Assets and an independent review of the power and energy capability of the Generation Assets, including a 32-year assessment of the hydrology for the Generation Assets. See “The Issuer’s Power Assets Hydrology” and “Independent Engineer’s Report”.

London Economics International LLC (“LEI”) was engaged by the Issuer to provide an independent detailed economic and statistical assessment of the Ontario market and the revenues of the Generation Assets. See “Summary of London Economics International LLC Analysis”.

**Security:**

The Senior Bonds will be secured by, *inter alia*, a Debenture which will constitute a first ranking charge over all of the Issuer’s right, title and interest, present and future, in and to:

- (a) the Power Assets and all books and records and accounts relating thereto;
- (b) all material contracts, leases and licenses relating to the ownership, operation and maintenance of the Power Assets to which the Issuer is a party, including the BEMI Agreement (which security will be acknowledged by the parties thereto);
- (c) all monies and/or investments from time to time held in the Cash Collateral Accounts, and all other Collateral from time to time held by the Indenture Trustee as part of the security delivered pursuant to the Trust Indenture; and
- (d) all property insurance and expropriation proceeds pertaining to the Power Assets,

subject, in each case, only to Permitted Encumbrances and certain exceptions for the last day of leases and certain non-assignable rights and property. The Debenture, together with all other security that will be delivered by the Issuer to the Indenture Trustee pursuant to the Trust Indenture, is collectively referred to as the “Security”, and the assets secured by the Security are collectively referred to as the “Secured Assets”. The Security will secure the Issuer’s obligations under all Bonds.

**The Cash Collateral Accounts**

**Debt Service Reserve Account:**

The Issuer will establish and maintain, in the name of the Indenture Trustee, with a Permitted Financial Institution, a Debt Service Reserve Account and will, at the Issuer’s option, either (i) deposit into the Debt Service Reserve Account an amount of cash equal to nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds, or (ii) deliver to the Indenture Trustee an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in the amount of nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds. Funds on deposit in the Debt Service Reserve Account will be invested in Permitted Investments and will be available to fund any shortfalls in the payments of interest and/or principal owing on the Senior Bonds and Additional Senior Bonds from time to time if the Issuer’s revenues are insufficient therefor. The Issuer will have the right to withdraw any excess funds (or replace any letter of credit) from the Debt Service Reserve Account and will be required to deposit any shortfalls into the Debt Service Reserve Account using the

**Capital Maintenance  
Program and Capital  
Expenditures Reserve  
Account:**

revenue of the Power Assets, from time to time, so that the Debt Service Reserve Account is maintained at its required level. The Issuer will not be permitted to make any Distributions unless the Debt Service Reserve Account has been funded to its required level. See **“Details of the Offering — Debt Service Reserve Account”**.

The Issuer has established a capital and maintenance program for the Power Assets that identifies the principal maintenance and improvement projects required to be performed by the Issuer over the next 20 years in order to ensure the continued high reliability and availability of the Power Assets (the **“Capital Plan”**). See **“The Issuer’s Power Assets — Ongoing Maintenance of the Power Assets”** and **“— Issuer’s Dam Safety Program”**. The Issuer will covenant to operate and maintain the Power Assets in accordance with Good Utility Practices. The Issuer will agree that it will, every five years, deliver to the Indenture Trustee a copy of a current assessment of the overall condition of the Power Assets prepared by a nationally recognized and accredited independent engineering and consulting firm with experience in reviewing assets similar to the Power Assets.

The Issuer will agree that to the extent that it does not spend at least \$5,000,000 in any one year on sustaining capital expenditures in connection with the Power Assets in accordance with Good Utility Practices (**“Maintenance Expenditures”**), it will, on an annual basis, deposit into the Capital Expenditures Reserve Account the greater of (A) the difference (if positive) between (i) \$5,000,000 and (ii) the amount of Maintenance Expenditures actually made by the Issuer in the immediately preceding year, and (B) an amount equal to \$5,000,000 multiplied by the number of calendar years that have passed since December 31, 2002, and (ii) the aggregate of all Maintenance Expenditures made by the Issuer in all prior calendar years that have passed since December 31, 2002. The Capital Expenditures Reserve Account will be established and maintained by the Issuer, in its name, with a Permitted Financial Institution. The Issuer will ensure that the Capital Expenditures Reserve Account is funded to its required level not later than the date of issue of the Issuer’s financial statements for the relevant year. Funds on deposit in the Capital Expenditures Reserve Account may be invested from time to time in Permitted Investments.

The Issuer will agree that all monies deposited from time to time in the Capital Expenditures Reserve Account will be used solely to pay Maintenance Expenditures, and the Issuer will have the right to withdraw funds from the Capital Expenditures Reserve Account from time to time solely for that purpose. On an annual basis, not later than the date of issue of the Issuer’s financial statements for the relevant year, the Issuer will provide to the Indenture Trustee a certificate of a senior officer of the Issuer certifying all Maintenance Expenditures made by the Issuer during the immediately preceding calendar year and the costs thereof. The Issuer will have the right, exercisable from time to time, to deliver to the Indenture Trustee an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in favour of the Indenture Trustee, in the amount required to be deposited into the Capital Expenditures Reserve Account. See **“Details of the Offering — Capital Expenditures Reserve Account”**.

**Financial Information**

**Summary of Financial Forecast:**

The following table sets out selected forecast financial information for the Power Assets for the year ending December 31, 2003 and has been derived from the forecast revenues, EBITDA, EBITDA coverage and capital expenditures contained in this Offering Memorandum. The forecast was prepared according to assumptions that reflect courses of action that the Issuer has planned to adopt, and taking into account industry and economic conditions that, in the opinion of the Issuer, were the most probable as of May 13, 2003. The Issuer will not be required to update its forecast, to report any significant changes resulting from any effects that occur during the forecasted period, or to compare the forecast with its actual results.

Some of the assumptions used by the Issuer in the preparation of the forecast, although considered reasonable by the Issuer at the time of preparation, may not materialize as forecasted, as unanticipated events and circumstances will occur subsequent to the date of the forecast. Accordingly, the actual results achieved for the forecasted period will vary from the forecasted results and the variations may be material. There is no representation that the financial forecast will be realized in whole or in part. Important factors that could cause actual results to vary materially from the forecast are disclosed under "Risk Factors".

**Selected Summary Financial Forecast for the Power Assets<sup>(1)</sup>**

	For the year ending December 31, 2003
	(\$000's)
Revenue <sup>(2)</sup>	
Generation Assets .....	\$66,471
Transmission Assets .....	<u>\$25,618</u>
Total Revenue .....	\$92,089
Operating Expenses .....	<u>\$23,885</u>
EBITDA for Power Assets .....	\$68,204
Interest Expense <sup>(3)</sup> .....	\$25,344
<u>EBITDA Coverage</u> .....	2.69x

- (1) Forecast excludes Distribution Assets and all of the Other Assets of the Issuer.
- (2) Revenue for the Power Assets was forecast based upon the market study results set out in the Independent Economic Consultant's Report, the long-term hydrology levels reported in the Hydrology Report, the most recent rate submission that the Issuer will submit to the OEB in respect of its Transmission Assets and the Issuer's operating budget.
- (3) Total interest expense is based on \$384,000,000 of debt bearing interest at a 6.60% annual interest rate, calculated semi-annually in arrears.

**Certain Provisions of Trust Indenture**

**Limitations on Distributions:**

The Issuer will only be permitted to make Distributions if no Default or Event of Default exists at the time such Distribution is made, the Cash Collateral Accounts are funded to their required levels, and the ratio of EBITDA for the immediately preceding 12 calendar months to Debt Service for such 12-month period is equal to or greater than 1.5:1.0, and the ratio of the Issuer's forecast of EBITDA for the immediately following 12-month

**Issuances of Additional Senior Bonds:**

period to its forecast of Debt Service for such 12-month period is equal to or greater than 1.5:1.0.

The Issuer will be permitted to issue Additional Senior Bonds from time to time provided that, in respect of any such issuance, among other things:

- (a) no Default or Event of Default will have occurred and be continuing;
- (b) the Additional Senior Bonds will mature coincident with the Senior Bonds;
- (c) the terms of the Additional Senior Bonds will not provide for any repayment of principal (except on acceleration or redemption) prior to June 16, 2013 and any required principal repayments thereafter will be based on an amortization period that equals or exceeds the then remaining amortization period of the Senior Bonds;
- (d) the Issuer will have provided the Indenture Trustee with an officers' certificate confirming that, after giving effect to the proposed issuance of Additional Senior Bonds and the application of the proceeds therefrom, the ratio of the Issuer's EBITDA for the prior 12-month period to the projected Debt Service for the following 12-month period will be at least 3.0 times which officers' certificate will be accompanied by a chartered accountant's certificate confirming that the foregoing ratio was complied with;
- (e) the Issuer will have provided to the Indenture Trustee an Officers' Certificate to the effect that no Default or Event of Default exists and that no material adverse change has occurred in respect of the Issuer or the Power Assets;
- (f) the Rating Condition is satisfied in connection with the certification of the Additional Senior Bonds applied for; and
- (g) after the proposed issuance, the ratings ascribed to the Senior Bonds by the Rating Agency will be BBB or higher.

All Additional Senior Bonds issued from time to time will be secured by the Security equally and rateably with each other and with the Senior Bonds previously issued pursuant to the Trust Indenture. Each series of Additional Senior Bonds may have different interest rate, repayment, purchase and redemption provisions subject to the restrictions noted above.

**Issuances of Subordinate Bonds:**

The Issuer will be permitted to issue Subordinate Bonds from time to time provided that, in respect of any such issuance, among other things:

- (a) no Default or Event of Default will have occurred and be continuing;
- (b) the principal amount of all Subordinate Bonds that will be outstanding after such issuance does not exceed 30% of the principal amount of all Senior Bonds and Additional Senior Bonds then outstanding;
- (c) the Subordinate Bonds will mature coincident with or subsequent to the Senior Bonds and any Additional Senior Bonds;
- (d) the terms of the Subordinate Bonds will not provide for any repayment of principal prior to the repayment in full of all indebtedness owing to the holders of the Senior Bonds and Additional Senior Bonds;
- (e) the Issuer will have provided the Indenture Trustee with an officers' certificate confirming that, after giving effect to the proposed issuance of

Subordinate Bonds and the application of the proceeds therefrom, the ratio of the Issuer's EBITDA for the prior 12-month period to the projected Debt Service for the following 12-month period will be at least 2.0 times;

- (f) the Issuer will have provided to the Indenture Trustee an Officers' Certificate to the effect that no material adverse change has occurred with respect to the Issuer or the Power Assets;
- (g) the Rating Condition is satisfied in connection with the certification of the Subordinate Bonds applied for; and
- (h) after the proposed issuance, the ratings ascribed to the Senior Bonds by the Rating Agency will be BBB or higher.

All Subordinate Bonds will be secured by the Security equally and rateably. Each series of Subordinate Bonds may have different interest rate, repayment, purchase and redemption provisions subject to the restrictions noted above. The rights of holders of Subordinate Bonds will be subordinate to the rights of holders of the Senior Bonds and any Additional Senior Bonds.

**Other Indebtedness:**

The Issuer will not be permitted to create or assume any indebtedness other than (i) indebtedness incurred in connection with the issuances of Additional Senior Bonds and Subordinate Bonds, (ii) Affiliated Debt, and (iii) indebtedness which does not exceed \$5,000,000 in the aggregate at any time.

**Events of Default:**

The Trust Indenture will include certain events that will constitute Events of Default, including, without limitation, those set out in "Details of the Offering — Certain Events of Default".

**Permitted Transfers of Power Assets to Affiliate:**

The Issuer will be permitted to transfer the Transmission Assets and/or the Generation Assets, in each case as a whole, to a Canadian affiliate of the Issuer or Great Lakes Hydro Income Fund (or its successor), or to a Canadian trust or limited partnership which is controlled by either of them, upon the satisfaction of certain conditions. See "Details of the Offering — Permitted Transfers of Power Assets".

**Reorganizations:**

The Issuer will be permitted to wind-up, consolidate, amalgamate or merge with another entity, or transfer, lease or otherwise dispose of the Power Assets as an entirety or substantially as an entirety to another entity or to a continuing entity resulting from any amalgamation or merger subject to the approval of the bondholders expressed by an Extraordinary Resolution of both the holders of the Senior Bonds and Additional Senior Bonds, and the holders of the Subordinate Bonds. See "Details of the Offering — Reorganizations".

**Risk Factors**

**Risk Factors:**

An investment in Senior Bonds is subject to certain risks including risks related to: (i) the fact that recourse is limited to the Secured Assets; (ii) the lack of a secondary market for the Senior Bonds; (iii) forward-looking statements and information; (iv) the increased leverage of the Issuer; (v) potential conflicts of interest between the Issuer, BEMI and other Brascan affiliates; (vi) adverse weather variations; (vii) prolonged and downward changes in the spot market price for electricity in Ontario; (viii) increased operating and capital expenditure costs; (ix) uninsured

casualty or damage; (x) equipment failures; (xi) significant adverse events which disrupt the Issuer's ability to generate or transmit power; (xii) dam failures; (xiii) adverse changes to Ontario's transmission and interconnection systems; (xiv) health, safety and environmental matters; (xv) labour disruptions; (xvi) litigation; (xvii) adverse changes in Ontario's regulatory regime; (xviii) the Issuer's inability to obtain or maintain licences, leases or permits required in connection with its transmission and generation businesses; (xix) adverse changes in the Issuer's rights to lands upon which the Transmission Assets are located (including risks relating to governmental and First Nations' rights); and (xx) the Issuer's distribution business. See "Risk Factors".



## ISSUER

The Issuer was formed on June 29, 1996 by the amalgamation under the *Business Corporations Act* (Ontario) of Braspower Limited, St. Mary's River Holdings Inc. and Great Lakes Power Limited, each of which was a subsidiary of a predecessor of Great Lakes Power Inc. ("GLPI").

The Issuer currently owns the Power Assets, which include the Issuer's rights in and to the Lands, the Generation Assets, the Improvements, the Water Power Leases, the Transmission Assets and all buildings, plants, constructions, reservoirs, sub-stations, dams, flumes, canals, channels, equipment, machinery, generators, turbines, transformers, computer hardware and other personal property located on the Lands and used by the Issuer in connection with its generation and/or transmission businesses. The Generation Assets consist of 12 stations located on the Montreal, Michipicoten, Magpie and St. Mary's River systems, and have a net in-service capacity of approximately 349 MW. The Transmission Assets include approximately 726 km of 44-kv to 230-kv transmission lines and comprise part of the IMO-controlled grid. Both the Generation Assets and the Transmission Assets are located in the Algoma region of northern Ontario, north of the City of Sault Ste. Marie. The Issuer's head office, including its main control center, is located at 2 Sackville Road, Sault Ste. Marie, Ontario P6B 6J6. The Issuer has all of the necessary material licenses, permits and water rights it requires to operate its Power Assets. See also "**The Issuer's Power Assets**".

In addition to the Power Assets, the Issuer owns (i) a 100% interest in Lake Superior Power, Limited Partnership which owns and operates a natural gas-fired cogeneration plant in Sault Ste. Marie, (ii) a 65% interest in Valerie Falls Limited Partnership which owns and operates a hydroelectric facility in northwestern Ontario, (iii) a 75% residual interest in Louisiana HydroElectric Power which owns and operates a hydroelectric facility and flood and sediment control facility in Louisiana, United States, (iv) a low voltage distribution system that includes approximately 1,700 km of low voltage lines and 11 distribution stations and services approximately 11,500 customers (the "**Distribution Assets**"), (v) a telecommunications business and (vi) certain subsidiaries which hold certain easements and licences relating to the Issuer's distribution and transmission businesses, (collectively, the "**Other Assets**").

The Issuer intends to transfer the Other Assets other than the Distribution Assets to one or more affiliates of Brascan Corporation ("**Brascan**"). Neither the Trust Indenture nor the Trust Indenture Documents will restrict the Issuer's right to encumber or dispose of all or any part of the Other Assets or the Distribution Assets at any time. In addition, none of the bondholders nor the Indenture Trustee will have recourse under the Bonds, the Trust Indenture or the Trust Indenture Documents to the Other Assets (including the Distribution Assets) or to any person or affiliate of Brascan or to any assets or undertaking of any person, other than the Issuer (recourse against which will be limited to the Secured Assets and GLPI in respect of its guarantee of certain of the Issuer's obligations relating to the Shikwamkwa Dam (see "**The Issuer's Power Assets — Issuer's Dam Safety Program**").

### Brascan Overview

The Issuer is a wholly-owned subsidiary of GLPI which is a wholly-owned subsidiary of Brascan. Brascan is a publicly traded corporation whose shares are listed on the Toronto Stock Exchange (as BNN.A) and the New York Stock Exchange (BNN). Brascan is a North American based real estate, power generation and asset management company. As at the date hereof, Brascan's total assets exceed US\$15 billion.

Power is an important focus area for Brascan. GLPI's current production base consists of 38 hydroelectric generating stations and one natural gas-fired co-generation facility, having an aggregate generating capacity of approximately 1,684 MW. GLPI's generation facilities are located in Ontario, Québec, British Columbia and in the United States, some of which are owned through GLPI's 50% investment in Great Lakes Hydro Income Fund.

Brascan views investments in hydroelectric power generation as potential sources of long term sustainable cash flow growth. Brascan's strategy includes a capital investment program that is designed to increase the reliability and value of its facilities and to improve its on-peak capabilities, and to expand its hydroelectric portfolio. Due to their long asset lives and low operating costs, Brascan is of the view that hydroelectric assets are uniquely positioned because of the competitive advantages they offer relative to other forms of generation,

an important factor in increasingly competitive markets. This is particularly relevant in light of the limited potential for significant new large-scale hydroelectric development in Ontario.

GLPI intends to control its operating and maintenance costs, to explore ways of increasing its customer base and the market for its hydroelectric power, and to examine potential development and redevelopment projects within regional areas of strategic focus. GLPI also intends to identify and potentially develop and operate other generation projects in North America outside its primary service area where it can apply its considerable power generation experience. In pursuing these opportunities, GLPI intends to focus on hydroelectric power projects, including projects with water storage capacities. GLPI believes that it is well positioned for growth opportunities that could strengthen its power generating operations and that industry trends favour companies with good operating histories, low-cost orientations, development expertise and access to capital, like GLPI.

Brascan intends to seek new power generation assets through a number of its subsidiaries, including GLPI. It is not expected that the Issuer itself would acquire additional power generation facilities.

Although bondholders do not have recourse to Brascan or any member of the Brascan group of companies (other than the Issuer in respect of the Secured Assets and GLPI in respect of its guarantee relating to the Shikwamkwa Dam), the Issuer's management benefits from the Brascan group's experience in the power industry. In particular, the Issuer will enter into an agreement (the "**BEMI Agreement**") with Brascan Energy Marketing Inc. ("**BEMI**") pursuant to which BEMI will provide dispatching and power scheduling services to the Issuer in the Ontario market as administered by the Independent Electricity Market Operator (the "**IMO**"), to assist the Issuer in maximizing its revenues. See "**The Issuer's Power Assets — Operations and Dispatch of the Power Assets**".

Trilon Securities is a subsidiary of Brascan, and Brascan indirectly owns 100% of the Issuer. Accordingly, the Issuer is a "related issuer" and may be a "connected issuer" of Trilon Securities within the meaning of applicable securities laws. None of the proceeds of this offering, except for the fees and expenses payable to Trilon Securities under its Agency Agreement, will be applied for the benefit of Trilon Securities.

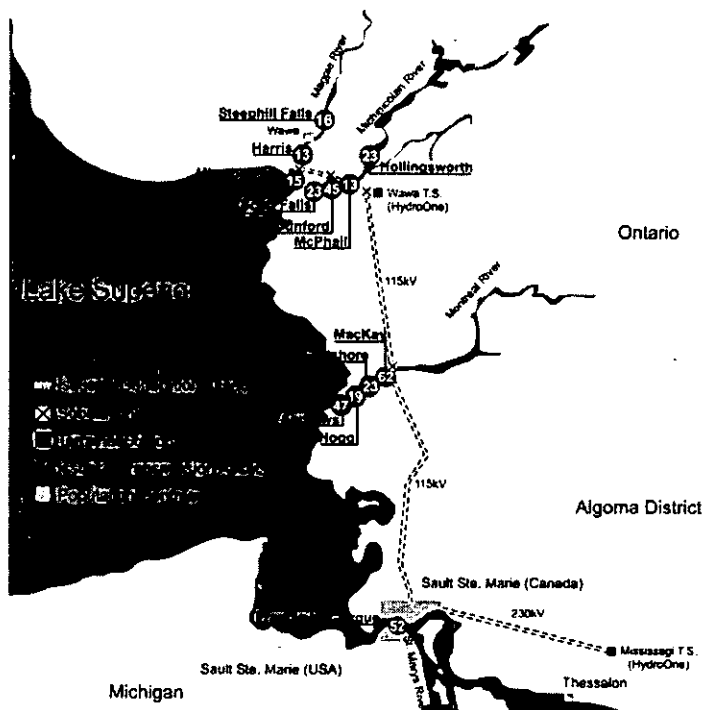
## THE ISSUER'S POWER ASSETS

### General

The Issuer's northern Ontario assets, consisting primarily of the Generation Assets and Transmission Assets, have historically operated as an integrated generation and transmission network. Directly and through predecessor companies, the Issuer has provided hydroelectric power to the City of Sault Ste. Marie and the

surrounding areas in the Algoma region since the 1890s when hydroelectric power was first developed on the St. Mary's River. The people of Sault Ste. Marie and the Algoma region voted in 1928 to retain the Issuer as their private electricity supplier. The Issuer later acquired and developed power generating sites on the Michipicoten, Montreal and Magpie Rivers.

The Issuer's Generation Assets and Transmission Assets are operated by remote control through fibre-optic cable and microwave from a control centre in Sault Ste. Marie, Ontario. See "—Operations and Dispatch of the Power Assets".



### The Generation Assets

The Issuer generates electricity from its 12 wholly-owned hydroelectric generating stations located on the Magpie, Michipicoten, Montreal and St. Mary's Rivers in the Algoma region of Northern Ontario. The Generation Assets operate as cascade systems with a main storage reservoir at the uppermost plant in each river system except for the St. Mary's River. The Steephill Falls Generating Station, Hollingsworth Generating Station and MacKay Generation Station each contains a large storage reservoir. The downstream plants are, for the most part, operated as run-of-the-river plants accepting flows originating from the uppermost facilities. Damming the rivers at the upstream locations creates or enlarges lakes at the head of each river. The Generation Assets located downstream from these sites are also fed from other smaller lakes and rivers in the area. The three reservoirs and 21 generating units (excluding those at High Falls which the Issuer expects to decommission in 2003) provide the Issuer with significant water storage capabilities and diversification of operational risk.

The Generation Assets are designed to be operational 24 hours a day and have a total installed capacity of approximately 349 MW. The Generation Assets have been in-service from as early as 1929. The Issuer adopted a re-powering program in respect of five of its twelve generating stations which was designed to extend the operating lives, upgrade the hydraulic efficiencies, increase the generation capacities and increase the operational control of 11 of the generating units at those facilities. The scope of the Issuer's re-powering program typically involved replacing turbine runners, replacing governor components, rewinding generator stators, refurbishing rotor poles, converting or refurbishing generator excitation systems, replacing generator breakers, refurbishing or replacing unit auxiliary systems and enhancing unit monitoring. The Issuer also performed certain miscellaneous refurbishments to station auxiliary services at the same time to take advantage of unit outage time. The Issuer's repowering program, which was completed in 2002 and involved expenditures in excess of \$30,000,000, increased the capacity of the Generation Assets by approximately 32 MW. The Issuer

also recently redeveloped its High Falls site on the Michipicoten River with the construction of the new Dunford Generating Station, which has a capacity of approximately 45 MW. The Dunford Generating Station was placed in commercial operation in April 2003, and the Issuer expects to decommission the older High Falls Generating Station in 2003.

Due to their low operating costs, high-reliability and ability to respond quickly to changing demands for electricity, the Generation Assets are particularly well positioned in a competitive marketplace where these factors contribute to creating a sustainable, competitive advantage. See also “Competitive Positioning of the Issuer’s Generation Assets”.

#### Long Term Annual Average Performance of the Generation Assets

	Capacity (MW)	No. of Units	Long Term Capacity Factor(%)	Long-Term Average <sup>(4)</sup> (GWh)	In-Service Date
<b>Maggie River</b>					
Steepphill Falls . . . . .	15.5	1	46%	62.1	1990
Harris . . . . .	12.5	1	47%	51.4	1990
Mission . . . . .	15.0	1	49%	63.8	1990
<b>Michipicoten River</b>					
Hollingsworth . . . . .	23.2	1	56%	113.9	1959
McPhail . . . . .	12.8	2	63%	70.9	1954
High Falls <sup>(1)</sup> . . . . .	27.0	3	n.a.	n.a.	1929-1950
Dunford <sup>(2)</sup> . . . . .	45.0	2	61%	241.1	2003
Scott Falls . . . . .	22.5	2	60%	119.2	1952
<b>Montreal River</b>					
MacKay . . . . .	62.0	3	38%	205.4	1937-1957
Gartshore . . . . .	23.0	1	48%	97.1	1958
Hogg . . . . .	18.5	1	47%	75.5	1965
Andrews . . . . .	46.9	3	41%	170.1	1938-1975
<b>St. Mary’s River</b>					
F. H. Clergue . . . . .	52.2	3	84%	382.0	1982-3
<b>Total<sup>(3)</sup> . . . . .</b>	<b>349.1</b>	<b>21</b>	<b>54%</b>	<b>1,652.5</b>	

- (1) The High Falls Generating Station is expected to be decommissioned in 2003.
- (2) The Dunford Generating Station is a new generating station that will replace the High Falls Generating Station.
- (3) Excluding the High Falls Generating Station.
- (4) Based on the results of hydrology studies performed by Acres. See “The Issuer’s Power Assets — Independent Engineer’s Report”.

#### Maggie River System

The Maggie River watershed encompasses a total drainage area of approximately 1,930 km<sup>2</sup>. The watershed is typical of the many rivers of northern Ontario, characterized by numerous, small natural lakes feeding the main stem of the river, which flows generally in a north-to-south direction. The upper 37% of the total Maggie River catchment area feeds into Esnagi Lake, which is regulated by a small concrete overflow dam with two stop log bays. The total fall in the watershed is approximately 135 m. Three of the Issuer’s generating stations are located on the Maggie River.

The Steepphill Falls Generating Station, the first of three hydroelectric generating stations on the lower reaches of the Maggie River, started operation in 1990. This site controls 85% of the total Maggie River

drainage basin and provides a live storage volume equivalent to 15% of the long-term average annual runoff to the site. The Steephill Falls powerhouse comprises a single generating unit.

The Harris Generating Station is the second generating station on the Magpie River and is located approximately 17 km downstream from the Steephill Falls Generating Station and approximately three km upstream from the Mission Falls generating station. The Harris Generating Station, which was developed in 1990, controls essentially all of the remaining 15% of the total Magpie River drainage basin below Steephill Falls. The station has a small amount of storage, which is used to re-regulate flow releases from the upstream Steephill Falls Generating Station to provide seasonal, daylight hour flow over Magpie Falls. The generating station operates normally as a cascading, run-of-the-river station, utilizing flow releases from Steephill Falls.

Mission Falls Generating Station, the last of the three hydroelectric generating stations on the Magpie River, was developed for generation in 1990. It is located approximately 20 km downstream from Steephill Falls and approximately three km downstream from the Harris station. Mission Falls is located at the downstream end of the Magpie River where it discharges over Silver Falls and combines with flow from the Michipicoten River before flowing into Lake Superior.

### ***Michipicoten River System***

The Michipicoten River watershed encompasses a total drainage area of approximately 5200 km<sup>2</sup>. The catchment of the river is part of the Lake Superior drainage basin, discharging into the Michipicoten Bay area of eastern Lake Superior. The total drop in the watershed is estimated at 129 m from the height of land at the watershed boundary to the Lake Superior level. Four of the Issuer's generating stations are located on the Michipicoten River.

Hollingsworth Generating Station was commissioned in 1959 and is located on the lower reaches of the Michipicoten River, approximately 15 km upstream of the McPhail Generating Station. The turbine and generator were both overhauled in 1992. Three storage reservoirs are located upstream to the Hollingsworth generating facility at Wabatongushi Lake, Dog Lake and Windermere Lake. The Hollingsworth reservoir is the largest storage reservoir in the watershed and regulates run-off from approximately 83% of the total watershed area.

The McPhail Generating Station is located approximately 15 km downstream from the Hollingsworth generating station and was commissioned in 1954. Inflows to the McPhail station consist of regulated releases from the Hollingsworth station and inflow from the contributing local drainage area to the McPhail dam site. Repowering of this station was completed in 2001. The generators were overhauled and re-wound at the same time.

The Dunford Generating Station is the third hydroelectric generating station located on the Michipicoten River and has been operating since April 2003. The construction of this \$75,000,000 generating station was completed on time and on budget and it is the first major private sector hydroelectric power facility built in Ontario in contemplation of Market Opening. Inflow to the Dunford Generating Station consists of regulated releases from the McPhail Generating Station with a very small contributing local drainage area upstream to the Dunford Generating Station via the Firesand River. The 45 MW Dunford Generating Station was built to replace the 27 MW High Falls Generating Station which was constructed in 1929 and is expected to be decommissioned in 2003.

The Scott Falls Generating Station is the furthest downstream hydroelectric generating station located on the Michipicoten River and was commissioned in 1952. The station operates under a gross head of 23.5 m, and its inflows consist of regulated releases from the upstream Dunford Generating Station. The station was repowered in 1998.

### ***Montreal River System***

The Montreal River watershed encompasses a total drainage area of approximately 2,900 km<sup>2</sup>. The catchment of the river is part of the Lake Superior drainage basin, discharging into the southern end of the Agawa Bay area of eastern Lake Superior at the Montreal River Harbour. The river's watershed consists of numerous natural lakes and wetlands that feed into the main stem of the Montreal River system, which drains the majority of the basin to the north. The southern part of the basin is drained by the Cow River system. The

total fall in the watershed for both of these rivers is estimated at 190 m, from the height of the watershed boundary into Lake Superior. Four hydroelectric generating stations are located on the lower river.

The MacKay Generating Station and its first two generating units were originally commissioned in 1934, with an additional unit installed in 1957 when the dam was raised. The largest storage reservoir in the watershed is located immediately above the MacKay Generating Station, which regulates runoff from approximately 98% (or 2,850 km<sup>2</sup>) of the total watershed area. In the period between 1998 - 2000, the turbines and generators were upgraded for all three units and the turbines were rewound.

The Gartshore Generating Station is the second of the Issuer's four generating stations on the Montreal River and was commissioned in 1958. It is located approximately 13 km downstream of the MacKay Generating Station. The Gartshore Generating Station tailrace discharges directly into the upper reaches of the next downstream reservoir at the Hogg Generating Station. A partial overhaul of this station was completed in 1991, and the generator was overhauled (but not rewound) at the same time.

The Hogg Generating Station is located approximately 18 km downstream of the MacKay Generating Station and 5 km downstream of the Gartshore station. The Hogg Generating Station was repowered in 2000. The generator was overhauled and rewound at the same time.

The Andrews Generating Station is the furthest downstream of the Issuer's four Montreal River generating stations and discharges into Montreal River Harbour, located at the mouth of the river where it empties into Lake Superior. The station consists of three units in two powerhouses, both of which have undergone equipment upgrading in 1996/7 and 1999.

#### **St. Mary's River System**

The F.H. Clergue Generating Station is located on the St. Mary's River rapids area at the outlet of Lake Superior, within the City of Sault Ste. Marie, Ontario. A long headrace channel connects the generating station with the upper St. Mary's River and Whitefish Bay. The F.H. Clergue Generating Station was commissioned in 1982. This generating station is operated largely in a run-of-the-river mode, and the International Lake Superior Board of Control allocates its flows throughout the year.

#### **Hydrology**

Annual variation in the hydroelectric generation for any one of the Generation Assets is primarily a function of the availability of water. While the physical availability of water in a river system is affected by variations in precipitation and evaporation, operational availability of water is affected by conditions on water use imposed by international treaties, federal and provincial regulation, water power leases, voluntary guidelines and agreements with other water users. Use of Ontario's interior watersheds is constrained by restrictions set out in the Water Power Leases. The Issuer also operates within voluntary guidelines established on a watershed basis in consultation with the Ministry of Natural Resources (the "MNR"), federal fisheries authorities and stakeholders such as recreational and commercial users, local communities, environmental groups and First Nations. Many of these guidelines will become formal obligations through the water management planning process initiated by the MNR under its "New Business Relationship" with the water power industry and by subsequent amendments to the *Lakes and Rivers Improvement Act* (Ontario). See also "**Regulation of Ontario's Electricity Industry — Health, Safety and Environmental Regulation**".

Historical reference hydrology for the Generation Assets has been assessed by Acres International Limited ("Acres") in an independent review completed in January 2003. (See "**— Independent Engineer's Report**".) The hydrology review was completed as part of an overall review of the power and energy capability of the Generation Assets following completion of the Issuer's multi-year re-powering program and the major redevelopment of the Dunford Generating Station, both of which were recently completed. The assessment completed by Acres was based on a thorough evaluation of the regional hydrology of the northern Ontario power river systems and station inflows to estimate reference hydrology for the historical 32-year period from 1969 to 2000. Inflow data was converted to generation output by taking into consideration seasonal water management constraints imposed by environmental and other operating guidelines, and by assuming full availability of all station generating units and conversion of station inflow to energy at best efficiency levels. Acres concluded that the annual inflows provide the hydrology required to achieve a long-term average annual

generation of approximately 1,652 GWh before adjustment for outages. During the 32-year study period, annual energy generation for the Generation Assets has never been lower than 1,000 GWh after adjusting for the effects of repowering and the addition of the Dunford Generating Station. In addition to annual variation in water availability, there are also predictable seasonal variations as water inflows rise due to melting snow in the spring and decrease during the hotter summer months.

### Water Storage

The Issuer's water management strategy is to optimize generation from available water while meeting legal, environmental, and operational requirements. The Issuer uses hydrological and meteorological data to manage head (the vertical drop of water at a generation site), flow and water storage, and to schedule water use in a manner which minimizes unutilized water flow.

Before water reaches the Generation Assets, it accumulates in large reservoirs. Water stored in the Issuer's reservoirs is available for future generation on demand providing a form of energy storage capability to the Issuer's assets that is unique to reservoir-based hydroelectric facilities. A hydroelectric system's water storage capacity is key to assessing its competitive positioning and economic potential. Storage allows a hydroelectric operator to manage or mitigate the impact of lower than average hydrology years by shifting electric production from lower to higher priced periods. Specifically, because there is no method by which large quantities of electricity can be stored in a practical manner, electricity must be generated when demand for it exists. In a competitive market, short imbalances between supply and demand for electricity are one of the factors contributing to extremely high prices, or "price spikes". The ability to supply electricity during such high-priced hours on very short notice increases the revenue earning potential of the Generation Assets relative to comparable hydroelectric assets without storage capacity or relative to other generating technologies which are unable to rapidly vary their output. The Issuer's storage reservoirs draw water from a total watershed area of over 10,000 km<sup>2</sup> and can hold enough water to generate approximately 466 GWh, corresponding to approximately 28% of the average annual generation of the Generation Assets. BEMI, on the Issuer's behalf, continually monitors the factors that impact electricity prices, using both long-term and real-time perspectives in assessing potential market price developments, in attempting to optimally use available water. See also "Competitive Positioning of the Issuer's Generation Assets — Competitive Dispatch" and "The Electricity Industry — Hydroelectric Power Generation".

The following table outlines the capability of the Issuer's storage reservoirs:

<u>River System</u>	<u>Installed Capacity (MW)</u>	<u>32-Yr Average Annual Hydrology (GWh)</u>	<u>Storage as % of Average Annual Generation</u>
Magpie . . . . .	43	177	47%
Michipicoten . . . . .	104	545	27%
Montreal . . . . .	150	548	43%
St. Mary's . . . . .	52	382	—
	<u>349</u>	<u>1,652</u>	<u>28%</u>

### Water Power Leases

Water power leases are granted by the Government of Ontario, through the MNR, for use of water for power generation in Ontario. The Issuer has entered into 12 water power lease agreements with the MNR (the "Water Power Leases") providing water rights for the Generation Assets. The Water Power Leases allow the Issuer to use water flow in the river systems to generate power. All Water Power Leases have been renewed since Market Opening, and the Issuer is currently in compliance with the terms of these lease agreements. The earliest expiry of a Water Power Lease will occur in 2010. The Water Power Leases are generally terminable if the Minister of Natural Resources deems it to be in the public interest. Certain of the Water Power Leases have conditions such as (i) environmental conditions relating to maximum water levels permitted during flood events, restrictions in the rates of flow changes out of the generating stations and minimum flow releases, and (ii) requirements to operate the particular facility in accordance with a water management plan approved by the

Minister of Natural Resources. The Issuer expects that each of the Water Power Leases will be renewed upon its expiry in the normal course.

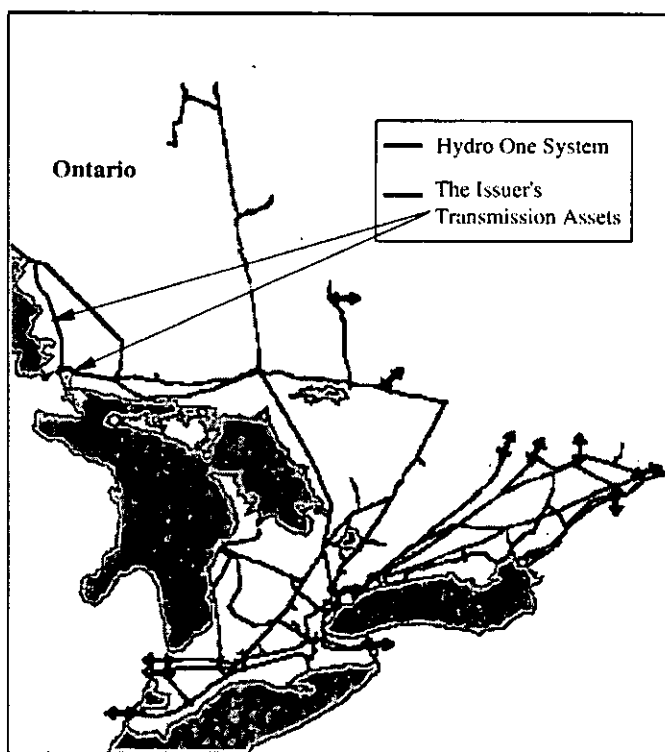
<u>River System</u>	<u>Water Lease Expiry</u>	<u>Renewal Rights</u>
Magpie . . . . .	January 1, 2010	None specified.
Montreal . . . . .	January 1, 2023	Minister has agreed to renew for successive 10-year terms if satisfied that Issuer has complied with the agreement.
Michipicoten . . . . .	January 1, 2023	Minister has agreed to renew for successive 10-year terms if satisfied that Issuer has complied with the agreement.
St. Mary's . . . . .	August 31, 2022	None specified.

**Power Generation License**

The Issuer is licensed as an electricity generator by the Ontario Energy Board (“OEB”). The Issuer’s license expires on July 13, 2003. The Issuer is in the process of applying for renewal of its generation licence and foresees no technical or regulatory reason that would affect its renewal and accordingly, expects its generation license to be renewed. The Issuer also holds a number of permits from the Ministry of the Environment to take water from certain of the river systems, and is in the process of pursuing such additional permits as may be required.

**The Transmission Assets**

The Issuer’s Transmission Assets form an integral part of the northern Ontario electricity infrastructure. Serving an area of approximately 13,000 km<sup>2</sup>, the Transmission Assets include 16 transmission stations whose components include high voltage and power transformers, power circuit breakers, high voltage switches, capacitor and reactor banks, protection and control systems, metering and monitoring systems together with site infrastructures such as buildings and security systems. The Transmission Assets also include approximately 726 circuit-km of high voltage 44-kV to 230-kV lines whose major components consist of cables, wood or steel support structures, foundations, insulators, connecting hardware and grounding systems.



The transmission stations are required to integrate the transmission lines into a network and to transform the voltage of the electricity being transmitted to suit the voltage requirements of the end user. These stations are frequently located at points at which power from two or more transmission lines can be combined and re-routed in different directions. Their main purpose is to transform voltage and, in most cases, to allow switching capabilities between transmission lines. In some instances, stations with only switching facilities are required.



The Issuer holds all material rights, licences and easements in lands that it requires in connection with the Transmission Assets. In some cases, however, the Issuer's rights are derived from contractual agreements in place with the relevant land owners, which agreements are not registered against title to the subject lands. In one such case, Algoma Central Railway (and its predecessor) has granted the Issuer the right to use a strip of land approximately 81 km long for the purposes of maintaining the Issuer's transmission lines and towers pursuant to three unregistered agreements, for a term expiring in August 2027. In 1998, Algoma Central Railway sold its interest in the subject lands to two companies subject to the Issuer's rights. The Issuer has been advised that the lands are once again available for sale. The Issuer has been in discussions with the current land owners and intends to pursue securing registered easements for its transmission lines on these lands in the normal course. The Issuer has no reason to believe that such easements would not be granted. In addition, there are certain issues relating to the validity of certain of the Issuer's easements or licenses. The Issuer will undertake to use best efforts to remedy such issues and will arrange for a title insurance policy to be issued in favour of the Indenture Trustee to insure against the risks relating to the same.

The Transmission Assets comprise part of the IMO-controlled grid. Hydro One Networks Inc., the only other significant transmitter in Ontario, owns substantially all of the remaining 29,000 km of transmission lines in the Ontario system. Operations on all high-voltage transmission lines in Ontario are directed by the IMO, which manages the electricity marketplace and directs the flow of electricity to ensure safe and reliable delivery of electricity within Ontario. Daily operation of the Transmission Assets is conducted from the Issuer's central control center located in Sault Ste. Marie, Ontario, where the Issuer carries out monitoring, control and real-time (i.e., instantaneous) management of its transmission system based on directions received from the IMO.

#### Overview of the Transmission Assets

Transmission Lines	44 kV	11 km <sup>(1)</sup>
	115 kV	564 km
	230 kV	151 km
Number of Transmission Stations		16
Generators Connected to Transmission System		13
System Peak (2001)		384 MW
Energy Delivered (2001)		2,300 GWh

(1) References are to circuit km.

While the Transmission Assets operate as a natural monopoly in the Algoma region, the business is regulated by the OEB under a cost-of-service framework. Cost-of-service regulation provides for recovery of prudently incurred operating, maintenance and financing costs. The regulatory framework provides for a regulated equity return, which is set by giving consideration to the low operating risk and stable usage patterns experienced by transmission systems. The OEB has announced a desire to move away from a traditional cost-of-service approach to performance-based rate-making ("PBR"). Whether PBR for transmission services will be adopted in Ontario is uncertain, and is dependent, in part, on the extent to which transmission and distribution rates remain frozen past 2006. If PBR for transmission services becomes a reality, the experience in other jurisdictions suggests that efficiency targets could be achievable. While the Issuer does not believe that a change in the current regulatory regime (from cost-of-service to PBR) will materially alter the earning potential, profitability or risk profile of the Transmission Assets, it closely follows the regulatory developments in Ontario and intends to proactively plan for any potential impact of regulatory change. See also "The Electricity Industry — Transmission".

## **Transmission License**

The Issuer has a transmission license issued to it by the OEB that expires on December 31, 2008, unless extended by the OEB. The Issuer's transmission license is subject to a number of standard and regulatory conditions, including that:

- It may be amended on application of any person, or by the OEB unilaterally, if the OEB considers the amendment to be necessary in order to implement a governmental policy directive or in the public interest.
- The Issuer enter into an operating agreement with the IMO providing for the direction by the IMO of the Issuer's transmission system.
- If an applicant requests that the Issuer convey electricity using its transmission system, subject to capacity constraints, the Issuer must make an offer to convey electricity on behalf of that applicant consistent with applicable market rules and codes.
- The Issuer may not refuse an offer to connect to its transmission system made in accordance with applicable rules and codes and must maintain the Transmission Assets to standards set out in the Issuer's agreement with the IMO and applicable rules and standards.
- The Issuer may not impose charges for electricity transmission or connection to the Issuer's transmission system except in accordance with the Issuer's transmission rate order.

## **Operations and Dispatch of the Power Assets**

Both the Transmission Assets and the Generation Assets are operated by remote control through fibre-optic cable and microwave from a control center in Sault Ste. Marie, Ontario. The Issuer's power generating management system identifies the system's most cost-efficient generators for use at any given time to make the best use of available water resources. In 1999, the Issuer completed the installation of a new supervisory control and data acquisition system ("SCADA") with state-of-the-art capabilities for system monitoring and energy management. The Issuer's new SCADA system consists of a main control centre in Sault Ste. Marie, a backup river control/work centre for the power plants located on the Michipicoten and Magpie Rivers, a backup river control/work centre for the power plants on the Montreal River and remote terminal units at each of the power plants. This allows full control of the facilities from the control centre, a centre in the vicinity of the plants and within each plant itself. Each of the river control/work centres can provide full SCADA functionality in the event of a communication outage with the Sault Ste. Marie control centre. The productivity gains from these systems are factors that enable the Issuer to maintain its position as a low-cost generator of electricity. Microprocessor and fibre-optic-based relay and tele-control systems are used to operate the Issuer's stations. Above-grade fibre-optic cables have been installed for the generating stations on the Michipicoten and Montreal Rivers.

BEMI will manage the planning, scheduling and dispatch of energy from the Generation Assets pursuant to the BEMI Agreement. As part of its duties, BEMI will evaluate and consider the annual, seasonal and short-term availability of water, and other market factors to assess the optimal bidding strategy for dispatching purposes. The persons employed by the Issuer in its generation division will work with BEMI to dispatch the Generation Assets in such a manner that optimizes revenue from the available water. The BEMI Agreement will be for an initial term of 20 years, automatically renewable for successive 10-year periods unless the Issuer or BEMI gives the other at least 30 days notice of termination prior to the expiry of the then current term. Either BEMI or the Issuer will have the right to terminate the BEMI Agreement for cause or upon the insolvency of the other, subject to customary cure periods. Under the BEMI Agreement, BEMI will receive an annual fee equal to \$250,000 and reimbursement of all of its out-of-pocket costs and expenses. BEMI will agree in favour of the Indenture Trustee, among other things, that it will continue performing the services required to be provided by it under the BEMI Agreement at the direction on the Indenture Trustee for a period of at least 60 days following any enforcement action taken by the Indenture Trustee under the Security. After such 60 day period, BEMI will have the right to terminate the BEMI Agreement on giving the Indenture Trustee 120 days notice.

## Ongoing Maintenance of the Power Assets

With continued proper maintenance, the Transmission Assets and the Generation Assets are expected to have useful service lives extending well past the maturity of the Bonds. The Issuer has adopted a comprehensive 20-year capital and maintenance program (the “**Capital Plan**”) to extend the operating life of the Generation Assets and to maintain unit efficiency. This program includes annual examinations of major items of equipment, intensive reviews of dams, weirs and spillways every four to five years, and complete overhauls of generating units as required. A repowering program was initiated by the Issuer to realize opportunities that presented themselves through upgrades to better hydraulic efficiency, higher capacity of the generating equipment and better controllability of the plants. Therefore, some equipment has been replaced before wear and tear would have demanded it. The Issuer’s repowering program typically involved the replacement of turbine runners, replacement of governor components, rewinding of generator stators, refurbishing of rotor poles, conversion or refurbishment of generator excitation systems, replacement of generator breakers and enhancement to unit monitoring. To take best advantage of the unit outage time, miscellaneous refurbishments of station auxiliary services, such as compressed service air, domestic, cooling, seal or fire water and sump pumps, were carried out at the same time. Since 1996, the Issuer’s repowering program has added a total of 32 MW of capacity to the Generation Assets. While some of the Issuer’s Transmission Assets were originally built in the 1920’s, the Issuer believes that prudent renewal of transmission line components will ensure their reliability and safety.

The Issuer’s Capital Plan for the Power Assets identifies the principal maintenance and capital improvement projects required over the next 20 years to ensure the continued high reliability and availability of the Power Assets. The Capital Plan provides for capital expenditures which are designed to:

- maintain, to required standards, system security and customer delivery reliability by addressing the condition, availability, performance, capability and safety of the Power Assets;
- effectively manage the life-cycle costs of the Power Assets to ensure continued viability;
- consider environmental, regulatory and safety indicators to ensure compliance with applicable laws and regulations;
- continually improve efficiency and effectiveness to meet customer and stakeholder expectations; and
- improve response and restoration time following emergencies, forced outages and planned outages of the Power Assets.

Sustaining capital expenditures relate to that level of spending required to maintain current asset condition to allow continued operation at high levels of reliability and include:

- periodic detailed assessment of the Power Assets to determine their condition and establish work plans for their renewal when required;
- implementing routine preventative maintenance standards for generating station and transmission components in accordance with prudent utility practice; and
- in respect of the transmission system, managing vegetation and right of ways.

The Capital Plan identifies the principal capital improvements and maintenance projects required over the next 20 years at a detailed project based level for the initial period of the plan and a contingency based approach for the latter period of the plan. In total, estimated costs to be spent on improvements and projects are approximately \$274,000,000 over the 20-year period, with higher costs anticipated in the early years and stable costs provided for in the latter years. The Capital Plan provides for average annual expenditures of approximately \$13,700,000, \$7,400,000 for the Generation Assets and \$6,300,000 for the Transmission Assets, and forms the foundation for establishing the Capital Expenditures Reserve Account. The Capital Plan has been reviewed by Acres in preparing the Acres Reports. (See “**The Issuer’s Power Assets — Independent Engineers Report**”).

The Issuer will covenant to operate and maintain the Power Assets in accordance with Good Utility Practices. The Issuer will agree that it will, every five years, deliver to the Indenture Trustee a copy of a current assessment of the overall condition of the Power Assets prepared by a nationally recognized and accredited independent engineering and consulting firm with experience in reviewing assets similar to the Power Assets.

## **Issuer's Dam Safety Program**

The Issuer embarked on a voluntary dam safety program in the early 1990's. As the Canadian Dam Association Safety Guidelines (the "CDA Guidelines") had not yet been developed, the Issuer engaged independent engineers to assist in preparing and executing a detailed dam safety program of investigations, analyses, instrumentation, flood determinations, spillway adequacy evaluations and stability assessments. Over the intervening years, the Issuer has continued to identify and address any identified high priority dam safety deficiencies. Continued monitoring of instrumentation and routine inspections are part of the ongoing plan.

In particular, a detailed dam safety review was conducted in 2000 by Acres. This was conducted in accordance with current CDA Guidelines. A list of dam safety and maintenance issues was prepared and prioritized. The Issuer is attending to the higher priority dam safety issues. Currently, flood inundation mapping work is being undertaken to improve emergency preparedness and facilitate early warning to any dwelling within the flood plain. Additional work has recently been done on enhancing the reliability of spillway gates and on constructing remedial stabilization works at three of the developments.

The Issuer has demonstrated a commitment to dam safety that is consistent with current Canadian utility practice. At present, the Issuer's dam safety program meets or exceeds the recommendations of the Canadian Dam Association and the Ontario provincial government. Periodic dam safety inspections are carried out at the prescribed intervals and are performed by an independent engineer qualified to undertake such assessments. The Issuer undertakes annual inspections and pre-flood inspections for each of its retaining structures and has commenced a program of flow control equipment testing assessments.

All of the Issuer's dams currently meet all current dam safety requirements other than minor exceptions which are being addressed in the Issuer's capital maintenance program and the Shikwamkwa Dam issues described herein. The Issuer has planned certain normal course repairs to its dams to address, among other things, concrete spalling and cracking and contraction joint leakages which have occurred principally as a result of the effects of freezing and thawing and normal course erosion and blockage issues. The Issuer has also adopted a five-year comprehensive concrete rehabilitation program to address the more significant concrete issues that have been identified. The capital costs associated with the ongoing maintenance of the Issuer's dams are provided for in the Capital Plan that has been reviewed by Acres.

The Shikwamkwa Dam is an earth-fill structure that was built in 1958 at the Hollingsworth reservoir on the Michipicoten River. During the period between 1969 and 1971, the Issuer experienced foundation seepage and erosion problems as well as a localized slumping of a portion of the upstream slope. Since 1971, conditions at that dam have been relatively stable except for persistent foundation seepage. In 1994, the Issuer performed certain remedial work that enhanced the stability of the dam by controlling loss of material from its foundation in critical areas.

The Issuer has adopted a comprehensive program involving a complete assessment of the nature of the problems affecting the Shikwamkwa Dam, investigations of the site conditions surrounding the dam, and continuous monitoring of the dam instrumentation system so as to establish the extent of the remedial measures to be taken to ensure the continued operation of the structure in accordance with Good Utility Practices.

The Issuer will continue with its current dam safety program and will provide annual operating reports outlining the maintenance and monitoring being performed in respect of the Shikwamkwa Dam. The Issuer will agree to take all actions necessary to remediate the Shikwamkwa Dam in accordance with Good Utility Practices and applicable dam safety regulations, and on Closing, GLPI (i) will guarantee the obligations of the Issuer to do so, and (ii) will indemnify the Indenture Trustee and the bondholders in respect of any damage resulting from any deficiencies in the Shikwamkwa Dam or any breach by the Issuer of such obligations. GLPI's guarantee and indemnity will terminate upon the delivery by the Issuer of a report from a nationally recognized, accredited independent engineering and consulting firm with experience in reviewing assets similar to the Generation Assets to the effect that the issues relating to the Shikwamkwa Dam that were identified in the Generation Report have been addressed in all material respects.

## Issuer's Employees

The Issuer currently employs approximately 137 persons, 72 of whom are employed in connection with the Generation Assets and 65 of whom are employed in connection with the Transmission Assets and Distribution Assets. The Issuer's Power Assets employees perform duties in connection with the general maintenance and operation of the Power Assets and the implementation of the Issuer's capital and maintenance program. Approximately 77 of the Issuer's employees are unionized and are governed by a collective bargaining agreement that expires on December 31, 2003. Collective agreement negotiations are expected to start in October, 2003. Since the formation of the Issuer's union in 1947, there has been only one strike which occurred in 1972 and lasted for three weeks.

## Independent Engineer's Reports

Acres was engaged by the Issuer to conduct independent engineering due diligence assessments and an assessment of the long-term average power and energy capability of the Issuer's Power Assets and Distribution Assets. Acres is an independent consulting and engineering firm that devotes a substantial portion of its resources to providing services related to the technical, economic and environmental aspects of electrical generating facilities and other industrial facilities for lenders, investors and other financial entities. Acres produced three reports summarizing the results of its findings. Acres understands that its conclusions, and its full reports which will be made available to prospective bondholders, may be reviewed by prospective bondholders, and Acres has consented to such review and the inclusion of its conclusions in this Offering Memorandum.

In its power capability report (the "**Hydrology Report**") entitled "Great Lakes Power Generation System Long-Term Energy Production Assessment" dated January 2003, Acres describes its review of the power and energy capability of the Generation Assets. The objective of Acres' review was to reevaluate the overall power and energy capability of the Generation Assets following completion of the Issuer's repowering program. As part of its analysis, Acres conducted a thorough evaluation of the regional hydrology of the river systems serving the Generation Assets. This work was undertaken as part of the Issuer's water management planning process for the Michipicoten and Montreal river systems. Acres considered a 32-year period between 1969 and 2000 and estimated that the long-term average annual generation production capability of the Generation Assets is approximately 1,652 GWh. Acres' estimate was based on its examination of inflow hydrology, allocating station flows using the best estimate of both current and future seasonal water management constraints that meet environmental, social and economic expectations. Acres' assessment was made assuming 100% availability of all station generating units, without accounting for forced or scheduled unit outages.

Acres also prepared a report entitled "Independent Engineer's Report — St. Mary's, Montreal, Michipicoten and Magpie River Generation Assets" (the "**Generation Assets Report**") dated May 16, 2003, in respect of Generation Assets. The Generation Assets Report presented the results of Acres' technical review of the Generation Assets with regard to their overall condition, capacity, availability, performance and operation. In preparing this report, Acres, among other things:

- visited and evaluated the Generation Assets with a view to confirming that the Generation Assets can reasonably be expected to meet their designed lifespan;
- reviewed the previous hydrotechnical evaluations of the Generation Assets in order to verify previously estimated energy production performance;
- evaluated each Generation Asset's operating costs with a view to assessing the appropriateness of the ongoing operations and maintenance expenditures with respect to industry norms;
- reviewed the current plans and any other needs for any routine or non-routine major capital expenditures for the Generation Assets and the appropriateness of this planning;
- reviewed the environmental practices and procedures in place with respect to the Generation Assets with a view to assessing their appropriateness with respect to current best practices and industry norms;
- reviewed licenses and permits relating to the Generation Assets in order to evaluate whether any operational restrictions exist; and

- reviewed the Issuer's ongoing operation and maintenance programs with respect to the appropriateness of the programs, as compared to industry norms, and the actual condition of the Generation Assets.

Acres also prepared an "Independent Engineer's Report — Great Lakes Power Limited's Transmission Assets" report (the "**Transmission Report**") dated May 16, 2003, in respect of Transmission Assets. The Transmission Report presented the results of Acres' technical review of the Transmission Assets with regard to their overall condition, performance and operation. In preparing this report, Acres, among other things:

- visited and evaluated the Transmission Assets with a view to confirming that the Transmission Assets can reasonably be expected to meet their designed lifespan;
- evaluated the Transmission Assets operating and maintenance costs with a view to addressing the appropriateness of the ongoing operations and maintenance procedures and expenditures;
- reviewed the environmental practices and procedures in place with respect to the Transmission Assets with a view to assessing their appropriateness with respect to current best practices and industry norms;
- reviewed the need for any routine or non-routine major capital expenditures and maintenance expenditures planned for the Transmission Assets; and
- reviewed the Issuer's ongoing operation and maintenance programs with respect to the appropriateness of the programs, as compared to industry norms, and the actual condition of the Transmission Assets.

In preparing the Generation Assets Report and the Transmission Report (collectively, the "**Acres Reports**"), Acres reviewed the Capital Plan, reviewed detailed studies of the potential energy output of the Generation Assets as provided by the Issuer, and utilized information it gathered from recent visits to the Power Assets, general observations of the Power Assets and other operating records and documentation relating to the Power Assets.

Acres also made certain assumptions with respect to the conditions that may exist or events that may occur in the future. While Acres believes that these assumptions are reasonable for the purposes of the Acres Reports, they are dependent upon future events and actual conditions may differ from those assumed. However, some assumptions may vary significantly due to unanticipated events and circumstances. The Acres Reports summarize Acres work up to the date thereof. Thus, changed conditions occurring, or becoming known after such date, could affect the material presented by Acres to the extent of such changes.

The principal considerations and assumptions made by Acres in developing the Acres Reports and the principal information provided to Acres by others include the following:

- All contracts, agreements, rules or regulations applicable to the Power Assets will be fully enforceable in accordance with their terms and all parties will comply with the provisions of their respective agreements.
- The Issuer will operate the Power Assets in accordance with existing policies and procedures as observed by Acres.
- The Issuer will maintain the Power Assets in accordance with good engineering practice and in a sound businesslike manner, make all required renewals and replacements of equipment in a timely manner, and will not operate the equipment to cause it to exceed the equipment manufacturer's recommended maximum ratings.
- The Issuer will employ qualified and competent personnel who will properly operate and maintain the Power Assets in accordance with generally accepted engineering practices and will generally operate the Power Assets in a sound and businesslike manner.
- Inspections, overhauls, repairs and modifications are planned for and conducted in accordance with a manufacturer's recommendations, and with special regard for the need to monitor certain operating parameters to identify early signs of potential problems.
- All material licenses, permits and approvals, and permit modifications necessary to operate the Power Assets have been, or will be, obtained on a timely basis and any changes in required licenses, or permits and approvals will not require reduced operation of, or increased costs to, the Power Assets and will be obtainable as part of the normal course of business.

Set forth below are the principal opinions Acres has reached after its review. On the basis of its review and analyses of the Power Assets and the assumptions set forth in the Acres Reports, Acres is of the opinion that:

- The Power Assets have been operated and maintained generally in line with or better than normal practices employed by industrial owners of similar assets.
- Portions of the Transmission Assets are aging as expected and require rehabilitation. In the short term, with continued maintenance expenditures at present levels, the Transmission Assets will continue to transmit electricity at present capacity. In the longer term, the Capital Plan and the Issuer's other plans, as reviewed by Acres, are considered appropriate to ensure the continued reliable operation of the Transmission Assets.
- The Shikwamkwa Dam is aging and requires ongoing remedial attention. Planning to determine the measures needed to rehabilitate this dam is presently underway but has not yet been concluded. Therefore, the costs for this work were not included in the Acres Report.
- The Generation Assets currently have an available capacity of 349.1 MW.
- Hydrological records indicate that the long term average energy production from the Generation Assets before transmission losses is 1,652 GWh of energy per year, not including any allowance for planned or forced outages.
- The remedial projects included in the Issuer's plans (including the Capital Plan), as reviewed by Acres, appear to address the need for continued reliable operation of the Power Assets.
- The estimated levels of capital expenditures spending for maintaining and enhancing the Power Assets are considered to be adequate and appropriately conservative.
- The Issuer's planned minimum expenditures in any one year for sustaining capital (that is expenditures required to maintain but not enhance the Power Assets) of \$5,000,000 are considered to be reasonable and appropriately conservative.
- The operation and maintenance procedures and practices of the Issuer in respect of the Generation Assets, as demonstrated during site inspection and as proposed in the Issuer's Generation Assets plan and the Capital Plan, are consistent with good engineering practices and generally meet or exceed accepted hydroelectric industry practices.
- The operation and maintenance procedures and practices of the Issuer in respect of the Transmission Assets, as demonstrated during site inspection and as proposed in the Issuer's Transmission Assets plan and the Capital Plan, are consistent with good engineering practices and generally meet or exceed accepted utility industry practices.
- The system of environmental practices and procedures in place with respect to the Power Assets meets or exceeds current industry practice and is sufficient to manage the environmental risks associated with the Issuer's historical and current operations. Acres concluded that the various issues identified as part of its review, including localized historical contamination at some properties, are consistent with what would reasonably be expected of an operation the nature, size and age of the Issuer's business. The Issuer communicated to Acres its plans for addressing these issues as part of its normal business practices. Assuming that the issues are addressed as the Issuer has proposed, Acres does not expect that these outstanding issues (either individually or in the aggregate) would result in significant future expenditures or risk exposure to the Issuer.
- If the Issuer carries out its operation and maintenance and remedial works plans as described in the Acres Reports and the Capital Plan, and the work is properly carried out and the Generation Assets are maintained in accordance with such plans, the Transmission Assets should continue to transmit electricity and the Generation Assets should continue to produce electricity in the quantities indicated in the Acres Reports for at least the 20-year period of the Issuer's plans.
- With prudent management, consistent with the Issuer's plans, the Generation Assets and the energy output therefrom and the Transmission Assets should be sustainable for at least an additional 40 years.

## COMPETITIVE POSITIONING OF THE ISSUER'S TRANSMISSION ASSETS

The Issuer believes that the Transmission Assets will provide stable, regulated revenues with low operating risks. The transmission sector in Ontario is a regulated industry consisting of one network of interconnected high-voltage transmission assets, the "IMO-controlled grid".

The high initial capital costs of constructing transmission assets, combined with the difficulty in obtaining rights-of-way are significant barriers to entry that generally make construction of a competing transmission system impractical and uneconomic. Therefore, transmission service in Ontario, as is the case in other jurisdictions, remains regulated and operates as a natural monopoly.

The Issuer believes that the profile of its transmission business is generally characterized by the following:

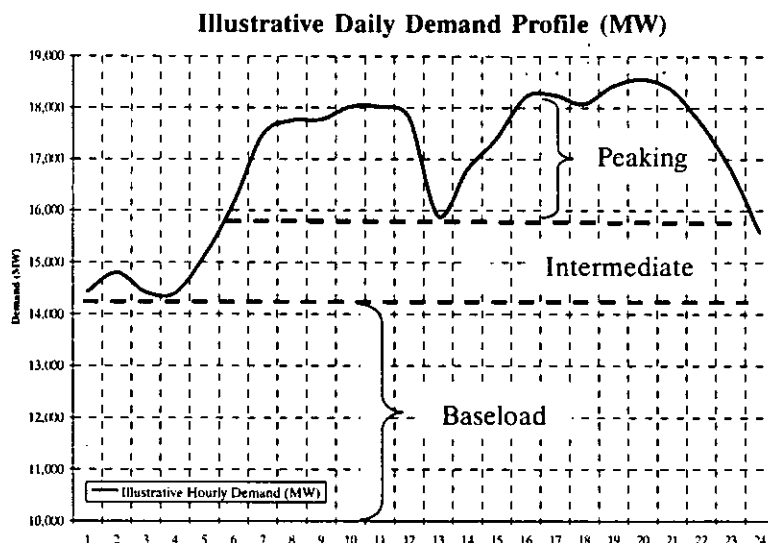
- (i) *stable, regulated revenues* — revenues are designed to recover operating and maintenance costs and ensure appropriate returns on invested capital, including a regulated equity return currently set at 9.88%. See also "Regulation of Ontario's Electricity Industry — Regulation of Transmission";
- (ii) *low operating risk* — the Transmission Assets have a long operating history using proven, readily available technology. The system is composed of a large number of individual components, some of which provide prudent levels of redundancy against unexpected failure; and
- (iii) *limited bypass or substitution risk* — while large industrial customers could construct their own generation assets as alternate sources of electricity, such customers would likely remain connected to Ontario's transmission system, and will therefore be required to pay certain fixed connection charges.

## COMPETITIVE POSITIONING OF THE ISSUER'S GENERATION ASSETS

The Issuer believes that the Generation Assets, due to their low operating cost structure, long asset life, high reliability, significant water storage and operating flexibility are well positioned in the Ontario market relative to other types of generation supply. The Generation Assets operate in the competitive, bid-based marketplace where the hourly price of electricity is a function of instantaneous supply and demand that favours low-cost producers.

### Electricity Demand

Demand for electricity is non-uniform and varies due to recurring seasonal and daily variations. Electricity demand can be broken into three principal components: (i) a baseload component which represents the average level of electricity required regardless of season or time of day; (ii) an intermediate component reflecting the generally higher demand for electricity during daylight hours; and (iii) a peaking component which tracks the coincident pattern of electricity use throughout a region and incorporates rapidly changing variables such as weather. The demand volatility associated with this peaking component is what gives rise to rapidly changing prices which can be exploited by low-cost responsive assets such as the Generation Assets.

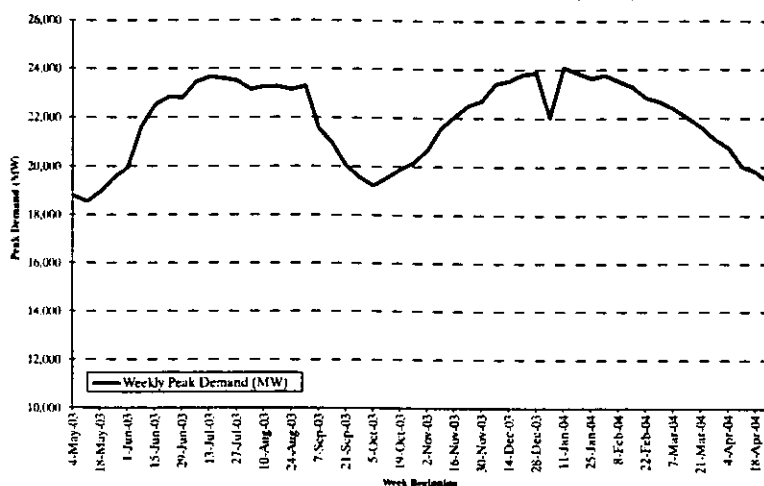


Note: Daily demand profile for illustrative purposes only.



On a long-term basis, annual electricity demand is most significantly affected by weather and the level of economic activity. Recently, Ontario set new record levels of peak demand in both summer and winter as summer peak system demand reached 25,414 MW on August 13, 2002 and winter peak system demand reached 24,158 MW on January 22, 2003. Total electricity consumption in Ontario was 153 TWh in 2002 and has risen by an average of 1.7% annually since 1984.

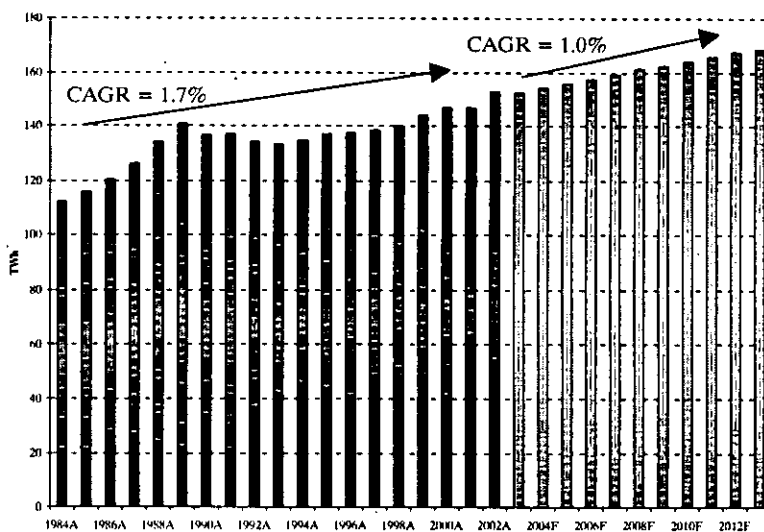
Annual Peak Demand Profile (MW) 103



Source: IMO, Ontario Demand Forecast from April 2003 to September 2004, March 2003 (Normal weather scenario used).

To date, with the exception of demand from certain large industrial companies, there is relatively little variation in demand in response to price, primarily because in many cases, electricity users have no immediate substitute sources of supply. The Issuer believes that for this reason, electricity demand management would not materially reduce overall electricity consumption but would serve to shift electricity demand from on-peak periods to off-peak hours. The IMO has noted that the recent regulatory changes in Ontario providing fixed-prices to small consumers reduce the incentives of those consumers to conserve electricity. Because the Generation Assets are amongst the lowest-cost producers in Ontario, the Issuer believes that the Generation Assets are competitively positioned to profitably supply electricity in either a baseload or peaking fashion.

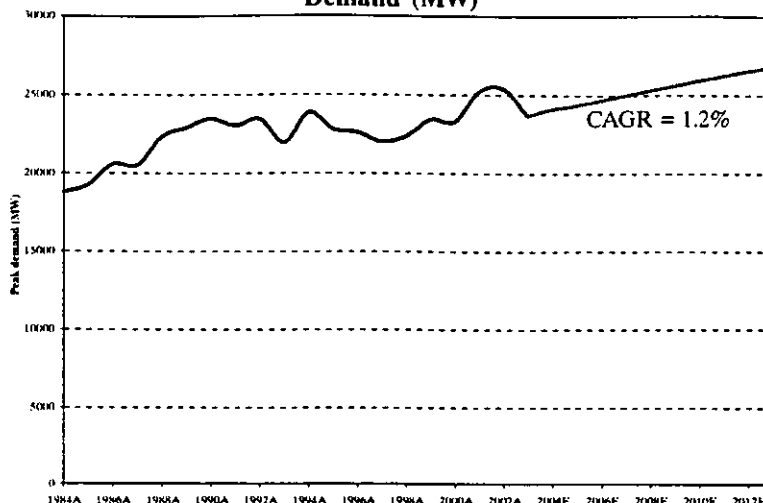
Historical and Forecast Ontario Electricity Consumption (TWh)



Source: IMO, Ontario Demand Forecast from January 2004 to December 2013, March 2003 (Median growth and normal weather scenario used).

Over the next ten years, the IMO has predicted that Ontario's peak demand will grow by 1.2% annually and that its annual electricity consumption will grow by approximately 1.0% annually.

Historical and Forecast Peak Ontario Electricity Demand (MW)



Source: IMO, *Ontario Demand Forecast from January 2004 to December 2013*, March 2003 (Median growth and normal weather scenario used).

### Sources of Electricity Supply

Ontario's electricity demands are met by a diverse mix of generating technologies with a total installed capacity of approximately 28,741 MW. The most significant market players include Ontario Power Generation Inc. ("OPG"), which owns approximately 22,211 MW of net in-service generating capacity, Bruce Power L.P., which operates the 3,140 MW Bruce B nuclear facility, and Brascan, which owns approximately 957 MW of generation capacity in Ontario (including the Generation Assets which contribute 349 MW of generation capacity). The composition of the Ontario generation market and the most significant participants by installed capacity is as follows:

Ontario Net In-service Generating Capacity, by Owner, as at May 9, 2003

Company	Nuclear (MW) <sup>(1)</sup>	Fossil (MW)	Hydroelectric (MW)	Other	Total Ontario (MW)
Ontario Power Generation Inc.....	5,588	9,700	6,923	—	22,211
Bruce Power .....	3,140	—	—	—	3,140
Brascan Corporation <sup>(2)</sup> .....	—	110	847	—	957
TransAlta .....	—	823	—	—	823
Others .....	—	1,367	186	57	1,610
<b>Total (MW).....</b>	<b>8,728</b>	<b>12,000</b>	<b>7,956</b>	<b>57</b>	<b>28,741</b>

(1) Does not include the net 3,076 MW Bruce A complex in laid-up state, of which 1,538 MW is scheduled to be restarted in 2003. Also does not include OPG's net 2,060 MW Pickering A complex, of which the first unit (515 MW) is scheduled to re-start in 2003. See "Potential Changes to Supply in Ontario".

(2) Includes the Issuer's Generation Assets — 349 MW.

Under most conditions, output from the Generation Assets is not affected by transmission or other IMO-imposed operating or system reliability constraints.

The Ontario market can also be supplied from (and can supply to) neighbouring jurisdictions through interconnections with the Quebec, New York, Michigan, Manitoba and Minnesota markets. Depending on thermal and load conditions, total import capability ranges from approximately 3,964 to 5,483 MW while total

export capability ranges from approximately 4,050 to 5,885 MW<sup>(1)</sup>. Since Market Opening, in case of shortages, the IMO has relied on imports in order to meet demand in Ontario while ensuring grid reliability. Historically, imported power has been provided at a higher marginal cost than the Issuer's cost of power.

### Potential Changes to Supply in Ontario

The construction of new generation units, the retirement of existing generating stations and the expansion of transmission line capacity to interconnected markets are the factors that will affect the amount of electricity supply available to meet Ontario load requirements. In the short-term, new installed generating capacity in Ontario will consist primarily of the restart of previously laid-up nuclear capacity, as well as some new combined cycle gas-turbine projects. Offsetting increases in generating capacity are probable retirements of existing generation facilities such as OPG's coal-fired Lakeview facility. The Province of Ontario has directed OPG to cease operating its Lakeview facility as a coal-fired facility by April 2005. Based on the information published by the IMO and other publicly available information, the following chart highlights the anticipated changes to Ontario's power generation capacity.

**Probable Generating Unit Additions (Retirements) — to 2005**

<u>Project Name</u>	<u>Owner</u>	<u>Nuclear (MW)</u>	<u>Fossil (MW)</u>	<u>Hydroelectric (MW)</u>	<u>Estimated In-service/Retirement Date</u>
Bruce A Restart — U4 .....	Bruce Power	770			May 2003
Bruce A Restart — U3 .....	Bruce Power	770			June 2003
Pickering A Restart <sup>(1)</sup> .....	OPG	515			Summer 2003
Brighton Beach .....	ATCO/OPG		578		March 2004
Imperial Oil .....	Imperial Oil		98		April 2004
Lakeview <sup>(2)</sup> .....	OPG		(1,140)		April 2005
<b>Total (MW) .....</b>		<u>2,055</u>	<u>(464)</u>	<u>0</u>	

(1) OPG has announced its intent to complete, by the second quarter of 2003, a detailed assessment of the timing and estimated costs to return a second unit at Pickering to service. It is possible that up to 2,060 MW of capacity in total could be brought to service at the Pickering nuclear facility.

(2) In accordance with provincial regulation, the Lakeview facility must cease burning coal by April 2005.

Source: IMO, *18-Month Outlook*, March 25, 2003.

In addition to the changes noted above, OPG and TransCanada Energy Ltd. have announced their intention to assess the viability of developing a 550 MW natural gas-fired, combined-cycle co-generation facility in downtown Toronto, Ontario. The provincial government has also recently encouraged OPG to study production and capacity expansions at OPG's Sir Adam Beck generating facilities located at Niagara Falls, Ontario, which would take four to five years to complete if pursued.

The IMO forecasts that over the next 10 years, 6,400 MW of new capacity, and that over the next 15 years, 15,000 MW of new capacity will be required to adequately meet future demand growth in Ontario. (Source: *IPPSO Facto Report, Volume 17, No. 2, April 2003*.) Based on the announced nuclear restarts and OPG's requirement to close its Lakeview facility, Ontario's overall generation capacity will increase by approximately 2,055 MW in 2003 and approximately 676 MW in 2004, and will decrease by approximately 1,140 MW in 2005. The Issuer believes that other than the return to service of the previously laid-up nuclear generation stations, the most likely new generation additions will consist of higher-cost natural gas-fired facilities, as has been the trend in other markets, primarily because such facilities have shorter construction lead-times and lower initial capital costs per unit of installed capacity when compared to new hydroelectric or nuclear developments. In the long-term, significant addition of new nuclear or hydroelectric capacity is unlikely due both to their substantial initial capital costs and the environmental sensitivities associated with nuclear developments. In addition, Ontario's reliance on imported power may increase. Hydro One Networks Inc. is obligated under its license

<sup>(1)</sup> Source: *Independence Electricity Market Operator, Ontario Transmission System*, March 25, 2003.

conditions to use its best efforts to expand inter-tie capacity to neighbouring jurisdictions by approximately 2,000 MW before May 2005.

### Market Power Mitigation

When Ontario's electricity market opened for competition, OPG owned or controlled approximately 73% of the generating supply options in Ontario. To address the concern that OPG could exercise market power after the commencement of Market Opening, the Province of Ontario approved the Market Power Mitigation Agreement (the "MPMA"), which is designed to ensure a gradual transition to a long term industry structure where OPG's share of Ontario's available generating capacity is substantially reduced. This strategy involves the implementation of an average annual price cap of 3.8¢/kWh on the majority of OPG's expected energy sales in Ontario for a period of up to four years after Market Opening. This does not guarantee that the Ontario spot market price will be 3.8¢/kWh as OPG remains free to offer electricity into the power pool at any price, but requires OPG to refund the difference between the market price and 3.8¢/kWh on the generation quantities to which this rebate applies. Additionally, the MPMA obligates OPG to transfer effective control of between 3,000 MW and 4,000 MW of its fossil capacity to third parties within 42 months of Market Opening and to reduce its effective control of electricity supply (including interties) available to Ontario to not more than 35% by no later than 10 years after Market Opening. To this end, OPG has announced its intention to divest certain generating assets. To date, OPG has transferred control of 3,628 MW to third parties, which includes the 3,140 MW nuclear facility subject to a long-term lease by Bruce Power, L.P. and the 488 MW Mississauga hydroelectric system which was sold to Brascan-controlled Great Lakes Hydro Income Fund in May 2002.

### Competitive Dispatch

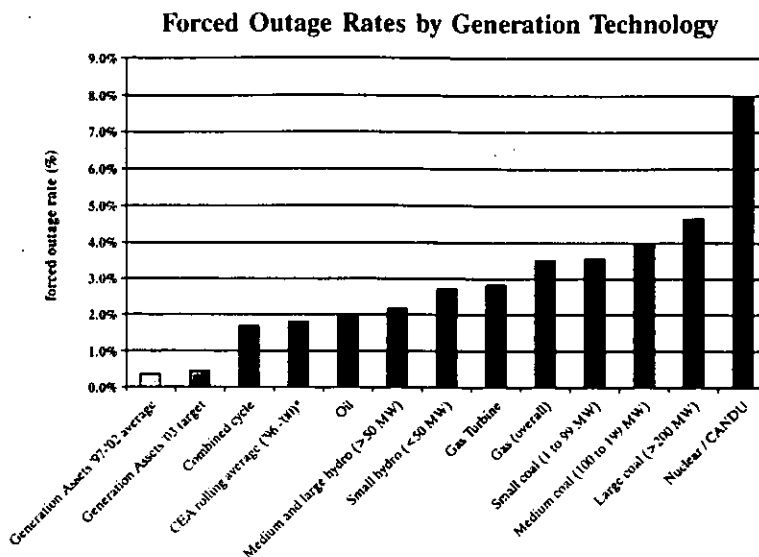
In order for electricity demand to be adequately satisfied by electricity supply, the IMO, on an hourly basis, conducts a bid-offer process which serves to schedule, or dispatch, the levels of generation or imports required to meet demand. The last and highest priced unit dispatched to supply electricity required to meet demand in the hour determines the market clearing price for that hour. See also "The Electricity Industry — Ontario's Wholesale Spot Market" and "— Role of the IMO in Administering Ontario's Wholesale Spot Market".

In a market where suppliers have little to no ability to differentiate their product, the importance of being a low-cost producer is ultimately the most relevant factor. In a perfectly competitive market, the price of electricity would be set on the basis of marginal or short-run variable cost, so the market-clearing price ("MCP") during any given period would typically be the marginal cost of the highest-cost producer required to generate power demanded by the market. During certain times, such as when supply shortages exist or due to bid strategy, prices can exceed short-term marginal costs. Ontario's electricity market effectively pays the MCP to all generators running at a given time. This has particular benefits for low-cost assets such as the Generation Assets which receive the MCP set by the highest cost producer but have significantly lower marginal costs, resulting in significantly higher margins.

Because of differences in size, technology, costs, and operational flexibility, different types of generating units participate in the bid process in different ways, each attempting to exploit its relative competitive advantage. Specifically, the following factors determine the relative competitiveness of different technologies:

- *Scale and Operating Flexibility:* While larger generation units typically benefit from economies of scale, increased size reduces operating flexibility as these units cannot respond quickly to changes in demand or market price. The Issuer's multiple smaller-scale generating units are able to respond quickly and offer better diversification and lower operating risk than larger scale units.
- *Capital Costs:* Capital cost and construction lead time affect the timing and likelihood of new-entry for a particular generating technology. The Issuer believes that new entry will be in the form of higher marginal cost natural gas-fired facilities because high initial costs of constructing new nuclear facilities and the difficulty in finding suitable sites for new large-scale hydroelectric facilities form significant barriers to entry for these types of generation.

- **Fixed Operating Costs:** Generators with significant fixed costs are usually required to run for extended periods of time in order to recover their costs and are therefore more at risk of achieving low average market prices.
- **Fuel Cost and Availability:** This is the most significant contributor to generators' variable costs. Except for relatively low water rental fees, the Generation Assets have no fuel costs. Accordingly, while hydroelectric facilities are subject to variations in hydrology, they are not subject to input fuel price volatility such as gas or coal.
- **Reliability:** Simple generation facilities are generally more reliable and have lower forced outage factors than larger, more complicated stations. The forced outage factor is a measure of the unexpected unavailability of the facility and generally depends on factors such as the complexity of the technology and past maintenance practices.



Source: NERC GADS database except where CEA denotes Canadian Electricity Association.

- **Maintenance requirements and useful life:** All generating stations are required to be taken off-line from time to time for routine maintenance. The Issuer's configuration of multiple turbines at a given station allows it to conduct ongoing maintenance without materially impacting the total generation of that station. A station's useful life is dictated by the costs required to extend its service life and its relative positioning against new technologies.
- **Environmental performance:** In Ontario, air emissions from the electricity sector are capped by law, significantly impacting coal and oil-fired generators and potentially resulting in increased compliance costs or reduced generation. Nuclear generators face long-term liabilities relating to spent fuel and decommissioning expenses. Subject to compliance with pre-existing water-use guidelines, the Issuer's assets provide an environmentally preferred method of power generation. Hydroelectric generation produces virtually no greenhouse gas, thermal, chemical, radioactive, water or air pollution as compared to fossil-fuelled and nuclear generation power. Instead of producing substantial amounts of residual wastes during the power generation process, hydroelectric generation simply returns the water to the river.

Collectively, these factors determine the dispatch profile (baseload or peaking) of a particular generation unit, as summarized in the table below:

Technology	Scale	Operating Flexibility	Annual Fixed Costs per installed MW	Fuel Variable Costs (\$/MWh)	Energy Dispatch Profile
Nuclear . . . . .	Largest	Lowest	>\$100/kW	\$9/MWh	Baseload
Coal . . . . .	Large	Lowest	\$37/kW-\$70/kW	~\$30/MWh	Intermediate
Gas Turbine . . . . .	Mid to Large	Average	\$25/kW	\$52/MWh <sup>(1)</sup>	Intermediate to Peaking
Hydroelectric	Small to Large	Highest	\$20/kW to >\$30/kW	\$4.70/MWh <sup>(2)</sup>	Baseload to Peaking

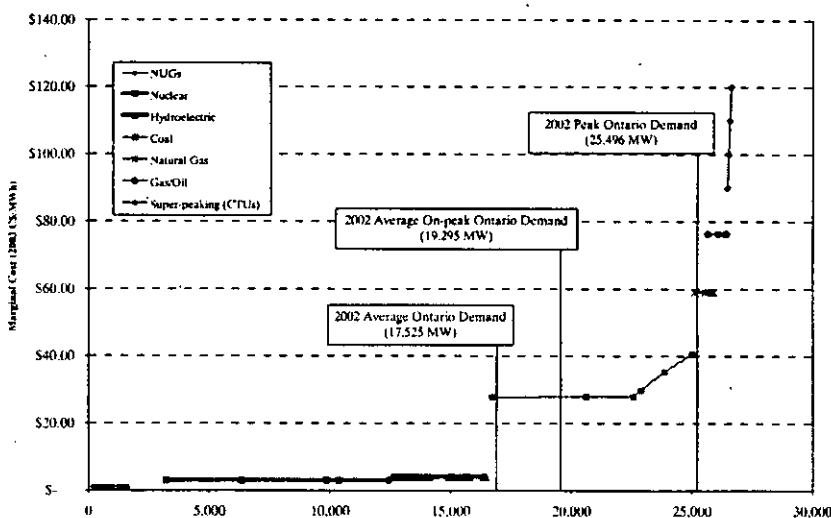
- (1) Based on a new-efficiency heat rate of 7,500 GJ/MWh and a \$7/GJ delivered gas price.
- (2) Represents water rental payments at long-run average generation. See "Regulation of the Electricity Industry — Water-Use Regulation of Generation Assets".
- (3) Energy dispatch profile represents the technology's role in the Ontario power market. The dispatch profiles may vary in different markets.

Sources: Standard and Poor's "Net Revenue Analysis of Merchant Power Economics", LEI.

See also "The Electricity Industry — Generation".

The following supply curve, which graphs the cumulative installed capacity in Ontario by marginal cost, illustrates the relative marginal cost of hydroelectric generators, such as the Generation Assets, (approximately \$5/MWh in the graph) compared to other Ontario generators (such as coal-fired generators at approximately \$28-\$40/MWh):

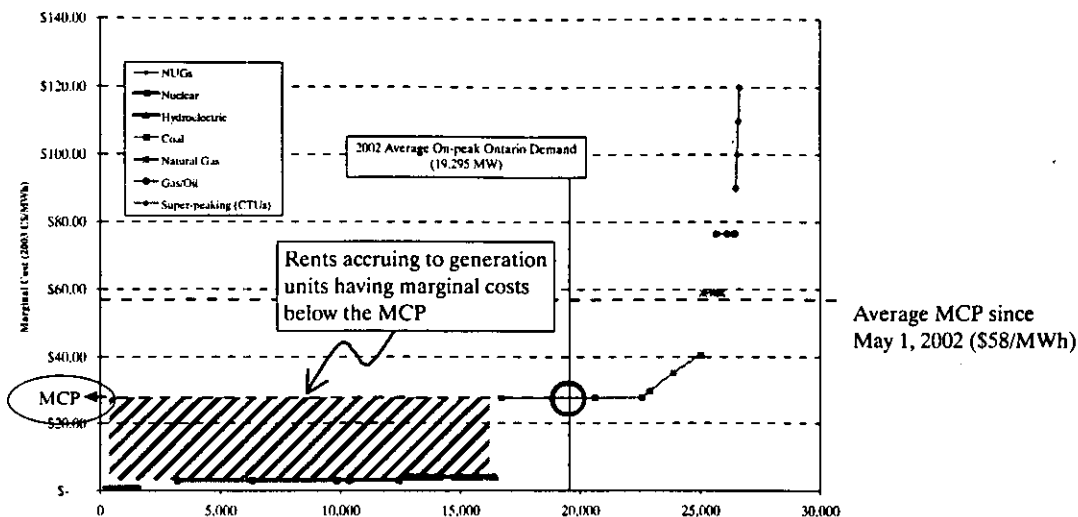
Illustrative 2003 Ontario Supply Curve



Cumulative capacity (MW), unadjusted for plant unavailability, not including import supply  
 Effective hydroelectric capacity rather than nameplate capacity shown

For a given level of supply, which can be affected by unit outages and hydroelectric availability, the diagram below illustrates how the MCP is set for a given level of electricity demand. The MCP is set by the highest-priced generating unit required to operate in order to meet demand. For example, at the average on-peak demand level in 2002 of 19,295 MW, coal-fired generation is typically required to meet demand. Once the market clears for a particular demand level, all generating units are paid the resulting MCP (illustratively, approximately \$30/MWh in the diagram). Hydroelectric facilities, having low marginal costs, can thus earn additional margins above their marginal costs, when compared to the price-setting generating unit, assuming that unit has bid at least its marginal cost. In many cases however, such as during period of short supply, or because certain units such as peaking units need to recover fixed costs, the price-setting generating unit will bid higher than its actual marginal cost, resulting in a correspondingly higher market price outcome.

Illustrative Price-Setting Dynamics to establish MCP



*Cumulative capacity (MW), unadjusted for plant unavailability, not including import supply  
 Effective hydroelectric capacity rather than nameplate capacity shown*

In addition, hydroelectric facilities with water storage have the ability to shadow price, meaning that they can bid not their marginal cost, but just less than the marginal cost of a more expensive thermal unit that would have been dispatched had the hydroelectric facility not been available. Shadow pricing is a bid strategy that allows a hydroelectric facility to capture the opportunity cost rather than the marginal cost of its generation. In the first year since Market Opening, prices for electricity have averaged approximately \$58/MWh. The following chart shows the range of market prices for electricity since Market Opening:

Average Hourly Ontario Energy Price (\$/MWh) — May 2002 to April 2003

	Average On-peak <sup>(1)</sup>	Average Off-peak <sup>(2)</sup>	Average
May 2002	\$ 34.59	\$24.10	\$29.19
June 2002	\$ 43.80	\$28.19	\$35.13
July 2002	\$ 72.85	\$44.85	\$58.10
August 2002	\$ 83.44	\$48.32	\$64.18
September 2002	\$110.63	\$46.04	\$75.19
October 2002	\$ 63.87	\$34.99	\$48.66
November 2002	\$ 60.80	\$39.38	\$49.38
December 2002	\$ 68.51	\$47.04	\$56.27
January 2003	\$ 74.90	\$46.42	\$59.62
February 2003	\$ 99.02	\$75.03	\$86.46
March 2003	\$ 94.74	\$70.58	\$81.49
April 2003	\$ 75.11	\$43.36	\$58.88
Average	\$ 73.52	\$45.69	\$58.55

(1) On-peak prices are the simple arithmetic averages of the hourly Ontario energy price during the hours beginning at 7:00 a.m. and ending at 11:00 p.m. (EST), Monday to Friday.

(2) Off-peak prices are the simple arithmetic averages of the hourly Ontario energy price during all non-peak hours and during all hours on Saturdays, Sundays and statutory holidays in the Province of Ontario.

Source: IMO, Monthly Market Reports

As discussed above, the MCP is a function of the particular generating units running to satisfy Ontario demand. Since Market Opening the following fuel types have set market price:

**Share of MCP Set by Resource**

**May 2002 – January 2003**

	<u>All hours</u>	<u>On-Peak</u>	<u>Off-Peak</u>
Coal .....	62%	73%	47%
Oil/Gas .....	22%	11%	36%
Water .....	17%	15%	17%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Source: IMO, Market Surveillance Panel Report, March 24, 2003*

In all cases where coal, oil or gas generators set MCP, MCP is above the marginal cost of the Generation Assets. Water sets the price either when (i) a hydroelectric station is able to bid strategically by shadow pricing to displace a higher priced coal, oil or gas facility; or (ii) in times of low demand and lack of storage or where water management guidelines dictate that a run-of-the-river hydro system operate.

The Issuer believes that future market prices for electricity in Ontario will depend on the evolution of supply and demand. Future demand growth gives rise to an increased need for additional supply or would result in higher market prices. The Issuer also believes that increased supply from nuclear generators is limited to the supply from existing nuclear facilities which return to service (rather than construction of new nuclear facilities) and that construction of new large-scale hydroelectric facilities will be unlikely in the near future. As in other markets, the Issuer expects that new supply is likely to be provided by higher-cost generators, such as gas-fired generation, and that this will have positive long-term implications for margins enjoyed by low-cost generators such as the Issuer.



## **SUMMARY OF LONDON ECONOMICS INTERNATIONAL LLC ANALYSIS**

The following is a summary of the report (the “**Independent Economic Consultant’s Report**”) produced by London Economics International LLC (“**LEI**”), an independent economic consultant retained by the Issuer. This summary is qualified in its entirety by, and should be read in conjunction with, the full text of the Independent Economic Consultant’s Report, which will be made available to prospective bondholders upon request from the Agents. LEI has made the qualifications noted below with respect to the information contained in the Independent Economic Consultant’s Report and the circumstances under which the report was prepared.

While LEI has taken all reasonable care to assure that its analysis is complete, power markets are highly dynamic, and thus certain recent developments may or may not be included in LEI’s analysis. Prospective bondholders and others should note that:

- The LEI analysis is not intended to be a complete and exhaustive analysis of the subject issues. All possible factors of importance to a potential investor have not necessarily been considered. The provision of an analysis by LEI does not obviate the need for potential investors to make further appropriate inquiries as to the accuracy of the information included therein, and to undertake their own analysis and due diligence.
- No results provided or opinions given in LEI’s analysis should be taken as a promise or guarantee as to the occurrence of any future events.
- There can be substantial variation between assumptions and market outcomes analyzed by various consulting organizations specializing in competitive power markets and investments in such markets. Neither the Issuer nor LEI makes any representation or warranty as to the consistency of LEI’s analysis with that of other parties.
- The contents of LEI’s analysis does not constitute investment advice. LEI, its officers, employees and affiliates make no representations or recommendations as to the securities being offered by the Offering Memorandum or as to the suitability of such securities for any potential investor. LEI has not prepared or certified any part of this Offering Memorandum other than the particular summary analysis set out below. Its full report which will be made available to prospective bondholders upon request from the Agents.

LEI was engaged by the Issuer to provide an independent detailed economic and statistical assessment of the Ontario market and the revenues of the Generation Assets. LEI understands that its analysis, and its full report which will be made available to prospective bondholders, may be reviewed by prospective bondholders, and LEI has consented to such review and the inclusion of its analysis in this Offering Memorandum.

LEI has been active in the analysis of the Ontario power markets since prior to the commencement of the market design process, which started in 1996. LEI has worked with both the OEB and the IMO in tariff design and comparative analysis of market rules, and advised the winning bidders in successful generation asset divestitures in the province. As part of its analysis, LEI conducted a review of the Ontario market dynamics, evaluated the outlook for the Ontario electricity market, identified key revenue drivers of the Generation Assets, conducted extensive dispatch modeling to reaffirm expected relationships between underlying drivers and revenues to the Generation Assets, and applied statistical methods to determine the statistically valid ranges for potential revenues for the Generation Assets. LEI concluded that, based on its informed view of the Ontario market and the extensive modeling it performed, the Generation Assets are characterized by low operating costs, and have a comparatively low operating and market risk, stable minimum revenues, and potential for upside. Based on the extensive simulation modeling it completed, LEI also concluded that for 2003, the annual gross revenue of the Generation Assets has an expected value of \$66,500,000.

### **LEI Approach to the Expected Revenue Analysis**

LEI developed a multi-pronged approach for conducting a probabilistic analysis of expected revenues for the Generation Assets. It is of the view that a long term price outlook is necessary to consider the long term investment prospects for the Generation Assets. However, the Ontario wholesale power market has only been operating for a short time and very little historical price data is available from which to make inferences about

the future. LEI's approach attempts to overcome the lack of historical Ontario electricity price data by simulating price outcomes using the fundamental drivers behind electricity prices. In the LEI analysis, four key drivers have been chosen due to their influence on current and expected prices of electricity in Ontario:

- **Supply (new entry, retirements, and nuclear recovery).** The current and expected supply (installed capacity conditions) in Ontario determine the relative position of various technologies along the merit order, and the underlying marginal costs of such technologies, in turn, determine the system prices at different demand levels. LEI modeled three distinct years (2003, 2008, and 2013) from an installed capacity perspective. By modeling changes in provincial installed capacity in five-year increments, the resulting impact on prices is more readily observable. Year 2003 represents the current market situation. 2008 aims to incorporate the impact of complete or partial nuclear recovery in the province along with moderate new entry. Installed capacity scenarios for 2013 represent a set of different directions supply in the Ontario market can take, such as a potential phase-out of coal-fired facilities due to environmental concerns along with substantial gas-fired new entry.
- **Hydrology.** Hydrology has a direct impact on the production capabilities of hydroelectric facilities, even those with significant storage. LEI modeling assumed that variation in hydrology (in other words, the collective impact of temperature, rainfall, snowmelt, etc.) is best represented by variation in historical generation levels. The Hydrology Report commissioned by the Issuer simulated the installed capacity (taking into account recent repowering and the construction of the Dunford Generating Station) of the Generation Assets under historical hydrological conditions over a period of 32 years and found the aggregate generation capability of the Generation Assets to range from 1,048 GWh to 1,998 GWh, with an average of approximately 1,652 GWh. The LEI analysis utilized the results of the Acres study for the modeling output of the Generation Assets and relied on publicly available historical data for modeling the outputs of other hydroelectric stations in Ontario.
- **Demand.** Demand for electricity is a direct determinant of prices, and the level of demand during different periods of the day, week, and year (i.e., the demand profile) affects the respective operating profiles of different power plants. To illustrate, in Ontario, demand has traditionally peaked in the winter months, but recently exhibited a summer peaking trend. For hydroelectric plants with storage, such as the Generation Assets, this trend offers more opportunities for increasing revenues by storing water during the wet months of spring in order to use for generation in the peaking months of summer (i.e., July, August). Moreover, it is LEI's view that demand is likely to be stable or grow in Ontario over long periods of time. Given that load tends to grow over time and that the Generation Assets are low cost producers, LEI expects that load will always exceed the level necessary to assure dispatch of the Generation Assets, or to allow for the economic use of stored water. LEI's analysis incorporates an array of demand profiles (utilizing hourly demand observed over the past six years) and growth rates expected by the IMO to model the impact of not only load growth but also the variation of demand seasonally and within the day.
- **Gas prices.** Variation in gas prices was modeled as a key driver since it not only affects peak period pricing of power in Ontario, but also is a determinant of new entrant behavior in Ontario. As in much of North America, most new capacity that is being brought online or is planned in Ontario would be gas-fired. LEI's modeling used daily gas prices at the Toronto City Gate going back to January 1992 to develop a range of scenarios that fully reflect the cyclical nature of gas prices.

Relying on historical data for developing alternate scenarios of these key drivers, LEI eliminated the need to make restrictive assumptions about the behavior of these drivers. In other words, rather than making static assumptions or forecasts about key drivers, the LEI approach draws from an actual data set (historical observations) and simulates their joint effect on prices and revenues to the Generation Assets. A degree of conservatism is therefore implicit in the LEI analysis, since minimum levels of all historical price drivers are incorporated into the simulation by way of random selection. For example, in respect of gas prices, the analysis weighs gas price levels in accordance with their historical frequency of occurrence since 1992, and would thus not necessarily assume that the recent trend of increasing gas prices would continue in the future.

LEI utilized dispatch modeling for transforming these scenarios (of key drivers) into revenue estimates for the Generation Assets. To that end, close to 20,000 distinct annual simulations were conducted. While LEI has also performed extensive long-term dispatch modeling for the Ontario market, LEI's objective in the current

exercise was not to examine revenues under a static set of conditions, but to establish the relationship between electricity prices and key drivers given the observed level of variation in such key drivers. The use of dispatch modeling also makes the LEI analysis conservative, since it assumes marginal cost-based bidding by participants and excludes scarcity rents (price spikes due to short term supply/demand imbalances). LEI is of the view that it is not unusual for wholesale power prices to exceed marginal cost levels for lengthy periods of time due to the potential exercise of strategic behavior by market participants under tight supply conditions, and the need for low load factor plants to recover fixed costs. Consequently, LEI believes that the Generation Assets could also benefit from further margins due to price spikes not incorporated in LEI's analysis, and hence have realistic additional upside potential.

The LEI analysis then integrated dispatch modeling results into a statistical framework. This framework could be characterized as a modified Monte Carlo simulation designed to capture unique features of electricity markets and hydroelectric assets in general, and the Ontario market and the Generation Assets in particular. As a result, and by examining a wide range of outcomes, LEI believes that it is able to determine with a degree of statistical clarity the range of potential revenues for the Generation Assets, a process which it believes would not have been possible if a dispatch model had been used in isolation. Use of a well-documented, suitable statistical approach increases the reliability of the LEI results: one-time, worst case occurrences are effectively embedded in the confidence intervals developed.

### Summary of LEI's Conclusions

Based on its extensive experience in analyzing power markets and power sector assets in Ontario as well as in other jurisdictions across North America, LEI has concluded that the following factors contribute to the competitive positioning of the Generation Assets:

- **Low marginal cost of generation** — allows hydroelectric assets to be profitably dispatched, earn revenues and margins even during low price (such as off-peak) periods.
- **The ability to shadow price against more expensive resources** — combined with low marginal costs, shadow pricing provides hydroelectric assets with wider margins relative to their thermal counterparts. Hydroelectric plants, which have no apparent marginal costs, will bid just below the resource which would be expected to set the price were the hydroelectric capacity not available. This practice is known as shadow pricing.
- **Storage capabilities** — allow intertemporal shifting of production to capture peak prices. Physical water storage, in essence, is equivalent to power storage.
- **Low dispatch risk** — since demand in most periods exceeds the combined capacity of nuclear and hydroelectric generating units, the two lowest cost power producers in the Ontario market, the Generation Assets face very limited dispatch risk and could earn margins whenever water is available.
- **Low operational risks** — demonstrated by a low historical occurrence of forced outages compared to other hydroelectric assets and thermal generators.
- **Low provincial hydrological risk** — in Ontario, the impact of hydrology (i.e., water availability) on system prices, and thus on plant revenues is limited. This effect is logical given that revenues are a function of two elements — price and volume — which are inversely related vis-à-vis water availability. When water availability is low and hydroelectric generation is low, prices can rise as a result of tightening system conditions. This helps offset the full impact of lower production volumes on revenues for hydro plants. Moreover, particularly dry years affect not only specific hydro units but the entire Ontario supply, including hydro-based imports from Québec; this in turn can raise average price levels, compensating for potentially lower volumes.

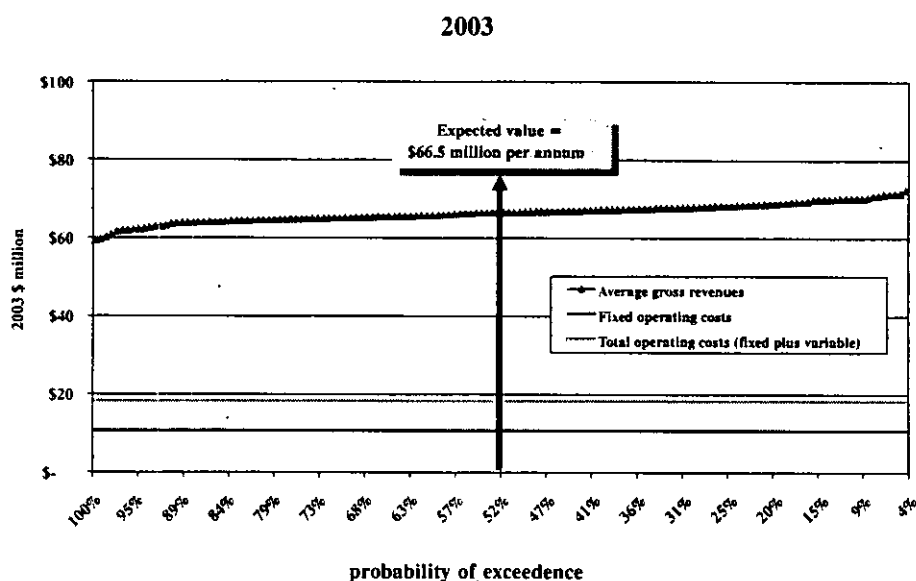
These characteristics form the foundation of the competitive positioning of the Generation Assets and the basis for both the performance and expected earning potential of the Generation Assets as described below.

The LEI modeling indicates that average annual gross revenues for the Generation Assets could be \$66,500,000 under the installed capacity condition envisioned for 2003, \$60,700,000 under installed capacity conditions modeled for 2008, and \$77,300,000 under installed capacity conditions modeled for 2013.<sup>(1)</sup> These revenues correspond to average annual output levels of 1,630 GWh for 2003, 1,655 GWh for 2008, and 1,644 GWh for 2013.<sup>(2)</sup> In addition, these estimates represent average unit revenues <sup>(3)</sup> of approximately \$40.8/MWh, \$36.7/MWh, and \$47.1/MWh, respectively.

Given the low marginal cost structure of the Generation Assets, the results of the LEI analysis suggest the Generation Assets would earn a margin, which at times may be substantial, under most conceivable market outcomes in Ontario.

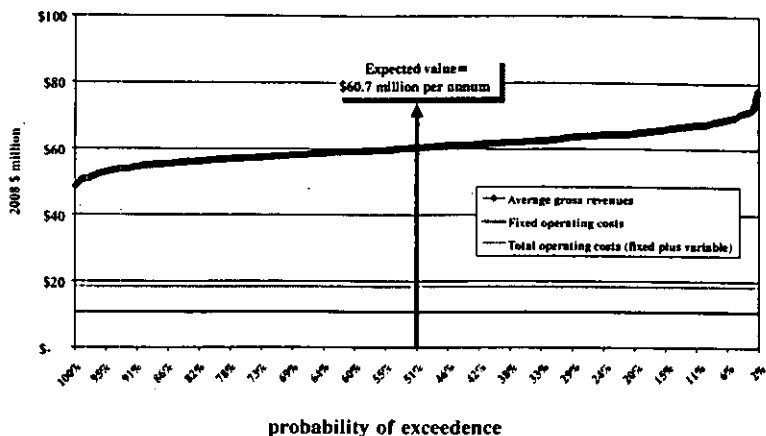
Figure 1 below shows the anticipated gross revenues and implied gross margins that were generated by the LEI simulations for the Generation Assets, demonstrating the economic viability of the Generation Assets across the wide range of underlying key drivers utilized. According to data provided to LEI by the Issuer, and not independently verified by LEI, fixed annual operating costs for the Generation Assets are approximately \$10,700,000, and variable operating costs due to water rental charges are approximately \$4.70/MWh (in real terms), yielding total operating costs for the Generation Assets of approximately \$18,400,000 per annum.<sup>(4)</sup> When total operating costs (fixed plus variable) are factored in, the results suggest that for 2003, the expected gross margin<sup>(5)</sup> (i.e., EBITDA) for the Generation Assets could be \$48,100,000 for 2003, \$40,200,000 for 2008 and \$54,800,000 for 2013.

**Figure 1. Average gross revenues for the Generation Assets based on the LEI modeling for 2003, 2008, and 2013 (nominal \$million)**

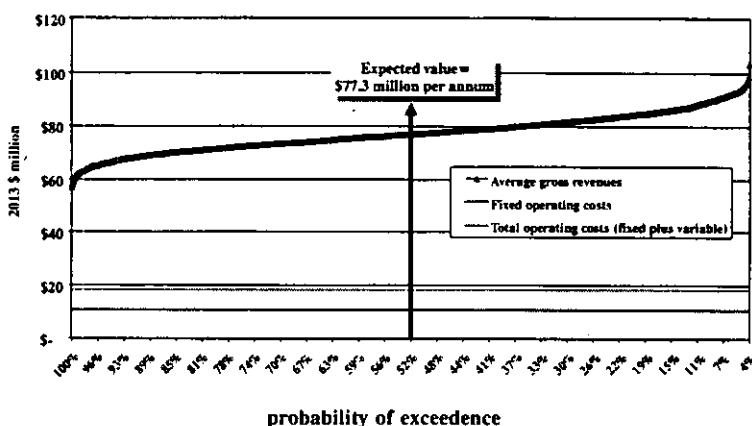


(1) All figures are in nominal dollar terms unless otherwise specified.  
 (2) LEI output figures are consistent with the historical long-run average annual output for the Generation Assets of 1,652 GWh, however they have been adjusted for availability adjustments to address maintenance and forced outages of the Generation Assets, and thus represent net generation. The long-run annual average output figure of approximately 1,650 GWh, as reported in the Hydrology Report, is a gross generation figure.  
 (3) Average unit revenues can be thought of as the average price earned by the Generation Assets when Generation Assets are being dispatched (i.e., are running).  
 (4) Variable operating costs provided in \$/MWh terms were converted into million dollars by multiplying with corresponding simulated output levels for the Generation Assets, and average approximately \$7,700,000 per annum.  
 (5) Gross margin = gross revenues — total operating costs.

2008



2013



While LEI has not been requested to complete analysis of the Generation Assets under market outlooks beyond 2013, it is LEI's view that on average, load in Ontario will be stable or grow over time, leading to a continued need for the Generation Assets. Furthermore, any new capacity that enters the Ontario market over the long run would likely have higher marginal costs than nuclear and coal-fired units, leading to higher wholesale electricity prices. Replacement of coal-fired generation with gas-fired generation over time thus may serve to increase average unit revenues and margins to hydroelectric assets. The competitive position of the Generation Assets should not deteriorate over the long run due to changes in the resource mix in Ontario, as it is unlikely that substantial new capacity with lower marginal costs than the Generation Assets can be built.

**FINANCIAL INFORMATION**

**2003 Financial Forecast**

The following financial forecast for the Power Assets has been prepared by the Issuer for its business excluding the Distribution Assets and Other Assets, using assumptions with an effective date of May 13, 2003. The forecast was prepared according to assumptions that reflect courses of action that the Issuer has planned to adopt, and taking into account industry and economic conditions that, in the opinion of the Issuer, were the most probable as of the date of this Offering Memorandum. The Issuer will not be required to update this forecast, to report any significant changes resulting from any effects that occur during the forecasted period, or to compare the forecast with its actual results.

Some of the assumptions used by the Issuer in the preparation of this forecast, although considered reasonable by the Issuer at the time of preparation, may not materialize as forecasted, as unanticipated events and circumstances will occur subsequent to the date of the forecast. Accordingly, the actual results achieved for the forecasted period will vary from the forecasted results and the variations may be material. There is no representation that the financial forecast will be realized in whole or in part. Important factors that could cause actual results to vary materially from the forecast are disclosed under "Risk Factors".

**2003 FINANCIAL FORECAST FOR THE POWER ASSETS**

	<b>Twelve Months Ending December 31, 2003</b>
	(\$000's)
<b>Revenue (Note 1)</b>	
Generation Assets .....	\$66,471
Transmission Assets .....	<u>25,618</u>
<b>Total Revenue .....</b>	<b>92,089</b>
<b>Operating Expenses</b>	
Variable gross revenue charge (Note 2) .....	7,658
Operating, maintenance and administrative (Note 3)	
Generation Assets .....	10,761
Transmission Assets .....	<u>5,466</u>
<b>Total Operating Expenses .....</b>	<b><u>23,885</u></b>
<b>Total EBITDA for Power Assets .....</b>	<b>\$68,204</b>
<b>Interest Expense (Note 4) .....</b>	<b>25,344</b>
<b>EBITDA Coverage .....</b>	<b>2.69x</b>
<b>Capital Expenditures (Note 6)</b>	
Generation Assets .....	\$ 7,400
Transmission Assets .....	<u>6,300</u>
	<b>\$13,700</b>

GREAT LAKES POWER LIMITED UTILITY DIVISION  
 NOTES TO THE 2003 FINANCIAL FORECAST FOR THE POWER ASSETS

In the preparation of this financial forecast for the Power Assets, the Issuer has made the following significant assumptions:

1. POWER ASSETS REVENUE

Revenue for the Power Assets consists of revenue for the Generation Assets and the Transmission Assets. The revenue for the Generation Assets assumes an average realized price of \$40.78/MWh, based upon the Independent Economic Consultant's Report. The energy production of the Power Assets has been assumed to equal the long-term average annual hydrology level equivalent to 1,652 GWh, as reported in the Hydrology Report, less an adjustment for downtime due to planned and forced outages, to a net generation of 1,630 GWh.

The revenue for the Transmission Assets is determined pursuant to the most recent rate submission that the Issuer will submit to the OEB for approval. The following table outlines the Issuer's rate base and the revenue requirement.

<u>Revenue Requirement:</u>	<u>2003</u>
	(\$000's)
Net Fixed Assets .....	\$127,585
Working Capital .....	1,950
Rate Base .....	129,535
Deemed Equity — 45% .....	58,291
Deemed Debt — 55% .....	71,244
Cost of Equity at 9.88% .....	5,759
Cost of Debt at 7.00% .....	4,987
Operating Maintenance & Administration Expense .....	5,466
Depreciation .....	4,328
Income Taxes .....	5,078
Total Revenue Requirement .....	<u>\$ 25,618</u>

2. VARIABLE GROSS REVENUE CHARGE ("GRC")

Electricity generated is subject to a gross revenue charges pursuant to the regulations of the *Electricity Act, 1998* (Ontario). Pursuant to those regulations, the gross revenue of a generating station for the period January 1, 2001 to December 31, 2003, is determined by multiplying the station's annual generation for the year, less certain qualified exempt generation, by a price of \$40/MWh. The gross revenue charge multiplies this gross revenue by 9.5% for water rentals and by 2.5%-4.5% for property taxes, depending on the level of generation. Property taxes are assessed on a station by station basis, the first 50 GWh of generation at each station being subject to a 2.5% tax rate and a 4.5% tax rate for additional generation. Since 2001 these payments include charges for water rentals and property taxes and are defined as gross revenue charges. The gross revenue charge has been forecast based on the following assumptions:

	Rate	Price	Generation (GWh)	Exempt (GWh)	Taxable Generation (GWh)	GRC
Water Rentals .....	9.5%	\$40.00	1,630	271	1,359	\$5,164
Property Tax .....	2.5%	\$40.00	550		550	550
	4.5%	\$40.00	1,080		1,080	1,944
Total GRC .....						<u>\$7,658</u>

3. OPERATING, MAINTENANCE AND ADMINISTRATIVE EXPENSES

Operating, maintenance and administration expenses include the Issuer's costs of payroll, insurance, routine maintenance, overhead, professional fees and non-income cash taxes relating to the Power Assets, in accordance with the Issuer's 2003 operating budget for the Power Assets.

4. INTEREST EXPENSE

Total interest expense is based on \$384,000,000 of debt bearing interest at a 6.60% annual interest rate, calculated semi-annually in arrears.

GREAT LAKES POWER LIMITED UTILITY DIVISION  
 NOTES TO THE 2003 FINANCIAL FORECAST FOR THE POWER ASSETS

5. SENSITIVITY OF EBITDA TO POWER PRICE

The following table illustrates the sensitivity of total EBITDA for the Power Assets to different levels of generation and realized price:

Sensitivity of Total EBITDA to Generation and Realized Market Price

Realized Price (\$/MWh)	Total Generation (GWh)					
	1,048	1,200	1,400	1,630	1,800	2,000
	EBITDA (\$000's)					
\$28.00	\$34,336	\$ 37,741	\$ 42,221	\$ 47,373	\$ 51,181	\$ 55,661
\$38.00	\$44,816	\$ 49,741	\$ 56,221	\$ 63,673	\$ 69,181	\$ 75,661
\$43.00	\$50,056	\$ 55,741	\$ 63,221	\$ 71,823	\$ 78,181	\$ 85,661
\$50.00	\$57,392	\$ 64,141	\$ 73,021	\$ 83,233	\$ 90,781	\$ 99,661
\$55.00	\$62,632	\$ 70,141	\$ 80,021	\$ 91,383	\$ 99,781	\$109,661
\$60.00	\$67,872	\$ 76,141	\$ 87,021	\$ 99,533	\$108,781	\$119,661
\$70.00	\$78,352	\$ 88,141	\$101,021	\$115,833	\$126,781	\$139,661

6. CAPITAL EXPENDITURES

Capital expenditures for the Generation Assets are based on levelized estimates reported in the Generation Assets Report.

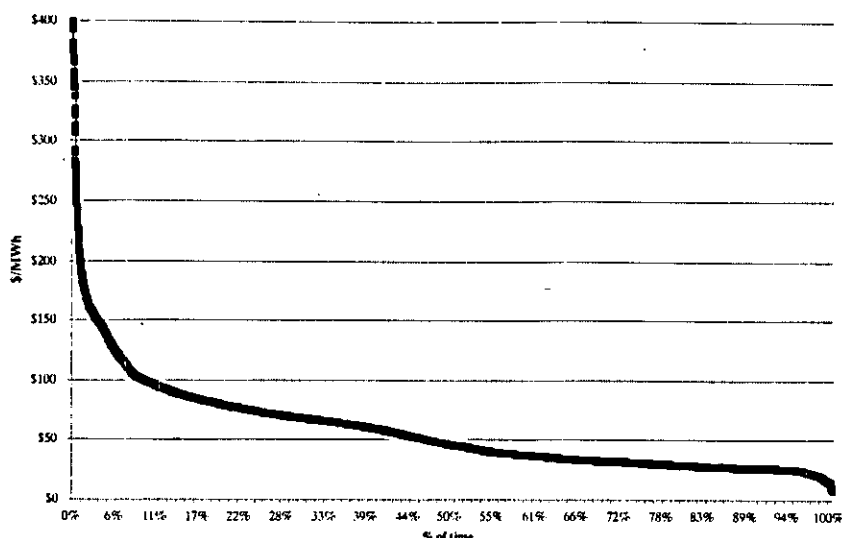
Capital expenditures for the Transmission Assets are based on levelized estimates reported in the Transmission Report.



**Generation Revenues of the Generation Assets since Market Opening**

During the first 12 months since market opening, Ontario market prices for electricity have averaged approximately \$58/MWh. The following price duration curve illustrates the range and frequency of certain price levels in the Ontario market from May 2002 to the end of April 2003:

**Ontario Real-time Price Duration Curve (May 2002 – April 2003)**



Source: LEI, IMO data — May 2002 to April 2003

The x-axis shows the % of time, from May 2002 to April 2003, that prices have been above a certain price level. Electricity prices averaged \$58.55 during this period, which exceeds the median, since the data is skewed towards the higher price levels. Prices exceeding \$400/MWh are not shown on the graph.

The following chart summarizes the monthly generation and revenue levels from the Generation Assets. The table also shows the total revenue, on a \$/MWh basis, earned by the Generation Assets during the period from Market Opening to April 2003. When compared to the average Ontario market price, energy revenue levels earned by the Generation Assets more closely track to the average on-peak price levels. This is particularly the case in months of lower generation, where the average per MWh revenues realized by the Generation Assets exceeds the average on-peak hourly energy price. In the Issuer's opinion, this is evidence of the Generation Assets' ability to use their storage capabilities to selectively operate during higher-priced on-peak hours.

**Generating Revenues from the Generating Assets (May 2002 — April 2003)**

	Generation (MWh)	Energy Revenue <sup>(1)</sup>	Other Revenue <sup>(2)</sup>	Total Revenues	Energy Revenue (\$/MWh)	Total Revenue (\$/MWh)	Average Ontario Hourly Energy Price	
							all hours	on peak
May 2002 . . . . .	184,264	\$ 5,482,637	\$ 78,417	\$ 5,561,053	\$ 29.75	\$ 30.18	\$29.19	\$ 34.59
June 2002 . . . . .	145,258	5,477,645	310,045	5,787,690	37.71	39.84	35.13	43.80
July 2002 . . . . .	122,959	8,386,606	281,099	8,667,705	68.21	70.49	58.10	72.85
August 2002 . . . . .	104,148	8,587,118	125,594	8,712,712	82.45	83.66	64.18	83.44
September 2002 . . . . .	87,003	10,344,392	141,610	10,486,001	118.90	120.52	75.19	110.63
October 2002 . . . . .	109,019	6,988,648	256,825	7,245,473	64.11	66.46	48.66	63.87
November 2002 . . . . .	121,115	7,592,105	70,875	7,662,980	62.69	63.27	49.38	60.80
December 2002 . . . . .	125,639	8,484,626	23,770	8,508,396	67.53	67.72	56.27	68.51
January 2003 . . . . .	160,903	11,007,337	21,345	11,028,682	68.41	68.54	59.62	74.90
February 2003 . . . . .	136,431	13,653,305	15,552	13,668,857	100.07	100.19	86.46	99.02
March 2003 . . . . .	103,032	10,559,823	40,984	10,600,807	102.49	102.89	81.49	94.74
April 2003 . . . . .	108,761	7,100,137	236,655	7,336,792	65.28	67.46	58.88	75.11
<b>Total — 12 months . . .</b>	<b>1,508,531</b>	<b>\$103,664,380</b>	<b>\$1,602,769</b>	<b>\$105,267,149</b>	<b>\$ 68.92</b>	<b>\$ 69.78</b>	<b>\$58.55</b>	<b>\$ 73.52</b>

(1) All energy revenue, including congestion settlements for energy.

(2) Refers to net revenues earned from operating reserve, as well as other IMO charges or credits.

## **Historical Pro Forma Financial Statements**

A summary of the pro forma financial statements for the Power Assets for the year ended 2002 which have been prepared by the Issuer is presented below. The historical results of the Issuer, as reflected in the Issuer's audited consolidated financial statements appended to this Offering Memorandum, have been restated for 2002 to reflect the pro forma results of operations and financial position of the Power Assets. Specifically, the Issuer has adjusted the 2002 historical financial statements: (i) to remove the assets, liabilities, revenues and expenses attributable to the Other Assets (including the Distribution Assets); (ii) to adjust the revenue of the Power Assets to reflect what the Issuer would have received had it sold its energy into a competitive Ontario electricity market throughout the 2002 year (eliminating the impact of, among other things, any power purchase arrangements and affiliated transactions); and (iii) to adjust the revenue of the Power Assets to remove the impact of power the Issuer was required to purchase from OPG during the period from January 1, 2002 to April 30, 2002 when it was required to service the needs of its customers in Northern Ontario (an obligation which no longer exists).

The pro forma financial statements prepared by the Issuer are not necessarily indicative of the results of operations that would have occurred in respect of the Power Assets for the periods noted or for future years.

**POWER ASSETS**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 2002**

Utility Division	Pro Forma Adjustments To Remove Impact Of Distribution Division	Pro Forma Adjustments To Remove Impact Of Fixed Rate Generation Revenue	Pro Forma Adjustments To Add Impact Of Generation Revenue At Competitive Market Rates	Pro Forma Adjustments To Remove Other Assets	Pro Forma Power Assets
	(\$000's)				
<b>ASSETS</b>					
Electric utility plant					
Plants in service . . . . .	\$ 794,769	\$(69,387)	\$ —	\$ —	\$ 725,382
Construction work in progress . . . . .	72,470	(2,998)	—	—	69,472
	<u>867,239</u>	<u>(72,385)</u>	<u>—</u>	<u>—</u>	<u>794,854</u>
Accumulated depreciation and amortization . . . . .	(191,360)	31,472	—	—	(158,888)
	<u>675,879</u>	<u>(39,913)</u>	<u>—</u>	<u>—</u>	<u>635,966</u>
Cash and cash equivalents	48,463	4,794	(37,259)	49,663	(5,542)
Interest and accounts receivable . . . . .	23,058	(7,534)	(14,064)	18,746	—
Materials and supplies . . .	1,422	(1,422)	—	—	—
Prepaid expenses and other . . . . .	1,645	(385)	—	—	1,260
Investments . . . . .	149,594	—	—	—	—
	<u>\$ 900,061</u>	<u>\$(44,460)</u>	<u>\$(51,323)</u>	<u>\$ 68,409</u>	<u>\$(155,136)</u>
					<u>\$ 717,551</u>
<b>LIABILITIES AND CAPITAL ACCOUNT</b>					
Accounts payable and accruals . . . . .	\$ 36,617	\$ (4,797)	\$ —	\$ —	\$ 31,820
First mortgage bonds . . . .	299,594	(19,000)	—	—	280,594
Future income tax liability	—	—	—	(8,522)	130,162
Capital account . . . . .	425,166	(20,663)	(51,323)	68,409	274,975
	<u>\$ 900,061</u>	<u>\$(44,460)</u>	<u>\$(51,323)</u>	<u>\$ 68,409</u>	<u>\$(155,136)</u>
					<u>\$ 717,551</u>

POWER ASSETS

PRO FORMA CONSOLIDATED INCOME STATEMENT  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Utility Division	Pro Forma Adjustments To Remove Impact of Distribution Division	Pro Forma Adjustments To Remove Impact Of Fixed Rate Generation Revenue	Pro Forma Adjustment To Add Impact Of Generation Revenue At Competitive Market Rates	Pro Forma Adjustments To Remove Other Assets	Pro Forma Power Assets
				((\$000's))		
Operating revenue	\$117,900	\$(12,868)	\$(79,908)	\$ 88,039	\$ —	\$113,163
Purchased power	14,122	—	(14,122)	—	—	—
Operating and administrative	22,248	(4,254)	—	—	—	17,994
Maintenance	5,670	(1,205)	—	—	—	4,465
Depreciation and amortization	18,190	(2,596)	—	—	—	15,594
Taxes, other than income taxes	2,317	(348)	—	—	—	1,969
	<u>62,547</u>	<u>(8,403)</u>	<u>(14,122)</u>	<u>—</u>	<u>—</u>	<u>40,022</u>
Operating income	55,353	(4,465)	(65,786)	88,039	—	73,141
Dividend income	3,981	—	—	—	(3,981)	—
Other income	1,561	—	—	—	(1,561)	—
Income before interest and income taxes	60,895	(4,465)	(65,786)	88,039	(5,542)	73,141
Deduct:						
Interest expense	14,801	(1,245)	—	—	—	13,556
Income taxes						
Current	16,395	(1,557)	(16,395)	21,726	—	20,169
Future	(1,932)	—	1,932	(2,096)	—	(2,096)
Net income for year	<u>\$ 31,631</u>	<u>\$ (1,663)</u>	<u>\$(51,323)</u>	<u>\$ 68,409</u>	<u>\$(5,542)</u>	<u>\$ 41,512</u>
Income before interest and income taxes						\$ 73,141
Add: Depreciation and amortization						<u>15,594</u>
EBITDA						<u>\$ 88,735</u>

**POWER ASSETS**  
**NOTES TO CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS**  
**December 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated pro forma financial statements for the Power Assets have been prepared by the Issuer for inclusion in the Offering Memorandum with respect to the Senior Bonds, maturing on June 16, 2023, and include the results of the Transmission Assets and Generation Assets. These consolidated pro forma financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the Generation Assets, and in accordance with the guidance provided in the OEB Accounting Procedures Handbook for the Transmission Assets. Where guidance has not specifically been provided for the Transmission Assets, the statements have been prepared in accordance with Canadian generally accepted accounting principles for rate-regulated utilities filing with the OEB.

(a) *Electric utility plant*

Electric utility plant assets are carried at cost less accumulated depreciation and amortization.

(b) *Depreciation and amortization*

Depreciation and amortization has been provided on the cost of the utility plants at a rate of 2.5% per annum on a straight-line basis except for the F.H. Clergue and Magpie Generating Stations for which the rate is 1.67%.

(c) *Capitalization of interest*

An allowance for interest on funds used in construction is charged to construction work in progress at the prescribed rate of return applicable to the rate base (principally the net carrying value of plant in service less deferred taxes plus an allowance for working capital).

(d) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, bank balances, amounts on deposit with related parties and highly liquid investments with original maturities of less than 90 days. These investments are carried at cost, which approximates market.

(e) *Accounts receivable*

Accounts receivable related to the Distribution Assets include amounts recognized as revenue based on the revenue requirement approved by the OEB but not billed to customers due to a temporary rate freeze in place until 2006.

(f) *Foreign exchange*

Monetary balances denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate except to the extent that amounts are specifically hedged.

**2. SUMMARY OF SIGNIFICANT ASSUMPTIONS**

In preparation of these consolidated pro forma financial statements, the following significant assumptions have been made:

**I DISTRIBUTION ASSETS**

The assets, liabilities, revenues and expenses of the Distribution Assets have been removed from the results included in these consolidated pro forma financial statements since the Distribution Assets will not constitute part of the Secured Assets for the Senior Bonds. At Closing, however, the Issuer will continue to own and operate the Distribution Assets. The results of the Distribution Assets have been prepared in accordance with the guidance provided in the OEB Accounting Procedures Handbook. Where guidance has not specifically been provided, the statements have been prepared in accordance with Canadian generally accepted accounting principles for rate-regulated utilities filing with the OEB.

**II REVENUE FROM THE GENERATION ASSETS**

For the period prior to Market Opening, from January 1, 2002 to April 30, 2002, the Issuer had an obligation to serve all of its customers in Northern Ontario. During that period the Generation Assets earned \$41/MWh of electricity generation. In addition, the Issuer purchased power from OPG (2002 — \$14,122) to meet energy requirements beyond its own production. The Issuer's obligation to produce sufficient power to service the needs of its customers in Northern Ontario ceased upon Market Opening, and

POWER ASSETS

NOTES TO CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS (Continued)

December 31, 2002

2. SUMMARY OF SIGNIFICANT ASSUMPTIONS (Continued)

therefore, these consolidated pro forma financial statements were adjusted to eliminate the impact of prior power purchases and sales of purchased power.

Upon Market Opening on May 1, 2002, the Issuer sold all electricity generated to BEMl for a fixed price of \$42/MWh. The pro forma statements were adjusted to show the revenue the Issuer would have received from the Generation Assets, based on the actual electricity production of the Generation Assets, had the Issuer sold such electricity directly to the IMO at market prices. The following table outlines the Issuer's generation and the IMO prices that would have been realized during the period from Market Opening to December 31, 2003 based on the average Ontario market clearing prices.

	Generation (MWh)	Generation Revenue (000's)	Average Realized Price (\$/MWh)
<b>Pre-Market Opening</b>			
January	197,199	\$ 8,085	\$41.00
February	138,169	5,665	41.00
March	145,741	5,975	41.00
April	138,573	5,681	41.00
	<u>619,682</u>	<u>\$25,407</u>	<u>\$41.00</u>
<b>Post-Market Opening</b>			
May	184,264	\$ 5,561	\$30.18
June	145,258	5,788	39.84
July	122,959	8,668	70.49
August	104,148	8,713	83.66
September	87,003	10,486	120.52
October	109,019	7,245	66.46
November	121,115	7,663	63.27
December	125,639	8,508	67.72
	<u>999,405</u>	<u>\$62,632</u>	<u>62.67</u>
<b>Total</b>	<b>1,619,087</b>	<b>\$88,039</b>	<b>\$54.38</b>

III OTHER ASSETS

The Other Assets include the Issuer's portfolio of preferred shares and certain other investments. The Issuer's investments will not be included as part of the Power Assets or the Secured Assets and are therefore not included in the assets, liabilities, revenues and expenses of these consolidated pro forma financial statements for the Power Assets.

3. OTHER INFORMATION

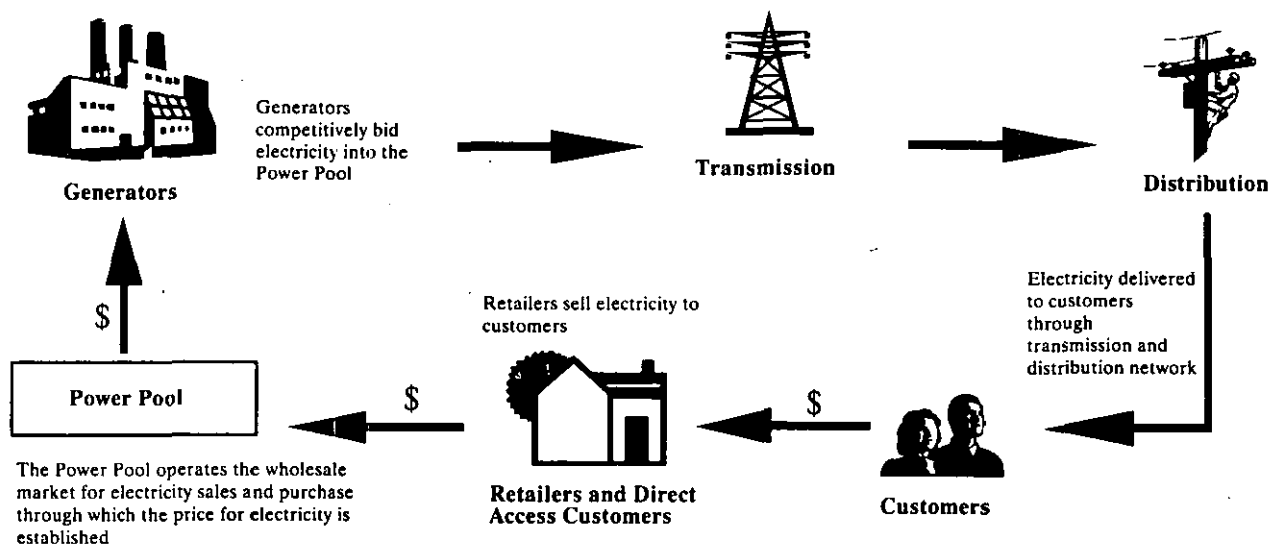
The assets, liabilities, revenues and expenses of the Power Assets presented in these pro forma consolidated financial statements do not include all of the assets, liabilities, revenues and expenses included in the audited financial statements of the Utility Division for the year ended December 31, 2002 (included as Appendix 2 to this Offering Memorandum).

## THE ELECTRICITY INDUSTRY

North American electrical utilities have traditionally been vertically integrated monopolies which have built generation, transmission and distribution capacity to serve the needs of the customers in their service territories. In Canada, provincial governments have legislative authority over the generation, transmission and distribution of electricity. Traditionally, the price of electricity has been set by a regulatory process, typically based on the cost of producing and delivering power to consumers. In Canada, as in many other parts of the world, there has been a trend towards electricity industry restructuring, which has resulted in the separation of vertically integrated electricity monopolies into the following four principal components:

- *Generation* — The production of electricity at generating stations using nuclear energy, fossil fuel or hydroelectric energy.
- *Transmission* — The transfer of electricity across long-distance, high-voltage power lines from generating stations to local areas.
- *Distribution* — The delivery of electricity within local areas to homes and businesses using relatively low-voltage power lines.
- *Retail services* — The purchase of electricity from generators and its sale to consumers together with a range of related services such as equipment rental and energy management.

The following diagram illustrates the principal components of an electricity industry. Electricity produced at a generating station is boosted by nearby transformers to high voltages so it can be moved long distances over transmission lines with limited power loss. The voltage is then reduced or stepped down at transformer stations for supply to large customers or distributors. Distribution lines carry the power for supply to the end-use customer.



In Ontario, oversight of the electricity market is provided by the IMO which acts as an independent system operator, ensuring the reliable and safe operation of the transmission grid, and coordinating and scheduling the generating units selected to supply electricity to Ontario consumers.

### Generation

Almost all forms of power generation produce electricity indirectly by converting energy stored either directly in fuel or stored as potential energy into a rotary motion which is used to turn an electric generator.

Power generating stations are usually classified by the type of fuel they use because this determines the process by which energy is converted into electricity: (i) in the case of nuclear, a fission process; (ii) for fossil-fueled technologies, a combustion process; (iii) in the case of hydroelectric power, the conversion of potential

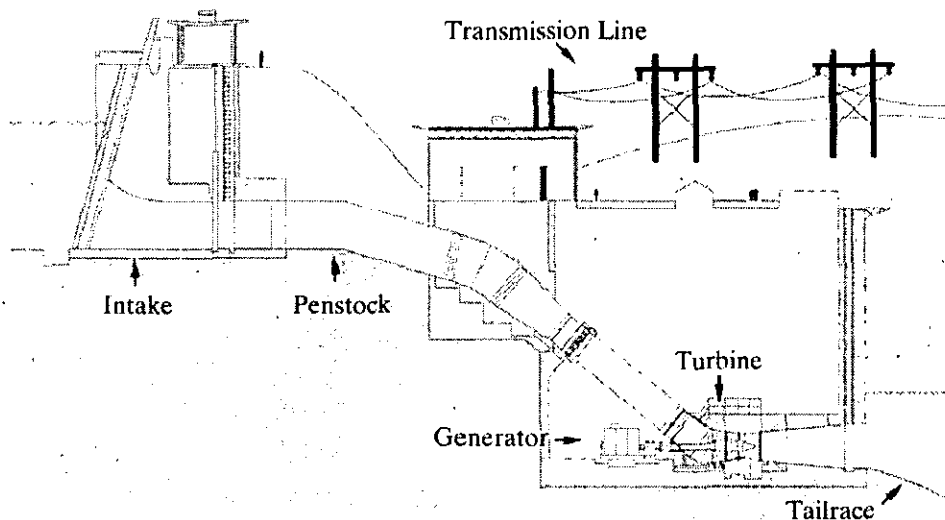
energy contained in water as it moves from a higher elevation to lower elevation; and technologies such as fuel cells, a direct chemical conversion process.

As mentioned above under the heading “Competitive Positioning of the Issuer’s Generation Assets”, the relative merits of a particular generation technology can be assessed according to the following factors: (i) scale and operating flexibility; (ii) capital costs; (iii) operating costs; (iv) fuel cost and availability; (v) reliability; (vi) maintenance requirements and useful life; and (vii) environmental performance.

The following is a comparison of hydroelectric, nuclear and fossil-fueled technologies which comprise substantially all of Ontario’s existing installed generation capacity.

### Hydroelectric Power Generation

Hydroelectric power is generated by harnessing the force created as water falls from the higher elevation of a headpond to the lower elevation of a downstream tailrace. The difference in elevation between the headpond and the tailrace is referred to as the “head” or “operating head”. The energy in the moving water is ultimately converted into electric energy. The water generally flows through an intake pipe or tunnel (known as the penstock) to a turbine, which is essentially a water wheel. The turbine spins a shaft attached to a generator which converts the mechanical energy of the spinning shaft into electricity. The electricity is then sent through a transformer where its characteristics are adjusted so that it can be sent along the transmission system. The water, after going through the turbine, exits the generating station through the draft tube and the tailrace where it rejoins the main stream of the river. Pictured below is a schematic diagram of a typical hydroelectric power generating station.



- **Scale and Operating Flexibility:** The size of hydroelectric stations depends mainly on the scale of the river system. One of the main advantages of hydroelectric facilities is their high degree of operating flexibility as they can adjust rapidly to changes in demand. Electricity generation at a hydroelectric facility can be quickly stopped and restarted. Operational flexibility is enhanced by factors such as water storage which increases the ability of a hydroelectric station to operate during peak power periods.
- **Capital Costs:** Due to the extensive structural engineering involved, hydroelectric stations require extensive dams and involve significant construction costs. Capital costs and construction lead time affect the timing and likelihood of new-entry for generating technology. The difficulty in finding suitable sites for new large-scale hydroelectric facilities also form significant barriers to entry for this type of generation.
- **Low Operating Costs:** Other than water royalties or license fees, hydroelectric facilities have minimal fuel costs and therefore minimize the volatility of their cost structure compared to fossil-fueled plants. As well, most hydroelectric facilities can be operated remotely from a centralized control centre. As a result



of these factors and of the low maintenance requirement and high reliability of hydroelectric equipment, operating expenses for hydroelectric facilities are comparatively low and predictable.

- *Fuel Cost and Availability:* As water, as a fuel, is virtually free and subject to only low water rental charges, hydroelectric generators have a significant production cost advantage over other forms of generation. While hydroelectric generation is subject to variation in the availability of water, this is a function of a station's particular river system and is generally predictable. Furthermore, stations drawing on storage reservoirs are able to better manage hydrological variation. The overall availability of water, combined with storage capability, determines the ability of a hydroelectric station to operate in a baseload and/or peaking fashion.
- *Reliability:* Hydroelectric power generation is one of the oldest and simplest forms of power generation. Compared to other forms of power generation, the technology is well-developed, extensively proven and relies on few moving parts or sub-assemblies, all of which contribute to achieving standards of reliability exceeding those of any other form of power generation. Additionally, hydroelectric stations typically consist of multiple turbine units which diversify operating risk so that the failure of one turbine would have less impact on the overall performance of the facility.
- *Maintenance requirements and useful life:* With proper maintenance, hydroelectric stations have long service lives. Major structural components, such as the dams, are designed to last in excess of 100 years. Remaining components such as the turbines form a relatively small part of the overall system and can be renewed with relatively minimal capital costs compared to overall construction costs. Most of the hydroelectric stations which first supplied power to Ontario in the late 1890's and early 1900's are still operating today.
- *Environmental performance:* Hydroelectric generation produces virtually no greenhouse gas emissions or emissions that create acid rain, both of which have significant negative impacts on the environment. Hydroelectric generation creates none of the thermal, chemical, radioactive, water or air pollution produced by fossil-fuel and nuclear facilities during the power generation process. Instead of producing substantial amounts of residual wastes during the power generation process, hydroelectric generation simply returns the water to the river. The environmental impact of hydroelectric generation also depends on the scale of the installations — large-scale generators usually draw on large river or storage systems while smaller hydroelectric stations operate on water systems with less impact.

## Nuclear Generation

Nuclear power is a large-scale, centralized form of power generation that relies on nuclear fission to convert energy stored in uranium to heat. Heat produced is then used to produce steam which drives steam turbines attached to electric generators. Nuclear power generators are some of the largest power generating units and play an integral role in meeting baseload demand. Nuclear generation can be further characterized by the following factors:

- *Scale and Operating Flexibility:* Due to the high initial capital investments required to build nuclear facilities, nuclear facilities have only been built as large-scale stations. This will limit the degree to which additional nuclear generation can be brought on-line. Recent increases in nuclear generating resources are largely due to improved operating performance or the return to service of existing facilities. Because of their large-scale, nuclear facilities run in a continuous, baseload mode and generally do not respond to price signals in the market place.
- *Capital Costs:* Initial capital costs per installed MW can vary significantly depending on the reactor design and approach to construction. High capital costs for nuclear power result from factors inherent in nuclear power plant design which include: complicated and highly-engineered components given the need for performance under extreme operating conditions, as well as the need for high levels of redundancy in critical systems in order to ensure safety.
- *Fixed Operating Costs:* Nuclear stations have higher fixed operating costs than comparably sized hydroelectric generators principally due to their substantial maintenance requirements and the need to comply with extensive regulatory requirements.

- *Fuel Cost and Availability:* One of the advantages of nuclear generation is extremely low fuel costs. However, the key concerns with nuclear power relate to the storage, reprocessing and transport of spent nuclear fuel.
- *Reliability:* While nuclear facilities can operate continuously for extended periods of time, unforeseen outages occur more frequently than for other generation technologies. In particular, maintenance periods are generally longer than for hydroelectric facilities.
- *Maintenance requirements and useful life:* In general, nuclear facilities have useful lives in excess of 30 years. As the facilities age, however, maintenance requirements typically increase.
- *Environmental performance:* During operation, nuclear facilities have few material air emissions. However, on a life-cycle basis, the nuclear fuel cycle and the eventual decommissioning of the facilities themselves have significantly larger environmental impact, costs and uncertainty compared to hydroelectric facilities.

### **Fossil-fuel Power Generation**

Fossil-fuel, or thermal power generation traditionally relies on the combustion of a fossil fuel such as coal, gas or oil to boil water in order to produce steam, which then drives a large steam turbine connected to a generator. In general, the cost-competitiveness of fossil-fuel power stations is largely driven by their fuel costs, which, when compared to hydroelectric or nuclear facilities, make up a significantly larger proportion of overall costs. Fossil-fuel generation includes stations powered by coal, oil and natural gas. Recently, gas fired natural gas turbines have become the power generation technology of choice, mainly due to their lower environmental impact and air emissions and lower capital costs relative to coal and oil facilities.

- *Scale and Operating Flexibility:* Coal-fired generating stations are typically of large scale, with individual units ranging from 100 MW to over 500 MW. The thermal energy conversion process in coal-fired stations relies on many components having certain minimum operating temperatures, thus the ability of coal-fired plants to respond opportunistically to market conditions is significantly reduced. Combined-cycle gas-fired power plants outperform coal facilities in terms of operating flexibility, both due to their generally smaller scale (50 MW to 250 MW) but also due to the gas turbine technology employed which can be started relatively rapidly on demand and is usually fitted with supplemental performance enhancement options to provide additional output on short notice. However, neither coal nor gas-based generators are capable of responding as rapidly to demand as hydroelectric generators.
- *Capital Costs:* Construction and ongoing capital costs are high for coal-fired facilities, which were historically built as large, centralized generating stations in the context of regulated vertically integrated utilities. New construction of coal plants is for environmental reasons relatively limited, though some “clean-coal” facilities may be built at significant capital cost.
- *Fixed Operating Costs:* Fixed costs for coal-fired facilities are higher than for gas-turbine facilities which require significantly lower levels of routine maintenance and require virtually no labour for fuel handling.
- *Fuel Cost and Availability:* Although fuel availability in the near term is likely not a direct concern, the price of coal, oil or natural gas can be subject to significant and sometimes unpredictable fluctuation. While coal prices are generally stable, the demand for certain low-sulphur coals as a means of emission abatement may affect their price levels. Gas prices are affected not only by demand from generators, but also from the extensive use of gas as a heating or industrial fuel. To ensure reliable and adequate supply of natural gas, some gas-fired generators execute long-term agreements to purchase and transport gas, which can contribute significantly to fixed costs. Increased coal, oil or gas price volatility will benefit hydroelectric generators with significantly lower variable costs.
- *Reliability:* In general, coal-fired facilities are less reliable than hydroelectric facilities on account of their age and the number of sub-systems required to handle and combust coal. In competitive markets such as Ontario's, where coal operates on a mid-merit basis, significant cycling of a station in response to price signals can affect reliability in the long-run because of the thermal stresses imparted on certain

components. Combined-cycle gas turbines have a higher degree of reliability, exceeding 97% On a reliability basis, hydroelectric generation typically outperforms fossil-fuel power generation.

- *Maintenance requirements and useful life:* Coal-fired facilities have useful lives that generally exceed 30 years, with some facilities in operation today approaching 50 years of operation. Gas turbine technology is relatively new, but useful lives of 20-25 years are expected. As with any technology, proper maintenance can significantly extend the service life for both coal and gas-fired facilities, but eventually it becomes a question of cost and efficiency. This last fact is less of a concern for hydroelectric facilities given their extremely low fuel and ongoing operating costs.
- *Environmental performance:* Air emissions are a key concern with the operation of older coal-fired stations. In many jurisdictions, increasing environmental regulation of air emissions will limit permissible operating hours for certain coal-fired facilities or will require station owners to make significant capital investments in pollution abatement technology. New combined cycle gas-fired facilities significantly reduce air emission levels.

### **Transmission**

Electricity delivery is accomplished through a vast network of interconnected transmission and distribution lines. A transmission system allows the transport of electricity over long-distances and can be subdivided into the integrated network, or bulk system, which is the backbone of the high-voltage system shared by all users, and radial connections, which are the sections of the high-voltage system that are specifically dedicated to serving single users or small groups of generators or wholesale customers directly connected to the bulk transmission system. Transmission systems are interconnected with other regional energy markets to facilitate the import or export of power and to enhance system reliability. In a competitive market, the legislative framework provides for non-discriminatory access to the transmission system subject to compliance with defined interconnection standards.

### **Distribution**

Electricity is distributed through a network of local distributors that presently fulfill electricity sales and energy services functions, including metering, billing and account collection. Distribution systems deliver electricity in local regions over short distances and at lower voltages directly to the end-user.

### **Market Oversight**

A market operator ensures adequate and reliable supply of electricity to end-users by continuously accepting offers of supply from generators and scheduling them to generate, whether on a day-ahead or real-time basis. Typically, the market operator administers wholesale markets for energy services which consist of both physical markets, relating to the dispatch and pricing of energy, and ancillary services such as operating reserve which maintain the reliability of the transmission grid. Separate prices for the energy market and the operating reserve markets are established and the market operator jointly optimizes these two markets to produce dispatch instructions at established prices intended to result in the most cost-effective overall solution for the market. Ontario's market operator, the IMO, operates Ontario's spot market.

### **Ontario's Wholesale Spot Market**

Under wholesale competition, Ontario's electricity generators compete with suppliers from both within and outside of Ontario to sell electricity to the wholesale market, consisting of purchasers of bulk power such as distribution utilities, industrial customers, aggregators, brokers and marketers. Wholesale market participants buy and sell electricity either through the IMO-administered spot market or through bilateral contracts. All participants that supply electricity into, or take electricity from, the IMO-controlled grid have to install appropriate wholesale metering at their connection points to the grid.

## Role of the IMO in Administering Ontario's Wholesale Spot Market

The IMO is a regulated entity and functions as the centralized independent electricity system co-ordinator, responsible for directing the operations of the IMO-controlled electrical power grid in Ontario and maintaining the security and reliability of electricity supply. It has complete authority at all times over how the IMO-controlled grid is operated. It directs which generation and transmission facilities are called upon and functions, in effect, as the dispatcher of the transmission system.

Under open access, the wholesale price of power is determined by the interaction of offers of electricity from generators and bids by consumers for electricity submitted to the IMO on a daily and continuous basis. The IMO aggregates these offers of supply, and when used with load forecasts, determines how much generation is required to meet demand. Based on the offers of each generator and bids from dispatchable consumers, the IMO ranks generators in merit order from cheapest to most expensive for each hour of the next day, and forecasts the market-clearing price, or spot market price, for each such period. Every five minutes, the market-clearing price is set by the price of the next available bid or offer that has been submitted to the market operator to meet an increase in demand. By averaging the five-minute interval prices, an hourly market-clearing price is established which establishes the electricity price paid to generators. In competitive electricity markets, generation plants are assumed to bid energy at their marginal costs, so the marginal cost of the highest cost generator dispatched is viewed as establishing the market-clearing price. Since the given MCP is paid to all generators, low-cost generators will earn higher margins relative to more expensive forms of generation.

Generators can also sell their output via bilateral contracts to third parties, and there exist financial products such as the trading of transmission rights and energy forward contracts to provide market participants with opportunities to manage price risk. Financial contracts can be fixed price contracts or can be settled with reference to the market-clearing price.

The IMO also has some additional powers to ensure the safety and reliability of the Ontario power grid. These powers include suspension of the IMO-administered market during certain emergency circumstances. Additionally, a select committee reporting to the IMO Board of Directors functions in a market surveillance capacity by identifying and reports on inappropriate market conduct and market inefficiencies. The IMO is authorized to make and enforce rules governing the IMO-controlled grid and establishing and governing the IMO-administered markets relating to electricity and ancillary services (the "Market Rules"). As part of its planning process regarding transmission, the IMO conducts periodic long-run assessments of the adequacy and reliability of the Ontario integrated electricity system. The assessments are intended to identify any need for future investments in transmission and generation facilities in order to maintain the required reliability and security of the integrated electricity system or to relieve any significant transmission constraints.

## REGULATION OF ONTARIO'S ELECTRICITY INDUSTRY

### Regulatory Developments in Ontario

Ontario's electricity industry has undergone significant restructuring over the past several years to effect a transition from a regulated vertically-integrated structure to one with competitive generation. The *Electricity Act, 1998* sets the framework for competitive generation and supply of electricity, while the *Ontario Energy Board Act, 1998* establishes the framework for regulation by the OEB of electricity transmission, distribution, retailing and marketing. Both acts are intended to facilitate competition in the generation and supply of electricity in Ontario.

One of the first steps in establishing Ontario's new regime was the restructuring of Ontario Hydro (the former electricity monopoly) into five successor companies on April 1, 1999. Assets were transferred from Ontario Hydro into four new companies and Ontario Hydro was renamed the Ontario Electricity Financial Corporation ("OEFC"), which is charged with managing and retiring outstanding Ontario Hydro debt and other liabilities. The other companies created are OPG (a generator), Hydro One Networks Inc. (a transmitter and distributor), the IMO and the Electrical Safety Authority. OEFC retained the liabilities and obligations that were not assigned to the other successor companies. This restructuring was completed in anticipation of Ontario's wholesale and retail electricity markets becoming open to competition, which officially occurred on May 1, 2002. While introducing competition in the generation and supply of electricity, transmission and distribution remain regulated under a cost-of-service regime. See also "— Regulation of Transmission".

A change in the implementation of Ontario's new regime occurred on December 9, 2002, with the passing of the *Electricity Pricing, Conservation and Supply Act, 2002* which, together with the regulations made pursuant thereto:

- caps the commodity price for electricity payable by low-volume consumers (those who consume less than 250,000 kWh of energy per year) and certain designated electricity consumers (such as schools and hospitals) at 4.3¢/kWh;
- requires distributors or transmitters seeking increases in regulated distribution and transmission rates before May 1, 2006 to obtain the approval of the Minister of Energy before submitting applications for such increases to the OEB; and
- provides certain tax incentives to generators that expand or build electricity generating facilities that generate electricity from alternative or renewable sources of energy.

The *Electricity Pricing, Conservation and Supply Act, 2002* does not impact the wholesale market and the bid and offer process for generators that is currently settled by the IMO.

### **Role of the Ontario Energy Board**

The OEB is the regulatory body having broad powers relating to licensing, rate regulation and market supervision of Ontario's electricity and gas industry.

In the electricity sector, the OEB sets transmission and distribution rates, and approves the IMO's budget and fees. The OEB licenses all market participants including the IMO, generators, transmitters, distributors, wholesalers and retailers.

OEB approval is required for the construction of electricity transmission lines longer than two km. As well, the OEB is responsible for approving specific business arrangements involving the regulated parts of Ontario's electricity industry, including: amalgamations involving electricity distributors; acquisitions of significant shareholdings of electricity transmission or distribution companies (exceeding 20% of the voting securities); disposals of electricity transmission or distribution assets; acquisitions of electricity transmission or distribution assets by electricity generation companies or their affiliates; and acquisitions of electricity generation facilities by electricity transmission or distribution companies or their affiliates. The OEB also monitors markets in the electricity sector and reports to the Minister of Energy on the efficiency, fairness, transparency and competitiveness of the Ontario electricity market, as well as reporting on any abuse or potential abuse of market power. The OEB regulates the rates and licenses of the Issuer's Transmission Assets and also issues generating licenses for the Generation Assets.

### **Regulation of Transmission**

In line with the deregulation of electricity systems in Ontario and other jurisdictions, the generation and transmission assets of the Issuer are now operated as separate divisions of the Issuer. The Issuer has obtained an exemption by regulation made under the *Ontario Energy Board Act* (Ontario) exempting it until 2008 from the regulatory requirement imposed on other electricity market participants to legally separate their generation businesses from their transmission and distribution businesses. Among other things, the Issuer has adopted a code of conduct that ensures that information is not exchanged between its generation, transmission and distribution businesses.

The OEB regulates the rates charged by electricity transmitters in Ontario. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on equity. In December 2001, the OEB approved an annual revenue requirement for the Issuer of \$23,600,000, based on a rate base of approximately \$125,000,000, of which 45% is the deemed equity component having an approved return on equity of 9.88%. The rate base for the Transmission Assets is determined for rate-setting purposes by the OEB and refers approximately to the net book value of the Transmission Assets plus necessary allowances for working capital.

The Issuer's transmission rates are based on the fully allocated costs associated with providing each of the following three transmission service elements:

- *Network services* — the transmission network consisting of 44-kV to 230-kV lines which forms an integrated network and is part of the IMO-controlled grid that constitutes the Ontario transmission system.
- *Line connection services* — those portions of the Transmission Assets which are the radial parts of the high voltage system and are dedicated to serving a single customer or generator.
- *Transformation connection services* — which consist of the high voltage transformation facilities that step down electricity voltage from high-voltage levels on the transmission system to lower voltage levels for the distribution system and supply to customers.

Rates for network service are based on a customer's net load, while rates for line and transformation connection services are based on a customer's total demand for electricity, or gross load, which helps reduce the risk that customer-installed generation bypasses the transmission system.

The OEB has established uniform rates for transmission services in Ontario. Currently there are four transmission system owners in Ontario, each of which is allocated a defined share of total provincial transmission service revenue. The Issuer's Transmission Assets receive approximately 2% of the total provincial transmission revenue. Hydro One Networks Inc. is the largest transmission service provider in Ontario and receives approximately 97% of total provincial transmission revenues.

Transmission revenues are collected by the IMO and remitted to the Issuer. As a result, the Issuer believes there is no material or specific exposure to counterparty or credit risk, given the well-defined prudential and credit requirements required of participants in the IMO-administered market and the ultimate remedies available to the IMO for purposes of enforcing non-payment.

As a result of the recent introduction of the *Energy Conservation and Supply Act, 2002* (Ontario) the submission of transmission rate increases that the Issuer would seek from the OEB must be approved by the Minister of Energy. See “— Regulatory Developments in Ontario”.

### **Health, Safety and Environmental Regulation**

The facilities and operations of the Issuer are subject to extensive federal, provincial, municipal and local legislative and common law requirements relating to worker health and safety and environmental protection (“**Health, Safety and Environmental Laws**”). These Health, Safety and Environmental Laws require the Issuer to operate pursuant to, in some cases complex and onerous, regulations, permits, licences and other approvals, and impose obligations and create potential liability relating to, among other things: work safety procedures; the spill or release of contaminants into the natural environment, including the discharge of process-related emissions into the air or water; the production, processing, preparation, handling, storage, transportation, disposal and management of certain substances (including waste, hazardous waste and other potentially hazardous materials); the prevention and remediation of environmental impacts such as contamination of soil and water (including groundwater); and, as discussed further below, the regulation and maintenance of dams and water levels in water courses (including local lakes and rivers) in order to minimize potential impacts to the natural environment and other users of the relevant water courses.

The Issuer believes that it is in compliance in all material respects with applicable Health, Safety and Environmental Laws. In order to maintain such compliance and manage health, safety and environmental risks generally, the Issuer has adopted a comprehensive safety management system (“**SMS**”) and an environmental management system (“**EMS**”). The SMS includes a set of 22 distinct program elements that cover all aspects of compliance with health and safety laws and regulations, and the management of safe work performance. The EMS covers the Power Assets and is ISO 14001 registered. An ISO 14001 EMS includes, among other things, a company environmental policy, environmental objectives and targets, environmental legal requirements, assignment of environmental responsibilities, environmental training, EMS communications and documentation and emergency preparedness and response plans.

The Issuer is subject to annual independent audits by the Quality Management Institute (QMI) to maintain its ISO 14001 registration. The latest QMI audit was conducted in November 2002 and disclosed one non-conformance item classified as "major", relating to monitoring and measurement. QMI indicated that the Issuer had not acted on the previous compliance audit conducted in late 2000. The Issuer has now developed an action plan to follow-up on the audit findings, and is actively working on correcting all deficiencies and has until the next scheduled QMI audit in November 2003 to complete them.

As part of its proactive management of environmental issues through its EMS, the Issuer periodically retains external environmental consultants to conduct audits of its property and operations, including most recently a series of environmental audits on selected sites in 2001. Those audits revealed on-site soil contamination at certain of the Power Assets, likely associated with historical oil spills (often around the base of oil-filled transformers) and other minor contamination consistent with what would be expected for hydroelectric and transmission facilities of similar age and nature to the Generation Assets. None of the audits conducted in respect of the Power Assets disclose any material contamination or non-compliance with Health, Safety and Environmental Laws.

### **Water-Use Regulation of Generation Assets**

Hydroelectric generation requires ongoing access to an adequate water supply on reasonable terms. Rights to and restrictions on the use of water are determined through international treaties, federal and provincial legislation, common law and leases, licences, permits and agreements with the Federal Government, the Province of Ontario, neighbouring provinces, municipalities, other utilities and other water users. There are three main federal and provincial statutes that govern rights of water use in Ontario for the generation of electricity, being:

- the *Public Lands Act* (Ontario) which grants jurisdiction to the MNR to regulate the management, sale and disposition of public lands and forests. The Issuer has water power leases, water lot leases, licences of occupation, land use permits and Crown leases for the purpose of generating electricity;
- the *Lakes and Rivers Improvement Act* (Ontario) which regulates the use of the lakes and rivers of Ontario. This statute is administered by the MNR and provides for the preservation and equitable exercise of public rights and natural amenities over water. The MNR authorizes the design, construction, operation, maintenance and safety of structures on lakes and rivers in Ontario such as dams, bridges and docks; and
- the *Navigable Waters Protection Act* (Canada) which regulates the construction of facilities that may impact or effect navigation on a navigable waterway.

The Issuer makes payments ("water rental payments") for the use of Crown lands. Since 2001 these payments include charges for water rentals and property taxes and are defined as gross revenue charges. Pursuant to the regulations of the *Electricity Act, 1998* (Ontario), the gross revenue of a station for the period January 1, 2001 to December 31, 2003, is determined by multiplying the station's annual generation, less certain exempt generation, by a price of \$40/MWh. The gross revenue charge multiplies this gross revenue by 9.5% for water rentals and by 2.5%-4.5% for property taxes, depending on the level of generation. Property taxes are assessed on a station by station basis, the first 50 GWh of generation at each station being subject to a 2.5% tax rate and 4.5% for additional generation. The determination of gross revenue post-2003 will be set by future regulations which have not yet been released. The Issuer believes that a change in the methodology with which water rental payments are calculated will not have a material impact on the competitive positioning or profitability of the Power Assets. Property tax on land and buildings not used in connection with the hydroelectric generating station will continue to apply and be paid by the Issuer directly to the municipality.

## **Air Emissions**

Hydroelectric stations do not produce material air emissions. Accordingly, the Issuer is not subject to air emissions regulation. This is a competitive advantage relative to other forms of generation, most notably coal-fired thermal power plants, which contribute substantially to air emissions and may be subject to emission limitations or additional emissions compliance costs.

The burning of fossil fuels gives rise to a number of air emissions, principally sulphur dioxide ("SO<sub>2</sub>") oxides of nitrogen ("NO<sub>x</sub>") and carbon dioxide ("CO<sub>2</sub>"), as well as mercury and particulate matter such as dust and ash. Acid gas (SO<sub>2</sub> and NO<sub>x</sub>) emissions contribute to acid rain and legislation specifically regulating such emissions has been in force in Ontario since the mid-1980s. A number of government initiatives have been implemented or recently announced regarding air emissions and others can be anticipated to deal with this issue.

Prior to 2002, aggregate electricity sector SO<sub>2</sub> and NO<sub>x</sub> emissions were capped under O. Reg. 153/99 to 215 Gg annually and SO<sub>2</sub> emissions to 175 Gg annually. This regulation is still in effect. In addition, the Province has enacted an emissions trading regulation O. Reg. 397/01) that: (i) provides for additional reductions of SO<sub>2</sub> and NO<sub>x</sub> emissions from the Ontario electricity sector beginning in 2002; and (ii) introduces and provides a framework for emissions trading. The regulation includes an Emission Trading Code which sets out the rules governing the Ontario Emissions Trading Registry and the allocation, creation, reporting, verification, trading and banking of both emission allowances and emission reduction credits.

The degree to which output from fossil generation in Ontario is affected will be a function of the price for emissions allowances in the secondary market relative to the cost of implementing emissions reduction technology and the relative ability to replace coal-fired generation with cleaner-burning, but higher cost natural gas-fired power generation.

## **First Nations Rights**

The Issuer is not aware of any outstanding issues with First Nations regarding the Generation Assets. However, in 1996, the Michipicoten First Nation submitted a claim to the Specific Claims Branch of Indian and Northern Affairs Canada (INAC) alleging that the Issuer unlawfully expropriated and inadequately compensated certain Michipicoten First Nation lands for a hydro transmission line. The Michipicoten First Nation claimed that these lands had been set aside for First Nations under the terms of the Robinson-Superior Treaty. INAC lists the status of this claim as being closed.

## **USE OF PROCEEDS**

The proceeds of this offering will be used by the Issuer to repay all existing outstanding indebtedness secured against the Secured Assets, to fund the Debt Service Reserve Account (if the Issuer elects not to deliver on the Closing Date a letter of credit in the amount required to be deposited therein), to pay the expenses of this offering, including the fees and expenses that will be owing to the Agents and the Indenture Trustee, and otherwise for general corporate purposes.

## **DETAILS OF THE OFFERING**

The full text of the following covenants and other matters will be set out in the Trust Indenture which will be entered into before Closing. The following is a summary of certain attributes and characteristics of the Senior Bonds and certain principal provisions which will be incorporated in the Trust Indenture. The summaries of the Trust Indenture and other documents referred to herein do not purport to be complete and for full particulars, reference should be made to the full text of the Trust Indenture or such other documents. Prospective bondholders can obtain copies of the Trust Indenture Documents, the Acres Reports, the Hydrology Report, the Independent Economic Consultant's Report and the BEMI Agreement by contacting Donald Tremblay at Brascan Power Corporation at (819) 986-4600, or David Keith at Scotia Capital at (416) 863-7776. The Issuer or Agents may require a prospective bondholder to execute a confidentiality agreement prior to providing such documents.



## **General**

The Senior Bonds will be issued pursuant to the Trust Indenture. An aggregate principal amount of \$384,000,000 of Senior Bonds will be issued on the Closing Date. Senior Bonds will evidence debt obligations of the Issuer secured by a first ranking security interest in the Secured Assets. See “**Plan of Distribution**” and “— **Security**”.

## **Issue**

\$384,000,000 aggregate principal amount of 6.60% series 1 senior secured bonds due June 16, 2023 (the “**Senior Bonds**”).

## **Ranking**

The rights of holders of Senior Bonds will rank prior to the rights of holders of any Subordinated Bonds issued by the Issuer from time to time under the Trust Indenture. The Senior Bonds will rank *pari passu* with, and will be secured equally and proportionately with each other and with all other Additional Senior Bonds issued by the Issuer from time to time pursuant to the Trust Indenture, without discrimination or preference.

## **Price**

\$1,000 per \$1,000 (par) of Senior Bonds.

## **Minimum Denomination**

Each Senior Bond will be available in a minimum denomination of \$10,000 and integral multiples of \$1,000 thereafter.

## **Interest Rate**

The Senior Bonds will bear interest at the rate of 6.60% per annum, calculated semi-annually in arrears.

## **Interest and Principal Payments and Maturity**

Semi-annual payments of interest only will be due and payable on June 16 and December 16 in each year, commencing on December 16, 2003 until and including June 16, 2013. Equal blended semi-annual payments of principal and interest on the Senior Bonds, calculated on the basis of a 25-year amortization period, will commence on December 16, 2013 and will continue until and including June 16, 2023. The Senior Bonds will not be fully amortized by their maturity date. The principal balance of all Senior Bonds and all interest accrued and unpaid thereon, if any, is to be fully paid on June 16, 2023.

## **Limited Recourse**

Recourse as against the property, undertaking and assets of the Issuer under the Senior Bonds, all other Bonds and the Trust Indenture Documents (except for recourse against the Issuer in respect of any misrepresentations made pursuant to the bond purchase agreements) will be limited to the Secured Assets. Subject to the foregoing, none of the bondholders nor the Indenture Trustee will have recourse to any person (other than the Issuer and GLPI in respect of the GLPI guarantee relating to the Shikwamkwa Dam) or to any property, undertaking or assets of any person other than the Issuer or GLPI, and recourse against the property, undertaking and assets of the Issuer will be limited to the Secured Assets.

## **Security**

The Senior Bonds will be secured by, *inter alia*, a Debenture which will constitute a first ranking charge over all of the Issuer’s right, title and interest, present and future, in and to:

- (a) the Power Assets and all books and records and accounts relating thereto;

- (b) all material contracts, leases and licenses relating to the ownership, operation and maintenance of the Power Assets to which the Issuer is a party, including the BEMI Agreement (which security will be acknowledged by the parties thereto);
- (c) all monies and/or investments from time to time held in the Cash Collateral Accounts, and all other Collateral from time to time held by the Indenture Trustee as part of the security delivered pursuant to the Trust Indenture; and
- (d) all property insurance and expropriation proceeds pertaining to the Power Assets,

subject, in each case, only to Permitted Encumbrances and certain exceptions for the last day of leases and certain nonassignable rights and property. The Debenture, together with all other security that will be delivered by the Issuer to the Indenture Trustee pursuant to the Trust Indenture, is collectively referred to as the "Security", and the assets secured by the Security are collectively referred to as the "Secured Assets". The Security will secure the Issuer's obligations under all Bonds.

#### **Debt Service Reserve Account**

The Issuer will establish and maintain, in the name of the Indenture Trustee, with a Permitted Financial Institution, a Debt Service Reserve Account and will, at the Issuer's option, either (i) deposit into the Debt Service Reserve Account an amount of cash equal to nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds, or (ii) deliver to the Indenture Trustee an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in the amount of nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds. Funds on deposit in the Debt Service Reserve Account will be invested in Permitted Investments and will be available to fund any shortfalls in the payments of interest and/or principal owing on the Senior Bonds and Additional Senior Bonds from time to time if the Issuer's revenues are insufficient therefor. The Issuer will have the right to withdraw any excess funds (or replace any letter of credit) from the Debt Service Reserve Account and will be required to deposit any shortfalls into the Debt Service Reserve Account using the revenue of the Power Assets, from time to time, so that the Debt Service Reserve Account is maintained at its required level. The Issuer will not be permitted to make any Distributions unless the Debt Service Reserve Account has been funded to its required level.

#### **Capital Expenditures Reserve Account**

The Issuer will agree that to the extent that it does not spend at least \$5,000,000 in any one year on sustaining capital expenditures in connection with the Power Assets in accordance with Good Utility Practices ("Maintenance Expenditures"), it will, on an annual basis, deposit into the Capital Expenditures Reserve Account the greater of (A) the difference (if positive) between (i) \$5,000,000 and (ii) the amount of Maintenance Expenditures actually made by the Issuer in the immediately preceding year, and (B) an amount equal to the difference (if positive) between (i) an amount equal to \$5,000,000 multiplied by the number of calendar years that have passed since December 31, 2002, and (ii) the aggregate of all Maintenance Expenditures made by the Issuer in all prior calendar years that have passed since December 31, 2002. The Capital Expenditures Reserve Account will be established and maintained by the Issuer, in its name, with a Permitted Financial Institution. The Issuer will ensure that the Capital Expenditures Reserve Account is funded to its required level not later than the date of issue of the Issuer's financial statements for the relevant year. Funds on deposit in the Capital Expenditures Reserve Account may be invested from time to time in Permitted Investments.

The Issuer will agree that all monies deposited from time to time in the Capital Expenditures Reserve Account will be used solely to pay Maintenance Expenditures, and the Issuer will have the right to withdraw funds from the Capital Expenditures Reserve Account from time to time solely for that purpose. On an annual basis, not later than the date of issue of the Issuer's financial statements for the relevant year, the Issuer will provide to the Indenture Trustee a certificate of a senior officer of the Issuer certifying all Maintenance Expenditures made by the Issuer during the immediately preceding calendar year and the costs thereof.

The Issuer will have the right, exercisable from time to time, to deliver to the Indenture Trustee an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in favour of the Indenture Trustee, in the amount required to be deposited into the Capital Expenditures Reserve Account. The

Issuer will have the right to replace any such letter of credit comprising the Capital Expenditures Reserve Account with a letter of credit in any lower amount equal to the amount otherwise required to be deposited in the Capital Expenditures Reserve Account, upon delivering to the Indenture Trustee a certificate of a senior officer of the Issuer setting out a calculation of the amount required to be deposited into the Capital Expenditures Reserve Account at such time and details of any Maintenance Expenditures made by the Issuer since the delivery of the then most recent senior officer's certificate to the Indenture Trustee.

### **Expropriation and Insurance Proceeds**

The Trust Indenture will provide that upon the occurrence of an expropriation or any property damage to the Power Assets involving insurance or expropriation proceeds in excess of \$3,000,000, all such expropriation and casualty insurance proceeds, if any, will be paid to the Indenture Trustee, and the Issuer will irrevocably direct each expropriating authority and insurer to pay all such expropriation and insurance proceeds directly to the Indenture Trustee. All expropriation and insurance proceeds received by the Indenture Trustee will be paid to the Issuer on a cost-to-complete basis (as certified by an independent engineer), to fund the costs of repairing or replacing all or part of the Secured Assets that were damaged, destroyed or expropriated. If such property as was damaged or expropriated is not repaired or replaced within a specified period of time, such expropriation and/or insurance proceeds will be applied to redeem Senior Bonds at the Redemption Price and Additional Senior Bonds at their redemption prices on a *pro rata* basis in accordance with the section “— **Optional Redemption**”, notwithstanding the fact that an Event of Default may exist at such time.

### **Optional Redemption**

Provided that there is no Default or Event of Default then continuing, the Issuer will have the right to redeem Senior Bonds at any time and from time to time, in whole or in part, upon payment of a redemption price (the “**Redemption Price**”) equal to the greater of par and the Canada Yield Price, together with, in each case, accrued and unpaid interest up to but excluding the date fixed for redemption. Senior Bonds will be redeemed on a *pro rata* basis and all Senior Bonds so redeemed will be cancelled and may not be reissued.

### **Purchase of Senior Bonds**

Provided that there is no Default or Event of Default then continuing, the Issuer will have the right to purchase Senior Bonds at any time and from time to time, in whole or in part, by private agreement or in the open market or by tender to all the holders of the Senior Bonds. All Senior Bonds so purchased will be cancelled and may not be reissued.

### **Senior Bonds Held by Issuer and its Affiliates**

Senior Bonds held by or for the Issuer or its affiliates will be deemed to be not outstanding for the purpose of bondholder meetings or bondholder resolutions.

### **Additional Senior Bonds**

The Issuer will be permitted to issue Additional Senior Bonds from time to time provided that, in respect of any such issuance, among other things:

- (a) no Default or Event of Default will have occurred and be continuing;
- (b) the Additional Senior Bonds will mature coincident with the Senior Bonds;
- (c) the terms of the Additional Senior Bonds will not provide for any repayment of principal (except on acceleration or redemption) prior to June 16, 2013 and any required principal repayments thereafter will be based on an amortization period that equals or exceeds the then remaining amortization period of the Senior Bonds;
- (d) the Issuer will have provided the Indenture Trustee with an officers' certificate confirming that, after giving effect to the proposed issuance of Additional Senior Bonds and the application of the proceeds therefrom, the ratio of the Issuer's EBITDA for the prior 12-month period to the projected

Debt Service for the following 12-month period will be at least 3.0 times which officers' certificate will be accompanied by a chartered accountant's certificate confirming that the foregoing ratio was complied with;

- (e) the Issuer will have provided to the Indenture Trustee an Officers' Certificate to the effect that no Default or Event of Default exists and that no material adverse change has occurred in respect of the Issuer or the Power Assets;
- (f) the Rating Condition is satisfied in connection with the certification of the Additional Senior Bonds applied for; and
- (g) after the proposed issuance, the ratings ascribed to the Senior Bonds by the Rating Agency will be BBB or higher.

All Additional Senior Bonds issued from time to time will be secured by the Security equally and rateably with each other and with the Senior Bonds previously issued pursuant to the Trust Indenture. Each series of Additional Senior Bonds may have different interest rate, repayment, purchase and redemption provisions subject to the restrictions noted above.

### **Subordinate Bonds**

The Issuer will be permitted to issue Subordinate Bonds from time to time provided that, in respect of any such issuance, among other things:

- (a) no Default or Event of Default will have occurred and be continuing;
- (b) the principal amount of all Subordinate Bonds that will be outstanding after such issuance does not exceed 30% of the principal amount of all Senior Bonds and Additional Senior Bonds then outstanding;
- (c) the Subordinate Bonds will mature coincident with or subsequent to the Senior Bonds and any Additional Senior Bonds;
- (d) the terms of the Subordinate Bonds will not provide for any repayment of principal prior to the repayment in full of all indebtedness owing to the holders of Senior Bonds and Additional Senior Bonds;
- (e) the Issuer will have provided the Indenture Trustee with an officers' certificate confirming that, after giving effect to the proposed issuance of Subordinate Bonds and the application of the proceeds therefrom, the ratio of the Issuer's EBITDA for the prior 12-month period to the projected Debt Service for the following 12-month period will be at least 2.0 times which officers' certificate will be accompanied by a chartered accountant's certificate confirming that the foregoing ratio was complied with;
- (f) the Issuer will have provided to the Indenture Trustee an Officers' Certificate to the effect that no Default or Event of Default exists and that no material adverse change has occurred in respect of the Issuer or the Power Assets;
- (g) the Rating Condition is satisfied in connection with the certification of the Subordinate Bonds applied for; and
- (h) after the proposed issuance, the ratings ascribed to the Senior Bonds by the Rating Agency will be BBB or higher.

All Subordinate Bonds will be secured by the Security equally and rateably. Each series of Subordinate Bonds may have different interest rate, repayment, purchase and redemption provisions subject to the restrictions noted above. The rights of holders of Subordinate Bonds will be subordinate in all respects to the rights of holders of the Senior Bonds and any Additional Senior Bonds.

### Other Indebtedness

The Issuer will not be permitted to create or assume any indebtedness other than (i) indebtedness incurred in connection with the issuances of Additional Senior Bonds and Subordinate Bonds, (ii) Affiliated Debt, and (iii) indebtedness which does not exceed \$5,000,000 in the aggregate at any time.

### Delivery Date

On June 16, 2003 or such other date as may be agreed upon between the Issuer and the Agents.

### Dealing with the Power Assets

The Trust Indenture will contain provisions requiring the Indenture Trustee from time to time to execute and deliver to the Issuer, on a request by the Issuer, accompanied by appropriate certificates and/or Opinions of Counsel, if applicable, and as may be required by the terms of the Trust Indenture *inter alia*:

- (a) all instruments necessary to evidence the consent of the Indenture Trustee to the granting of certain easements, right-of-way, cost sharing and reciprocal arrangements in respect of the Lands, the Generation Assets and lands adjacent thereto and any site plan agreement required to be entered into in connection therewith, provided the same do not adversely impact the use or value of the Secured Assets in any material way;
- (b) acknowledgements in respect of certain Permitted Encumbrances;
- (c) all instruments necessary to release the Security from portions of the Generation Assets which are expropriated so long as the proceeds of such expropriation are applied in accordance with the Trust Indenture (see “— Expropriation and Insurance Proceeds”); and
- (d) all instruments necessary to release the Security from portions of any Lands for road widening, dedication to government or municipal authorities and similar purposes in connection with the development and servicing of such Lands provided the same do not adversely impact the use or value of the Secured Assets in any material way.

### Permitted Transfers of Power Assets to Related Transferees

Provided that no Default or Event of Default has occurred and is continuing, the Issuer will be permitted to transfer the Transmission Assets and/or the Generation Assets, in each case as a whole, to a Canadian affiliate of the Issuer or of Great Lakes Hydro Income Fund, or to a Canadian trust or limited partnership which is controlled by either of them, (in each case a “**Related Transferee**”), provided that, among other things:

- (i) the Issuer provides evidence to the Indenture Trustee that the Related Transferee is a Canadian affiliate of, or controlled by, the Issuer or Great Lakes Hydro Income Fund (or its successor);
- (ii) the Related Transferee enters into an agreement pursuant to which, among other things, the Related Transferee (A) makes certain customary representations and warranties, (B) assumes the Issuer's obligations under the Bonds then outstanding or subsequently issued so that the Issuer and the Related Transferee become co-obligors on all Bonds on a joint and several basis, (C) agrees to assume, observe, pay, perform, be liable under and be bound all of the covenants, terms, conditions and obligations of the Issuer provided for in the Trust Indenture and the Trust Indenture Documents except for covenants, terms, conditions and obligations that specifically and exclusively relate to Secured Assets that are not acquired by the Related Transferee, (D) acknowledges and agrees that all of its interests in the transferred assets will remain subject to a first ranking charge in favour of the Indenture Trustee subject only to Permitted Encumbrances, and (E) provides such additional security on the Power Assets acquired by it as the Indenture Trustee may reasonably require in order to ensure that the Indenture Trustee and the bondholders have retained the same rights and remedies as against the Related Transferee and the transferred Power Assets as they had prior to such transfer;

- (iii) recourse as against the property, undertaking and assets of the Related Transferee under all Bonds and the Trust Indenture Documents will be limited in the same manner as recourse is limited as against the Issuer and the Power Assets;
- (iv) the Indenture Trustee receives a certification from a senior officer of the Related Transferee and/or an opinion from counsel to the Related Transferee (in form and substance satisfactory to the Indenture Trustee, acting reasonably) confirming that the Related Transferee (A) has all licences, permits and consents necessary or required to acquire, own and operate the Power Assets acquired by it, and (B) maintains all insurance required to be maintained by the Issuer pursuant to the Trust Indenture in respect of the Power Assets acquired by the Related Transferee and the Related Transferee (together with a certificate of insurance in respect thereof);
- (v) the Indenture Trustee receives legal opinions with respect to, *inter alia*, the enforceability of all obligations assumed by the Related Transferee and all agreements executed by the Related Transferee in connection with the assumption of the indebtedness accruing and its acquisition of Power Assets, in a form and substance satisfactory to the Indenture Trustee, acting reasonably;
- (vi) the Indenture Trustee receives an endorsement or confirmation from any title insurance company that has issued a policy in favour of the Indenture Trustee to the effect that such title insurance remains in full force and effect;
- (vii) the Rating Agency Condition is satisfied; and
- (viii) the Issuer and the Related Transferee deliver to the Indenture Trustee such other agreements, instruments and documents as the Indenture Trustee may reasonably require in order to preserve the security and rights of the Indenture Trustee and the bondholders as a consequence of the transfer of the Power Assets to the Related Transferee.

### Reorganizations

The Issuer will be permitted to wind-up, consolidate, amalgamate or merge with another entity, or transfer, lease or otherwise dispose of the Power Assets as an entirety or substantially as an entirety to another entity or to a continuing entity resulting from any amalgamation or merger subject to the approval of the bondholders expressed by an Extraordinary Resolution of both the holders of the Senior Bonds and Additional Senior Bonds, and the holders of the Subordinate Bonds. The Trust Indenture will permit bondholders to impose such conditions, requirements or terms as they may feel appropriate in order to ensure the preservation of the Security and all of the rights and remedies provided for in the Trust Indenture Documents.

### Trust Indenture and Indenture Trustee's Discretion

On the Closing Date, the Issuer will enter into a trust indenture for the purpose of issuing Bonds. The Senior Bonds, any Additional Senior Bonds and any Subordinate Bonds of any series will be created and issued pursuant to a supplemental indenture (each, a "**Related Supplement**" for such series) to the Trust Indenture to be entered into by the Issuer and the Indenture Trustee in connection therewith. The Related Supplement for any series of Bonds will specify the related series designation, authorized denominations, aggregate principal amount, interest rate (or method of calculation thereof), maturity date, redemption terms, and any other specific terms or conditions of such series provided for in the Trust Indenture.

Bonds of any series may be issuable from time to time in the manner and subject to the terms and conditions as are specified therefor in the Trust Indenture and the Related Supplement.

For the purposes of determining whether holders of the Senior Bonds or Additional Senior Bonds have given any request, demand, notice, consent or waiver under the Trust Indenture, all series of Senior Bonds and Additional Senior Bonds will be treated and deemed to constitute a single series of Bonds. Similarly, for the purposes of determining whether holders of the Subordinate Bonds have given any request, demand, notice, consent or waiver under the Trust Indenture, all series of Subordinate Bonds will be treated and deemed to constitute a single series of Subordinate Bonds.

If the Security becomes enforceable as a result of the occurrence and continuance of an Event of Default which is not a Subordinate Bond Event of Default:

- (a) provided an Extraordinary Resolution is passed to this effect by the holders of the Senior Bonds and Additional Senior Bonds, the Indenture Trustee will waive such Event of Default upon the terms and conditions as such bondholders may prescribe, provided always that no act or omission either of the Indenture Trustee or such bondholders will extend to or be taken in any manner whatsoever to affect any subsequent Default or any subsequent occurrence of an Event of Default or the rights resulting therefrom, and no delay or omission of the Indenture Trustee or such bondholders will impair any rights or powers granted to them thereunder;
- (b) the holders of the Senior Bonds and Additional Senior Bonds will have the right and power, exercisable by Ordinary Resolution of such holders, to direct the Indenture Trustee to take any steps pursuant to the Trust Indenture to enforce the Security if the Indenture Trustee has not taken any enforcement steps within a specified period of time, which enforcement may include, without limitation, requiring the Indenture Trustee to take possession or control of all or any part of the Secured Assets, to appoint a receiver or receiver manager by instrument in writing or by proceedings in any court of competent jurisdiction, to commence any sale or foreclosure proceedings in respect of all or any part of the Secured Assets, or to bring any other action, suit, remedy or proceeding authorized or permitted by the Trust Indenture or by law or by equity, (in each case an “**enforcement action**”); and
- (c) the holders of the Subordinate Bonds will have no rights to direct the Indenture Trustee at any time to waive such Event of Default or take any enforcement action in respect of such Event of Default, and the holders of the Subordinate Bonds will be bound in all respects by any decisions made or actions taken by the holders of the Senior Bonds and Additional Senior Bonds or by the Trustee at their direction.

If the Security becomes enforceable as a result of the occurrence and continuance of a Subordinate Bond Event of Default:

- (a) provided an Extraordinary Resolution is passed to this effect by both the holders of the Senior Bonds and Additional Senior Bonds, and the holders of the Subordinate Bonds, the Indenture Trustee will waive such Subordinate Bond Event of Default upon the terms and conditions as both such groups of bondholders may prescribe, provided always that no act or omission either of the Indenture Trustee or such bondholders will extend to or be taken in any manner whatsoever to affect any subsequent Default or any subsequent occurrence of a Subordinate Bond Event of Default or the rights resulting therefrom, and no delay or omission of the Indenture Trustee or such holders will impair any rights or powers granted to them thereunder;
- (b) the holders of the Senior Bonds and Additional Senior Bonds will have the right and power, exercisable by Ordinary Resolution of such holders, to direct the Indenture Trustee to take any enforcement action in respect of such Subordinate Bond Event of Default; and
- (c) provided such Subordinate Bond Event of Default has continued for a period of at least 12 months and subject to the prior rights of the holders of the Senior Bonds and Additional Senior Bonds to direct the Indenture Trustee at any time to take any enforcement action in respect of such Subordinate Bond Event of Default (or any other Subordinate Bond Event of Default), the holders of the Subordinate Bonds will have the right and power, exercisable by Ordinary Resolution of such holders, to direct the Indenture Trustee to take any enforcement action.

The Indenture Trustee will have the right to decline to take any enforcement action if such enforcement action may not lawfully be taken or would be unduly prejudicial to the rights of the Indenture Trustee. Neither the Indenture Trustee nor any of its owners, agents, officers, directors, employees, successors or assigns will, in the absence of an express agreement to the contrary, be personally liable for the payment of the principal of, interest on or other amounts due under any Bonds or for any agreements of the Issuer in the Trust Indenture or the Trust Indenture Documents.

The Trust Indenture will contain provisions in addition to those otherwise described here, among other things, will limit the discretion of the Indenture Trustee and, in certain circumstances, on the written direction of bondholders holding in excess of 35% of the aggregate principal amount of Senior Bonds and Additional Senior Bonds or Subordinate Bonds then outstanding, require the Indenture Trustee to exercise certain discretions (including, without limitation, examining the books and records of the Issuer relating to the Power Assets but excluding any discretion with respect to any enforcement action which must be authorized in the manner set out above).

#### **Modification of Trust Indenture, Etc.**

Any material modification of any of the Trust Indenture Documents must be authorized by an Extraordinary Resolution of the bondholders affected by such modification provided that the Trust Indenture will (without limitation) contain provisions to the effect that the Indenture Trustee may not agree to: any change in the maturity date of any Senior Bonds; any reduction in the Redemption Price payable on any Senior Bonds; any reduction in the principal amount of any Senior Bonds; any reduction in the rate of interest payable on any Senior Bonds; any change which would permit the Issuer to create and issue Additional Senior Bonds or Subordinate Bonds or to repay principal owing under the Additional Senior Bonds or Subordinate Bonds sooner than will be provided for under the Trust Indenture (except as may be expressly permitted in the Trust Indenture (see “— **Additional Senior Bonds**” and “— **Subordinate Bonds**”)); any release of any material part of the Security; or any change in the definitions of or the percentages of bondholders required to pass an Ordinary Resolution or an Extraordinary Resolution under the Trust Indenture, without the consent of the holders of the Senior Bonds (and any Additional Senior Bonds), as evidenced by Unanimous Resolution of such bondholders. Similar rights will be afforded to the holders of the Additional Senior Bonds and Subordinate Bonds. The Trust Indenture will also contain provisions that require the Issuer to give notice to the Rating Agency of any Unanimous Resolution and the particulars thereof, at the same time as notice thereof is given to the Issuer.

#### **Certain Additional Covenants**

Among other things, the Issuer will covenant in the Trust Indenture substantially to the effect that, so long as any of the Bonds (including the Senior Bonds) remain outstanding:

- (a) it will duly and punctually pay the principal of, premium, if any, and interest on the Bonds and all other amounts owing in respect of the Bonds in strict conformity with the terms of the Bonds, the Trust Indenture and any Related Supplements, and it will faithfully observe and perform all the conditions, covenants and requirements of the Trust Indenture, any Related Supplements, and the Bonds issued thereunder;
- (b) it will maintain its corporate existence and all material rights, licenses, permits and franchises, and will comply in all material respects with all other applicable laws;
- (c) it will forthwith provide notice to the Indenture Trustee upon the occurrence of a Default or Event of Default, or any other event, circumstance or matter which may reasonably be expected to have a material adverse effect on the financial condition, business or operations of the Issuer or the Secured Assets or the Issuer's ability to perform any obligation under the Trust Indenture;
- (d) it will not create, assume or suffer to exist any Encumbrance of any nature on its interests in the Secured Assets or any part thereof, other than Permitted Encumbrances;
- (e) it will, at all times, maintain, keep or cause to be kept the Secured Assets in good order, condition and repair;
- (f) it will comply in all material respects with all laws applicable to the Power Assets and will continue to conduct and operate its business in respect of the Power Assets;
- (g) it will pay or cause to be paid, on or before the due date thereof, all rents, taxes, rates, levies, duties and assessments, general and special, ordinary or extraordinary, of every nature and kind whatsoever, including local improvement taxes, which will be levied, assessed or imposed upon the Issuer, the Power Assets or any part thereof, or upon it or any other person on account thereof, except to the



extent and for so long as the same are being contested in good faith and, if applicable, through the main Permitted Encumbrances;

- (h) it will do, observe and perform or cause to be done, observed and performed, all of its obligations and all matters and things necessary or expedient to be done, observed or performed, under or by virtue of any lease, agreement, license, permit or other contract which may at any time form part of the Power Assets in order to preserve, protect and maintain all of its rights thereunder and will take all steps necessary to remedy any non-compliance of which it becomes aware except, in each instance, where a failure to do so would not have, individually or in the aggregate, a material adverse effect on the Power Assets, but without restricting the rights and discretion of the Issuer provided for in the Trust Indenture with respect to releases of the Power Assets or with respect to the modification or termination of any such lease, agreement, license, permit or contract;
- (i) it will keep the Power Assets insured, in amounts not less than their replacement costs, at all times and against such risks (including fire) as is customary for companies in the same or similar businesses, such policies of insurance to name the Indenture Trustee as mortgagee and first loss payee. The Issuer will also maintain liability insurance at levels customary for a prudent company in the same or similar businesses. At closing, such insurance will be acceptable to the Insurance Consultant, acting reasonably. In the event of damage to or destruction of the Power Assets, so long as no Event of Default has occurred and is continuing, the proceeds of insurance (other than insurance against abatement or loss of income) received as a result of such damage or destruction, will be utilized solely for rebuilding or repair to the extent required in accordance with the Trust Indenture. The amount of such proceeds will be payable to the Indenture Trustee if the proceeds exceed \$3,000,000. All insurance will be paid \$3,000,000 to the Issuer directly (if less than \$3,000,000) or provided to the Issuer on a cost-to-complete basis solely for the purpose of rebuilding or repairing the damaged property;
- (j) it will not sell, lease or otherwise dispose of the Secured Assets, or any part thereof or interest therein, or enter into any sale leaseback transactions in respect of any of the Power Assets, except for sales of assets expressly permitted;
- (k) it will not amalgamate, merge or consolidate with any other person or entity except in certain limited circumstances as will be provided for in the Trust Indenture or with the approval of the holders of the Senior Bonds and Additional Senior Bonds and the holders of the Subordinate Bonds passed by Extraordinary Resolution (see also “— Reorganizations”);
- (l) it will provide (or cause to be provided) the following to the Indenture Trustee and to each of the initial bondholders, *inter alia*:
  - (i) within 120 days of its fiscal year end, annual audited financial statements of the Issuer and the Power Assets together with an annual operating report in respect of the Power Assets; and
  - (ii) within 60 days after the end of each of the first three fiscal quarters of the Issuer, unaudited quarterly financial statements of the Issuer and the Power Assets;
  - (iii) with each of the financial statements provided, a compliance certificate signed by a senior officer of the Issuer confirming that the Issuer is in compliance with all of its obligations under the Trust Indenture or disclosing any non-compliance; and
  - (iv) on or before December 1 in each year, a copy of the Issuer’s operating plan (including an annual budget) for such year.

The Trust Indenture will require the Issuer to provide copies of the foregoing statements and reports to the bondholders under certain circumstances as prescribed therein.

#### **Limitation on Distributions**

The Issuer will only be permitted to make Distributions if no Default or Event of Default exists at the time such Distribution is made, the Cash Collateral Accounts are funded to their required levels, and the ratio of EBITDA for the immediately preceding 12 calendar months to Debt Service for such 12-month period is equal

to or greater than 1.5:1.0, and the ratio of the Issuer's forecast of EBITDA for the immediately following 12-month period to its forecast of Debt Service for such 12-month period is equal to or greater than 1.5:1.0.

### Certain Events of Default

The Trust Indenture will set forth certain events that constitute Events of Default, including, without limitation:

- (a) if the Issuer fails to make payment of any interest or principal on any of the Bonds (other than any such payment due on the maturity of the Bonds) upon the date which the same will become due and such failure continues for three Business Days; or
- (b) if the Issuer fails to pay all principal and all interest in respect of any of the Bonds on the maturity date of the Bonds; or
- (c) if the Issuer fails to pay within three Business Days of written demand being made therefor, any amount other than principal and interest, due pursuant to the Trust Indenture or the Security; or
- (d) if the Issuer fails to pay, or cause to be paid any taxes, rates, levies, duties, public utility charges and assessments, general or special, ordinary or extraordinary, of any nature or kind whatsoever, including local improvement taxes, levied, assessed or imposed upon the Secured Assets, or upon the Issuer on account thereof (save and except when and so long as the validity thereof is in good faith contested by the Issuer and the Issuer has established adequate reserves for the disputed amounts), and any such Default continues either for a period of 20 days after written notice to the Issuer from the Indenture Trustee or for such shorter period as would, if continued, render the Secured Assets, or any part thereof, liable to forfeiture or sale; or
- (e) if the Issuer admits its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency, or if an order is made or an effective resolution passed for the winding-up of the Issuer, or if the Issuer makes an assignment for the benefit of its creditors or consents to the appointment of a receiver or receiver and manager or a liquidator or a trustee in bankruptcy in respect of it, or if the Issuer makes a proposal to its creditors under any bankruptcy or insolvency act or similar legislation including, without limitation, the *Companies' Creditors Arrangement Act* (Canada); or
- (f) if a decree or order of a court having jurisdiction is entered adjudging the Issuer bankrupt or insolvent, or appointing a receiver of the Issuer or any substantial part of the Secured Assets, or approving a petition seeking the "winding-up" or liquidation of the Issuer under the *Company's Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws; or
- (g) if a receiver or a receiver and manager of the Issuer is appointed by a person other than by a court of competent jurisdiction or in proceedings where the Issuer has not had prior notice of such proceedings, and such appointment continues unstayed, undischarged and in effect for a period of 60 days after notice of it has been served on the Issuer provided the Issuer has been diligently and actively contesting such appointment in good faith by appropriate and timely proceedings; or
- (h) if any proceeding or filing is instituted or made against the Issuer seeking to have an order for relief entered against it as a debtor or to adjudicate it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition under any law relating to bankruptcy, insolvency, reorganization or release of debtors, or seeking appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets, unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within 60 days of institution; or
- (i) if the Issuer defaults in observing or performing any other covenant or condition of the Trust Indenture Documents on its part to be observed or performed and if such default continues for a period of 20 days after a notice in writing has been given by the Indenture Trustee to the Issuer, specifying such default, which notice the Indenture Trustee may give on its own initiative and will give when required to do so by an Ordinary Resolution from the holders of the Senior Bonds and Additional Senior Bonds

then outstanding (or, where the bondholders of the Subordinated Bonds are permitted to vote, or where no Senior Bonds or Additional Senior Bonds are then outstanding, by an Ordinary Resolution from the holders of the Subordinate Bonds then outstanding); provided that in the case of a default which is curable but which cannot be remedied simply by payment of money, the Issuer will have within such 20-day period commenced to remedy such default and continues to diligently pursue the remedy thereof for a period not exceeding 180 days after the occurrence of the default; or

- (j) if any statement contained in any officer's certificate or Security delivered hereunder constitutes, at the time the same is made, an intentional, material and adverse misstatement; or
- (k) if the Issuer defaults in observing or performing its covenants in respect of incurring additional indebtedness or the making of Distributions, unless such default is remedied within five Business Days; or
- (l) if a final judgement or decree for the payment of money due will have been obtained or entered against the Issuer in an amount in excess of \$25,000,000 and such judgement or decree will not have been and remain vacated, bonded, paid, discharged or stayed within 30 days.

### **Registrar and Transfer Agent**

The Indenture Trustee will keep a register for the Senior Bonds at its principal office in Toronto. The register will contain the names and addresses of the bondholders as well as their respective holdings. Transfers of the Senior Bonds will also be recorded in the register.

### **CREDIT RATING**

The Senior Bonds have been assigned a preliminary rating of A(low) by DBRS, which rating is intended to provide investors with an independent measure of the credit quality of an issuer of securities. A credit rating accorded to any Senior Bonds is not a recommendation to purchase, hold or sell such securities inasmuch as such rating is not a comment upon the market price of the securities or their suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

### **EXPERTS**

Certain legal matters relating to the issuance of the Senior Bonds will be passed upon at Closing by Torys LLP, on behalf of the Issuer, and McCarthy Tétrault LLP, on behalf of the Agents. Certain engineering matters in respect of the Power Assets have been passed upon by Acres (see "**The Issuer's Power Assets — Report of Independent Engineer**"), and certain economic and statistical assessments of the Ontario electricity market have been conducted by LEI (see "**Summary of London Economics International LLC Analysis**").

## CONDITIONS OF CLOSING

Delivery of the Senior Bonds will be made on or about June 16, 2003 at 10:00 a.m. (Toronto time) at the offices of Torys LLP, 79 Wellington Street West, Suite 3000, Toronto, Ontario M5K 1N2.

The obligation of the Issuer to issue the Senior Bonds and the obligation of bondholders to purchase the Senior Bonds will be conditional upon certain matters (which conditions may be waived or determined to be satisfied in whole or in part on behalf of the bondholders by the Agents), including the following:

- (a) the issuance and delivery of a final confidential offering memorandum;
- (b) the execution and delivery to the Agents of the Agency Agreements;
- (c) execution and delivery by the bondholders of subscription agreements in form and substance satisfactory to the Issuer and its counsel, and the Agents and their counsel;
- (d) the execution and delivery of the Trust Indenture, the Security and the guarantee by GLPI of the Issuer's obligations to remediate the Shikwamkwa Dam, incorporating the terms and provisions hereof and otherwise in form and substance satisfactory to the Indenture Trustee, the Issuer and its counsel, the Agents and their counsel;
- (e) the opinions of counsel described herein under "**Legal Opinions**" evidencing, *inter alia*, security for the Senior Bonds and the eligibility of the Senior Bonds for investment as set forth herein (see "**Eligibility for Investment**");
- (f) title insurance policies in respect of the Lands upon which the Generation Assets are located in an amount equal to the principal amount of the Senior Bonds;
- (g) the Issuer delivering all documents required to create, give effect to or perfect the Security;
- (h) the Issuer delivering final copies of the Hydrology Report, the Acres Reports and the Independent Economic Consultant's Report and all current soil condition and environmental reports with respect to the Generation Assets upon which bondholders, the Indenture Trustee and the Agents can rely, which reports will be satisfactory to the Agents, acting reasonably;
- (i) the Issuer delivering an Insurance Consultant's report in form and substance satisfactory to the Agents, acting reasonably, together with evidence of such insurance as is required to be in place as of the date of closing pursuant to the terms of the Trust Indenture;
- (j) completion by the Agents of satisfactory due diligence, including satisfactory review of all material contracts relating to the ownership, operation and maintenance of the Power Assets; and
- (k) receipt of an A(low) rating from DBRS in respect of the Senior Bonds.

## LEGAL OPINIONS

It will be a condition of closing that Torys LLP, as counsel to the Issuer, and McCarthy Tétrault LLP, as counsel to the Agents, collectively provide legal opinions as to the following:

- (a) the Issuer having provided security for the Senior Bonds in accordance with the Security;
- (b) the eligibility for investment of the Senior Bonds as set forth herein under "**Eligibility for Investment**";
- (c) no governmental or regulatory authorization, approval or consent, permit or filing or order in the nature of an authorization, approval or consent, is required by the Issuer in connection with the execution and delivery of the Trust Indenture Documents to which it is a party, or its ability to perform its respective obligations thereunder, to ensure the validity and enforceability against any such persons of such documents; and
- (d) such other matters as are usually opined upon by such counsel in connection with the issuance of similar securities.

In providing their opinions, counsel may rely as to matters of fact on certificates of officers of the Issuer, public officials, the auditors and other professional advisors of the Issuer and opinions of local counsel in jurisdictions outside Ontario in form and substance satisfactory to counsel.

## **RISK FACTORS**

### **Limited Recourse**

The recourse under the Senior Bonds and the Trust Indenture is limited to the Secured Assets. The Issuer's only source of revenue for the benefit of the Senior Bonds will be the revenue generated by the Power Assets.

### **Lack of Current Market for Senior Bonds**

There currently is no secondary market through which the Senior Bonds may be sold. The Agents expect, but are not obligated, to make a market in the Senior Bonds. There is no assurance that any such secondary market will be developed or, if one is developed, that it will continue or that it will provide adequate or reasonable liquidity to bondholders.

### **Forward-Looking Information**

The Offering Memorandum includes forward-looking statements and information. Words such as "may", "will", "expect", "anticipate", "believe", "estimate", "plan", "intend" and similar expressions have been used in this Offering Memorandum to identify forward-looking statements. These forward-looking statements have been based on estimates and assumptions made by the Issuer. Although the Issuer believes that these estimates and assumptions are reasonable, actual results could differ materially from those projected in the forward-looking statements. Forward-looking statements are not guarantees of future performance or results and are subject to various factors, including the risk factors contained herein. The Issuer is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties and assumptions, an investor should not place undue reliance on these forward-looking statements.

### **Leverage**

Any additional debt incurred by the Issuer will introduce leverage into its business which will increase the level of financial risk to the Issuer and, to the extent that interest rates are not fixed or that borrowings are refinanced at different interest rates, will increase the sensitivity of the Issuer's available cash to interest rate variations.

### **Dependence on BEMI and Potential Conflicts of Interest**

The Issuer will be dependent on BEMI for the scheduling and dispatching of its Generation Assets. Accordingly, the Issuer's revenues from the Power Assets will be dependent upon the ability of BEMI to satisfy its obligations under the BEMI Agreement. Certain conflicts of interest may arise as a result of BEMI pursuing its own business interests or the business interests of other persons or affiliates of Brascan for which it provides similar services, which may render BEMI, its affiliates and such other persons in competition with the Issuer.

### **Effects of Weather**

By the nature of its business, the Issuer's earnings are sensitive to weather variations from period to period. Variations in winter weather affect the demand for electrical heating requirements. Variations in summer weather affect the demand for electrical cooling requirements. These variations in demand translate into price volatility. Variations in precipitation also affect water supplies which in turn affect the Issuer's generating levels.

The revenues generated by the power systems can be dependent on the amount of electricity generated. The amount of electricity generated by the power systems is dependent upon available water flows. Accordingly, revenues will be significantly affected by low and high water flows in the watersheds. There can be no assurance that the long term historical water availability will remain unchanged or that no material hydrologic event will impact the hydrologic conditions which exist within the watershed. Annual deviations from the long term annual average can be significant.

### **Spot Market Electricity Prices**

A significant portion of the Issuer's revenue is tied, either directly or indirectly, to the spot market price for electricity in Ontario. Electricity price volatility could have a material adverse effect on the Issuer's business, operating results, financial condition or prospects.

### **Operating and Capital Expenditure Costs**

In the future, the Power Assets may require significant capital expenditures and the Issuer's operations could be exposed to unexpected increases in operating costs such as increased operating labour costs, water rental costs and taxes.

### **Insurance Limits**

While the Issuer believes that the Power Assets' insurance coverage addresses all material insurable risks, provides coverage that is similar to what would be maintained by a prudent owner/operator of similar facilities, and is subject to deductibles, limits, and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, nor that all events are insured that could give rise to a loss or claim that may occur involving the assets or operations of the Issuer.

### **Equipment Failure**

There are risks of equipment failures due to wear and tear, latent defect, design error or operator error, among other things, which failure could adversely affect the Issuer's revenues and available cash. Although the Power Assets have operated in accordance with expectations, there can be no assurance that they will continue to do so. If the Power Assets require more time for maintenance and repair than forecast, or suffer disruptions of power generation for other reasons, the Issuer's revenues may be adversely affected.

### **Force Majeure**

The occurrence of a significant event which disrupts the ability of the Power Assets to produce or sell power for an extended period, including events which preclude existing customers from purchasing electricity, could have a material negative impact on the business of the Issuer. The Power Assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at the Generation Assets or a generating plant owned by a third party to which the Transmission Assets are connected. In addition, many of the Power Assets are located in remote areas which makes access for repair of damage difficult.

### **Dam Safety**

The occurrence of dam failures at any of the Issuer's hydroelectric generating stations could result in a loss of generating capacity, and repairing such failures could require the Issuer to incur significant expenditures of capital and other resources. Such failures could result in the Issuer being exposed to significant liability for damages. There can be no assurance that the Issuer's dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Upgrading all dams to enable them to withstand all events could require the Issuer to incur significant expenditures of capital and other resources. The consequences of dam failures could have a material adverse effect on the Issuer's business, operating results, financial condition or prospects.

### **Reliance Upon Transmission Systems**

A generator's ability to sell electricity is impacted by the Ontario electricity transmission system operated by, among others, the Issuer and Hydro One Networks Inc. under the direction of the IMO and regulated by the OEB. The lack of adequate transmission capacity would have a material adverse effect on the Issuer's business, operating results, financial condition or prospects.

The Issuer's ability to export electricity is impacted, in part, by the capacity and reliability of the interconnection and transmission systems that interconnect with neighbouring markets. The Issuer may face

similar constraints in its target export markets. The capacity of, the Issuer's access to, and the reliability of such interconnection, transmission and distribution systems are factors beyond the Issuer's control.

### **Health, Safety and Environmental Risks**

The ownership and operation of the Power Assets carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of Health, Safety and Environmental Laws, licenses, permits and other approvals, and potential civil liability. (See "Regulation of Ontario's Electricity Industry — Health, Safety and Environmental Regulation".) Compliance with Health, Safety and Environmental Laws (and any future changes) and the requirements of licenses, permits and other approvals will remain material to the Issuer's business. The Issuer has incurred and will continue to incur significant capital and operating expenditures to comply with Health, Safety and Environmental Laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, from time to time the Issuer may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, Health, Safety and Environmental Laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the business and operations of the Issuer.

### **Labour Relations**

While labour relations at the Generation Assets have been stable to date and there have not been any recent disruptions in operations as a result of labour disputes with employees, the maintenance of a productive and efficient labour environment cannot be assured. In the event of a labour disruption such as a strike or lock out, the ability of the Generation Assets to generate income may be impaired. The Issuer's current collective agreement expires in December 2003 and there are no assurances that the Issuer will be able to renew its collective agreement without a labour disruption.

### **Litigation against the Issuer**

Although there are currently no material legal proceedings outstanding or threatened against the Issuer or the assets of the Issuer, the Issuer may become party to litigation in the future which could adversely affect the business of the Issuer.

### **Regulatory Regime and Rate Setting Risks**

The Transmission Assets are subject to regulation, principally by the OEB. The OEB regulates the rates charged by electricity transmitters in Ontario. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on equity. Any changes in the rate structure for the Transmission Assets or any reallocation or redetermination by the OEB of the Issuer's allowed costs relating to the Transmission Assets, could have a material adverse effect on the Issuer's transmission revenues.

The operation of the Power Assets is subject to regulation. Water rights are generally owned by governments which reserve the right to control water levels. Any new law or regulation could require additional expenditure to achieve or maintain compliance. Operations that are not currently regulated may become subject to regulation. Because legal requirements are frequently changed and are subject to interpretation, the Issuer is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Some of the Issuer's operations are regulated by government agencies that exercise discretionary power conferred by statutes. Because the scope of such authority is uncertain and may be inconsistently applied, the Issuer is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

## Governmental Permits

The failure of the Issuer to obtain or maintain all necessary licences, leases or permits, including renewals thereof or modifications thereto, may adversely affect the Issuer's ability to generate income.

## Transmission Land Interests

Although the Issuer believes that it has valid rights to all easements, licences and use rights necessary for it to operate its transmission business, not all of the Issuer's easements, licences and use rights are registered against the lands to which they relate and may not bind subsequent owners. In addition, the Issuer's rights may have been affected by rights of governments or First Nations. Title to the lands upon which the Transmission Assets are located (other than lands owned by the Issuer) was not reviewed in connection with this offering. However, the Issuer has been operating portions of its Transmission Assets since 1916 and has not received notice of any dispute of its rights to use any lands which, if determined adversely to the interests of the Issuer, would be material to the operation of the Transmission Assets.

In addition, certain of the easements, licences and use rights held by the Issuer in connection with the Transmission Assets may not be assignable without the consent of the other parties thereto. The Issuer has not pursued any consents for the assignment of such non-assignable rights and will agree in the Trust Indenture to hold all such non-assignable rights in trust for the Indenture Trustee (and the bondholders) should an Event of Default occur.

## Distribution Assets

The Issuer owns and operates the Distribution Assets. Accordingly, the Issuer is subject to business, operating, regulatory and environmental risks in respect of those assets, and may be adversely affected by their financial performance.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Agency Agreements, the Agents will agree to offer the Senior Bonds for sale on a private placement basis, pursuant to Rule 45-501 of the *Securities Act* (Ontario) and the exemptions from the prospectus requirements of the securities legislation in all other provinces of Canada (the "Offering Jurisdictions"), and to obtain on behalf of the Issuer subscriptions to purchase the Senior Bonds in form and substance acceptable to the Issuer and the Agents, each acting reasonably, from institutional investors or sophisticated purchasers resident in the Offering Jurisdictions. The Agents will receive fees and reimbursement of certain of their out-of-pocket expenses from the proceeds of this offering.

The rights and obligations of the Agents under the Agency Agreements are subject to certain conditions precedent which may be terminated upon the occurrence of certain specified events, including their assessment of the state of financial markets.

The Issuer has agreed to indemnify the Agents against certain liabilities or to contribute to payments which they may be required to make in respect thereof.

The Senior Bonds offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agents have agreed that, except as permitted by the Agency Agreements, they will not offer or sell the Senior Bonds within the United States or to U.S. persons. Moreover, the Agency Agreements will provide that the Agents will offer and sell the Senior Bonds outside the United States only in accordance with Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Senior Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.



## SUBSCRIPTION

In order to subscribe for Senior Bonds, a completed subscription agreement in the form to be provided to bondholders must be received and accepted on or prior to June 16, 2003 with full payment of the subscription price to be made to an Agent by wire transfer into an account designated by the Agent or by a certified cheque or bank draft prior to the time of closing, expected to be on June 16, 2003. The subscription agreement must be delivered to the Agents. The right is reserved to reject any subscription in whole or in part or to allot any subscriber less than the principal amount of the Senior Bonds subscribed for by such subscriber. Confirmation of acceptance or rejection of a subscription will be provided to a subscriber promptly after the acceptance or rejection of the subscription.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the Issuer, and McCarthy Tétrault LLP, counsel to the Agents, and various other provincial counsel of the Issuer based on legislation in effect on the date of this Offering Memorandum, subject to compliance with the prudent investment standards and the general investment provisions and limitations (including in respect of interests in real property) of the following statutes (and, where applicable, the regulations thereunder) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, procedures or goals, the Senior Bonds offered hereunder are not, at the date hereof, precluded as investments under or by the following statutes:

- *Insurance Companies Act* (Canada)
- *Pension Benefits Standards Act, 1985* (Canada)
- *Trust and Loan Companies Act* (Canada)
- *Financial Institutions Act* (British Columbia)
- *Pension Benefits Standards Act* (British Columbia)
- *Employment Pension Plans Act* (Alberta)
- *Insurance Act* (Alberta)
- *Loan and Trust Corporations Act* (Alberta)
- *Loan and Trust Corporations Act* (Ontario)
- *Pension Benefits Act* (Ontario)
- *an Act respecting insurance* (Québec) (for an insurer, as defined therein, incorporated under the laws of the Province of Québec, other than a guarantee fund)
- *an Act respecting trust companies and savings companies* (Québec) (for a trust company investing its own funds and funds received as deposits, and a savings company, as defined therein, which invests its own funds)
- *Supplemental Pension Plans Act* (Québec)

In the opinion of counsel, the Senior Bonds, at the date of their issue, will be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (collectively, "Plans") or a registered education savings plan. As at the date hereof, Senior Bonds will not be foreign property under the Tax Act for Plans and other persons subject to tax under Part XI of the Tax Act.

## RESTRICTIONS ON RESALE

This offering of Senior Bonds is made only on a "private placement" basis without the filing of a prospectus in connection with this offering with any securities commission or similar regulatory authority in any province of Canada, to bondholders who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. Under applicable securities laws, the resale of the Senior Bonds in certain provinces is subject to restrictions and each holder of Senior Bonds is therefore advised to consult its own professional

adviser before selling any Senior Bonds acquired hereunder. The Issuer does not intend to file a prospectus or otherwise become a "reporting issuer" pursuant to applicable Canadian securities legislation.

Holders of Senior Bonds acquired hereunder may not be able to trade their Senior Bonds unless such further trade is made:

- (a) pursuant to an exemption from the prospectus requirements contained in the securities legislation of such province and through a person or company properly registered under such securities legislation; or
- (b) pursuant to an order or ruling of the securities regulatory authority in such province; or
- (c) pursuant to a prospectus for which a final receipt is issued by the securities regulatory authority in such province.

Holders of the Senior Bonds may be required to file appropriate forms with certain securities commissions or similar regulatory authorities in Canada when they resell the Senior Bonds and they should consult with their professional advisors before such resale occurs.

The foregoing is a summary of the resale restrictions relevant to the holders of the Senior Bonds offered hereby. The foregoing is not intended to be exhaustive and bondholders are advised to consult with their own professional advisors with respect to restrictions on the transferability of the Senior Bonds offered hereunder.

### **PURCHASERS' RIGHTS OF ACTION AND RESCISSION**

Securities legislation in several of the provinces of Canada provides purchasers, or requires that purchasers of Senior Bonds be provided with a "cooling off" period and with rights of action for rescission or damages if this Offering Memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised within the prescribed time limits. The "cooling off" rights and rights of action for purchasers in each of the provinces of Canada are described in the summary below. For the purposes of the following, "**Misrepresentation**" means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

The rights of action described below are in addition to, and without derogation from, any right or remedy available at law to a purchaser of a Senior Bond and are intended to correspond to the provisions of the relevant securities laws and are subject to the defences contained in those laws. These remedies must be exercised by the purchaser within the time limits prescribed by applicable securities laws, as summarized below. Purchasers should refer to the applicable provisions of securities laws for the complete text of these rights or consult with a legal advisor.

#### **Newfoundland and Labrador**

An agreement to purchase the Senior Bonds is not binding on the purchaser if the Issuer, or agent of the Issuer, receives written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase and sale not later than midnight on the second day, exclusive of Saturdays, Sundays and holidays, after receipt by the purchaser of the latest confidential offering memorandum and any amendment to it. Where this Offering Memorandum and any amendment to it was sent by prepaid mail, it will be deemed conclusively to have been received in the ordinary course of mail by the person to whom it was addressed. The onus of proving that the time for giving notice by the purchaser has expired is on the Issuer, or the Issuer's agent, if any.

If this Offering Memorandum, together with any amendment to it, contains a Misrepresentation, and it was a Misrepresentation on the date of investment, a purchaser in Newfoundland and Labrador to whom this Offering Memorandum was sent or delivered and who purchases Senior Bonds will be deemed to have relied on the Misrepresentation and will have a contractual right of action against the Issuer for damages or, alternatively,

for rescission, exercisable in either case on notice given to the Issuer not later than 90 days after the date on which payment is made for the Senior Bonds, provided that:

- (a) the Issuer will not be held liable under this paragraph if it proves that the purchaser purchased the Senior Bonds with knowledge of the Misrepresentation;
- (b) in an action for damages, the Issuer will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Senior Bonds as a result of the Misrepresentation; and
- (c) in no case will the amount recoverable under this paragraph exceed the price at which the Senior Bonds were sold to the purchaser.

#### Nova Scotia

In the event that this confidential offering memorandum, a record incorporated by reference in or deemed incorporated into this confidential offering memorandum or any amendment to it or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains a Misrepresentation that was a Misrepresentation at the time of purchase, a purchaser of Bonds in Nova Scotia will be deemed to have relied upon the Misrepresentation and will have a statutory right of action for damages against the Issuer, and subject to additional defences, against the directors of the Issuer and persons who have signed the offering memorandum. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the Issuer, in which case that purchaser will have no right of action for damages.

The right of action for damages or rescission is exercisable not later than 120 days after the date on which payment was made for the Bonds, provided that:

- (a) the Issuer will not be liable if it proves that the purchaser purchased the Bonds with knowledge of the Misrepresentation;
- (b) in any action for damages, the Issuer will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Bonds as a result of the Misrepresentation; and
- (c) in no case will the amount recoverable exceed the price at which the Bonds were sold to the purchaser.

In addition, no person or company other than the Issuer is liable if the person or company proves that:

- (a) this confidential offering memorandum or the amendment to it was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without their knowledge or consent;
- (b) after delivery of this confidential offering memorandum or the amendment to it, and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the confidential offering memorandum, or amendment to it, the person or company withdrew their consent to the offering memorandum, or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the confidential offering memorandum or amendment to it purporting
  - (i) to be made on the authority of an expert, or
  - (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that
  - (iii) there had been a misrepresentation, or
  - (iv) the relevant part of the offering memorandum or amendment to the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore no person or company other than the Issuer is liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting

- (a) to be made on the authority of an expert, or
- (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company
- (c) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (d) believed that there had been a misrepresentation.

### Ontario

If this Offering Memorandum, together with any amendments to it, contains a Misrepresentation, a purchaser in Ontario who purchases Senior Bonds during the period of distribution will be deemed to have relied on the Misrepresentation and will have a statutory right of action for rescission or, alternatively, for damages, against the Issuer provided that no action will be commenced to enforce a right of action more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction that gave rise to the cause of action;and also provided that:
  - (A) the Issuer will not be liable if it proves that the purchaser purchased the Senior Bonds with knowledge of the Misrepresentation;
  - (B) in an action for damages, the Issuer will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Senior Bonds as a result of the Misrepresentation; and
  - (C) in no case will the amount recoverable exceed the price at which the Senior Bonds were sold to the purchaser.

### Saskatchewan

Where this Offering Memorandum, together with any amendment to it, is sent or delivered to a purchaser and contains a Misrepresentation, a purchaser in Saskatchewan who purchases Senior Bonds under it is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the Issuer. Subject to certain limitations the purchaser also has a right of action for damages against:

- (a) the promoters and directors of the Issuer;
- (b) every person or company whose consent has been filed with the Offering Memorandum or amendment to it but only with respect to reports, opinions or statements that have been made by them;
- (c) every person who signed the Offering Memorandum or any amendment to it; and
- (d) every person who or company that sells the Senior Bonds on behalf of the Issuer under this Offering Memorandum or any amendment to it.

Alternatively, the purchaser may elect to exercise a right of rescission against the Issuer, in which case that purchaser will have no right of action for damages against the Issuer.

Where any advertising or sales literature (as such terms are defined in *The Securities Act, 1988* (Saskatchewan)) disseminated in connection with the sale of the Senior Bonds contains a Misrepresentation, a purchaser in Saskatchewan who purchases the Senior Bonds referred to in that advertising or sales literature is

deemed to have relied on that Misrepresentation, if it was a Misrepresentation at the time of the purchase, and has a statutory right of action for damages or rescission (in which case the purchaser will have no right of action for damages) against the Issuer, and subject to certain limitations against:

- (a) every promoter or director of the Issuer at the time the advertising or sales literature was disseminated; and
- (b) every person or company that, at the time the advertising or sales literature was disseminated, sells securities on behalf of the Issuer in the offering with respect to which the advertising or sales literature was disseminated.

Alternatively, the purchaser may elect to exercise a right of rescission against the Issuer or from an underwriter of the Senior Bonds from whom the purchaser purchased the Senior Bonds, in which case that purchaser will have no right of action for damages against the Issuer or that underwriter.

In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Senior Bonds, and the verbal statement is made either before or contemporaneously with the purchase of the Senior Bonds, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of the purchase, and has a right of action for damages against the individual who made the verbal statement.

In addition to other limitations that may apply in the event that a purchaser exercises any of the rights described above, no action will be commenced to enforce any of those rights:

- (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, more than the earlier of: (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or (b) six years after the date of the transaction that gave rise to the cause of action;

and provided also that:

- (a) no person or company will be liable if it proves that the purchaser purchased the Senior Bonds with knowledge of the Misrepresentation;
- (b) in any action for damages, no person or company will be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Senior Bonds from the Misrepresentation relied on; and
- (c) in no case will the amount recoverable under this paragraph exceed the price at which the Senior Bonds were offered to the public.

The summaries above are subject to the express provisions of the *Securities Act* (Ontario), the *Securities Act* (Newfoundland and Labrador), the *Securities Act* (Nova Scotia) and *The Securities Act, 1988* (Saskatchewan) and the regulations under those Acts. Every purchaser to whom this Offering Memorandum is delivered should refer to the complete text of such provisions.

#### **Rights for Purchasers in New Brunswick, Prince Edward Island, Quebec, Manitoba, Alberta and British Columbia**

Purchasers resident in the provinces of New Brunswick, Prince Edward Island, Quebec, Manitoba, Alberta and British Columbia will be granted a contractual right of action for damages and rescission equivalent to the rights of action described under “— Ontario” above applicable to purchasers resident in the Province of Ontario, subject to the limitations and defences available under Ontario law.

**CERTIFICATE**

DATED: June 12, 2003

This Offering Memorandum (including the Appendices) contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated that is necessary to be stated in order for a statement not to be misleading in light of the circumstances in which it is made.

**GREAT LAKES POWER LIMITED**

(Signed) EDWARD C. KRESS  
Chairman

(Signed) COLIN L. CLARK  
President and CEO

**APPENDICES**

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## APPENDIX 1

### CERTAIN DEFINITIONS

Words and phrases used in this **Offering Memorandum** with initial capitals may also be defined in the Trust Indenture. To the extent that the definitions in the Trust Indenture differ from the definitions herein, the definitions in the Trust Indenture will apply. Subject to the foregoing, unless there is something in the subject matter or context inconsistent therewith, in this **Offering Memorandum** the following words will have the respective meanings given thereto:

“**Acres**” means Acres International Limited.

“**Acres Reports**” means the Generation Assets Report and the Transmission Report.

“**Additional Senior Bonds**” means senior secured bonds, issued in one or more series, other than the Senior Bonds, which may from time to time be issued and outstanding under the Trust Indenture.

“**affiliate**” means, with respect to any person, any person directly or indirectly controlled by, controlling or under common control with such person; where “**control**” includes (i) the ownership of or power to vote, directly or indirectly, shares, or the equivalent, representing 50% or more of the power to vote in the election of directors, managers, trustees or persons performing similar functions for that person, and (ii) the ownership of 50% or more of the equity or beneficial interest in that person; provided that with respect to “**affiliates**” of the Issuer, control will include the ownership of or power to vote, directly or indirectly, shares or the equivalent representing at least 20% of the voting rights attributable to the shares or interests of such other person, which enables the Issuer to, directly or indirectly, direct or cause the direction of the management or policies of such person.

“**Affiliated Debt**” any unsecured indebtedness or obligations owing by the Issuer to any affiliate of the Issuer (including any obligations in respect of any power purchase agreements or swap or hedging agreements) in respect of which such affiliate has entered into a subordination and standstill agreement in favour of, and in a form satisfactory to, the Indenture Trustee, pursuant to which it has agreed, *inter alia*: (i) to subordinate its unsecured indebtedness in favour of the Bonds and any obligations of the Issuer under the Trust Indenture Documents, (ii) that it will not receive or apply any payments at any time after the occurrence and during the continuance of a Default or an Event of Default or in contravention of the Issuer’s agreement not to make Distributions unless certain financial tests are satisfied (see “**Details of the Offering — Limitations on Distributions**”), and (iii) that it will not commence any enforcement proceedings unless and until all obligations of the Issuer under the Bonds, the Trust Indenture and Trust Indenture Documents are fully satisfied.

“**Agency Agreements**” means, the agreements dated June 13, 2003 entered into between the Issuer and the Agents relating to the offering and sale of the Senior Bonds.

“**Agent**” means either Scotia Capital or Trilon Securities, each as agent under the Agency Agreements.

“**BEMI**” means Brascan Energy Marketing Inc.

“**BEMI Agreement**” means the agreement to be entered into between the Issuer and BEMI pursuant to which BEMI will provide dispatching and power scheduling services to the Issuer in the Ontario market as administered by the IMO.

“**Bonds**” means collectively, the Senior Bonds, and any Additional Senior Bonds and Subordinated Bonds which may be issued and outstanding from time to time under the Trust Indenture.

“**bondholders**” and “**holders**” means, as regards any Bonds, the person or persons for the time being entered in the register therefor as holders thereof.

“**Brascan**” means Brascan Corporation.

“**Business Day**” means any day except Saturdays, Sundays and statutory holidays in the Province of Ontario.

“**Canada Yield Price**” means a price for Senior Bonds being redeemed, calculated at 10:00 a.m. (Toronto time) on the Redemption Price Determination Date to provide a yield from the Redemption Date to maturity of the Senior Bonds equal to the Government of Canada Yield plus 0.40% until June 16, 2021, and 0.25% thereafter.



**“Capital Expenditures Reserve Account”** means an account established and maintained by a Permitted Financial Institution. There will not be funds on deposit in this account on the Closing Date. At the Issuer’s option, the Capital Expenditures Reserve Account will consist of an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in favour of the Indenture Trustee in the amount required to be deposited into the Capital Expenditures Reserve Account.

**“Capital Plan”** means the Issuer’s 20-year capital and maintenance program for the Power Assets.

**“Cash Collateral Accounts”** means collectively the Capital Expenditures Reserve Account and the Debt Service Reserve Account.

**“Closing”** means the completion of this offering.

**“Closing Date”** means June 16, 2003, or such other date as the Issuer and the Agents may agree to.

**“Collateral”** means cash, a Letter of Credit or Permitted Investments.

**“Counsel”** means any barrister or solicitor or firm of barristers and solicitors retained by the Indenture Trustee or retained by the Issuer and acceptable to the Indenture Trustee, acting reasonably, and may be a person regularly retained by the Issuer in respect of the Power Assets; notwithstanding the foregoing, the holders of the Senior Bonds (and the holders of the Subordinate Bonds if there are no Senior Bonds outstanding) may by Ordinary Resolution direct the Indenture Trustee to retain such other firm of barristers and solicitors acceptable to such bondholders.

**“DBRS”** means Dominion Bond Rating Service Limited and its successors and assigns.

**“Debenture”** means the debenture entered into or to be entered into between the Issuer and the Indenture Trustee.

**“Debt Service”** means the aggregate amount of interest and principal paid or required to be paid by the Issuer in connection with all Bonds and other Indebtedness.

**“Debt Service Reserve Account”** means an account controlled, maintained and in the name of the Indenture Trustee with a Permitted Financial Institution, which will, at the Issuer’s option, either (i) contain cash in an amount equal to nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds, or (ii) comprise an unconditional and irrevocable letter of credit issued by a Permitted Financial Institution in favour of the Indenture Trustee in the amount of nine months interest on the then outstanding Senior Bonds and Additional Senior Bonds. Funds on deposit in the Debt Service Reserve Account will be invested in Permitted Investments and will be available to fund any shortfalls in the payments of interest and/or principal owing on the Senior Bonds and Additional Senior Bonds from time to time if the Issuer’s revenues are insufficient therefor.

**“Default”** means an event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default.

**“Distribution Assets”** means the Issuer’s low-voltage distribution system that includes 11 distribution stations and approximately 1,700 km of low voltage lines.

**“Distributions”** means any dividend or distribution in cash or specie to an affiliate, purchase, redemption, reduction, return or any other payment of capital, repayment or reduction of loans owing to affiliates or non-arms length persons, loans or other payments of capital to affiliates or non-arms length persons, any repayment or reduction of any indebtedness owing to an affiliate or non-arms length persons or any payment for or on behalf of an affiliate or non-arms length persons, whether by way of guarantee or otherwise, including in connection with any Affiliated Debt, but excluding any payments made by the Issuer to any shareholder or affiliate under any services, advisory or agency agreement entered into on commercially reasonable terms and conditions and any issuance of shares by the Issuer to an affiliate in satisfaction of indebtedness owing by the Issuer to such affiliate.

**“EBITDA”** means, in respect of any period, the net income generated by the Power Assets for such period before extraordinary items and before deducting interest, taxes (current or deferred), depreciation and amortization and other non-cash deductions in calculating such net income.

“**Encumbrance**” means any mortgage, charge, pledge, lien, privilege, security interest or other encumbrance of any nature or kind and howsoever created.

“**Event of Default**” will include those “**Events of Default**” listed under the heading “**Details of the Offering — Certain Events of Default**”.

“**expropriation**” means the expropriation or similar taking of the whole or a portion of a Generation Asset.

“**Extraordinary Resolution**” means, in respect of the holders of the Senior Bonds and/or Additional Senior Bonds, or the holders of the Subordinate Bonds, a resolution (i) passed at a duly convened meeting of bondholders holding Senior Bonds and Additional Senior Bonds or Subordinate Bonds, as applicable, by favourable votes of the holder or holders of not less than 66⅔% of the outstanding principal amount of such Bonds present in person or by proxy, or (ii) evidenced by an instrument in writing signed by the holder or holders of not less than 66⅔% of the outstanding principal amount of the Senior Bonds and Additional Senior Bonds or Subordinate Bonds, as applicable.

“**GAAP**” means generally accepted accounting principles, consistently applied, which are in effect from time to time.

“**GLPI**” means Great Lakes Power Inc.

“**GW**” or “**gigawatt**” means one million kilowatts of electrical capacity.

“**GWh**” or “**gigawatt hour**” means one million kilowatt hours of electrical energy.

“**Generation Assets**” means the 12 hydroelectric power generation facilities owned by the Issuer located on the Montreal, Michipicoten, Magpie and St. Mary’s River systems in Ontario (other than the High Falls Generating Station which is expected to be decommissioned).

“**Generation Assets Report**” means the report entitled “Independent Engineer’s Report — St. Mary’s, Montreal, Michipicoten and Magpie River Generation Assets” dated May 16, 2003 (as amended as at the date hereof), prepared by Acres.

“**Good Utility Practices**” means the practices, methods and acts engaged in or adopted by a significant portion of the electric generation industry in Canada during the relevant time period as good practices applicable to hydroelectric facilities of similar design, size and capacity as those of the Issuer, or any of the practices, methods and acts which, in the exercise of reasonable judgment by a prudent hydroelectric facility owner in light of the facts known at the time the decision was made, would reasonably have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, environmental protection, economy, and expedition. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others, but rather practices, methods or acts generally accepted in the Canadian electric generation industry having regard to applicable laws.

“**Government of Canada Yield**” means, on any date, the then current mid-market yield to maturity on such date expressed as a rate per annum, assuming semi-annual compounding, which a non-callable Government of Canada Bond would yield if issued on such date in Canadian dollars in Canada at 100% of its principal amount on such date with a remaining term to maturity equal to the remaining average life of the Senior Bonds being redeemed. The Government of Canada Yield will be determined by two Investment Dealers selected by the Issuer.

“**Health, Safety and Environmental Laws**” means all federal, provincial and municipal health, safety and environmental laws.

“**Hydrology Report**” means the report entitled “Great Lakes Power Generation System Long-Term Energy Production Assessment” dated January 2003, prepared by Acres.

“**IMO**” means the Independent Electricity Market Operator.

“**IMO-controlled grid**” means the electricity transmission system in Ontario which is controlled and regulated by the IMO.

**“Improvements”** means, collectively, all buildings and improvements owned by the Issuer or hereinafter located on the Lands, including all of the Issuer’s fixed machinery, plants, equipment, apparatus, fittings and other fixtures incorporated into the Lands or other buildings or improvements (as constituted from time to time).

**“indebtedness”** includes any debt, indebtedness for borrowed money, capital lease obligations and obligations which would be considered to be indebtedness for borrowed money under Canadian generally accepted accounting principles but excludes any deferred taxes, trade payables, accounts payable or accrued liabilities.

**“Indenture Trustee”** means CIBC Mellon Trust Company and any successor thereto or any replacement trustee from time to time under the Trust Indenture.

**“Independent Economic Consultant’s Report”** means the report of LEI described under the heading **“Summary of London Economic International LLC Analysis”**

**“Insurance Consultant”** means Intech Risk Management Inc. or such other consultant as may be designated from time to time by the Indenture Trustee.

**“Investment Dealer”** means any of Scotia Capital, TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc., and their respective successors, and any other recognized investment dealer who is a member of the Investment Dealers’ Association of Canada or any successor association thereto selected by the Indenture Trustee and approved by the bondholders, as evidenced by an Ordinary Resolution of the holders of the Senior Bonds and Additional Senior Bonds (or, if no Senior Bonds or Additional Senior Bonds are then outstanding, by an Ordinary Resolution of the holders of the Subordinate Bonds).

**“Issuer”** means Great Lakes Power Limited, and includes any successor Issuer pursuant to the provisions of the Trust Indenture.

**“kilovolt”** or **“kV”** means one thousand volts, a volt being a standard unit of electromotive force.

**“kilowatts”** or **“kW”** means 1,000 watts of electrical capacity.

**“kilowatt hour”** or **“kWh”** means one hour during which one kilowatt of electrical power has been continuously produced.

**“Lands”** means the lands upon which the Generation Assets are located and all interests in lands owned, leased or otherwise held by the Issuer in connection with the Generation Assets or the operation by the Issuer of its generation and/or transmission businesses.

**“LEI”** means London Economics International LLC.

**“MCP”** means the Ontario market clearing price for electricity.

**“MNR”** means the Ministry of Natural Resources.

**“MPMA”** means the Market Power Mitigation Agreement between OPG and the Province of Ontario.

**“MW”** means 1,000 kilowatts of electrical capacity.

**“Maintenance Expenditures”** means those sustaining capital expenditures made by the Issuer in connection with the Power Assets in accordance with Good Utility Practices.

**“Major Rating Agency”** means, any of S&P, DBRS or Moody’s and its respective successors or (if any of such rating agencies or their successors do not remain in existence), such nationally recognized statistical rating agency or other comparable person designated by the Indenture Trustee and approved by the holders of the Senior Bonds or Additional Senior Bonds by Ordinary Resolution (or, if no Senior Bonds or Additional Senior Bonds are then outstanding, by an Ordinary Resolution of the holders of the Subordinate Bonds).

**“Market Opening”** means the opening of Ontario’s wholesale and retail electricity markets to competition, which occurred on May 1, 2002.

**“Market Rules”** has the meaning attributed to such term under the heading **“The Electricity Industry — Market Oversight”**.

**“Minor Title Defects”** means title defects or irregularities which, (i) do not affect the validity of the Security, and (ii) are of a minor nature and, in the aggregate, will not materially impair the use of the Power Assets for the purpose for which they are held by the Issuer or materially impair the value of the Power Assets affected by such defects or irregularities.

**“Moody’s”** means Moody’s Investors Service, Inc. and its successors and assigns.

**“OEB”** means the Ontario Energy Board.

**“OEF”** means Ontario Electricity Financial Corporation.

**“OPG”** means Ontario Power Generation Inc.

**“Officers’ Certificate”** means a certificate signed by any two of the Chairman of the Board, the President, a director, a Vice-President, the Treasurer, the Secretary, an Assistant Treasurer or an Assistant Secretary of the Issuer.

**“Opinion of Counsel”** means an opinion or opinions in writing, conforming to the requirements of the Trust Indenture, signed by Counsel.

**“Ordinary Resolution”** means in respect of either the Senior Bonds and Additional Senior Bonds or the Subordinate Bonds, a resolution (i) passed at a duly convened meeting of bondholders by favourable votes of the holder or holders of more than 50% of the outstanding principal amount of such Senior Bonds and Additional Senior Bonds or Subordinate Bonds, respectively, present in person or by proxy or (ii) evidenced by an instrument in writing signed by the holder or holders of more than 50% of the outstanding principal amount of such Senior Bonds and Additional Senior Bonds or Subordinate Bonds, respectively.

**“Other Assets”** has the meaning ascribed thereto under the heading **“Issuer”**.

**“PBR”** means **“performance-based ratemaking”**. A type of regulatory regime that differs from traditional cost of service regulation in that it provides financial incentives for transmission owners to share in realized efficiency gains and reduced costs. In general, a PBR framework allows rates to increase annually by a defined inflation factor, less a productivity discount factor, thereby seeking to incentivize transmission owners to focus on productivity and efficiency, rather than revenue, or rate maximization.

**“Permitted Encumbrances”**, as of any particular time, include any of the following in respect of the Secured Assets or any part thereof:

- (a) liens, charges or prior claims for taxes (which term includes charges, rates and assessments) or utilities (including levies or imposts for sewers and other municipal utility services) not yet due or if due, the validity of which is being contested in good faith and in respect of which the Company will have set aside adequate reserves for the payment of such taxes or utilities (together with any interest or penalties accrued thereon), and no sale or forfeiture proceedings will have been taken in respect thereof;
- (b) the rights reserved to or vested in any municipality or governmental or other public authority by any statutory provision;
- (c) zoning (including, without limitation, airport zoning regulations), use and building by-laws and ordinances and federal, provincial or municipal by-laws and regulations as to the use of the Secured Assets, which do not materially interfere with the use of the Secured Assets for the purposes for which they are held or the value thereof;
- (d) subdivision, site plan control, development, reciprocal, servicing, facility, facility cost sharing or similar agreements currently existing or entered into with a governmental authority, municipality or public utility from time to time in respect of the Secured Assets which do not materially interfere with the use of the Secured Assets for the purposes for which they are held; encumbrances respecting encroachments by the Secured Assets or any facilities of or used in connection with the Secured Assets over neighbouring lands and permitted under agreements with the owners of such lands, provided they have been complied with, are in good standing and any security required under the agreements has been given to the municipality;

- (e) encumbrances respecting encroachments by facilities on neighbouring lands over the Secured Assets which do not materially interfere with the use thereof for the purposes for which the Power Assets are held;
- (f) permits, licenses, agreements, easements (including, without limitation, heritage easements and agreements relating thereto), restrictions, restrictive covenants, reciprocal rights, rights-of-way, public ways, rights in the nature of an easement and other similar rights in land granted to or reserved by other persons (including, without in any way limiting the generality of the foregoing, permits, licenses, agreements, easements, rights-of-way, sidewalks, public ways, and rights in the nature of easements or servitudes for sewers, drains, steam, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables) or which are contemplated or provided for or which the Issuer is bound to enter into pursuant to any subdivision, development, site plan control or similar agreement in respect of any part of the Secured Assets, which in the aggregate do not materially impair the value of the Secured Assets or materially interfere with the use thereof for the purposes for which they are held;
- (g) any encumbrance of any nature whatsoever charging the interest of persons (other than the Issuer) under any permit, licence, agreement, easement, restriction, restrictive covenant, right-of-way, public way, right in the nature of an easement or other similar rights in land;
- (h) undetermined or inchoate liens and charges to current construction or current operations, a claim for which will not at the time have been filed against the Lands of which the Indenture Trustee has not received notice;
- (i) any construction, builders', mechanics', labourers', materialmen's, statutory or other similar privileges or liens in respect of which Collateral in an amount equal to such liens and all costs required to discharge the same has been deposited with the Indenture Trustee or is otherwise provided for in accordance with the *Construction Lien Act* (Ontario);
- (j) security given to a public utility or any municipality or governmental or other public authority when required by the operations of the Issuer in the ordinary course of business, including, without limitation, the right of the municipality to acquire portions of any Lands for road widening or interchange construction and the right of the municipality to complete improvements, landscaping or remedy deficiencies in any traffic control or monitoring to be provided to the Generation Assets;
- (k) Minor Title Defects;
- (l) any subsisting reservations, limitations, provisions and conditions contained in any original grants from the Crown of any land or interests therein, reservations of undersurface rights to mines and minerals of any kind;
- (m) statutory reservations and exceptions to title set forth in Section 44 of the *Land Titles Act* (Ontario) save and except paragraph 11 thereof and otherwise modified as provided in this definition;
- (n) any and all statutory liens, charges, adverse claims, prior claims, security interests, deemed trusts or other Encumbrances of any nature whatsoever claimed or held by Her Majesty the Queen in Right of Canada, Her Majesty the Queen in Right of the Province of Ontario, or by any other governmental department, agency or authority under or pursuant to any applicable legislation, statute or regulation securing amounts not yet due or delinquent which do not materially impair the value of the Secured Assets or materially interfere with their use;
- (o) any reference plans or plans registered pursuant to the *Boundaries Act*;
- (p) the encumbrances (if any) listed in the Trust Indenture or agreed to by the Indenture Trustee; or
- (q) the Security.

"Permitted Financial Institution" includes any of the five largest Canadian chartered banks, provided that the senior unsecured indebtedness of such bank is rated at least AA(low) by the Rating Agency.

**"Permitted Investments"** includes any bonds, debentures, notes, bills of exchange, securities or other evidences of indebtedness (including specific interest and principal payments thereof) that have a term to maturity of less than 2 years and which are issued or guaranteed by: (i) the Government of Canada; (ii) any Province of Canada, provided that such instruments are rated by DBRS at least AA(low) for long-term debt or R-1(mid) for short-term debt or the equivalent thereof by another Major Rating Agency; or (iii) any of the five largest Canadian chartered banks, provided that such instruments of a bank are rated at least AA(low) by DBRS or the equivalent thereof by another Major Rating Agency.

**"Plans"** has the meaning attributed to such term under the heading **"Eligibility for Investment"**.

**"Power Assets"** means, collectively, the rights of the Issuer in and to the Lands, the Generation Assets, the Improvements, the Transmission Assets, the Water Power Leases and all buildings, plants, constructions, reservoirs, sub-stations, dams, flumes, canals, channels, equipment, machinery, generators, turbines, transformers, computer hardware and other personal property located on the Lands and used by the Issuer in connection with its generation and/or transmission businesses.

**"Rating Agency"** means DBRS, provided that if DBRS or any of its successors does not remain in existence, **"Rating Agency"** will refer to such other Major Rating Agency as is designated by the Indenture Trustee (and approved by Ordinary Resolution), notice of which designation will be given in writing to the Issuer, and thereafter, the specific ratings referred to herein will be deemed to refer to the equivalent ratings of the Major Rating Agency so designated.

**"Rating Condition"** means that (a) the Rating Agency has received 30 days' prior written notice of the action contemplated (or such shorter period as it may accept); and (b) the Indenture Trustee has received confirmation in writing from the Rating Agency that, after giving effect to the action contemplated, there will not result any qualification, downgrade or withdrawal of their rating of the Senior Bonds from that in effect immediately prior to such action.

**"Redemption Price"** means, in respect of any Senior Bonds being redeemed, the greater of par and the Canada Yield Price of such Senior Bonds, together with accrued and unpaid interest up to but excluding the date fixed for redemption.

**"Redemption Price Determination Date"** means the date of the determination of the Canada Yield Price for the Senior Bonds to be redeemed which will be three Business Day prior to the redemption date following the date of the delivery of a pricing notice to the bondholders.

**"S&P"** means Standard & Poor's Rating Service and its successors and assigns.

**"SCADA"** has the meaning ascribed thereto under the heading **"The Issuer's Power Assets — Operations and Dispatch of the Power Assets"**.

**"Senior Bonds"** has the meaning attributed to such term under the heading **"Details of the Offering — Issue"**.

**"Secured Assets"** means all of the assets that are secured by the Security.

**"Security"** means the Debenture and all other security delivered to the Indenture Trustee pursuant to the Trust Indenture.

**"Scotia Capital"** means Scotia Capital Inc.

**"Subordinate Bonds"** means subordinate secured bonds, issued in one or more series, which may from time to time be issued and outstanding under the Trust Indenture.

**"Subordinate Bond Event of Default"** means the occurrence of any of the following events: (i) the Issuer fails to make payment of any interest due on any of the Subordinate Bonds upon the date when the same will become due, and such failure continues for three Business Days; (ii) the Issuer fails to pay all principal and all interest in respect of the Subordinate Bonds on their maturity date, or (iii) the occurrence of certain insolvency Events of Default under the Trust Indenture, including the Events of Default described as subparagraphs (e), (f), (g), or (h) under the heading **"Details of the Offering — Certain Events of Default"**.

**"TWh"** means 1,000,000 megawatt hours.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Transmission Assets**” means the power transmission system owned and operated by the Issuer including all transmission stations, lines, poles, wires, equipment and property used by the Issuer in connection with its transmission system.

“**Transmission Report**” means the report entitled “Independent Engineer’s Report — Great Lakes Power Limited’s Transmission Assets” dated May 16, 2003, prepared by Acres.

“**Trilon Securities**” means Trilon Securities Corporation.

“**Trust Indenture**” means the trust indenture to be entered into between the Issuer and the Indenture Trustee pursuant to which the Senior Bonds and the other Bonds will be issued, as the same may be modified, amended or supplemented from time to time.

“**Trust Indenture Documents**” means the Trust Indenture, any indenture supplemental to the Trust Indenture, the Security, the Bonds and each other document, instrument, application or agreement now or hereinafter executed and delivered by or on behalf of the Issuer under or pursuant to any of them.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

“**Unanimous Resolution**” means in respect of the Senior Bonds and Additional Senior Bonds or the Subordinate Bonds, a resolution (i) passed at a duly convened meeting of bondholders by favourable votes of the holder or holders of not less than 100% of the outstanding principal amount of such Senior Bonds and Additional Senior Bonds or Subordinate Bonds, as applicable, present in person or by proxy, or (ii) evidenced by an instrument in writing signed by the holder or holders of not less than 100% of the outstanding principal amount of such Senior Bonds and Additional Senior Bonds or Subordinate Bonds, as applicable.

“**Water Power Leases**” means the 12 water power leases between the Issuer and the MNR pursuant to which the Issuer is given the right to use water flow from a particular river for purposes of power generation at the Generation Assets.

**APPENDIX 2**

**Great Lakes Power Limited Utility Division Audited Financial Statements dated  
December 31, 2002 and 2001**



## **AUDITORS' REPORT**

To the Directors of  
**GREAT LAKES POWER LIMITED**

We have audited the balance sheets of Great Lakes Power Limited Utility Division (the "Division") as at December 31, 2002 and 2001 and the statements of income, capital account and cash flows for the years then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Toronto, Canada  
January 24, 2003

**GREAT LAKES POWER LIMITED UTILITY DIVISION**  
**BALANCE SHEETS**  
**December 31**

	<u>2002</u>	<u>2001</u>
	Thousands	
<b>ASSETS</b>		
Electric utility plant		
Plants in service . . . . .	\$ 794,769	\$ 781,144
Construction work in progress . . . . .	72,470	32,503
	<u>867,239</u>	<u>813,647</u>
Accumulated depreciation and amortization . . . . .	<u>(191,360)</u>	<u>(173,352)</u>
	675,879	640,295
Cash and cash equivalents . . . . .	48,463	49,513
Interest and accounts receivable . . . . .	23,058	9,764
Materials and supplies . . . . .	1,422	1,406
Prepaid expenses and other . . . . .	1,645	1,845
Investments (Note 3) . . . . .	<u>149,594</u>	<u>149,594</u>
	<u>\$ 900,061</u>	<u>\$ 852,417</u>
<b>LIABILITIES AND CAPITAL ACCOUNT</b>		
Accounts payable and accruals . . . . .	\$ 36,617	\$ 18,672
First mortgage bonds (Note 4) . . . . .	299,594	299,594
Future income tax liability . . . . .	138,684	60,447
Capital account . . . . .	<u>425,166</u>	<u>473,704</u>
	<u>\$ 900,061</u>	<u>\$ 852,417</u>

GREAT LAKES POWER LIMITED UTILITY DIVISION  
 STATEMENTS OF INCOME  
 Years Ended December 31

	2002	2001
	Thousands	
Operating revenue .....	\$117,900	\$129,434
Purchased power .....	14,122	54,799
Operating and administrative .....	22,248	18,949
Maintenance .....	5,670	6,281
Depreciation and amortization .....	18,190	14,732
Taxes, other than income taxes .....	2,317	2,615
	<u>62,547</u>	<u>97,376</u>
Operating income .....	55,353	32,058
Dividend income (Note 3) .....	3,981	6,026
Other income .....	1,561	252
Income before interest and income taxes .....	60,895	38,336
Deduct:		
Interest expense — net (Note 6) .....	14,801	15,389
Income taxes		
Current .....	16,395	5,516
Future .....	(1,932)	3,612
Net income for year .....	<u>\$ 31,631</u>	<u>\$ 13,819</u>

**GREAT LAKES POWER LIMITED UTILITY DIVISION**  
**STATEMENTS OF CAPITAL ACCOUNT**  
**Years Ended December 31**

	<u>2002</u>	<u>2001</u>
	Thousands	
Balance, beginning of year .....	\$473,704	\$464,885
Adoption of new accounting policy .....	(80,169)	—
Adjusted opening retained earnings .....	393,535	
Net income for year .....	<u>31,631</u>	<u>13,819</u>
	425,166	478,704
Distribution of earnings .....	—	5,000
Balance, end of year .....	<u><u>\$425,166</u></u>	<u><u>\$473,704</u></u>

GREAT LAKES POWER LIMITED UTILITY DIVISION  
 STATEMENTS OF CASH FLOW  
 Years Ended December 31

	<u>2002</u>	<u>2001</u>
	Thousands	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income .....	\$ 31,631	\$ 13,819
Add non cash items		
Depreciation and amortization .....	18,190	14,732
Future income taxes .....	<u>(1,932)</u>	<u>3,612</u>
	47,889	32,163
Change in non-cash working capital .....	<u>4,835</u>	<u>6,306</u>
	52,724	38,469
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Utility plant additions .....	(53,774)	(40,673)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Series 3 Bond repayment .....	—	(95,000)
Series 5 Bond issue .....	—	150,000
Distribution of earnings .....	<u>—</u>	<u>(5,000)</u>
	—	50,000
<b>CASH AND CASH EQUIVALENTS</b>		
(Decrease)/Increase .....	(1,050)	47,796
Cash and cash equivalents, beginning of year .....	<u>49,513</u>	<u>1,717</u>
Cash and cash equivalents, end of year ( <i>Note 6</i> ) .....	<u>\$ 48,463</u>	<u>\$ 49,513</u>

GREAT LAKES POWER LIMITED UTILITY DIVISION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002 and 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These divisional financial statements have been prepared for issuance to mortgage bondholders. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on the basis that the Utility Division of Great Lakes Power Limited (the "Division") operates as a separate legal entity. These financial statements do not include all the assets, liabilities, revenues and expenses of Great Lakes Power Limited. Consolidated financial statements of the parent company, Great Lakes Power Inc., have been prepared for issuance to the shareholders and reported on by its auditors.

(a) *Electric utility plant*

Electric utility plant assets are carried at cost less accumulated depreciation and amortization.

(b) *Depreciation and amortization*

Depreciation and amortization has been provided on the cost of the utility plants at a rate of 2.5% per annum on a straight-line basis except for the Clergue and Maggie Generating Plants for which the rate is 1.67%.

(c) *Capitalization of interest*

An allowance for interest on funds used in construction is charged to construction work in progress at the prescribed rate of return applicable to the rate base (principally the net carrying value of plant in service less deferred taxes plus an allowance for working capital).

(d) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, bank balances, amounts on deposit with related parties and highly liquid investments with original maturities of less than 90 days. These investments are carried at cost, which approximates market.

(e) *Revenue recognition*

Revenue for the generation division is recognized upon delivery at rates established in power purchase agreements and at rates determined in the Ontario electricity market. The transmission and distribution divisions of the Utility Division are regulated by the Ontario Energy Board and recognize revenue at the established regulated rate.

(f) *Power purchases*

The division reports power revenue net of power purchases from the market operator (2002 — \$9,260).

(g) *Foreign exchange*

Monetary balances denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rate except to the extent that amounts are specifically hedged.

(h) *Use of Estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Change in Accounting Policy**

Starting January 1, 2002, the Division adopted the asset and liability method in accounting for income taxes retroactively without restatement. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse. Changes as a result of the adoption are being reflected as adjustment to the opening balance of the capital account. In 2001, income taxes were accounted for on the tax allocation basis.

GREAT LAKES POWER LIMITED UTILITY DIVISION  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 December 31, 2002 and 2001

2. WATER RIGHTS

The Division operates under various commitments and leases for water rights, which extend to or are renewable over various terms through the year 2022.

3. INVESTMENTS

Investments are comprised of preferred shares of First Toronto Equities Inc., a wholly owned subsidiary of Great Lakes Power Limited.

4. FIRST MORTGAGE BONDS

<u>Thousands</u>	<u>2002</u>	<u>2001</u>
Series 4 (U.S. \$105,000) . . . . .	\$149,594	\$149,594
Series 5 . . . . .	150,000	150,000
	<u>\$299,594</u>	<u>\$299,594</u>

The First Mortgage Bonds are secured by a first, fixed, specific and floating charge on the power assets.

The Series 4 Bonds bear interest at the rate of 6.57%, are payable in U.S. dollars and are due June 16, 2003. The Division has entered into a cross currency interest rate swap with its parent company that hedges the U.S. dollar liability at a fixed exchange rate of \$1.4247 Canadian to \$1.00 U.S. and results in an effective interest rate of 6.39% per annum.

The Series 5 Bonds bear an interest rate of 4.58% and are due June 16, 2003.

5. COMMITMENTS AND CONTINGENCIES

The Division is committed under a defined benefit pension plan. As of January 1, 2002, the date of the latest actuarial valuation, the actuarial present value of accrued pension benefits was \$33.1 million (2001 — \$27.8 million) and the value of pension fund assets was \$30.7 million (2001 — \$31.9 million).

The Division provides certain medical and life insurance benefits to retired employees. The Division accrues post employment benefit costs over the active service period of employees to the date of full eligibility for such benefits. The cost of such benefits was \$391 in 2002 (2001 — \$363), which has been recorded as a charge to income.

6. OTHER INFORMATION

(a) As these financial statements report the results for the Division, the amounts presented for current income taxes represent the amounts that would be payable if the Division was a separate corporate entity.

(b) Cash interest paid in the year amounted to \$15,915 (2001 — \$15,915).

Interest expense — net:

<u>Thousands</u>	<u>2002</u>	<u>2001</u>
Interest incurred . . . . .	\$17,122	\$16,277
Capitalized interest . . . . .	(2,321)	(888)
	<u>\$14,801</u>	<u>\$15,389</u>

(c) Cash and cash equivalents consisted of:

<u>Thousands</u>	<u>2002</u>	<u>2001</u>
Cash . . . . .	\$ 4,263	\$ —
Bank overdraft . . . . .	—	(887)
Short term investments . . . . .	44,200	50,400
Total cash and cash equivalents . . . . .	<u>\$48,463</u>	<u>\$49,513</u>

**GREAT LAKES POWER LIMITED UTILITY DIVISION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2002 and 2001**

**6. OTHER INFORMATION (Continued)**

- (d) Included in accounts receivable is \$nil (2001 — \$1,802) due from the investment division of Great Lakes Power Limited.
- (e) Short term deposits held with affiliates of the company totaled \$44,200 in the year bearing interest at a rate of prime less 1.1%.
- (f) Since deregulation in May 2002, the Division sold all electricity generated at a rate of \$42/MWh to Brascan Energy Marketing Inc., an affiliate under common control.

**7. FINANCIAL INSTRUMENTS**

The Division does not enter into any derivative financial instrument arrangements for speculative purposes.

The carrying amounts in the balance sheet of cash and cash equivalents, interest and accounts receivable and accounts payable and accruals approximate their fair values, reflecting their short maturities. The investment in preferred shares of First Toronto Equities Inc. earns dividends on a floating rate basis at market rates. Accordingly, the carrying value of the investment approximates realizable value.

The carrying amounts of the Series 4 First Mortgage Bonds and the Series 5 Mortgage Bonds, taking into account the effect of the cross currency interest rate swap, approximate fair values as the bonds bear interest at rates which approximate current rates.



APPENDIX 3  
 AMORTIZATION SCHEDULE

Initial Balance	384,000,000	
Coupon	6.60%	
Yield	6.60%	
Start Date	6/16/03	
Interest Only Period	10.00 yr	
Principal Repayment Period	10.00 yr	
Amortization	25.00 yr	
IO Payment	12,672,000	<i>Full Year</i>
Blended P&I Payment	15,785,441	31,570,882
Average Life	19.05 yr	
Macaulay Duration	11.06 yr	
Modified Duration	10.70 yr	31,570,882

Period	Date	Interest	Principal	Total Payment	Ending Balance	PV P&I
0	6/16/03				384,000,000	
1	12/16/03	12,672,000	—	12,672,000	384,000,000	12,267,183
2	6/16/04	12,672,000	—	12,672,000	384,000,000	11,875,298
3	12/16/04	12,672,000	—	12,672,000	384,000,000	11,495,932
4	6/16/05	12,672,000	—	12,672,000	384,000,000	11,128,686
5	12/16/05	12,672,000	—	12,672,000	384,000,000	10,773,171
6	6/16/06	12,672,000	—	12,672,000	384,000,000	10,429,014
7	12/16/06	12,672,000	—	12,672,000	384,000,000	10,095,851
8	6/16/07	12,672,000	—	12,672,000	384,000,000	9,773,331
9	12/16/07	12,672,000	—	12,672,000	384,000,000	9,461,114
10	6/16/08	12,672,000	—	12,672,000	384,000,000	9,158,871
11	12/16/08	12,672,000	—	12,672,000	384,000,000	8,866,284
12	6/16/09	12,672,000	—	12,672,000	384,000,000	8,583,043
13	12/16/09	12,672,000	—	12,672,000	384,000,000	8,308,851
14	6/16/10	12,672,000	—	12,672,000	384,000,000	8,043,418
15	12/16/10	12,672,000	—	12,672,000	384,000,000	7,786,465
16	6/16/11	12,672,000	—	12,672,000	384,000,000	7,537,720
17	12/16/11	12,672,000	—	12,672,000	384,000,000	7,296,922
18	6/16/12	12,672,000	—	12,672,000	384,000,000	7,063,816
19	12/16/12	12,672,000	—	12,672,000	384,000,000	6,838,157
20	6/16/13	12,672,000	—	12,672,000	384,000,000	6,619,706
21	12/16/13	12,672,000	3,113,441	15,785,441	380,886,559	7,982,703
22	6/16/14	12,569,256	3,216,185	15,785,441	377,670,374	7,727,689
23	12/16/14	12,463,122	3,322,319	15,785,441	374,348,056	7,480,822
24	6/16/15	12,353,486	3,431,955	15,785,441	370,916,101	7,241,841
25	12/16/15	12,240,231	3,545,210	15,785,441	367,370,891	7,010,495
26	6/16/16	12,123,239	3,662,202	15,785,441	363,708,689	6,786,539
27	12/16/16	12,002,387	3,783,054	15,785,441	359,925,635	6,569,738
28	6/16/17	11,877,546	3,907,895	15,785,441	356,017,740	6,359,862
29	12/16/17	11,748,585	4,036,856	15,785,441	351,980,884	6,156,692
30	6/16/18	11,615,369	4,170,072	15,785,441	347,810,812	5,960,011
31	12/16/18	11,477,757	4,307,684	15,785,441	343,503,128	5,769,614
32	6/16/19	11,335,603	4,449,838	15,785,441	339,053,290	5,585,299
33	12/16/19	11,188,759	4,596,682	15,785,441	334,456,608	5,406,872
34	6/16/20	11,037,068	4,748,373	15,785,441	329,708,235	5,234,145
35	12/16/20	10,880,372	4,905,069	15,785,441	324,803,166	5,066,937
36	6/16/21	10,718,504	5,066,937	15,785,441	319,736,229	4,905,069
37	12/16/21	10,551,296	5,234,145	15,785,441	314,502,084	4,748,373
38	6/16/22	10,378,569	5,406,872	15,785,441	309,095,211	4,596,682
39	12/16/22	10,200,142	5,585,299	15,785,441	303,509,912	4,449,838
40	6/16/23	10,015,827	303,509,912	313,525,739	—	85,557,944



**GREAT LAKES POWER LIMITED**

**- and -**

**CIBC MELLON TRUST COMPANY**

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**DEED OF TRUST**  
**Made as of June 16, 2003**

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**Providing for the issue**  
**of Senior Secured Bonds and**  
**Subordinated Secured Bonds**

**McCarthy Tétrault LLP**

**Torys LLP**

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THIS INDENTURE made as of the 16<sup>th</sup> day of June, 2003.

BETWEEN:

**GREAT LAKES POWER LIMITED**, a corporation  
incorporated under the laws of Ontario,

(hereinafter called the "Company")

OF THE FIRST PART

- and -

**CIBC MELLON TRUST COMPANY**, a trust corporation  
existing under the laws of Canada and duly authorized to carry on  
the business of a trust company in the Provinces and Territories of  
Canada,

(hereinafter called the "Trustee")

OF THE SECOND PART

**WITNESSES THAT:**

**WHEREAS** as of the date hereof the Company is the registered owner of and holds good title in fee simple to the Lands and has valid and subsisting leasehold interests in and to the Leasehold Sites;

**AND WHEREAS** the Company is desirous of raising money to replace certain existing indebtedness of the Company and for general corporate purposes, and with a view to so doing is desirous of creating and issuing Bonds, the issuance of which is provided for by this indenture;

**AND WHEREAS** all necessary by-laws and resolutions of the directors and shareholders of the Company have been duly enacted and passed and other proceedings taken and conditions complied with to make the creation and issue of the Bonds proposed to be issued under this indenture and the execution thereof legal and valid and in accordance with the laws relating to the Company and with all other laws and regulations in that behalf;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by the Company and not by the Trustee;

**NOW THEREFORE IT IS HEREBY AGREED AS FOLLOWS:**



## **ARTICLE 1**

### **INTERPRETATION**

#### **Section 1.1 Definitions**

In this indenture, unless there is something in the subject matter or context inconsistent therewith:

- (a) **“Accounts Receivable”** means indebtedness owing by a person to the Company in respect to inventory sold (including, without limitation, electricity) or services provided in connection with the Business;
- (b) **“Acknowledgement and Consent”** means an acknowledgement and consent agreement executed and delivered in favour of the Trustee by a party to a Material Contract (other than the Company) acknowledging and consenting to the assignment of such agreement in favour of the Trustee pursuant to the Assignment of Material Contracts;
- (c) **“Addition”** means any buildings, erections, improvements, fixtures, machinery, equipment, plant, construction or development owned, leased or licensed by the Company and used in connection with the Business and located on the Power Real Estate (in addition to the Existing Improvements) including, without limitation, any expansion, renovation, replacement, redevelopment and/or refurbishing of the Existing Improvements and, in the case of demolition of existing structures, includes any Addition or any reconstruction or development in connection therewith;
- (d) **“Additional Bonds”** means Senior Bonds issued in one or more series hereunder from time to time hereunder in addition to the Series 1 Bonds;
- (e) **“Affiliate”** means, with respect to any person, any person directly or indirectly controlled by, controlling or under common control with such person; where **“control”** includes (i) the ownership of or power to vote, directly or indirectly, shares, or the equivalent, representing 50% or more of the power to vote in the election of directors, managers, trustees or persons performing similar functions for that person, (ii) the ownership of 50% or more of the equity or beneficial interest in that person, or (iii) the ownership of or power to vote directly or indirectly, shares or the equivalent, representing at least 20% of the voting rights attributable to the shares or interests in such other person, which enables the first person to, directly or indirectly, direct or cause the direction of the management or policies of such person;
- (f) **“Affiliate Debt”** means any indebtedness or obligations of any nature or kind owing by the Company to any Affiliate of the Company including obligations in respect of any power purchase agreement, swap or hedging agreement or derivative transaction;

- (g) **“Annual Operating Report”** means the management report to be prepared annually by the Company and submitted to the bondholders in respect of each of its Fiscal Years, which shall include without limitation, for the relevant Fiscal Year, an analysis of the actual performance against that set forth in the applicable Operating Plan, together with such explanations and supporting data as is reasonably necessary to inform the bondholders of the reasons for deviations from the applicable Operating Plan, the ongoing implications to the Company for such deviations, an outline of capital expenditures and Maintenance Expenditures incurred, a description of any material operational, contractual and environmental issues the Company had dealt with during such Fiscal Year and the impact of same upon the Company’s performance, and an outline of the maintenance and monitoring being performed in respect of the Shikwamkwa Dam until all deficiencies in respect of the Shikwamkwa Dam are remedied in accordance with Good Utility Practices;
- (h) **“Applicable Law”** means, in respect of any person, property, transaction or event, all applicable laws, statutes, common law, ordinances, rules, by-laws, treaties and Regulations, and all applicable directives, rules, guidelines, standards, requirements, policies, Orders, judgments, injunctions, awards and decrees of Governmental Authorities having the force of law;
- (i) **“Arm’s Length”** has the meaning ascribed to it, as of the date hereof, in the *Income Tax Act* (Canada);
- (j) **“Assignment of Insurance”** means the assignment of insurance dated as of June 16, 2003 made by the Company in favour of the Trustee, as such assignment may be amended, restated or replaced from time to time;
- (k) **“Assignment of Material Contracts”** means the assignment of material contracts dated as of June 16, 2003 made by the Company in favour of the Trustee, as such assignment may be amended, restated or replaced from time to time;
- (l) **“BEMI”** means Brascan Energy Marketing Inc.;
- (m) **“BEMI Agreement”** means the services agreement between the Company and BEMI pursuant to which BEMI provides scheduling and dispatching power services including but not limited to administrative services related thereto, as such agreement may be amended, revised or replaced from time to time;
- (n) **“Bond Purchase Agreements”** means the purchase agreements in respect of any Bonds between the Company and the relevant bondholders, as such agreements may be amended, modified, supplemented, restated or replaced from time to time;

- (o) **“bondholders” or “holders”** means those persons from time to time entered in the register or registers hereinafter mentioned as holders of any of the Bonds;
- (p) **“Bondholders’ Request”** means, at any time, an instrument signed in one or more counterparts by the holders of not less than 35% in principal amount of the Senior Bonds or Subordinate Bonds (as applicable) outstanding at such time requesting the Trustee to take the action or proceeding specified therein;
- (q) **“Bonds”** means, collectively, the Senior Bonds and the Subordinate Bonds;
- (r) **“Business”** means the business carried on by the Company consisting of (i) the owning, operating and maintaining of hydro electric generating facilities and the sale of the electricity generated therefrom; (ii) the transmission of electricity; and (iii) all matters incidental and/or ancillary to any of items (i) and (ii);
- (s) **“business day”** means a day other than a Saturday, Sunday or a statutory holiday in the Province of Ontario;
- (t) **“Canadian Dollars” or “\$”** means lawful money of Canada;
- (u) **“Capital Expenditures Reserve Account”** means the account in the name of the Company established pursuant to this indenture and maintained and held by the Company at a Permitted Financial Institution;
- (v) **“Capital Lease Obligations”** means the obligations of the Company (specifically relating to the Business) to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real or personal property, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of the Business under GAAP and, for purposes of this indenture, the amount of such obligations shall in each case be the capitalized amount thereof, determined in accordance with GAAP;
- (w) **“Cash Collateral Accounts”** means, collectively, the Debt Service Reserve Account and the Capital Expenditures Reserve Account;
- (x) **“Certified Resolution”** means a copy of a resolution of the directors of the Company certified by the Secretary or an Assistant Secretary of the Company, have been duly passed by the directors of the Company and to be in full force and effect on the date of such certification;
- (y) **“Chartered Accountant”** means any Arm’s Length firm of chartered accountants (whether or not such firm of accountants regularly acts for the Company), selected by the Company, licensed under the *Public Accountancy Act* (Ontario) and of nationally recognized standing and reputation;

- (z) **“Chartered Accountant’s Certificate”** means a certificate conforming to the requirements of Section 17.13, signed by a Chartered Accountant;
- (aa) **“Collateral”** means cash, a certified cheque or official bank draft of a Permitted Financial Institution, a Letter of Credit or Permitted Investments;
- (bb) **“Company”** means Great Lakes Power Limited, and includes any successor corporation permitted hereunder;
- (cc) **“Company Counsel”** means Torys LLP or any other firm appointed by the Company;
- (dd) **“Contingent Obligations”** means, as to any person, any obligation, whether secured or unsecured, of such person guaranteeing or indemnifying, or in effect guaranteeing or indemnifying, any indebtedness, leases, dividends, letters of credit or other obligations of any other person in any manner, whether directly or indirectly;
- (ee) **“Counsel”** means any firm of solicitors retained by the Trustee or retained by the Company and acceptable to the Trustee from time to time, acting reasonably, to act on behalf of the Trustee and the bondholders, and may be a person or firm regularly retained by the Company and, as of the date hereof, is McCarthy Tétrault LLP; notwithstanding the foregoing, the holders of the Senior Bonds (and the holders of Subordinate Bonds if there are no Senior Bonds) may, from time to time and by Ordinary Resolution, direct the Trustee to retain such firm of solicitors to act on behalf of the Trustee and the bondholders as is acceptable to them and to the Trustee;
- (ff) **“DBRS”** means Dominion Bond Rating Service Limited and its successors and assigns;
- (gg) **“Debenture”** means the \$1,000,000,000 demand debenture dated as of June 16, 2003 made by the Company in favour of the Trustee, as such debenture may be amended, restated or replaced from time to time;
- (hh) **“Debt Service”** means the aggregate amount of interest and principal paid or required to be paid by the Company in connection with all Bonds and other Indebtedness of the Company;
- (ii) **“Debt Service Reserve Account”** means the account in the name of the Trustee in trust for the Company established pursuant to Section 6.23 of this indenture and maintained and held as security for the benefit of the holders of Senior Bonds by the Trustee at a Permitted Financial Institution;
- (jj) **“Default”** means an event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, become an Event of Default;

- (kk) **“directors”** means the board of directors of the Company, or whenever duly empowered, the executive committee (if any) of the board of directors of the Company, and reference without more to action by the directors or by the board of directors shall mean action by the directors as a board or by the executive committee as such;
- (ll) **“Distribution”** means, in respect of the Company, any (i) distribution of any nature or kind, either directly or indirectly, to any Affiliate or shareholder of the Company or to any Non Arm’s Length Person including without limitation, a dividend or distribution in cash or specie; a purchase, redemption, reduction, return or any other payment of capital; or any repayment or reduction of loans or other indebtedness owing to an Affiliate or shareholder of the Company or to any Non Arm’s Length Person; (ii) loans or other payments to an Affiliate or shareholder of the Company or to any Non Arm’s Length Person, and (iii) payment for or on behalf of an Affiliate or shareholder of the Company or on behalf of any Non Arm’s Length Person by way of guaranty, indemnity or otherwise including in connection with any Affiliate Debt; but shall not include any payments made to any shareholder or Affiliate of the Company or to any Non Arm’s Length Person under any services, advisory or agency agreement disclosed to the Trustee and entered into on commercially reasonable terms and conditions and shall not include the issuance of shares by the Company to an Affiliate in satisfaction of indebtedness owing by the Company to such Affiliate;
- (mm) **“Distribution and Other Assets”** means the Company’s telecommunication business and its low-voltage distribution system that includes, without intending to be limiting, 11 distribution stations and approximately 1,700 km of low voltage lines;
- (nn) **“EBITDA”** of the Business for any period means the net income of the Business for such period before extraordinary gains or losses (such extraordinary gains to include, without limitation, (a) any gains in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), (b) any gains resulting from the write-up of assets, (c) any earnings of any person acquired by the Company through purchase, merger or consolidation or otherwise for any period prior to the date of acquisition, (d) any gains from the acquisition of securities or the retirement or extinguishment of Indebtedness, (e) any gains on collections from the proceeds of insurance policies or settlements, (f) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period, or (g) any income or gain during such period from any change in accounting principles, from any discontinued operations or the disposition thereof, from any extraordinary items or from any prior period adjustments, which in the aggregate will be deducted only to the extent they are positive) and before deducting interest, taxes (whether current or deferred), depreciation,

amortization and other non-cash deductions deducted in calculating such net income of the Business, all as determined in accordance with GAAP;

- (oo) **“Environmental Laws”** means all Applicable Laws, Notices and Permits in effect as at the date hereof and as may be brought into effect at a future date, with respect to environmental matters;
- (pp) **“Event of Default”** means an Event of Default as defined in Section 9.1 and shall include an Event of Default as defined in and created by any indenture supplemental hereto;
- (qq) **“Excluded Subsidiaries”** means BrasPower Equity Inc., First Toronto Equities Inc., Lake Superior Power Inc., Lake Superior Power Inc., Limited Partnership, Valerie Falls General Partner Limited, Valerie Falls Power, Limited Partnership and Western Pacific Powergen Corp.
- (rr) **“Existing Improvements”** means the office building, the control centre, the twelve completed hydro-electric power generating facilities and all sub-stations and all other buildings and Improvements in each case owned, licensed or leased by the Company and located on the Power Real Estate on the date hereof and used in connection with the Business;
- (ss) **“Extraordinary Resolution”** shall have the meaning ascribed thereto by Section 16.2;
- (tt) **“Fiscal Year”** means, in respect to the Company, each consecutive period of days commencing on January 1st in each year and ending on the last day of December next following, provided that the commencement date and expiry date of a fiscal year may be changed by the Company from time to time;
- (uu) **“Future Sites”** means any real property, including lands covered by water, of which the Company may become the owner or in which it may acquire rights where such property or rights are used in connection with the Business;
- (vv) **“GAAP”** means generally accepted accounting principles in Canada consistently applied which are in effect from time to time;
- (ww) **“GLPI”** means Great Lakes Power Inc., a corporation existing under the laws of the Province of Ontario;
- (xx) **“GLPI Guarantee”** means the agreement in favour of the Trustee made by GLPI in which (i) it guarantees the obligations of the Company pursuant to Section 6.8(ii)(a) hereof, it indemnifies the Trustee and the bondholders from any liabilities or damages arising from any breach by the Company of such obligations;

- (yy) **“Generation Assets”** means the hydroelectric power generation facilities owned by the Company located on the Power Real Estate and any additional power generation assets acquired by the Company from time to time;
- (zz) **“Good Utility Practices”** means the practices, methods and acts engaged in or adopted by a significant portion of the electric generation industry in Canada during the relevant time period as good practices applicable to hydroelectric facilities of similar design, size and capacity as those of the Company, or any of the practices, methods and acts which, in the exercise of reasonable judgment by a prudent hydroelectric facility owner in light of the facts known at the time the decision was made, would reasonably have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, environmental protection, economy, and expedition. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others, but rather practices, methods or acts generally accepted in the Canadian electric generation industry having regard to Applicable Laws;
- (aaa) **“Governmental Authority”** means any government, parliament, legislature, or any regulatory authority, agency, commission or board of any government, parliament or legislature, or any subdivision thereof, or any court or (without limitation to the foregoing) any other law, regulation or rule-making entity, having or purporting to have jurisdiction in the relevant circumstances, or any person acting under the authority of any of the foregoing (including, without limitation, any arbitrator with the authority to bind the parties at law) or any other authority charged with the administration or enforcement of Applicable Laws;
- (bbb) **“GSA”** means the general security agreement dated as of June 16, 2003 made by the Company in favour of the Trustee, as such agreement may be amended, restated or replaced from time to time;
- (ccc) **“Hazardous Substance”** means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws, including, but not limited to, any contaminants, pollutants, petroleum and other hydrocarbons and their derivatives and by-products, dangerous substances or goods, including asbestos, gaseous, solid and liquid wastes, special wastes, toxic substances, hazardous or toxic chemicals, hazardous wastes, hazardous materials or hazardous substances as defined in or pursuant to any Environmental Law;
- (ddd) **“Impair the Security”** means, in the case of Permitted Encumbrances, encumbrances which individually or in the aggregate will materially adversely impair the value of the Business or the Power Assets or materially interfere with the use of the Power Assets for the purposes for which they are held;

- (eee) **“Improvements”** means, collectively, the Existing Improvements and any Additions and includes all fixed machinery, plant, equipment, apparatus and fittings and other fixtures now or at any time hereafter owned by the Company and constructed, brought or placed upon the Power Real Estate or incorporated into the Existing Improvements or Additions, but excluding any part or parts thereof released, from time to time, from the Liens created by the Security;
- (fff) **“Included Subsidiary”** means 1228185 Ontario Limited;
- (ggg) **“Indebtedness”** of any person means (i) any indebtedness for money borrowed or raised and any interest thereon, (ii) any liability under any bond, note or other security or under any credit facility, (iii) accounts payable that are greater than 90 days in arrears and which are not being contested in good faith, (iv) any Capital Lease Obligation, (v) any Contingent Obligations, (vi) for the purpose of determining Indebtedness of the Company, any indebtedness, liability or obligation secured by a Lien on all or any of the Secured Assets whether or not the Company has assumed or become liable for the payment or performance thereof and (vii) any other obligation arising under arrangements or agreements that, in substance, provide financing to such person and which, in accordance with GAAP, would be classified upon a balance sheet as a liability (absolute or contingent) of such person; but, for greater certainty, shall not include deferred taxes, trade or account payables (other than as provided for in (iii) above) and accrued liabilities;
- (hhh) **“Independent Engineers’ Certificate”** means a certificate of an engineer duly licensed and qualified in the Province of Ontario and in the employ of an engineering firm of nationally recognized standing and reputation, selected by the Company, which engineer shall not be a director, officer or employee of the Company or any of the Company’s Affiliates and shall be at Arm’s Length with the Company;
- (iii) **“Insurance Consultant”** means In Tech Risk Management Inc., or such other insurance consultant from time to time retained by the Trustee;
- (jjj) **“Investment Dealer”** means any of Scotia Capital Inc., TD Securities Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. or any of their respective successors, or any other recognized investment dealer who is a member of the Investment Dealers’ Association of Canada (or any successor association thereto) selected by the Trustee and approved by the bondholders, as evidenced by an Ordinary Resolution of the holders of the Senior Bonds (or, if no Senior Bonds are then outstanding, by an Ordinary Resolution of the holders of the Subordinate Bonds);
- (kkk) **“Investment Dealer’s Certificate”** means a certificate conforming to the requirements of Section 17.13, signed by an Investment Dealer;



- (lll) **“Lands”** means the real property described in Schedule “A” upon which the Generation Assets or Transmission Assets are located;
- (mmm) **“Leasehold Sites”** means the real property and lands leased by the Company from time to time pursuant to the Water Leases, which existing lands are described in Schedule “B”;
- (nnn) **“Letter of Credit”** means an irrevocable and unconditional letter of credit in form and substance acceptable to the Trustee, upon receipt of advice of Counsel, issued by one of the Permitted Financial Institutions naming the Trustee as beneficiary thereunder on behalf of the holders of Senior Bonds, in the case of the Debt Service Reserve Account, and the holders of all Bonds, in the case of the Capital Expenditures Reserve Account;
- (ooo) **“Lien”** means, with respect to any person, any mortgage, lien, pledge, adverse claim, charge, deed of trust, lis pendens, security interest, hypothec or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such person under any conditional sale or other title retention agreement or capital lease or any similar type of agreement, upon or with respect to any property or asset of such person;
- (ppp) **“Maintenance Expenditures”** shall have the meaning ascribed to such term in Section 6.24;
- (qqq) **“Major Rating Agency”** means, any of S&P, DBRS or Moody’s or any of their respective successors or, if such rating agencies or their successors do not remain in existence, such nationally recognized statistical rating agency or other comparable person designated by the Trustee and approved by Ordinary Resolution of the holders of the Senior Bonds (and if no Senior Bonds are outstanding, by the holders of Subordinate Bonds);
- (rrr) **“Make Whole Amount”** means, with respect to any Bond, the excess, if any, of the then applicable Redemption Price of such Bond over the principal amount of such Bond;
- (sss) **“Material Adverse Change”** means any event or occurrence which results in a permanent and material loss of generating capability in respect to the Business including, without limitation, any such loss resulting from a loss of a Water Lease, the expropriation of any material portion of the Power Assets, or any other change that would reasonably be expected to result in a material adverse change to the financial condition or operation of the Business or the Power Assets or the Company’s ability to perform any of its obligations under this indenture or the Bonds;
- (ttt) **“Material Contracts”** means the contracts and agreements set out in Schedule “C” to this indenture and any other contracts and agreements entered into by the Company from time to time that are material to the operation or profitability of the Business;

- (uuu) **“Maturity Date”** for any Senior Bond means June 16, 2023 and, for any Subordinate Bond, means the maturity date applicable thereto specified in the indenture supplemental hereto creating such Subordinate Bond;
- (vvv) **“Minor Title Defects”** means title defects or irregularities which, (i) do not affect the validity of the Security, and (ii) are of a minor nature and, in the aggregate, will not materially impair the use of the Power Assets for the purpose for which they are held by the Company or materially impair the value of the Power Asset that is affected by such defects or irregularities;
- (www) **“Moody’s”** means Moody’s Investors Service, Inc. and its successors and assigns;
- (xxx) **“Non Arm’s Length Person”** shall mean any person who does not deal at Arm’s Length with the Company within the meaning of such concept as used in the Income Tax Act (Canada).
- (yyy) **“Notice”** means any citation, Order, claim, litigation, inspection report, investigation report, complaint, proceeding, judgment, letter or other communication, written or oral, from any Governmental Authority;
- (zzz) **“Officers’ Certificate”** means a certificate in writing signed by any two of the Chairman of the Board, the President, Chief Financial Officer, Chief Executive Officer, a director, a Vice-President, the Treasurer, the Secretary, an Assistant Secretary or an Assistant Treasurer, and conforming *mutatis mutandis* to Section 17.13 of this indenture;
- (aaaa) **“Operating Plan”** means the Company’s operating plan for the forthcoming Fiscal Year in respect of the Business which shall include for such Fiscal Year each of the following:
- (i) an annual budget including a forecast of projected revenues, expenses and capital expenditures;
  - (ii) a monthly production plan which forecasts net electric energy generation;
  - (iii) an annual forecast of the capital expenditure projects, on a project-by-project basis, including the name of each capital expenditure project to be undertaken that has a cost in excess of \$250,000 and the estimated cost thereof, and the estimated total cost of all other capital expenditure projects;
  - (iv) a description of the maintenance plan for such Fiscal Year.
- (bbbb) **“Operative Documents”** means:

- (i) this indenture, the Material Contracts, the Bond Purchase Agreements and the Security Agreements; and
  - (ii) any other indentures, undertakings and other agreements material to the Business or the Power Assets delivered or to be delivered to the Trustee in accordance with the terms hereof,
  - (iii) and when used in relation to any person, the term "Operative Documents" shall mean and refer to the Operative Documents executed and delivered by such person;
- (cccc) **"Opinion of Company Counsel"** means an opinion in writing, conforming to the requirements of Section 17.13, signed by Company Counsel;
- (dddd) **"Opinion of Counsel"** means an opinion or opinions in writing, conforming to the requirements of Section 17.13, signed by Counsel;
- (eeee) **"Orders"** means all applicable orders, decisions, directives, declarations, decrees, injunctions, writs, judgements, rulings, awards or requirements made or rendered by any Governmental Authority and having the force of law, and includes, without limitation, any environmental orders;
- (ffff) **"Ordinary Resolution"** means in respect of either the Senior Bonds, the Subordinate Bonds or all Bonds (as may be specified in this indenture), a resolution (i) passed at a duly convened meeting of bondholders by favourable votes of the holder or holders of more than 50% of the outstanding principal amount of such Senior Bonds, Subordinate Bonds or Bonds, respectively, present in person or by proxy or (ii) evidenced by an instrument in writing signed by the holder or holders of more than 50% of the outstanding principal amount of such Senior Bonds or Subordinate Bonds or Bonds, respectively. An Ordinary Resolution, adopted in accordance with the provisions of this indenture, shall be binding upon all the holders of Senior Bonds or Subordinate Bonds, as applicable, and the Trustee shall be bound to give effect thereto accordingly;
- (gggg) **"Permits"** means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges and exemptions or any item with a similar effect as the foregoing issued or granted by any Governmental Authority or by any other third party, including, without limitation, environmental Permits;
- (hhhh) **"Permitted Encumbrances"**, as of any particular time, constitute any of the following in respect of the Secured Assets or any part thereof:
- (i) liens, charges or prior claims for taxes (which term includes charges, rates and assessments) or utilities (including levies or imposts for sewers and other municipal utility services) not yet due or if due, the validity of which is being contested in good

faith and in respect of which the Company shall have set aside adequate reserves for the payment of such disputed amounts (together with any interest or penalties accrued thereon), and no sale or forfeiture proceedings will have been taken in respect thereof;

- (ii) the Lien of any judgment for a liquidated amount rendered, or claim filed, against the Company which the Company shall be contesting in good faith and in respect of which Collateral has been deposited with the Trustee in an amount sufficient to pay such judgment or claim together with any interest thereon and costs in respect thereto;
- (iii) the rights reserved to or vested in any municipality or Governmental Authority by any statutory provision;
- (iv) zoning (including, without limitation, airport zoning regulations), use and building by-laws and ordinances and federal, provincial or municipal by-laws and regulations as to the use of the Secured Assets, which do not materially interfere with the use of the Secured Assets for the purposes for which they are held or the value thereof;
- (v) subdivision, site plan control, development, reciprocal, servicing, facility, facility cost sharing or similar agreements currently existing or entered into with a Governmental Authority, from time to time in respect of the Secured Assets which, do not materially interfere with the use of the Secured Assets for the purposes for which they are held; encumbrances respecting encroachments by the Secured Assets or any facilities of or used in connection with the Secured Assets over neighbouring lands and permitted under agreements with the owners of such lands, provided they have been complied with, are in good standing and any security required under the agreements has been given to the municipality;
- (vi) encumbrances respecting encroachments by facilities on neighbouring lands over the Secured Assets which do not materially interfere with the use thereof for the purposes for which the Power Assets are held;
- (vii) permits, licenses, agreements, easements (including, without limitation, heritage easements and agreements relating thereto), restrictions, restrictive covenants, reciprocal rights, rights-of-way, public ways, rights in the nature of an easement and other similar rights in land granted to or reserved by other persons (including, without in any way limiting the generality of the

foregoing, permits, licenses, agreements, easements, rights-of-way, sidewalks, public ways, and rights in the nature of easements or servitudes for sewers, drains, steam, gas and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables) or which are contemplated or provided for or which the Company is bound to enter into pursuant to any subdivision, development, site plan control or similar agreement in respect of any part of the Secured Assets which in the aggregate do not materially impair the value of the Secured Assets or materially interfere with the use thereof for the purposes for which they are held;

- (viii) any encumbrance of any nature whatsoever charging the interest of persons (other than the Company) under any permit, licence, agreement, easement, restriction, restrictive covenant, right-of-way, public way, right in the nature of an easement or other similar rights in land;
- (ix) undetermined or inchoate liens and charges to current construction or current operations, a claim for which will not at the time have been filed against the Lands or of which the Trustee has not received notice;
- (x) any construction, builders', mechanics', labourers', materialmen's, statutory or other similar privileges or Liens in respect of which Collateral in an amount equal to such Liens and all costs required to discharge the same has been deposited with the Trustee or is otherwise provided for in accordance with the Construction Lien Act (Ontario);
- (xi) security given to a public utility or any municipality or Governmental Authority when required by the operations of the Company in the ordinary course of business, including, without limitation, the right of the municipality to acquire portions of any Lands for road widening or interchange construction and the right of the municipality to complete improvements, landscaping or remedy deficiencies in any traffic control or monitoring to be provided to the Generation Assets;
- (xii) Minor Title Defects;
- (xiii) any subsisting reservations, limitations, provisions and conditions contained in any original grants from the Crown of any land or interests therein, reservations of undersurface rights to mines and minerals of any kind;

- (xiv) statutory reservations and exceptions to title set forth in Section 44 of the Land Titles Act (Ontario) save and except paragraph 11 thereof and otherwise modified as provided in this definition;
- (xv) any and all statutory liens, charges, adverse claims, prior claims, security interests, deemed trusts or other Liens of any nature whatsoever claimed or held by Her Majesty the Queen in Right of Canada, Her Majesty the Queen in Right of the Province of Ontario, or by any other Governmental Authority under or pursuant to any applicable legislation, statute or regulation securing indebtedness not yet due or delinquent which in the aggregate do not materially impair the value of the Secured Assets or materially interfere with the use thereof for the purposes for which they are held;
- (xvi) the reservation of mining rights to the Algoma Central Railway in respect of Parcel 2028 Algoma West Section, Parcel 2029 Algoma West Section, Parcel 2188 Algoma West Section, Parcel 9660 Algoma West Section, Parcel 212 Algoma Central Railway Lands and the right of Algoma Central Railway at any time in the future to take and acquire portions of the said parcels for the right of way of a railway and other railroad;
- (xvii) the right of way to the International Bridge Authority of Michigan over Parts 4 and 8, Plan 1R 4438 and over Part of Parcel 996, Algoma West Section;
- (xviii) any reference plans or plans registered pursuant to the Boundaries Act (Ontario);
- (xix) the reservation of mining rights to the Algoma Central Railway in respect of Parcel 2028 Algoma West Section, Parcel 2029 Algoma West Section, Parcel 2188 Algoma West Section, Parcel 9660 Algoma West Section, Parcel 212 Algoma Central Railway Lands and the right of Algoma Central Railway at any time in the future to take and acquire portions of the said parcels for the right of way of a railway and other railroad purposes;
- (xx) the right of way to the International Bridge Authority of Michigan over Parts 4 and 8, Plan 1R-4438 and over Part of Parcel 996, Algoma West Section;
- (xxi) a lease of 1,500 square feet more or less in favour of Her Majesty the Queen in right of Canada represented by the Minister of Transport over Part of Parcel 9099, Algoma West Section, for front range light;

- (xxii) an easement for a steam transmission line to Lake Superior Power Limited Partnership over, in, under and through a strip of land more particularly described therein and being part of Parcel 996 in the Register for Algoma West Section and parts of St. Mary's Island, the Water Lots adjacent to St. Mary's Island and the Laird and Henderson Mill Site registered as Instrument Numbers 200701 and T-367959, respectively;
  - (xxiii) an easement for an underwater electricity transmission line to Lake Superior Power Limited Partnership over, in, under and through a strip of land more particularly described therein and being part of Parcels 996, 1954 and 6994 all in the Register for Algoma West Section and part of the Laird and Henderson Mill Site, St. Mary's Island and the Water Lots adjacent to St. Mary's Island registered as Instrument Numbers 200700 and T-367959;
  - (xxiv) a lease of 1,500 square feet more or less in favour of Her Majesty the Queen in right of Canada represented by the Minister of Transport over Part of Parcel 9099, Algoma West Section, for front range light;
  - (xxv) licenses, leases, easements or similar rights permitted pursuant to Section 6.10(3) and Section 7.6 hereunder;
  - (xxvi) Purchase Money Security Interests otherwise permitted by this indenture which for greater certainty shall not exceed, in the aggregate, \$5,000,000; and
  - (xxvii) the Security;
- (iii) **"Permitted Financial Institution"** means any of the five largest Canadian chartered banks, provided that the senior unsecured indebtedness of such bank is rated at least AA(low) by the Rating Agency or, if none of the Canadian Banks meet such threshold, such lower rating as may be approved from time to time by the holders of Senior Bonds (or if no Senior Bonds are outstanding, holders of Subordinate Bonds) pursuant to an Ordinary Resolution;
- (jjj) **"Permitted Investments"** means any bonds, debentures, notes, bills of exchange, securities or other evidences of indebtedness (including specific interest and principal payments thereof) that have a term to maturity not exceeding 2 years and which are issued or guaranteed by: (i) the Government of Canada; (ii) any Province of Canada, provided that such instruments are rated by DBRS at least AA(low) for long-term debt or R-1(mid) for short-term debt or the equivalent thereof by another Major Rating Agency or such other rating as may be approved by the holders of the Senior Bonds (or if no Senior Bonds are outstanding, holders of the Subordinate Bonds) from time to time pursuant to an Ordinary Resolution; or (iii) any of the five largest

Canadian chartered banks, provided that the senior unsecured indebtedness of such bank is rated at least AA(low) by DBRS or the equivalent thereof by another Major Rating Agency or such other rating as may be approved by the holders of the Senior Bonds (or if no Senior Bonds are outstanding, holders of the Subordinate Bonds) from time to time pursuant to an Ordinary Resolution;

- (kkkk) **“person”** means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, provincial, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof);
- (llll) **“Pledge Agreement”** means the share pledge agreement dated as of June 16, 2003 made by the Company in favour of the Trustee, as such agreement may be amended, restated or replaced from time to time;
- (mmmm) **“Power Assets”** means collectively, without duplication, any and all rights of the Company of any nature or kind, whether now or hereafter acquired, in:
- (i) the Power Real Estate;
  - (ii) the Improvements;
  - (iii) the Generation Assets;
  - (iv) the Transmission Assets;
  - (v) all intellectual property and intangible property (including, without limitation, software) of every nature or kind used in connection with the Business;
  - (vi) all buildings, plants, constructions, reservoirs, sub-stations, dams, flumes, canals, channels, equipment, machinery, generators, turbines, transformers, motor vehicles, computer hardware and other personal property located from time to time on the Power Real Estate, and all power generation and transmission systems and lines, poles, wires and all other personal property, in each case owned, leased or licensed by the Company and used in connection with the Business, whether such interests are now or hereafter acquired by the Company;
  - (vii) the Water Leases; and
  - (viii) all remaining property, assets, rights, licenses, franchises and undertaking of the Company relating to any of the foregoing and used in connection with the Business.



- (nnnn) **“Power Real Estate”** means, collectively, the Lands, the Leasehold Sites, the Future Sites and the Transmission Property Rights;
- (oooo) **“Purchase Money Security Interest”** means a Lien created by the Company securing indebtedness incurred to finance the unpaid acquisition price of personal property provided that (i) such Lien is created prior to or concurrent with the acquisition of such property, (ii) such Lien does not at any time encumber any other property of the Company other than the property so acquired and the proceeds thereof, (iii) the amount of such indebtedness secured thereby is not increased subsequent to such acquisition, (iv) the principal amount of indebtedness secured by any such Lien at no time exceeds 100% of the original purchase price of such property at the time it was acquired and (v) the asset subject to such Lien, if reclaimed by the person holding such Lien, will not impair the ability of the Company to continue to carry on the Business;
- (pppp) **“Rating Agency”** means DBRS, provided that if DBRS or any of its successors does not remain in existence, **“Rating Agency”** will refer to such other Major Rating Agency as is designated by the Trustee, notice of which designation will be given in writing to the Company, and thereafter, the specific ratings referred to herein will be deemed to refer to the equivalent ratings of the Major Rating Agency so designated;
- (qqqq) **“Rating Condition”** means that (i) the Rating Agency has received at least 30 days prior written notice of the proposed action (or such shorter period as it may accept); and (ii) the Trustee has received confirmation in writing from the Rating Agency that, after giving effect to the proposed action, the rating ascribed to the Senior Bonds by such Rating Agency immediately prior to the proposed action will not be qualified, downgraded or withdrawn as a consequence of the proposed action;
- (rrrr) **“Receiver”** shall have the meaning ascribed to such term in Section 10.2;
- (ssss) **“Receiver’s Certificate”** has the meaning ascribed to it in paragraph 10.4(e);
- (tttt) **“Redemption Date”** means, in respect of any redemption of Bonds, the date (which shall be a business day) specified in the notice of such redemption as the date on which such Bonds shall be redeemed;
- (uuuu) **“Redemption Price”** means, in respect of any series of Bonds, the redemption price or prices applicable to such Bonds specified in the indenture supplemental hereto creating such Bonds;
- (vvvv) **“Regulations”** means all rules, regulations, by-laws or any requirement with a similar effect as the foregoing promulgated by Governmental Authorities under or pursuant to Applicable Laws, including, without limitation, environmental regulations and dam safety regulations;

- (www) **“Release”** means a releasing, adding, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, dispersing, dispensing, disposing, depositing, spraying, inoculating, abandoning, throwing, placing, exhausting or dumping, and “Released” has a comparable meaning;
- (xxx) **“Replacement Cost”** means, with respect to any property, the cost of repairing, replacing or reinstating such property with materials of like kind and quality and for like occupancy (where applicable) on a same or similar site, in accordance with the requirements of any applicable municipal by-law up to a value and condition not less than the value and condition that such property was in prior to the event requiring the repair, replacement or reinstatement (assuming that such property was at such time in the condition required by the terms of this indenture);
- (yyy) **“S&P”** means Standard & Poor’s Rating Service and its successors and assigns;
- (zzz) **“Secured Assets”** means, collectively, at any time and from time to time (subject to the applicable Security Agreements providing for appropriate and necessary terms to address any restrictions that may exist on the ability to grant Liens over such assets), all property, undertaking and assets of the Company used in connection with the Business and which shall include (without intending to be limiting);
- (i) the Power Assets and all books and records relating thereto;
  - (ii) all Accounts Receivable or other amounts owing by any person to the Company in connection with the Business or arising from or relating to any portion of the Power Assets;
  - (iii) any Collateral at any time deposited with the Trustee (or an agent appointed by the Trustee) pursuant to the terms of this indenture or any Security Agreement;
  - (iv) all cash generated at any time or from time to time from the Business or the use of the Power Assets and all such cash converted into Permitted Investments;
  - (v) all other property or assets of the Company used in connection with the Business which may at any time or from time to time be mortgaged, pledged and charged pursuant to the terms of the Security Agreements;
  - (vi) all Material Contracts;
  - (vii) all collateral pledged pursuant to the Pledge Agreement;

- (viii) all leases, licences and permits at any time or from time to time relating to the ownership, operation or maintenance of the Business and the Power Assets;
- (ix) all cash at any time or from time to time in the Cash Collateral Accounts; and
- (x) all insurance proceeds and expropriation proceeds arising at any time or from time to time from or relating to the Business and the Power Assets;
- (aaaaa) **“Securities”** shall have the meaning attributed to such term in the *Securities Act* (Ontario), as amended or substituted therefor from time to time;
- (bbbbb) **“Security”** means the Liens created and the security granted pursuant to the Security Agreements over and in respect to the Secured Assets;
- (ccccc) **“Security Agreements”** means the Debenture, the GSA, the Pledge Agreement, the Assignment of Material Contracts, the Assignment of Insurance, the GLPI Guarantee, the Subsidiary Guarantee and all other security (including all cash on deposit and additional letters of credit) now or hereafter delivered to the Trustee by or on behalf of the Company;
- (ddddd) **“Senior Bonds”** means senior bonds of the Company issued or to be issued hereunder from time to time in one or more series which are outstanding and entitled to the benefit of the Security and includes the Series 1 Bonds and the Additional Bonds;
- (eeeee) **“Series 1 Senior Bonds”** means the Series 1 Senior Bonds to be issued pursuant to a supplemental indenture immediately subsequent to the execution of this indenture;
- (fffff) **“Shikwamkwa Dam”** means the earth-fill structure at the Hollingsworth reservoir on the Michipicoten River;
- (ggggg) **“Subordinate Bond Event of Default”** means the occurrence of any of the events identified in 9.1(c), (d), (g), (h), (i), (j) and (k);
- (hhhhh) **“Subordinate Bonds”** means subordinate bonds of the Company issued or to be issued hereunder from time to time in one or more series which are outstanding and entitled to the benefit of the Security but which are subordinated to the Senior Bonds in accordance with the terms hereof;
- (iiiiii) **“Subsidiary Guarantee”** means the guarantee dated as of June 16, 2003 made by the Included Subsidiary in favour of the Trustee, as such agreement may be amended, restated or replaced from time to time;

- (jjjj) **“this indenture”, “this trust indenture”, “this deed of trust and mortgage”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder”,** and similar expressions refer to this deed of trust and not to any particular Article, Section or other portion hereof and include any and every instrument or indenture supplemental or ancillary hereto or in implementation hereof: and references to a particular Schedule, Article or Section mean such Schedule, Article or Section hereof;
- (kkkkk) **“Transmission Assets”** means the power transmission system owned and operated by the Company including all transmission stations, lines, poles, wires, equipment and property used by the Company in connection with the Company’s transmission system including, without limitation, the Transmission Property Rights;
- (lllll) **“Transmission Property Rights”** means the easements, leases and other rights in land described in Schedule F and any future easements, leases and other rights in land acquired by the Company and used in connection with the Company’s power transmission system;
- (mmmmm) **“Trust Indenture Legislation”** means, at any time, the provisions of any statute of Canada or any province thereof and the regulations thereunder, relating to trust indentures and the rights, duties and obligations of trustees under trust indentures and of corporations issuing debt obligations under trust indentures, to the extent that such provisions are at such time in force and applicable to this indenture;
- (nnnnn) **“Trust Moneys”** has the meaning attributed to such term in Section 8.1;
- (ooooo) **“Trustee”** means CIBC Mellon Trust Company, as trustee for the benefit of the bondholders and includes any successor trustee appointed in accordance with the terms of Article 14;
- (ppppp) **“Unanimous Resolution”** means in respect of the Senior Bonds or the Subordinate Bonds, all Bonds or any series thereof (as may be specified in this indenture), a resolution (i) passed at a duly convened meeting of bondholders holding such Bonds by favourable votes of the holder or holders of not less than 100% of the outstanding principal amount of such Bonds, present in person or by proxy, or (ii) evidenced by an instrument in writing signed by the holder or holders of not less than 100% of the outstanding principal amount of such Bonds;
- (qqqqq) **“United States Dollars” or “US\$”** means such currency of the United States of America which at the time of payment or determination shall be legal tender for the payment of public or private debts in immediately available funds;

- (rrrrr) **“United States of America”** means the United States of America (including the states and the District of Columbia), its territories, possession and other areas subject to its jurisdiction;
- (sssss) **“used in connection with the Business”** means used (whether partially or exclusively) in the Business and includes any real or personal (tangible or intangible) property that is used by the Company not only in the Business but also in any other business of the Company or any other person.
- (ttttt) **“Water Leases”** means all water power lease agreements, water licenses, licenses of occupation, water rights and franchises from time to time entered into by the Company with, or granted to the Company by, any person permitting the Company to (i) use the water flow in the river systems used by the Improvements; (ii) flood lands in the river system and/or (iii) store water in the river system, including, without limitation the agreements listed in Schedule E hereto; and
- (uuuuu) **“Written Order”, “Written Request” and “Written Consent”** of the Company shall mean a written order, request or consent signed in the name of the Company by any two of the Chairman of the Board, Chief Financial Officer, Chief Executive Officer, the President, a Vice-President, the Treasurer, the Secretary, an Assistant Treasurer or an Assistant Secretary of the Company, or by any two directors of the Company.

## **Section 1.2 Interpretation**

Words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender and words importing persons shall include firms and corporations, and vice versa. References to any statute herein includes such statute as amended, revised, re-enacted and/or consolidated from time to time and any successor statute thereto, and includes any regulations promulgated thereunder from time to time.

## **Section 1.3 Headings and Table of Contents**

The headings of all the Articles and Sections hereof and the Table of Contents are inserted for convenience of reference only and shall not affect the construction or interpretation of this indenture.

## **Section 1.4 Governing Law**

This indenture and the Bonds shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as Ontario contracts.

### **Section 1.5 Amounts of Money Expressed in Lawful Money of Canada**

Unless specifically otherwise provided herein or in any indenture supplemental hereto, all references to dollar amounts herein or other money amounts herein are expressed in terms of lawful money of Canada.

### **Section 1.6 Invalidity of Provisions**

Each of the provisions contained in this indenture or the Bonds and the Liens created by the Security in each parcel of the Power Real Estate is distinct and severable and a declaration of invalidity or unenforceability of any such provision, charge or security interest by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof or thereof or any charge or security interest in any other parcel of the Power Real Estate.

### **Section 1.7 Meaning of "outstanding" for Certain Purposes**

Every Bond certified and delivered by the Trustee hereunder shall be deemed to be outstanding until it shall be cancelled or delivered to the Trustee for cancellation, or a new Bond shall be issued in substitution therefor under Section 2.10 provided that:

- (a) where a new Bond has been issued in substitution for a Bond which has been lost, stolen or destroyed, only one of such Bonds shall be counted for the purpose of determining the aggregate principal amount of Bonds outstanding; and
- (b) for the purpose of any provision of this indenture entitling bondholders to vote, sign consents, requests or other instruments or take any other action under this indenture, Bonds owned directly or indirectly, legally or equitably, by the Company or any Affiliate shall be disregarded provided that:
  - (i) the Trustee shall have the right to obtain written confirmation from bondholders that they are not an Affiliate of the Company prior to relying on any such vote, consent, request or other instrument or other action; and
  - (ii) Bonds so owned which have been pledged in good faith other than to the Company or an Affiliate shall not be so disregarded if the pledgee establishes, to the satisfaction of the Trustee, the pledgee's right to vote such Bonds in his discretion free from the control of the Company or an Affiliate.

### **Section 1.8 Currency Conversion**

Wherever it shall be necessary or appropriate for the purpose of making any determination or calculation hereunder to notionally convert into Canadian Dollars an amount in United States Dollars, such conversion shall be made on the basis of the noon buying rate for United States Dollars with Canadian Dollars as reported by the Federal Reserve Bank in New York on the date as of which such conversion is to be made; provided, however, that if the purpose of such conversion is to determine compliance by the Company with any covenant or

limitation contained herein, such conversion shall take into account (if, and to the extent, permitted in accordance with GAAP) any hedge contract to which the Company is a party at the date of which such conversion is to be made and which applies to the United States Dollar obligation to be converted; but provided further, however, that with respect to any series of Additional Bonds or Subordinate Bonds in United States Dollars, no contract price may be applied as aforesaid unless the applicable hedge contract is in place on the date of issue of such Additional Bonds.

## **ARTICLE 2** **THE BONDS**

### **Section 2.1 Limitation on Outstanding Bonds**

The aggregate principal amount of Senior Bonds authorized to be outstanding under this indenture is unlimited. The aggregate principal amount of Subordinate Bonds authorized to be outstanding under this indenture is unlimited. In accordance with Section 6.2(ii)(c), the principal amount of Subordinate Bonds when issued shall not be in excess of 30% of the aggregate principal amount of all Senior Bonds then outstanding. All Bonds issued hereunder shall be subject to the terms and conditions herein provided.

### **Section 2.2 Issuance in Series and Form**

The Bonds may be issued in one or more series, subject to compliance with the provisions and conditions hereinafter set forth. The Bonds of each such series shall bear such date or dates, shall bear interest at such rate or rates, may be issued in such denominations, may be redeemable before maturity in such manner and subject to payment of such Make Whole Amount or premium or without premium, may be payable in lawful money of Canada or such other currencies, may provide for such sinking fund or funds (if any), may contain such provisions for the exchange or transfer of Bonds of differing denominations and forms and may contain such other provisions, not inconsistent with the provisions of this indenture, as may be determined by the Company at or prior to the time of issue thereof and expressed in an indenture supplemental hereto providing for the issuance of the Bonds of such series and (to such extent as the Company may deem appropriate) in the Bonds of such series. At the option of the Company, the maximum principal amount of Bonds of any series may be limited as may be expressed in an indenture supplemental hereto providing for the issuance of the Bonds of such series and in the Bonds of such series.

The Bonds of any series may be of different denominations and forms and may contain such variations of tenor and effect as are incidental to such differences of denomination and form including variations in the provisions for the exchange of Bonds of different denominations or forms and in the provisions for the registration or transfer of Bonds, and any series of Bonds may consist of Bonds having different dates of issue, different rates of interest, different redemption prices (if any), different dates of maturity (subject to no Bonds maturing prior to June 16, 2023), different sinking fund provisions (if any) and may consist partly of Bonds carrying the benefit of a sinking fund or funds (subject to the terms of this indenture) and partly of Bonds with no sinking fund or funds.

Subject to the foregoing provisions, any of the Bonds may be issued as part of any series of Bonds previously issued, in which case they shall bear the same designation and designating letters as have been applied to such similar prior issue and shall be numbered consecutively upwards in respect of each denomination of Bonds in like manner and following the numbers of the Bonds of such prior issue.

Notwithstanding anything contained herein to the contrary, all of the Senior Bonds shall mature on the Maturity Date and all of the Subordinate Bonds shall mature on or subsequent to the Maturity Date of the Senior Bonds.

### **Section 2.3 Form of Bonds**

Any series of Bonds which may at any time be issued hereunder, the coupons (if any) appertaining thereto and the certificate of the Trustee endorsed on such Bonds may be in such form or forms as the Company shall determine at the time of the first issue of any series or part of any series of such Bonds and as shall be approved by the Trustee.

The Bonds of any series may be typewritten, engraved, lithographed, printed or photocopied or partly in one form and partly in another as the Company may determine.

### **Section 2.4 Signature**

Except as otherwise permitted or required with respect to any Bonds by the indenture supplemental hereto creating such Bonds, all such Bonds shall be signed (either manually or by facsimile signature) by the Chairman of the Board, the President, a Vice-President, Senior Vice-President, a director, the Treasurer, the Secretary, an Assistant Treasurer or an Assistant Secretary of the Company holding office at the time of signing. In the event of the Trustee receiving a request for the issue of a new Bond pursuant to Section 2.7 or Section 2.10, if the Trustee shall have requested signature by the Company of such new Bond and the Company shall not have signed and delivered the same to the Trustee for certification within 10 days of a request by the Trustee therefor, the Trustee shall be entitled (but not obligated) to sign the same by its duly authorized officers on behalf of the Company, the Company hereby irrevocably appointing the Trustee its attorney for such purposes. A facsimile signature upon any of the Bonds shall, for all purposes of this indenture, be deemed to be the signature of the person whose signature it purports to be and to have been signed at the time such facsimile signature is reproduced and notwithstanding that any such person whose signature, either manual or in facsimile, may appear on the Bonds is not, at the date of this indenture or at the date of the Bonds or at the date of the certifying and delivery thereof, the Chairman of the Board, the President, a Vice-President, a Senior-Vice President, a director, the Treasurer, the Secretary, an Assistant Treasurer or an Assistant Secretary, as the case may be, of the Company, such Bonds shall be valid and binding upon the Company and entitled to the Security.

### **Section 2.5 Certification**

No Bond shall be issued until it has been certified by or on behalf of the Trustee in a form referred to in Section 2.3. Such certificate shall be conclusive evidence that such Bond is duly issued and is entitled to the benefits hereof and is secured by the Security. The certificate of the Trustee on any Bond shall not be construed as a representation or warranty by the Trustee



as to the validity of this indenture or of such Bond. The certificate of the Trustee on any Bond shall, however, be a representation and warranty by the Trustee that such Bond has been duly certified by or on behalf of the Trustee pursuant to the provisions of this indenture.

### **Section 2.6 Bonds Equally Secured by Security**

(1) All Senior Bonds as soon as issued and certified in accordance with this indenture shall be secured equally and rateably by the Security and shall rank *pari passu* in respect to payments upon a distribution of proceeds from any sale or realization of the Secured Assets without discrimination or preference with all other Senior Bonds as if all of the Senior Bonds had been issued and certified simultaneously.

(2) The Subordinate Bonds shall be secured by the Security but shall be subordinate to the Senior Bonds in accordance with the terms of this indenture. All Subordinate Bonds as soon as issued and certified in accordance with this indenture shall be secured equally and rateably by the Security and shall rank *pari passu* in respect to payments upon a distribution of proceeds from any sale or realization of the Secured Assets without discrimination or preference with all other Subordinate Bonds, as if all of the Subordinate Bonds had been issued and certified simultaneously.

### **Section 2.7 Registration: Transfer: Exchange**

The Trustee shall keep or cause to be kept by and at the principal office of the Trustee in the City of Toronto, Ontario and at such other place or places or by such other registrar or registrars as the Company may designate or appoint, with the approval of the Trustee, registers in which shall be alphabetically entered the names and addresses including the street and number (if any), of the holders of all Bonds and of all transfers of Bonds.

No transfer of a Bond shall be valid unless the transferee and the balance of the unpaid principal amount of the Bond on the date of registration of the transfer is noted by the Trustee on the registration panel on the Bond and unless made on such transfer register by the registered holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee. The holder of a Bond may at any time and from time to time have such Bond transferred or have such Bond exchanged for Bonds of any other authorized denominations in an equivalent aggregate principal amount, at any of the places where a register of transfers is kept, in accordance with such reasonable regulations as the Trustee may prescribe. Without limiting the foregoing, any transfer of a Bond must be made in accordance with applicable securities legislation. The Trustee may act and rely on a opinion of counsel of the transferor that a transfer of a Bond is in accordance with applicable securities legislation.

Neither the Company nor the Trustee nor any registrar shall be required:

- (a) to make transfers or exchanges of any Bonds for a period of 10 business days next preceding any scheduled repayment of principal or interest payment date pertaining to such Bonds;

- (b) to make any transfer or exchange of any Bond to reflect an assignment of such Bond in an amount less than \$200,000 unless such lesser amount reflects all of the bondholders ownership interest in respect to the Bonds;
- (c) to make exchanges of any Bonds on the day of any selection by the Trustee of such Bonds to be redeemed or until the date that the notice of redemption is mailed; or
- (d) to make exchanges of any Bonds which have been selected or called for redemption, unless upon due presentation thereof for redemption such Bonds shall not be redeemed.

The Trustee, when requested to do so by the Company or a bondholder, upon receipt of such reasonable documentation as the Trustee may require, shall furnish the Company or a bondholder with a list of the names alphabetically arranged and the last known address of each person who is a holder of Bonds, and the outstanding principal amount of such Bonds held by each holder. The Trustee shall furnish the Company with the date and particulars of the issue and transfer of each Bond as soon as reasonably practicable after the date such transfer is noted by the Trustee.

Such registers shall at all reasonable times be open for inspection by the Company, the Trustee, any bondholder and any other person entitled thereto by law. Neither the Trustee nor any registrar for any of the Bonds nor the Company shall be charged with notice of or be bound to see the execution of any trust, express, implied or constructive, in respect of any Bond and may transfer the same on the direction of the holder thereof, whether named as trustee or otherwise, as though that person were the beneficial owner thereof.

Except as herein otherwise provided, in every case of exchange of Bonds or any transfer of Bonds, the Trustee or other registrar may, subject to Applicable Law, make a sufficient charge to reimburse it for any stamp tax or other governmental charge required to be paid, and in addition a reasonable charge for its services for every Bond issued upon such exchange or transfer, and payment of the said charges shall be made by the Company.

## **Section 2.8 Payment**

The person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes of this indenture. Payment of or on account of the principal, interest and Make-Whole Amount (if any) and premium (if any) of and on such Bond shall be made only to such registered holder thereof and such payment shall be good and sufficient discharge of the liability of the Company and the Trustee for the amounts paid.

Unless otherwise provided with respect to any particular series of Bonds in the supplemental indenture authorizing the creation and issue of such series of Bonds, as the principal and interest on such Bonds becomes payable (except principal and interest payable at maturity or on redemption, which shall be paid on such maturity or redemption upon presentation and surrender of such Bonds for payment) the Company shall at the request of the registered holder of Bonds, on the date on which principal and interest on such Bonds becomes due (or if such date is not a business day, the first business day preceding such day) either,

(i) forward or cause to be forwarded by prepaid post to the holder for the time being, or, in the case of joint holders, to one of such joint holders, at his address appearing on the appropriate register hereinbefore mentioned one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders and negotiable at par at each of the places at which interest on the Bonds is payable or (ii) effect a wire transfer of immediately available funds to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due. Any amount received after such time shall be deemed received on the next business day and interest shall accrue on such amount until receipt thereof. The forwarding of such cheque or cheques or implementation of such wire transfer shall satisfy and discharge the liability for such payment to the extent of the sums represented thereby unless such cheque is not paid on presentation or is lost or destroyed or such wire transfer is not received on or prior to the applicable payment date. In the event of the non-receipt of any such cheque by the holder, or the loss or destruction thereof, the Company or the Trustee, upon being furnished with evidence of such non-receipt, loss or destruction and indemnity satisfactory to it, acting reasonably, shall issue or cause to be issued to such holder a replacement cheque for the same amount. Interest in respect of the principal amount of the Bonds will cease to accrue from the due date thereof unless payment of principal or interest thereon, as the case may be, is improperly withheld or refused.

The holder for the time being of any Bond shall be entitled to the principal and interest evidenced thereby, free from all equities or rights of set off or counterclaim between the Company and the original or any intermediate holder thereof (except any equities of which the Company is required to take notice by statute or by order of a court of competent jurisdiction) and all persons may act accordingly, and the payment to any such holder of any such principal or interest will be a good discharge to the Company and the Trustee for the same, and neither the Company nor the Trustee nor any registrar will be bound to enquire into the title of any such holder (except as aforesaid).

Subject to Section 2.11, payment of principal at maturity of the Bonds, Make-Whole Amount (if any) and premium (if any) on the Bonds shall be made only upon presentation of the Bond to the Trustee for cancellation.

The registered holder for the time being of any Bond shall be entitled to the outstanding balance of the principal moneys, interest, Make-Whole Amount (if any) and premium (if any) thereon, free from all equities or rights of set-off or counter-claim between the Company and the original or any intermediate holder thereof and all persons may act accordingly, and a transferee of a Bond shall, after the appropriate form of transfer is lodged with the registrar and upon compliance with all other conditions in that behalf required by this indenture or by any conditions endorsed on the Bond or by law, be entitled to be entered on any one of the registers as the owner of such Bond free from all equities or rights of set-off or counterclaim between the Company and his transferor or any previous holder thereof, save in

respect of equities of which the Company is required to take notice by statute or order of a court of competent jurisdiction.

Where Bonds are registered in more than one name, the principal moneys, Make-Whole Amount (if any), premium (if any) and interest from time to time payable in respect thereof may be paid by cheque or wire transfer payable to one of such holders failing written instructions from them to the contrary and the receipt of any one of such holders thereof shall be a valid discharge to the Trustee and any other paying agent and to the Company.

### **Section 2.9 Cancellation**

All Bonds redeemed, purchased or otherwise acquired by the Company or by any other person on its behalf shall be forthwith delivered to the Trustee and cancelled and shall not be re-issued and may not be used as a credit against sinking fund obligations of the Company except to the extent otherwise provided in the sinking fund or redemption provisions of any supplemental indenture pertaining to any particular series of Bonds. All Bonds which have been delivered to and cancelled by the Trustee shall be destroyed by the Trustee and, if required by the Company, the Trustee shall furnish to the Company a destruction certificate setting forth the number and denomination of the Bonds so destroyed.

### **Section 2.10 Mutilation, Loss or Destruction**

If any Bonds issued hereunder shall become mutilated or be lost, destroyed or wrongfully taken, provided the Company or the Trustee has no notice that the Bond has been acquired by a *bona fide* purchaser, the Company in its discretion may issue, and thereupon the Trustee shall certify and deliver, a new Bond of like date and tenor, with a notation as to the unpaid principal amount outstanding thereunder on the registration panel thereof, upon surrender and cancellation of the mutilated Bond or, in case of a lost or destroyed or wrongfully taken Bond, in lieu of and in substitution for the same. The substituted Bond shall be in a form approved by the Trustee and shall be entitled to the benefits of this indenture equally with all other Bonds issued or to be issued hereunder of like tenor. In case of loss or destruction or wrongful taking, the applicant for a substituted Bond shall furnish to the Company and to the Trustee evidence satisfactory to the Company and to the Trustee of such loss or destruction or wrongful taking (in their reasonable discretion) and an indemnity satisfactory to them (in their reasonable discretion) and shall pay any and all expenses incidental to the issue of such substituted Bond and shall satisfy any other reasonable requirements imposed by the Company or the Trustee.

### **Section 2.11 Home Office Payment Agreement**

Notwithstanding anything to the contrary contained in this indenture or in any Bond, the Company may enter into an agreement with the registered holder of any Bond providing for the payment of principal, Make-Whole Amount (if any), premium (if any) and interest on any of the Bonds held by such holder at a place and in the manner other than the place or in the manner of payment specified herein or in such Bond for the making of all payments with respect to such Bonds to such bondholder, whether or not out of sinking funds established for the benefit of bondholders, without presentation or surrender of such Bond so long as such

holder will, upon the payment of any principal outstanding hereunder or redemption of such Bond in part only, make notations on such Bond of the part thereof so repaid or redeemed and that as promptly as practicable after the payment or prepayment in whole of any Bond, the holder will surrender such Bond to the Trustee for cancellation. Payment of principal, Make-Whole Amount (if any), premium (if any) and interest on any Bond in accordance with this Section 2.11 shall absolutely satisfy and discharge the liability of the Company with respect to such payment under such Bond unless, in the case of payment by cheque, a cheque for payment thereof is not paid on presentation or is lost or destroyed. From time to time the Company shall furnish to the Trustee an Officers' Certificate as to the persons with whom the Company has entered into such an agreement.

### **ARTICLE 3** **SECURITY**

#### **Section 3.1 Security**

As continuing security for the due payment of the principal of, and interest on (including interest on amounts in default) and any Make-Whole Amount on, the Bonds and of all other money for the time being and from time to time owing pursuant to the terms of this indenture, the Bonds and the Security, including any amounts payable by the Company to the Trustee or any bondholders as damages, liquidated or otherwise, as a result of the Company defaulting on its obligations hereunder, and to secure the due performance by the Company of all of its obligations hereunder, the Company shall deliver or cause to be delivered to and in favour of the Trustee, the Security Agreements.

#### **Section 3.2 Effect of Security**

The Liens created pursuant to the Security Agreements and all rights thereby conferred unto the Trustee, its successors and assigns, shall be held in trust for the benefit and security of the holders of all Bonds. The Security Agreements shall secure all indebtedness owing pursuant to the Bonds without any preference or priority of (i) any Senior Bonds over any other Senior Bonds or (ii) any Subordinate Bonds over other Subordinate Bonds, and with the powers and authorities and subject to the terms and conditions mentioned and set forth in this indenture. Payments from proceeds of realization against the Secured Assets shall be distributed in accordance with the terms of Section 10.6 hereof.

#### **Section 3.3 Further Assurances**

The Company shall, forthwith, and from time to time, execute and do or cause to be executed and done all deeds, documents and things that, in the Opinion of Counsel, are necessary or advisable for giving the Trustee (so far as may be possible under Applicable Law) a valid Lien (subject to Permitted Encumbrances) of the nature specified in the Security Agreements upon the Secured Assets to secure the payment of the principal, interest, Make-Whole Amount and any other amount for the time being and from time to time owing under this indenture, the Bonds, the Bond Purchase Agreements and the Security Agreements, and for conferring upon the Trustee the power of sale and other powers as are in the Security Agreements expressed to be conferred.

Notwithstanding anything herein contained, the Trustee will not be bound to take any conveyance, assignment or transfer pursuant to the Security Agreements of any property or assets that the Trustee cannot legally take or that, in the opinion of the Trustee, is of an onerous character, but the Company must hold any such property or assets in trust for the Trustee.

### **Section 3.4 Registration**

The Company shall record, file, enter or register the Security Agreements, all documents supplemental thereto, and all other instruments of further assurance (including financing statements) without delay under the provisions of those statutes providing for the registration of Liens in Canada, any province or territory of Canada and any other jurisdiction in which the Secured Assets are situated and in which in the Opinion of Counsel such recording, filing, entry or registering is necessary or advisable to establish, preserve and protect the Liens created by the Security, perfect the Liens created thereby and preserve and protect the rights of the Trustee thereunder and the rights of the bondholders under the Bonds, and shall provide the Trustee with written confirmation thereof. The Company shall renew such recordings, filings or registrations from time to time as and when required to keep them in full force and effect and shall provide the Trustee with a copy thereof. The Company shall from time to time, if and when requested to do so by the Trustee, furnish the Trustee with an Opinion of Company Counsel that the provisions of this Section 3.4 have been complied with. The Trustee shall not be responsible for any failure by the Company to effect any registration provided for herein or any renewal thereof.

### **Section 3.5 Funds Held by Trustee**

All cash that may at any time be deposited with or held by the Trustee in accordance with the provisions of this indenture or the other Operative Documents shall be held by the Trustee in the Province of Ontario and the Securities representing Permitted Investments shall be held by the Trustee in the Province of Ontario. All such cash and Securities shall be subject to the Security.

### **Section 3.6 Priority**

Any reference to Permitted Encumbrances contained in this indenture or in the Security Agreements in and of itself shall not expressly or by implication result in any Permitted Encumbrance ranking ahead of the Liens created pursuant to the Security Agreements.

### **Section 3.7 Supplemental Indentures**

From time to time the Company (when authorized by a resolution of the directors as evidenced by a Certified Resolution) and the Trustee may and, subject to the provisions of this indenture, when so directed by this indenture, the Company and the Trustee shall, without the consent or concurrence of the bondholders, execute, acknowledge and deliver by its proper officers, deeds or indentures supplemental hereto, which thereafter shall form part hereof, or do and perform any other acts and things and execute and deliver any other deeds or documents, for any one or more of the following purposes:

- (a) mortgaging, pledging, charging and assigning, assuring, confirming or transferring to, or vesting in, the Trustee any property, real or personal, freehold or leasehold, now owned or hereafter acquired by the Company in connection with the Business and providing that the same shall become and be part of the Secured Assets;
- (b) correcting or amplifying the description of any property specifically mortgaged, pledged, charged or assigned by the Security Agreements, or intended so to be;
- (c) evidencing the succession, or successive successions, of any other person to the Company and the covenants of and obligations assumed by any such successor in accordance with the provisions of this indenture;
- (d) providing for the issue of Bonds of any one or more series and for establishing the terms, provisions and conditions of a particular series of Bonds, subject to Section 6.2;
- (e) implementing the provisions of any Extraordinary Resolution or Ordinary Resolution in accordance with the terms of this indenture;
- (f) giving effect to the provisions of Articles 7 and 11;
- (g) adding to the limitations or restrictions herein specified, further limitations or restrictions thereafter to be observed by the Company, upon the amount, dates of maturity, issue or the purposes of issue of Bonds hereunder;
- (h) adding to the covenants of the Company herein contained for the protection of the holders of the Bonds or providing for Events of Default in addition to those herein specified;
- (i) consenting to the amendment, revision, extension, amplification, alteration or termination of any lease, easement, servitude, agreement, document or instrument which may at any time form part of the Secured Assets; provided in the reasonable opinion of the Trustee relying, where appropriate, on an Officers' Certificate and the opinion of Counsel that the giving of such consent will not be prejudicial to the interests of the bondholders or that such amendment, revision, extension, amplification, alteration or termination is in accordance with the applicable provisions of Article 7; and
- (j) making such amendments, deletions or alterations hereto that may be considered necessary or desirable by the Company and the Trustee to give effect to any Applicable Laws or Trust Indenture Legislation;

The Trustee may also, without the consent or concurrence of the bondholders, by supplemental indenture or otherwise, concur with the Company in making any changes or corrections in this indenture or any Security Agreement as to which it shall have been advised by Counsel that the same are non-substantive corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omission

or mistake or manifest error contained herein or therein or in any deed or indenture supplemental or ancillary hereto or thereto. The Trustee shall provide to each bondholder a copy of any indenture or other document entered into pursuant to the terms of this Section 3.7.

### **Section 3.8 Discharge of Security**

(1) If the Company shall pay or cause to be paid to the Trustee all moneys owed to the bondholders and the Trustee pursuant to this indenture and the Bonds and shall perform the terms hereof, then this indenture and the rights hereby granted shall cease, determine and become void and thereupon the Trustee shall, at the Written Request of the Company and at the expense of the Company, cancel and discharge all Security granted in connection herewith by executing and delivering to the Company such deeds or other instruments as shall be requisite to discharge the Security in favour of the Trustee and to reconvey to the Company (or as the Company may direct in writing) the Secured Assets and to release the Company from the covenants herein contained (other than the provisions relating to indemnification) upon delivery of such Written Request to the Trustee, together with an Officers' Certificate stating that all amounts owed to the bondholders and the Trustee pursuant to this indenture and the Bonds have been paid in full.

The Trustee shall execute and deliver to the Company such deeds or other instruments as aforesaid; provided that the Company shall have first satisfied the Trustee that the Company has paid all the principal moneys, interest, Make-Whole Amount (if any) and premium (if any) due or to become due (and as and when the same shall become due under the terms hereof) on all of the Bonds outstanding hereunder as well as all other sums payable hereunder by the Company.

(2) It is hereby declared and agreed that no purchaser from the Company and no registrar shall be obliged to inquire into the necessity, expediency, authority or regularity of or for any such release or reconveyance nor be obliged to inquire into the sufficiency of the performance by the Company of any of the conditions upon which it is or may be entitled to such release or reconveyance or the application of any moneys or securities set apart or provided for the payment of any outstanding Bonds or interest thereon.

(3) The registrar of any registration division in which any of the Power Real Estate are situate shall (i) discharge and cancel or (ii) reduce (according to the terms of the instrument of release presented) the registration of any Lien created or hereafter created by the Security Agreements, upon the registration of any acquittance, discharge, release or document to that effect signed by the Trustee, without being obliged to see that any of the conditions of this indenture have been fulfilled.

### **Section 3.9 Subordination of Subordinate Bonds to Senior Bonds**

(1) Subject to the terms of this Agreement and specifically to this Section 3.9, the payment of indebtedness owing by the Company to the holders of Subordinate Bonds shall be unconditionally and irrevocably deferred, postponed and subordinated in all respects to the prior indefeasible repayment in full by the Company of all indebtedness owing (whether principal, interest (whether incurred prior to or subsequent to Default), Make-Whole Amount or otherwise) to the holders of Senior Bonds. Notwithstanding the foregoing, during such times as a Default or Event of Default does not exist and is not continuing, the holders of Subordinate Bonds shall be



entitled to receive scheduled payments of interest on a semi-annual basis on the outstanding principal amounts of Subordinate Bonds. During the existence and continuance of a Default or Event of Default, without the requirement of any further notice or action, the Company shall not make any payments on the Subordinate Bonds and the holders of Subordinate Bonds shall not accept any payments in respect to the Subordinate Bonds until all indebtedness and other obligations owing to the holders of the Senior Bonds have been paid in full. Any interest payments that were not made to the holders of Subordinate Bonds as a consequence of the existence of a Default or Event of Default shall accrue interest on such unpaid interest at the same rate of interest applicable to such Subordinate Bonds.

(2) During such times as any Senior Bonds remain outstanding and subject to the following, the holders of the Subordinate Bonds shall not have the right to take, or direct the Trustee to take, any steps or action to enforce payment of any indebtedness owing by the Company to them or to the Trustee following the occurrence of an Event of Default that is not a Subordinate Bond Event of Default. For a period of 365 days after the occurrence of a Subordinate Bond Event of Default which has not been cured, waived or otherwise revoked, the holders of Subordinate Bonds shall not be entitled to direct the Trustee to take any steps or actions to enforce payment of the indebtedness owing by the Company to them or to direct the Trustee to commence realization on the Security including, without limitation, issuance of any demand, acceleration of indebtedness and obligation, issuance of statutorily required notices, exercise of any right of set-off, commencement of bankruptcy proceedings, foreclosure, power of sale, taking of possession, giving in payment, appointing or making an application to court for an order appointing an agent or Receiver or by any other means of enforcement thereof (in each case, an "enforcement action"). The restriction on the ability of the holders of Subordinate Bonds to direct the Trustee to take such enforcement action shall apply equally to each holder of Subordinate Bonds. Following the expiration of a 365-day period after the occurrence of a Subordinate Bond Event of Default which has not been cured, waived or otherwise revoked on or prior to the expiry of such 365-day period by the holders of Subordinate Bonds by Ordinary Resolution, the holders of Subordinate Bonds shall be entitled to accelerate the indebtedness owing pursuant to the Subordinate Bonds and to take such enforcement actions pursuant to the Security as they shall determine. Notwithstanding the foregoing, after the holders of Senior Bonds have directed the Trustee to commence any enforcement action in respect of the Security, the holders of Subordinate Bonds shall then be entitled to accelerate the indebtedness owing pursuant to the Subordinate Bonds and to make any filings necessary to protect their claims subject to such filings not constituting an enforcement action.

(3) In the event that the holders of Subordinate Bonds by Ordinary Resolution elect to direct the Trustee to take any enforcement action or otherwise to enforce or realize on the Security, the holders of the Senior Bonds shall at any time, upon delivery of notice to the Trustee, be entitled to assume control over the enforcement or realization process so that the Trustee shall thereafter take instructions solely from the holders of Senior Bonds in accordance with any Ordinary Resolution passed by the holders of Senior Bonds. Upon receipt of such a request from the holders of Senior Bonds, the holders of Subordinate Bonds agree to accede to such request and thereafter not interfere in any manner or form with the course of action and instructions being put forward by the holders of Senior Bonds in respect to the enforcement and realization of the Security. Once all indebtedness and obligations owing to the holders of Senior

Bonds have been paid in full, the holders of Subordinate Bonds shall be thereafter entitled to direct the Trustee in respect to enforcement actions by Ordinary Resolution of such holders.

(4) Following the occurrence and continuance of an Event of Default, any holder or holders of Subordinate Bonds (collectively, the “**initiating bondholders**”) shall be entitled to purchase all of the indebtedness owing by the Company to all holders of Senior Bonds (including principal, all accrued interest to the date of purchase and Make Whole Amount) (if any)) (collectively, the “**Senior Obligations**”). Should any holder of a Subordinate Bond determine that it wishes to purchase the Senior Obligations, it shall provide irrevocable written notice to the Trustee and the other bondholders stating that it is exercising its option to purchase the Senior Obligations in accordance with the terms of this Section 3.9(4). Each holder of a Subordinate Bond shall have a right to participate in such purchase by providing written notice to the initiating bondholders of its irrevocable agreement to do so within 10 days from the delivery of the initiating bondholders notice to purchase. Each holder of a Subordinate Bond who elects to participate in such purchase (including the initiating bondholders) will be obliged to purchase their respective *pro rata* share of the Senior Obligations. The notice delivered by the initiating bondholders shall provide for the purchase date of the Senior Bonds with such purchase date to be no earlier than 30 days from the date of such notice and no later than 40 days from the date of such notice. The purchase price for the Senior Bonds shall be based on the applicable Redemption Price for each series of Senior Bonds and shall be calculated in accordance with the terms of the supplemental indentures in respect of which such series of Senior Bonds were issued. Upon tendering payment of the Senior Obligations to the Trustee on the purchase date, each holder of a Senior Bond will transfer its Bonds to the purchaser(s) without representation or warranty other than as to its ownership of such Bonds and that such Bonds and the obligations owing in connection therewith are not subject to any Liens.

(5) The priorities for payment of the Bonds following an enforcement of Security as provided for in Section 10.6 hereof shall apply and be effective notwithstanding:

- (a) the fact that a rule of law or any statute may alter or vary the priorities set forth in such Section;
- (b) the time of the incurrence of any of the indebtedness, obligations or liabilities owing to the holders of Senior Bonds or the holders of Subordinate Bonds;
- (c) the time of the Event of Default in respect of the Senior Bonds or the Subordinate Bonds or the making of any demand or giving of any notice or the prior giving of notice by any of the holders of Senior Bonds or Subordinate Bonds;
- (d) any priority granted by any principle of law or any statute; and
- (e) the filing by or against the Company under or pursuant to any Applicable Law of any procedure relating to bankruptcy, insolvency or reorganization or release of debtors.

(6) The terms of this Section 3.9 shall remain in full force and effect without regard to, and the obligations of the holders of the Bonds hereunder shall not be released or otherwise affected or impaired by:

- (a) any exercise or non-exercise by the holders of Senior Bonds of any right, remedy, power or privilege in the indenture or the Security Agreements;
- (b) any waiver, consent, extension, indulgence or other action, inaction or admission by the holders of the Senior Bonds under or in respect to this indenture or any of the Security Agreements;
- (c) the failure of the holders of Senior Bonds to file or enforce a payment of any kind;
- (d) any defence based upon an election of remedies by the holders of Senior Bonds which destroys or otherwise impairs the subrogation rights of the holders of Subordinate Bonds;
- (e) any merger, consolidation or amalgamation of the holders of Subordinate Bonds or any of them into or with any other person; or
- (f) any insolvency, bankruptcy, liquidation, reorganization, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting holders of Subordinate Bonds or any of them or the Company.

(7) In the event of a distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Company, or the proceeds thereof, to creditors in connection with the bankruptcy, liquidation or winding-up of the Company or in connection with any composition with creditors or scheme of arrangement of the Company, the holders of Senior Bonds shall be entitled to receive payment in full of all the indebtedness owing to them in respect to the Senior Bonds (the "**Senior Bond Obligations**") before the Subordinate Bonds are entitled to receive any direct or indirect payment or distribution of any cash or other assets of the Company on account of any indebtedness owing in respect to the Subordinate Bonds (the "**Subordinate Bond Obligations**"), and the holders of the Senior Bonds shall be entitled to receive directly, for application in payment of the Senior Bond Obligations (to the extent necessary to pay all Senior Bond Obligations in full after giving effect to any substantially concurrent payment or distribution to the Senior Bonds in respect of the Senior Bond Obligations), any payment or distribution of any kind or character, whether in cash or other assets, which shall be payable or deliverable upon or with respect to the Subordinate Bond Obligations.

(8) Should any payment, distribution or proceeds be received by or on behalf of any holder of a Subordinate Bond upon or with respect to the Subordinate Bond Obligations owing to it in contravention of any provision hereof, the recipient thereof shall receive and hold the same or cause same to be received and held in trust, as trustee, for the benefit of the holders of Senior Bonds, and shall forthwith deliver the same or cause same to be delivered to the Trustee, in precisely the form received (except for the endorsement or assignment of the recipient where necessary), for application in accordance with Section 10.6 hereof, and, until so delivered, the same shall be held by the Trustee, and shall form part of the Secured Assets.

## **ARTICLE 4**

### **ISSUE OF BONDS**

#### **Section 4.1 Interest Not to Accrue**

From and after the date of maturity, redemption, exchange or purchase by the Company, as applicable, of any Bonds, or the due date of payment of any part of the principal amount of any Bonds, no further interest shall accrue on such Bonds or principal amount, as the case may be, unless payment of the amount then payable shall not have been made in accordance with the applicable terms of this indenture. If payment has not been made in accordance with the applicable terms of this indenture when due, interest shall (i) continue to accrue on such unpaid amount and (ii) accrue on overdue interest, all at the same rate as is payable on the principal of the applicable Bonds.

#### **Section 4.2 Senior Bonds and Subordinate Bonds**

Senior Bonds and Subordinate Bonds may at any time and from time to time (provided no Default or Event of Default shall have occurred and be continuing at such time) be created, issued and executed by the Company and delivered to the Trustee and shall be certified by the Trustee and delivered to or upon the Written Order of the Company (without the Trustee receiving any consideration therefor) but only if the Company has complied with the provisions of Section 6.2 or Section 6.3, as applicable, and the Company has furnished to the Trustee:

- (a) a Written Order for the certification and delivery of, the Series 1 Senior Bonds, Additional Bonds or Subordinate Bonds, as the case may be, and specifying the series number, the aggregate amount, the attributes and the form of the Series 1 Senior Bonds, Additional Bonds or Subordinate Bonds, as the case may be, to be certified and delivered;
- (b) a Certified Resolution authorizing the creation, issue and execution of the Series 1 Senior Bonds, Additional Bonds or Subordinate Bonds, as the case may be, in the principal amount applied for and determining the series and attributes thereof in accordance with this indenture;
- (c) an indenture supplemental hereto, in form and substance satisfactory to Counsel, creating the Series 1 Senior Bonds, such series of Additional Bonds or Subordinate Bonds, as the case may be, duly executed by each of the parties thereto;
- (d) an Officers' Certificate:
  - (i) stating that all conditions provided for in this indenture relating to the issue, certification and delivery of the Series 1 Senior Bonds, Additional Bonds or Subordinate Bonds, as the case may be, applied for have been complied with in accordance with the terms of this indenture;
  - (ii) stating that so far as is known to the signers, after having made due enquiry pursuant to Section 17.13, no Default or Event of Default has

occurred and is continuing or will result from the making or granting of such Written Order; and

- (iii) in the case of any Additional Bonds or Subordinate Bonds, providing reasonable particulars demonstrating compliance by the Company with the covenants in Section 6.2(i)(e) or Section 6.2(ii)(e), as and if applicable (on a pro forma basis after giving effect to the issue of such Additional Bonds or Subordinate Bonds, as the case may be, and the application of the proceeds thereof);
- (e) an Opinion of Company Counsel dated the date of such Written Order to the effect that (i) all conditions precedent provided for herein relating to the authorization, execution, certification and delivery of the Bonds applied for have been complied with; and (ii) the Bonds applied for have been duly authorized and executed by the Company and, upon certification thereof by the Trustee and delivery thereof by the Trustee or the Company, will be valid and legally binding obligations of the Company and shall be secured by the Security, subject to customary qualifications and assumptions.
- (f) such other materials and documents as the Trustee or Counsel may reasonably require and as may be provided for in the supplemental indenture creating such issue of Series 1 Senior Bonds, Additional Bonds or Subordinate Bonds, as the case may be.
- (g) Upon the issuance of any Additional Bonds or Subordinate Bonds, the Trustee shall provide to each bondholder, the supplemental indenture entered into in connection with such Bonds along with all other documentation referred to in this Section 4.2 and required by Section 6.2.

#### **Section 4.3 No Bonds to be Issued During Default**

No Bonds shall be certified or delivered if at that time, to the knowledge of the Trustee, a Default or an Event of Default shall have occurred and be continuing. Any certification and delivery of any Bonds by the Trustee shall be conclusive evidence of the absence of knowledge on the part of the Trustee of any such Default or Event of Default at the time of such certification and delivery.

#### **Section 4.4 Concerning Opinions and Certificates**

The Trustee, prior to the certification and delivery of any Bonds under any of the provisions of this Article 4, shall not be bound to make any enquiry or investigation as to the correctness of the matters set forth in any of the opinions, certificates or other documents required by the provisions of this Article 4, but shall be entitled to accept and act upon the said opinions, certificates and other documents. The Trustee may, in its discretion in cases where it deems further proof desirable and shall, upon receipt of an Ordinary Resolution of either the holders of Senior Bonds or Subordinate Bonds, require further proof.

## **ARTICLE 5**

### **REDEMPTION, PURCHASE AND EXCHANGE OF BONDS**

#### **Section 5.1 General**

The Company shall have the right, at its option, to redeem either in whole at any time or in part from time to time prior to maturity, provided that no Event of Default is then continuing, Bonds issued hereunder of any series which by their terms are made so redeemable (subject, however, to any applicable restriction on the redemption of Bonds of such series) with such Make-Whole Amounts (if any), at such date or dates, upon such notice, upon such terms respecting payment and otherwise in the manner that shall have been determined at the time of the issue of such Bonds and as shall be expressed in this indenture or in the supplemental indenture authorizing or providing for the issue of such Bonds or in such Bonds.

#### **Section 5.2 Partial Redemption of Bonds**

In case less than all of the outstanding Bonds of any series are to be redeemed, the Company shall in each such case, at least 15 business days before the notice of redemption is required to be given, notify the Trustee in writing of its intention to redeem Bonds and of the aggregate principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be selected on a pro rata basis (to the nearest multiple of \$1,000, in the case of Bonds denominated in Canadian Dollars and US\$1,000, in the case of Bonds denominated in United States Dollars) in accordance with the principal amount of Bonds registered in the name of each holder. In the case of a partial redemption, Bonds denominated in United States Dollars may be redeemed only in denominations of US\$1,000 or any whole multiple thereof and Bonds denominated in Canadian Dollars may be redeemed only in denominations of \$1,000 or any whole multiple thereof. The holder of any Bond called for redemption in part only, upon surrender of such Bond for payment as required by Section 5.8, shall be entitled to receive, without expense to such holder, one or more new Bonds of the same series and tenor, for the unredeemed part of the Bond surrendered, and the Trustee shall certify and deliver such new Bond or Bonds upon receipt of the Bond so surrendered; or, at the option of such holder, the Trustee shall return the Bond to the holder after making notation thereon of the portion of the principal amount thereof so redeemed. In the alternative, payment of the applicable Redemption Price of any portion of any Bond may be made to the registered holder thereof without presentation or surrender thereof to the Trustee and such registered holder may be requested to make the notation thereon if there shall have been filed with the Trustee a certified copy of, or extract from, an agreement between the Company and such registered holder, (or the owner whose nominee the registered holder is) to the effect thereof. The Trustee shall be under no duty to determine that such notations have been made by such registered holder. Unless the context otherwise requires, the word "Bond" or "Bonds" as used in this Article 5 shall be deemed to mean and include any part of the principal amount of any Bond which in accordance with the foregoing provisions has become subject to redemption.

#### **Section 5.3 Notice of Redemption**

Except as otherwise required or permitted with respect to any Bonds by the indenture supplemental hereto creating such Bonds, notice of intention to redeem any Bonds

prior to their respective maturity date shall be given by or on behalf of the Company to the holders of the Bonds which are to be redeemed, not more than 60 days nor less than 30 days prior to the Redemption Date in the manner provided in Section 15.2. Every notice of redemption shall, unless all of the Bonds then outstanding are to be redeemed, state the designating numbers of the Bonds called for redemption and, in case a Bond is to be redeemed in part only, that part of the principal amount thereof to be redeemed. Any notice of intention to redeem shall specify the Redemption Date, an example of how the Redemption Price shall be calculated and the place of payment and shall state that all interest thereon shall cease from and after such Redemption Date and shall include the name and telephone number of a representative of the Company who can be contacted if a bondholder has further inquiries. The Company shall use its best efforts to obtain from the Investment Dealer the applicable Canada Yield Price (as such term shall be defined in any supplemental indenture hereto), if applicable, necessary to determine the Redemption Price as early as possible on the business day three business days immediately preceding the Redemption Date, and forthwith after determining such Redemption Price shall provide the Trustee (by telephone confirmed by facsimile or hand delivery at such numbers or address as may be provided by the Trustee to the Company from time to time) with particulars of the calculation of the Redemption Price.

#### **Section 5.4 Bonds Due on Redemption Dates**

Upon notice having been given as aforesaid, all the Bonds called for redemption shall thereupon be due and payable at the Redemption Price on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the respective maturity date of such Bonds, anything in the Bonds or herein to the contrary notwithstanding, and from and after such Redemption Date, if the moneys necessary to redeem such Bonds shall have been deposited as hereinafter provided and affidavits or other proof satisfactory to the Trustee as to the mailing of such notices shall have been lodged with it, such Bonds shall not be considered as outstanding hereunder and interest upon such Bonds shall cease.

In case any question shall arise as to whether any notice has been given as above provided and any such deposit made, such question shall be decided by the Trustee whose decision shall be final and binding upon all parties in interest.

#### **Section 5.5 Deposit of Redemption Moneys**

Upon Bonds having been called for redemption as provided in this indenture, the Company shall deposit with the Trustee before 1:00 p.m. (Toronto time) the Redemption Date fixed in the notice of redemption thereof, such sums as may be sufficient to pay the Redemption Price of the Bonds to be redeemed. From the sums so deposited, the Trustee shall pay or cause to be paid to the holders of such Bonds called for redemption, upon surrender of such Bonds at the principal office of the Trustee in the City of Toronto, Ontario, and such other places (if any) as may be specified in the notice of redemption, the Redemption Price.

#### **Section 5.6 Failure to Surrender Bonds Called for Redemption**

In case the holder of any Bond so called for redemption in whole or in part shall fail within 30 days after the date fixed for redemption so to surrender his Bond or shall not

within such time accept payment of the applicable Redemption Price payable in respect thereof or give such receipt therefor (if any) as the Company or the Trustee may require, the Company shall be entitled to pay such applicable Redemption Price to the Trustee as provided for in Section 5.5 and direct the Trustee to set it aside in trust for such holder, either in the deposit department of the Trustee or an Affiliated Entity (as such term is defined in Article 12 hereof) of the Trustee or in a Permitted Financial Institution, and such setting aside shall, for all purposes, be deemed a payment to such bondholder of the sum so set aside, and to that extent the said Bond shall thereafter not be considered as outstanding hereunder and the bondholder shall have no other right except (upon surrender and delivery up of his Bond) to receive payment out of the moneys so deposited of the applicable Redemption Price of such Bond.

Any moneys so set aside and interest thereon (if any) not claimed by or paid to the holder of the Bonds entitled thereto within 6 years after the date of such setting aside shall be repaid to the Company by the Trustee on demand and thereupon the Trustee shall be released from all further liability with respect to such moneys and thereafter the holders of the Bonds in respect of which such moneys were so paid to the Company shall have no rights in respect thereof except to obtain payment of such moneys from the Company subject to any defence the Company may have and to the provisions of this indenture.

#### **Section 5.7 Purchase of Bonds**

With respect to any particular series of Bonds, unless otherwise provided herein or in the supplemental indenture authorizing the creation and issue of such series of Bonds, at any time and from time to time, provided that a Default or an Event of Default shall not have occurred and be continuing at such time, the Company may purchase Bonds:

- (a) by private agreement or in the open market; or
- (b) pursuant to a call for tenders given to all holders of the Bonds or the series of Bonds to be purchased, by notice given in accordance with Section 15.2, which notice shall specify the purchase date (which shall not be earlier than 15 days after the giving of such notice), the purchase price and the place of payment thereof. In the event that an aggregate principal amount of the Bonds, or the Bonds of the series to be purchased, is tendered which is greater than that offered to be purchased, such tendered Bonds shall be purchased on a *pro rata* basis in the proportion, as nearly as practicable, which the principal amount of Bonds or series of Bonds tendered by each holder bears to the principal amount of Bonds or series of Bonds offered to be purchased by the Company.

#### **Section 5.8 Cancellation of Bonds**

All Bonds redeemed under this Article 5 or under any indenture supplemental hereto and any Bonds purchased by the Company shall be forthwith delivered to the Trustee and shall be cancelled by the Trustee and no Bonds shall be issued in substitution therefor. All Bonds which shall have been delivered to and cancelled by the Trustee shall be destroyed by the Trustee and, if required by the Company, the Trustee shall furnish to it a destruction certificate setting forth the numbers and denominations of the Bonds so destroyed.



### **Section 5.9 Application to All Series of Bonds**

The provisions of Section 5.2 to 5.6, inclusive, shall apply to each series of Bonds if by their terms they are redeemable unless otherwise provided in instruments supplemental or ancillary hereto establishing the terms of the Bonds of such series.

### **Section 5.10 Make-Whole Amount on Acceleration**

The Company shall pay to each holder of Senior Bonds the Make-Whole Amount (if any) (together with any other amounts due under the Senior Bonds) upon payment of such Senior Bonds in any circumstance giving rise in any manner to the repayment of the Senior Bonds prior to the Maturity Date including, without limitation, acceleration pursuant to Section 9.2 of this indenture.

### **Section 5.11 Redemptions and Purchases of Subordinate Bonds**

Notwithstanding the foregoing or anything contained in this indenture to the contrary, the Company may not at any time or under any circumstances redeem or purchase any Subordinate Bonds while Senior Bonds remain outstanding except pursuant to a Unanimous Resolution passed by the holders of all Senior Bonds. This Section 5.11 shall be paramount to all other sections contained in this indenture.

## **ARTICLE 6 CERTAIN COVENANTS**

The Company hereby represents, warrants, covenants and agrees with the Trustee that it will carry out or cause to be carried out each and every covenant to be performed by the Company as hereinafter set forth:

### **Section 6.1 Title to Secured Assets**

The Company has and will have, subject only to Permitted Encumbrances and except as set forth on Schedule H:

- (a) good, valid title in fee simple to the Lands;
- (b) valid and subsisting leasehold interests in and to the Leasehold Sites;
- (c) valid and subsisting easements or leasehold interests, as the case may be, necessary for the operation of the Company's transmission system; and
- (d) good title to or interests in all Secured Assets not included in paragraphs (a), (b) and (c) above.

The Company will defend the title of its interest in the Secured Assets for the benefit of the Trustee and the bondholders against all claims and demands of all persons.

## **Section 6.2 Limitations on Creation of Additional Indebtedness**

### **(i) Limitation on Creation of Additional Bonds**

The Company covenants that it will not issue Additional Bonds unless:

- (a) there exists no Default or Event of Default that is continuing;
- (b) the Additional Bonds mature on the Maturity Date;
- (c) the terms of the Additional Bonds do not allow for any repayment of principal indebtedness owing thereon (other than repayment resulting subsequent to an acceleration in accordance with the terms hereof or redemption in accordance with the terms hereof or of any applicable supplemental indenture) prior to June 16, 2013;
- (d) any repayments of principal on the Additional Bonds on or subsequent to June 16, 2013 will be based on an amortization period that equals or exceeds the then remaining amortization period of the Series 1 Senior Bonds;
- (e) the Company shall have provided to the Trustee an Officers' Certificate confirming that, after giving effect to the proposed issuance of Additional Bonds and the application of the proceeds therefrom (to the extent used to retire existing Indebtedness), the ratio of EBITDA for the twelve consecutive calendar months immediately preceding the date of the proposed issuance to the projected Debt Service for the twelve consecutive calendar months after giving effect to the proposed issuance would be at least 3.0:1.0, which Officers' Certificate shall be accompanied by a Chartered Accountant's Certificate confirming that the foregoing ratio was complied with;
- (f) the Company shall have delivered to the Trustee an Officers' Certificate confirming that no Default or Event of Default exists and that no material adverse change has occurred with respect to the Company or the Business;
- (g) the Rating Condition has been satisfied in connection with proposed issuance of the Additional Bonds and evidence of such shall be delivered to the bondholders concurrent with or prior to the issuance of such Additional Bonds;
- (h) after such proposed issuance, the ratings ascribed by the Rating Agency to the Senior Bonds shall be BBB or higher and evidence of such shall be delivered to the bondholders concurrent with or prior to the issuance of such Additional Bonds; and
- (i) the Company has obtained and delivered to the Trustee an endorsement to the title insurance policy previously delivered to the Trustee (or a replacement policy acceptable to the Trustee) in respect to the Power Real Estate that increases the amount of insurance by an amount that is no less than the amount of the proposed issuance of Additional Bonds.

**(ii) Limitation on Creation of Subordinate Bonds**

The Company covenants that it will not issue Subordinate Bonds unless:

- (a) there exists no Default or Event of Default that is continuing;
- (b) the Subordinate Bonds mature on or subsequent to the Maturity Date applicable to the Senior Bonds;
- (c) the aggregate principal amount of all of the outstanding Subordinate Bonds following the issuance will not exceed 30% of the aggregate principal amount of all Senior Bonds outstanding at the time of such issuance;
- (d) the terms of the Subordinate Bonds provide that no repayment of principal indebtedness owing thereon shall be permitted until all indebtedness owing to the holders of Senior Bonds has been paid in full;
- (e) the Company shall have provided to the Trustee an Officers' Certificate confirming that, after giving effect to the proposed issuance of Subordinate Bonds and the application of the proceeds therefrom (to the extent used to retire existing Indebtedness), the ratio of EBITDA for the twelve consecutive calendar months immediately preceding the date of the proposed issuance to the projected Debt Service for the twelve consecutive calendar months after giving effect to the proposed issuance would be at least 2.0:1.0, which Officers' Certificate shall be accompanied by a Chartered Accountant's Certificate confirming that the foregoing ratio was complied with;
- (f) the Company shall have delivered to the Trustee an Officers' Certificate confirming that no Default or Event of Default exists and that no material adverse change has occurred with respect to the Company or the Business;
- (g) the Rating Condition has been satisfied in connection with proposed issuance of the Subordinate Bonds and evidence of such shall be delivered to the bondholders concurrent with or prior to the issuance of such Additional Bonds;
- (h) and after such proposed issuance, the ratings ascribed by the Rating Agency to the Senior Bonds shall be BBB or higher and evidence of such shall be delivered to the bondholders concurrent with or prior to the issuance of such Additional Bonds; and
- (i) the Company has obtained and delivered to the Trustee an endorsement to the title insurance policy previously delivered to the Trustee (or a replacement policy acceptable to the Trustee) in respect to the Power Real Estate that increases the amount of insurance by an amount that is no less than the amount of the proposed issuance of Subordinate Bonds.

**(iii) Limitation on Incurrence of Affiliate Debt**

The Company covenants that it will not incur any Affiliate Debt unless:

- (a) the Affiliate proposing to hold such Affiliate Debt and the Company have entered into a subordination and postponement agreement in favour of the Trustee in the form attached hereto as Schedule "D", with any amendments to such form that are a matter of substance to be approved by Ordinary Resolution of the holders of Senior Bonds (or, if no Senior Bonds are outstanding, the Subordinate Bonds) and any amendments that are a matter of form and not substance to be in the discretion of Trustee upon receipt of advice of Counsel; and
- (b) the Company provides to the Trustee a certified copy of the loan documentation, if any, evidencing such Affiliated Debt.

**(iv) Limitation on Creation of Indebtedness**

The Company covenants that it will not create or assume or attempt to create or assume any Indebtedness other than (a) in connection with Bonds or Affiliate Debt incurred in accordance with Sections 6.2(i), (ii) or (iii) hereof, and (b) Indebtedness which does not exceed \$5,000,000 in the aggregate. All or any portion of such Indebtedness permitted in (b) may be secured so long as any Lien granted in respect to such Indebtedness qualifies as a Purchase Money Security Interest.

**Section 6.3 Negative Pledge**

- (a) The Company covenants that it will not create, assume or attempt to create or assume any Lien on the Secured Assets or any part thereof except for Permitted Encumbrances.
- (b) The Company covenants that it will not permit to be outstanding any Lien on the Secured Assets or any part thereof except for Permitted Encumbrances.

**Section 6.4 To Pay Principal, Make-Whole Amount and Interest**

The Company will well, duly and punctually pay or cause to be paid to every bondholder the principal of and interest accrued on the Bonds of which it is the holder, and Make Whole Amount (if any) on such Bonds, on the dates, at the places, in the moneys, and in the manner specified herein and in the Bonds and any supplemental indentures.

**Section 6.5 To Pay Taxes, Rents, Etc.**

The Company will from time to time pay or cause to be paid all rents, taxes, rates, levies, duties and assessments, general and special, ordinary or extraordinary of every nature and kind whatsoever, including local improvement taxes, which shall be levied, assessed or imposed upon the Secured Assets or any part thereof, or upon the Company on account thereof, and will, from time to time as the same are paid, upon the written request of the Trustee, produce for inspection by the Trustee receipts or other reasonable evidence of payment of such amounts,

other than such amounts due which are being contested in good faith and that the Company has set aside adequate reserves for the payment of such disputed amount. The Company shall provide immediate notice to the Trustee of any failure by it to pay any such amounts.

#### **Section 6.6 To Effect Necessary Registrations**

The Company will record, register or file the Security Agreements (or a notice, caveat or financing statement in respect hereof) at every public office of record where the recording, registration or filing thereof may be necessary to constitute, perfect and maintain the priority of the Security thereby created or intended so to be other than (i) in land titles offices or land registry offices in respect of licenses of occupation or in respect of transmission lines, poles, wires and equipment used by the Company in the course of the transmission of hydro-electric power which are not situated on the Lands, Leasehold Sites or Future Sites owned or leased by the Company, (ii) in respect of rights in Power Real Estate that are not registered against title, and (iii) under the *Personal Property Security Act* (Ontario) in respect of motor vehicles. The Company will deliver or exhibit to the Trustee, on demand, certificates or other evidence establishing such filings, recordings and registrations. Notwithstanding the foregoing, the Company will not be required to record, register or file the Security Agreements (or a notice, caveat or financing statement in respect thereof) against any Leasehold Site where it is necessary to obtain the consent or approval of the Government of Ontario or other grantor of the Water Lease relating to such Leasehold Site until such consent or approval is obtained. The Company shall obtain such consents or approvals prior to the issuance of the Series 1 Senior Bonds. Subject to the foregoing, the Company will also record, register or file all such further mortgages, pledges, charges, assignments, security agreements and hypothecs as the Trustee may from time to time request to better assure and perfect its security on the Secured Assets or any part thereof (or a notice, caveat or financing statement in respect of the foregoing), at every public office of record where such recording, registration or filing is, in the opinion of the Trustee or in the Opinion of Counsel, necessary to constitute, perfect and maintain the priority of the security created by the Security Agreements.

#### **Section 6.7 To Maintain Security**

The Company will fully and effectively maintain and keep the security created by the Security Agreements to be maintained and kept as a valid and effective Lien at all times while the Bonds are outstanding and it will not permit or suffer the registration of any debt, Lien or privilege whatsoever, whether of workmen, builders, contractors, engineers, architects or suppliers of material, upon or in respect of any of the Secured Assets, unless any such debt, Lien or privilege constitutes and remains a Permitted Encumbrance.

#### **Section 6.8 Operation of Business**

##### **(i) Maintain Existence; Conduct Business**

The Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence as a corporation incorporated pursuant to the laws of Canada or any province thereof, and all material rights and franchises where needed or necessary to the operation of the Business, and comply in all material respects with all

Applicable Laws and conduct and operate the Business and maintain the Power Assets in accordance with Good Utility Practices. The Company shall at all times maintain, preserve and protect the Power Assets in good repair, working order and condition, and shall, from time to time, make, or cause to be made, all necessary and proper repairs, renewals, replacements and improvements thereto, for the necessary and effective operation of the Business, all in accordance with Good Utility Practices.

(ii) **Business**

- (a) The Company shall take all actions necessary to remediate the Shikwamkwa Dam in order that such facility is in a good state of repair for ongoing operation, complies with Applicable Laws and is maintained in accordance with Good Utility Practices.
- (b) The Company shall carry on no business other than the Business and the business of distribution of electricity through the Distribution and Other Assets.
- (c) The Company shall not (i) continue or re-domicile into any jurisdiction outside of Canada, or (ii) take any other action that would connect it with any jurisdiction outside of Canada in such a way as to result in withholding taxes being imposed on bondholders who are residents in Canada.

(iii) **Transaction with Affiliates**

The Company covenants that transactions with Affiliates and Non-Arm's Length Persons, other than Affiliate Debt and the BEMI Agreement, will be entered into only in the ordinary course of the Business and on terms no less favourable to the Business than those obtainable in Arm's Length transactions. In this regard the Company will provide to the Trustee, within 15 business days after consummating any such transaction, an Officers' Certificate as to any such transaction being in the ordinary course and on terms no less favourable than would be obtainable in an Arm's Length transaction. Notwithstanding the foregoing, employees of the Company may provide, from time to time, services to Affiliates of the Company that are not on terms that are as favourable to the Company as would be in Arm's Length transactions so long as the provision of any such services is not in any manner detrimental to the Company or the Business.

(iv) **Licenses and Permits**

The Company shall maintain, renew, apply and obtain all licences, permits and other consents as may be required to carry on the Business from time to time except for those which are immaterial to the Company's ability to carry on the Business.

(v) **Material Contracts**

The Company shall not make or permit to be made any amendment, revision, modification or replacement of any Material Contract that is prejudicial in any material way to the interests or rights of the bondholders.

## **Section 6.9 To Pay Trustee's Remuneration**

The Company will pay the Trustee reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee all moneys which shall have been paid by the Trustee for premiums of insurance, repairs, renewals, taxes, legal expenses or charges on a solicitor and his own client basis, or any other expenditures whatever which the Trustee may reasonably make in and about the execution of the trust hereby created (including all costs incurred by the Trustee in complying with any Applicable Laws as a result of its duties as trustee hereunder) with interest at the rate per annum that is charged by the Trustee to all of its clients from time to time, from the date of expenditure until repayment, and such moneys and the interest thereon, including the Trustee's remuneration, until paid by the Company, shall be secured hereby in priority to the principal, Make-Whole Amount (if any) and interest of and on the Bonds.

## **Section 6.10 Not to Sell Assets**

(1) The Company will not, subject to the terms of Section 6.10(2) and Section 6.10(3), sell, transfer, lease or otherwise dispose of the Secured Assets or any part thereof or any interest therein, or enter into any arrangement, directly or indirectly, whereby the Company shall sell or transfer and then or thereafter rent or lease back any of the Secured Assets or any part thereof, or any interest therein, except in accordance with the provisions of Articles 7 and 11. For greater certainty, the Company may transfer, in such manner as it shall see fit, the Excluded Subsidiaries without the requirement of consent of the Trustee or the bondholders.

(2) Notwithstanding the terms of Section 6.10(1), provided that no Default or Event of Default has occurred and is continuing, the Company will be permitted to transfer the Transmission Assets and/or the Generation Assets (such transferred assets hereinafter referred to as the "**Transferred Assets**"), in each case as a whole, to a Canadian Affiliate of the Company or Great Lakes Hydro Income Fund (or its successor), or to a Canadian trust or limited partnership which is controlled by either of them (the "**Related Transferee**"), upon the satisfaction of the following conditions:

- (i) the Company provides evidence to the Trustee that the Related Transferee is a Canadian Affiliate, or is controlled by, the Company or Great Lakes Hydro Income Fund (or its successor);
- (ii) the Related Transferee enters into an agreement pursuant to which the Related Transferee (A) makes customary representations and warranties together with such additional representations and warranties as each bondholder may reasonably require and so advise Counsel within 15 days of their receipt of draft documentation relating to the transfer of the Transferred Assets to the Related Transferee, (B) assumes the Company's obligations under the Bonds then outstanding or subsequently issued so that the Company and the Related Transferee become co-obligors on the Bonds and all other indebtedness and other obligations of the Company arising pursuant to this indenture on a joint and several basis, (C) agrees to assume, observe, pay, perform, be liable under and be bound by all of the

covenants, terms, conditions and obligations provided for in this indenture and the Operative Documents except for covenants, terms, conditions and obligations that specifically and exclusively relate to Secured Assets that are not Transferred Assets, (D) acknowledges and agrees that all of its interests in the Transferred Assets will be subject to a first ranking Lien in favour of the Trustee subject only to Permitted Encumbrances, and (E) agrees to provide concurrent with the transfer such additional Security Agreements as the Trustee may reasonably require acting on advice of Counsel in order to ensure that the Trustee and the bondholders have retained the same rights and remedies as against the Related Transferee and the Transferred Assets as they had against the Company and the Transferred Assets prior to completion of the transfer;

- (iii) recourse as against the Related Transferee and the Transferred Assets shall be limited in the same manner as recourse is limited as against the Company and the Power Assets as provided for in Section 10.1 hereof;
- (iv) the Trustee receives an Officers' Certificate from the Related Transferee and/or an opinion from counsel to the Related Transferee (in form and substance acceptable to the Trustee, acting reasonably), confirming that the Related Transferee (a) has all licences, permits and consents necessary or required to acquire, own and operate the Transferred Assets and (b) maintains all insurance required to be maintained by the Company pursuant to this indenture in respect to the Transferred Assets and itself;
- (v) the Trustee receives legal opinions from Company Counsel with respect to, *inter alia*, the enforceability of all obligations assumed by the Related Transferee and all agreements entered into by the Related Transferee in connection with the assumption of the obligations of the Company owing pursuant to the Bonds, this indenture and its acquisition of the Transferred Assets, such opinions to be in form and substance acceptable to the holders of Senior Bonds as evidenced by an Ordinary Resolution (or if no Senior Bonds are outstanding, Subordinate Bonds by Ordinary Resolution), acting reasonably;
- (vi) the Trustee receives an endorsement or confirmation from any title insurance company that has issued a policy in favour of the Trustee in respect to all or a portion of the Transferred Assets to the effect that such title insurance remains in full force and effect as against the Transferred Assets and also receives confirmation that all of the insurance requirements provided for in the indenture in respect to the Company and as against the Power Assets are satisfied as respect to the Related Transferee and the Transferred Assets;
- (vii) the Rating Condition is satisfied; and



- (viii) the Company and the Related Transferee deliver to the Trustee such other agreements, instruments and documents as may be necessary or required to preserve the Security and the rights of the Trustee and the bondholders as a consequence of the transfer of the Transferred Assets in the opinion of the holders of Senior Bonds (or if no Senior Bonds are outstanding, Subordinate Bonds), acting reasonably.

(3) The Company and any transferee of the Transferred Assets shall be permitted to from time to time to grant easements, licenses or leases or similar rights in property or enter into shared use agreements granting, *inter alia*, the right to use or occupy any of its property, assets and undertaking provided that: (i) any such grants or shared use of the Power Assets does not interfere with the ability to carry on the Business and does not negatively impact on the ability of the Trustee, if authorized to do so by the bondholders, to enforce the Security; and (ii) such grants or shared use agreements provide for customary indemnities and insurance provisions. Any compensation payable in respect to such grants or shared use agreements shall be on commercially reasonable terms.

(4) The Company shall notify the Trustee and the bondholders of any proposed transfer in connection with the terms of this Section 6.10(2) and shall provide to the Trustee and each bondholder a copy of all documents, agreements and instruments executed or delivered pursuant to the terms of this Section 6.10(2).

#### **Section 6.11 Financial Statements**

(1) The Company shall furnish to the Trustee and each holder of a Bond or its designated agent:

- (a) within one hundred and twenty (120) days after the end of each Fiscal Year a copy of the annual audited consolidated financial statements of the Company, prepared in accordance with GAAP, which shall contain an audited balance sheet, statement of income and retained earnings and statement of cash flow, in each case on a comparative basis with the preceding Fiscal Year, certified by a senior officer of the Company as correctly reflecting the financial condition of the Company in all material respects, together with an Annual Operating Report for such Fiscal Year in respect of the Business and an Officers' Certificate:
- (i) certifying that no Default or Event of Default has occurred hereunder or, if any Default or Event of Default has occurred, specifying the relevant particulars and the period of existence thereof and the action taken or proposed to be taken by the Company with respect thereto, and
  - (ii) describing the aggregate optional principal repayments, purchases by the Company (whether pursuant to sinking fund obligations or otherwise) and redemptions of each series of Bonds in such Fiscal Year, the date on which such repayments, purchases and redemptions occurred and the aggregate unpaid principal amount of each series of Bonds issued hereunder at the end of such Fiscal Year;

- (b) within sixty (60) days after the end of each of the first three fiscal quarters in each Fiscal Year, a copy of the unaudited consolidated quarterly financial statements of the Company prepared in accordance with GAAP which shall contain a balance sheet, statement of income and retained earnings and statement of cash flow, certified by a senior officer of the Company as correctly reflecting the financial condition of the Company in all material respects;
- (c) with reasonable promptness such other information regarding the operations and financial condition of the Company as any bondholder may from time to time reasonably request;

(2) The Company shall furnish to the Trustee and each holder of a Bond or its designated agent:

- (a) within one hundred and twenty (120) days after the end of each Fiscal Year a copy of the audited financial statements of the Business, prepared in accordance with GAAP, which shall include an audited balance sheet and statements of income and retained earnings, certified by a senior officer of the Company as correctly reflecting the financial condition of the Business in all material respects;
- (b) within sixty (60) days after the end of each of the first three fiscal quarters in each Fiscal Year of the Company, a balance sheet and statement of income and retained earnings, showing the financial condition of the Business as of the end of each such fiscal quarter and the results of operations of the Business for the then elapsed portion of such Fiscal Year certified by the a senior officer of the Company as correctly reflecting the financial condition of the Business in all material respects;
- (c) with reasonable promptness such other information regarding the operations and financial condition of the Business as any bondholder may from time to time reasonably request;
- (d) within 60 days after the end of the first three fiscal quarters of each Fiscal Year, an Officers' Certificate stating that the Company is in compliance with all of its obligations under this indenture and that no Default or Event of Default (including without limitation the Events of Default specified in any indenture supplemental hereto) has occurred or is continuing or, if there exists any such non-compliance or if any Default or Event of Default has occurred or is continuing, specifying the relevant particulars and the period of existence thereof and the action taken or proposed to be taken by the Company in respect thereto;
- (e) on or prior to December 1 of each Fiscal Year of the Company, a copy of the Company's Operating Plan for the subsequent Fiscal Year; and
- (f) on each five year anniversary of this indenture, a copy of a current report assessing the overall condition of the Power Assets with such report being addressed to the bondholders and prepared by a nationally recognized and

accredited independent engineering and consulting firm with expertise and experience in reviewing assets of a nature similar to the Power Assets

### **Section 6.12 Insurance**

The Company shall obtain and maintain property insurance in connection with the Power Assets and the Business and such other types of insurance, including business interruption insurance, liability insurance with respect to claims for personal injury, death or property damage and boiler and machinery insurance, with respect to the operation of the Business, all with responsible and reputable insurance companies in such amounts and with such deductibles as are customary in cases of businesses of established reputations engaged in the same or similar businesses provided that the property insurance on the Power Assets shall be in amounts not less than the Replacement Cost of the Power Assets. Such insurance shall contain a provision that it will not be cancelled without at least 30 days prior written notice to be given by the insurer(s) to the Trustee, shall contain a standard mortgage clause and contain a waiver by the insurer of all rights of subrogation or indemnity and contain a cross-liability clause and a severability of interests clause. Additionally, such policies of insurance shall name the Trustee as first loss payee and mortgagee and shall, in respect to all third party liability insurance, identify the Trustee as an additional insured. All such insurance shall on the close of the issuance of the Series 1 Senior Bonds be satisfactory in the view of the Insurance Consultant.

### **Section 6.13 Decisions of the Ontario Energy Board**

The Company will deliver to the Trustee and each holder of a Bond within 30 days of receipt, copies of any Ontario Energy Board decisions relevant to the Business, including, without limitation, those regarding rates relating to the Transmission Assets.

### **Section 6.14 Notifications**

The Company shall notify the Trustee and each holder of a Bond of any event, circumstance or matter which may reasonably be expected to result in a Material Adverse Change and of the occurrence of any Default or Event of Default, forthwith and in any event within five business days after the Company becomes aware of such Material Adverse Change, Default or Event of Default.

### **Section 6.15 Notify Trustee of Change of Name or Change of Chief Executive Office**

(a) The Company shall not change its name without giving at least 30 days' prior notice to the Trustee and the bondholders in accordance with Section 15.3 of the new name and the date upon which such change of name is to take effect and, within five business days of the change of name, the Company shall provide the Trustee and the bondholders with a copy of the relevant articles of amendment indicating such change of name.

(b) The Company shall not move its chief executive office outside of the Province of Ontario except upon 30 days' prior written notice to the Trustee and, in such event, (A) only to another Province in Canada, and (B) only if the Liens created by the Security Agreements continue to constitute a valid, enforceable and perfected first priority security interest in all intangible property of the Company including, without limitation, accounts receivable, subject

only to Permitted Encumbrances, and in such circumstances the Company shall continue to hold and preserve its records concerning accounts receivable.

### **Section 6.16 To Charge After-Acquired Property and Execute Further Assurances**

(a) The Company will, whether required by the Trustee or not, mortgage, pledge, charge, assign and grant a security interest in favour of the Trustee in any Addition, as part of the Secured Assets, and shall mortgage, pledge, charge, assign and grant a security interest in favour of the Trustee, as part of the Secured Assets, in any Future Sites, and the Company shall make the requisite registrations and filings under Section 6.6 with respect thereto. The Company will, whether required by the Trustee or not, assign in favour of the Trustee each Material Contract; subject to using its best efforts to obtain any required consents in this regard and an Acknowledgement and Consent for each such Material Contract, and the Company shall make the requisite registrations and filings with respect thereto. At any and all times the Company will do, execute, acknowledge and deliver or will cause to be done, executed, acknowledged and delivered all and every such further acts, deeds, conveyances, mortgages, transfers and assurances as the Trustee shall reasonably require, for the purpose of giving the Trustee a valid first ranking Lien (subject to Permitted Encumbrances) upon all Secured Assets and for the better assuring, conveying, mortgaging, assigning, confirming or charging unto the Trustee all other property and assets used in connection with the Business which the Company may hereafter acquire. The Company shall deliver to the Trustee and each bondholder a copy of each Material Contract, assignment thereof and Acknowledgement and Consent. At the request of the Company, the Trustee shall execute confirmations and acknowledgements as may be required and based on the advice of Counsel, from time to time, to confirm and acknowledge that the collateral charged by the Security Agreements only relate to the assets included and used in connection with the Business and that the Security does not extend to the Distribution and Other Assets or the Excluded Subsidiaries and their assets and businesses.

(b) The Company shall:

- (i) keep all its equipment and all of its other tangible personal property in jurisdictions in which all required filings have been duly made for the perfection of the security interests created hereby and are in full force and effect and in which the Security creates a valid and enforceable first priority security interest in the Secured Assets subject only to Permitted Encumbrances; and
- (ii) with respect to any equipment or inventory in the possession or control of any third party, upon the request of the Trustee, provide written notification to such third party (with a copy to the Trustee) of the Trustee's security interest in such equipment or inventory and, upon the Trustee's request following the occurrence of an Event of Default, direct such third party to hold all such equipment or inventory for the Trustee's account and subject to the Trustee's instructions.

### **Section 6.17 Not to Cancel or Amend**

So long as any of the Bonds remain outstanding the Company will not cancel, amend, vary, alter or modify any of the Permitted Encumbrances, Material Contracts, Water Leases or Transmission Property Rights in any manner which would result in a Material Adverse Change.

### **Section 6.18 Copies**

The Company will deliver to the Trustee from time to time, or to such other person as the Trustee may direct, within five business days of receipt of a written request therefor from the Trustee, a true copy of this indenture and any instrument supplemental or ancillary thereto.

### **Section 6.19 Trustee May Perform Covenants**

If the Company shall fail to perform any covenant on its part contained in this indenture or any indenture supplemental hereto, the Trustee may, after giving notice to the Company, perform (but shall not be obliged to perform) or cause any other person to perform any of such covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, the Trustee may make such payment or expenditure with its own funds, or with money borrowed by or advanced to it for such purpose. All sums so expended or advanced shall be payable by the Company to the Trustee in accordance with Section 6.9 but no such performance or payment shall be deemed to relieve the Company from any Default or Event of Default hereunder.

### **Section 6.20 Concerning Officers' Certificates**

The statements made in all Officers' Certificates which may be executed and filed pursuant to the provisions of this indenture shall be true and correct and the Company will duly perform any undertaking set forth on behalf of the Company in any such Officers' Certificates.

### **Section 6.21 Limitations on Distributions**

The Company covenants that it will not declare or make any Distribution unless at the time of such Distribution (i) no Default or Event of Default exists, (ii) the Cash Collateral Accounts are funded to their required levels, (iii) the ratio of EBITDA for the immediately preceding 12 calendar months to Debt Service for such 12-month period is equal to or greater than 1.5:1.0 and (iv) the ratio of the Company's forecast of EBITDA for the immediately following 12-month period to its forecast of Debt Service for such 12-month period is equal to or greater than 1.5:1.0. Evidence of compliance with such ratios shall be provided for in an Officers' Certificate which shall provide a reasonable detail of the calculations relating thereto. In addition to the Distributions permitted herein, the Company may distribute to any person the cash amount previously paid by such person to the Company pursuant to a purchase by such person of equity in the Company subject to the following: (i) at the time of such Distribution there exists no Default or Event of Default; (ii) the Distribution to be made is made within 30 days from the date that such person completed such purchase of equity of the Company and made payment in respect thereof to the Company; (iii) the cash distributed pursuant to such

Distribution does not exceed the net cash proceeds received by the Company in respect to such purchase of equity; (iv) the Trustee receives an Officer's Certificate of the Company confirming the truth and accuracy of (i), (ii) and (iii) above along with confirmation of the amount of the equity investment and the amount to be distributed.

### **Section 6.22 Inspection Rights**

The Company will permit any holder or holders of a Bond or Bonds that hold in the aggregate no less than 2.5% of the outstanding obligations owing pursuant to the Bonds to discuss the affairs, finances and accounts, inspect the Power Assets and review the books and records of the Business with the principal officers of the Company during normal business hours and, after receiving consent from the Company, such consent not to be unreasonably withheld, with the Company's independent chartered accountants (with the Company being entitled, when no Default or Event of Default is in existence, to attend at any such meetings), all at such reasonable times, upon such reasonable notice and as often as such holder of a Bond may reasonably request. While no Default or Event of Default is in existence, a bondholder shall only be entitled to discuss with the chartered accountants of the Company the affairs of the Company once in each calendar year. Upon and during the continuance of any Default or Event of Default, the holders of the Bonds may direct the Trustee to appoint an agent to act on behalf of all holders of the Bonds and at the expense of the Company to visit and inspect any of the properties of the Company and review the books and records of the Business, discuss the affairs, finances and accounts of the Company with the Company's independent chartered accountants and all at such reasonable times, upon such notice as shall be reasonable in light of such Default or Event of Default and as often as such agent may reasonably determine; provided, however, that all such rights of the holders of the Bonds shall, on the requirement of the Company, be subject to such holders and any such agent entering into a confidentiality agreement in the form of Schedule G, with respect to information to be disclosed.

### **Section 6.23 Debt Service Reserve Account**

(1) The Company shall establish and at all times maintain the Debt Service Reserve Account as a segregated account in the name of the Trustee in trust for the Company for purposes of servicing interest and principal payments on the Senior Bonds. The Company shall, at its option, either (i) maintain on deposit in the Debt Service Reserve Account an amount of cash equal to 9 months interest on the Senior Bonds outstanding from time to time, or (ii) provide to the Trustee a Letter of Credit with a face amount equal to 9 months interest on the outstanding Senior Bonds. Funds held in the Debt Service Reserve Account may be invested by the Trustee, on written instructions from the Company, in Permitted Investments.

(2) The Company shall be entitled to, and the Trustee shall allow the Company to, withdraw amounts from the Debt Service Reserve Account to pay amounts of principal and interest due under the Senior Bonds in the event that revenues of the Company are insufficient therefor; provided that the Company will not be entitled to make any Distribution following a withdrawal from the Debt Service Reserve Account until the Debt Service Reserve Account has been funded to its required level. For greater certainty, the Debt Service Reserve Account shall at all times be funded to the maximum level required hereunder and should any draw be made on such account, the Company shall ensure that the account is re-funded, from time to time, in an

amount equal to the withdrawn amount prior to making any Distributions. In the event that the Debt Service Reserve Account is funded in an amount that exceeds that amount representing nine months interest on the Senior Bonds, the Company shall be entitled to, and the Trustee shall allow the Company to, withdraw funds to the extent of such excess amount or reduce the Letter of Credit to, or replace the Letter of Credit held by the Trustee with a Letter of Credit in the required amount.

(3) During the continuance of a Default or an Event of Default, the Company shall have no further ability to instruct the Trustee in regards to the Debt Service Reserve Account.

(4) Any Letter of Credit delivered pursuant to this Section 6.23 shall be issued to the credit of the Debt Service Reserve Account by a Permitted Financial Institution and shall contain, in addition to the requirements provided in this Section, such other terms and provisions as are satisfactory to the Trustee in its sole discretion. Any Letter of Credit delivered shall form part of the Security for the Senior Bonds only. If no agreement for a renewal or replacement of any Letter of Credit (with cash or otherwise) is made 15 days prior to the expiration of such Letter of Credit, the Company shall immediately notify the Trustee and the bondholders and the Trustee shall immediately thereafter draw upon such Letter of Credit and deposit such drawing in the Debt Service Reserve Account.

#### **Section 6.24 Capital Expenditures Reserve Account**

(1) The Company shall establish the Capital Expenditures Reserve Account on the date on which an initial deposit is required to be made therein pursuant to this Section 6.24, as a segregated account in the name of the Company for the purposes of paying for sustaining capital expenditure needs of the Company. The Company shall, on an annual basis, deposit into the Capital Expenditures Reserve Account the greater of (A) the difference (if positive) between (i) \$5,000,000, and (ii) the amount of sustaining capital expenditures in connection with the Power Assets in accordance with Good Utility Practices ("Maintenance Expenditures") actually made by the Company in the immediately preceding year, and (B) an amount equal to the difference (if positive) between (i) an amount equal to \$5,000,000 multiplied by the number of calendar years that have passed since December 31, 2002, and (ii) the aggregate of all Maintenance Expenditures made by the Company in all prior calendar years since December 31, 2002. The Company shall ensure that, as at the date of the issue of the Company's annual financial statements for any calendar year, the Capital Expenditures Reserve Account is funded to its required level in respect of such Fiscal Year and all preceding Fiscal Years. At the option of the Company, it shall either (i) deposit cash in the Capital Expenditures Reserve Account in the amount required as set forth above, or (ii) provide to the Trustee a Letter of Credit in an amount equal to the amount required to be so deposited. Funds held in the Capital Expenditures Reserve Account may be invested by the Company from time to time in Permitted Investments.

(2) Funds deposited in the Capital Expenditures Reserve Account (or any Letter of Credit issued in respect thereof) will be used solely to pay Maintenance Expenditures and the Company shall have the right to withdraw funds (or reduce any Letter of Credit) from the Capital Expenditures Reserve Account from time to time solely for that purpose. On an annual basis, but not later than the date of issue of the Company's annual financial statements for each year, the Company shall deliver to the Trustee an Officers' Certificate certifying all Maintenance

Expenditures made by the Company during the immediately preceding calendar year and shall outline in reasonable detail the costs in respect thereto.

(3) In the event that the Capital Expenditures Reserve Account is funded in an amount that exceeds the amount required to be funded in accordance with the terms of Section 6.24(1) and Section 6.24(2), the Company shall be entitled to withdraw funds to the extent of such excess amount or to reduce the Letter of Credit to, or replace the Letter of Credit with a Letter of Credit in a lower amount required to be deposited in the Capital Expenditures Reserve Account upon delivering to the Trustee an Officers' Certificate setting out a calculation of the amount required to be deposited into the Capital Expenditures Reserve Account at such time along with details of any Maintenance Expenditures made by the Company since the delivery of the most recent Officers' Certificate outlining Maintenance Expenditures.

(4) Any Letter of Credit delivered to the Trustee shall form part of the Security for the holders of Bonds. If no agreement for a renewal or replacement of any Letter of Credit (with cash or otherwise) is made 15 days prior to the expiration of such Letter of Credit or should an Event of Default exist that is continuing, the Company shall immediately notify the Trustee and the bondholders and the Trustee shall immediately thereafter draw upon such Letter of Credit and deposit such drawings, on behalf of the Company, in the Capital Expenditures Reserve Account.

(5) Upon the occurrence and during the continuance of an Event of Default and upon delivery of an Ordinary Resolution by the holders of the Senior Bonds to the Trustee, the Company shall, upon receipt of written request from the Trustee, deliver to the Trustee all amounts in the Capital Expenditures Reserve Account which shall be held by the Trustee and shall be subject to the Liens created by the Security Agreements.

#### **Section 6.25 No Amalgamation, Etc.**

The Company will not enter into any transaction (whether by way of reorganization, consolidation, amalgamation, winding-up, merger, transfer, sale, lease or otherwise) whereby all or any substantial part of the Secured Assets would become the property of any other person unless (i) no Default or Event of Default exists, (ii) the person continuing from any such transaction shall be organized and exist under the laws of Canada or any province thereof, (iii) the Rating Condition shall be satisfied and (iv) the holders of Senior Bonds and the holders of Subordinate Bonds shall have each passed an Extraordinary Resolution approving such proposed transaction and any terms, conditions and requirements that may be contained in such Extraordinary Resolutions have been met to the satisfaction of the Trustee. Any such Extraordinary Resolutions passed by bondholders approving such a transaction shall contain such terms, conditions and other requirements as are deemed appropriate and necessary by the bondholders. The terms of this Section 6.25 shall not apply to any transfer of the Power Assets effected pursuant to Section 6.10 of this indenture.

#### **Section 6.26 Excluded Subsidiaries**

For greater certainty, the Power Assets do not include the Excluded Subsidiaries, the businesses carried on by the Excluded Subsidiaries or the assets possessed by the Excluded



**Subsidiaries.** The Company represents and warrants in favour of the Trustee and each bondholder that no property, undertaking or asset of an Excluded Subsidiary is used in connection with the Business and covenants and agrees that at no time may any property, undertaking or asset of an Excluded Subsidiary be used in connection with the Business.

### **Section 6.27 Included Subsidiary**

The Company shall cause the Included Subsidiary at all times:

- (a) to maintain and defend its interest in all property, undertaking and assets that it possesses;
- (b) to have no Indebtedness;
- (c) to not create or assume or permit to be outstanding or attempt to create or assume any Lien on its property, undertaking and assets except for Permitted Encumbrances;
- (d) to pay or cause to be paid all rents, taxes, levies, duties and assessments levied, assessed or imposed upon it;
- (e) to carry on no business of any nature or kind;
- (f) to not enter into any transactions with any Affiliate of the Company or any Non-Arm's Length Person other than the Company;
- (g) to maintain all licence, permits and other consents that it now or hereafter possesses;
- (h) to not dispose of any of its property, undertaking or assets except to the Company; and
- (i) to not enter into any transaction (whether by way of reorganization, consolidation, amalgamation, winding-up, merger, transfer, sale, lease or otherwise) whereby any of the property, undertaking or assets of the Included Subsidiary would become the property of any other person other than the Company.

## **ARTICLE 7**

### **POSSESSION, USE AND RELEASE OF SECURED ASSETS**

#### **Section 7.1 General**

Until the occurrence of an Event of Default that is continuing and the Trustee shall have determined or become bound to enforce the Security, and except as otherwise provided for herein, the Company shall be permitted to possess, manage, develop, operate and enjoy the Secured Assets and freely to control the conduct of the Business and to take and use any income, rents, issues and profits thereof.

## **Section 7.2 Release of Secured Assets**

(1) Provided that a Default or Event of Default is not continuing, the Company may at any time and from time to time, without the consent of the Trustee or the bondholders, sell or otherwise dispose of any part of the Secured Assets, so long as the aggregate dollar value of all sales in a given calendar year do not exceed \$1,000,000, and upon receipt by the Trustee of an Officers' Certificate stating in substance as follows:

- (a) that the Company has sold or otherwise disposed of, or has contracted to sell, or otherwise dispose of, the property in question for a consideration, representing in the opinion of the persons executing the certificate, which is not less than its fair market value (which fair market value shall be set out in the Officers' Certificate); and
- (b) that the sale of the property in question will not result in a breach of any of the terms and covenants of this indenture.

In connection with such permitted dispositions, the Trustee shall release all Liens on such assets being disposed of upon receipt of an Officers' Certificate confirming compliance with the terms of this Section 7.2.

(2) In addition to sales permitted pursuant to Section 7.2(1), provided that a Default or Event of Default is not continuing, the Company may at any time and from time to time, without the consent of the Trustee or the bondholders sell or otherwise dispose of any part of the Secured Assets constituting equipment (the "sold property") in an amount in excess of the monetary threshold set forth in Section 7.2(1), so long as the Trustee receives an Officers' Certificate stating in substance that (i) the Company has sold or otherwise disposed of, or has contracted to sell, or otherwise dispose of, the sold property for a consideration, representing in the opinion of the persons executing the certificate, which is not less than its fair market value (which fair market value shall be set out in the Officers' Certificate); (ii) at the time that the sale was made there existed no Default or Event of Default; (iii) the disposition of the sold property shall not negatively impact the ability of the Company to carry on the Business; (iv) the sale proceeds from the sold property have been deposited with the Trustee (and shall, for greater certainty, be subject to the Security) or will, subject to the terms of the next sentence of this subsection (2) be used to concurrently or immediately thereafter purchase new equipment; and (v) the aggregate of (a) proceeds of sale from the sold property and (b) money held by the Trustee at such time in respect of previous sales of equipment, does not exceed \$15,000,000. Sale proceeds shall not be required to be deposited with the Trustee if (A) concurrent with or immediately following the conveyance of the sold property the Company purchases new equipment, (B) the provisions of Section 7.2(3)(B),(C) and (D) are complied with on the completion of such purchase, and (C) the purchase price for the new equipment to be acquired is no less than the proceeds from the sold property unless the difference is deposited with the Trustee in accordance with the terms of Section 7.2(3). Following any purchase of new equipment in accordance with the foregoing terms, the Company shall deliver to the Trustee an Officers' Certificate confirming compliance with the foregoing terms.

(3) Proceeds of sale shall be released to the Company in an amount not to exceed the purchase price of the equipment proposed to be purchased upon delivery to the Trustee of an Officers' Certificate stating in substance that (A) the Company has purchased equipment (the "acquired property") and providing for the acquisition price of such equipment; (B) no Default or Event of Default exists; (C) the acquired equipment is not subject to a Purchase Money Security Interest; and (D) the Security creates a first ranking Lien against the acquired equipment subject only to Permitted Encumbrances.

(4) Following the occurrence of a Default or Event of Default which is continuing, sale proceeds may only be released to the Company upon receipt by the Trustee of an Ordinary Resolution authorizing such release from the holders of Senior Bonds (and if no Senior Bonds are outstanding, Subordinate Bonds).

### **Section 7.3 Disposal of Plant, Machinery or Equipment Constituting Part of the Power Assets**

Provided that a Default or Event of Default is not continuing, the Company may at any time and from time to time, without the consent of the Trustee or the bondholders, sell or otherwise dispose of any plant, machinery or equipment forming part of the Power Assets which has become worn out, damaged or obsolete and such assets shall, upon being separated from the Power Assets, be released from the Liens created by the Security Agreements. The Company shall be permitted, without the requirement of approval of the Trustee or the bondholders, to dispose of the assets exclusively related to the High Falls operating station on such terms as the Company deems appropriate. Without limiting the foregoing, the Trustee shall upon the Written Request of the Company and upon delivery by the Company to the Trustee and each bondholder of an Officers' Certificate which (i) provides a reasonable detail of the terms of such sale or disposal, and (ii) states that the assets sold or disposed of were worn out, damaged or obsolete, grant a release of the Liens against such assets.

### **Section 7.4 Expropriation and Insurance Proceeds**

(1) In the event of any expropriation or similar taking of any part of the Power Assets or of any sale by the Company in lieu of such expropriation or similar taking and in reasonable anticipation thereof, the Trustee shall release the property so taken or sold (although, for greater certainty, this Section 7.4 shall not apply to dispositions otherwise permitted pursuant to Section 7.2 or Section 7.3), upon the deposit with the Trustee of a sum equal to the net proceeds to the Company of any such expropriation, taking or sale (subject to the rights of the holder of any applicable Permitted Encumbrance) together with:

- (i) a Written Request of the Company specifying the terms and conditions of such expropriation, taking or sale and requesting the release of such property from the Security;
- (ii) an Officers' Certificate stating:
- (iii) that such property has been lawfully expropriated; or

- (iv) in the case of a sale, that such sale was in lieu of and in reasonable anticipation of expropriation or similar taking and was in the best interests of the Company having a view to such expropriation or similar taking; and
- (v) an Opinion of Counsel to the effect that such property has been lawfully expropriated, taken or sold as aforesaid, and stating that all covenants or conditions relating to the release of such property have been complied with in accordance with the terms of this indenture.

The amount deposited with the Trustee pursuant to this Section 7.4 shall form part of the Secured Assets and, until the occurrence of an Event of Default which is continuing, such moneys shall be dealt with in the manner set out in Article 8.

(2) Notwithstanding the foregoing, the Trustee shall, so long as no Default or Event of Default exists, pay or return to the Company, or direct any expropriating authority or insurer or purchaser, as applicable, to pay directly to the Company, any proceeds relating to a specific expropriation (including a sale in lieu and in reasonable anticipation of any expropriation or similar taking) or a specific insurance claim in the amount of less than \$3,000,000. Notwithstanding the foregoing, upon the occurrence of a Default or an Event of Default that is continuing, all expropriation, sale and insurance proceeds shall be delivered to the Trustee and may only be released to the Company upon receipt by the Trustee of an Ordinary Resolution authorizing such release from the holders of Senior Bonds (and if no Senior Bonds are outstanding, Subordinate Bonds).

(3) The Company agrees that the occurrence of expropriation or similar taking of any part of the Power Assets or sale by the Company in lieu of such expropriation or similar taking and in reasonable anticipation thereof, or any damage or destruction to all or any part of the Secured Assets in each case resulting in moneys being received by the Trustee in accordance with Section 8.2 will be a triggering event for purposes of this indenture (each a "Triggering Event") and upon the occurrence of any such Triggering Event, the Company will elect to have all proceeds resulting from such Triggering Event applied either:

- (a) to repair, restore or replace the property that was damaged, destroyed or expropriated in accordance with the terms and conditions provided for in Section 8.2 and Section 8.3 subject to the requirement to redeem bonds as provided for, and in accordance with, the terms of Section 8.3; or
- (b) to redeem Bonds in accordance with the provisions of Section 8.3.

The Company shall provide to the Trustee and the bondholders written notice of its election within 15 days of receipt of the Trust Moneys by the Trustee.

#### **Section 7.5 Additional Construction**

Unless a Default or an Event of Default has occurred and is continuing, the Company may undertake or permit to be undertaken any additional construction or development

(including without limitation expansion, renovation, repair and or redevelopment) of the Power Assets without the prior consent or approval of the Trustee or the bondholders, provided that such construction or development will not impair the Security in any material way and that such additional construction or development is subject to the Liens of the Security.

Construction or development (including, without limitation, expansions, renovations, repairs or redevelopment) in the ordinary course of business by the Company or in the ordinary course of operation of the Power Assets by the Company will be deemed not to constitute an impairment of the Security.

#### **Section 7.6 Dealing with the Power Assets**

From time to time the Trustee shall execute and deliver to the Company, on written request by the Company, accompanied by an Officers' Certificate and/or an Opinion of Counsel, if applicable and as may be required by the Trustee:

- (a) all instruments necessary to evidence the consent of the Trustee to the granting of certain easements, right-of-way, cost sharing and reciprocal arrangements in respect of the Lands, the Generation Assets and lands adjacent thereto and any site plan agreement required to be entered into in connection therewith, provided such instruments do not materially adversely impact the use or value of the Secured Assets;
- (b) acknowledgements in respect of certain Permitted Encumbrances; and
- (c) all instruments necessary to release the Security from portions of any Lands for road widening, dedication to government or municipal authorities and similar purposes in connection with the development and servicing of such Lands provided such instruments do not adversely impact the use or value of the Secured Assets in any material way.

#### **Section 7.7 Proceeds of Released or Sold Property**

Except where expressly provided otherwise, all consideration arising from any release of or other dealings with the Secured Assets received by the Trustee under Section 7.2, Section 7.3 and Section 7.4 shall be paid by the Trustee to the Company, upon receipt of an Officers' Certificate stating that so far as is known to the signers after having made due enquiry pursuant to Section 17.13, a Default or an Event of Default has not occurred which is continuing nor will result from the payment requested, and otherwise shall form part of the Secured Assets hereunder and, except as otherwise specifically provided herein, all cash forming part of the consideration received under Section 7.2 through Section 7.4 shall be dealt with as provided in Article 8 hereof.

#### **Section 7.8 Independent Investigation by Trustee**

The certificates, instruments and opinions provided for in this Article 7 shall be full authority to the Trustee for making any release or taking any action provided for in this Article 7; provided that before making any such release or taking any action the Trustee may, in

its absolute discretion, and shall, if requested to do so by Ordinary Resolution of the holders of the Senior Bonds or Subordinate Bonds and if furnished with security and indemnity satisfactory to it, cause to be made such independent investigations as it, acting reasonably, may see fit, and the reasonable expense thereof shall be paid by the Company, or if paid by the Trustee shall be repaid by the Company upon reasonable notice given by the Trustee to the Company with interest at the rate per annum that is charged by the Trustee to all of its clients from time to time, from the date of such demand until repayment.

## **ARTICLE 8**

### **APPLICATION OF MONEYS RECEIVED BY THE TRUSTEE**

#### **Section 8.1 Trust Moneys**

- (1) All moneys received by the Trustee:
  - (a) as compensation for, or proceeds of sale of, any part of the Secured Assets taken by expropriation or sold in lieu of and in reasonable anticipation of a taking by expropriation that is in excess of \$3,000,000 or compensation or proceeds in an amount of less than \$3,000,000 where there exists a Default or an Event of Default, or
  - (b) as proceeds of insurance upon any part of the Secured Assets for a given claim for property damage in which the insurance proceeds are in excess of \$3,000,000 or proceeds in an amount of less than \$3,000,000 where there exists a Default or an Event of Default, (all such moneys being herein sometimes called "Trust Moneys")

shall be held by the Trustee, except as otherwise provided in this Article, as part of the Secured Assets and, upon any entry upon or sale or realization of the Secured Assets or any part thereof under Article 10, Trust Moneys shall be applied in accordance with Section 10.6. Prior to any such entry or sale or realization, all or any part of the Trust Moneys may be withdrawn, and shall be paid or applied by the Trustee, from time to time as provided in this Article 8.

(2) Unless a Default or an Event of Default under this indenture shall exist, Trust Moneys shall be invested and reinvested by the Trustee in accordance with Section 12.1. Following the occurrence of a Default or an Event of Default, the Trustee may invest or not invest such moneys as it determines.

#### **Section 8.2 Application of Trust Moneys to Restoration or Repair**

All Trust Moneys referred to in subparagraphs (a) and (b) of Section 8.1(1) received by the Trustee:

- (a) under the provisions of this indenture or any instruments supplemental hereto, or
- (b) under any policy or policies of insurance governing the Secured Assets or any part thereof, or

- (c) in connection with the release of such property by reason of the exercise of the power of expropriation,

shall be held by the Trustee as part of the Secured Assets and shall be paid to the Company from time to time, upon receipt by the Trustee of (i) an Officers' Certificate requesting all or a portion of such moneys and confirming that no Default or Event of Default exists and (ii) an Independent Engineers' Certificate approving the paying to, or reimbursing the Company for the payment of, the reasonable cost, as shown by such certificate, of repairing or replacing part or all of the property damaged, destroyed or taken on a cost to complete basis, but only if written application is made therefor within 6 months (or such longer period as is provided for in Section 8.3) of the receipt of such proceeds by the Trustee, and then only for and to the extent that the Company shows by such Independent Engineers' Certificate that the portion of such proceeds remaining on deposit with the Trustee, together with any additional funds irrevocably allocated or otherwise provided for in a manner satisfactory to the Trustee for such purpose, shall be sufficient to complete such repairs or replacements in accordance with the requirements of Section 6.8(i), free from Liens except the Security and Permitted Encumbrances. Every such Officers' Certificate requesting the payment of such Trust Moneys shall state that no Default or Event of Default then exists and shall be accompanied by an Opinion of Company Counsel to the effect that upon completion of the repair or replacement, the property will be subject to the Liens created by the Security Agreements, subject only to Permitted Encumbrances and, to the extent applicable, an endorsement to the title insurance policy confirming that the Debenture creates a secured Lien against the property repaired or replaced. Any insurance proceeds payable in respect to loss of income shall, so long as there exists no Default or Event of Default, be immediately released to the Company. Notwithstanding the foregoing, if Trust Moneys in an amount of less than \$3,000,000 were received by the Trustee during the existence of a Default or an Event of Default and there no longer exists a Default or an Event of Default, such Trust Moneys may be released to the Company without the requirement of delivery of an Independent Engineer's Certificate.

### **Section 8.3 Application of Trust Moneys to Redemption of Bonds**

In the event that the Company shall have failed to apply the Trust Moneys received in respect of any damage, destruction, loss or expropriation of all or any part of the Secured Assets to the repair, restoration or replacement of the property damaged, destroyed or expropriated within the 6-month period provided for in Section 8.2, then the Company shall make an offer to the holders of Bonds in accordance with the terms of this indenture to apply all such Trust Moneys to the redemption of Bonds of all series in an amount sufficient to exhaust such cash and otherwise in accordance with the provisions of this indenture or any indenture supplemental hereto applicable to the optional redemption of Bonds of each series and at the Redemption Price and if there is more than one series of Bonds outstanding, subject to the provisions herein or in any indenture supplemental hereto contained with respect to the redemption and purchase for cancellation of Bonds or requiring that the Trust Moneys be applied to one but not all series, such moneys shall be applied *pro rata* as to the amount of the purchase or redemption of Bonds out of each such series in accordance with the provisions for purchase or redemption (otherwise than out of sinking fund moneys) applicable to such Bonds. Such offer shall be made no later than 30 days after the expiration of such 6-month period unless such six month period is extended in accordance with the terms of this Section 8.3 in which case it shall be made within 30 days of the expiration of the period so extended if the Trust Moneys remain

unapplied. Notwithstanding the foregoing, if the Company shall have delivered to the Trustee and to each holder of the Bonds an Officers' Certificate and an Independent Engineer's Certificate on or before the last day of such 6-month period to the effect that the repair, restoration or replacement of the property destroyed, damaged or expropriated is being diligently pursued and stating the anticipated completion date of such repair, restoration or replacement, then the Company shall not be so obligated to redeem Bonds unless the repair, restoration or replacement is not completed by such stated anticipated completion date; provided, however, that the Company shall deliver Officers' Certificates and an Independent Engineer's Certificate on each 6-month anniversary thereafter to the same effect, until such repair, restoration or replacement is complete. All such redemptions shall first be in respect of outstanding Senior Bonds and when no Senior Bonds are outstanding, Subordinate Bonds shall be redeemed.

## **ARTICLE 9**

### **ENFORCEMENT OF SECURITY**

#### **Section 9.1 Events of Default**

The Security shall become enforceable, subject to the terms hereinafter contained, in each and every of the events following, herein sometimes called "Events of Default":

- (a) if, in respect to the holders of Senior Bonds, the Company fails to make payment of any interest, principal or Make-Whole Amount on any of the Senior Bonds when the same shall respectively become due and such default continues for 3 business days; or
- (b) if, in respect to the holders of Senior Bonds, the Company fails to pay any principal or interest on the applicable Maturity Date; or
- (c) if, in respect to the holders of Subordinate Bonds, the Company fails to make payment of any interest, principal or premium on any of the Subordinate Bonds when the same shall respectively become due and such default continues for 3 business days; or
- (d) if, in respect to the holders of Subordinate Bonds, the Company fails to pay any principal or interest on the applicable Maturity Date; or
- (e) if the Company fails to pay within three business days of written demand being made therefore, any amount other than principal and interest due pursuant to this indenture or the Security; or
- (f) if the Company fails to pay, or cause to be paid, when due, taxes, rates, levies, duties, public utility charges and assessments, general or special, ordinary or extraordinary, of any nature or kind whatsoever, including local improvement taxes, which shall be levied, assessed or imposed upon the Company (save and except when and so long as the validity thereof is in good faith contested by the Company and the Company has set aside adequate reserves for the payment of such disputed amounts and any such Default as aforesaid shall continue either for a period of 20 days after written notice to the Company from the Trustee or for



such shorter period as would at any time, if continued, render the Secured Assets or any part thereof liable to forfeiture or sale; or

- (g) if the Company admits its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency, or if an order is made or an effective resolution passed for the winding-up of the Company, or if the Company makes an assignment for the benefit of its creditors or consents to the appointment of a Receiver or a liquidator or a trustee in bankruptcy in respect of it, or if the Company makes a proposal to its creditors under any bankruptcy or insolvency act or similar legislation including, without limitation, the *Companies' Creditors Arrangement Act* (Canada); or
- (h) if a decree or order of a court having jurisdiction is entered appointing a Receiver of the Company or any substantial part of the Secured Assets; or
- (i) if a Receiver of the Company is appointed by a person other than by a court of competent jurisdiction or in proceedings where the Company has not had prior notice of such proceedings, and such appointment continues unstayed, undischarged and in effect for a period of 60 days after notice of it has been served on the Company provided the Company has been diligently and actively contesting such appointment in good faith by appropriate and timely proceedings; or
- (j) if a decree or order of a court of competent jurisdiction is entered adjudging the Company bankrupt or insolvent or approving a petition seeking the winding-up or liquidation of the Company under the *Companies' Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws; or
- (k) if any proceeding or filing is instituted or made against the Company seeking to have an order for relief entered against it as a debtor or to adjudicate it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, arrangement, adjustment or composition under any law relating to bankruptcy, insolvency, reorganization or release of debtors, or seeking appointment of a Receiver, trustee, custodian or other similar official for it or for any substantial part of its properties or assets, unless the same is being contested actively and diligently in good faith by appropriate and timely proceedings and is dismissed, vacated or permanently stayed within 60 days of institution; or
- (l) if the Company defaults in observing or performing any other covenant or condition contained in this indenture, any Security Agreement, any Bond Purchase Agreement or any undertaking provided to the Trustee in connection with any Bonds required to be observed or performed and if such default continues for a period of 20 days after a notice in writing has been given by the Trustee to the Company, specifying such default, which notice the Trustee may give on its own initiative and will give when required to do so by an Ordinary Resolution from the holders of Senior Bonds (or, where no Senior Bonds are then

outstanding or where the holders of the Subordinate Bonds are permitted to do so hereunder, by an Ordinary Resolution from the holders of the Subordinate Bonds); provided that in the case of a default which is curable but which cannot be remedied simply by payment of money, the Company will have within such 20-day period commenced to remedy such default and continues to diligently pursue the remedy thereof for a period not exceeding 180 days after the occurrence of the default; or

- (m) if any statement contained in an Officers' Certificate delivered hereunder constitutes, at the time the same is made, an intentional, material and adverse misstatement; or
- (n) if a final judgement, execution, writ of seizure and sale, sequestration or decree for the payment of money due has been obtained or entered against the Company in an amount in excess of \$25,000,000 and such judgement, execution, writ of seizure and sale, sequestration or decree will not have been and remain vacated, bonded, paid, discharged or stayed pending appeal within 30 days; or
- (o) if the Company makes a material misrepresentation in any bond purchase agreement relating to the purchase of Bonds which is not cured (if curable) within 30 days after the earlier of (i) the Company becoming aware of such misrepresentation, and (ii) receipt by the Company of notice thereof; or
- (p) if the Company shall default in observing or performing for a period of five business days the covenant contained in any of Sections 6.2, 6.3(a), 6.10, 6.12, 6.21 or 6.25; or
- (q) if the Company does not make an offer to the holders of Bonds to redeem the Bonds as (i) required pursuant to the terms of Section 8.3 hereof within the 30-day period provided for therein or (ii) elected by it pursuant to the terms of Section 7.4 hereof.

## **Section 9.2 Trustee May Declare Principal and Interest Due**

Subject to the provisions of Section 9.3 and subject to the terms of any indenture supplemental hereto in the case of any Event of Default as defined in and created by such supplemental indenture for the benefit of the holders of any particular series of Additional Bonds, in case an Event of Default shall occur and be continuing, the Trustee shall upon receipt of an Ordinary Resolution from the holders of Senior Bonds and, subject to the terms of Section 3.9, an Ordinary Resolution from the holders of the Subordinated Bonds in the case of a Subordinate Bond Event of Default or an Event of Default where there are no Senior Bonds outstanding or where the holders of the Senior Bonds have accelerated the amounts owing under the Senior Bonds, declare the principal and interest on the Senior Bonds or the Subordinate Bonds, as applicable, and other moneys secured hereby, to be due and payable and the same, together with the Make-Whole Amount (if any) and premium (if any), shall forthwith become immediately due and payable to the Trustee on demand, anything therein or herein contained to the contrary notwithstanding in each case without presentment, protest or further notice, all of

which are hereby waived and the Company will pay forthwith to the Trustee on demand for the benefit of the holders of the Bonds that have been accelerated, the amount of the principal of, Make-Whole Amount (if any) and premium (if any) and interest then accrued on all the Bonds and all other moneys secured hereby together with interest at the respective rates of interest borne by the Bonds on such principal, Make-Whole Amount (if any) and premium (if any) and interest, and interest at the same rate per annum on such other moneys from the date of the said declaration until payment is received by the Trustee, and such payment when made shall be deemed to have been made on the Bonds and any moneys so received by the Trustee shall be applied in accordance with Section 10.6 in the same manner as if they were proceeds of a sale of the Secured Assets. The Company acknowledges, and the parties hereto agree, that each holder of a Bond has the right to maintain its investment in the Bonds free from prepayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Bonds are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

### **Section 9.3 Waiver of Default**

(1) Subject to the terms of any indenture supplemental hereto in the case of any Event of Default as defined in and created by such supplemental indenture for the benefit of the holders of any particular series of Additional Bonds or Subordinate Bonds, in the event that an Event of Default shall have occurred, the holders of Senior Bonds shall have the power by Extraordinary Resolution to instruct the Trustee, at any time, to waive such Event of Default or to annul any declaration made by the Trustee at the direction of the holders of the Senior Bonds pursuant to Section 9.2, and the Trustee shall thereupon waive such Event of Default or annul such declaration upon such terms and conditions as such holders shall prescribe; provided always that no act or omission either of the Trustee or of the holders of Senior Bonds shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom. The waiver of a Subordinate Bond Event of Default by the holders of Senior Bonds shall not bind the holders of Subordinate Bonds in respect to such Subordinate Bond Event of Default.

(2) Other than in respect to a Subordinate Bond Event of Default, while there are Senior Bonds outstanding, the holders of Subordinate Bonds shall have no rights to direct the Trustee at any time to waive an Event of Default and the holders of the Subordinate Bonds shall be bound in all respects by any decisions made, resolutions passed or actions taken by the holders of the Senior Bonds or the Trustee at their instruction in respect to the waiver of an Event of Default, the annulling of any declaration made by the Trustee pursuant to Section 9.2 at the direction of the holders of the Senior Bonds or any other matter arising in connection with the actions taken or directed to be taken by the holders of Senior Bonds following the occurrence and during the continuance of an Event of Default. The foregoing sentence shall be paramount to any other terms contained in this indenture. The holders of the Subordinate Bonds shall have the power by Extraordinary Resolution to instruct the Trustee, at any time, to waive any Subordinate Bond Event of Default or to annul any declaration made by the Trustee pursuant to Section 9.2 by the holders of the Subordinate Bonds, provided always that no act or omission either of the Trustee or the holders of the Subordinate Bonds shall extend to or be taken in any manner whatsoever to effect any subsequent Default or the rights resulting therefrom. The

holders of Subordinate Bonds may, by Unanimous Resolution, waive any Subordinate Bond Event of Default identified in Section 9.1(c) or (d). Such waiver shall only be binding on the holders of Senior Bonds if they have also passed an Extraordinary Resolution waiving such default.

#### **Section 9.4 Notice of Default**

The Company shall give to the Trustee and each bondholder, within a reasonable time but not exceeding five business days after the Company becomes aware of the occurrence thereof, written notice of every Default or Event of Default arising out of this indenture and continuing at such time as such notice is given. In addition to the Company's obligation to give bondholders notice of every Default and Event of Default, the Trustee shall, unless notice has already been provided by the Company in accordance with the terms hereof, give to each bondholder, within the earlier of five business days after the Trustee otherwise becomes aware of the occurrence thereof, notice of every Default or Event of Default arising under this indenture and continuing at the time such notice is given.

### **ARTICLE 10** **REMEDIES IN CASE OF DEFAULT**

#### **Section 10.1 Limited Recourse**

Notwithstanding anything contained herein to the contrary, or in the Security, the Operative Documents or any other documentation entered into pursuant to this indenture, the obligations of the Company to the Trustee and the bondholders shall be performed, satisfied and paid only out of, and enforced only against, and recourse shall be had only against (i) the Secured Assets, (ii) GLPI in respect to its obligations owing under the GLPI Guarantee; and (iii) the Included Subsidiary in respect to its obligations under the Subsidiary Guarantee. Except with respect to the recourse of the Trustee pursuant to Sections 17.7, 19.1 and 19.2, no obligation of the Company under this indenture, the Bonds, any Security Agreement or any other document delivered pursuant to this indenture is personally binding upon, nor shall any resort or recourse be had, judgment issued or execution or other process levied against the Company (except to the extent necessary for the enforcement of the Security and only for that purpose) or against any assets or revenues of the Company that do not constitute Secured Assets. Notwithstanding the foregoing, the Trustee and each purchaser of a Series 1 Senior Bond shall have full recourse against the Company and all of its assets in those circumstances provided for in Section 3.3 of the Bond Purchase Agreements executed in connection with the purchase of such Series 1 Senior Bonds.

#### **Section 10.2 General**

Subject to the provisions of Article 9, Section 3.9 and to the provisions of any Ordinary Resolution, if an Event of Default has occurred and is continuing, all of the Security shall become immediately enforceable and, in addition to any rights or remedy provided by law, and upon receipt of an Ordinary Resolution passed in accordance with Article 9 (but, in the case of Subordinate Bonds, subject to the terms of Section 3.9), the Trustee shall, subject to compliance with the provisions of Section 17.8, proceed to protect and enforce its rights and the

rights of the bondholders under this indenture and the Security, if any, by such appropriate private or judicial proceedings as the Ordinary Resolution shall provide in order to protect and enforce such rights, whether for the specific enforcement of any covenant or agreement in this indenture or the Security Agreements or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy. Without limiting the generality of the foregoing, if an Event of Default has occurred and is continuing, the bondholders may, subject to Section 9.3, direct the Trustee by the appropriate Ordinary Resolution to exercise one or more of the following powers(which the Trustee shall exercise upon receiving any reasonable indemnity and funding that it might require against all costs, expenses and liabilities to be incurred):

- (a) by appointment in writing appoint a receiver or receiver and manager (each herein referred to as the "Receiver") of the collateral that is the subject of the Security only (which term when used in this Section 10.2 shall include the whole or any part of the Security) and may remove or replace such Receiver from time to time or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver of the collateral that is the subject of the Security; and the term "Trustee" when used in this Section 10.2 shall include any Receiver so appointed and the agents, officers and employees of such Receiver. The Trustee shall not be in any way responsible for any misconduct or negligence of any such Receiver;
- (b) take possession of the collateral that is the subject of the Security and require the Company to assemble (or cause to be assembled) the collateral that is the subject of the Security and deliver or make such collateral available (or cause it to be made available) to the Trustee at such place or places as may be specified by the Trustee;
- (c) take such steps as are desirable to maintain, preserve or protect the collateral that is the subject of the Security;
- (d) carry on or concur in the carrying on of all or any part of the business of the Company insofar as it relates to the collateral that is the subject of the Security;
- (e) exercise any of the rights of the Company under any Operative Document;
- (f) enforce any rights of the Company in respect of the collateral that is the subject of the Security by any manner permitted by Applicable Law;
- (g) subject to the rights, if any, of third parties, sell, lease or otherwise dispose of the collateral that is the subject of the Security at public auction, by private tender, by private sale or otherwise either for cash or upon credit upon such terms and conditions as the Trustee may determine and without notice to the Company unless required by Applicable Law;
- (h) accept the collateral that is the subject of the Security in satisfaction of the obligations of the Company hereunder and under the Bonds upon notice to the Company of its intention to do so in the manner required by Applicable Law;

- (i) enter upon any of the premises where the collateral that is the subject of the Security is located as the Trustee requires to facilitate the realization of the collateral that is the subject of the Security, free of charge;
- (j) charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the exercise of the rights and remedies of the Trustee hereunder, including, without limiting the generality of the foregoing, reasonable legal, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith, including interest thereon at such rate as the Trustee deems reasonable, will be added to and form part of the obligations secured by the Security; and
- (k) discharge any Lien that may exist or be threatened against the collateral that is the subject of the Security, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the obligations hereby secured by the Security.

On any entry or taking of possession, directly or indirectly, as herein provided by the Trustee, the Trustee shall have all of the powers of a Receiver, and in any judicial proceeding relative to the Company, its creditors or its property the Trustee shall be authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the bondholders allowed in such judicial proceeding.

The Trustee shall not exercise the powers contained in this Section 10.2 except with the prior consent of the Bondholders in accordance with Article 9 and Section 17.8.

Subject to the provisions of this indenture, the Trustee may following an enforcement of the Security, upon receipt of an Ordinary Resolution to this effect given in accordance with Section 16.2 (but subject to the terms of Section 3.9 in the case of holders of Subordinate Bonds), (i) grant extensions of time, (ii) take and perfect or abstain from taking and perfecting security, (iii) give up Securities, (iv) accept compositions or compromises, (v) grant releases and discharges, and (vi) release any part of the Security or otherwise deal with the Company, debtors of the Company, sureties and others and with the Security and other security as the Trustee sees fit without prejudice to the liability of the Company to the Trustee or the Trustee's rights hereunder.

The Trustee will not be liable or responsible for any failure to seize, collect, realize or obtain payment with respect to the Security and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment with respect to the Security or for the purpose of preserving any rights of the Trustee, the Company or any other person in respect of the Security unless directed to do so in accordance with this indenture.

The Trustee may, subject to Section 10.6, apply any proceeds of realization of the Security to payment of expenses in connection with the preservation and realization of the Security as above described and the Trustee may apply any balance of such proceeds to payment

of the obligations of the Company hereunder and under the Bonds in compliance with the terms hereof and, in the absence of such terms, in such order as the Trustee sees fit but subject to Applicable Laws.

The Trustee, any Receiver or any one or more of the bondholders or any agent or representative thereof, may become purchasers at any sale or other realization of the Security, or any part thereof, whether made under the power of sale herein contained or pursuant to judicial proceedings.

All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto.

No course of dealing on the part of the Trustee or any bondholder nor any delay or failure of the Trustee or of the bondholders to exercise any remedy referred to in this Section 10.2 will operate as a waiver of any such remedy or will be construed to be a waiver of any Event of Default hereunder or acquiescence therein or will otherwise prejudice any rights, powers or remedies of the Trustee or such holder.

Unless and until it has been required so to do under the terms hereof, the Trustee is not bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby; nor will the Trustee be required to take notice of an Event of Default or any Default hereunder, other than in payment of any moneys required by any provision hereof to be paid to it, unless and until such time as such Trustee has received notice in writing of such Event of Default or any Default hereunder and in the absence of any such notice and subject as aforesaid, the Trustee may assume that the Company is not in default hereunder.

In the exercise of any remedy herein contained the Trustee will in no event be obliged to marshal the Security in favour of any other creditor of the Company, and the Company waives any right that it may have to require the Trustee to so marshal the Security. The Company further renounces all benefits of discussion and division.

### **Section 10.3 Bondholders May Direct Trustee's Action**

Except as herein otherwise expressly provided and subject to the terms of Section 3.9, the holders of Senior Bonds or the holders of Subordinate Bonds by Ordinary Resolution may, from time to time, direct and control the action of the Trustee in any proceeding under this Article 10.

### **Section 10.4 Appointment of Receiver or Receiver and Manager**

Whenever the Trustee shall be required under the provisions of Section 10.2 to appoint a Receiver, the following provisions shall apply.

- (a) Any such appointment may be limited to any part or parts of the Secured Assets or may extend to the whole thereof.

- (b) Every such Receiver may, in the discretion of the Trustee, be vested with all or any of the powers and discretions of the Trustee.
- (c) The Trustee may from time to time fix the remuneration of every such Receiver and direct the payment thereof out of the Secured Assets, the income therefrom or the proceeds thereof.
- (d) The Trustee may from time to time require any such Receiver to give security for the performance of his duties and may fix the nature and amount thereof, but shall not be bound to require such security.
- (e) Every such Receiver may, with the consent in writing of the Trustee, borrow money for the purposes of carrying on and managing the Secured Assets, or for the maintenance, protection or preservation of the Secured Assets or any part thereof, and the receiver may issue certificates (herein call "Receiver's Certificates") to evidence such indebtedness, and such Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times as to the Trustee may deem expedient, and shall bear interest as shall therein be declared, and the Receiver may sell, pledge or otherwise dispose of the same in such manner as the Trustee may deem advisable, and may pay such commission on the sale thereof as the Trustee may deem reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificate shall be secured by the Security and shall be payable in priority to the Bonds.
- (f) Every such Receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent of the Company and in no event the agent of the Trustee, and the Trustee shall not, in asking or consenting to such appointment, incur any liability to the receiver for his remuneration or otherwise howsoever.
- (g) Except as may be otherwise directed by the Trustee, all moneys from time to time received by such Receiver shall be paid over to the Trustee to be held by it on the trusts of this indenture.
- (h) The Trustee may pay over to such Receiver any moneys constituting part of the Secured Assets to the intent that the same may be applied for the purposes hereof by such Receiver, and the Trustee may from time to time determine what funds the Receiver shall be at liberty to keep in hand with a view to the performance of his duty as such Receiver.
- (i) The Trustee may appoint a receiver and manager hereunder, or may apply to the court of competent jurisdiction for such appointment, without proceeding to realize upon the Security hereof.

#### **Section 10.5 Surrender by Company**

The Company binds and obliges itself to yield up possession of the Secured Assets to the Trustee on demand whenever the Trustee shall have a right of entry under the provisions of this indenture and agrees to put no obstacle in the way of, but to facilitate by all



legal means, the actions of the Trustee hereunder and not to interfere with the carrying out of the powers hereby granted to it, and in the event of the Security hereby constituted becoming enforceable, as herein provided, the Company shall and hereby does consent to the appointment in such case of a liquidator or Receiver with all such powers as the Trustee is hereby vested with, if so required by the Trustee and shall deliver up all information and documentation relating to the Secured Assets. The Company hereby binds itself in the said event to consent to any petition or application presented to the court by the Trustee in order to effectuate the intent of this indenture, and the Company shall not, after receiving due notice from the Trustee that it has taken possession of the Secured Assets by virtue hereof, continue in possession of the Secured Assets unless with the express written consent and authority of the Trustee, and shall forthwith by and through its respective officers and directors, execute such documents and transfers as may be necessary to place the Trustee in legal possession of the Secured Assets and after receipt of such notice, all the powers and functions, rights and privileges of each and every of the directors and officers of the Company shall cease with respect to the Secured Assets unless specifically continued in writing by the Trustee, or unless the property shall have been restored to the Company as hereinbefore provided.

#### **Section 10.6 Application of Moneys**

The moneys arising from any sale or realization of the Secured Assets shall be applied:

- (a) first, to pay or reimburse to the Trustee the costs, charges, expenses, advances and compensation of the Trustee (including any Receiver) in or about the execution of its trust, or otherwise in relation hereto, with interest thereon as herein provided, and all taxes, assessments and other charges ranking in priority to the Bonds;
- (b) second, in or towards payment of interest on overdue principal, interest and Make-Whole Amount (if any) on the Senior Bonds;
- (c) third, in or towards payment of interest on the Senior Bonds;
- (d) fourth, in or towards payment of principal of the Senior Bonds;
- (e) fifth, in or towards payment of the Make-Whole Amount (if any) on any of the Senior Bonds;
- (f) sixth, in or towards payment of any other liabilities or obligations of the Company to the holders of Senior Bonds hereunder;
- (g) seventh, in or towards payment of interest on overdue principal, interest and premium (if any) on the Subordinate Bonds;
- (h) eighth, in or towards payment of interest on the Subordinate Bonds;
- (i) ninth, in or towards payment of principal of the Subordinate Bonds;

- (j) tenth, in or towards payment of any other liabilities or obligations of the Company to the holders of the Subordinate Bonds hereunder;

and the surplus (if any) shall be paid to the Company or its assigns.

All payments made to holders of Senior Bonds and Subordinate Bonds, respectively, in accordance with the terms hereof shall be made on a *pro rata* basis to the outstanding indebtedness owing to such holders of Senior Bonds and Subordinate Bonds, respectively.

#### **Section 10.7 Limitation of Trustee's Liability**

Subject to the provisions of Article 17, the Trustee shall not, nor shall any Receiver appointed by it, be responsible or liable, otherwise than as a trustee, for any debts contracted by it, for damages to persons or property, or for salaries or non-fulfillment of contracts during any period wherein the Trustee or Receiver shall manage the Secured Assets upon or after entry, as herein provided, nor shall the Trustee or any Receiver be liable to account as mortgagee in possession or for anything except actual receipts, or be liable for any loss on realization or for any default or omission for which a mortgagee in possession might be liable.

#### **Section 10.8 Protection of Persons Dealing with Trustee**

No person dealing with the Trustee or its agents shall be concerned to inquire whether the Security hereby constituted has become enforceable, or whether the powers which the Trustee is purporting to exercise have become exercisable, or whether any money remains due upon the security of this indenture or the Bonds, or otherwise as to the propriety or regularity of any sale or of any other dealing by the Trustee with the Secured Assets or to see the application of any money paid to the Trustee; and, in the absence of fraud on the part of such person, such dealing shall be deemed, so far as regards the safety and protection of such person, to be within the powers hereby conferred and to be valid and effectual accordingly.

#### **Section 10.9 Remedies Cumulative**

No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Bonds, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

#### **Section 10.10 Company to Execute Confirmatory Deed**

In case of any sale validly made under the provisions of this Article 10, whether by the Trustee or under judicial proceedings, the Company agrees it will execute to the purchaser on demand any instrument reasonably necessary to confirm to the purchaser the title of the property so sold.

### **Section 10.11 Trustee Appointed Attorney**

The Company hereby irrevocably appoints the Trustee to be the attorney in its name and on its behalf, to execute and do any deeds, conveyances, assignments, assurances and things which the Company ought to execute and do, and have not executed or done, under the covenants and provisions contained herein and generally to use the name of the Company in the exercise of all or any of the powers hereby conferred on the Trustee. This power of attorney is coupled with an interest and shall survive the winding-up, dissolution or bankruptcy of the Company. This power of attorney shall only be exercisable by the Trustee following the occurrence and continuance of a Default or Event of Default.

## **ARTICLE 11** **SALE ETC.**

### **Section 11.1 Consolidation, Amalgamation, Merger or Transfer**

The Company shall not resolve or order that the Company be wound up or that other proceedings be taken with a view to the consolidation, amalgamation or merger of the Company with another corporation or the transfer of the Secured Assets as an entirety or substantially as an entirety to such other corporation or to a continuing corporation resulting from any amalgamation except in accordance with the terms of Section 6.25.

Subject to Section 11.3, such consolidation, amalgamation, merger or transfer shall not release the Company from its covenants and obligations under this indenture or the Bonds then outstanding or any covenants and obligations to the Trustee in its capacity as trustee hereunder or (subject to the terms thereof) under any other document or agreement.

Subject to and upon compliance by the Company with this Section 11.1 and Section 6.25, the Trustee shall consent to the consolidation, amalgamation or merger pursuant to this Section 11.1 and join in such documents and do such acts as, in its discretion, may be thought advisable, subject to such conditions as may be set forth in the Extraordinary Resolution required by Section 6.25.

### **Section 11.2 Substitution of Successor**

In case of any consolidation, amalgamation, merger or transfer as provided in Section 11.1, the corporation or corporations formed by such consolidation, amalgamation or merger or to which any transfer shall have been made, upon executing a supplemental indenture or other instrument as provided in Section 11.1 shall succeed to and be substituted for the Company in whole or in part according to the terms of such consolidation, amalgamation, merger or transfer.

### **Section 11.3 Issue of Bonds by Successor Corporation**

Any successor or assignee corporation hereunder referred to in Section 11.2 may thereupon in place of or together with, as the case may be, the Company cause to be signed and may issue any or all replacement Bonds, the issue of which was authorized hereunder prior to the date of the consolidation, amalgamation, merger or transfer and which were not theretofore

signed by the Company and delivered to the Trustee and the Trustee, upon the order of such successor or assignee corporation in lieu of or in addition to, as the case may be, the Company, and subject to all the terms, conditions and restrictions herein prescribed, shall certify any and all such Bonds previously signed by the officers of the Company and delivered to the Trustee for certification, and any of such Bonds which such successor or assignee corporation shall thereafter cause to be signed and delivered to the Trustee for that purpose. All Bonds so issued shall have the same rank and security as the Bonds theretofore or thereafter issued in accordance with the terms of this indenture as though all such Bonds had actually been issued by the Company as of the date of the execution hereof. Every such successor or assignee corporation shall possess and may exercise each and every power of the Company hereunder to the extent necessary in the circumstances.

In the case of a transfer of the Secured Assets pursuant to Section 6.25 (whether pursuant to a winding-up, dissolution or merger of the Company or a transfer of the Power Assets as an entirety), the Trustee, upon being satisfied that the provisions of Section 6.25 have been complied with, shall consent to such transfer and join in such documents and do such acts as, in its discretion, may be thought advisable, and upon such consent being given and such transfer being carried out, the Company shall be released and discharged from its covenants and obligations under this indenture, the Bonds and the Security Agreements and any other covenants and obligations to the Trustee in its capacity as trustee hereunder or under any other document or agreement, and the Trustee shall execute any document or documents which it may be advised is or are necessary or advisable for effecting or evidencing such release and discharge, subject in all respects to such conditions as may be set forth in the Extraordinary Resolution required by Section 6.25.

#### **Section 11.4 Exception**

Notwithstanding anything contained in this Article to the contrary, the Company acknowledges that, in the event of a transaction contemplated by Section 11.1, a continuing or other corporation or a purchaser or purchasers may be required by the Trustee, on the advice of Counsel, to enter into a replacement indenture to this indenture on substantially the same terms as this indenture, which replacement indenture shall authorize the issuance of bonds in replacement of the Bonds, and to execute and deliver all such deeds and documents, including opinions, as the Trustee may be advised by Counsel are necessary or advisable in such circumstances.

### **ARTICLE 12** **INVESTMENT OF TRUST MONEYS**

#### **Section 12.1**

Unless provided to the contrary herein, any moneys held by the Trustee which under the trust hereof may or ought to be invested or which may be on deposit with the Trustee or which may be in the control of the Trustee, may, upon receipt of a written direction of the Company, be invested and reinvested in the name or under the control of the Trustee in Permitted Investments. Any direction from the Company to the Trustee shall be in writing and shall be provided to the Trustee no later than 9:00 a.m. on the day on which the investment is to

be made. Any such direction received by the Trustee after 9:00 a.m. or received on a non-business day, shall be deemed to have been given prior to 9:00 a.m. the next business day. For the purpose of this Section, "business day" shall not include any day on which banks are not open for business in Toronto, Ontario. No such Permitted Investments shall have a maturity greater than 24 months from the date of such investment therein. Pending such investment such moneys may be placed by the Trustee on deposit in any Permitted Financial Institution against demand deposit certificates or with its or an Affiliated Entity's deposit department. The Trustee shall, at any time and from time to time, on the Written Request of the Company, invest such monies in Permitted Investments as are directed by the Company, demand payment of the moneys evidenced by any such certificate or sell such Permitted Investments (unless the Trustee is of the opinion that such action would be prejudicial to the interests of the bondholders). The Trustee shall allow interest at the current rate for similar deposits of money remaining on deposit with it and credit the Company with interest and other income received on moneys deposited and other depositories and all moneys invested as herein provided.

In addition to any written direction to invest cash in a Permitted Investment, the Trustee may hold cash balances and may, but need not invest same in its deposit department or the deposit department of an Affiliated Entity of the Trustee; but the Trustee and each Affiliated Entity of the Trustee shall not be liable to account for any profit to any parties to this indenture or to any other person or entity other than at a rate, if any, established from time to time by the Trustee or an Affiliated Entity of the Trustee for similar amounts held on deposit. For the purpose of this Section, "Affiliated Entity" means affiliated companies within the meaning of the *Business Corporations Act* (Ontario) ("OBCA"); and in the case of the Trustee, includes Canadian Imperial Bank of Commerce, CIBC Mellon Global Securities Services Company and Mellon Bank, N.A. and each of their affiliates within the meaning of the OBCA.

The Trustee shall not be held liable for any losses incurred in the investment of any funds in Permitted Investments.

### **ARTICLE 13** **SUITS BY BONDHOLDERS AND TRUSTEE**

#### **Section 13.1 Bondholders May Not Sue**

Subject to Section 13.3, no holder of any Bond has the right to institute any suit, action or proceeding or to exercise any other remedy authorized by this indenture or available at law for the purpose of enforcing any right under this indenture, any Security Agreement or Bond on behalf of the bondholders or for the execution of any trust or power hereunder or for the appointment of a liquidator or Receiver or for a receiving order under the *Bankruptcy and Insolvency Act* (Canada) or to have the Company wound up or to file or prove a claim in any liquidation or bankruptcy proceedings, unless an Extraordinary Resolution to this effect has been passed in accordance with the terms of this indenture and such Extraordinary Resolution, along with any indemnity and funding commitment required by the Trustee, has been delivered to the Trustee and there is compliance with the provisions of Section 17.8, and the Trustee shall have failed to act within 30 days. If the Trustee has so failed to act, but not otherwise, any bondholder acting on behalf of all Senior Bonds or Subordinate Bonds, as applicable, shall be entitled to take any of the proceedings that the Trustee might have taken hereunder. No bondholder has any

right in any manner whatsoever to effect, disturb or prejudice the rights hereby created by its action or to enforce any right hereunder or under any Bond, except subject to the conditions and in the manner herein provided. Any money received as a result of a proceeding taken by any bondholder hereunder must be forthwith paid to the Trustee and shall be distributed in accordance with the terms of this indenture.

### **Section 13.2 Bondholders May Waive Default**

In case any action, suit or other proceeding shall have been brought by the Trustee or by any bondholder after failure of the Trustee to act, the holders of Senior Bonds and Subordinate Bonds (where permitted pursuant to Section 3.9, Article 9, Article 10 and Section 16.2) may by Extraordinary Resolution direct the Trustee or the bondholder bringing any such action, suit or other proceeding to waive the Event of Default in respect of which any such action, suit or other proceeding shall have been brought upon payment of the costs, charges and expenses incurred by the Trustee or the bondholder, as the case may be, in connection therewith, and to stay or discontinue or otherwise deal with any such action, suit or other proceeding, and the Trustee or such bondholder, as the case may be, shall thereupon do so.

### **Section 13.3 Unconditional Right of Bondholders to Receive Principal and Interest**

Each bondholder shall have the right on the terms stated herein, which is absolute and unconditional (but subject to Section 3.9 in the case of Subordinate Bonds), to receive payment of the principal of, and interest on, such Bond when due as expressed in such Bond, and, subject to compliance with Section 13.1 and Section 3.9 (in the case of holders of Subordinate Bonds), to institute suit for the enforcement of any such payment, except if and to the extent that the institution or prosecution of such claim or the entry of judgment therein would result in the surrender, impairment, waiver or loss of the Security or any part thereof.

### **Section 13.4 Payment Free from Equities**

The Bonds shall be paid by the Company, and may be assigned by each holder of a Bond, absolutely free and clear of all equities, rights of set-off, claims, defences, counterclaims, rights or other matters whatsoever (collectively, "Claims"), whether existing between a holder and the Company and/or any third parties or intermediate holders, and whether now existing or hereafter arising (before or after notice of any assignment to the Company) which could impair or adversely affect in any way the entitlement of any present or future holder to enforce the Bonds strictly in accordance with the terms and provisions hereof and of the Bonds, and the Company hereby agrees not to assert, as against any assignee or any present or future holder, any Claims arising out of this indenture or any Bond that it had against a predecessor holder (other than the defence that obligations hereunder have been performed or observed by the Company). For greater certainty, but without limiting the generality of the foregoing, the foregoing shall apply:

- (i) notwithstanding that such Claim arises due to any act or omission of any holder of a Bond or any intermediate holder of a Bond or any other party;

- (ii) regardless of how closely or inseparately connected such Claim is to the obligations or whether it flows out of dealings or transactions related thereto; and
- (iii) notwithstanding actual or constructive notice to any assignee or any present or future holder of a Bond, or to any intermediate holder of a Bond or any other third party of such Claim, regardless of when received or deemed to be received.

The foregoing shall be without prejudice to the right of the Company to subsequently assert any Claim as against the assignor.

## **ARTICLE 14**

### **APPOINTMENT OF NEW TRUSTEE**

#### **Section 14.1 General**

The Trustee may resign its trust after giving 90 days' notice in writing to the Company and the bondholders and shall resign in the event that a material conflict of interest arises in its role as a fiduciary under this indenture and is not eliminated within 90 days after ascertaining that it has such a material conflict of interest and in either case the Trustee shall be discharged from all further duties and liabilities hereunder.

In case of the resignation of the Trustee or its removal from office or incapacity to act, its successor shall be at once appointed by the Company and the Trustee jointly, provided that such successor so appointed shall be a trust company qualified and authorized to carry on trust business in the Provinces of Canada, as necessary and applicable, and there shall not exist a material conflict of interest in its role as a fiduciary under this indenture; but should the Company and the Trustee fail to agree on such appointment then the successor shall be appointed by a court of competent jurisdiction in Ontario upon the application of the Company or the Trustee upon such notice to the bondholders and given in such manner as shall be determined by such court upon the application of the Company or the Trustee. On any new appointment the new Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Trustee, without any further assurance, conveyance, act or deed, but there shall be immediately executed, at the expense of the Company, all such instruments (if any) as the new Trustee may be advised by Counsel are necessary or advisable.

Any such new or successor Trustee shall, forthwith upon appointment, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but nevertheless, upon the written request of the successor Trustee or of the Company, the Trustee ceasing to act shall execute and deliver an instrument assigning and transferring to such successor Trustee, upon trusts herein expressed, all the Secured Assets, rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property (including its records and registers) and money held by such Trustee to the successor Trustee so appointed in its place. Should any deed, conveyance or instrument in writing from the Company be required by any new Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers

and trusts, then any and all such deeds, conveyances and instruments in writing shall, on request of said new Trustee, be made, executed, acknowledged and delivered by the Company.

Any company into which the Trustee may be merged or with which it may be consolidated or amalgamated, or any company resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor Trustee under this indenture without the execution of any instrument or any further act unless in the Opinion of Counsel such action would be prudent.

## **ARTICLE 15** **NOTICES**

### **Section 15.1 Notice to Company**

Any notice to the Company under the provisions hereof shall be given by delivery or by facsimile or by registered letter addressed to the Company at:

2 Sackville Road  
Sault Ste. Marie, Ontario  
P6B 6J6

Facsimile No.: (705) 941-5600  
Attention: President

with a copy to:

Suite 300  
BCE Place  
181 Bay street  
Toronto, Ontario  
M5J 2T3

Facsimile No.: (416) 363-2856  
Attention: Chairman of the Board

and if so delivered, shall be deemed to have been given on the first business day following the date of delivery, if so mailed shall, subject to Section 15.4, be deemed to have been given on the fifth business day following such mailing, and if sent by facsimile transmission, shall be deemed to have been delivered on the first business day following such facsimile transmission. The Company may from time to time notify the Trustee of a change in address or facsimile number as the case may be in accordance with Section 15.3.

### **Section 15.2 Notice to Bondholders**

Any notice to the holder of any Bond under the provisions hereof shall be given by delivery or by first class letter addressed to such holder at its post office address appearing in the register of bondholders and if so delivered, shall be deemed to have been given on the first



business day following the date of delivery and if so mailed, subject to Section 15.4, shall be deemed to have been given on the fifth business day following such mailing.

### **Section 15.3 Notice to the Trustee**

Any notice to the Trustee under the provisions hereof shall be given by delivery or by facsimile or by registered letter addressed to the Trustee as follows:

- (a) if mailed or delivered, at:

320 Bay Street  
P.O. Box 1  
Toronto, Ontario  
M5H 4A6

Facsimile No.: (416) 643-5570  
Attention: Vice-President, Trust Services, Eastern Region

and if so delivered, shall be deemed to have been given on the first business day following the date of delivery, if so mailed shall, subject to Section 15.4, be deemed to have been given on the fifth business day following such mailing and if so facsimiled shall be deemed to have been given on the first business day following such facsimile. The Trustee may from time to time notify the Company of a change in address in accordance with Section 15.1.

### **Section 15.4 Postal Interruption**

Notwithstanding the foregoing provisions of this Article 15, a notice shall not be sent by first-class or registered mail but shall be delivered by hand (or, if applicable, sent by telecopy) if a strike or lockout of postal employees then in effect or generally known to be pending would delay or would be reasonably likely to delay the receipt of such notice by the party to which it is addressed and any such communication sent by registered mail in such circumstances shall be deemed not to have been given.

## **ARTICLE 16** **BONDHOLDERS' MEETINGS**

### **Section 16.1 Conduct of Meetings**

Meetings of bondholders shall be convened, held and conducted in the following manner:

- (a) **Calling of Meetings:** At any time and from time to time the Trustee or the Company may, and the Trustee shall on being served with a Bondholders' Request, convene a meeting of the Senior Bonds and/or Subordinate Bonds, depending on who made the request. In the event of the Trustee failing to convene a meeting after a meeting is requested by such a Bondholder's Request or by the Company, the bondholders who made the Bondholders' Request or the Company (as applicable) may themselves convene such meeting and the notice

calling such meeting may be signed by such person as such bondholders or the Company (as applicable) may specify. Every such meeting shall be held at the City of Toronto or at such other place as the Trustee may, acting reasonably, in any case determine or approve. A meeting of bondholders may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and each bondholder shall be permitted, if it so notifies the Trustee and complies with the requirements of Section 1.7 and provided that such bondholder provides sufficient proof to the Trustee that it is a holder of Bonds or a duly appointed proxy therefor, to participate in any meeting of bondholders by any of the foregoing means as it shall elect.

- (b) **Notice of Meetings:** At least 21 days' notice of such meeting shall be given to the applicable bondholders and such notice shall state the time when, and the place where and the means by which, said meeting is to be held and shall specify in general terms the nature of the business to be transacted thereat, but it shall not be necessary to specify in the notice the text of the resolutions to be passed.
- (c) **Quorum:** At any meeting of the holders of the Senior Bonds or Subordinate Bonds or all Bonds, as the case may be, subject as herein provided, a quorum shall consist of persons present or represented by proxy holding either personally or as proxies for holders not less than 50% in principal amount of the Senior Bonds or Subordinate Bonds or all Bonds, as applicable, then outstanding. In the event of a quorum not being present on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting shall be adjourned to be held at a place and upon a date and at an hour to be fixed by the Trustee who shall give not less than 7 days' notice of the date and time to which such meeting is adjourned and of the place where such adjourned meeting is to be held, and at such adjourned meeting, a quorum shall consist of the bondholders there present or represented by proxy.
- (d) **Chairman:** Some person, who need not be a bondholder, nominated in writing by the Trustee, shall be Chairman of the meeting but, if no person is so nominated or if the person so nominated is not present within 25 minutes after the time fixed for the holding of the meeting, the bondholders present or represented by proxy shall choose some person present to be Chairman.
- (e) **Voting:** Subject to the provisions of Section 16.4, every question submitted to a meeting of holders of the Senior Bonds or Subordinate Bonds or all Bonds, except an Extraordinary Resolution, shall be decided in the first place by a majority of the votes given on a show of hands or, if any of the bondholders are present by telephone, electronic or other acceptable communication facilities, by any other means by which the vote of such holder may be registered, and shall be binding on all bondholders holding Senior Bonds or Subordinate Bonds or all Bonds, as applicable. Upon the request of any bondholder present at a meeting in person or by proxy, a question shall be determined by a poll. A poll shall be taken on every Extraordinary Resolution. On a poll, each bondholder present or represented at

the meeting shall have one vote for every \$1,000 principal amount of Bonds of which he shall be the holder. Votes may be given in person or by proxy and a proxy need not be a bondholder.

- (f) **Regulations:** The Trustee may, from time to time, make and vary such regulations as it shall think fit providing for and governing the conduct at meetings of bondholders.
- (g) **Declaration by Chairman of Result of Vote:** At any meeting of the bondholders, in cases where no poll is required or requested, a declaration made by the Chairman that a resolution has been carried, or carried by a particular majority, or lost, shall be conclusive evidence thereof.

## Section 16.2 Extraordinary Resolution

An Extraordinary Resolution, adopted in accordance with the provisions hereof, shall be binding upon all the holders of Senior Bonds or Subordinate Bonds, as applicable, and the Trustee shall be bound to give effect thereto accordingly.

The term "Extraordinary Resolution" when used in this indenture in respect of the Senior Bonds or the Subordinate Bonds, means (subject to the provisions of Section 16.5 and as hereinafter provided) a resolution adopted at a meeting of the holders of such Bonds then outstanding, duly convened and held in accordance with the provisions herein contained, upon a poll by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the principal amount of such Bonds present in person or by proxy then outstanding; provided that no Extraordinary Resolution or Ordinary Resolution may be adopted, without the consent or affirmative vote of 100% of the votes of the holders of the applicable Bonds, which purports to:

- (i) waive a default in the payment of the principal of or interest on such Bonds, release any material part of the Security, or change the stated maturity of or the payment for any instalment of interest and/or principal on such Bonds, or reduce the principal amount thereof or the rate of interest payable thereon, or change the currency in which any such Bond or the interest thereon is payable, or the Redemption Price of any such Bonds, or any change that would permit the Company to create Senior Bonds or Subordinate Bonds in excess than that permitted in Section 2.1 hereof, or to repay any principal under any such Bonds sooner than permitted by the terms of the indenture, or
- (ii) reduce the percentage in principal amount of such outstanding Bonds the consent of whose holders is required for any Ordinary Resolution, Extraordinary Resolution or Unanimous Resolution or any modification or amendment to this indenture or to the terms and conditions of such Bonds, or for any waiver of compliance therewith, or reduce the requirements for voting and quorum at any meeting of bondholders at which a resolution is to be adopted,

- (iii) modify, amend or waive Sections 3.9, 5.11, 6.2(i), 6.2(ii), 6.2(iii), 6.8(iii), 6.22, 6.24, 6.25 or 10.6 or the definitions of EBITDA, Distribution, Indebtedness, Debt Service or Secured Assets.

Except as otherwise provided for herein, no action shall be taken at a meeting of the bondholders which changes any provision of this indenture or changes or prejudices the exercise of any right of any bondholder except by Extraordinary Resolution as hereinbefore provided or by resolution or written instrument as hereafter provided.

The Company agrees that it will, upon receipt from the Trustee of any Unanimous Resolution of the holders of Senior Bonds or Subordinate Bonds, deliver a copy of such resolution or instrument to the Rating Agency.

### **Section 16.3 Powers Exercisable by Extraordinary Resolution**

(1) The holders of both the Senior Bonds and Subordinate Bonds (except where otherwise provided herein) shall, in addition to any powers hereinbefore given, have the following powers which shall be exercisable from time to time by Extraordinary Resolution only (except where otherwise provided herein) and shall be subject to the terms of this indenture (including Section 3.9 and Section 9.3):

- (a) power to sanction any change whatsoever in any of the provisions of this indenture and any modification, waiver, abrogation, alteration, compromise or arrangement of the rights of the bondholders against the Company or against the Secured Assets whether such rights shall arise under this indenture or the Bonds or otherwise and to authorize the Trustee to concur in and execute any indenture supplemental to this indenture embodying any such change, modification, waiver, abrogation, alteration, compromise or arrangement;
- (b) power to sanction any scheme for the reorganization or recapitalization of the Company into or with any other corporation, or for the transferring, selling or leasing of the Secured Assets or any part thereof, where the consent of the holders of Bonds may be required thereto;
- (c) power by the holders of Subordinate Bonds to sanction the exchange of the Subordinate Bonds for, or the conversion of the Subordinate Bonds into, shares debentures, bonds or any other securities of the Company or any other corporation formed or to be formed;
- (d) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or securities of the Company;
- (e) power to instruct the Trustee to waive any Event of Default or other Default hereunder or cancel any declaration made pursuant to Section 9.2 either unconditionally or on such terms as are specified in the Extraordinary Resolution (except, for greater certainty, with respect to any Default or Event of Default as defined in and created by any indenture supplemental hereto for the benefit of a

holder of any particular series of Additional Bonds or Subordinate Bonds, which shall be dealt with as prescribed by such supplemental indenture);

- (f) power to restrain any holder of any Bond from taking or instituting any action or other proceeding for the execution of any trust or power hereunder or for the appointment of a liquidator or Receiver where Section 3.9 or Article 13 have not been complied with, and to require such holder of any Bond to waive any Default or Event of Default by the Company on which any action or proceeding is founded where such waiver is approved in accordance with this indenture; and, in case any action or other proceeding shall have been brought by any holder or holders of any Bonds pursuant to Section 13.1 after failure of the Trustee to act, power to direct such holder or holders and the Trustee to waive the Default or Event of Default in respect of which such action or other proceeding shall have been brought where such waiver is approved in accordance with this indenture, upon payment of the costs, charges and expenses incurred in connection therewith, and to stay or discontinue or otherwise deal with any such action or other proceeding;
- (g) power to require the Trustee to exercise or refrain from exercising any of the powers, rights or authority conferred upon the Trustee under this indenture or to waive any Default or Event of Default on the part of the Company in accordance with Section 9.3 and Article 13, upon such terms as may be provided in the Extraordinary Resolution;
- (h) power to remove the Trustee and to appoint a new Trustee to take the place of the Trustee so removed;
- (i) power to approve any sale, transfer or encumbrance of all or any part of the Secured Assets and any purchaser thereof, where the consent of the holders of Bonds may be required thereto pursuant to this indenture;
- (j) power to consent to a release by the Trustee of the Company hereunder, where the consent of the holders of Bonds may be required thereto; and
- (k) power by the holders of Senior Bonds or the holders of Subordinate Bonds from time to time to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise on behalf of the holders of Senior Bonds or Subordinate Bonds, as applicable, such of the powers of such bondholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in such appointment. The resolution making such appointment may provide for payment of the expenses and disbursements of and remuneration of such committee and of the Trustee. Such committee shall consist of such number of persons as may be prescribed in the resolution appointing it, and the members need not be themselves holder of Bonds. Every such committee may elect its chairman, and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number, and its procedure generally. Such regulations may provide that the

committee may act a meeting at which a quorum is present or may act by written resolutions signed by a number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all applicable bondholders and the Company and the Trustee shall be entitled to rely on actions taken by such committee. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith. The bondholders creating such committee shall advise the Trustee and the Company of its creation as soon as practicable following its creation.

(2) The foregoing powers shall be deemed to be several and cumulative and not dependent on each other and the exercise of any one or more of such powers, or any combination of such powers from time to time shall not be deemed to exhaust the rights of the bondholders to exercise such power or powers, or combination of powers, thereafter from time to time. No powers exercisable by Extraordinary Resolution pursuant to this Section shall derogate in any way from any rights of the Company under or pursuant to this indenture.

#### **Section 16.4 Serial Meetings**

(1) If any business to be transacted at a meeting of bondholders especially affects the rights of the holders of Senior Bonds or Subordinate Bonds (as applicable) of one or more series (and for the purposes of this Article 16, the word "series" shall be deemed, unless the context otherwise requires, to mean any series and also any part of a series) in a manner or to an extent substantially differing from that in or to which it affects the rights of the holders of the other Senior Bonds or Subordinate Bonds (as applicable) of any other series (as to which an Opinion of Counsel shall be binding on all bondholders, the Trustee and the Company for all purposes hereof) then:

- (a) reference to such fact, indicating each series so especially affected, shall be made in the notice of such meeting and the meeting shall be and is herein called a "serial meeting"; and
- (b) the holders of Bonds of a series so especially affected shall not be bound by any action taken at a serial meeting unless in addition to compliance with the other provisions of this Article 16 at such meeting:
  - (i) there are represent in person or by proxyholders of at least 50% in principal amount of the outstanding Bonds of such series; and
  - (ii) the resolution is passed by votes of more than 50% (or in the case of an Extraordinary Resolution not less than 66⅔%) of the principal amount of the Bonds of such series then outstanding.

(2) If in the Opinion of Counsel any business to be transacted at any meeting of bondholders does not affect the rights of the holders of Senior Bonds or Subordinate Bonds (as applicable) of one or more series, the provisions of this Article 16 shall apply with respect to such business as if the Bonds of such series were not outstanding and no notice need be given to the holders of Bonds of such series.

(3) Without limiting the generality of the foregoing, a proposal (i) to accelerate or to extend the maturity of Bonds of any particular series or reduce the principal amount thereof or the rate of interest or any Redemption Price thereof, (ii) to modify or terminate any covenant or agreement which by its terms is effective only so long as Bonds of a particular series are outstanding, or (iii) to reduce with respect to holders of Bonds of any particular series any percentage (or corresponding percentage required by an Extraordinary Resolution) stated in Section 16.1 or Section 16.2 hereof or in this Section 16.4 shall be deemed to affect the rights of the holders of Bonds of such series in a manner substantially differing from that in which it affects the rights of holders of Bonds of any other series, whether or not a similar extension, reduction, modification or termination is proposed with respect to Bonds of any or all other series.

### **Section 16.5 Signed Instruments**

Any resolution or instrument signed in one or more counterparts by the holders of a given percentage of the aggregate principal amount of the Senior Bonds, Subordinate Bonds or any series of Bonds if especially affected, as the case may be, then outstanding shall have the same force and effect as a resolution duly passed at a meeting of the bondholders by the affirmative vote of such percentage of the votes given upon a poll, subject to the same conditions and requirements, as hereinbefore provided, for a meeting of the bondholders.

## **ARTICLE 17** **THE TRUSTEE**

### **Section 17.1 Duty of Trustee**

In the exercise of the powers, rights, duties and obligations prescribed or conferred by the terms of this indenture, the Trustee must exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

### **Section 17.2 Resignation, etc. and Appointment of New Trustee**

The Trustee may resign its trust and be discharged from all further duties and liabilities hereunder by giving to the Company 90 days notice in writing or such shorter notice as the Company may accept as sufficient. In the event of the Trustee resigning or being removed by the bondholders by Extraordinary Resolution or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Company must forthwith appoint a new trustee unless a new trustee has already been appointed by the bondholders by Ordinary Resolution; failing such appointment by the Company, the retiring Trustee or any bondholder may apply to an Ontario court of competent jurisdiction at the Company's expense, on such notice as such court may direct, for the appointment of a new trustee; but any new trustee so appointed by the Company or by the Court will be subject to removal as aforesaid by the bondholders. Any new trustee appointed under any provision of this Section 17.2 must be a corporation authorized to carry on the business of a trust company in the Province of Ontario. On any new appointment, the new trustee shall be vested with the same powers, rights, duties and obligations as if it had been originally named herein as Trustee and shall certify that it does not have any material conflict upon becoming the Trustee hereunder.

Upon payment to the retiring Trustee of all amounts owing or due to the retiring Trustee hereunder, the retiring Trustee shall duly assign, transfer and deliver to the new Trustee all property, collateral and money held and all records kept by the retiring Trustee.

Any corporation into which the Trustee may be merged or with which it may be consolidated or amalgamated or any corporation resulting from any merger, consolidation or amalgamation to which the Trustee is a party will be the successor Trustee to such Trustee under this indenture without the execution of any instrument or any further act.

### **Section 17.3 Trustee May Deal in Bonds**

Subject to Section 17.6 and Trust Indenture Legislation, the Trustee may buy, lend upon and deal in the Bonds either with the Company or otherwise, and generally contract and enter into financial transactions with the Company or otherwise, without being liable to account for any profit made thereby.

### **Section 17.4 Trustee Not Required to Give Security**

The Trustee will not be required to give security for the execution of the trusts or its conduct or administration hereunder.

### **Section 17.5 Protection of Trustee**

By way of supplement to the provisions of any law for the time being relating to trustees, it is expressly declared and agreed as follows:

- (a) the Trustee will not be liable for or by reason of any statements of facts or recitals in this indenture or in the Bonds (except the representation contained in Section 17.6 and in the certificate of the Trustee on the Bonds) or required to verify the same, but all such statements or recitals are deemed to be made by the Company
- (b) the Trustee shall have no obligation to calculate the amount due on any interest payment date for any Bonds; in this regard, if at any time the Trustee shall be asked and if it agrees to make any interest payment, the Company covenants to provide to the Trustee an Officers' Certificate detailing the amount due to each bondholder on the relevant interest payment date, no later than 7 business days prior to the interest payment due date, and it shall be able to rely absolutely upon the accuracy and completeness of such Officers' Certificate;
- (c) the Trustee shall not be liable for any reason for failure or default of the Company to remove any Lien upon the assets of the Company or for failure to take any action necessary to constitute, perfect or maintain the priority of the Security or for any failure of the Security or any defect in the Security or for the sufficiency, correctness, genuineness, or validity of the Security;
- (d) nothing herein contained will impose any obligation on the Trustee to see or to require evidence of registration or filing (or renewals thereof) of this indenture or any instrument ancillary or supplemental hereto;



- (e) the Trustee will not be bound to give any notice of the execution hereof;
- (f) the Trustee will not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Company of any of the covenants herein contained or of any act of the agents or servants of the Company;
- (g) upon receipt of reports and financial statements furnished to the Trustee hereunder, the Trustee shall, while such reports and statements are current, maintain custody of same and deliver copies to the holders of the Bonds upon request;
- (h) the Trustee shall not be obligated to analyze financial statements, auditors' reports or other information relating to the business or financial condition of the Company or the Business which may come into the Trustee's possession, or to evaluate, at any time in any manner whatsoever, the performance of the Company or the Business;
- (i) the Trustee shall not be required to analyze or evaluate the insurance coverages of the Company; nothing herein shall be deemed to hold the Trustee responsible for failure by the Company to maintain insurance coverage or for any loss arising out of any want, defect or insufficiency in any insurance policy, or because of failure of any insurer to pay the full amount of any loss or damage insured against; the Trustee shall be entitled to request and rely absolutely upon an Officers' Certificate stating that the Company is in compliance with its covenant in Section 6.12 to maintain adequate insurance coverage; no duty with respect to effecting or maintaining insurance coverage shall rest with the Trustee;
- (j) the Trustee shall incur no liability with respect to the delivery or non-delivery of any certificate or certificates whether delivered by hand, mail or other means;
- (k) the duties and obligations of the Trustee shall be determined solely by the provisions hereof and, accordingly, the Trustee shall not be responsible except for the performance of such duties and obligations as it has undertaken herein;
- (l) the Trustee shall retain the right not to act and shall not be held liable for refusing to act unless it has received clear and reasonable documentation which complies with the terms of this indenture; such documentation must not require the exercise of any discretion or independent judgment;
- (m) in the event of any disagreement arising regarding the terms of this indenture, the Trustee shall be entitled at its option to refuse to comply with any or all demands whatsoever until the dispute is settled either by agreement amongst the various parties or by a court of competent jurisdiction; and
- (n) the Trustee shall not have any liability whatsoever for maintaining, supervising or reviewing any records relating to beneficial ownership interests in the Bonds.

### **Section 17.6 Conflict of Interest**

The Trustee represents to the Company and the bondholders that at the time of the execution and delivery hereof no material conflict of interest exists in the Trustee's role as a fiduciary hereunder and agrees that in the event of a conflict of interest arising hereafter, it will, forthwith upon ascertaining that it has such conflict of interest, either eliminate the same or resign its trust hereunder. If at any time a material conflict of interest in the Trustee's role as a fiduciary hereunder arises, the Trustee must, forthwith upon ascertaining that it has such a conflict, either eliminate such conflict or resign in the manner and with the effect specified in Section 17.2.

### **Section 17.7 Indemnification of Trustee**

The Trustee, in both its individual and trustee capacity and its directors, officers, employees and agents, will at all times be indemnified and saved harmless by the Company from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses, damages and liabilities whatsoever, and, without limiting the generality of the foregoing, such indemnity shall include a full indemnity referable to any and all environmental liability, (except to the extent caused by the gross negligence or wilful misconduct of the Trustee, its agents, employees, contractors, representatives, directors or officers) arising in connection with this indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated hereby, legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee and including any deed, matter or thing in relation to the registration, perfection, release or discharge of the Security. The foregoing provisions of this Section 17.7 do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or to discharge the Trustee's obligations under Section 17.1. This indemnity will survive the termination or discharge of this indenture and the resignation or removal of the Trustee.

### **Section 17.8 Conditions Precedent to Trustee's Obligation to Act**

The Trustee shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Trustee be required to take any notice of any Default or Event of Default hereunder, other than in payment of any monies required by any provision hereof to be paid to it, unless and until notified in writing of such Default or Event of Default, which notice shall distinctly specify the Default or Event of Default desired to be brought to the attention of the Trustee and, in the absence of any such notice, the Trustee may for all purposes of this indenture conclusively assume that the Company is not in default hereunder and that no Default or Event of Default has been made with respect to the payment of principal of or costs, fees, charges, expenses or interest on the Bonds or in the observance or performance of any of the covenants, agreements or conditions contained herein. Any such notice or request shall in no way limit any discretion herein given to the Trustee to determine whether or not the

Trustee shall take any action with respect to any Default or Event of Default or take action without any such request.

The obligation of the Trustee to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Trustee or the bondholders hereunder shall be conditional upon the bondholders furnishing, when required by notice in writing by the Trustee, (i) sufficient funds to commence or continue such act, action or proceeding and (ii) an indemnity satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges and expenses and liabilities arising directly or indirectly by reason therefor or to be incurred thereby and any loss and damage it may suffer by reason thereof (save and except for loss or damage resulting from the Trustee's gross negligence or wilful misconduct) and, without limiting the generality of the foregoing, such indemnity shall include a full indemnity referable to any and all environmental liability. The holders of Subordinate Bonds shall provide or deliver, as applicable, their *pro rata* share of such funds and/or indemnity, as applicable, as is also provided by the holders of Senior Bonds in connection with any proposed enforcement or realization of the Security.

None of the provisions contained in this indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

#### **Section 17.9 Employ Agents**

The Trustee may employ such agents and other assistants as it may reasonably require for the proper discharge of its duties hereunder, and may pay reasonable remuneration for all services performed for it in the discharge of the trusts hereof. All costs incurred therein shall be payable on demand and are hereby declared to be secured hereby and to be a charge upon the Secured Assets prior to the charge of the Bonds.

#### **Section 17.10 Reliance on Evidence of Compliance**

In the exercise of its rights, duties and obligations the Trustee may, if it is acting in good faith, rely, as to the truth of the statements and the accuracy of the opinions expressed therein, upon statutory declarations, opinions, reports or certificates furnished pursuant to any covenant, condition or other requirement of this indenture or required by the Trustee to be furnished to it in the exercise of its rights and duties under this indenture where such statutory declarations, opinions, reports or certificates comply with the requirements of this indenture and the Trustee examines such evidence and determines that such evidence indicates compliance with the applicable requirements of this indenture.

#### **Section 17.11 Provision of Evidence of Compliance to Trustee**

In addition to any other provisions of this indenture, the Company shall furnish to the Trustee evidence of compliance with the conditions precedent provided for in this indenture relating to:

- (a) the certification and delivery of Bonds applied for under any supplemental indenture;

**SCHEDULE A**  
**BONDHOLDERS**

**ADDRESSEES**

Addressess of

Senior Bondholders

*underline*

- ✓ Fiducie Desjardins AC 906185 4 83
- ✓ Fiducie Desjardins AC 906232 4 46
- ✓ Fiducie Desjardins AC 906475 9 84
- ✓ Fiducie Desjardins AC 906549 1 46
- ✓ Fiducie Desjardins AC 907226 5 83
- ✓ Fiducie Desjardins AC 907407 1 84
- ✓ Fiducie Desjardins Inc., A/S Service Des Titres
- ✓ Industrial Alliance Insurance and Financial Services Inc.
- ✓ Industrial Alliance Pacific Life Insurance Company
- ✓ Jayvee & Co. AC BPWF 0010002
- Jayvee & Co. AC 16002
- Jayvee & Co. AC TPSF 0077002
- ✓ State Street AC S110, *Attention John Beckham*
- ✓ Sun Life Assurance Company of Canada, *Investment Department*
- ✓ Teachers Insurance and Annuity Association of America
- ✓ The Maritime Life Assurance Company, *Attention Securities Investments*
- ✓ The National Life Assurance Company of Canada
- ✓ The Prudential Insurance Company of America c/o Investment Operation Group
- ✓ Trust Banque Nationale Inc. AC 310 342
- Trust Royal AC 110 680 008
- Trust Royal AC 116530 001
- Trust Royal AC 75 1000/0.21

CULF 00

Subordinate Bondholders

- CIGL Holdings Ltd.
- Fiducie Desjardins AC 906185 4 83
- Fiducie Desjardins AC 906549 1 46
- Fiducie Desjardins AC 907226 5 83
- FT Capital Ltd. c/o Fraser Milner Casgrain LLP
- Industrial Alliance Insurance and Financial Services Inc.
- The Prudential Insurance Company of America c/o Investment Operation Group

- (b) the release or release and substitution of property subject to any Lien created by the Security;
- (c) the satisfaction and discharge of this indenture; and
- (d) the taking of any other action or step to be taken by the Trustee at the request of or on the application of the Company.

#### **Section 17.12 Contents of Evidence of Compliance**

Evidence of compliance required by Section 17.11 shall consist of:

- (a) an Officers' Certificate (unless otherwise specifically provided) stating that such conditions precedent have been complied with in accordance with the terms of this indenture;
- (b) in the case of conditions precedent compliance with which are, by this indenture, made subject to review or examination by a solicitor, an Opinion of Company Counsel that such conditions precedent have been complied with in accordance with the terms of this indenture; and
- (c) in the case of conditions precedent compliance with which are subject to the review or examination by auditors or accountants, an opinion or report of a Chartered Accountant or a Chartered Accountant's Certificate that such conditions precedent have been complied within accordance with the terms of this indenture.

#### **Section 17.13 General Provisions as to Certificates, Opinions, Etc.**

Each Officers' Certificate, each Opinion of Counsel, each Opinion of Company Counsel, each Investment Dealer's Certificate and each Chartered Accountant's Certificate required under this indenture or furnished in connection with any application, Written Order, Written Request or Written Consent made to the Trustee or any bondholder pursuant to any provisions of this indenture shall specify the Section under which such application, Written Order, Written Request or Written Consent is being made and shall include a statement that the person signing such certificate or giving such opinion has read and is familiar with those provisions of this indenture relating to the conditions precedent with respect to compliance with which such evidence is being given. Each such certificate and opinion will, in addition include:

- (a) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in the evidence are based;
- (b) a statement that, in the belief of the person giving the evidence, he has made such examination or investigation as is necessary to enable him to make the statements or give the opinions contained or expressed therein;
- (c) a statement whether in the opinion of such person the conditions precedent, if any, with respect to compliance with which such evidence is being given have been

complied with or satisfied; provided that a Chartered Accountant or an Investment Dealer need not include such a statement; and

- (d) a statement that (unless the context otherwise requires) in the case of an Officers' Certificate, so far as known to the signers after having made due enquiry pursuant to this Section 17.13, no Default or Event of Default has occurred and is continuing, or if a Default or an Event of Default has occurred and is continuing, specifying the same.

Whenever the delivery of a certificate, opinion or report is a condition precedent to the taking of any action by the Trustee hereunder, the truth and accuracy of the facts and opinions stated in such certificate, opinion or report shall in each case be conditions precedent to the right of the Company to have such action taken.

Any application, written demand, statement, request, notice, designation, direction, nomination or other instrument to be made by the Company under any of the provisions hereof shall unless otherwise provided, be deemed sufficiently made and executed if executed by any two of the Chairman of the Board, Chief Financial Officer, Chief Executive Officer, the President, a Vice-President, the Treasurer, the Secretary, an Assistant Treasurer or an Assistant Secretary, or any two directors of the Company. The Trustee shall accept a certificate signed by the Secretary or an Assistant Secretary of the Company as sufficient evidence of the passage of any resolution of the directors or of the shareholders of the Company.

The same officer, officers or any directors of the Company, or the same Chartered Accountant, Investment Dealer or other person, as the case may be, may, but need not, certify as to all the matters required to be certified under any provision of this indenture, but different officers, directors, Chartered Accountants, Investment Dealers or other persons may certify to different facts, respectively. Where any person or persons are required to make, give or execute two or more orders, requests, certificates, statutory declarations, opinions or other instruments under this indenture, any such orders, requests, certificates, statutory declarations, opinions or other instruments may but need not be consolidated and form one instrument. Whenever any Officers' Certificate or other certificate is required to state that the Company is not in default hereunder or to state any such Default or Event of Default, the signers of such certificate may make such statement upon the basis of their best knowledge and belief after reasonable inquiry.

Any Chartered Accountant's Certificate may be based upon such examination of the accounting procedures and records of the Company as such Chartered Accountant considers appropriate in the circumstances and which shall be in accordance with generally accepted accounting principles.

Any certificate or Opinion of Counsel or Opinion of Company Counsel may be based, insofar as it relates to factual matters or information in the possession of the Company or another person, upon the certificate or opinion of or representations by an officer or officers of the Company or such other person, unless such Counsel or Company Counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous.

The Trustee may, where it is reasonable in the circumstances so to do, request an Opinion of Counsel or Opinion of Company Counsel hereunder.

Counsel or Company Counsel in giving any opinion hereunder may rely in whole or in part upon the opinion of other counsel provided that Counsel or Company Counsel, as applicable, shall consider such other counsel as one upon whom he may properly rely.

Counsel or Company Counsel is giving any opinion hereunder, as to matters of interpretation and fact not within the professional competence of Counsel or Company Counsel, as applicable, may rely upon other experts' certificates.

Any certificate of any expert, insofar as it relates to matters outside of such expert's competence or responsibility, may be based upon a certificate or opinion of or upon representations by Counsel or Company Counsel or some other qualified expert, unless such first-mentioned expert knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

## **ARTICLE 18**

### **ACCEPTANCE OF TRUSTS BY THE TRUSTEE**

#### **Section 18.1 General**

The Trustee hereby accepts the trust in this indenture declared and provided and agrees to perform the same upon the terms and conditions hereinbefore set forth.

## **ARTICLE 19**

### **INDEMNIFICATION AND LIABILITIES OF THE COMPANY AND OTHERS**

#### **Section 19.1 Company's General Indemnity**

Without in any way limiting the generality of Section 17.7, the Company agrees to indemnify, protect, save and keep harmless the bondholders and the Trustee and their respective beneficiaries, officers, directors, employees, agents and their successors, assigns, heirs, executors and personal representatives (each of the same being an "Indemnitee"), from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses, including reasonable legal expenses, of whatsoever kind and nature (but excluding in relation to environmental matters), imposed on, incurred by or asserted against any Indemnitee or imposed on or with respect to the Business, in any way, either directly or indirectly, relating to, arising out of or connected with:

- (a) any claim for personal injury, death, property damage or other loss or liability that may arise by reason of, result from, be caused by, or relate to the operation of the Business;
- (b) any fine or penalty arising out of the operation of the Business in violation of any Applicable Law;

- (c) any claim for infringement of patent, trade mark, industrial design, copyright or other intellectual property right arising out of the operation of the Business;
- (d) the Company's ownership of the Business;
- (e) any non-compliance with the terms of any Operative Document; or
- (f) any event of default under any Operative Document,

the whole to the complete exoneration of the Indemnitee, but excluding any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs and expenses arising out of the gross negligence or wilful misconduct of an Indemnitee; provided that the gross negligence or wilful misconduct of an Indemnitee shall not prejudice this indemnity as it applies to any other Indemnitee. The indemnity contained herein as it applies to bondholders shall be subject to the terms of Section 10.1.

## **Section 19.2 Environmental Indemnity**

Without in any way limiting the generality of Section 17.7, the Company shall indemnify the Indemnitees against and hold them harmless from any claims, actions, orders, remediation orders, abatement orders, prevention orders and suits, administrative or other proceedings made or brought by any person, any loss, expense, judgment, liability or asserted liability (including strict liability except to the extent caused or contributed to by the negligence or wilful misconduct of the Indemnitees) and including, without limitation, (i) costs and expenses of abatement and remediation of any Release of Hazardous Substances, (ii) liabilities of the Indemnitees to any person (including any Governmental Authority) in respect of bodily injuries, property damage, damage to or impairment of the environment or any other injury or damage, (iii) liabilities of the Indemnitees to any person (including any Governmental Authority) for its foreseeable and unforeseeable consequential damages; and (iv) the liability of an Indemnitee for court costs, expenses of alternative dispute resolution proceedings and fees and disbursements of expert consultants and legal counsel on a solicitor and client basis, incurred as a result of:

- (a) the administration of the trusts created hereby;
- (b) the exercise by the Trustee of any rights under the Security;
- (c) the Release or presence of any Hazardous Substances or the presence of any Hazardous Substances by any means and for any reason on, above or below the Lands, the Future Sites, the Leasehold Sites or the Improvements, any other property which is subject to the Security, whether or not the Release or presence of any Hazardous Substance is located on, above or below or originates or emanates from the Lands, the Future Sites, the Leasehold Sites or the Improvements or any other real property owned, previously owned or under the care, control and management of the Company;
- (d) any presence of Hazardous Substances on, above or below or Release of Hazardous Substances from or to any property that is contiguous to the Lands, the



Future Sites, the Leasehold Sites or the Improvements or any other real property owned or controlled or operated by the Company;

- (e) any costs of removal or remediation or reclamation with respect to the Business (including well or facility abandonment obligations);
- (f) any non-compliance by the Company under any Environmental Law with respect to the Power Assets or the Business;
- (g) any step taken by any person to enforce compliance with or to collect or impose penalties, fines, administrative, civil or other sanctions provided by any Environmental Law with respect to the Business;
- (h) all environmental, health, reclamation and clean-up costs and obligations associated with or pertaining to the closure, abandonment or reclamation of the Power Assets or other locations upon which operations pertaining thereto are conducted, including any wells, facilities, buildings, fixtures or equipment located thereon or therein or utilized in respect thereof; or
- (i) any other activity affecting the Power Assets or the Business within the jurisdiction of any Governmental Authority pursuant to Environmental Laws.

The indemnity contained herein as it applies to bondholders shall be subject to the terms of Section 10.1.

### **Section 19.3 Survival**

The provisions of this Article 19 shall survive the termination or discharge of this indenture and the payment of all indebtedness arising in respect to the Bonds.

## **ARTICLE 20** **EXECUTION**

### **Section 20.1 Counterparts**

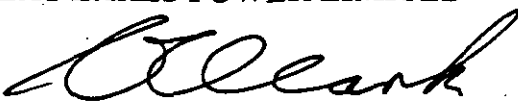
This indenture may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument.

### **Section 20.2 Successors and Assigns**

The protective provisions of this indenture shall enure to the benefit of, and be binding upon, the parties and their respective successors and, in the case of the Trustee, assigns, including any company that acquires all or substantially all of the corporate trust business of the Trustee. Any assignment by the Trustee shall be effective without the necessity for any further notice or advice to or approval of the parties hereto and without any further act or formality whatsoever.


IN WITNESS WHEREOF the parties hereto have executed this indenture.


**GREAT LAKES POWER LIMITED**

Per:   
Colin L. Clark  
President and CEO c/s

Per: \_\_\_\_\_

**CIBC MELLON TRUST COMPANY**

Per:   
EUGENIA FEDYNIA  
ASSOCIATE MANAGER

Per:   
LENNOX AUGUST  
ASSOCIATE MANAGER

## **SCHEDULE A**

### **LANDS**

#### **GENERATION DIVISION LANDS**

##### **ST. MARY'S RIVER LANDS**

##### **REGISTRY OFFICE PORTIONS**

- (1) ALL AND SINGULAR those certain parcels or tracts of lands and premises situate, lying and being in the city of Sault Ste. Marie, in the District of Algoma, and being composed of Part of the Hudson's Bay Company lands South of Portage Street in the said City of Sault Ste. Marie, Part of St. Mary's Island, Part of Water Lots adjacent to St. Mary's Island, Part of the Laird & Henderson Mill Site in front of Lots One (1) to Thirty (30), both inclusive, on the original Town Plot of the city of Sault Ste. Marie and which portions are more particularly designated as Parts One (1), Three (3), Four (4), Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Twelve (12), Thirteen (13), on Reference Plan of Survey deposited in the Land Registry Office for the Registry Division of Algoma as Plan 1R-4438, together with (a) an easement in, under, over and upon the lands designated as Parts Two (2) and Eleven (11) on deposited Plan 1R-4438 and, (b) a right of support on and under those portions of land in the Laird & Henderson Mill Site designated as Parts Fourteen (14) and Fifteen (15) on deposited Plan 1R-4438. SAVE AND EXCEPT Parts 2 and 3, Plan 1R-5709 and Parts 10, 11 and 12 plan 1R-5809.

##### **TOGETHER WITH:**

- (a) an easement for an overhead power line conductor consisting of wires and associated material over Parts 2 and 3, Plan 1R-5709 as more particularly described in Instrument No. T-257669;
  - (b) an easement for underground power and communication cables over, along, under and through Parts 2 and 3, Plan 1R-5709 as more particularly described in Instrument No. T-257669; and
  - (c) an easement to erect, maintain, operate, repair, replace, relocate, reconstruct and remove at any time and from time to time, an electrical transmission line or lines consisting of poles and anchors with all guys, braces, wires, cables and associated material and equipment in, over, along, upon and under Part 11, Plan 1R-5809 as more particularly described in Instrument No. T-257670.
- (2) ALL AND SINGULAR those certain parcels or tracts of land and premises situate, lying and being in the City of Sault Ste. Marie, in the District of Algoma, and being composed of that Part of the Laird and Henderson Mill Site South of Portage Street lying in front of Original Town Lot 24 and being more particularly described as follows:

PREMISING that the Easterly limit of the Laird and Henderson Mill Site has an astronomical course of North 4 degrees, 20 minutes,, 50 seconds West as shown on deposited Plans 1R-4409 and 1R-4438 and relating all bearings herein thereto;

COMMENCING at the point of intersection of the Easterly limit of the Laird and Henderson Millsite and the North limit of the Ordnance Reserve (said point of intersection being more particularly illustrated on deposited Plans 1R-4409 and 1R-4438; THENCE North 83 degrees 17 minutes 15 seconds West along the North limit of the Ordnance Reserve (being also the North limit of "Part 16" of Plan 1R-4438) a distance of 17.52 feet to the North West corner of "Part 16" of Plan 1R-4438;

THENCE North 9 degrees 31 minutes 04 seconds East and along the Easterly limited of "Part 10" of deposited Plan 1R-4438 a distance of 68.0 feet to an angle therein;

THENCE North 51 degrees 31 minutes 04 seconds East and continuing along the Easterly limit of said "Part 10" a distance of 1.05 feet, more or less, to the Easterly limit of the Laird and Henderson Millsite;

THENCE South 4 degrees 20 minutes 50 seconds East along the Easterly limit of the Laird and Henderson Millsite 70.0 feet, more or less, to the Point of Commencement.

THE HEREIN DESCRIBED PARCEL being shown outlined in red on a plan of illustration by L. A. Miller, O.L.S., dated the 2nd day of March, 1981, a copy of which plan is attached to and forms part of Instrument Number T-220264, and which said parcel of land is the secondly described parcel of land in registered Instrument No. 4159.

### LAND TITLES PORTIONS

In the City of Sault Ste. Marie in the District of Algoma, the following parcels:

- (1) The Remainder of Parcel 996, Algoma West Section.
- (2) Parcel 1954, Algoma West Section.
- (3) Parcel 2202, Algoma West Section.
- (4) The Remainder of Parcel 9099, Algoma West Section.
- (5) Parcel 6994, Algoma West Section.
- (6) Parcel 10279, Algoma West Section.
- (7) Parcel 2340, Algoma West Section.
- (8) Parcel 10681, Algoma West Section.

## MICHIPICOTEN TOWNSHIP FLOOD LANDS

Parcel 2028, in the Registry for Algoma West Section, situate in the Municipality of the Township of Michipicoten in the District of Algoma, registered in the Office of Land Titles at Sault Ste. Marie, and containing Twelve Thousand Eight Hundred (12,800) acres, more or less.

## LANDS IN THE TOWNSHIP OF MICHIPICOTEN

In the Municipality of the Township of Michipicoten, in the District of Algoma, the following Parcels:

- (1) Parcel 2029, Algoma West Section.
- (2) Parcel 2461, Algoma West Section.

## LANDS IN THE TOWNSHIP OF GLASGOW

Parcel 2188, Algoma West Section, in the Township of Glasgow in the district of Algoma.

## LANDS IN THE TOWNSHIP OF NAVEAU

Parcel 2469, Algoma West Section, in the Township of Naveau in the District of Algoma.

## WORK CENTRE, WAWA, ONTARIO

Parcels 13-1, 14-1 and 15-1, Section 1M-511 being the whole of Lots 13, 14 and 15, Plan M-511, in the Township of Michipicoten, in the District of Algoma.

## LANDS AT MONTREAL RIVER

In the Township of Home, in the District of Algoma, and being more particularly described as Parcel 212, in the Register for Algoma Central Railway Lands.

## MAGPIE RIVER POWER PROJECT LANDS

Firstly:

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the District of Algoma, in the Province of Ontario, containing by admeasurement Four Hundred acres, be the same more or less; which said parcel or tract of land may be otherwise known as follows, that is to say, being composed of:

A BLOCK OF LAND at the Mouth of the river Michipicoten Lake Superior as shown on the sketch attached to the Letters Patent and described as follows, that is to say:

COMMENCING at a point on the shore of Lake Superior distant 2,640 feet North measured perpendicularly to the Southern Boundary of a Block of Land surveyed by Alexander MacDonald, Provincial Land Surveyors, a plan of which dated May 9th, 1856, is of record in the Department of Crown Lands at Toronto;

THENCE on a course due East astronomically 3,432 feet more or less to the water's edge of Michipicoten River;

THENCE Northerly following the water's edge of the said River downstream to its intersection with the Magpie River;

THENCE across Michipicoten River and following the West shore of the Magpie River upstream to a point distance 2,640 feet South measured perpendicularly to the Northern boundary of hereinbefore mentioned block of land;

THENCE on a course due West astronomically 1,914 feet more or less to the shore of Lake Superior;

THENCE Southerly following the turnings and windings of the same and crossing Michipicoten River to the Place of Beginning, including the Island at the mouth of the Michipicoten River and excluding the waters of the Michipicoten River contained with the said bounds.

Registered as Instrument 1185 in the Registry Office for the District of Algoma in Book KB for the Miscellaneous Registrations;

SAVING AND EXCEPTING those lands expropriated by the Department of Public Works in registered Instrument Number T-59675 in the Registry Office for the District of Algoma, and shown on Plan attached thereto.

As described in Instrument No. T-220780 - Schedule B "Michipicoten".

SAVE AND EXCEPT Parts 1, 2 and 3, Plan 1R-8027, Part 6, Plan 1R-6698, Parts 2, 3, 4 and 5, Plan 1R-8023, and Parts 1, 2, 5, 6, 7, 8 and 9, Plan 1R-8674.

Secondly:

Parcel 2565, Algoma West Section, SAVE AND EXCEPT Part 4, Plan 1R-8027, in the Municipality of the Township of Michipicoten, in the District of Algoma.

Thirdly:

In the Township of Lendrum, in the District of Algoma, and being Parcel 11239, in the Register for Algoma West Section.

**Fourthly:**

In the Township of Lendrum, in the District of Algoma, being more particularly described as Parcel 11542, Algoma West Section.

**Fifthly:**

In the Townships of Lendrum and McMurray, in the District of Algoma, being more particularly described as Parcel 11656, Algoma West Section, and being more particularly described as Parts 1 and 2, Plan 1R-7522 and Parts 1 and 2, Plan 1R-7523.

**TRANSMISSION DIVISION LANDS**

**OFFICE PROPERTY AND NORTHERN AVENUE SUBSTATION AND WORK CENTRE**

In the City of Sault Ste. Marie, in the District of Algoma, and being Parcel 12220, in the Register for Algoma West Section.

**THIRD LINE SUBSTATION**

All and singular that certain parcel or tract of land and premises situate, lying and being in the City of Sault Ste. Marie (formerly in the Township of Tarentorus) in the District of Algoma and Province of Ontario, and being composed of Part of the Southwest Quarter of the Southeast Quarter of Section 19, in the said City of Sault Ste. Marie, now described as Lot 66, Registrar's Compiled Plan H-739, containing 40.06 acres more or less.

**FOURTH LINE PROPERTY**

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Township of Tarentorus, in the District of Algoma and Province of Ontario, comprising part of the Southwest Quarter of Section 18, in the said Township, containing an area of 1.190 acres more or less and being a strip of land 50 feet in perpendicular width lying to the West of and adjoining the Western boundary of the 150 foot right-of-way for electrical power transmission lines now owned by Great Lakes Power Limited and which said 50 foot strip of land is now known as Part of Lot 38, Registrar's Compiled Plan H-741, and which parcel or tract of land may be more particularly described as follows:

PREMISING that the Easterly limit of the Southwest Quarter of Section 18 has a bearing of North 2 degrees, 17 minutes West and relating all bearings herein thereto;

COMMENCING at the point of intersection of the said Western boundary of the 150 foot right-of-way of Great Lakes Power Limited with the Southern boundary of the Southwest Quarter

of Section 18 and which point of intersection is distant 183.07 feet measured westerly along the Southern boundary of the Southwest Quarter of Section 18 and which point of intersection is distant 183.07 feet measured westerly along the Southern boundary from the Southeast angle of the Southwest Quarter of Section 18;

THENCE North 2 degrees, 17 minutes West along the said Western boundary of the 150 foot right-of-way of Great Lakes Power Limited 1040 feet more or less to its intersection with the Southern boundary of the 99 foot right-of-way of Algoma Central Railway;

THENCE Westerly along a curve to the right having a radius of 1492.19 feet, being along the said Southern boundary of the Railway right-of-way 51.5 feet more or less to its intersection with a line drawn parallel to and distant Westerly 50 feet measured perpendicularly from the said Western Boundary of the 150 foot right-of-way of the Great Lakes Power Limited;

THENCE South 2 degrees, 17 minutes East along the said parallel line 1033 feet more or less to the hereinbefore mentioned Southern boundary of the Southwest Quarter of Section 18;

THENCE Easterly along the last mentioned Southern boundary 50.03 feet more or less to the point of commencement, as described in Registered Instrument Number T-8979 in the Registry Office for the Registry Division of Algoma.

As shown outlined in red on Plan of J. B. Chambers, O.L.S., annexed to Registered Instrument Number T-8979.

#### FIFTH LINE PROPERTY

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Sault Ste. Marie, formerly in the Township of Tarentorus, and being Lot 54, Registrar's Compiled Plan H-741.

#### OTHER LANDS IN THE CITY OF SAULT STE. MARIE

Parcels 3329 and 3385, in the Register for Algoma West Section, in the City of Sault Ste. Marie, in the District of Algoma.

#### LANDS IN THE TOWNSHIP OF PENNEFATHER

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Township of Pennefather, in the District of Algoma, in the Province of Ontario, containing by admeasurement 80 acres be the same more or less, composed of the south Half of the Southeast Quarter of Section 24, in the aforesaid Township of Pennefather. Previously described in Instrument Number T-27390.



LANDS IN THE TOWNSHIP OF FENWICK

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the Township of Fenwick, in the District of Algoma, in the Province of Ontario, and being more particularly described as Lot 21, Registrar's Compiled Plan H-812.

HIGH FALLS SUBSTATION

Parcel 423, in the Register for Algoma Central Railway Lands, in the Township of Naveau, in the District of Algoma, and being Parts 1, 2 and 3, Plan 1R-9587.

**SCHEDULE B**  
**LEASEHOLD SITES**

**A. WATER POWER LEASES (LAND TITLES OFFICE)**

(a) In the District of Algoma, the following Leasehold Parcels:

Lease No. 161: (Montreal River)

(1) Parcel 473, Leasehold, in the Township of Rix.

Lease No. 167: (Montreal River)

(2) Parcel 1844, Algoma West Section, in the Township of Home.

(3) Parcel 1845, Algoma West Section, in the Townships of Home, Larson, Loach and McParland.

(4) Parcel 474, Leasehold, in the Township of McAughey.

Lease No. 168: (Montreal River)

(5) Parcel 1469, Leasehold, in the Townships of Smilsky, Peever and Slater.

Lease No. 169: (Montreal River)

(6) Parcel 891, Leasehold, in the Townships of Home and Peever.

Lease No. 170: (Michipicoten River)

(7) Parcel 531, Leasehold, in the Township of Naveau.

Lease No. 171: (Michipicoten River)

(8) Parcel 1470, Leasehold, in the Townships of Naveau, Nebonaionquet, Lastheels and Maness.

Lease No. 172: (Michipicoten River)

(9) Parcel 892, Leasehold, in the Townships of Maness, Bruyere and Michano.

Lease No. 166: (Michipicoten River)

(10) Parcel 477, Leasehold, in the Townships of Naveau, Debassige, Bird, Maness, Fiddler, Cowie and Esquega.

Lease No. 150: (Magpie River)

(11) Parcel 1877, Algoma Leasehold, in the Townships of Lendrum and McMurray.

Lease No. 151: (Magpie River)

(12) Parcel 1878, Algoma Leasehold, in the Township of Lendrum.

Lease No. 152: (Magpie River)

(13) Parcel 1876, Algoma Leasehold, in the Townships of Chabanel, Dumas, Dunphy and Leclaire.

(b) In the District of Sudbury, the following Leasehold Parcels:

Lease No. 167;

(1) Parcel 1712, Leasehold, District of Sudbury West Sectionn in the Township of Moen.

**B. WATER POWER LEASES (REGISTRY OFFICE)**

In the District of Algoma, the following Leasehold Parcel:

Lease No. 106:

All of the Lessee's interest in the following lands leased by Her Majesty the Queen to Great Lakes Power Corporation Limited by lease dated December 1st, 1980, registered in

the Land Registry Office for the Registry Division of Algoma on July 17, 1981, as Instrument Number T-220904 as assigned to Great Lakes Power Limited on July 17, 1981 by Instrument Number T-220905.

Those certain parcels or tracts of land in the City of Sault Ste. Marie, in the Territorial District of Algoma, being part of Hudson's Bay Company lands south of Portage Street, part of St. Mary's Island, part of water lots adjacent to St. Mary's Island and part of the Laird and Henderson Mill Site in front of Lots 1 to 30, both inclusive, Original Town Plan, designated as Parts 1, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13 and 16 on Plan 1R-4438 filed in the Land Registry Office for the Land Registry Division of Algoma (No. 1).

## SCHEDULE C

### MATERIAL CONTRACTS

1. The agreement to be entered into between the Debtor and Brascan Energy Marketing Inc. ("BEMI") pursuant to which BEMI will provide dispatching and power scheduling services to the Debtor in the Ontario market as administered by the Independent Electricity Market Operator.
2. The following Water Power Leases with the Ministry of Natural Resources for the Montreal, Michipicoten, Magpie and St. Mary's Rivers, together with the rights of the Company pursuant to orders-in-council:
  - (a) Clergue Generating Station - Water Power Lease No. 106 dated December 1, 1980, registered July 17, 1981 as No. T22094 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Corporation Limited as assigned to Great Lakes Power Limited on July 17, 1981 by Instrument No. T22095;
  - (b) Andrews No. 1 and No. 2 Generating Station - Water Power Lease No. 161 dated December 19, 2002 registered December 20, 2002 as Instrument No. 242394 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Limited;
  - (c) MacKay Generating Station - Water Power Lease No. 167 dated December 19, 2002 registered December 20, 2002 as Instrument No. 242395 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Limited;
  - (d) Hogg Generating Station - Water Power Lease No. 168 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242396 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (e) Gartshore Generating Station - Water Power Lease No. 169 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242393 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (f) Dunford (High Falls) Generating Station - Water Power Lease No. 166 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242390 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;

- (g) Scott Generating Station - Water Power Lease No. 170 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242392 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (h) McPhail Generating Station - Water Power Lease No. 171 dated December 19, 2002 and registered December 20, 2002 as Instrument No. 242389 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (i) Hollingsworth Generating Station - Water Power Lease No. 172 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242391 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (j) Magpie Falls Generating Station (Harris) - Water Power Lease No. 150 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206904 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (k) Mission Falls Generating Station - Water Power Lease No. 151 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206905 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
  - (l) Steephill Falls Generating Station - Water Power Lease No. 152 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206903 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited;
3. Agreement (License of Occupation) made as of the first day of July, 1987 between Algoma Central Railway and Great Lakes Power Limited, Notice of which was registered March 11, 1988 in the Land Registry Office for the Land Titles Division of Algoma (No. 1) as Instrument No. 153069, as amended by Agreement dated as of the 31st day of December, 1996 between 3011651 Nova Scotia Limited, 3011650 Nova Scotia Limited, Algoma Central Railway Inc., Great Lakes Power Limited and CIBC Mellon Trust Company (formerly The R-M Trust Company), Notice of which was registered June 1, 1998 as Instrument No. 218112.
4. Agreement (License of Occupation) made as of the first day of January, 1989 between Algoma Central Railway and Great Lakes Power Limited, Notice of which was registered October 24, 1991 in the Land Registry Office for the Land Titles Division of Algoma (No. 1) as Instrument No. 178762, as amended by Agreement dated as of the 31st day of December, 1996 between 3011651 Nova Scotia Limited, 3011650 Nova Scotia Limited, Algoma Central Railway Inc., Great Lakes Power Limited and CIBC Mellon Trust

Company (formerly The R-M Trust Company), Notice of which was registered June 1, 1998 as Instrument No. 218112.

5. High Falls Redevelopment Project Design-Build Contract dated February 9, 2001 between the Company and McNamara-AMEC Joint Venture, as design-build contractor, providing for the construction of the new, and demolition of the old, hydro-electric plant at High Falls on the Michipicoten River, District of Algoma, Ontario.
6. Connection Facilities Agreement between Hydro One Networks Inc. and Great Lakes Power Limited Transmission Division, dated July 1st 2002.

## SCHEDULE "D"

### SUBORDINATION AND POSTPONEMENT AGREEMENT

**THIS SUBORDINATION AND POSTPONEMENT AGREEMENT** is made as of the • day of • in favour of CIBC Mellon Trust Company, as trustee for and on behalf of each of the holders of Bonds from time to time under the Trust Indenture (the "Trustee"), by Great Lakes Power Limited (including its successors by amalgamation or otherwise, the "Debtor") and • [Note: identify Affiliate] (including its successors by amalgamation or otherwise, the "Subordinate Creditor");

**WHEREAS** pursuant to a deed of trust dated as of June 16, 2003 (such deed of trust and all further amendments, supplements (including all supplemental indentures), modifications, restatements and replacements entered into from time to time being referred to herein as the "Trust Indenture") between the Debtor and the Trustee, the Trustee is empowered and directed to hold the benefit of the Senior Security for and on behalf of the holders of Bonds;

**AND WHEREAS** the Subordinate Creditor has agreed to unconditionally and irrevocably subordinate and postpone the Subordinate Obligations (as hereinafter defined) to the indefeasible repayment in full by the Debtor of the Senior Debt (as hereinafter defined);

**NOW THEREFORE** for good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the parties hereto make the following covenants, acknowledgments and agreements.

1. **Defined Terms:** Capitalized terms used but not defined elsewhere in this Agreement (including the recitals hereto) shall have the following meanings and if not defined in this Section 1, shall have the meanings ascribed to them in the Trust Indenture:

- (a) "Senior Debt" means all indebtedness, liabilities and obligations, of any nature or kind, present or future, direct or indirect, absolute or contingent, whether as primary debtor or surety, matured or not and at any time owing by the Debtor to the Senior Lenders pursuant to the Trust Indenture and the Senior Security;
- (b) "Senior Security" means all liens, charges, pledges, security interests and other security agreements of any nature or kind, now or hereafter granted by the Debtor to the Senior Lenders through assignment or otherwise which secures payment of the Senior Debt;
- (c) "Senior Lenders" means, collectively, the Trustee and the holders of Bonds (whether Senior Bonds or Subordinate Bonds); and
- (d) "Subordinate Obligations" means all indebtedness, liabilities and obligations, of any nature or kind, present or future, matured or not and at any time owing by the Debtor to the Subordinate Creditor in respect of • [Note: Contractual agreements to be identified].



2. **Subordination and Postponement:** Except as provided in Section 3 below, the Debtor and the Subordinate Creditor hereby covenant and agree that all Subordinate Obligations are hereby unconditionally and irrevocably deferred, postponed and subordinated in all respects to the prior indefeasible repayment in full by the Debtor of all the Senior Debt.

Without limiting the generality of the foregoing, the deferral, postponement and subordination of the Subordinate Obligations contained herein shall be effective notwithstanding:

- (a) the dates of any advances secured by the Senior Security;
- (b) the dates of default or the date or dates of crystallization of any floating charge under the Senior Security; and
- (c) the rules of priority established under applicable law.

3. **Repayment of Subordinate Obligations:** Until the Senior Debt has been indefeasibly paid in full and the Trust Indenture has been terminated, no direct or indirect, distribution, payment (including, but not limited to, principal, interest and fees), prepayment or repayment on account of, or other distribution in respect of, the Subordinate Obligations shall be made by, or on behalf of, the Debtor or received by, or on behalf of, the Subordinate Creditor, except for those payments expressly permitted in this Section 3. Notwithstanding the foregoing, the Debtor may (i) make payments on the Subordinated Obligations, or (ii) exercise rights of set-off in respect of the Subordinate Obligations, or (iii) make payments on the Subordinate Obligations by way of issuance of shares in the Debtor, so long as in each case any such payment constitutes a Distribution that is permitted to be made pursuant to the terms of the first sentence of Section 6.21 of the Trust Indenture.

4. **Restriction on Enforcement:** The Subordinate Creditor shall not take any steps or actions of any nature or kind to enforce payment of the Subordinate Obligations (including, without limitation, notice of default, demand for payment, rights of set-off (subject to set-off being permitted if exercised in accordance with the terms of the last sentence of Section 3 hereof), commencement of bankruptcy proceedings, foreclosure, sale, power of sale, taking of possession, giving in payment, appointing or making application to a court for an order appointing an agent or a receiver or receiver-manager by any other means of enforcement thereof) unless the Senior Debt has been indefeasibly paid in full and the Trust Indenture has been terminated.

5. **Subordinate Security:** The Subordinate Creditor and the Debtor each acknowledges that the Subordinate Creditor has not been granted any security from the Debtor to secure the Subordinated Debt. The Subordinate Creditor covenants in favour of the Senior Lenders that during the term of this Agreement it will not take from the Debtor security for the payment of or performance of obligations in respect of the Subordinate Obligations. The Debtor covenants in favour of the Senior Lenders that during the term of this Agreement, it will not deliver to the Subordinate Creditor any security for the payment of or performance of obligations in respect of the Subordinate Obligations.

6. **No Objection:** The Subordinate Creditor shall not take, or cause or permit any other person to take on its behalf, any steps whatsoever whereby the priority or validity of any of the Senior Security or the rights of the Senior Lenders hereunder or under the Trust Indenture shall be delayed, defeated, impaired or diminished, and without limiting the generality of the foregoing, the Subordinate Creditor shall not challenge, object to, compete with or impede in any manner any act taken or proceeding commenced by the Senior Lenders in connection with the enforcement by the Senior Lenders of the Senior Security.

7. **Application of Proceeds:** The Subordinate Creditor and the Debtor acknowledge that all and every part of the Senior Security is held by the Senior Lenders as security for all and every part of the Senior Debt and the Senior Lenders may apply as a permanent reduction any monies received, whether from the enforcement of and realization upon any or all of the Senior Security or otherwise, to any part of the Senior Debt as the Senior Lenders, in their sole discretion, may determine appropriate.

8. **Liquidation, Dissolution, Bankruptcy, etc.:**

- (a) In the event of distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Debtor, or the proceeds thereof, to creditors in connection with the bankruptcy, liquidation or winding-up of the Debtor or in connection with any composition with creditors or scheme of arrangement to which the Debtor is a party, the Senior Lenders shall be entitled to receive payment in full (including interest accruing to the date of receipt of such payment at the applicable rate whether or not allowed as a claim in any such proceeding) of the Senior Debt before the Subordinate Creditor is entitled to receive any direct or indirect payment or distribution of any cash or other assets of the Debtor on account of the Subordinate Obligations, and the Senior Lenders shall be entitled to receive directly, for application in payment of such Senior Debt (to the extent necessary to pay all Senior Debt in full after giving effect to any substantially concurrent payment or distribution to the Senior Lenders in respect of the Senior Debt), any payment or distribution of any kind or character, whether in cash or other assets, which shall be payable or deliverable upon or with respect to the Subordinate Obligations. To the extent any payment of Senior Debt (whether by or on behalf of the Debtor, as proceeds of security or enforcement of any right of set-off or otherwise) is declared to be a fraudulent preference or otherwise preferential, set aside or required to be paid to a trustee, receiver or other similar person under any bankruptcy, insolvency, receivership or similar law, then if such payment is recoverable by, or paid over to, such trustee, receiver or other person, the Senior Debt or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.
- (b) In order to enable the Senior Lenders to enforce their rights hereunder in any of the actions or proceedings described in this Section 8, upon the failure of the Subordinate Creditor to make and present on a timely basis a proof of claim against the Debtor on account of the Subordinate Obligations or other motion or pleading as may be expedient or proper to establish the Subordinate Creditor's entitlement to payment of any Subordinate Obligations, the Trustee for and on

behalf of the other Senior Lenders is hereby irrevocably authorized and empowered, in its discretion and at its sole expense, to make and present for and on behalf of the Subordinate Creditor such proofs of claims or other motions or pleadings and to demand, receive and collect any and all dividends or other payments or disbursements made thereon in whatever form the same may be paid or issued and to apply the same on account of the Senior Debt. The Subordinate Creditor hereby covenants and agrees not to exercise any voting right or other privilege that it may have from time to time in any of the actions or proceedings described in this Section 8 in favour of any plan, proposal, compromise, arrangement or similar transaction that would defeat: (i) the right of the Senior Lenders to receive payments and distributions otherwise payable or deliverable upon or with respect to the Subordinate Obligations so long as any Senior Debt remains outstanding; or (ii) the obligation of the Subordinate Creditor to receive, hold in trust, and pay over to the Senior Lenders certain payments and distributions as contemplated by Section 9.

9. **Payments Received by the Subordinate Creditor:** If, prior to the indefeasible payment in full of the Senior Debt, the Subordinate Creditor or any person on its behalf shall receive any payment from or distribution of assets of the Debtor or on account of the Subordinate Obligations in contravention of Section 3, then the Subordinate Creditor shall, and shall cause such other person to, receive and hold such payment or distribution in trust for the benefit of the Senior Lenders and promptly pay the same over or deliver same to the Trustee in precisely the form received by the Subordinate Creditor or such other person on its behalf (except for any necessary endorsement or assignment) and such payment or distribution shall be applied by the Trustee to the repayment of the Senior Debt in such manner as it shall see fit.

10. **Senior Lenders' Rights:** The Subordinate Creditor agrees that the Senior Lenders shall be entitled to deal with the Senior Security as they see fit and nothing herein shall prevent, restrict or limit the Senior Lenders in any manner from exercising all or any part of their rights and remedies otherwise permitted by applicable law upon any default under the Senior Security, and without limiting the generality of the foregoing, the Subordinate Creditor agrees that:

- (a) the Senior Lenders, in their absolute discretion or in the absolute discretion of any authorized officer or agent, and without diminishing the obligations of the Subordinate Creditor hereunder, may grant time or other indulgences to the Debtor and any other person or persons now or hereafter liable to the Senior Lenders in respect of the payment of the Senior Debt, and may give up, modify, vary, exchange, renew or abstain from taking advantage of the Senior Security in whole or in part and may discharge any part or parts of or accept any composition or arrangements or realize upon the Senior Security when and in such manner as the Senior Lenders or any authorized officer or agent thereof may think expedient, and in no such case shall the Senior Lenders be responsible for any neglect or omission with respect to the Senior Security or any part thereof;
- (b) the Subordinate Creditor shall not be released or exonerated from its obligations hereunder by extension of time periods or any other forbearance whatsoever agreed to be the Senior Lenders, whether as to time, performance or otherwise or

by any release, discharge, loss or alteration in or dealing with all or any part of the Senior Debt and the Senior Security or any part thereof or by any failure or delay in giving any notice required under this Agreement, the Trust Indenture, Senior Debt or Senior Security or any part thereof, the waiver by the Senior Lenders of compliance with any conditions precedent to any advance of funds, or by any modification or alteration of the Trust Indenture, Senior Debt or Senior Security or any part thereof, or by anything done, suffered or permitted by the Senior Lenders, or as a result of the method or terms of payment under the Senior Debt or Senior Security or any part thereof or any assignment or other transfer of all or any part of the Trust Indenture, Senior Debt or Senior Security or any part thereof;

- (c) the Senior Lenders shall not be bound to seek or exhaust any recourse against the Debtor or any other person or against the property or assets of the Debtor or any other person or against any security, guarantee or indemnity before being entitled to the benefit of the Subordinate Creditor's obligations hereunder and the Senior Lenders may enforce the various remedies available to them and may realize upon the various security documents, guarantees and indemnities or any part thereof, held by them in such order as the Senior Lenders may determine appropriate;
- (d) the Subordinate Creditor is fully responsible for acquiring and updating information relating to the financial condition of the Debtor and all circumstances relating to the payment or non-payment of the Subordinate Obligations;
- (e) the Senior Lenders shall not be required to marshal in favour of the Subordinate Creditor or any other person the Senior Security or any other securities or any moneys or other assets which the Senior Lenders may be entitled to receive or upon which the Senior Lenders may have a claim; and
- (f) the Senior Lenders shall be entitled to advance their own monies as they see fit in order to preserve or protect the assets of the Debtor or any part thereof, and all such sums advanced pursuant to the Trust Indenture or the Senior Security or any other agreement between the Debtor and the Senior Lenders to the extent reasonably advanced to preserve and protect the assets of the Debtor or any part thereof, shall constitute part of the Senior Debt and shall be secured by the Senior Security.

11. **No Waiver of Subordination Provisions:** No right of the Senior Lenders to enforce the subordination as provided in this Agreement shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Debtor or by any act or failure to act by the Senior Lenders or any agent of or trustee for the Senior Lenders, or by any non-compliance by the Debtor with any of the agreements or instruments relating to the Subordinate Obligations or the Senior Debt, regardless of any knowledge thereof which the Senior Lenders may have or be otherwise charged with. Without limitation of the foregoing, but in no way relieving the Debtor of its obligations under this Agreement, the Senior Lenders may, at any time and from time to time, without the consent of the Subordinate Creditor and without impairing or releasing the subordination and other benefits provided in this Agreement or the

obligations hereunder of the Subordinate Creditor to the Senior Lenders, do any one or more of the following:

- (a) amend, supplement, modify, restate or replace the Trust Indenture or any of the Senior Security;
- (b) sell, exchange, release, surrender, realize upon, enforce or otherwise deal with in any manner any assets pledged or mortgaged for or otherwise securing the Senior Debt or any liability of the Debtor or any liability incurred directly or indirectly in respect thereof;
- (c) settle or compromise any Senior Debt or any other liability of the Debtor (other than the Subordinate Obligations) or any security thereof or any liability incurred directly or indirectly in respect thereof, and apply any sums by whomsoever paid and however realized to the Senior Debt in any manner or order; and
- (d) fail to take or to record or otherwise perfect or to preserve the perfection of any liens or security interest securing the Senior Debt, exercise or delay in or refrain from exercising any right or remedy against the Debtor and elect any remedy and otherwise deal freely with the Debtor.

No loss of or in respect of any of the Senior Security or otherwise or any carelessness or neglect by the Senior Lenders in asserting their rights or any other thing whatsoever, including without limitation the loss by operation of law of any right of the Senior Lenders against the Debtor or the loss or destruction of any security, shall in any way impair or release the subordination and other benefits provided by this Agreement.

12. **Waivers of the Subordinate Creditor:** The Subordinate Creditor agrees that the Senior Lenders have made no representations or warranties with respect to the due execution, legality, validity, completeness or enforceability of any agreement or instrument relating to the Trust Indenture or the Senior Debt or the collectibility of the Senior Debt, that the Senior Lenders shall be entitled to manage and supervise their indebtedness and other financial accommodation to the Debtor in accordance with applicable law and their usual practices, modified from time to time as they deem appropriate under the circumstances, or otherwise, without regard to the existence of any rights that the Subordinate Creditor may now or hereafter have in or to any of the assets of the Debtor, and that the Senior Lenders shall have no liability to the Subordinate Creditor for, and the Subordinate Creditor hereby waives any claims which the Subordinate Creditor may now or hereafter have against the Senior Lenders out of, any and all actions which the Senior Lenders take or omit to take (including, without limitation, actions with respect to the creation, perfection or continuation of liens or security interest in any assets at any time securing payment of the Senior Debt, actions with respect to the occurrence of any default under any agreement or instrument relating to the Senior Debt, action with respect to the release or depreciation of, or failure to realize upon, any assets securing payment of the Senior Debt and actions with respect to the collection of any claims or all or any part of the Senior Debt from any account debtor, guarantor or any other person) with respect to the Senior Debt and any agreement or instrument related thereto or with respect to the collection of the Senior Debt or the valuation, use, protection or release of any assets securing payment of the Senior Debt.

13. **No Release:** This Agreement shall remain in full force and effect without regard to, and the obligations of the Subordinate Creditor hereunder shall not be released or otherwise affected or impaired by:

- (a) any exercise or non-exercise by the Senior Lenders of any right, remedy, power or privilege in the Trust Indenture or the Senior Security;
- (b) any waiver, consent, extension, indulgence or other action, inaction or omission by the Senior Lenders under or in respect of this Agreement, the Trust Indenture or the Senior Security;
- (c) any default by the Debtor under, any limitation on the liability of the Debtor on the method or terms of payment under, or any irregularity or other defect in, the Trust Indenture, the Senior Security, other than to the extent of any invalidity or unenforceability of any Senior Security;
- (d) the lack of authority or revocation hereof by any other party;
- (e) the failure of the Senior Lenders to file or enforce a claim of any kind;
- (f) any defence based upon an election of remedies by the Senior Lenders which destroys or otherwise impairs the subrogation rights of the Subordinate Creditor or the right of the Subordinate Creditor to proceed against the Debtor for reimbursement, or both;
- (g) any merger, consolidation or amalgamation of the Subordinate Creditor or the Debtor into or with any other person; or
- (h) any insolvency, bankruptcy, liquidation, reorganization, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Subordinate Creditor or the Debtor.

14. **No Rights to Debtor:** Nothing in this Agreement shall create any rights in favour of, or obligations to the Debtor and the covenants and agreements of the Senior Lenders and the Subordinate Creditor shall not be enforceable by the Debtor. No consent of the Debtor shall be necessary for any amendment to this Agreement by the Senior Lenders and the Subordinate Creditor affecting the covenants between the Senior Lenders and the Subordinate Creditor, provided that the Debtor shall not be bound to give effect to any such amendments until the Debtor receives a copy thereof signed by the Subordinate Creditor and acknowledged by the Trustee and the Debtor shall have no liability for any distributions or payments that are permitted under this Agreement but are not permitted under any such amendment where any such distributions or payments are made prior to actual receipt of any such amendment.

15. **Further Assurances:** The parties hereto shall forthwith, and from time to time, execute and do all deeds, documents and things which may be necessary or advisable, in the reasonable opinion of the Senior Lenders' counsel, to give full effect to the postponement and subordination of the Subordinate Obligations, and the rights and remedies of the Subordinate

Creditor thereunder to the Senior Debt and the Senior Security, and the rights and remedies of the Senior Lenders thereunder, in accordance with the intent of this Agreement.

16. **Successors and Assigns:**

- (a) This Agreement is binding upon the Senior Lenders, the Subordinate Creditor and the Debtor and their respective successors and assigns and, subject to subsection 16(b) below, shall enure to the benefit of the Senior Lenders, the Subordinate Creditor, the Debtor, and their respective successors and permitted assigns.
- (b) The Subordinate Creditor shall not be entitled to assign all or any part of its rights and obligations under this Agreement or the Subordinate Obligations unless any prospective assignee enters into an assumption agreement in which it agrees to be bound by the terms of this Agreement as if an original party thereto.

Except in accordance with subsections 16(a) and 16(b) hereof, third parties shall have no rights or benefits under this Agreement.

17. **Rights Accruing to Bondholders.** All rights and benefits provided to the Senior Lenders under this Agreement shall be for the benefit of the holders of the Bonds (along with the Trustee) despite such bondholders not being signatories to this Agreement.

18. **Entire Agreement; Severability:** This Agreement contains the entire subordination agreement among the parties hereto with respect to the obligations, liabilities and assets of the Debtor. If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto should be construed and enforced accordingly.

19. **Acknowledgement:** The Debtor hereby acknowledges receipt of a copy of this Agreement and accepts and further agrees with the Senior Lenders to give effect to all of the provisions of this Agreement subject to Section 14 hereof.

20. **Governing Law:** This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

21. **Termination:** This Agreement shall otherwise terminate upon the earlier of:

- (a) the repayment in full of the Senior Debt; and
- (b) the written agreement of the Trustee and the Subordinate Creditor.

22. **Counterparts:** This Agreement may be executed in any number of counterparts, which when taken together shall constitute one and the same agreement.

**IN WITNESS WHEREOF** the parties hereto have executed this agreement as of the date first written above.

**[AFFILIATE]**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_

By: \_\_\_\_\_



## **SCHEDULE E**

### **WATER LEASES**

1. Clergue Generating Station - Water Power Lease No. 106 dated December 1, 1980, registered July 17, 1981 as No. T22094 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Corporation Limited as assigned to Great Lakes Power Limited on July 17, 1981 by Instrument No. T22095.
2. Andrews No. 1 and No. 2 Generating Station - Water Power Lease No. 161 dated December 19, 2002 registered December 20, 2002 as Instrument No. 242394 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Limited.
3. MacKay Generating Station - Water Power Lease No. 167 dated December 19, 2002 registered December 20, 2002 as Instrument No. 242395 between Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources and Great Lakes Power Limited.
4. Hogg Generating Station - Water Power Lease No. 168 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242396 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
5. Gartshore Generating Station - Water Power Lease No. 169 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242393 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
6. Dunford (High Falls) Generating Station - Water Power Lease No. 166 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242390 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
7. Scott Generating Station - Water Power Lease No. 170 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242392 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
8. McPhail Generating Station - Water Power Lease No. 171 dated December 19, 2002 and registered December 20, 2002 as Instrument No. 242389 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.

9. Hollingsworth Generating Station - Water Power Lease No. 172 dated December 19, 2002, registered December 20, 2002 as Instrument No. 242391 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
10. Magpie Falls Generating Station (Harris) - Water Power Lease No. 150 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206904 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
11. Mission Falls Generating Station - Water Power Lease No. 151 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206905 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.
12. Steephill Falls Generating Station - Water Power Lease No. 152 dated January 1, 1990, registered July 31, 1996 as Instrument No. 206903 from Her Majesty the Queen in right of Ontario, as represented by the Minister of Natural Resources to Great Lakes Power Limited.

## **SCHEDULE F**

### **TRANSMISSION PROPERTY RIGHTS**

#### **PART A – Unregistered Leases, Rights-of-Way, Rights of Occupation:**

1. Memorandum of Agreement for Electrical Transmission Facilities dated the first day of January, 2001 between Her Majesty The Queen, in right of the Province of Ontario as represented by the Minister of Natural Resources and Great Lakes Power Limited.
2. License Agreement made as of the first day of November, 1994 between Algoma Central Corporation (“Licensor”) and Great Lakes Power Limited (“Licensee”), which has been assigned by the Licensor to and accepted by The Corporation of the City of Sault Ste. Marie, effective October 21, 1997.
3. Permit for Overhead Wire Crossings Without Occupation of Railway Lands by Poles or Other Structures made as of the 11th day of July, 1958 by Canadian Pacific Railway Company to Great Lakes Power Company Limited.
4. Agreement made as of the first day of December, 1998 between Charles McKinley Peterson, carrying on business as Stokely Creek Lodge and Great Lakes Power Limited with respect to lands in the Townships of Vankoughnet, Tupper and Havilland, in the District of Algoma.
5. (a) Lease of Right-of-Way dated September 1, 1937 between Algoma Central and Hudson Bay Railway Company, as Lessor, and Great Lakes Power Company Limited, as Lessee, for a strip of land 150 feet wide.  
  
(b) Lease of Right-of-Way dated May 1, 1956 between The Algoma Central and Hudson Bay Railway, as Lessor, and Great Lakes Power Company Limited, as Lessee, leasing an additional 50 foot wide strip of land west of and adjacent to certain parts of the existing 150 foot wide right-of-way.  
  
(c) Lease of Right-of-Way dated May 1, 1987 between Algoma Central Railway, as Lessor, and Great Lakes Power Limited, as Lessee, leasing additional strips of land 25 feet in width on both sides of certain parts of the existing 150 foot right-of-way.  
  
(d) A Lease of Right-of-Way dated September 1, 1957 between The Algoma Central and Hudson Bay Railway Company, as Lessor, and Great Lakes Power Corporation Limited, as Lessee, in respect of a right-of-way for the Michipicoten - Sault Ste. Marie transmission line.

(e) A Lease of a Right-of-Way dated September 1, 1957 between The Algoma Central and Hudson Bay Railway Company, as Lessor, and Great Lakes Power Corporation Limited, as Lessee in respect of a right-of-way for the Michipicoten - Sault Ste. Marie transmission line.

(f) A Lease of a Right-of-Way dated March 1, 1958 between The Algoma Central and Hudson Bay Railway Company, as Lessor, and Great Lakes Power Corporation Limited, as Lessee in respect of a right-of-way for the transmission line at Agawa Diversion on Second Line from Mile 92 Lake Anjigami.

**NOTE:** The lands previously owned by Algoma Central and Hudson Bay Railway Company/Algoma Central Railway were sold and transferred to 3011650 Nova Scotia Limited. Agreements (a) to (c) inclusive, were also assigned to 3011650 Nova Scotia Limited.

**SCHEDULE F - Continued**

**PART B - Registered Easements, Rights of Way**

**115kV TRANSMISSION LINES - NORTHERN AVENUE TO WAWA,**

**1. TOWNSHIP OF TARENTORUS, SECTION 6:**

- (a) Instrument Number 44973 registered February 16, 1960 is an Easement from Robert Reid to Great Lakes Power Corporation Limited over Part of the N 1/2 of the N W 1/4 of Section 6, Parcel 225 Algoma West Section, Township of Tarentorus;
- (b) Instrument Number 19719 registered January 7, 1932 is an Easement from Finlay J. Heacock & Eileen Heacock in favour of The Algoma District Power Company Limited (now Great Lakes Power Corporation Limited) over Part S 1/2 of the N W 1/4, Section 6, Parcel 145, Algoma West Section, Township of Tarentorus;
- (c) Instrument Number 44922 registered February 9, 1960 is an Easement from Finlay J. Heacock & Eileen Heacock in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the NW 1/4, Section 6, Parcel 145, Algoma West Section, Township of Tarentorus;
- (d) Instrument Number 46812 registered October 17, 1960 is an Easement from Filicano Manzutti in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the SW 1/4 of Section 6, Parcel 1323, Algoma West Section, Township of Tarentorus (6.212 acres, 200' wide);
- (e) Instrument Number 2804 registered July 24, 1934 is an Easement from George & Mary Farmer in favour of The Algoma District Power Company Limited over Part S 1/2 of the SW 1/4 of Section 6, Township of Tarentorus (4 6/10 acres, 150' wide); and
- (f) Instrument Number T8215 registered January 14, 1957 is an Easement from Wesley James Farmer and Margaret Farmer in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the SW 1/4 of Section 6, Township of Tarentorus (1.5533 acres, 50' wide).

**2. TOWNSHIP OF TARENTORUS, SECTION 7:**

- (a) Instrument Number 2790 registered July 24, 1934 is an Easement from William J. Money in favour of The Algoma District Power Company Limited over Part of N 1/2 of the NW 1/4 of Section 7, Township of Tarentorus (4.7 acres, 150' wide);
- (b) Instrument Number 8995 registered March 21, 1957 is an Easement from Melvin Daynard in favour of Great Lakes Power Corporation Limited over Part of N 1/2

of the N 1/2 of the NW 1/4 Section 7, Township of Tarentorus (0.393 acres, 50' wide);

- (c) Instrument Number 45316 registered March 29, 1962 is an Easement from Mose J. & Lena Ouellette in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the N 1/2 of the NW 1/4 of Section 7, Township of Tarentorus (0.196 acres);
- (d) Instrument Number T44017 registered January 22, 1962 is an Easement from Mary E. Hagen (formerly Mary Hillier) in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the N 1/2 of the NW 1/4 of Section 7, Township of Tarentorus (0.196 acres);
- (e) Instrument Number T11483 registered August 12, 1957 is an Easement from Hector C. & Thelma V. Maitland in favour of Great Lakes Power Corporation Limited over Part S 1/2 of N 1/2 of the NW 1/4 of Section 7, Township of Tarentorus (0.786 acres, 50' wide);
- (f) Instrument Number 19717 registered January 7, 1933 is an Easement from Robert J. & Christien Money in favour of The Algoma District Power Company Limited (now Great Lakes Power Company Limited) over Part N 1/2 of the S 1/2 of the N W 1/4 of Section 7, Parcel 1869 Algoma West Section, Township of Tarentorus (2.35 acres, 150' wide);
- (g) Instrument Number 45375 registered April 19, 1960 is an Easement from Russell Ashmore in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the S 1/2 of the N W 1/4, Section 7, Parcel 1869 Algoma West Section, Township of Tarentorus (3.147 acres, 200' wide);
- (h) Instrument Number 20545 registered August 29, 1934 is an Easement from William Rowan & J. Isabelle in favour of Great Lakes Power Company Limited over Part S 1/2 of the S 1/2 of the NW 1/4 of Section 7, Parcel 1077 Algoma, Township of Tarentorus (2.35 acres, 150' wide);
- (i) Instrument Number 51638 registered July 18, 1962 is an Easement from William & Loretta Lamarche in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the S 1/2 of the NW 1/4 of Section 7, Parcel 1077 Algoma, Township of Tarentorus (3.1478 acres, 200' wide);
- (j) Instrument Number 2805 registered July 24, 1934 is an Easement from Henry & Anna Selin and John & Mary Selin in favour of The Algoma District Power Company Limited over a portion of the W 1/2 of the NE 1/4 of the SW 1/4 of Section 7, Township of Tarentorus (4.7 acres, 150' wide);
- (k) Instrument Number T9068 registered March 27, 1957 is an Easement from Leonard Gamble in favour of Great Lakes Power Corporation Limited over a Part

of the W 1/2 of the NE 1/4 of the SW 1/4 of Section 7, Township of Tarentorus (1.535 acres, 50' wide);

- (l) Instrument Number 2809 registered August 27, 1934 is an Easement from Jane Farquhar in favour of The Algoma District Power Company Limited over Part S 1/2 of the E 1/2 of the SW 1/4 of Section 7, Township of Tarentorus (4.9 acres, 150' wide);
- (m) Instrument Number T20202 registered December 19, 1958 is an Easement from Louis & Ida Lefebvre in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the E 1/2 of the SW 1/4 of Section 7, Township of Tarentorus (1.625 acres, 50' wide);
- (n) Instrument Number T20203 registered December 19, 1958 is an Easement from Louis & Ida Lefebvre in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the NE 1/4 of the SW 1/4 of Section 7, Township of Tarentorus (0.039 acres, 50' wide);

3. TOWNSHIP OF TARENTORUS, SECTION 18:

- (a) Instrument Number 2803 registered July 24, 1934 is an Easement from Yalmar & Elina Maki in favour of The Algoma District Power Company Limited over Part E 1/2 of the NW 1/4 of Section 18, Township of Tarentorus (9.2 acres, 150' wide);
- (b) Instrument Number 2791 registered June 3 1929 is an Easement from August & Marie Saari in favour of The Algoma District Power Company Limited over Part N 1/2 of the Northerly 45 acres of the SW 1/4 of Section 18, Township of Tarentorus (1.3 acres, 150' wide);
- (c) Instrument Number 2812 registered October 1, 1934 is an Easement from Gilbert H. & Lila May Johnston in favour of The Algoma District Power Company Limited over Part S 1/2 of the Northerly 45 acres of the SW 1/4 of Section 18, Township of Tarentorus (1.3 acres, 150' wide);
- (d) Instrument Number 2796 registered July 24, 1934 is an Easement from John & Selina Kaunisin favour of The Algoma District Power Company Limited over Part S 1/2 of that portion of the SW 1/4 of Section 18, Township of Tarentorus (2.5 acres, 150' wide);
- (e) Instrument Number 2800 registered July 24, 1934 is an Easement from William H. & Ellen Palmer in favour of The Algoma District Power Company Limited over Part SE 1/4 of the SW 1/4 of Section 18, Township of Tarentorus (3 6/10 acres, 150' wide);
- (f) Instrument Number T21846 registered April 16, 1959 is an Easement from The Director, Veterans Land Act in favour of Great Lakes Power Corporation Limited

over Part of the NW 1/4 of Section 18, Township of Tarentorus (3.027 acres, 50' wide);

- (g) Instrument Number T92083 registered February 19, 1968 is an Easement from Estate of Harold H. Moeser in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 18, Township of Tarentorus (0.421 acres, 50' wide); and Part of the SW 1/4 of Section Section 18 (0.278 acres);
- (h) Instrument Number T21411 registered May 16, 1959 is an Easement from Elizabeth Mathieu in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the Northerly 45 acres of the SW 1/4 of Section 18, Township of Tarentorus (0.136 acres, 50' wide);
- (i) Instrument Number T43217 registered December 7, 1961 is an Easement from Frank & Wilhelmina Lariviere in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the Northerly 45 acres of the SW 1/4 of Section 18, Township of Tarentorus (0.278 acres, 50' wide);
- (j) Instrument Number T21880 registered April 17, 1959 is an Easement from The Director, Veterans Land Act in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 18, Township of Tarentorus (0.855 acres, 50' wide); and
- (k) Instrument Number T8979 registered March 20, 1957 is an Easement from Arthur & Victoria Cudmore in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 18, Township of Tarentorus (1.190 acres, 50' wide).

#### 4. TOWNSHIP OF TARENTORUS, SECTION 19:

- (a) Instrument Number 2799 registered July 24, 1934 is an Easement from John H. Drummond in favour of The Algoma District Power Company Limited over the E 1/2 of the NW 1/4 of Section 19, Township of Tarentorus (9 acres, 150' wide);
- (b) Instrument Number 2801 Instrument Number registered July 24, 1934 is an Easement from George H. Wesley, Margaret & Mary Farmer in favour of The Algoma District Power Company Limited over Part N 1/2 of the SW 1/4 of Section 19, Township of Tarentorus (4.5 acres, 150' wide);
- (c) Instrument Number 2691 registered October 1, 1931 is an Easement from Charles Morrison in favour of The Algoma District Power Company Limited over Part of the E Part of the SE 1/4 of the SW 1/4 of Section 19, Township of Tarentorus (3.3 acres, 150' wide);
- (d) Instrument Number 2802 registered July 24, 1934 is an Easement from John & Margaret Babington in favour of The Algoma District Power Company Limited over Part of the SW 1/4 of the SE 1/4 of Section 19, Township of Tarentorus (2.2 acres, 150' wide);



- (e) Instrument Number 15756 registered May 16, 1958 is an Easement from Andrew & Enola Stilin in favour of Great Lakes Power Corporation Limited over Part of the E 1/2 of the N W 1/4 of Section 19, Township of Tarentorus (3.003 acres, 50' wide);
- (f) Instrument Number T10417 registered June 14, 1957 is an Easement from Wesley J. & Margaret Farmer in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the SW 1/4 of Section 19, Township of Tarentorus (1.499 acres, 50' wide);
- (g) Instrument Number T9388 registered April 17, 1957 is an Easement from Mike Swazich in favour of Great Lakes Power Corporation Limited over Part of the E 1/2 of the E portion of the SE 1/4 of Section 19, Township of Tarentorus (1.303 acres, 50' wide);
- (h) Instrument Number T92084 registered February 27, 1968 is an Easement from Mike Swazich in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 19, Township of Tarentorus (0.6 acres, 33' wide); and
- (i) Instrument Number T10312 registered June 10, 1957 is an Easement from Mr. Valentine Euler in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of the SE 1/4 of Section 19, Township of Tarentorus (0.348 acres, 50' wide).

5. TOWNSHIP OF TARENTORUS, SECTION 30:

- (a) Instrument Number 2792 registered July 24, 1934 is an Easement from Wilfred & Lily Palmer in favour of The Algoma District Power Company Limited over Part N 1/2 of the N 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (2.3 acres, 150' wide);
- (b) Instrument Number 2788 registered July 24, 1934 is an Easement from David W. & Mary Euler in favour of The Algoma District Power Company Limited over Part N 1/2 of the S 1/2 and S 1/2 of the N 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (4.6 acres, 150' wide);
- (c) Instrument Number 2793 registered July 24, 1934 is an Easement from Emma B. Reynolds in favour of Great Lakes Power Company Limited over Part S 1/2 of the S 1/2 of the NE 1/4 Section 30, Township of Tarentorus (2.3 acres, 150' wide);
- (d) Instrument Number 2789 registered July 24, 1934 is an Easement from Alfred E. & Elizabeth Taylor in favour of The Algoma District Power Company Limited over Part N 1/2 of the NW 1/4 of the SE 1/4 of Section 30, Township of Tarentorus (2.3 acres, 150' wide);
- (e) Instrument Number 2783 registered July 12, 1934 is an Easement from George A. & Edna Dods in favour of The Algoma District Power Company Limited over

- Part S 1/2 of the N 1/2 of the SE 1/4 of Section 30, Township of Tarentorus (2.3 acres, 150' wide);
- (f) Instrument Number 2797 registered July 24, 1934 is an Easement from Charles & Alma Wigmore in favour of The Algoma District Power Company Limited over Part N 1/2 of the S 1/2 of the SE 1/4 of Section 30, Township of Tarentorus (2.3 acres, 150' wide);
  - (g) Instrument Number 2798 registered July 24, 1934 is an Easement from Charles & Alma Wigmore in favour of The Algoma District Power Company Limited over Part S 1/2 of the S 1/2 of the SE 1/4 of Section 30, Township of Tarentorus (2.3 acres, 150' wide);
  - (h) Instrument Number T17213 registered July 22, 1958 is an Easement from Wilfred E. & Lily Palmer in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the N 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (0.766 acres, 50' wide);
  - (i) Instrument Number 93708 registered May 23, 1968 is an Easement from Wilfred E. & Lily Palmer in favour of Great Lakes Power Corporation Limited over Part of the NE 1/4 of Broken Section 30, City of Sault Ste. Marie, formerly Township of Tarentorus (0.766 acres, 50' wide);
  - (j) Instrument Number T10314 registered June 10, 1957 is an Easement from Abby Chappell in favour of Great Lakes Power Corporation Limited over Part of Northerly 15 acres of the N 1/2 of the S 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (0.278 acres, 50' wide);
  - (k) Instrument Number T10315 registered June 10, 1957 is an Easement from Abby Chappell in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the N 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide);
  - (l) Instrument Number T10313 registered June 10, 1957 is an Easement from Valentine Euler in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the S 1/2 of the NE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide);
  - (m) Instrument Number T15757 registered May 16, 1958 is an Easement from Henry & Dorothy Forsythe in favour of Great Lakes Power Corporation Limited over Part of the Northerly 20 acres of the NW 1/4 of the SE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide);
  - (n) Instrument Number T15768 registered May 16, 1958 is an Easement from Robert & Viola Reid in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of the SE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide);

- (o) Instrument Number T16210 registered June 6, 1958 is an Easement from Wesley & Margaret Willoughby in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the SW 1/4 of the SE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide); and
- (p) Instrument Number T16211 registered June 6, 1958 is an Easement from Wesley & Margaret Willoughby in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SW 1/4 of the SE 1/4 of Section 30, Township of Tarentorus (0.764 acres, 50' wide).

6. TOWNSHIP OF TARENTORUS, SECTION 31:

- (a) Instrument Number 2787 registered July 24, 1934 is an Easement from Elmer & Corinne Huckson in favour of The Algoma District Power Company Limited over Part of the NE 1/4 of Section 31, Township of Tarentorus (2.4 acres, 183' wide); and
- (b) Instrument Number T16449 registered June 17, 1958 is an Easement from Elmer & Corinne Huckson in favour of Great Lakes Power Corporation Limited over Part of the NE subdivision of Section 31, Township of Tarentorus (0.804 acres, 50' wide).

7. TOWNSHIP OF KORAH, SECTION 1:

- (a) Instrument Number 29721 registered March 1, 1952 is an Easement from Joseph A. Jackson in favour of Great Lakes Power Corporation Limited over Part SE 1/4 of the NE 1/4 of Section 1, Parcel 3347 Algoma West Section, Township of Korah (.15 of an acres);
- (b) Instrument Number 50016 registered December 27, 1961 is an Easement from Vilis & Elgin Karklins in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the N 1/2 of the NE 1/4 of Section 1, Parcel 2976 Algoma West Section, Township of Korah (3.560 acres, 225' wide); and
- (c) Instrument Number 50356 registered February 12, 1962 is an Easement from Marion M. & Bruna Rose Pavelich in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the N 1/2 of the NE 1/4 of Section 1, Parcel 1280 Algoma West Section, Township of Korah (2.948 acres, 200' wide).
- (d) Instrument Number T0403789 registered March 30, 1999 is an Easement from Rosario Coccimiglio and Mario Coccimiglio in favour of Great Lakes Power Corporation Limited over Part of Blocks 13 and 14 in the Stewart Survey of the Korah Block, in the City of Sault Ste. Marie, in the District of Algoma, and being more particularly described as Part 1, Plan 1R-9735.

8. TOWNSHIP OF PENNEFATHER:

- (a) Instrument Number 164 registered March 15, 1932 is an Easement from R.J. & Bertha Loewenthal in favour of Great Lakes Power Corporation Limited over Part SE 1/4 of Section 1 and a portion of the E 1/2 of Section 12, Township of Pennefather (291/10 acres, 150' wide);
- (b) Instrument Number 174 registered July 10, 1934 is an Easement from Sophia & George Stewart in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the N E 1/4 of Section 13, Township of Pennefather (4.7 acres, 150' wide);
- (c) Instrument Number 282 registered February 29, 1952 is an Easement from Robert J. Running in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the NE 1/4 of Section 13, Township of Pennefather (4.4 acres, 150' wide);
- (d) Instrument Number 163 registered March 1, 1932 is an Easement from Alfred & Estella Benninghaus in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the N E 1/4 and the N 1/2 of the SE 1/2 of Section 24, Township of Pennefather (9.18 acres, 150' wide);
- (e) Instrument Number 184 registered November 24, 1934 is an Easement from Henry & Martha Mitchell in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the SE 1/4 of Section 24, Township of Pennefather (4.7 acres, 150' wide);
- (f) Instrument Number 183 registered November 7, 1934 is an Easement from Isadore & Sarah Rosenstein in favour of Great Lakes Power Company Limited over Part of S 1/2 of the NE 1/4 of Section 25, Township of Pennefather (4.6 acres, 150' wide);
- (g) Instrument Number 162 registered October 1, 1931 is an Easement from Elizabeth J. Dunseath in favour of The Algoma District Power Company Limited over Part SE 1/4 of Section 25, Township of Pennefather (9.38 acres, 150' wide);
- (h) Instrument Number 185 registered November 24, 1934 is an Easement from Fred W. & Ellen McDowell in favour of The Algoma District Power Company Limited over Part W 1/2 of the NE 1/4 of Section 36, Township of Pennefather (5.3 acres, 150' wide);
- (i) Instrument Number 18479 registered September 19, 1958 is an Easement from Esther & Hugo Schwartz in favour of Great Lakes Power Corporation Limited over Part SE 1/4 of Section 1, Township of Pennefather (3.6 acres, 150' wide);
- (j) Instrument Number T1185 registered August 28, 1957 is an Easement from Frank G. & Marion Miller & Frank P. & Sidney Miller in favour of Great Lakes Power Corporation Limited over Part of the NE 1/4 of Section 12, Township of Pennefather (3 acres, 50' wide);

- (k) Instrument Number T11858 registered August 15, 19 57 is an Easement from Frank G. & Marion Miller & Frank P. & Sidney Miller in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of Section 12, Township of Pennefather (3.1 acres, 50' wide);
- (l) Instrument Number T44361 registered February 8, 1962 is an Easement from Earl & Esther Stewart in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the N E 1/4 of Section 13, Township of Pennefather (1.5 acres, 50' wide);
- (m) Instrument Number T12349 registered September 25, 1957 is an Easement from George Running in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 13, Township of Pennefather (1.5 acres, 50' wide);
- (n) Instrument Number T42924 registered November 23, 1961 is an Easement from Howard Percy Lethbridge in favour r of Great Lakes Power Corporation Limited over Part E 1/2 of the S 1/2 of the S 1/2 of Section 13, Township of Pennefather (1.5 acres, 50' wide);
- (o) Instrument Number T27036 registered March 13, 1961 is an Easement from Bernard Clay in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the NE 1/4 of Section 24, Township of Pennefather (1.6 acres, 50' wide); and
- (p) Instrument Number T10287 registered June 7, 1957 is an Easement from Norman & Mary Scott in favour of Great Lakes Power Corporation Limited over Part W 1/2 of the NE 1/4 of Section 36, Township of Pennefather (4.7 acres, 75' wide).

9. TOWNSHIP OF FENWICK:

- (a) Instrument Number 814 registered May 18, 1949 is an Easement from Peter Ossachuck in favour of The Algoma District Power Company Limited over Part S 1/2 of the SE 1/4 of Section 12, Township of Fenwick (5 acres, 150' wide);
- (b) Instrument Number 640 registered January 23, 1942 is an Easement from Nephen & Nancy Joseph in favour of The Algoma District Power Company Limited over Part NE 1/4 of Section 13, Township of Fenwick (9.5 acres, 150' wide);
- (c) Instrument Number 480 registered March 5, 1932 is an Easement from Lovina & Daniel W. James in favour of The Algoma District Power Company Limited over Part N 1/2 of the SE 1/4 of Section 13, Township of Fenwick (1.5 acres, 100 wide);
- (d) Instrument Number 816 registered May 18, 1949 is an Easement from Daniel W. James in favour of The Algoma District Power Company Limited over Part N 1/2 of the SE 1/4 of Section 13, Township of Fenwick (1.5 acres, 50' wide);

- (e) Instrument Number 813 registered May 18, 1949 is an Easement from Robert H. Somes in favour of The Algoma District Power Company Limited over Part S 1/2 of the SE 1/4 of Section 13, Township of Fenwick (4.1 acres, 150' wide);
- (f) Instrument Number 815 registered May 18, 1949 is an Easement from Mary Bye in favour of The Algoma District Power Company Limited over Part W 1/2 of the E 1/2 of Section 24, Township of Fenwick (17.7 acres, 150' wide);
- (g) Instrument Number 532 registered July 10, 1934 is an Easement from Fred & Laura Elliott in favour of The Algoma District Power Company Limited over Part NE 1/4 of Section 25, Township of Fenwick (7.9 acres, 150' wide);
- (h) Instrument Number 183 and Instrument Number 540 registered November 7, 1934 is an Easement from Isadore & Sarah Rosenstein in favour of Great Lakes Power Company Limited over Part NE 1/4 and the N 1/2 of the SE 1/4 of Section 36, Township of Fenwick (13.5 acres, 150' wide);
- (i) Instrument Number 535 registered July 10, 1934 is an Easement from Hugh & Kathleen Dignam in favour of The Algoma District Power Company Limited over Part S 1/2 of the SE 1/4 of Section 36, Township of Fenwick (4.5 acres, 150' wide);
- (j) Instrument Number T12293 registered September 23, 1957 is an Easement from William & Annie Smith in favour of Great Lakes Power Corporation Limited over Part of the N E 1/4 of Section 12, Township of Fenwick (0.008 acres, 50' wide);
- (k) Instrument Number T12016 registered September 9, 1957 is an Easement from Michael & Eileen Moskal in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the SE 1/2 of Section 12, Township of Fenwick (1.78 acres, 50' wide);
- (l) Instrument Number T10248 registered June 6, 1957 is an Easement from John & Sally Melanchuck in favour of Great Lakes Power Corporation Limited over Part S 1/2 of SE 1/4 of Section 12, Township of Fenwick (1.78 acres, 50' wide);
- (m) Instrument Number T15805 registered May 20, 1958 is an Easement from Nancy Joseph in favour of Great Lakes Power Corporation Limited over Part of the NE 1/4 of Section 13, Township of Fenwick (3 acres, 50' wide);
- (n) Instrument Number T11899 registered August 30, 1957 is an Easement from Melville James in favour of Great Lakes Power Corporation Limited over Part of the N W 1/4 of the SE 1/4 of Section 13, Township of Fenwick (1.4 acres, 50' wide);
- (o) Instrument Number T8390 registered January 31, 1957 is an Easement from Joseph F. & Doris Hill in favour of Great Lakes Power Corporation Limited over

Part of the S 1/2 of the SE 1/4 of Section 13, Township of Fenwick (1.5 acres, 50' wide);

- (p) Instrument Number T15841 registered May 2, 1958 is an Easement from Amelia Nardi in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the E 1/2 of Section 24, Township of Fenwick (6.18 acres, 50' wide);
- (q) Instrument Number T15918 registered May 26, 1958 is an Easement from Claude, Thomas, Harold and Carl Elliott & Andrew & Eleanor Shearer in favour of Great Lakes Power Corporation Limited over Part of the NE 1/4 of Section 25, Township of Fenwick (2.9 acres, 50' wide);
- (r) Instrument Number T15842 registered May 2, 1958 is an Easement from Amelia Nardi in favour of Great Lakes Power Corporation Limited over Part of the NW 1/4 of Section 25, Township of Fenwick (0.121 acres, 25' wide); and
- (s) Instrument Number 282 registered November 7, 1934 is an Easement from Isadore Rosenstein in favour of Great Lakes Power Corporation Limited over Part of the N W 1/4 and N 1/2 of the SE 1/4 of Section 32, Township of Fenwick.

10. TOWNSHIP OF VAN KOUGHNET:

- (a) Instrument Number 277 registered July 10, 1934 is an Easement from Thomas & Sarah McCauley in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the NW 1/4 of Section 6, Township of Van Koughnet (4 acres, 150' wide);
- (b) Instrument Number 281 registered August 22, 1934 is an Easement from Thomas & Sarah McCauley & Family in favour of Great Lakes Power Corporation Limited over Part N 1/2 of S 1/2 and N 1/2 of Lot 11, Concession 1, Township of Van Koughnet and NW corner of the E 1/2 of Section 6, Township of Van Koughnet (0.6 of an acre);
- (c) Instrument Number 412 registered May 18, 1949 is an Easement from Lynch Timber Company in favour of Great Lakes Power Corporation Limited over Part E 1/2 of the NW 1/4 of Section 7, Township of Van Koughnet (7.2 acres, 150' wide);
- (d) Instrument Number 411 registered May 18, 1949 is an Easement from Thomas Twancheek in favour of The Algoma District Power Company Limited over Part W 1/2 of the NW 1/4 of Section 7, Township of Van Koughnet (1.4 acres, 150' wide);
- (e) Instrument Number 278 registered July 10, 1934 is an Easement from Peter & Agnes Jones in favour of The Algoma District Power Company Limited over a portion of the W 1/2 of the SW 1/4 of Section 7, Township of Van Koughnet (8.8 acres, 150' wide);

- (f) Instrument Number 276 registered July 10, 1934 is an Easement from James & Robina McCauley in favour of The Algoma District Power Company Limited over Part NW 1/4 of Section 18, Township of Van Koughnet (9.8 acres, 150' wide);
- (g) Instrument Number 277 registered July 10, 1934 is an Easement from Thomas & Sara McCauley in favour of Great Lakes Power Corporation Limited over a portion of the W 1/2 of the SW 1/4 of Section 18, Township of Van Koughnet (2.3 acres);
- (h) Instrument Number 34324 registered November 7, 1960 is an Easement from Algoma Forest Products Ltd. in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the NW 1/4 of Section 6, Township of Van Koughnet; (1.462 acres, 50' wide);
- (i) Instrument Number T29147 registered March 15, 1960 is an Easement from Stif (Steve) Korytko in favour of Great Lakes Power Corporation Limited over Part W 1/2 of the NW 1/4 of Section 7, Township of Van Koughnet (0.954 acres, 50' wide);
- (j) Instrument Number T8554 registered February 15, 1957 is an Easement from Vaino & Margaret Green in favour of Great Lakes Power Corporation Limited over Part W 1/2 of the SW 1/4 of Section 7, Township of Van Koughnet (2.9 acres, 50' wide);
- (k) Instrument Number 282 registered November 7, 1934 is an Easement from Isadore Rosenstein in favour of Great Lakes Power Company Limited over Part of S 1/2 of the NW 1/4 and Part of E 1/2 of the SW 1/4 of Section 6, Township of Van Koughnet;
- (l) Instrument Number T16212 registered June 6, 1958 is an Easement from Stanley Belkosky in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the NW 1/2 of Section 18, Township of Van Koughnet (3.113 acres, 50' wide); and
- (m) Instrument Number T61246 registered February 26, 1964 is an Easement from Lena Johnston (note: Holowachuk) in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the SW 1/4 of Section 18, Township of Van Koughnet (0.358 acres, 50' wide).
- (n) Instrument Number 183 registered November 7, 1934 is an Easement from Isadore & Sarah Rosenstein in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of Section 6, Township of Van Koughnet; and



- (o) Instrument Number T34321 registered November 7, 1960 is an Easement from Algoma Forest Products Ltd. in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the NW 1/4 of Section 6, Township of Van Koughnet.

11. TOWNSHIP OF HAVILAND:

- (a) Instrument Number 226 registered November 30, 1951 is an Easement from Humphrey & Eleanor Gray in favour of Great Lakes Power Company Limited over Broken Section 1, Township of Haviland (11.9 acres, 150' wide);
- (b) Instrument Number T13649 registered December 24, 1957 is an Easement from Virginia H. Globensky & Herbert McCauley in favour of Great Lakes Power Corporation Limited over Part of Block A according to registered Plan H-413, Township of Haviland (0.472 acres, 50' wide);
- (c) Instrument Number T13187 registered November 19, 1957 is an Easement from Arthur & Virginia Valenti in favour of Great Lakes Power Corporation Limited over Part of Lot 1, Plan H-413, Township of Haviland (0.18 acres, 50' wide);
- (d) Instrument Number T12840 registered October 28, 1957 is an Easement from Stanley & Helena Kosek in favour of Great Lakes Power Corporation Limited over Part N 1/2 of Lot 2, Plan H-413, Township of Haviland (0.050 acres, 50' wide);
- (e) Instrument Number T47082 registered June 19, 1962 is an Easement from Thomas & Rina Stocco in favour of Great Lakes Power Corporation Limited over Part S 1/2 of Lot 2, Plan H-413, Township of Haviland (0.050 acres, 50' wide);
- (f) Instrument Number T13839 registered January 9, 1958 is an Easement from Leslie & Irma Gump in favour of Great Lakes Power Corporation Limited over Part Lot 3, Plan H -413, Township of Haviland (0.181 acres,);
- (g) Instrument Number T12798 registered October 24, 1957 is an Easement from Orvil & Ada Calvert in favour of Great Lakes Power Corporation Limited over Part of Lot 4, Plan H -413, Township of Haviland (0.193 acres, 50' wide);
- (h) Instrument Number T17130 registered July 17, 1958 is an Easement from Richard & Orpha Heywood in favour of Great Lakes Power Corporation Limited over Part of Lot 5, Plan H-413, Township of Haviland (0.165 acres, 50' wide);
- (i) Instrument Number T13371 registered December 3, 1957 is an Easement from Eber & Elizabeth Roberts in favour of Great Lakes Power Corporation Limited over Part of Lot 6, Plan H-413, Township of Haviland (0.184 acres, 50' wide);
- (j) Instrument Number T13647 registered December 24, 1957 is an Easement from Virginia H. Globensky & Herbert McCauley in favour of Great Lakes Power

Corporation Limited over Parts of Block D, Plan H-413, Township of Haviland (1.239 acres, 50' wide); and

- (k) Instrument Number T13648 registered December 24, 1957 is an Easement from Virginia H. Globensky & Herbert McCauley in favour of Great Lakes Power Corporation Limited over Part Section 1, Township of Haviland (1.38 acres, 50' wide).

12. TOWNSHIP OF TUPPER:

- (a) Instrument Number 13 registered July 10, 1934 is an Easement from Wells-Higman Company in favour of The Algoma District Power Company Limited over Part Lots 11 & 12, 3rd Concession and a portion of Lot 12 in the 4th, 5th and 6th concessions, Township of Tupper, (62.8 acres, 150' wide);
- (b) Instrument Number 281 registered August 22, 1934 is an Easement from Thomas & Sarah McCauley & Family in favour of Great Lakes Power Company Limited over Part N 1/2 of the S 1/2 and the N 1/2 of Lot 11 in concession I and a portion of Lot 11 in concession II, Township of Tupper, (32.78 acres, 150' wide);
- (c) Instrument Number 12 registered October 1, 1931 is an Easement from Samuel Bennett in favour of The Algoma District Power Company Limited over Part S 1/2 of the S 1/2 of Lot 11, Concession I, Township of Tupper, (4.4 acres, 150' wide);
- (d) Instrument Number T39700 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Company in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession VI, Township of Tupper, (1.9 acres, 50' wide);
- (e) Instrument Number T39702 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Company in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession V, Township of Tupper, (6.137 acres, 50' wide);
- (f) Instrument Number T39701 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Company in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession IV, Township of Tupper, (6.07 acres, 50' wide);
- (g) Instrument Number T39695 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Company in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession III, Township of Tupper, (5.1 acres, 50' wide);
- (h) Instrument Number T39696 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Company in favour of Great Lakes Power Corporation Limited over Part Lot 11, concession III, Township of Tupper, (1.1 acres, 50' wide);

- (i) Instrument Number T34321 registered November 7, 1960 is an Easement from Algoma Forest Products Ltd. in favour of Great Lakes Power Corporation Limited over Part of Lot 11, concession 1, Township of Tupper, (6.060 acres, 50' wide), and Lot 11, concession II, (4.819 acres, 50' wide); and
- (j) Instrument Number T12292 registered September 23, 1957 is an Easement from Frank & Doreen Lasook & William & Annie Smith in favour of Great Lakes Power Corporation Limited over Part S 1/2 of the S 1/2 of Lot 11, concession I, Township of Tupper, (1.469 acres, 50' wide).

13. TOWNSHIP OF ARCHIBALD:

- (a) Instrument Number 13 registered July 10, 1934 is an Easement from Thomas & Sarah McCauley in favour of The Algoma District Power Company Limited over Part Lots 11 & 12, concession VI and Lot 12, concession V, Township of Archibald, (38 acres, 150' wide);
- (b) Instrument Number 12 registered October 1, 1931 is an Easement from Wells-Higman Company in favour of The Algoma District Power Company Limited over a portion of Lot 12, concession IV, Township of Archibald, (15.5 acres, 150' wide);
- (c) Instrument Number T10633 registered June 28, 1957 is an Easement from Belco Timber Company, Ltd. in favour of Great Lakes Power Corporation Limited over Part of Lot 12, concession VI, Township of Archibald, (2.9 acres, 50' wide);
- (d) Instrument Number T10632 registered June 25, 1957 is an Easement from Belco Timber Company, Ltd. in favour of Great Lakes Power Corporation Limited over Lot 11, concession VI, Township of Archibald, (3.8 acres, 50' wide);
- (e) Instrument Number T10631 registered June 25, 1957 is an Easement from Belco Timber Company, Ltd. in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession IV, Township of Archibald, (5.9 acres, 50' wide);
- (f) Instrument Number T39697 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Co. in favour of Great Lakes Power Corporation Limited over Part Lot 12, concession IV, Township of Archibald, (4.9 acres, 50' wide).

14. TOWNSHIP OF TILLEY:

- (a) Instrument Number 78 registered October 1, 1931 is an Easement from Wells-Higman Co. in favour of The Algoma District Power Company Limited over Part Section 13 & 24, Township of Tilley, (22.68 acres, 150' wide);
- (b) Instrument Number 96 registered August 24, 1934 is an Easement from William & Isabelle Torrance in favour of Great Lakes Power Company Limited over Part N 1/2 of the NW 1/2 of Section 25, Township of Tilley, (4.7 acres, 150' wide);

- (c) Instrument Number 1170 registered July 10, 1934 is an Easement from Thomas & Sarah McCauley in favour of The Algoma District Power Company Limited over Part Section 25 (known as the Begley copper location), Township of Tilley, (9.7 acres, 150' wide);
- (d) Instrument Number 79 registered October 1, 1931 is an Easement from Christina Seymour in favour of The Algoma District Power Company Limited over Part S 1/2 of the SW 1/4 of Section 25, Township of Tilley, (4.3 acres, 150' wide);
- (e) Instrument Number 97 registered October 1, 1934 is an Easement from John B. Cochrane in favour of The Algoma District Power Company Limited over Part of Section 36, Township of Tilley, (22.1 acres, 150' wide);
- (f) Instrument Number T39699 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Co. in favour of Great Lakes Power Corporation Limited over Part of Section 13, Township of Tilley, (2.2 acres, 50' wide);
- (g) Instrument Number T39698 registered July 13, 1961 is an Easement from Roddis Lumber & Veneer Co. in favour of Great Lakes Power Corporation Limited over Part of Section 24, Township of Tilley, (6.1 acres, 150' wide);
- (h) Instrument Number T12284 registered September 23, 1957 is an Easement from Ethel H. Holgate in favour of Great Lakes Power Corporation Limited over Part of the Begley Copper Location within Section 25, Township of Tilley, (3.2 acres, 50' wide); and
- (i) Instrument Number T48442 registered August 10, 1962 is an Easement from William & Isabelle Torrance in favour of Great Lakes Power Corporation Limited over Part N 1/2 of the NW 1/4 of Section 25, Township of Tilley, (1.5 acres, 50' wide), and Part of the S Part of Section 25, (1.4 acres, 50' wide); and
- (j) Instrument Number 91892 registered February 13, 1968 is an Easement from J.C.T. Cochrane Estate in favour of Great Lakes Power Corporation Limited over Part of Section 36, Township of Tilley, (7.3 acres, 50' wide).

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15. TOWNSHIP OF TARENTORUS, SECTION 19:

- (a) Instrument Number T17131 registered July 15, 1958 is an Easement from Valentine Euler in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SE 1/4 of Section 19, Township of Tarentorus, (3.688 acres, 125' wide);
- (b) Instrument Number T18358 registered September 15, 1958 is an Easement from Valentine Euler in favour of Great Lakes Power Corporation Limited over Part of

SW 1/4 of the SE 1/4 of Section 19, Township of Tarentorus, (3.812 acres, 125' wide);

- (c) Instrument Number T21301 registered March 9, 1959 is an Easement from Mike Swazich in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SW 1/4 of Section 19, Township of Tarentorus, (0.171 acres, 125' wide);
- (d) Instrument Number T169294 registered July 15, 1976 is an Easement from Doran's Northern Ontario Breweries Limited in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the N 1/2 of the SE 1/4 of Section 19, Being Part 1, Plan 1 R2569, now Part of Lot 60 RCP H-739, City of Sault Ste. Marie, formerly Township of Tarentorus, (100' wide);
- (e) Instrument Number T172116 registered September 30, 1976 is an Easement from Bruce & Margaret Walker in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SE 1/4 of Section 19, being Part 2, Plan 1R2569, now Part Lot 61 on RCP H-739, City of Sault Ste. Marie, formerly Township of Tarentorus, (10' wide, 18' x 1,285'); and
- (f) Instrument Number T211932 registered July 16, 1980 is an Easement from Northern Breweries Ltd. in favour of Great Lakes Power Corporation Limited over Part of Lot 60, RCP H-739 being Part 1 on Plan 1 R-3800, Section 19, Township of Tarentorus, (1.099 acres, 72' wide).

16. TOWNSHIP OF TARENTORUS, SECTION 20:

- (a) Instrument Number T21600 registered March 31, 1959 is an Easement from Seaburn & Margaret Weeks in favour of Great Lakes Power Corporation Limited over Part of Section 20, Township of Tarentorus (1.705 acres, 125' wide);
- (b) Instrument Number T21412 registered March 16, 1959 is an Easement from John & Alice Caul in favour of Great Lakes Power Corporation Limited over Part of SE 1/4 of the SE 1/4 of Section 20, Township of Tarentorus, (0.057 acres, 125' wide);
- (c) Instrument Number T170070 registered August 4, 1976 is an Easement from John & Alice Caul in favour of Great Lakes Power Corporation Limited over Part of S 1/2 of the SE 1/4 of Section 20, being Part 8, Plan 1 R-2568, Now Part of Lot 55, RCP H-737, Township of Tarentorus, (0.268 acres, 100' wide);
- (d) Instrument Number T21599 registered March 31, 1959 is an Easement from Lloyd & Mildred Avery in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of the SE 1/4 and Part of the SE 1/4 of the SE 1/4 of Section 20, Township of Tarentorus (3.197 acres, 125' wide);

- (e) Instrument Number T21598 registered March 31, 1959 is an Easement from Lloyd & Mildred Avery in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Section 20, Township of Tarentorus, (1.650 acres, 125' wide);
- (f) Instrument Number T21667 registered April 2, 1959 is an Easement from Edward & Margaret Yadvisiak in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SE 1/4 of Section 20, Township of Tarentorus, (2.277 acres, 125' wide);
- (g) Instrument Number T169295 registered July 15, 1976 is an Easement from Defazio Enterprises Inc. in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 20, being Part 4 on Plan 1 R-2568, Now Part of Lot 48, RCP H-737, Township of Tarentorus (0.703 acres, 73' wide);
- (h) Instrument Number T169293 registered July 15, 1976 is an Easement from Isabel Palmer in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SW 1/4 of Section 20, being Part 2, Plan 1 R-2568, Part of Lot 45, RCP H-737, Township of Tarentorus, (0.894 acres, 125' wide);
- (i) Instrument Number T169296 registered July 15, 1976 is an Easement from Henry & Sylvia Wightman in favour of Great Lakes Power Corporation Limited over Part of the E portion of the N 1/2 of the SE 1/4 of Section 20, being Part 9, Plan 1 R-2568, Now Part of Lot 57, RCP H-737, Township of Tarentorus, (0.911 acres);
- (j) Instrument Number T169878 registered July 29, 1976 is an Easement from Kenneth & Rosemary Watkiss in favour of Great Lakes Power Corporation Limited over Part of S 1/2 of the SW 1/4 of Section 20, being Part 3, Plan 1 R-2568, being Part of Lot 47, RCP H-737, Township of Tarentorus (0.800 acres, 70' wide);
- (k) Instrument Number T170426 registered August 12, 1976 is an Easement from Paul & Carolynn Defazio in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of Section 20, Now Part 5, Plan 1 R-2568, being Part of Lot 50, RCP H-737, Township of Tarentorus, (0.387 acres, 86' wide);
- (l) Instrument Number T170759 registered August 23, 1976 is an Easement from Gertrude Eisbrenner in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 20, being Part 7, Plan 1 R-2568, Now Part of Lot 54, RCP H-737, Township of Tarentorus, (1.957 acres, 125' wide);
- (m) Instrument Number T17855 registered August 26, 1958 is an Easement from Lorne & Isabel Palmer in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of the SW 1/4 of Section 20, Township of Tarentorus (2.226 acres, 125' wide);
- (n) Instrument Number T17856 registered August 26, 1958 is an Easement from Lorne & Isabel Palmer in favour of Great Lakes Power Corporation Limited over

Part of the SW 1/4 of the SW 1/4 of Section 20, Township of Tarentorus, (3.659 acres, 125' wide);

- (o) Instrument Number T172565 registered October 14, 1976 is an Easement from Raymond Belkosky & Kenneth Pierman in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of the SW 1/4 of Section 20, being Part 10, Plan 1 R-2568, Now Part of Lot 37, RCP H-737, Township of Tarentorus, (9.04 acres, 150' wide);
- (p) Instrument Number T280873 registered September 24, 1987 is a new Easement Correcting Planning Act problem in Instrument Number T172565 from Raymond Belkosky & Kenneth Pierman in favour of Great Lakes Power Limited over Part of the N 1/2 of the SW 1/4 of Section 20, being Part 10, Plan 1 R-2568, Now Part of Lot 37, RCP H-737, Township of Tarentorus, and Part SW 1/4 of Section 10, being Part 10 on Plan 1 R-2568, Now Part of Lot 37, RCP H-737, Township of Tarentorus, (9.04 acres, 150' wide);
- (q) Instrument Number T172737 registered October 19, 1976 is an Easement from Lloyd Avery Contracting Ltd. in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 20, Being Part 6, Plan 1 R-2568, Now Lot 56, RCP H-737, Township of Tarentorus, (2.436 acres, 125' wide); and
- (r) Instrument Number T172736 registered October 19, 1976 is an Easement from J.H. Ernest Ballentine in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SW 1/4 of Section 20, Being Part 1, Plan 1 R-2568, now Part of Lot 38, RC P H-737, Township of Tarentorus, (0.513 acres).

17. TOWNSHIP OF TARENTORUS, SECTION 21:

- (a) Instrument Number 39805 registered July 30, 1958 is an Easement from John & Blossom Dunn in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 21, Township of Tarentorus, (7.053 acres, 125' wide);
- (b) Instrument Number T17800 registered August 15, 1958 is an Easement from Clair & Elsie Armstrong in favour of Great Lakes Power Corporation Limited over Part of the W 40 acres of the SW 1/4 of Section 21, Township of Tarentorus, (1.895 acres, 125' wide);
- (c) Instrument Number T17802 registered August 22, 1958 is an Easement from Alec Wallenius in favour of Great Lakes Power Corporation Limited over Part of the Easterly 60 acres of the SW 1/4 of Section 21, Township of Tarentorus, (2.821 acres, 125' wide);
- (d) Instrument Number T17920 registered August 29, 1958 is an Easement from Arvo Groondhal in favour of Great Lakes Power Corporation Limited over Part of the E

- 60 acres of W 100 acres of SW 1/4 of Section 21, Township of Tarentorus, (2.842 acres, 125' wide);
- (e) Instrument Number 40165 registered August 29, 1958 is an Easement from Elwood & Mary McKinnon in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 21, Township of Tarentorus, Part of Parcel 3329 Algoma West Section (0.403 acres, 125' wide);
  - (f) Instrument Number 64249 registered March 4, 1968 is an Easement from John & Blossom Dunn in favour of Great Lakes Power Corporation Limited over Part of the SE 1/4 of Section 21, Township of Tarentorus, (2.366 acres, additional 75' wide R-O-W);
  - (g) Instrument Number 87619 registered September 10, 1976 is an Easement from John & Blossom Dunn in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 21, being Parts 3 and 5, Plan 1 R-2586 (5.480 acres, 150' wide);
  - (h) Instrument Number T169297 registered July 15, 1976 is an Easement from Beata Wallenius in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 21, being Part 4 on Plan 1 R-2567, Now Part of Lot 27, RCP H-736, Township of Tarentorus, (0.726 acres, 150' wide);
  - (i) Instrument Number T170015 registered August 3, 1976 is an Easement from Olive Young in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Section 21, being Part 3, Plan 1 R-2567, Now Part of Lot 26, RCP H-736, Township of Tarentorus (2.60 acres, 150' wide);
  - (j) Instrument Number T170657 registered August 20, 1976 is an Easement from Donald & Gloria Van Daele in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the W 1/2 of the SW 1/4 of Section 21, being Part 1, Plan 1 R-2567, Now Part of Lot 37, RCP H-736, Township of Tarentorus, (2.259 acres, 125' wide);
  - (k) Instrument Number T173683 registered November 17, 1976 is an Easement from Arvo & Anne Groondhal in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 Section 21, being Part 2, Plan 1 R-2567, Now Part of Lot 33, RCP H-736, Township of Tarentorus, (3.499 acres, 125' wide);
  - (l) Instrument Number T280599 registered September 15, 1987 is a new Easement Correcting Planning Act Problem in Instrument Number T173683 from Arvo & Anne Groondhal in favour of Great Lakes Power Limited over Part of the SW 1/4 of Section 21, being Part 2, Plan 1 R-2567, Now Part of Lot 33, RCP H-736, Township of Tarentorus, (3.499 acres, 125' wide);



- (m) Instrument Number 89942 registered February 28, 1977 is an Easement from The Director, The Veterans Land Act (Stanley Fisher) in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 21, being Part 4 on Plan 1 R-2568, Now Part of Parcel 2652 Algoma West Section, Township of Tarentorus, (2.655 acres, 128' wide);
- (n) Instrument Number 149735 registered April 30, 1987 is a new Easement Correcting Planning Act problem in Instrument Number 89942, from The Director, The Veterans Land Act (Stanley Fisher) in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SE 1/4 of Section 21, being Part 4 on Plan 1 R-2568, Now Part of Parcel 2652 Algoma West Section, Township of Tarentorus, (2.655 acres, 128' wide);
- (o) Instrument Number 101116 registered April 12, 1979 is an Easement from Charles & Evelyn Dunn in favour of Great Lakes Power Corporation Limited over Part of Parcel 4842 Algoma West Section, Being Part 2, Plan 1 R-2586, Township of Tarentorus (0.078 acres).

18. TOWNSHIP OF TARENTORUS, SECTION 22:

- (a) Instrument Number T17445 registered August 6, 1958 is an Easement from John & Miriam Pinder in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Broken Section 22, Township of Tarentorus, (5.073 acres, 125' wide); and
- (b) Instrument Number T92086 registered February 27, 1968 is an Easement from John Robert Pinder in favour of Great Lakes Power Corporation Limited over Part of the SW 1/4 of Broken Section 22, City of Sault Ste. Marie, formerly Township of Tarentorus, (3.052 acres, 75' wide).

19. SECOND RANGE SOUTH OF OLD GARDEN RIVER ROAD:

- (a) Instrument Number T21280 registered March 6, 1959 is an Easement from Henry & Irma Wightman in favour of Great Lakes Power Corporation Limited over Part of Lot 1 in the First Range South of Old Garden River Road, Plan 139, Township of Tarentorus (1.879 acres, 125' wide);
- (b) Instrument Number T170069 registered August 4, 1976 is an Easement from Fred & Sandra Gordon in favour of Great Lakes Power Corporation Limited over Part of Lot 1 in the First Range, Rankin Location, being Part 2, Plan 1 R-2584, Now Part of Lot 9, R CP H-719, Sault Ste. Marie, formerly Township of Tarentorus, (1.275 acres, 150' wide);
- (c) Instrument Number T170265 registered August 10, 1976 is an Easement from Heikky & Melba Kinnanuen in favour of Great Lakes Power Corporation Limited over Part of Lot 1 in the First Range, Rankin Location, being Part 3, Plan 1 R-

2584, Now Part of Lot 8, RCP H719, Sault Ste. Marie, formerly Township of Tarentorus, (1.028 acres, 150' wide); and

- (d) Instrument Number T92085 registered February 27, 1968 is an Easement from Henry Ansel Wightman and Irma Sylvia Wightman in favour of Great Lakes Power Corporation Limited over Part of Lot 1, in the First Range, Rankin Location, Sault Ste. Marie, formerly Township of Tarentorus, (1.127 acres).

20. TOWNSHIP OF MACDONALD:

- (a) Instrument Number 44594 registered December 18, 1959 is an Easement from Edgar L. Arsenault in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of Section I, Part of Parcel 4234 Algoma West Section, Township of MacDonald (7.609 acres, 125' wide);
- (b) Instrument Number T90924 registered September 11, 1967 is an Easement from Lorne & Edna Bain in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 2, Township of MacDonald, (4.555 acres, 75' wide);
- (c) Instrument Number 46495 registered September 12, 1960 is an Easement from Bernice Bushong in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 1, Part of Parcel 947 Algoma West Section, Township of MacDonald, (7.592 acres, 125' wide);
- (d) Instrument Number T21352 registered March 12, 1959 is an Easement from Robert Cliff in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 2, Township of MacDonald, (7.592 acres, 125' wide);
- (e) Instrument Number T21320 registered March 11, 1959 is an Easement from William Cliff in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 3 and Part of the S 1/2 of the N W 1/4 of Section 3, Township of MacDonald, (8.641 acres, 125' wide);
- (f) Instrument Number T21278 registered March 6, 1959 is an Easement from Robert & Kathleen Corvoy in favour of Great Lakes Power Corporation Limited over Part of the E 40 acres of the S 1/2 of the NE 1/4 of Section 3, Township of MacDonald, (3.365 acres, 125' wide);
- (g) Instrument Number 61793 registered May 2, 1967 is an Easement from Rosa Dupuis in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of Section 1, Part of Parcel 4234 Algoma West Section Township of MacDonald, (4.566 acres, 75' wide);
- (h) Instrument Number T86024 registered May 5, 1967 is an Easement from Francis Lewis in favour of Great Lakes Power Corporation Limited over Part of E 40

acres of the S 1/2 of the NE 1/4 of Section 3, Township of MacDonald, (2.019 acres, 75' wide);

- (i) Instrument Number T21319 registered March 11, 1959 is an Easement from James T. Moss in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of Section 2, Township of MacDonald, (7.499 acres, 125' wide);
- (j) Instrument Number T85854 registered April 28, 1967 is an Easement from James T. Moss in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NW 1/4 of Section 2, Township of MacDonald, (4.499 acres, 75' wide);
- (k) Instrument Number 63937 registered January 12, 1968 is an Easement from L.H. Shay Veneer Company of Canada in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the NE 1/4 of Section 1, Part of Parcel 4762 Algoma West Section, Township of MacDonald, (4.555 acres, 75' wide);
- (l) Instrument Number T94415 registered June 25, 1968 is an Easement from Morley Trotter in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the Broken NW 1/4 of Section 3, and Part S 1/2 of NE 1/4, Section 3, Township of MacDonald, (5.184 acres, 75' wide);

21. TOWNSHIP OF MEREDITH:

- (a) Instrument Number T17214 registered July 22, 1958 is an Easement from Sawyer-Stoll Lumber Company of Canada Ltd. in favour of Great Lakes Power Corporation Limited over Part of Section 4, Township of Meredith, (15.045 acres, 125' wide);
- (b) Instrument Number T17215 registered July 22, 1958 is an Easement from Sawyer-Stoll Lumber Company of Canada Ltd. in favour of Great Lakes Power Corporation Limited over Part of a strip of land between the E Line of the Township of Meredith and the E Line of Section 4, Township of Meredith, (2.395 acres, 125' wide);
- (c) Instrument Number T86023 registered May 5, 1967 is an Easement from Sawyer-Stoll Lumber Company of Canada Ltd. in favour of Great Lakes Power Corporation Limited over Part of Section 4 and Part of a strip laying immediately E of Section 4, Township of Meredith, (10.401 acres, 75' wide);
- (d) Instrument Number 46495 registered September 12, 1960 is an Easement from Bernice Bushong in favour of Great Lakes Power Corporation Limited over Part of Section 5, Part of Parcel 948 Algoma West Section, and Part of Section 6, Part of Parcel 948 Algoma West Section, Township of Meredith, (15.113 acres, 125' wide); and

- (e) Instrument Number 63938 registered January 15, 1968 is an Easement from L.H. Shay Veneer Company of Canada Ltd. in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the N 1/2 of Section 5, and Part of the S 1/2 of the N 1/2 of Section 6, both part of Parcel 4761 Algoma West Section, Township of Meredith, (9.124 acres, 75' wide).

22. TOWNSHIP OF ABERDEEN:

- (a) Instrument Number T22926 registered June 3, 1959 is a Right of Way from Minnie May Cort in favour of Great Lakes Power Corporation Limited through Part of Lot 1, Concession IV, Township of Meredith, (7.803 acres, 125' wide);
- (b) Instrument Number 42095 registered March 16, 1959 is an Easement from Daniel Haines in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 10 Concession IV, Part of Parcel 168 Algoma Central Section, Township of Meredith, (7.413 acres, 125' wide);
- (c) Instrument Number 42501 registered April 30, 1959 is an Easement from Martin & Pearl Jones in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 11, Concession IV, Township of Meredith, Part of Parcel 275 Algoma Central Section (8.446 acres, 125' wide);
- (d) Instrument Number 62044 registered June 16, 1967 is an Easement from Martin & Pearl Jones in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 11, Concession IV, Township of Meredith, Part of Parcel 275 Algoma Central West (5.0678 acres, 84' wide);
- (e) Instrument Number 62149 registered July 6, 1967 is an Easement from Ethel McClelland in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 10, Concession IV, Township of Meredith, Parcel 168 Algoma Central Section (4.89 acres, 75' wide);
- (f) (Instrument Number 42619 registered May 13, 1959 is an Easement from Lydia Rates in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 2, Concession IV, Township of Meredith, Part of Parcel 1286 (2.873 acres, 125' wide);
- (g) Instrument Number 42620 registered May 13, 1959 is an Easement from Lydia Rates in favour of Great Lakes Power Corporation Limited over Part of the S Part of Lot 2, Concession IV, Township of Meredith, Part of Parcel 833 Algoma Central Section (4.609 acres, 125' wide);
- (h) Instrument Number 62114 registered June 28, 1967 is an Easement from Lydia Rates in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 2, Concession IV, Township of Meredith, Part of Parcel 833 Algoma

Central Section and Part S 1/2 of Lot 2, Concession IV, being Part of Parcel 1286, Algoma Section (2.805 acres, 75' wide);

- (i) Instrument Number 42502 registered April 30, 1959 is an Easement from David & Lillian White in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 12, Concession IV, Township of Meredith, Part of Parcel 1412 Algoma Central Section (1.591 acres, 125' wide);
- (j) Instrument Number 62304 registered August 3, 1967 is an Easement from Hardy James White in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 12, Concession IV, Township of Meredith, Part of Parcel 1412 Algoma Central Section (0.702 acres);
- (k) Instrument Number 42503 registered April 30, 1959 is an Easement from Charles & Beatrice Wing in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the S 1/2 of Lot 4, Concession IV, Township of Meredith, Part of Parcel 3032 Algoma Central Section (7.553 acres, 125' wide); and
- (l) Instrument Number 64432 registered April 2, 1968 is an Easement from Charles Wing in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of S 1/2 Lot 4, Concession IV, Township of Meredith, Parcel 3032 Algoma Central Section (2.274 acres, 70' wide).

23. TOWNSHIP OF GALBRAITH:

- (a) Instrument Number 44665 registered December 29, 1959 is an Easement from Murray Bean in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 1, Concession III, Township of Galbraith, Part of Parcel 23 Algoma Central Section (8.076 acres, 125' wide);
- (b) Instrument Number 62506 registered August 23, 1967 is an Easement from Murray Bean in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot I Concession III, Township of Galbraith, Part of Parcel 23 Algoma Central Section (4.846 acres, 75' wide);
- (c) Instrument Number T23264 registered June 17, 1959 is an Easement from William & Margaret Foster in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 4, Concession III, Township of Galbraith, (3.333 acres, 125' wide);
- (d) Instrument Number T90667 registered November 27, 1967 is an Easement from William C. Foster in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 4, Concession III, Township of Galbraith, (1.199 acres, 75' wide);

- (e) Instrument Number 42965 registered June 17, 1959 is an Easement from Russell & Eileen Hunter in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 4, Concession III, Township of Galbraith, Part of Parcel 233 Algoma (4.314 acres, 125' wide);
- (f) Instrument Number 63372 registered December 1, 1967 is an Easement from Eileen Hunter in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 4, Concession III, Township of Galbraith, Part of Parcel 233 Algoma (3.388 acres, 75' wide);
- (g) Instrument Number T23265 registered June 17, 1959 is an Easement from Robert & Ruby Hunter in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 5, Concession III, Township of Galbraith, (1.454 acres, 125' wide);
- (h) Instrument Number T89549 registered October 4, 1967 is an Easement from Heinrich Janssen in favour of Great Lakes Power Corporation Limited over Part of Lot 3, Concession III, Township of Galbraith, (4.352 acres, 75' wide);
- (i) Instrument Number T89369 registered September 28, 1967 is an Easement from Charles Kulpinski in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 5, Concession III, Township of Galbraith, (6.139 acres, 75' wide);
- (j) Instrument Number 43036 registered June 25, 1959 is an Easement from Fred Martin in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 8, Concession III, Township of Galbraith, Part of Parcel 1063 Algoma Central Section (5.431 acres, 125' wide);
- (k) Instrument Number 63596 registered December 5, 1967 is an Easement from John & Gertrude McKenzie in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 8, Concession III, Township of Galbraith, Part of Parcel 1063 Algoma Central Section (2.517 acres, 75' wide);
- (l) Instrument Number T23406 registered June 23, 1959 is an Easement from Charles Mitchell in favour of Great Lakes Power Corporation Limited over Part of Lot 3, Concession III, Township of Galbraith, (7.254 acres, 125' wide);
- (m) Instrument Number T27849 registered December 30, 1959 is an Easement from Estate of Charles Trower in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 5, Concession III, Township of Galbraith, (6.44 acres, 125' wide);
- (n) Instrument Number 42846 registered June 3, 1959 is an Easement from Minnie May Cort in favour of Great Lakes Power Corporation Limited over Part of S 1/2 of Lot 12, Concession IV, Township of Galbraith, Part of Parcel 668 Algoma Central Section (7.639 acres, 125' wide);

- (o) Instrument Number 43845 registered September 28, 1959 is an Easement from Frederick & Minnie May Cort in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 9, Concession IV, Township of Galbraith, Part of Parcel 1005 Algoma Central Section (7.831 acres, 125' wide);
- (p) Instrument Number 64137 registered February 12, 1968 is an Easement from Sidney & Marjorie Delaney in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 10, Concession IV, Township of Galbraith, Part of Parcel 4939 Algoma Central Section (4.67 acres, 75' wide);
- (q) Instrument Number 64980 registered June 17, 1968 is an Easement from Howard McEwen in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 9, Concession IV, Township of Galbraith, Part of Parcel 1005 Algoma Central Section (4.699 acres, 75' wide);
- (r) Instrument Number 63784 registered December 20, 1967 is an Easement from Harvey & Mildred McLeod in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 11, Concession IV, Township of Galbraith, Part of Parcel 1160 Algoma Central Section (4.829 acres, 75' wide);
- (s) Instrument Number 44883 registered February 5, 1960 is an Easement from James & Mildred McLeod & Charles Schultz in favour of Great Lakes Power Corporation Limited over S 1/2 of Lot 11, Concession IV, Township of Galbraith, Part of Parcel 1160 Algoma Central Section (8.049 acres, 125' wide); and
- (t) Instrument Number 43021 registered June 24, 1959 is an Easement from Cedrick & Edith Stone in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 10, Concession IV, Township of Galbraith, Part of Parcel 1108 Algoma Central Section (7.866 acres, 125' wide).

24. TOWNSHIP OF HAUGHTON:

- (a) Instrument Number 45264 registered March 31, 1960 is an Easement from Percy Hamilton in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of Lot 5, Concession II, Township of Haughton, Part of Parcel 922 Algoma Central Section (7.903 acres, 125' wide); and
- (b) Instrument Number 66442 registered December 31, 1968 is an Easement from Robert & Eva Hamilton, Executors of the Estate of Percy Hamilton, in favour of Great Lakes Power Corporation Limited over Part of the S Part of Lot 5, Concession II, Township of Haughton, Part of Parcel 922 Algoma Central Section (4.742 acres, 75' wide).

25. TOWNSHIP OF GOULD:

- (a) Instrument Number 43070 registered June 30, 1959 is an Easement from John Burrows in favour of Great Lakes Power Corporation Limited over Part of the S Part of Lot 10, Concession I, Township of Gould, Part of Parcel 2125 Algoma Central Section (5.849 acres, 125' wide);
- (b) Instrument Number 47847 registered March 29, 1961 is an Easement from Margaret Foster in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 11, Concession I, Township of Gould, Part of Parcel 1841 Algoma Central Section (3.330 acres, 125' wide);
- (c) Instrument Number 62169 registered July 10, 1967 is an Easement from John Burrows in favour of Great Lakes Power Corporation Limited over Part of Lot 10, Concession I, Township of Gould, Part of Parcel 2125 Algoma Central Section (3.506 acres, 75' wide); and
- (d) Instrument Number 63866 registered December 29, 1967 is an Easement from Gene & Virginia Montagnaro in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 11, Concession I, Township of Gould, Part of Parcel 1841 Algoma Central Section (2.852 acres, 75' wide).

26. TOWNSHIP OF WELLS:

- (a) Instrument Number 43645 registered September 2, 1959 is an Easement from Douglas Gulley in favour of Great Lakes Power Corporation Limited over Part of the N Part of Lot 7, Concession VI, Township of Wells, Part of Parcel 2230 Algoma Central Section and Part of E 1/2 of Lot 7, Township of Wells, Part of Parcel 2231 Algoma Central Section (8.180 acres, 125' wide); (Part of N Part of Lot 7, Concession VI was deleted by Instrument Number 70959 registered December 9, 1970);
- (b) Instrument Number 64240 registered March 1, 1968 is an Easement from Douglas Gulley in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of Lot 7, Concession VI, Township of Wells, Part of Parcel 2230 Algoma Central Section and Part of E 1/2 of Lot 7, Concession VI, Township of Wells, Part of Parcel 2231, Algoma Central Section (2.455 acres, 75' wide); (Part of W 1/2 of Lot 7, Concession VI was deleted by Instrument Number 70959 registered December 9, 1970);
- (c) Instrument Number 70960 registered December 9, 1970 is an Easement from Douglas Gulley in favour of Great Lakes Power Corporation Limited over Part 2 as shown on a Plan of Record filed in the Land Titles Office as #AR-972, being Part of Parcel 5295, Algoma Central Section, Township of Wells (7.5 acres, 200' wide);



- (d) Instrument Number 60267 registered August 2, 1966 is an Easement from Herbert & Mary Garrod in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of the N 1/2 of Lot 8, Concession VI, Township of Wells, Part of Parcel 65 Algoma Central Section (3.782 acres, 125' wide);
- (e) Instrument Number 60266 registered August 2, 1966 is an Easement from Herbert & Mary Garrod in favour of Great Lakes Power Corporation Limited over Part of N 76 acres of the NE 1/4 of Lot 8, Concession VI, Township of Wells, Part of Parcel 1598 Algoma (4.533 acres, 125' wide);
- (f) Instrument Number 63597 registered December 5, 1967 is an Easement from Herbert & Mary Garrod in favour of Great Lakes Power Corporation Limited over Part of the N 1/2 of Lot 8, Concession VI, Township of Wells, Part of Parcel 65 Algoma Central Section, and Part of Northerly 76 acres of the NE 1/4 of Lot 8, Concession VI, being Part of Parcel 1598 Algoma Central Section (1.719 acres, 75' wide); and
- (g) Instrument Number 69743 registered May 22, 1970 is an Easement from Herbert Garrod in favour of Great Lakes Power Corporation Limited over Part 1 as shown on a Plan of Record filed in the Land Titles Office in the District of Algoma as #AR-972 and being Part of Parcel 1598 Algoma (7.5 acres, 200' wide).

## SCHEDULE G

### CONFIDENTIALITY AGREEMENT

**THIS CONFIDENTIALITY AGREEMENT** is made as of ●, 20● between **GREAT LAKES POWER LIMITED** and ●, (the "Recipient").

**WHEREAS** the Recipient is the holder or the agent of a holder of a Bond issued under and entitled to the benefit of a deed of trust dated as of June 16, 2003 (the "**Original Deed of Trust**", and, as supplemented by the first supplemental trust indenture dated as of June 16, 2003 and as each such document may from time to time be amended, modified, supplemented, revised, restated or replaced, collectively, the "**Deed of Trust**") between the Company and CIBC Mellon Trust Company as trustee;

**AND WHEREAS** pursuant to Section 6.22 of the Original Deed of Trust, the Recipient has certain rights of inspection over the records of the Company, subject, at the Company's request, to signing a confidentiality agreement in the form of this Agreement;

**AND WHEREAS** the Recipient desires to exercise its rights of inspection and the Company has requested that the Recipient enter into this Agreement;

**NOW THEREFORE**, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:

1. The following terms shall have the meanings herein setforth:

**"Agreement"** means this agreement, including its recitals, as amended or replaced from time to time.

**"Confidential Information"** means information provided to the Recipient by or on behalf of the Company specifically in connection with the rights of inspection contemplated by the recitals hereto or otherwise pursuant to this Agreement that is proprietary in nature and that is identified as being confidential information of the Company, provided that such term does not include information that:

- (a) was publicly known or otherwise known to the Recipient prior to the time of such disclosure,
- (b) subsequently becomes publicly known through no act or omission by the Recipient or any person acting on the Recipient's behalf;
- (c) otherwise becomes known to the Recipient other than through disclosure by the Company; or
- (d) constitutes financial statements delivered to the Recipient that are otherwise publicly available.

2. The Recipient will maintain the confidentiality of Confidential Information in accordance with procedures adopted by the Recipient in good faith to protect confidential information of third parties delivered to it, provided that the Recipient may deliver or disclose Confidential Information to:
  - (a) the directors, officers, employees, agents, lawyers and affiliates of the Recipient;
  - (b) its financial advisors and other professional advisors who agree to hold in confidence the Confidential Information substantially in accordance with the terms of this Section 2;
  - (c) any holder of any Bond;
  - (d) any person to which the Recipient sells or offers to sell such Bond or any part thereof or any participation therein (if such person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 2);
  - (e) any federal, state or provincial regulatory authority having jurisdiction over the Recipient;
  - (f) the National Association of Insurance Commissioners or any similar organization;  
or
  - (g) any other person to which such delivery or disclosure may be necessary or required as a matter of law.
3. Nothing contained herein will be deemed to create any partnership, joint venture or relationship of principal and agent between the parties or to provide either party with the right, power or authority, whether express or implied, to create any duty or obligation on behalf of the other party.
4. This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.
5. This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
6. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.
7. Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such party.

IN WITNESS WHEREOF the parties have executed this Agreement.

**GREAT LAKES POWER LIMITED**

Per: \_\_\_\_\_  
(Authorized Signatory)

Per: \_\_\_\_\_  
(Authorized Signatory)

•

Per: \_\_\_\_\_  
(Authorized Signatory)

Per: \_\_\_\_\_  
(Authorized Signatory)

## SCHEDULE H

### Township of Tilley:

1. Instrument Number 91892 registered February 13, 1968 is an Easement from J.C.T. Cochrane Estate in favour of Great Lakes Power Corporation Limited over Part of Section 36, Township of Tilley, (7.3 acres, 50' wide).

### Township of Wells:

1. Instrument Number 43645 registered September 2, 1959 is an Easement from Douglas Gulley in favour of Great Lakes Power Corporation Limited over Part of the N Part of Lot 7, Concession VI, Township of Wells, Part of Parcel 2230 Algoma Central Section and Part of E 1/2 of Lot 7, Township of Wells, Part of Parcel 2231 Algoma Central Section (8.180 acres, 125' wide); (Part of N Part of Lot 7, Concession VI was deleted by Instrument Number 70959 registered December 9, 1970);
2. Instrument Number 91892 registered February 13, Instrument Number 64240 registered March 1, 1968 is an Easement from Douglas Gulley in favour of Great Lakes Power Corporation Limited over Part of the W 1/2 of Lot 7, Concession VI, Township of Wells, Part of Parcel 2230 Algoma Central Section and Part of E 1/2 of Lot 7, Concession VI, Township of Wells, Part of Parcel 2231, Algoma Central Section (2.455 acres, 75' wide); (Part of W 1/2 of Lot 7, Concession VI was deleted by Instrument Number 70959 registered December 9, 1970);

### Township of Tarentorus, Section 19:

1. Instrument Number T211932 registered July 16, 1980 is an Easement from Northern Breweries Ltd. in favour of Great Lakes Power Corporation Limited over Part of Lot 60, RCP H-739 being Part 1 on Plan 1 R-3800, Section 19, Township of Tarentorus, (1.099 acres, 72' wide).

### Township of Tarentorus, Section 20:

1. Instrument Number T172736 registered October 19, 1976 is an Easement from J.H. Ernest Ballentine in favour of Great Lakes Power Corporation Limited over Part of the S 1/2 of the SW 1/4 of Section 20, Being Part 1, Plan 1 R-2568, now Part of Lot 38, RCP H-737, Township of Tarentorus, (0.513 acres).

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**FIRST SUPPLEMENTAL TRUST INDENTURE**

Made as of June 16, 2003

Between

**GREAT LAKES POWER LIMITED**

as issuer

and

**CIBC MELLON TRUST COMPANY**

as trustee

Supplementing the Deed of Trust

made as of June 16, 2003

and

providing for the issue of

**\$384,000,000 aggregate principal amount of 6.60% Senior Bonds  
due June 16, 2023 (Series 1)**

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## FIRST SUPPLEMENTAL TRUST INDENTURE

THIS FIRST SUPPLEMENTAL TRUST INDENTURE dated as of the June 16, 2003,

BETWEEN:

**GREAT LAKES POWER LIMITED**

a corporation incorporated under the laws of Ontario (the  
“Company”)

and

**CIBC MELLON TRUST COMPANY**

a trust company existing under the laws of Canada (the “Trustee”)

### RECITALS

WHEREAS the Company has entered into a deed of trust (the “**Indenture**”) with the Trustee dated as of June 16, 2003 which provides for the issuance of one or more series of Bonds of the Company by way of supplemental indentures;

AND WHEREAS pursuant to Section 3.7 of the Indenture, the Company and the Trustee may enter into supplemental trust indentures providing for the issue of bonds of any one or more series and for establishing the terms, provisions and conditions of a particular series of Bonds;

AND WHEREAS this First Supplemental Trust Indenture is entered into for the purpose of providing for the issue of \$384,000,000 aggregate principal amount of series 1 Senior Bonds (the “**Series 1 Bonds**”) pursuant to the Indenture and establishing the terms, provisions and conditions of the Series 1 Bonds;

AND WHEREAS all necessary resolutions of the directors and shareholders of the Company have been duly enacted and passed and other proceedings taken to make this First Supplemental Trust Indenture a valid and binding indenture; and

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Company and not by the Trustee;

NOW THEREFORE THIS FIRST SUPPLEMENTAL TRUST INDENTURE WITNESSES and it is hereby covenanted, agreed and declared as follows:



## SECTION 1 INTERPRETATION

### 1.1 To Be Read With Deed of Trust

This First Supplemental Trust Indenture is a supplemental indenture to the Deed of Trust. The Indenture and this First Supplemental Trust Indenture shall be read together and shall have effect as though all the provisions of both indentures were contained in one instrument.

### 1.2 Headings etc.

The division of this First Supplemental Trust Indenture into Sections and clauses, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the interpretation thereof. Unless the context otherwise requires, the expression "Section" and "Schedule" followed by a number, letter or combination of numbers and letters refer to the specified Section of or Schedule to this First Supplemental Trust Indenture.

### 1.3 Definitions

All terms which are defined in the Indenture and used but not defined in this First Supplemental Trust Indenture shall have the meanings ascribed to them in the Indenture, as such meanings may be amended or supplemented with respect to Series 1 Bonds by this First Supplemental Trust Indenture. In the event of any inconsistency between the meaning given to a term in the Indenture and the meaning given to the same term in this First Supplemental Trust Indenture, the meaning given to the term in this First Supplemental Trust Indenture shall prevail to the extent of the inconsistency. Subject to the foregoing, in this First Supplemental Trust Indenture and in the Series 1 Bonds, the following terms have the following meanings:

- (1) **Canada Yield Price** means a price for any Series 1 Bonds to be redeemed, calculated at 10:00 a.m. (Toronto time) on the Redemption Price Determination Date, to provide a yield from the Redemption Date to maturity of the Series 1 Bonds equal to the Government of Canada Yield plus (i) 0.40% until June 16, 2021, and 0.25% thereafter in the case of Bonds redeemed pursuant to Section 2.4 hereof, and (ii) 1.75% in the case of Bonds redeemed pursuant to Section 2.7 hereof.
- (2) **Government of Canada Yield** means, on any date, the then current mid-market yield to maturity on such date expressed as a rate per annum, assuming semi-annual compounding, which a non-callable Government of Canada Bond would yield if issued on such date in Canadian dollars in Canada at 100% of its principal amount on such date with a remaining term to maturity equal to the average life of the Series 1 Bonds being redeemed. The Government of Canada Yield will be determined by two Investment Dealers selected by the Company.
- (3) **Indemnified Tax** means Tax under Part XIII of the *Income Tax Act (Canada)* (as the same may be amended, supplemented or replaced) or any successor provisions (for instance in accordance with Section 803 of the Regulations to the *Income Tax Act (Canada)*) or any similar tax imposed by any jurisdiction into which the Company continues or redomiciles or in which

the Company is or becomes organized resident or carries on business to the extent that the Tax is in respect of a payment by the Company to a holder of a Series 1 Bond who, at the time of the payment, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced) and holds in excess of \$10 million principal amount of Series 1 Bonds, in respect of Series 1 Bonds acquired by such holder otherwise than by way of a transfer, after a change in law, or the interpretation thereof, giving rise to the obligation of the Company to pay the additional amounts or the indemnity, as the case may be, from another holder of a Series 1 Bond that not is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced). Notwithstanding the foregoing, no Indemnified Tax will be payable in respect of any Series 1 Bonds in respect of which a waiver pursuant to Section 2.7(a)(ii) has been made.

(4) **Redemption Price** means, in respect of any Senior Bonds being redeemed, the greater of the outstanding principal amount thereof to be redeemed and the Canada Yield Price of the principal amount thereof to be redeemed, together with accrued and unpaid interest up to but excluding the date fixed for redemption.

(5) **Redemption Price Determination Date** means the date of the determination of the Canada Yield Price for the Senior Bonds to be redeemed which will be three business days prior to the Redemption Date following the date of the delivery of a pricing notice to the bondholders.

(6) **Taxes** means any taxes, duties, assessments, imposts, levies and other similar charges imposed by any Governmental Authority in Canada or the United States, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in Canada or the United States in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, property, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping and all employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions.

## **SECTION 2 SERIES 1 BONDS – FORM AND TERMS**

### **2.1 Creation and Designation**

The initial Series 1 Bonds shall consist of and, exclusive of the Series 1 Bonds issued upon any transfer of or any exchange or substitution for or by way of replacement of any Series 1 Bonds previously issued, be limited to, Bonds in the aggregate principal amount not in excess of Cdn.\$384,000,000 to be designated as 6.60% Senior Bonds due June 16, 2023 (Series 1) (the “Maturity Date”) (herein called the “Series 1 Bonds”).

## 2.2 Date of Issue and Maturity

The Series 1 Bonds shall be dated June 16, 2003 (being the applicable date of issue) and any Series 1 Bond issued in substitution for or upon exchange or transfer of any Series 1 Bond, as provided in Section 2.7 or 2.10 of the Indenture, shall be dated the same date. The Series 1 Bonds will become due and payable, together with all accrued interest and unpaid interest thereon, on the Maturity Date.

## 2.3 Principal and Interest

The principal amount of the Series 1 Bonds shall bear interest from June 16, 2003 at the rate of 6.60% per annum (and, in the case of default, interest on all amounts overdue including overdue interest) calculated semi-annually in arrears. Interest shall be payable on June 16 and December 16 in each year commencing on December 16, 2003 and ending on the Maturity Date. Commencing on December 16, 2013, payments of principal shall be paid semi-annually in accordance with the payment schedule attached hereto as Schedule "A" such that there shall be paid on the Series 1 Bonds equal blended semi-annual payments of principal and interest calculated on the basis of a 25 year amortization period. Upon any partial redemption of a Series 1 Bond in accordance with the terms hereof, the equal semi-annual blended payments of principal and interest payable under such Series 1 Bonds shall be recalculated to reflect such redemption and the amount of principal payable on each payment date shall be reduced proportionately. All payments of principal and interest due in respect of the Series 1 Bonds shall be paid in Canadian Dollars.

## 2.4 Redemption of Series 1 Bonds

- (a) The Series 1 Bonds may be redeemed, at the option of the Company in whole at any time or in part from time to time, on not less than 30 days' and not more than 60 days' written notice (but for greater certainty only *pro rata* as among the holders of the Series 1 Bonds) upon payment of the Redemption Price for the Series 1 Bonds to be redeemed and otherwise in accordance with Article 5 of the Indenture. The written notice of redemption will be delivered to the holders of Series 1 Bonds and will include, in addition to the requirements contained in Section 5.3 of the Indenture, a description of the method of calculating the Redemption Price as well as a sample calculation. On the date that is three business days before redemption, the Company shall give to the Trustee and the holders of Series 1 Bonds so to be redeemed notice of the actual Redemption Price showing in reasonable detail the computation of the Redemption Price for the Series 1 Bonds.
- (b) Upon the redemption of the Series 1 Bonds as provided for hereunder and in the Indenture, notwithstanding anything to the contrary in the Indenture, the holder of a Series 1 Bond shall not be obligated to surrender such Series 1 Bond to the Trustee or any other person except on receipt by such holder of the Redemption Price in respect to such Series 1 Bond.

## **2.5 Government of Canada Yield**

For the purposes of the determination of the Government of Canada Yield on a given date, the two Investment Dealers selected by the Company shall confer with respect to such determination and shall jointly report to the Company, the Trustee and each of the bondholders holding Bonds being redeemed the percentage figure they have determined for the Government of Canada Yield or, if the determinations are not the same, the arithmetic average (rounded to 4 decimal places) of the respective percentages and figures determined by each and such agreed percentage or average, as the case may be, shall be the Government of Canada Yield for the purposes hereof.

## **2.6 Payment on Series 1 Bonds Net of Withholding Imposts.**

- (a) All payments by the Company under any Series 1 Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or any other payment obligations, shall be made in full, free and clear of and without any deduction or withholding for or on account of any present or future Taxes or duties of whatsoever nature unless the Company is required by Applicable Law to so deduct or withhold, in which event the Company shall:
- (i) forthwith pay to each holder of a Series 1 Bond such additional amount so that the net amount received by the holder of such Series 1 Bond after any deduction or withholding for or on account of any Indemnified Tax (including any deduction or withholding for or on account of any Indemnified Tax on additional amounts payable under this Section 2.6(a)(i)) will equal the full amount which would have been received by it had no such deduction or withholding for or on account of Indemnified Tax been made, and pay to such holder of such Series 1 Bond such additional amounts so as to hold such bondholder harmless on an after-Tax basis from any Taxes payable by reason of the additional amounts payable pursuant to this Section 2.6(a)(i);
  - (ii) make the deduction or withholding required by Applicable Law (including any deduction or withholding from any additional amount paid pursuant to Section 2.6(a)(i));
  - (iii) pay to the relevant taxation or other authorities within the period for payment permitted by Applicable Law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid pursuant to Section 2.6(a)(i)); and
  - (iv) furnish to each holder of such Series 1 Bond promptly, as soon as available, an official receipt of the relevant taxation or other authorities involved for all amounts deducted or withheld as aforesaid.

Any reference in the indenture (including this supplemental indenture) to principal, Make Whole Amount, interest, interest on overdue interest, fees or any other payment obligation of the Company shall be deemed also to refer to any additional amounts payable pursuant to Section 2.6(a)(i).

- (b) If as a result of any payment by the Company under any Series 1 Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or other payment obligations, any holder of a Series 1 Bond is required to pay any Indemnified Tax, then the Company will, upon demand by any such bondholder, and whether or not such Indemnified Taxes are correctly or legally asserted, indemnify each such bondholder for the payment of any such Indemnified Taxes, together with any interest, penalties and expenses in connection therewith, and for any Taxes on such indemnity payment. All such amounts shall be payable by the Company on demand and shall bear interest at the rate of interest applicable to the Series 1 Bonds per annum calculated from the date incurred by the bondholder to the date paid by the Company.
- (c) If the Company is required to pay any additional amount to a holder of Series 1 Bonds in respect of Taxes (other than Indemnified Taxes) under Section 2.6(a), then if such holder realizes any savings of any Taxes (by way of credit (including foreign tax credit), deduction, refund, exclusion from income or otherwise, which Tax savings were not taken into account in calculating the additional amount) as a result of the Taxes giving rise to the payment of any such additional amount, then if and to the extent of any such additional amount, the holder will, at the time it realizes such Tax savings, repay the amount of such Tax savings to the Company, together with the amount of any Tax savings resulting from payment under this section.

## **2.7 Optional Prepayment with Modified Make-Whole Amount.**

- (a) If the Company is required to make payments to any holder of a Series 1 Bond pursuant to Section 2.6(a)(i) hereof or make any indemnity payment to any holder of a Series 1 Bond pursuant to Section 2.6(b) hereof, then the Company shall be entitled to redeem the Series 1 Bonds so affected in whole upon payment of the Redemption Price for the Series 1 Bonds to be redeemed, provided that:
  - (i) the Company's right to redeem under this Section 2.7(a) shall terminate if the Company has not given notice of redemption under Section 2.7(b) on or before the later of (A) 9 months after the date that the Company is first called upon by any holder of a Series 1 Bond to honour its payment or indemnity obligations under Section 2.6(a)(i) or (b), respectively, or (B) 9 months after the date that any legislation requiring the Company to make any deduction or withholding under Section 2.6(a)(i) hereof, or requiring any holder of a Series 1 Bond to pay any Indemnified Tax as contemplated in Section 2.6(b) hereof, comes into force; and

- (ii) the Company shall not be entitled to redeem under this Section 2.7(a) any Series 1 Bond in respect of which the holder of such Bond thereof has, within 10 business days of receipt of a redemption notice made in accordance with Section 2.7(b), waived in writing the future obligations of the Company under Section 2.6(a)(i) or (b) hereof in respect to such deduction or withholding or indemnity for Taxes (without prejudice to accrued obligations thereunder).
- (b) The Company shall give each holder of a Series 1 Bond whose Series 1 Bonds it has elected to redeem pursuant to Section 2.7(a) irrevocable written notice of any redemption pursuant to Section 2.7(a) not less than 10 business days nor more than 60 business days prior to the Redemption Date, specifying (i) the Series 1 Bonds to be prepaid, (ii) the Redemption Date (which shall be a business day), (iii) the total principal amount of the Series 1 Bonds, and of the Series 1 Bonds held by such holder, to be redeemed on such date, and (iv) stating that such redemption is to be made pursuant to Section 2.7(a). Notice of redemption having been given as aforesaid, the applicable Redemption Price, shall become due and payable on such Redemption Date.

## **2.8 Form of Series 1 Bonds**

- (a) The Series 1 Bonds shall be issued as fully registered Bonds in denominations of not less than \$10,000 and multiples of \$1,000 thereafter.
- (b) The Series 1 Bonds shall be substantially in the form set out in Schedule "I" hereto and shall bear such distinguishing letters and numbers as the Trustee shall approve.
- (c) The Trustee understands and acknowledges that the Series 1 Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Each Series 1 Bond originally issued in the United States or to a U.S. Person will be represented by a definitive certificate in the form set out in Schedule 2 hereto which definitive certificate, and each Series 1 Bond certificate issued in exchange therefor or in substitution thereof, shall bear the following legend:

**"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE "COMPANY") THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE**

**SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT”;**

**If any Series 1 Bonds are being sold or transferred outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act, the legend may be removed by providing a declaration to the Trustee to the following effect (or as the Company may prescribe from time to time),**

**“The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance upon Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and (B) certifies that (1) it is not an “affiliate” (as defined in Rule 405 under the U.S. Securities Act) of Great Lakes Power Limited, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of The Toronto Stock Exchange and neither the seller nor any person on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller nor any person acting on its behalf has engaged or will engage in any directed selling efforts in connection with the offer and sale of such securities. Terms used herein have the meaning given to them by Regulation S.”**

**If any Series 1 Bonds are being sold or transferred pursuant to Rule 144 of the U.S. Securities Act, the legend may be removed by delivery to the Trustee of a written opinion of Counsel to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.**

**Prior to the issuance of Series 1 Bonds, the Company shall notify the Trustee, in writing, concerning which Series 1 Bonds are to be certificated and are to bear the legend described above. The Trustee will thereafter maintain a list of all registered holders from time to time of legended Series 1 Bonds.**

## **2.9 Signatures on Series 1 Bonds**

The Series 1 Bonds shall be signed in accordance with the provisions of Section 2.4 of the Trust Indenture.

## **2.10 Certification**

The certificate of the Trustee on any Series 1 Bond shall not be construed as a representation or warranty by the Trustee as to the validity of this First Supplemental Trust Indenture or of the Series 1 Bonds (except the due certification thereof and any other warranties implied by law) and the Trustee shall in no respect be liable or answerable for the use made of the Series 1 Bonds or any of them or the proceeds thereof.

## **SECTION 3 - MISCELLANEOUS**

### **3.1 Acceptance of Trust**

The Trustee accepts the trusts in this First Supplemental Trust Indenture and agrees to carry out and discharge the same upon the terms and conditions set out in this First Supplemental Trust Indenture and in accordance with the Indenture.

### **3.2 Confirmation of Trust Indenture**

The Trust Indenture as amended and supplemented by this First Supplemental Trust Indenture is in all respects confirmed.

### **3.3 Indemnification of the Trustee**

The Company indemnifies and saves harmless the Trustee and its officers, directors, employees and agents from and against any and all liabilities, losses, costs, claims, actions or demands whatsoever brought against the Trustee which it may suffer or incur as a result of or arising out of the performance of its duties and obligations under this First Supplemental Trust Indenture, including any and all legal fees and disbursements of whatever kind or nature, save only in the event of the negligent action, the negligent failure to act, or the wilful misconduct or bad faith of the Trustee. It is understood and agreed that this indemnification shall survive the termination or discharge of this First Supplemental Trust Indenture or resignation or removal of the Trustee. The Company hereby constitutes the Trustee as a trustee for the Trustee's officers, directors, employees and agents for the purposes of obtaining the benefit of this Section 3.3.

### **3.4 Counterparts**


This First Supplemental Trust Indenture may be executed in counterparts, each of which so executed shall be deemed to be original and such counterparts together shall constitute one and the same instrument.

**[SIGNATURE PAGE FOLLOWS]**




IN WITNESS WHEREOF the parties hereto have executed this First Supplemental Trust Indenture under the hands of their proper signatories in that behalf:


**GREAT LAKES POWER LIMITED**

By:   
Name: Colin L. Clark  
Title: President and CEO

By: \_\_\_\_\_  
Name:  
Title:

**CIBC MELLON TRUST COMPANY**

By:   
Name: EUGENIA PETRYLA  
Title: ACCOUNT MANAGER

By:   
Name: LENNOX AUGUST  
Title: ASSOCIATE MANAGER

## Schedule 1 – FORM OF -SERIES 1 BOND

No. S1-001

**GREAT LAKES POWER LIMITED**  
**(Incorporated under the laws of Ontario)**  
**6.60% SENIOR BONDS DUE June 16, 2023 (SERIES 1)**

Issue Date	June 16, 2003
Maturity Date	June 16, 2023
Interest Rate Per Annum	6.60%
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	December 16, 2003
Principal Payment Dates	June 16 and December 16 in each year commencing December 16, 2013 based on a 25 year amortization period
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the “**Company**”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “**Maturity Date**”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), his 6.60% Senior Bond due June 16, 2023 (Series 1) (the “**Series 1 Bond**”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay (i) during the period from the Issue Date until and including June 16, 2013, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum; and (ii) during the period from June 16, 2013 until and including the Maturity Date, equal blended semi-annual payments of principal and interest on the Principal Amount outstanding at the Interest Rate Per Annum, such amount to be calculated on the basis of a 25 year amortization period, at the address of the registered holder hereof appearing on the register of Series 1 Bonds maintained by or at the direction of the Trustee (the “**Register**”). The remaining outstanding principal hereof shall be due and payable on the Maturity Date. Interest shall be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company shall, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered

bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 1 Bond is one of an authorized issue of bonds designated as 6.60% Senior Bonds due June 16, 2023 (Series 1) and forming the series of bonds created and issued under a first supplemental trust indenture made as of June 16, 2003 (the “**First Supplemental Trust Indenture**”) to a deed of trust (the “**Indenture**”) made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the “**Trustee**”), as Trustee (the First Supplemental Trust Indenture and the Indenture collectively referred to herein as the “**Trust Indenture**”). The Trust Indenture specifies the terms and conditions upon which the Series 1 Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 1 Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 1 Bond and to each of which the registered holder of this Series 1 Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein shall have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 1 Bonds that may be created and issued under the Trust Indenture is limited to \$384,000,000 in lawful money of Canada. Series 1 Bonds are issuable as fully registered bonds in denominations of \$10,000 and integral multiples thereafter of \$1,000 and, subject to the terms and conditions set forth in the Trust Indenture.

The Series 1 Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Senior Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 1 Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Redemption Price (as defined in the First Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 1 Bonds in the open market, by tender or by private contract, at any price. Series 1 Bonds purchased by the Company shall be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at

such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 1 Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer shall be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Bond is limited as provided for in the Trust Indenture.

This Series 1 Bond shall not become obligatory for any purpose until it shall have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

IN WITNESS WHEREOF GREAT LAKES POWER LIMITED has caused this Series 1 Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 1 Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY, Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

**Schedule 2 – U.S. FORM OF DEFINITIVE BOND-SERIES 1**

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE “COMPANY”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT.**

No. S1-001

**GREAT LAKES POWER LIMITED  
(Incorporated under the laws of Ontario)  
6.60% SENIOR BONDS DUE June 16, 2023 (SERIES 1)**

Issue Date	June 16, 2003
Maturity Date	June 16, 2023
Interest Rate Per Annum	6.60%
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	December 16, 2003
Principal Payment Dates	June 16 and December 16 in each year commencing December 16, 2013 based on a 25 year amortization period
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the “**Company**”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “**Maturity Date**”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 6.60% Senior Bond due June 16, 2023 (Series 1) (the “**Series 1 Bond**”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay (i) during the period from the Issue Date until and including June 16, 2013, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum; and (ii) during the period from June 16, 2013 until and including the Maturity Date, equal blended semi-annual payments of principal and interest on the Principal Amount outstanding at the Interest Rate Per Annum, such amount to be calculated on the basis of a 25 year amortization period, at the address of the registered holder hereof appearing on the register of Series 1 Bonds maintained by or at the direction of the Trustee (the “**Register**”). The remaining outstanding principal hereof shall be due and payable on the Maturity Date. Interest shall be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company shall, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 1 Bond is one of an authorized issue of bonds designated as 6.60% Senior Bonds due June 16, 2023 (Series 1) and forming the series of bonds created and issued under a first supplemental trust indenture made as of June 16, 2003 (the “**First Supplemental Trust Indenture**”) to a deed of trust (the “**Indenture**”) made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the “**Trustee**”), as Trustee (the First Supplemental Trust Indenture and the Indenture collectively referred to herein as the “**Trust Indenture**”). The Trust Indenture specifies the terms and conditions upon which the Series 1 Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 1 Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 1 Bond and to each of which the registered holder of this Series 1 Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein shall have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 1 Bonds that may be created and issued under the Trust Indenture is limited to \$384,000,000 in lawful money of Canada. Series 1 Bonds are issuable as fully registered bonds in denominations of \$10,000 and integral multiples thereafter of \$1,000 and, subject to the terms and conditions set forth in the Trust Indenture.

The Series 1 Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Senior Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 1 Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Redemption Price (as defined in the First Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 1 Bonds in the open market, by tender or by private contract, at any price. Series 1 Bonds purchased by the Company shall be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 1 Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture, and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer shall be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Bond is limited as provided for in the Trust Indenture.

This Series 1 Bond shall not become obligatory for any purpose until it shall have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.



IN WITNESS WHEREOF GREAT LAKES POWER LIMITED has caused this Series 1 Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 1 Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY, Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

**SCHEDULE A**

<b>Payment Number</b>	<b>Date</b>	<b>Interest</b>	<b>Principal</b>	<b>Total Payment</b>
0	6/16/03			
1	12/16/03	\$ 12,672,000	\$ -	\$ 12,672,000
2	6/16/04	\$ 12,672,000	\$ -	\$ 12,672,000
3	12/16/04	\$ 12,672,000	\$ -	\$ 12,672,000
4	6/16/05	\$ 12,672,000	\$ -	\$ 12,672,000
5	12/16/05	\$ 12,672,000	\$ -	\$ 12,672,000
6	6/16/06	\$ 12,672,000	\$ -	\$ 12,672,000
7	12/16/06	\$ 12,672,000	\$ -	\$ 12,672,000
8	6/16/07	\$ 12,672,000	\$ -	\$ 12,672,000
9	12/16/07	\$ 12,672,000	\$ -	\$ 12,672,000
10	6/16/08	\$ 12,672,000	\$ -	\$ 12,672,000
11	12/16/08	\$ 12,672,000	\$ -	\$ 12,672,000
12	6/16/09	\$ 12,672,000	\$ -	\$ 12,672,000
13	12/16/09	\$ 12,672,000	\$ -	\$ 12,672,000
14	6/16/10	\$ 12,672,000	\$ -	\$ 12,672,000
15	12/16/10	\$ 12,672,000	\$ -	\$ 12,672,000
16	6/16/11	\$ 12,672,000	\$ -	\$ 12,672,000
17	12/16/11	\$ 12,672,000	\$ -	\$ 12,672,000
18	6/16/12	\$ 12,672,000	\$ -	\$ 12,672,000
19	12/16/12	\$ 12,672,000	\$ -	\$ 12,672,000
20	6/16/13	\$ 12,672,000	\$ -	\$ 12,672,000
21	12/16/13	\$ 12,672,000	\$ 3,113,441	\$ 15,785,441
22	6/16/14	\$ 12,569,256	\$ 3,216,185	\$ 15,785,441
23	12/16/14	\$ 12,463,122	\$ 3,322,319	\$ 15,785,441
24	6/16/15	\$ 12,353,486	\$ 3,431,955	\$ 15,785,441
25	12/16/15	\$ 12,240,231	\$ 3,545,210	\$ 15,785,441
26	6/16/16	\$ 12,123,239	\$ 3,662,202	\$ 15,785,441
27	12/16/16	\$ 12,002,387	\$ 3,783,054	\$ 15,785,441
28	6/16/17	\$ 11,877,546	\$ 3,907,895	\$ 15,785,441
29	12/16/17	\$ 11,748,585	\$ 4,036,856	\$ 15,785,441
30	6/16/18	\$ 11,615,369	\$ 4,170,072	\$ 15,785,441
31	12/16/18	\$ 11,477,757	\$ 4,307,684	\$ 15,785,441
32	6/16/19	\$ 11,335,603	\$ 4,449,838	\$ 15,785,441
33	12/16/19	\$ 11,188,759	\$ 4,596,682	\$ 15,785,441
34	6/16/20	\$ 11,037,068	\$ 4,748,373	\$ 15,785,441
35	12/16/20	\$ 10,880,372	\$ 4,905,069	\$ 15,785,441
36	6/16/21	\$ 10,718,504	\$ 5,066,937	\$ 15,785,441
37	12/16/21	\$ 10,551,296	\$ 5,234,145	\$ 15,785,441
38	6/16/22	\$ 10,378,569	\$ 5,406,872	\$ 15,785,441
39	12/16/22	\$ 10,200,142	\$ 5,585,299	\$ 15,785,441
40	6/16/23	\$ 10,015,827	\$ 303,509,912	\$ 313,525,739

**UNANIMOUS RESOLUTION OF BONDHOLDERS  
OF  
GREAT LAKES POWER LIMITED  
(the "Corporation")**

**REFERENCE IS MADE** to that certain deed of trust made as of June 16, 2003 between the Corporation and CIBC Mellon Trust Company, as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Indenture made as of June 16, 2003 between the Corporation and the Trustee (in each case, as amended, modified, restated, replaced or further supplemented from time to time, collectively, the "Deed of Trust"). Terms used but not defined in this unanimous resolution shall have the respective meanings ascribed thereto in the Deed of Trust.

**WHEREAS** all of the holders of Bonds pursuant to the Deed of Trust are signatories hereto or are represented by an agent duly authorized in that behalf which is signatory hereto;

**AND WHEREAS** all of the holders of Bonds desire to approve certain amendments to the Deed of Trust as more particularly set forth below;

**NOW THEREFORE**, be it resolved as follows:

1. Section 1.1 of the Deed of Trust is hereby amended by adding the following text at the end of the definition of "EBITDA" in subsection (m):

"provided that in respect of the first issuance of Subordinated Bonds only, EBITDA of the Business in respect of any period preceding June 16, 2003 will be adjusted to reflect the revenue the Generation Assets would have generated through such period had the Company sold the electricity produced by the Generation Assets during such period at the market prices for electricity, rather than the prices received by the Company for such electricity from BEMI;"

2. Section 17.13 of the Trust Deed is amended by deleting the second line of the first paragraph of such section and replacing such deleted line with "Counsel and each Investment Dealer's Certificate" and by deleting the fifth paragraph in such section in its entirety and replacing such deletion with the following paragraph:

"Any Chartered Accountant's Certificate will be in the form of a review engagement report (prepared in accordance with Canadian generally accepted standards for review engagements) and will confirm, without reservation, compliance with the ratios provided for in section 6.2(i)(e) or 6.2(ii)(e), as applicable, by confirming that based on the review of such Chartered Accountant, nothing has come to its attention that causes it to believe that (A) the Company is not in compliance with such ratio and (B) the total EBITDA and total pro forma Debt Service as presented in the Officers' Certificate to which it relates has not been calculated, in

all material respects, in accordance with the definitions of **EBITDA and Debt Service** contained in this indenture.”

3. The Trustee is hereby authorized to enter into an indenture supplemental to the Deed of Trust to reflect the amendments authorized herein.

**THE FOREGOING RESOLUTIONS** (i) may be signed in counterpart and by facsimile signature and all such counterparts, as so executed and taken together, shall form one and the same instrument; and (ii) are duly passed as a unanimous resolution of all holders of Bonds in accordance with section 16.2(iii) of the Deed of Trust as of the 17<sup>th</sup> day of July, 2003.

**(Signatures on following pages)**

2001 | avenue McGill College  
bureau 1800  
Montréal (Québec) | H3A 1G1

t 514-287-7373 | f 514-287-7200  
addenda-capital.com



**ADDENDA CAPITAL INC.**

July 29<sup>th</sup>, 2003

**BY FAX**

Catherine McKendry  
McCarthy Tetrault LLP  
Phone: (416) 601-7619  
Fax: (416) 868-0673

**RE: Great Lakes Power Limited \$384,000,000, Series 1 Senior Secured Bonds**

Madam,

In connection with the issuance of the Series 1 Senior Secured Bonds ("Bonds") by Great Lakes Power Limited on June 16, 2003, we confirm that, following our instructions, Fiducie Desjardins has received on June 25<sup>th</sup>, 2003 an aggregate of \$1,300,000 of face value of Bonds which were allocated to the following accounts:

Fiducie Desjardins #906185-4-83	200,000\$
Fiducie Desjardins #907226-5-83	400,000\$
Fiducie Desjardins #906232-4-46	200,000\$
Fiducie Desjardins #906549-1-46	500,000\$

Regards,

Myriam Larcher  
Senior Vice-President, Risk Management and Operations

We, Fiducie Desjardins, confirm that our signature of the Unanimous Resolution of Bondholders of Great Lakes Power dated July 17<sup>th</sup>, 2003 is also on behalf of these accounts.

Fiducie Desjardins

(Signatures continued from preceding page)

CIBC MELLON, as Trustee

Per:



Authorized Signatory

Per:

\_\_\_\_\_

Authorized Signatory

CIBC Mellon signing as registered holder of Bonds held by it in its capacity as trustee for beneficial holders of Bonds identified under the following accounts:

~~Account # ACNF0037002~~

Account # CULF0016002

Account # BPWF0010002


~~Account # TPSF0077002~~

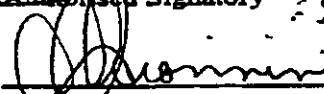
*ADD TPSF0077002 (ADDED FOR SIGN OFF)*

(Signatures continued on following page)

(Signatures continued from preceding page)

FIDUCIE DESJARDINS, as Trustee

Per:   
Authorized Signatory Genevieve  
DIRECTOR

Per:   
Authorized Signatory DOMENICA  
DIRECTOR

Fiducie Desjardins signing as registered holder of Bonds held by it in its capacity as trustee for beneficial holders of Bonds identified under the following accounts:

- Account #: 907226-5-83
- Account #: 906549-1-46
- Account #: 906185-4-83
- Account #: 906475-9-84
- Account #: 907407-1-84
- Account #: 906232-4-46


(Signatures continued on following page)

McCarthy Téroux LLP TDO-CORP #7011227 v. 1



(Signatures continued from preceding page)

**INDUSTRIAL ALLIANCE INSURANCE  
AND FINANCIAL SERVICES INC.**

Per:   
Authorised Signatory

Per:   
Authorised Signatory

(Signatures continued on following page)

**Joel Scoler - RE: Resolution**

---

**From:** <Luc.Fournier@inalco.com>  
**To:** <JSCOLER@mccarthy.ca>  
**Date:** 07/28/03 9:15 AM  
**Subject:** RE: Resolution

---

Joel,

Yes the revised Resolution is OK for both National Life and Industrial Alliance.

I sent you a fax to that effect on Thursday as well as the 4 originals from both companies on Thursday the 24<sup>th</sup> of July.

**Luc Fournier**

Gestionnaire, Placements Privés / Manager, Private Placements  
Valeurs mobilières / Securities  
Industrielle Alliance, Assurance et services financiers inc./  
Industrial Alliance Insurance and Financial Services Inc.

Téléphone / Phone : (418) 684-5009  
Télécopieur / Fax : (418) 688-8806  
Courriel / Email : [luc.fournier@inalco.com](mailto:luc.fournier@inalco.com)  
[www.inalco.com](http://www.inalco.com)

—Message d'origine—

**De:** Joel Scoler [SMTP:JSCOLER@mccarthy.ca]  
**Date:** July 27, 2003 12:13 PM  
**À:** Luc.Fournier@inalco.com  
**Cc:** Catherine McKendry  
**Objet:** Resolution


Luc,

Could you please drop me a line confirming that the revised resolution is fine. I have received Industrial Alliance Pacific confirmation, but have not received it for the other two Industrial Alliance investors. Thanks so much. Regards.

=====  
NOTE: This e-mail message is intended only for the named recipient(s)

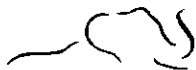
**(Signatures continued from preceding page)**

**INDUSTRIAL-ALLIANCE PACIFIC LIFE  
INSURANCE COMPANY**

Per:   
\_\_\_\_\_  
Authorised Signatory

Per:   
\_\_\_\_\_  
Authorised Signatory

**(Signatures continued on following page)**



**INDUSTRIAL ALLIANCE PACIFIC**  
INSURANCE AND FINANCIAL SERVICES

INDUSTRIAL-ALLIANCE PACIFIC LIFE INSURANCE COMPANY  
2165 Broadway W, PO Box 5900, Vancouver, BC V6B 5H6

July 24, 2003

Douglas A. Carrothers  
Vice President, Law & Investments  
Telephone: 604.737.9362  
Facsimile: 604.737.3884  
Email: dcarrothers@iaplife.com

Via Email [jscoler@mccarthy.ca](mailto:jscoler@mccarthy.ca)

Assistant  
Michele D. Vandekamp  
Telephone: 604.737.9221  
Facsimile: 604.737.3884  
Email: mvandekamp@iaplife.com

Joel Scoler  
McCarthy Tétrault LLP  
Box 48, Suite 4700  
Toronto Dominion Bank Tower  
Toronto, ON M5K 1E6

File Ref: 4000.50

Dear Mr. Scoler:

**Re: Great Lakes Power Limited  
Unanimous Resolution - Amended**

Further to your emailed letter of July 23, 2003 and enclosures therewith.  
Please accept this letter as our written acceptance by Industrial-Alliance *Pacific*  
Life Insurance Company to the Amended Unanimous Resolution.

Yours truly,

Douglas A. Carrothers  
Vice President  
Law & Investments

:m

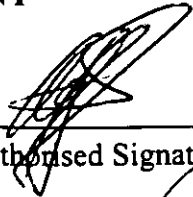
cc: Industrial Alliance Insurance and Financial Services  
Attention: Luc Fournier, via Email [luc.fournier@inalco.com](mailto:luc.fournier@inalco.com)

(Signatures continued from preceding page)

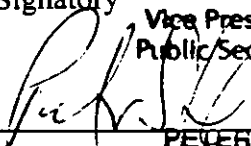
**THE MARITIME LIFE ASSURANCE  
COMPANY**

AUTH FOR EXECUTION
MLAC PRIVATE PLACEMENT

Per:

  
\_\_\_\_\_  
Authorized Signatory **Alfred Samson**  
Vice President,  
Public Securities

Per:

  
\_\_\_\_\_  
Authorized Signatory **PETER A. STUART**  
Senior Vice President  
Chief Investment Officer

(Signatures continued on following page)

## Joel Scoler - Re: Great Lakes Power Limited

**From:** <Frank\_Vihant@maritimelife.ca>  
**To:** "Sandy Sorichetti" <SSORICHE@mccarthy.ca>  
**Date:** 07/24/03 2:23 PM  
**Subject:** Re: Great Lakes Power Limited

The amendment to the resolution is acceptable to me. I believe that you have signature pages from Maritime Life but, if not, please advise.

"Sandy Sorichetti" To: <c.belanger@addenda-capital.com>,  
<Lennox\_August@CIBC Mellon.COM>,  
<SSORICHE@mccarth <Luc.Fournier@inalco.com>, <frank\_vihant@maritimelife.ca>,  
"Catherine McKendry" <CMCKENDRY@mccarthy.ca>, "David A. Lever"  
<DLEVER@mccarthy.ca>,  
<jay.squiers@prudential.com>,  
<melanie.brown@prudential.com>,  
07/23/2003 05:55 <thomas.donahue@prudential.com>,  
<greg\_lawrence@scotiacapital.com>,  
PM <ralf\_rank@scotiacapital.com>,  
<thomas\_kurfurst@scotiacapital.com>,  
<Alec.Svoboda@sunlife.com>, <cam.digiorgio@sunlife.com>,  
<france.deveau@sunlife.com>,  
<John.D.Vincent@sunlife.com>, <lferraro@ttaa-cref.org>, <mgluck@ttaa-  
cref.org>  
cc:  
Subject: Great Lakes Power Limited

Please see attached.

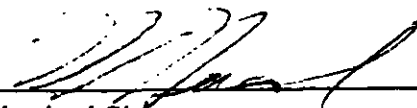
=====  
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**(Signatures continued from preceding page)**

**THE NATIONAL LIFE ASSURANCE  
COMPANY OF CANADA**

Per:

  
\_\_\_\_\_  
Authorised Signatory

Per:

  
\_\_\_\_\_  
Authorised Signatory

**(Signatures continued on following page)**

**Joel Scoler - RE: Resolution**

---

**From:** <Luc.Fournier@inalco.com>  
**To:** <JSCOLER@mccarthy.ca>  
**Date:** 07/28/03 9:15 AM  
**Subject:** RE: Resolution

---

Joel,

Yes the revised Resolution is OK for both National Life and Industrial Alliance.

I sent you a fax to that effect on Thursday as well as the 4 originals from both companies on Thursday the 24<sup>th</sup> of July.

**Luc Fournier**

Gestionnaire, Placements Privés / Manager, Private Placements  
Valeurs mobilières / Securities  
Industrielle Alliance, Assurance et services financiers inc./  
Industrial Alliance Insurance and Financial Services Inc.

Téléphone / Phone : (418) 684-5009  
Télécopieur / Fax : (418) 688-8806  
Courriel / Email : [luc.fournier@inalco.com](mailto:luc.fournier@inalco.com)  
[www.inalco.com](http://www.inalco.com)

—Message d'origine—

**De:** Joel Scoler [SMTP:JSCOLER@mccarthy.ca]  
**Date:** July 27, 2003 12:13 PM  
**À:** Luc.Fournier@inalco.com  
**Cc:** Catherine McKendry  
**Objet:** Resolution

Luc,

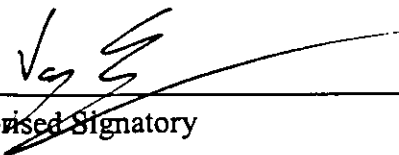

Could you please drop me a line confirming that the revised resolution is fine. I have received Industrial Alliance Pacific confirmation, but have not received it for the other two Industrial Alliance investors. Thanks so much. Regards.

=====  
NOTE: This e-mail message is intended only for the named recipient(s)



(Signatures continued from preceding page)

**THE PRUDENTIAL INSURANCE  
COMPANY OF AMERICA**

Per:   
\_\_\_\_\_  
Authorized Signatory 

Per: \_\_\_\_\_  
Authorized Signatory

(Signatures continued on following page)

## Joel Scoler - Great Lakes Power Limited

**From:** <thomas.donahue@prudential.com>  
**To:** <jscoler@mccarthy.ca>  
**Date:** 07/24/03 9:36 AM  
**Subject:** Great Lakes Power Limited

This is fine with Prudential. Please use the signature pages we already submitted and fax me a copy of the final with all signatures (214)720-6296. By the way, I like the change, whose suggestion was it?  
----- Forwarded by Thomas Donahue/LAW/Pru on 07/24/2003 08:34 AM -----

"Sandy Sorichetti"  
<SSORICHE@mccarthy.ca>  
To: See  
Below  
cc:  
Wednesday July 23, 2003 03:55 PM  
Subject: Great Lakes Power Limited

Please see attached.

=====  
NOTE: This e-mail message is intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you have received this message in error, or are not the named recipient(s), please immediately notify the sender and delete this e-mail message.

NOTE: Ce courriel est destin?exclusivement au(x) destinataire(s) mentionn?s) ci-dessus et peut contenir de l'information privil?gi?e, confidentielle et/ou dispens?e de divulgation aux termes des lois applicables. Si vous avez re?u ce message par erreur, ou s'il ne vous est pas destin? veuillez le mentionner imm?diatement ?l'exp?diteur et effacer ce courriel.

=====  
(See attached file: 7012189v1.doc)  
(See attached file: #7011227 v5 - Great Lakes Resolution re EBITDA & Acc't's Certificate.doc)  
(See attached file: #7011227 vDOC - Great Lakes Resolution re EBITDA & Acc't's Certificate.doc)

To: <c.belanger@addenda-capital.com> <greg\_lawrence@scotiacapital.com>  
<Lennox\_August@CIBC Mellon.COM> <ralf\_rank@scotiacapital.com>  
<Luc.Fournier@inalco.com> <thomas\_kurfurst@scotiacapital.com>  
<frank\_vihant@maritimelife.ca> <Alec.Svoboda@sunlife.com>  
"Catherine McKendry" <CMCKENDRY@mccarthy.ca> <cam.digiorgio@sunlife.com>  
"David A. Lever" <DLEVER@mccarthy.ca> <france.deveau@sunlife.com>

**(Signatures continued from preceding page)**

**SUN LIFE ASSURANCE COMPANY OF  
CANADA**

Per: 

Authorised Signatory

**Thomas Robinson  
Vice-President  
Structured Finance**

Per: 

Authorised Signatory

**Greg Sooley  
Director,  
Investment Project Finance**

**(Signatures continued on following page)**

(Signatures continued from preceding page)

**TEACHERS INSURANCE AND ANNUITY  
ASSOCIATION OF AMERICA**

*mjs*

Per:

*AKyle*

Authorized Signatory

**ANGELA BROCK-KYLE  
MANAGING DIRECTOR**

Per:


Authorized Signatory

(Signatures continued on following page)

(Signatures continued from preceding page)

**TRUST BANQUE  
NATIONALE INC., as Trustee**

Per:



Authorized Signatory

Per:



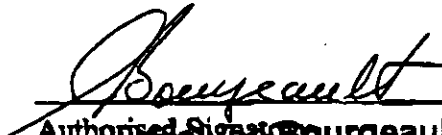
Authorized Signatory


**Trust Banque Nationale Inc. signing as  
registered holder of Bonds held by it in its  
capacity as trustee for beneficial holders of  
Bonds identified under Account # 310-342**

(Signatures continued on following page)

**(Signatures continued from preceding page)**

**TRUST ROYAL, as Trustee**

Per:   
Authorised Signatory  
**Stéphanie Bourgeault**  
Director Client Service

Per:   
Authorised Signatory

**Trust Royal signing as registered holder of Bonds held by it in its capacity as trustee for beneficial holders of Bonds identified under the following accounts:**

- Account # 110-680-008
- Account # 116530-001
- Account # 75-1000/0.21

**(Signatures continued on following page)**

JUL-28-2003 11:08 FROM STATE STREET TRUST CO. TO 94166018251

(Signatures continued from preceding page)

STATE STREET, as Trustee

Per: Ricky Lewis   
Authorized Signatory

Per: \_\_\_\_\_  
Authorized Signatory

State Street signing as registered holder of  
Bonds held by it in its capacity as trustee for  
beneficial holders of Bonds identified under  
Account # S110

(End of Signatures)

## SECOND SUPPLEMENTAL TRUST INDENTURE

THIS SECOND SUPPLEMENTAL TRUST INDENTURE dated as of the 31<sup>st</sup> day of July, 2003,

B E T W E E N:

**GREAT LAKES POWER LIMITED**

a corporation incorporated under the laws of Ontario (the  
"Company")

and

**CIBC MELLON TRUST COMPANY**

a trust company existing under the laws of Canada (the "Trustee")

### RECITALS

WHEREAS the Company has entered into a deed of trust (the "Indenture") with the Trustee dated as of June 16, 2003 which provides for the issuance of one or more series of Bonds of the Company by way of supplemental indentures;

AND WHEREAS pursuant to Section 3.7 of the Indenture, the Company and the Trustee may enter into supplemental trust indentures providing for, *inter alia*, the issue of bonds of any one or more series and for establishing the terms, provisions and conditions of a particular series of Bonds;

AND WHEREAS this Second Supplemental Trust Indenture is entered into for the purpose of providing for the issue of \$115,000,000 aggregate principal amount of series 1 Subordinate Bonds (the "Series 1 Subordinate Bonds") pursuant to the Indenture and establishing the terms, provisions and conditions of the Series 1 Subordinate Bonds and making certain amendments to the Indenture that have been approved by the bondholders;

AND WHEREAS all necessary resolutions have been passed by the bondholders to authorize the amendments to the Indenture contemplated herein;

AND WHEREAS all necessary resolutions of the directors and shareholders of the Company have been duly enacted and passed and other proceedings taken to make this Second Supplemental Trust Indenture a valid and binding indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Company and not by the Trustee;

NOW THEREFORE THIS SECOND SUPPLEMENTAL TRUST INDENTURE WITNESSES and it is hereby covenanted, agreed and declared as follows:



## SECTION 1 INTERPRETATION

### 1.1 To Be Read With Deed of Trust

This Second Supplemental Trust Indenture is a supplemental indenture to the Deed of Trust. The Indenture along with the First Supplemental Trust Indenture dated as of June 16, 2003, and this Second Supplemental Trust Indenture shall be read together and shall have effect as though all the provisions of all three indentures were contained in one instrument.

### 1.2 Headings etc.

The division of this Second Supplemental Trust Indenture into Sections and clauses, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the interpretation thereof. Unless the context otherwise requires, the expression "Section" and "Schedule" followed by a number, letter or combination of numbers and letters refer to the specified Section of or Schedule to this Second Supplemental Trust Indenture.

### 1.3 Definitions

All terms which are defined in the Indenture and used but not defined in this Second Supplemental Trust Indenture shall have the meanings ascribed to them in the Indenture, as such meanings may be amended or supplemented with respect to Series 1 Subordinate Bonds by this Second Supplemental Trust Indenture. In the event of any inconsistency between the meaning given to a term in the Indenture and the meaning given to the same term in this Second Supplemental Trust Indenture, the meaning given to the term in this Second Supplemental Trust Indenture shall prevail to the extent of the inconsistency. Subject to the foregoing, in this Second Supplemental Trust Indenture and in the Series 1 Subordinate Bonds, the following terms have the following meanings:

(1) **Canada Yield Price** means a price for any Series 1 Subordinate Bonds to be redeemed, calculated at 10:00 a.m. (Toronto time) on the Redemption Price Determination Date or Purchase Price Determination Date, as applicable, to provide a yield from the Redemption Date or Purchase Date, as applicable, to maturity of the Series 1 Subordinate Bonds equal to the Government of Canada Yield plus (i) 0.60% until June 16, 2021, and 0.25% thereafter in the case of Bonds redeemed pursuant to Section 2.4 hereof, and (ii) 2.45% in the case of Bonds redeemed or purchased pursuant to Section 2.7 or Section 2.8 hereof.

(2) **Government of Canada Yield** means, on any date, the then current mid-market yield to maturity on such date expressed as a rate per annum, assuming semi-annual compounding, which a non-callable Government of Canada Bond would yield if issued on such date in Canadian dollars in Canada at 100% of its principal amount on such date with a remaining term to maturity equal to the average life of the Series 1 Subordinate Bonds being redeemed or purchased, as the case may be. The Government of Canada Yield will be determined by two Investment Dealers selected by the Company.

(3) **Indemnified Tax** means Tax under Part XIII of the *Income Tax Act* (Canada) (as the same may be amended, supplemented or replaced) or any successor provisions (for instance in

accordance with Section 803 of the Regulations to the *Income Tax Act* (Canada)) or any similar tax imposed by any jurisdiction into which the Company continues or redomiciles or in which the Company is or becomes organized resident or carries on business to the extent that the Tax is in respect of a payment by the Company to a holder of a Series 1 Subordinate Bond who, at the time of the payment, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced) and holds in excess of \$10 million principal amount of Series 1 Subordinate Bonds, in respect of Series 1 Subordinate Bonds acquired by such holder otherwise than by way of a transfer after a change in law, or the interpretation thereof, giving rise to the obligation of the Company to pay the additional amounts or the indemnity, as the case may be, from another holder of a Series 1 Subordinate Bond that not is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced). Notwithstanding the foregoing, no Indemnified Tax will be payable in respect of any Series 1 Subordinate Bonds in respect of which a waiver pursuant to Section 2.7(a)(ii) or Section 2.8(a)(ii) has been made.

- (4) **Maturity Date** for any Series 1 Subordinate Bonds means June 16, 2023.
- (5) **Purchase Date** means, in respect of any purchase of Series 1 Subordinate Bonds, the date (which shall be a business day) specified in the notice of such purchase as the date on which such Series 1 Subordinate Bonds shall be purchased.
- (6) **Purchase Price** means, in respect of the Series 1 Subordinate Bonds being purchased, the greater of the outstanding principal amount thereof to be purchased and the Canada Yield Price of the principal amount thereof to be purchased, together with accrued and unpaid interest up to but excluding the date fixed for purchase.
- (7) **Purchase Price Determination Date** means the date of the determination of the Canada Yield Price for the Series 1 Subordinate Bonds to be purchased which will be three business days prior to the Purchase Date following the date of the delivery of a pricing notice to the holders of Series 1 Subordinate Bonds being purchased.
- (8) **Redemption Price** means, in respect of any Series 1 Subordinate Bonds being redeemed, the greater of the outstanding principal amount thereof to be redeemed and the Canada Yield Price of the principal amount thereof to be redeemed, together with accrued and unpaid interest up to but excluding the date fixed for redemption.
- (9) **Redemption Price Determination Date** means the date of the determination of the Canada Yield Price for the Series 1 Subordinate Bonds to be redeemed which will be three business days prior to the Redemption Date following the date of the delivery of a pricing notice to the holders of the Series 1 Subordinate Bonds being redeemed.
- (10) **Taxes** means any taxes, duties, assessments, imposts, levies and other similar charges imposed by any Governmental Authority in Canada or the United States, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in Canada or the United States in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer,

sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, property, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping and all employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions.

## **SECTION 2 SERIES 1 SUBORDINATE BONDS – FORM AND TERMS**

### **2.1 Creation and Designation**

The initial Series 1 Subordinate Bonds shall consist of and, exclusive of the Series 1 Subordinate Bonds issued upon any transfer of or any exchange or substitution for or by way of replacement of any Series 1 Subordinate Bonds previously issued, be limited to, Bonds in the aggregate principal amount not in excess of Cdn.\$115,000,000 to be designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 1) (the “Maturity Date”) (herein called the “Series 1 Subordinate Bonds”).

### **2.2 Date of Issue and Maturity**

The Series 1 Subordinate Bonds shall be dated July 31, 2003 (being the applicable date of issue) and any Series 1 Subordinate Bond issued in substitution for or upon exchange or transfer of any Series 1 Subordinate Bond, as provided in Section 2.7 or 2.10 of the Indenture, shall be dated the same date. The Series 1 Subordinate Bonds will become due and payable, together with all accrued interest and unpaid interest thereon, on the Maturity Date.

### **2.3 Principal and Interest**

The principal amount of the Series 1 Subordinate Bonds shall bear interest from July 31, 2003 at the rate of 7.80% per annum (and, in the case of default, interest on all amounts overdue including overdue interest) calculated semi-annually in arrears. Interest shall be payable on June 16 and December 16 in each year commencing on December 16, 2003 and ending on the Maturity Date. All payments of interest due in respect of the Series 1 Subordinate Bonds shall be paid in Canadian Dollars. Prior to the Maturity Date, no principal payments shall be due on the Series 1 Subordinate Bonds.

### **2.4 Redemption of Series 1 Subordinate Bonds**

- (a) The Series 1 Subordinate Bonds may be redeemed, at the option of the Company in whole at any time or in part from time to time, on not less than 30 days' and not more than 60 days' written notice (but for greater certainty only pro rata as among the holders of the Series 1 Subordinate Bonds) upon payment of the Redemption Price for the Series 1 Subordinate Bonds to be redeemed and otherwise in accordance with Article 5 of the Indenture. The written notice of redemption will be delivered to the holders of Series 1 Subordinate Bonds and will include, in addition to the requirements contained in Section 5.3 of the Indenture, a description of the method of calculating the Redemption Price as well as a sample calculation. On the date that is three business days before redemption, the Company shall give to the Trustee and the holders of Series 1 Subordinate Bonds

so to be redeemed notice of the actual Redemption Price showing in reasonable detail the computation of the Redemption Price for the Series 1 Subordinate Bonds.

- (b) Upon the redemption of the Series 1 Subordinate Bonds as provided for hereunder and in the Indenture, notwithstanding anything to the contrary in the Indenture, the holder of a Series 1 Subordinate Bond shall not be obligated to surrender such Series 1 Subordinate Bond to the Trustee or any other person except on receipt by such holder of the Redemption Price in respect to such Series 1 Subordinate Bond.
- (c) The Company shall pay to each holder of a Series 1 Subordinate Bond the Make-Whole Amount (if any) (together with any other amounts due under the Series 1 Subordinate Bonds) upon payment of such Series 1 Subordinate Bonds in any circumstance giving rise in any manner to the repayment of the Series 1 Subordinate Bonds prior to the Maturity Date including, without limitation, acceleration pursuant to Section 9.2 of the Indenture.
- (d) Any redemption of the Series 1 Subordinate Bonds shall be subject to the terms of Section 5.11 of the Indenture.
- (e) All references to "premium" in Sections 9.1(c) and 10.6(g) of the Indenture shall be replaced with "Make-Whole Amount".

## **2.5 Government of Canada Yield**

For the purposes of the determination of the Government of Canada Yield on a given date, the two Investment Dealers selected by the Company shall confer with respect to such determination and shall jointly report to the Company, the Trustee and each of the bondholders holding Bonds being redeemed the percentage figure they have determined for the Government of Canada Yield or, if the determinations are not the same, the arithmetic average (rounded to 4 decimal places) of the respective percentages and figures determined by each and such agreed percentage or average, as the case may be, shall be the Government of Canada Yield for the purposes hereof.

## **2.6 Payment on Series 1 Subordinate Bonds Net of Withholding Imposts.**

- (a) All payments by the Company under any Series 1 Subordinate Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or any other payment obligations, shall be made in full, free and clear of and without any deduction or withholding for or on account of any present or future Taxes or duties of whatsoever nature unless the Company is required by Applicable Law to so deduct or withhold, in which event the Company shall:
  - (i) forthwith pay to each holder of a Series 1 Subordinate Bond such additional amount so that the net amount received by the holder of such Series 1 Subordinate Bond after any deduction or withholding for or on

account of any Indemnified Tax (including any deduction or withholding for or on account of any Indemnified Tax on additional amounts payable under this Section 2.6(a)(i)) will equal the full amount which would have been received by it had no such deduction or withholding for or on account of Indemnified Tax been made, and pay to such holder of such Series 1 Subordinate Bond such additional amounts so as to hold such bondholder harmless on an after-Tax basis from any Taxes payable by reason of the additional amounts payable pursuant to this Section 2.6(a)(i);

- (ii) make the deduction or withholding required by Applicable Law (including any deduction or withholding from any additional amount paid pursuant to Section 2.6(a)(i));
- (iii) pay to the relevant taxation or other authorities within the period for payment permitted by Applicable Law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid pursuant to Section 2.6(a)(i)); and
- (iv) furnish to each holder of such Series 1 Subordinate Bond promptly, as soon as available, an official receipt of the relevant taxation or other authorities involved for all amounts deducted or withheld as aforesaid.

Any reference in the indenture (including this supplemental indenture) to principal, Make Whole Amount, interest, interest on overdue interest, fees or any other payment obligation of the Company shall be deemed also to refer to any additional amounts payable pursuant to Section 2.6(a)(i).

- (b) If as a result of any payment by the Company under any Series 1 Subordinate Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or other payment obligations, any holder of a Series 1 Subordinate Bond is required to pay any Indemnified Tax, then the Company will, upon demand by any such bondholder, and whether or not such Indemnified Taxes are correctly or legally asserted, indemnify each such bondholder for the payment of any such Indemnified Taxes, together with any interest, penalties and expenses in connection therewith, and for any Taxes on such indemnity payment. All such amounts shall be payable by the Company on demand and shall bear interest at the rate of interest applicable to the Series 1 Subordinate Bonds per annum calculated from the date incurred by the bondholder to the date paid by the Company.
- (c) If the Company is required to pay any additional amount to a holder of Series 1 Subordinate Bonds in respect of Taxes (other than Indemnified Taxes) under Section 2.6(a), then if such holder realizes any savings of any Taxes (by way of credit (including foreign tax credit), deduction, refund, exclusion from income or otherwise, which Tax savings were not taken into account in calculating the additional amount) as a result of the Taxes giving rise to the payment of any such additional amount, then if and to the extent of any such additional amount, the

holder will, at the time it realizes such Tax savings, repay the amount of such Tax savings to the Company, together with the amount of any Tax savings resulting from payment under this section.

## **2.7 Optional Prepayment with Modified Make-Whole Amount.**

- (a) If the Company is required to make payments to any holder of a Series 1 Subordinate Bond pursuant to Section 2.6(a)(i) hereof or make any indemnity payment to any holder of a Series 1 Subordinate Bond pursuant to Section 2.6(b) hereof, then the Company shall be entitled to redeem the Series 1 Subordinate Bonds so affected in whole upon payment of the Redemption Price for the Series 1 Subordinate Bonds to be redeemed, provided that:
- (i) the Company's right to redeem under this Section 2.7(a) shall terminate if the Company has not given notice of redemption under Section 2.7(b) on or before the later of (A) 9 months after the date that the Company is first called upon by any holder of a Series 1 Subordinate Bond to honour its payment or indemnity obligations under Section 2.6(a)(i) or (b), respectively, or (B) 9 months after the date that any legislation requiring the Company to make any deduction or withholding under Section 2.6(a)(i) hereof, or requiring any holder of a Series 1 Subordinate Bond to pay any Indemnified Tax as contemplated in Section 2.6(b) hereof, comes into force; and
  - (ii) the Company shall not be entitled to redeem under this Section 2.7(a) any Series 1 Subordinate Bond in respect of which the holder of such Bond thereof has, within 10 business days of receipt of a redemption notice made in accordance with Section 2.7(b), waived in writing the future obligations of the Company under Section 2.6(a)(i) and (b) hereof in respect to such deduction or withholding or indemnity for Taxes (without prejudice to accrued obligations thereunder).
- (b) The Company shall give each holder of a Series 1 Subordinate Bond whose Series 1 Subordinate Bonds it has elected to redeem pursuant to Section 2.7(a) irrevocable written notice of any redemption pursuant to Section 2.7(a) not less than 10 business days nor more than 60 business days prior to the Redemption Date, specifying (i) the Series 1 Subordinate Bonds to be prepaid, (ii) the Redemption Date (which shall be a business day), (iii) the total principal amount of the Series 1 Subordinate Bonds, and of the Series 1 Subordinate Bonds held by such holder, to be redeemed on such date, and (iv) stating that such redemption is to be made pursuant to Section 2.7(a). Notice of redemption having been given as aforesaid, the applicable Redemption Price, shall become due and payable on such Redemption Date.
- (c) Any redemption of the Series 1 Subordinate Bonds shall be subject to the terms of Section 5.11 of the Indenture.

## **2.8 Optional Purchase with Modified Make-Whole Amount.**

- (a) If the Company is required to make payments to any holder of a Series 1 Subordinate Bond pursuant to Section 2.6(a)(i) hereof or make any indemnity payment to any holder of a Series 1 Subordinate Bond pursuant to Section 2.6(b) hereof, then the Company shall be entitled to arrange for a person (who would not be subject to the deductions or withholdings of Taxes that the holder of the Series 1 Subordinate Bond is subject) (the "Purchaser") to purchase (and the holder of the Series 1 Subordinate Bond shall be obliged to sell) the Series 1 Subordinate Bonds so affected in whole upon payment of the Purchase Price for the Series 1 Subordinate Bonds to be purchased, provided that:
- (i) the Company's right to arrange for the purchase of the Series 1 Subordinate Bond under this Section 2.8(a) shall terminate if the Purchaser has not given notice of purchase under Section 2.8(b) on or before the later of (A) 9 months after the date that the Company is first called upon by any holder of a Series 1 Subordinate Bond to honour its payment or indemnity obligations under Section 2.6(a)(i) or (b), respectively, or (B) 9 months after the date that any legislation requiring the Company to make any deduction or withholding under Section 2.6(a)(i) hereof, or requiring any holder of a Series 1 Subordinate Bond to pay any Indemnified Tax as contemplated in Section 2.6(b) hereof, comes into force; and
  - (ii) the Company shall not be entitled to arrange for the purchase under this Section 2.8(a) of any Series 1 Subordinate Bond in respect of which the holder of such Bond thereof has, within 10 business days of receipt of a purchase notice made in accordance with Section 2.8(b), waived in writing the future obligations of the Company under Section 2.6(a)(i) and (b) hereof in respect to such deduction or withholding or indemnity for Taxes (without prejudice to accrued obligations thereunder).
- (b) The Purchaser shall give each holder of a Series 1 Subordinate Bond whose Series 1 Subordinate Bonds it has elected to purchase pursuant to Section 2.8(a) irrevocable written notice of any purchase pursuant to Section 2.8(a) not less than 10 business days nor more than 60 business days prior to the Purchase Date, specifying (i) the Series 1 Subordinate Bonds to be purchased, (ii) the Purchase Date (which shall be a business day), (iii) the total principal amount of the Series 1 Subordinate Bonds, and of the Series 1 Subordinate Bonds held by such holder, to be purchased on such date, and (iv) stating that such purchase is to be made pursuant to Section 2.8(a). Notice of purchase having been given as aforesaid, the applicable Purchase Price, shall become due and payable on such Purchase Date. The Company shall be jointly and severally liable with the Purchaser for any damages incurred by a holder of a Series 1 Subordinate Bond arising from the failure of the Purchaser to complete such purchase on the Purchase Date.

## 2.9 Amendments to Indenture

- (a) Section 1.1 of the Indenture is hereby amended by adding the following text at the end of the definition of "EBITDA" in subsection (nn):

"provided that in respect of the first issuance of Subordinated Bonds only, EBITDA of the Business in respect of any period preceding June 16, 2003 will be adjusted to reflect the revenue the Generation Assets would have generated through such period had the Company sold the electricity produced by the Generation Assets during such period at the market prices for electricity, rather than the prices received by the Company for such electricity from BEMI;"

- (b) Section 17.13 of the Trust Deed is amended by deleting the second line of the first paragraph of such section and replacing such deleted line with "Counsel and each Investment Dealer's Certificate" and by deleting the fifth paragraph in such section in its entirety and replacing such deletion with the following paragraph:

"Any Chartered Accountant's Certificate will be in the form of a review engagement report (prepared in accordance with Canadian generally accepted standards for review engagements) and will confirm, without reservation, compliance with the ratios provided for in section 6.2(i)(e) or 6.2(ii)(e), as applicable, by confirming that based on the review of such Chartered Accountant, nothing has come to its attention that causes it to believe that (A) the Company is not in compliance with such ratio and (B) the total EBITDA and total pro forma Debt Service as presented in the Officers' Certificate to which it relates has not been calculated, in all material respects, in accordance with the definitions of EBITDA and Debt Service contained in this indenture."

## 2.10 Form of Series 1 Subordinate Bonds

- (a) The Series 1 Subordinate Bonds shall be issued as fully registered Bonds in denominations of not less than \$10,000 and multiples of \$1,000 thereafter.
- (b) The Series 1 Subordinate Bonds shall be substantially in the form set out in Schedule "1" hereto and shall bear such distinguishing letters and numbers as the Trustee shall approve.
- (c) The Trustee understands and acknowledges that the Series 1 Subordinate Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"). Each Series 1 Subordinate Bond originally issued in the United States or to a U.S. Person will be represented by a definitive certificate in the form set out in Schedule 2 hereto which definitive certificate, and each Series 1 Subordinate Bond certificate issued in exchange therefor or in substitution thereof, shall bear a legend substantially as follows:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF,



BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE "COMPANY") THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.

A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT";

If any Series 1 Subordinate Bonds are being sold or transferred outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act, the legend may be removed by providing a declaration to the Trustee to the following effect (or as the Company may prescribe from time to time),

"The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance upon Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and (B) certifies that (1) it is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of Great Lakes Power Limited, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of The Toronto Stock Exchange and neither the seller nor any person on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller nor any person acting on its behalf has engaged or will engage in any directed selling efforts in connection with the offer and sale of such securities. Terms used herein have the meaning given to them by Regulation S."

If any Series 1 Subordinate Bonds are being sold or transferred pursuant to Rule 144 of the U.S. Securities Act, the legend may be removed by delivery to the Trustee of a written opinion of Counsel to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

Prior to the issuance of Series 1 Subordinate Bonds, the Company shall notify the Trustee, in writing, concerning which Series 1 Subordinate Bonds are to be certificated and are to bear the

legend described above. The Trustee will thereafter maintain a list of all registered holders from time to time of legended Series 1 Subordinate Bonds.

### **2.11 Signatures on Series 1 Subordinate Bonds**

The Series 1 Subordinate Bonds shall be signed in accordance with the provisions of Section 2.4 of the Indenture.

### **2.12 Certification**

The certificate of the Trustee on any Series 1 Subordinate Bond shall not be construed as a representation or warranty by the Trustee as to the validity of this Second Supplemental Trust Indenture or of the Series 1 Subordinate Bonds (except the due certification thereof and any other warranties implied by law) and the Trustee shall in no respect be liable or answerable for the use made of the Series 1 Subordinate Bonds or any of them or the proceeds thereof.

## **SECTION 3 - MISCELLANEOUS**

### **3.1 Acceptance of Trust**

The Trustee accepts the trusts in this Second Supplemental Trust Indenture and agrees to carry out and discharge the same upon the terms and conditions set out in this Second Supplemental Trust Indenture and in accordance with the Indenture.

### **3.2 Confirmation of Indenture**

The Indenture as amended and supplemented by the First Supplemental Trust Indenture and this Second Supplemental Trust Indenture is in all respects confirmed.

### **3.3 Indemnification of the Trustee**


The Company indemnifies and saves harmless the Trustee and its officers, directors, employees and agents from and against any and all liabilities, losses, costs, claims, actions or demands whatsoever brought against the Trustee which it may suffer or incur as a result of or arising out of the performance of its duties and obligations under this Second Supplemental Trust Indenture, including any and all legal fees and disbursements of whatever kind or nature, save only in the event of the negligent action, the negligent failure to act, or the wilful misconduct or bad faith of the Trustee. It is understood and agreed that this indemnification shall survive the termination or discharge of this Second Supplemental Trust Indenture or resignation or removal of the Trustee. The Company hereby constitutes the Trustee as a trustee for the Trustee's officers, directors, employees and agents for the purposes of obtaining the benefit of this Section 3.3.

### **3.4 Counterparts**

This Second Supplemental Trust Indenture may be executed in counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.


IN WITNESS WHEREOF the parties hereto have executed this Second Supplemental Trust Indenture under the hands of their proper signatories in that behalf:

**GREAT LAKES POWER LIMITED**

By:   
Name: ~~Donald Tremblay~~  
Title: Chief Financial Officer

By: \_\_\_\_\_  
Name:  
Title:

**CIBC MELLON TRUST COMPANY**

By:  **EUGENIA PETRYLA**  
ACCOUNT MANAGER

By: 

**DENICE M. ELLESTON**  
AUTHORIZED SIGNATORY

**Schedule 1 – FORM OF -SERIES 1 SUBORDINATE BOND**

No. Sub1-001

**GREAT LAKES POWER LIMITED**  
**(Incorporated under the laws of Ontario)**  
**7.80% SUBORDINATE BONDS DUE June 16, 2023 (SERIES 1)**

Issue Date	July 31, 2003
Maturity Date	June 16, 2023
Interest Rate Per Annum	7.80%
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	December 16, 2003
Principal Amount	\$•

**GREAT LAKES POWER LIMITED** (the “**Company**”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “**Maturity Date**”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 7.80% Subordinate Bond due June 16, 2023 (Series 1) (the “**Series 1 Subordinate Bond**”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay during the period from the Issue Date until and including the Maturity Date, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum, at the address of the registered holder hereof appearing on the register of Series 1 Subordinate Bonds maintained by or at the direction of the Trustee (the “**Register**”). The Principal Amount shall be due and payable on the Maturity Date. Interest shall be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company shall, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 1 Subordinate Bond is one of an authorized issue of bonds designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 1) and forming the series of bonds created and issued under a second supplemental trust indenture made as of July 31, 2003 (the "**Second Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Second Supplemental Trust Indenture and the Indenture, as amended or supplemented from time to time, collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 1 Subordinate Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 1 Subordinate Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 1 Subordinate Bond and to each of which the registered holder of this Series 1 Subordinate Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein shall have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 1 Subordinate Bonds that may be created and issued under the Trust Indenture is limited to 30% of the aggregate principal amount of all Senior Bonds outstanding at the time of issuance. Series 1 Subordinate Bonds are issuable as fully registered bonds in denominations of \$10,000 and integral multiples thereafter of \$1,000 and, subject to the terms and conditions set forth in the Trust Indenture.

The Series 1 Subordinate Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Subordinate Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 1 Subordinate Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Redemption Price (as defined in the Second Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 1 Subordinate Bonds in the open market, by tender or by private contract, at any price. Series 1 Subordinate Bonds purchased by the Company shall be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 1 Subordinate Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable

requirements as the Trustee or other registrar may prescribe, and such transfer shall be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Bond is limited as provided for in the Trust Indenture.

This Series 1 Subordinate Bond shall not become obligatory for any purpose until it shall have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

IN WITNESS WHEREOF GREAT LAKES POWER LIMITED has caused this Series 1 Subordinate Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 1 Subordinate Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY, Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

**Schedule 2 – U.S. FORM OF DEFINITIVE SUBORDINATE BOND-SERIES 1**

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE “COMPANY”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.**

No. Sub1-001

**GREAT LAKES POWER LIMITED  
(Incorporated under the laws of Ontario)  
7.80% SUBORDINATE BONDS DUE June 16, 2023 (SERIES 1)**

Issue Date	July 31, 2003
Maturity Date	June 16, 2023
Interest Rate Per Annum	7.80%
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	December 16, 2003
Principal Amount	\$•

**GREAT LAKES POWER LIMITED (the “Company”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “Maturity Date”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 7.80% Subordinate Bond due June 16, 2023 (Series 1) (the “Series 1 Subordinate Bond”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at**



320 Bay Street, Toronto, Ontario, and to pay during the period from the Issue Date until and including the Maturity Date, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum, at the address of the registered holder hereof appearing on the register of Series 1 Subordinate Bonds maintained by or at the direction of the Trustee (the "**Register**"). The Principal Amount shall be due and payable on the Maturity Date. Interest shall be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company shall, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 1 Subordinate Bond is one of an authorized issue of bonds designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 1) and forming the series of bonds created and issued under a second supplemental trust indenture made as of July 31, 2003 (the "**Second Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Second Supplemental Trust Indenture and the Indenture, as amended or supplemented from time to time, collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 1 Subordinate Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 1 Subordinate Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 1 Subordinate Bond and to each of which the registered holder of this Series 1 Subordinate Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein shall have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 1 Subordinate Bonds that may be created and issued under the Trust Indenture is limited to 30% of the aggregate principal amount of all Senior Bonds outstanding at the time of issuance. Series 1 Subordinate Bonds are issuable as fully registered bonds in denominations of \$10,000 and integral multiples thereafter of \$1,000 and, subject to the terms and conditions set forth in the Trust Indenture.

The Series 1 Subordinate Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Subordinate Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 1 Subordinate Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Redemption Price (as defined in the Second Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 1 Subordinate Bonds in the open market, by tender or by private contract, at any price. Series 1 Subordinate Bonds purchased by the Company shall be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 1 Subordinate Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture, and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer shall be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Bond is limited as provided for in the Trust Indenture.

This Series 1 Subordinate Bond shall not become obligatory for any purpose until it shall have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

IN WITNESS WHEREOF GREAT LAKES POWER LIMITED has caused this Series 1 Subordinate Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 1 Subordinate Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY, Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

## **FOURTH SUPPLEMENTAL TRUST INDENTURE**

**Made as of March 12, 2008**

**Between**

**GREAT LAKES POWER LIMITED  
as issuer**

**and**

**CIBC MELLON TRUST COMPANY  
as trustee**

**Supplementing the Deed of Trust**

**made as of June 16, 2003**

**and**

**providing for the issue of:**

**\$264,000,000 aggregate principal amount of 6.60% Senior Bonds  
due June 16, 2023 (Series 2)**

**\$115,000,000 aggregate principal amount of 7.80% Subordinate Bonds  
due June 16, 2023 (Series 2)**

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## FOURTH SUPPLEMENTAL TRUST INDENTURE

THIS FOURTH SUPPLEMENTAL TRUST INDENTURE dated as of the 12<sup>th</sup> day of March, 2008,

**B E T W E E N:**

**GREAT LAKES POWER LIMITED**  
a corporation incorporated under the laws of Ontario  
(the "Company")

and

**CIBC MELLON TRUST COMPANY**  
a trust company existing under the laws of Canada  
(the "Trustee")

### RECITALS

**WHEREAS** the Company has entered into a deed of trust (the "Indenture" or the "Trust Indenture") with the Trustee dated as of June 16, 2003 which provides for the issuance of one or more series of Bonds of the Company by way of supplemental indentures;

**AND WHEREAS** the Company is proposing to separate its electricity transmission assets and operations from the rest of its business, and to transfer its electricity transmission assets and operations to Great Lakes Power Transmission LP ("GLPT") pursuant to a purchase and sale agreement dated as of December 11, 2007 (the "Purchase Agreement");

**AND WHEREAS** the Company is proposing to create: (i) new Trans Senior Bonds pursuant to the Trans Deed of Trust, that are secured solely against the Transmission Enterprise Assets; and (ii) new bonds pursuant to the Indenture, that are secured solely against the Generation Enterprise Assets;

**AND WHEREAS** pursuant to Section 3.7 of the Indenture, the Company and the Trustee may enter into supplemental trust indentures providing for the issue of Bonds of any one or more series and for establishing the terms, provisions and conditions of a particular series of Bonds;

**AND WHEREAS** this Fourth Supplemental Trust Indenture is entered into for the purpose of: (i) providing for the creation of Series 2 Senior Bonds and Series 2 Subordinate Bonds that will relate to and be secured solely against the Generation Enterprise Assets, and establishing the terms, provisions and conditions of such Series 2 Bonds and the rights and covenants that will be applicable thereto; (ii) amending the terms of the existing Series 1 Senior Bonds so as to make them convertible into Series 2 Senior Bonds and Trans Senior Bonds; (iii) amending the terms of the existing Series 1 Subordinate Bonds so as to make them convertible into Series 2 Subordinate Bonds; and (iv) providing for the terms and conditions upon which the conversions of the Series 1 Bonds will be allowed;

**AND WHEREAS** this Fourth Supplemental Trust Indenture is also entered into for the purpose of amending certain terms and conditions of the Indenture as they apply to the Series 2 Bonds;

**AND WHEREAS** upon the conversion of all outstanding Series 1 Bonds into Series 2 Bonds, and Trans Senior Bonds, the bondholders will have been deemed to have consented to: (i) the sale and transfer of the Transmission Enterprise Assets to GLPT pursuant to the Purchase Agreement; (ii) the distribution by the Company of the purchase price for the Transmission Enterprise Assets to its shareholders or affiliates; (iii) the discharge of all existing Security as it relates to the Transmission Enterprise Assets; (iv) the matters set out in Section 4; and (v) the entering into of an Amended and Restated Indenture in order to reflect the partial discharge of the Security, the exclusion of the Transmission Enterprise Assets from the application of the Indenture and the Security and the additional matters and amendments provided for in this Fourth Supplemental Trust Indenture;

**AND WHEREAS** all necessary resolutions have been passed or consents granted by the bondholders to authorize the creation of the Series 2 Bonds, the amendments to the Indenture and all other matters contemplated herein;

**AND WHEREAS** all necessary resolutions of the directors and shareholders of the Company have been duly enacted and passed and other proceedings taken to make this Fourth Supplemental Trust Indenture a valid and binding indenture; and

**AND WHEREAS** the recitals are made as representations and statements of fact by the Company and not by the Trustee;

**NOW THEREFORE THIS FOURTH SUPPLEMENTAL TRUST INDENTURE WITNESSES** and it is hereby covenanted, agreed and declared as follows:

## **SECTION 1 INTERPRETATION**

### **1.1 To Be Read With Deed of Trust**

This Fourth Supplemental Trust Indenture is a supplemental indenture to the Indenture. The Indenture along with the First Supplemental Trust Indenture dated as of June 16, 2003, the Second Supplemental Trust Indenture dated as of July 31, 2003, the Third Supplemental Trust Indenture dated as of June 30, 2006, and this Fourth Supplemental Trust Indenture will be read together and will have effect as though all the provisions of all five indentures were contained in one instrument.

### **1.2 Headings etc.**

The division of this Fourth Supplemental Trust Indenture into Sections and clauses, the provision of a table of contents and the insertion of headings are for convenience of reference only and will not affect the interpretation thereof. Unless the context otherwise requires, the



expression “Section” and “Schedule” followed by a number, letter or combination of numbers and letters refer to the specified Section of or Schedule to this Fourth Supplemental Trust Indenture.

### 1.3 Definitions

All terms which are defined in the Indenture and used but not defined in this Fourth Supplemental Trust Indenture have the meanings ascribed to them in the Indenture, as such meanings may be amended or supplemented by this Fourth Supplemental Trust Indenture. In the event of any inconsistency between the meaning given to a term in the Indenture and the meaning given to the same term in this Fourth Supplemental Trust Indenture, the meaning given to the term in this Fourth Supplemental Trust Indenture will prevail to the extent of the inconsistency. Subject to the foregoing, in this Fourth Supplemental Trust Indenture, the following terms have the following meanings:

- (1) “**Applicable Margin**” means, at any time, the percentage rate per annum set forth in the column “Applicable Margin” in the definition of “Series 2 Senior Bond Interest Rate” or “Series 2 Subordinate Bond Interest Rate”, as applicable, that is applicable at such time as determined in accordance with such definition.
- (2) “**Credit Rating**” means with respect to the Series 2 Senior Bonds the rating assigned to the Series 2 Senior Bonds by the Rating Agency from time to time and with respect to the Series 2 Subordinate Bonds, the rating assigned to the Series 2 Subordinate Bonds by the Rating Agency from time to time.
- (3) “**D&C Assets**” means, collectively, all property, assets, contracts, permits, rights, licenses, franchises and undertaking of the Company, whether real, personal or mixed, tangible or intangible, of every nature, kind and description, wherever located, that are owned, leased or licensed by the Company and used in connection with the D&C Business, including the Company’s low-voltage distribution system, its 11 distribution stations, approximately 1,700 km of low voltage lines and the Head Office; provided that to the extent that the Company has only a co-ownership interest in any such property, asset, contract, permit, right, licence, franchise or undertaking, it is such co-ownership interest that constitutes a D&C Asset.
- (4) “**D&C Business**” means the business carried on by the Company consisting of owning, operating and maintaining low-voltage electricity distribution and telecommunications facilities and all matters incidental and/or ancillary thereto.
- (5) “**Date of Conversion**” means March 12, 2008.
- (6) “**Excluded Assets**” means, collectively, (i) the Excluded Subsidiaries and the Company’s interests therein (including any receivables owed to the Company by any Excluded Subsidiary), (ii) the businesses carried on by the Excluded Subsidiaries, (iii) the assets possessed by the Excluded Subsidiaries, (iv) the D&C

Business and the D&C Assets (other than the Head Office); and (v) the Transmission Business and the Transmission Enterprise Assets.

- (7) **“Generation Business”** means the business carried on by the Company consisting of owning, operating and maintaining hydro electric generating facilities in the Province of Ontario and the sale of electricity generated therefrom, and all matters incidental and/or ancillary thereto.
- (8) **“Generation Enterprise Assets”** means, collectively, all property, assets, contracts, permits, rights, licenses, franchises and undertaking of the Company, whether real, personal or mixed, tangible or intangible, of every nature, kind and description, wherever located, that are owned, leased or licensed by the Company and used in connection with the Generation Business including its interest in: (i) all Generation Real Estate; (ii) all Improvements used in connection with the Generation Business and located on the Generation Real Estate; (iii) the Generation Assets; (iv) all intellectual property and intangible property (including without limitation, software) of every nature or kind used in connection with the Generation Business; (v) all buildings, plants, constructions, reservoirs, substations, dams, flumes, canals, channels, equipment, machinery, generators, turbines, transformers, motor vehicles, computer hardware, power generation systems and lines, poles, wires, and all other personal property in each case owned, leased or licensed by the Company and used in connection with the Generation Business; and (vi) the Water Leases; provided that to the extent that the Company has only a co-ownership interest in any such property, asset, contract, permit, right, licence, franchise or undertaking, it is such co-ownership interest that constitutes a Generation Enterprise Asset.
- (9) **“Generation Lands”** means the lands described in Schedule 5 upon which assets used in connection with the Generation Business are located.
- (10) **“Generation Real Estate”** means, collectively, the Generation Lands, Leasehold Sites and all Future Sites used in connection with the Generation Business.
- (11) **“Generation Secured Assets”** has the meaning given to that term in Section 3.6(1).
- (12) **“Government of Canada Yield”** means, on any date, the then current mid-market yield to maturity on such date expressed as a rate per annum, assuming semi-annual compounding, which a non-callable Government of Canada Bond would yield if issued on such date in Canadian dollars in Canada at 100% of its principal amount on such date with a remaining term to maturity equal to the average life of the Series 2 Bonds being redeemed or purchased, as the case may be. The Government of Canada Yield will be determined by two Investment Dealers selected by the Company.

- (13) “**Head Office**” means the property described as Parcel 12220, Algoma West Section, being all of Plan 31558-0001, in the District of Algoma, in the Province of Ontario.
- (14) “**Indemnified Tax**” means (i) in respect of a Series 2 Senior Bond, the Series 2 Senior Indemnified Tax and, (ii) in respect of a Series 2 Subordinate Bond, the Series 2 Subordinate Indemnified Tax.
- (15) “**Maturity Date**” for any Series 2 Bond means June 16, 2023.
- (16) “**Operation, Maintenance and Administration Agreement**” means the agreement dated as of March 12, 2008 between the Company and GLPT pursuant to which the Company has agreed to provide all services required by GLPT in connection with GLPT’s ownership, operation and maintenance of the Transmission Business and Transmission Enterprise Assets.
- (17) “**Reciprocal Agreement**” means the reciprocal co-operation and co-ownership agreement dated as of March 12, 2008 between the Company and GLPT relating to their mutual co-operation and assistance to facilitate their respective efficient and continuous use, ownership, operation and maintenance of the Generation Enterprise Assets, the Transmission Enterprise Assets and the D & C Assets.
- (18) “**Redemption Price**” means (i) in respect of a Series 2 Senior Bond being redeemed, the Series 2 Senior Bond Redemption Price, and (ii) in respect of a Series 2 Subordinate Bond being redeemed, the Series 2 Subordinate Bond Redemption Price.
- (19) “**Redemption Price Determination Date**” means the date of the determination of the Series 2 Senior Bond Canada Yield Price or Series 2 Subordinate Bond Canada Yield Price for the Series 2 Senior Bonds or Series 2 Subordinate Bonds to be redeemed, as the case may be, which will be three business days prior to the applicable Redemption Date and will be the date of the delivery of a pricing notice to the applicable bondholders.
- (20) “**Series 1 Bonds**” means, collectively, the Series 1 Senior Bonds and the Series 1 Subordinate Bonds, and “**Series 1 Bond**” means any of them.
- (21) “**Series 1 Senior Bond**” means a 6.60% Senior Bond due June 16, 2023 (Series 1) created pursuant to the First Supplemental Trust Indenture dated as of June 16, 2003.
- (22) “**Series 1 Subordinate Bond**” means a 7.80% Subordinate Bond due June 16, 2023 (Series 1) created pursuant to the Second Supplemental Trust Indenture dated as of July 31, 2003.

- (23) “**Series 2 Bonds**” means, collectively, the Series 2 Senior Bonds and the Series 2 Subordinate Bonds, and “**Series 2 Bond**” means any of them.
- (24) “**Series 2 Senior Bond**” means a 6.60% Senior Bond due June 16, 2023 (Series 2) created pursuant to Section 3 of this Fourth Supplemental Trust Indenture.
- (25) “**Series 2 Senior Bond Canada Yield Price**” means a price for any Series 2 Senior Bonds to be redeemed, calculated at 10:00 a.m. (Toronto time) on the Redemption Price Determination Date, to provide a yield from the Redemption Date to maturity of the Series 2 Senior Bonds equal to the Government of Canada Yield plus (i) 0.40% until June 16, 2021, and 0.25% thereafter in the case of Series 2 Senior Bonds redeemed pursuant to Section 3.7 hereof, and (ii) 1.75% in the case of Series 2 Senior Bonds redeemed pursuant to Section 3.11 hereof.
- (26) “**Series 2 Senior Bond Interest Rate**” means a rate of 6.60% per annum plus the Applicable Margin, if any. The Applicable Margin means a percentage per annum determined in accordance with the following table:

<u>Credit Rating</u>	<u>Applicable Margin</u>
≥A (low)	0%
< A (low)	0.30%

If, at the applicable time, the Series 2 Senior Bonds are not rated, the Applicable Margin shall be 0.30%. If at any time there is a change in the Rating Agency then the ratings referred to above shall be deemed to refer to the equivalent rating of the Major Rating Agency so designated. Any change in the Applicable Margin shall result in a change in the rate of any interest payable on the Series 2 Senior Bonds effective from the date of such change. For greater certainty, if there is a change in the Rating Agency and the Credit Rating assigned by the new Rating Agency is different from the Credit Rating of such new Rating Agency that is equivalent to the Credit Rating assigned by the prior Rating Agency, the assignment of such Credit Rating by the new Rating Agency shall constitute a change in the Credit Rating for the purposes of the determination of the Applicable Margin.

- (27) “**Series 2 Senior Bond Redemption Price**” means, in respect of any Series 2 Senior Bonds being redeemed, the greater of the outstanding principal amount thereof to be redeemed and the Series 2 Senior Bond Canada Yield Price of the principal amount thereof to be redeemed, together with accrued and unpaid interest up to but excluding the date fixed for redemption.
- (28) “**Series 2 Senior Indemnified Tax**” means Tax under Part XIII of the *Income Tax Act* (Canada) (as the same may be amended, supplemented or replaced) or any successor provisions (for instance in accordance with Section 803 of the

Regulations to the *Income Tax Act* (Canada)) or any similar tax imposed by any jurisdiction into which the Company continues or re-domiciles or in which the Company is or becomes organized, resident or carries on business to the extent that the Tax is in respect of a payment by the Company to a holder of a Series 2 Senior Bond who, at the time of the payment, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced) and holds in excess of \$6,875,000 principal amount of Series 2 Senior Bonds, in respect of Series 2 Senior Bonds acquired by such holder otherwise than by way of a transfer after a change in law, or the interpretation thereof, giving rise to the obligation of the Company to pay the additional amounts or the indemnity, as the case may be, from another holder of a Series 2 Senior Bond that is not a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced). Notwithstanding the foregoing, no Series 2 Senior Indemnified Tax will be payable in respect of any Series 2 Senior Bonds in respect of which a waiver pursuant to Section 3.11(1)(b) has been made.

- (29) **“Series 2 Subordinate Bond”** means a 7.80% Subordinate Bond due June 16, 2023 (Series 2) created pursuant to Section 3 of this Fourth Supplemental Trust Indenture.
- (30) **“Series 2 Subordinate Bond Canada Yield Price”** means a price for any Series 2 Subordinate Bonds to be redeemed, calculated at 10:00 a.m. (Toronto time) on the Redemption Price Determination Date or Series 2 Subordinate Bond Purchase Price Determination Date, as applicable, to provide a yield from the Redemption Date or Series 2 Subordinate Bond Purchase Date, as applicable, to maturity of the Series 2 Subordinate Bonds equal to the Government of Canada Yield plus (i) 0.60% until June 16, 2021, and 0.25% thereafter in the case of Series 2 Subordinate Bonds redeemed pursuant to Section 3.8 hereof, and (ii) 2.45% in the case of Series 2 Subordinate Bonds redeemed or purchased pursuant to Section 3.11 or Section 3.12 hereof.
- (31) **“Series 2 Subordinate Bond Interest Rate”** means a rate of 7.80% per annum plus the Applicable Margin, if any. The Applicable Margin means a percentage per annum determined in accordance with the following table:

<u>Credit Rating</u>	<u>Applicable Margin</u>
≥BBB	0%
< BBB	0.40%

If at the applicable time the Series 2 Subordinate Bonds are not rated, the Applicable Margin shall be 0.40%. If at any time there is a change in the Rating Agency then the ratings referred to above shall be deemed to refer to the equivalent rating of the Major Rating Agency so designated. Any change in the Applicable Margin shall result in a change in the rate of any interest payable on

the Series 2 Subordinate Bonds effective from the date of such change. For greater certainty, if there is a change in the Rating Agency and the Credit Rating assigned by the new Rating Agency is different from the Credit Rating of such new Rating Agency that is equivalent to the Credit Rating assigned by the prior Rating Agency, the assignment of such Credit Rating by the new Rating Agency shall constitute a change in the Credit Rating for the purposes of the determination of the Applicable Margin.

- (32) **“Series 2 Subordinate Bond Purchase Date”** means, in respect of any purchase of Series 2 Subordinate Bonds, the date (which must be a business day) specified in the notice of such purchase as the date on which such Series 2 Subordinate Bonds will be purchased.
- (33) **“Series 2 Subordinate Bond Purchase Price”** means, in respect of the Series 2 Subordinate Bonds being purchased, the greater of the outstanding principal amount thereof to be purchased and the Series 2 Subordinate Bond Canada Yield Price of the principal amount thereof to be purchased, together with accrued and unpaid interest up to but excluding the date fixed for purchase.
- (34) **“Series 2 Subordinate Bond Purchase Price Determination Date”** means the date of determination of the Series 2 Subordinate Bond Canada Yield Price for the Series 2 Subordinate Bonds to be purchased, which will be three business days prior to the applicable Series 2 Subordinate Bond Purchase Date and will be the date of the delivery of a pricing notice to the holders of the Series 2 Subordinate Bonds being purchased.
- (35) **“Series 2 Subordinate Bond Redemption Price”** means, in respect of any Series 2 Subordinate Bonds being redeemed, the greater of the outstanding principal amount thereof to be redeemed and the Series 2 Subordinate Bond Canada Yield Price of the principal amount thereof to be redeemed, together with accrued and unpaid interest up to but excluding the date fixed for redemption.
- (36) **“Series 2 Subordinate Indemnified Tax”** means Tax under Part XIII of the *Income Tax Act* (Canada) (as the same may be amended, supplemented or replaced) or any successor provisions (for instance in accordance with Section 803 of the Regulations to the *Income Tax Act* (Canada)) or any similar tax imposed by any jurisdiction into which the Company continues or re-domiciles or in which the Company is or becomes organized, resident or carries on business to the extent that the Tax is in respect of a payment by the Company to a holder of a Series 2 Subordinate Bond who, at the time of the payment, is a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced) and holds in excess of \$10 million principal amount of Series 2 Subordinate Bonds, in respect of Series 2 Subordinate Bonds acquired by such holder otherwise than by way of a transfer after a change in law, or the interpretation thereof, giving rise to the obligation of the Company to pay the additional amounts or the indemnity, as the case may be,

from another holder of a Series 2 Subordinate Bond that is not a resident of the United States for purposes of the Canada-United States Income Tax Convention (as the same may be amended, supplemented or replaced). Notwithstanding the foregoing, no Series 2 Subordinate Indemnified Tax will be payable in respect of any Series 2 Subordinate Bonds in respect of which a waiver pursuant to Section 3.11(1)(b) or Section 3.12(1)(b) has been made.

- (37) **“Subordinate Debt Service Reserve Account”** means an account established by the Company in the name of the Trustee in trust for the Company and maintained and held as security for the benefit of the holders of the Subordinate Bonds by the Trustee at a Permitted Financial Institution.
- (38) **“Taxes”** means any taxes, duties, assessments, imposts, levies and other similar charges imposed by any Governmental Authority in Canada or the United States, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in Canada or the United States in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, withholding, business, property, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping and all employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions.
- (39) **“Trans Deed of Trust”** means the deed of trust between the Company and the Trans Trustee dated as of March 12, 2008.
- (40) **“Trans Senior Bond”** means a 6.60% Senior Bond due June 16, 2023 (Series 1) created pursuant to the Trans Deed of Trust and the First Supplemental Trust Indenture supplemental thereto dated as of March 12, 2008, which Trans Senior Bonds are secured solely against the Transmission Enterprise Assets.
- (41) **“Trans Trustee”** means CIBC Mellon Trust Company in its capacity as trustee appointed under the Trans Deed of Trust.
- (42) **“Transmission Business”** means the business carried on by the Company consisting of the owning, operating and maintaining electricity transmitting facilities in the Province of Ontario and the transmission of electricity by way of such facilities, and all matters incidental and/or ancillary thereto.
- (43) **“Transmission Enterprise Assets”** means, collectively, all property, assets, contracts, permits, rights, licenses, franchises and undertaking of the Company, whether real, personal or mixed, tangible or intangible, of every nature, kind and description, wherever located, that are owned, leased or licensed by the Company and are used in connection with the Transmission Business including its interest

in: (i) all Transmission Real Estate; (ii) all Improvements used in connection with the Transmission Business and located on the Transmission Real Estate; (iii) the Transmission Assets; (iv) all intellectual property and intangible property (including without limitation, software) of every nature or kind used in connection with the Transmission Business; and (v) all buildings, plants, constructions, substations, equipment, machinery, transformers, motor vehicles, computer hardware, power transmission systems and lines, poles, wires and all other personal property, in each case owned, leased or licensed by the Company and used in connection with the Transmission Business, provided that to the extent that the Company has only a co-ownership interest in any such property, asset, contract, permit, right, licence, franchise or undertaking, it is such co-ownership interest that constitutes a Transmission Enterprise Asset.

- (44) **“Transmission Lands”** means the real property described in Schedule 6 upon which Transmission Assets are located.
- (45) **“Transmission Real Estate”** means, collectively, the Transmission Lands, Transmission Property Rights and all Future Sites used in connection with the Transmission Business.

## SECTION 2 CONVERTIBILITY OF SERIES 1 BONDS

### 2.1 Conversion of Series 1 Bonds

(1) Subject to and upon compliance with the provisions of this Section 2, the holder of each Series 1 Senior Bond will have the right, at its option, at any time prior to the close of business on the business day immediately preceding the Date of Conversion, to convert 31.25% of the principal amount of its Series 1 Senior Bonds into a Trans Senior Bond having a principal amount equal to the amount of the Series 1 Senior Bond being converted. Schedule 7 sets out (i) the registered holders of all Series 1 Senior Bonds and (ii) the Series 1 Senior Bonds currently owned by each such holder.

(2) Subject to and upon compliance with the provisions of this Section 2, the holder of each Series 1 Senior Bond will have the right, at its option, provided such holder has exercised the conversion right set forth in Section 2.1(1) hereof, at any time prior to the close of business on the business day immediately preceding the Date of Conversion, to convert all of the balance of its Series 1 Senior Bonds, after giving effect to the conversion provided for in Section 2.1(1), into a Series 2 Senior Bond having a principal amount equal to the amount of the Series 1 Senior Bond being converted in accordance with the provisions of this Section 2.1(2) into Series 2 Senior Bonds.

(3) Subject to and upon compliance with the provisions of this Section 2, the holder of each Series 1 Subordinate Bond will have the right, at its option, at any time prior to the close of business on the business day immediately preceding the Date of Conversion, to convert all of its Series 1 Subordinate Bonds into a Series 2 Subordinate Bond having a principal amount equal



to the aggregate principal amount of the Series 1 Subordinate Bonds being converted by it. Schedule 7 sets out (i) the registered holders of all Series 1 Subordinate Bonds and (ii) the Series 1 Subordinate Bonds currently owned by each such holder.

(4) The holder of a Series 1 Bond wishing to convert its Series 1 Bond must surrender such Series 1 Bond at any time prior to the close of business on the business day immediately preceding the Date of Conversion, to the Trustee at its principal offices in the City of Toronto (or such other place or places as the Trustee may approve), together with a written notice in the form attached as Schedule 8, duly executed by such holder. Subject to the satisfaction of all of the conditions set out in Section 2.1(5), on the Date of Conversion, such bondholder will be entitled to be entered in the register maintained by the Trustee and the Trans Trustee (if applicable), as at the Date of Conversion, as the holder of the Series 2 Bonds and Trans Senior Bonds (if applicable) issued upon the conversion of its Senior 1 Bonds and, as soon as practicable thereafter, the Trustee will deliver to such bondholder the Series 2 Senior Bonds, Series 2 Subordinate Bonds and/or Trans Senior Bonds to which such bondholder is entitled pursuant to Section 2.1(1), 2.1(2) and 2.1(3).

(5) The conversion of Series 1 Bonds into Series 2 Bonds and Trans Senior Bonds, and the creation, issuance and execution by the Company and the certification by the Trustee of the Series 2 Bonds and Trans Senior Bonds to be issued upon such conversion, will be subject to the satisfaction of each of the following conditions:

- (a) All bondholders holding Series 1 Bonds having elected to convert all of their Series 1 Bonds into Series 2 Bonds and Trans Senior Bonds in accordance with the provisions of Sections 2.1(1), 2.1(2), and 2.1(3), and surrendered their Series 1 Bonds to the Trustee for conversion in accordance with this Section 2.1;
- (b) The Company having paid to the Trustee for payment to the bondholders all accrued and unpaid interest to, but excluding, the Date of Conversion on the Series 1 Bonds being converted hereunder;
- (c) The Company having paid to the Trustee for payment to each bondholder holding a Series 1 Bond a work fee in the amount of 0.25% of the principal amount of each of the Series 1 Bonds held by such bondholder;
- (d) The Company having delivered to the Trustee a replacement title insurance policy (from the same insurer and providing the same coverage and endorsements as the title insurance policy originally delivered in respect of the Series 1 Bonds) insuring the priority of the Security against the Generation Lands and Leasehold Sites, in an amount equal to \$379,000,000 (representing the aggregate outstanding principal amount of the Series 2 Bonds);
- (e) Compliance by the Company with the conditions precedent set out in the Trans Deed of Trust and the First Supplemental Trust Indenture supplemental thereto dated as of March 12, 2008 with respect to the creation, issuance and execution by

the Company, and the certification by the Trans Trustee, of the Trans Senior Bonds in the aggregate principal amount of \$120,000,000;

- (f) The Company having furnished to the Trustee (i) a Written Order for the certification and delivery of Series 2 Senior Bonds having an aggregate principal amount of \$264,000,000 and Series 2 Subordinate Bonds having an aggregate principal amount of \$115,000,000, and (ii) a Certified Resolution authorizing the entering into of this Fourth Supplemental Trust Indenture and the creation, issuance and execution of the Series 2 Senior Bonds and Series 2 Subordinate Bonds in the principal amounts set forth above, having the attributes set out in this Fourth Supplemental Trust Indenture;
- (g) Receipt by the Trustee of an Opinion of Company Counsel dated the date of such Written Order to the effect that (i) all of the conditions precedent provided for in Section 2.1(5) relating to the authorization, execution, certification and delivery of the Series 2 Bonds have been complied with, and (ii) the Series 2 Bonds to be issued upon the conversion of the Series 1 Bonds have been duly authorized and executed by the Company and, upon certification by the Trustee and delivery thereof by the Trustee or the Company, will be valid and legally binding obligations of the Company and will be secured by the Security (as partially discharged in accordance with Section 4.1), subject to customary qualifications and assumptions;
- (h) Receipt by the Trustee of an Officers' Certificate stating that (i) all of the conditions precedent provided for in Section 2.1(5) relating to the authorization, execution, certification and delivery of the Series 2 Bonds have been complied with in accordance with the terms of this Fourth Supplemental Trust Indenture, and (ii) so far as is known to the signers, after having made due enquiry pursuant to Section 17.13 of the Indenture, no Default or Event of Default has occurred and is continuing or will result from the making or granting of the Written Order;
- (i) The Trustee shall have delivered a certificate signed by an authorized officer of the Trustee to the effect that: (i) the Trustee has performed and complied with all of its obligations under the Indenture in connection with the issuance of the Series 2 Bonds; and (ii) the following representations are true and correct on and with respect to the Date of Conversion and shall survive the conversions of the Series 1 Bonds and the issuance of the Series 2 Bonds:
  - (i) at the date thereof, no winding up, liquidation, dissolution, insolvency, bankruptcy, amalgamation, reorganization or continuation proceedings have been commenced or are being contemplated by the Trustee and the Trustee has no knowledge of any such proceedings having been commenced or being contemplated in respect of the Trustee by any other person;

- (ii) compliance by the Trustee with all of the provisions of the Indenture will not conflict with or result in any breach of any of the terms, conditions or provisions of, or constitute a default under the Letters Patent of the Trustee;
- (iii) there is no conflict of interest between the Trustee's role as a trustee under the Indenture and its role in any other capacity (including its capacity as Trans Trustee) which would in any way affect it in performing its duties under the Indenture; and
- (iv) the Trustee has duly certified the Series 2 Bonds in accordance with Section 2.5 of the Indenture.

(6) All Series 1 Bonds delivered to the Trustee will be cancelled by the Trustee and, if requested by the Company in writing, the Trustee will furnish to the Company a certificate setting forth the numbers and denominations of all of the Series 1 Bonds so cancelled.

(7) Upon the issuance of the Series 2 Bonds, the Trustee will provide to each bondholder a copy of this Fourth Supplemental Trust Indenture along with all other documentation referred to in this Section 2.1.

(8) A holder of a Series 1 Bond will not be entitled to receive the Series 2 Senior Bond, Series 2 Subordinate Bond or Trans Senior Bond to which it is entitled in respect of such Series 1 Bond unless and until it surrenders such Series 1 Bond to the Trustee in accordance with Section 2.1(4).

(9) In connection with the conversions of the Series 1 Bonds contemplated hereby, the Company hereby represents and warrants to the Trustee and each of the Bondholders as follows:

- (a) since June 16, 2003 there has been no Material Adverse Change in the Generation Enterprise Assets;
- (b) the Company has taken all actions necessary to remediate the Shikwamkwa Dam such that such facility is in a good state of repair for ongoing operation, complies with Applicable Laws and is maintained in accordance with Good Utility Practice; and
- (c) in connection with the conversion of the Series 1 Bonds into Trans Senior Bonds and Series 2 Bonds, it has not made any general solicitation or general advertising (as such terms are defined in Regulation D under the U.S. Securities Act of 1933, as amended), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising

### **SECTION 3 SERIES 2 BONDS – FORM AND TERMS**

#### **3.1 Creation and Designation of Series 2 Senior Bonds**

The initial Series 2 Senior Bonds will consist of and, exclusive of any Series 2 Senior Bonds issued upon any transfer of or any exchange or substitution for or by way of replacement of any Series 2 Senior Bonds previously issued, be limited to, Bonds in the aggregate principal amount not in excess of Cdn.\$264,000,000 to be designated as 6.60% Senior Bonds due June 16, 2023 (Series 2) and to be issued upon the conversion of Series 1 Senior Bonds in accordance with Section 2.1(1).

#### **3.2 Creation and Designation of Series 2 Subordinate Bonds**

The initial Series 2 Subordinate Bonds will consist of and, exclusive of any Series 2 Subordinate Bonds issued upon any transfer of or any exchange or substitution for or by way of replacement of any Series 2 Subordinate Bonds previously issued, be limited to, Bonds in the aggregate principal amount not in excess of Cdn.\$115,000,000 to be designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 2) and to be issued upon the conversion of Series 1 Subordinate Bonds having the same principal amount, in accordance with Section 2.1(3).

#### **3.3 Date of Issue and Maturity**

The Series 2 Bonds will be dated the Date of Conversion and any Series 2 Bond issued in substitution for or upon exchange or transfer of any Series 2 Bond, as provided in Section 2.7 or 2.10 of the Indenture, will be dated the same date. The Series 2 Bonds will become due and payable, together with all accrued interest and unpaid interest thereon, on the Maturity Date.

#### **3.4 Principal and Interest of Series 2 Senior Bonds**

The principal amount of the Series 2 Senior Bonds will bear interest from the Date of Conversion at a rate per annum equal to the Series 2 Senior Bond Interest Rate in effect from time to time (and, in the case of default, interest on all amounts overdue including overdue interest) calculated semi-annually in arrears. Interest will be payable on June 16 and December 16 in each year commencing on June 16, 2008 and ending on the Maturity Date. Changes in the Series 2 Senior Bond Interest Rate (including, without limitation, changes resulting from a change in the Credit Rating) will cause an immediate adjustment of the interest rate applicable to the Series 2 Senior Bonds without the necessity of any notices to the Company. Upon a change in the Series 2 Senior Bond Interest Rate the Company shall provide notice thereof together with a copy of the applicable Credit Rating report to the Trustee and each holder of Series 2 Senior Bonds within 10 Business Days of the Company becoming aware of same, or if the next interest payment date is within less than 10 Business Days, on or prior to such interest payment date. Commencing on December 16, 2013, payments of principal will be paid semi-annually in accordance with the payment schedule attached hereto as Schedule 9 such that there will be paid on the Series 2 Senior Bonds blended semi-annual payments of principal and interest calculated on the basis of a 25-year amortization period. Upon any change in the Applicable Margin, the

semi-annual payments shall be increased (or decreased) by an amount equal to the increase (or reduction) in the amount of interest payable during each such semi-annual period and the Company shall prepare and deliver to the Trustee (for delivery to the bondholders) a replacement payment schedule which shall be attached hereto in substitution for the then existing Schedule 9. Upon any partial redemption of a Series 2 Senior Bond in accordance with the terms hereof, the semi-annual blended payments of principal and interest payable under such Series 2 Senior Bond will be recalculated by the Company to reflect such redemption and the amount of principal payable on each payment date will be reduced proportionately. All payments of principal and interest due in respect of the Series 2 Senior Bonds will be paid in Canadian Dollars.

### **3.5 Principal and Interest of Series 2 Subordinate Bonds**

The principal amount of the Series 2 Subordinate Bonds will bear interest from the Date of Conversion at a rate per annum equal to the Series 2 Subordinate Bond Interest Rate in effect from time to time (and, in the case of default, interest on all amounts overdue including overdue interest) calculated semi-annually in arrears. Interest will be payable on June 16 and December 16 in each year commencing on June 16, 2008 and ending on the Maturity Date. Changes in the Series 2 Subordinate Bond Interest Rate (including, without limitation, changes resulting from a change in the Credit Rating) will cause an immediate adjustment of the interest rate applicable to the Series 2 Subordinate Bonds without the necessity of any notices to the Company. Upon a change in the Series 2 Subordinate Bond Interest Rate the Company shall provide notice thereof together with a copy of the applicable Credit Rating report to the Trustee and each holder of Series 2 Subordinate Bonds within 10 Business Days of the Company becoming aware of same, or if the next interest payment date is within less than 10 Business Days, on or prior to such interest payment date. All payments of principal and interest due in respect of the Series 2 Subordinate Bonds will be paid in Canadian Dollars. Prior to the Maturity Date, no principal payments will be due on the Series 2 Subordinate Bonds.

### **3.6 Security for Series 2 Bonds**

(1) The Series 2 Bonds will be secured solely against the Generation Enterprise Assets (and not against the Excluded Assets), including those Secured Assets that constitute Generation Enterprise Assets, (collectively, the "**Generation Secured Assets**"), including (without intending to be limiting) the Company's interest in:

- (a) all books and records related to the Generation Enterprise Assets;
- (b) all Accounts Receivable or other amounts owing by any person to the Company in connection with the Generation Business or arising from or relating to any portion of the Generation Enterprise Assets;
- (c) any Collateral at any time deposited with the Trustee (or an agent appointed by the Trustee) pursuant to the terms of the Indenture or any Security Agreement (as such Security Agreement may be amended and partially discharged in accordance with Section 4.1);

- (d) all cash generated at any time or from time to time from the Generation Business or the use of the Generation Enterprise Assets, and all such cash converted into Permitted Investments;
- (e) all other property or assets of the Company used in connection with the Generation Business;
- (f) all Material Contracts related to the Generation Business;
- (g) all leases, licenses and permits at any time or from time to time relating to the ownership, operation or maintenance of the Generation Business or the Generation Enterprise Assets;
- (h) all cash at any time or from time to time in the Cash Collateral Accounts; and
- (i) all insurance and expropriation proceeds arising at any time or from time to time from or relating to the Generation Business and/or the Generation Enterprise Assets.

(2) The Series 2 Bonds will benefit from all covenants and provisions of the Indenture and the Operative Documents except that all such covenants and provisions will be deemed to have been amended so as to apply only to the Generation Business, Generation Enterprise Assets and Generation Secured Assets. The Trustee is hereby authorized and directed to enter into such amendments, restatements or supplemental indentures to the Indenture and the Operative Documents listed on Schedule 10 hereto in order to reflect that all covenants and provisions therein that currently apply or relate to the Business, Power Real Estate, Power Assets or Secured Assets (or similar terms) will be limited to the Generation Business, Generation Real Estate and Generation Secured Assets, subject to those additional amendments set out herein.

(3) Notwithstanding anything contained herein to the contrary, or in the Security, the Operative Documents or any other documentation entered into pursuant to the Indenture or this Fourth Supplemental Trust Indenture, the obligations of the Company to the Trustee and the bondholders will be performed, satisfied and paid only out of, and enforced only against, and recourse will be had only against the Generation Secured Assets. Except with respect to the recourse of the Trustee pursuant to Sections 17.7, 19.1 and 19.2 of the Indenture, no obligation of the Company under the Indenture (including this Fourth Supplemental Trust Indenture), the Bonds, any Security Agreement or any other document delivered pursuant to the Indenture is personally binding upon, nor will any resort or recourse be had, judgment issued or execution or other process levied against the Company (except to the extent necessary for the enforcement of the Security and only for that purpose) or against any assets or revenues of the Company that do not constitute Generation Secured Assets.

### **3.7 Redemption of Series 2 Senior Bonds**

(1) The Series 2 Senior Bonds may be redeemed, at the option of the Company in whole at any time or in part from time to time, on not less than 30 days' and not more than 60

days' written notice (but for greater certainty only *pro rata* as among the holders of the Series 2 Senior Bonds) upon payment of the Series 2 Senior Bond Redemption Price for the Series 2 Senior Bonds to be redeemed and otherwise in accordance with Article 5 of the Indenture. The written notice of redemption will be delivered to the Trustee and to holders of Series 2 Senior Bonds and will include, in addition to the requirements contained in Section 5.3 of the Indenture, a description of the method of calculating the Series 2 Senior Bond Redemption Price as well as a sample calculation. On the date that is three business days before redemption, the Company must give to the Trustee and the holders of Series 2 Senior Bonds so to be redeemed notice of the actual Series 2 Senior Bond Redemption Price showing in reasonable detail the computation of the Series 2 Senior Bond Redemption Price for the Series 2 Senior Bonds.

(2) Upon the redemption of the Series 2 Senior Bonds as provided for hereunder and in the Indenture, notwithstanding anything to the contrary in the Indenture, the holder of a Series 2 Senior Bond will not be obligated to surrender such Series 2 Senior Bond to the Trustee or any other person except on receipt by such holder of the Series 2 Senior Bond Redemption Price in respect to such Series 2 Senior Bond. This Section 3.7(2) constitutes a home office payment agreement for the purposes of Section 2.11 of the Indenture.

(3) The Company will pay to each holder of a Series 2 Senior Bond the Make-Whole Amount (if any) together with any other amounts due under the Series 2 Senior Bonds in any circumstance giving rise in any manner to the repayment of the Series 2 Senior Bonds prior to the Maturity Date, including, without limitation, acceleration pursuant to Section 9.2 of the Indenture.

(4) All references to "premium" in Section 9.1(c) and 10.6(g) of the Indenture will be replaced with "Make-Whole Amount".

### **3.8 Redemption of Series 2 Subordinate Bonds**

(1) The Series 2 Subordinate Bonds may be redeemed, at the option of the Company in whole at any time or in part from time to time, on not less than 30 days' and not more than 60 days' written notice (but for greater certainty only *pro rata* as among the holders of the Series 2 Subordinate Bonds) upon payment of the Series 2 Subordinate Bond Redemption Price for the Series 2 Subordinate Bonds to be redeemed and otherwise in accordance with Article 5 of the Indenture. The written notice of redemption will be delivered to the Trustee and the holders of Series 2 Subordinate Bonds and will include, in addition to the requirements contained in Section 5.3 of the Indenture, a description of the method of calculating the Series 2 Subordinate Bond Redemption Price as well as a sample calculation. On the date that is three business days before redemption, the Company must give to the Trustee and the holders of Series 2 Subordinate Bonds so to be redeemed notice of the actual Series 2 Subordinate Bond Redemption Price showing in reasonable detail the computation of the Series 2 Subordinate Bond Redemption Price for the Series 2 Subordinate Bonds.

(2) Upon the redemption of the Series 2 Subordinate Bonds as provided for hereunder and in the Indenture, notwithstanding anything to the contrary in the Indenture, the holder of a Series 2 Subordinate Bond will not be obligated to surrender such Series 2 Subordinate Bond to

the Trustee or any other person except on receipt by such holder of the Series 2 Subordinate Bond Redemption Price in respect to such Series 2 Subordinate Bond. This Section 3.8(2) constitutes a home office payment agreement for the purposes of Section 2.11 of the Indenture.

(3) The Company will pay to each holder of a Series 2 Subordinate Bond the Make-Whole Amount (if any) (together with any other amounts due under the Series 2 Subordinate Bonds) upon payment of such Series 2 Subordinate Bonds in any circumstance giving rise in any manner to the repayment of the Series 2 Subordinate Bonds prior to the Maturity Date, including, without limitation, acceleration pursuant to Section 9.2 of the Indenture.

(4) Any redemption of the Series 2 Subordinate Bonds will be subject to the terms of Section 5.11 of the Indenture.

(5) All references to "premium" in Sections 9.1(c) and 10.6(g) of the Indenture will be replaced with "Make-Whole Amount".

### **3.9 Government of Canada Yield**

For the purposes of the determination of the Government of Canada Yield on a given date, the two Investment Dealers selected by the Company will confer with respect to such determination and will jointly report to the Company, the Trustee and each of the bondholders holding Bonds being redeemed the percentage figure they have determined for the Government of Canada Yield or, if the determinations are not the same, the arithmetic average (rounded to 4 decimal places) of the respective percentages and figures determined by each and such agreed percentage or average, as the case may be, will be the Government of Canada Yield for the purposes hereof.

### **3.10 Payment on Series 2 Bonds Net of Withholding Imposts.**

(1) All payments by the Company under any Series 2 Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or any other payment obligations, will be made in full, free and clear of and without any deduction or withholding for or on account of any present or future Taxes or duties of whatsoever nature unless the Company is required by Applicable Law to so deduct or withhold, in which event the Company will:

- (a) forthwith pay to each holder of a Series 2 Bond such additional amount so that the net amount received by the holder of such Series 2 Bond after any deduction or withholding for or on account of any Indemnified Tax (including any deduction or withholding for or on account of any Indemnified Tax on additional amounts payable under this Section 3.10(1)(a)) will equal the full amount which would have been received by it had no such deduction or withholding for or on account of Indemnified Tax been made, and pay to such holder of such Series 2 Bond such additional amounts so as to hold such bondholder harmless on an after-Tax basis from any Taxes payable by reason of the additional amounts payable pursuant to this Section 3.10(1)(a);



- (b) make the deduction or withholding required by Applicable Law (including any deduction or withholding from any additional amount paid pursuant to Section 3.10(1)(a));
- (c) pay to the relevant taxation or other authorities within the period for payment permitted by Applicable Law the full amount of the deduction or withholding (including the full amount of any deduction or withholding from any additional amount paid pursuant to Section 3.10(1)(a)); and
- (d) furnish to each holder of such Series 2 Bond promptly, as soon as available, an official receipt of the relevant taxation or other authorities involved for all amounts deducted or withheld as aforesaid.

(2) Any reference in the Indenture (including this supplemental indenture) to principal, Make Whole Amount, interest, interest on overdue interest, fees or any other payment obligation of the Company will be deemed also to refer to any additional amounts payable pursuant to Section 3.10(1)(a).

(3) If as a result of any payment by the Company under any Series 2 Bond, whether in respect of principal, Make Whole Amount (if any), interest, interest on overdue interest, fees or other payment obligations, any holder of a Series 2 Bond is required to pay any Indemnified Tax, then the Company will, upon demand by any such bondholder, and whether or not such Indemnified Taxes are correctly or legally asserted, indemnify each such bondholder for the payment of any such Indemnified Taxes, together with any interest, penalties and expenses in connection therewith, and for any Taxes on such indemnity payment. All such amounts will be payable by the Company on demand and will bear interest at the rate of interest per annum applicable to the particular Series 2 Bond, calculated from the date incurred by the bondholder to the date paid by the Company.

(4) If the Company is required to pay any additional amount to a holder of Series 2 Bonds in respect of Taxes (other than Indemnified Taxes) under Section 3.10(1), then if such holder realizes any savings of any Taxes (by way of credit (including foreign tax credit), deduction, refund, exclusion from income or otherwise, which Tax savings were not taken into account in calculating the additional amount) as a result of the Taxes giving rise to the payment of any such additional amount, then if and to the extent of any such additional amount, the holder will, at the time it realizes such Tax savings, repay the amount of such Tax savings to the Company, together with the amount of any Tax savings resulting from payment under this Section 3.10(4).

### **3.11 Optional Prepayment with Modified Make-Whole Amount.**

(1) If the Company is required to make payments to any holder of a Series 2 Senior Bond or a Series 2 Subordinate Bond pursuant to Section 3.10(1)(a) hereof or make any indemnity payment to any holder of a Series 2 Senior Bond or Series 2 Subordinate Bond pursuant to Section 3.10(3) hereof, and, in each case, the Company would have been required to make such payments on the Series 1 Bonds even if the transactions contemplated by Section 2.1

hereof relating to the conversion of the Series 1 Bonds and the transfer to GLPT of the Transmission Business had not occurred, then the Company will be entitled to redeem the Series 2 Senior Bonds or Series 2 Subordinate Bonds so affected upon payment of the Redemption Price for the Series 2 Senior Bonds or Series 2 Subordinate Bonds (as the case may be) to be redeemed, provided that:

- (a) the Company's right to redeem under this Section 3.11(1) will terminate if the Company has not given notice of redemption under Section 3.11(2) on or before the later of (A) 9 months after the date that the Company is first called upon by any holder of a Series 2 Senior Bond or Series 2 Subordinate Bond to honour its payment or indemnity obligations under Section 3.10(1)(a) or Section 3.10(3), respectively, or (B) 9 months after the date that any legislation requiring the Company to make any deduction or withholding under Section 3.10(1)(a) hereof, or requiring any holder of a Series 2 Senior Bond or Series 2 Subordinate Bond to pay any Indemnified Tax as contemplated in Section 3.10(3) hereof, comes into force; and
- (b) the Company will not be entitled to redeem under this Section 3.11(1) any Series 2 Bond in respect of which the holder of such Bond has, within 10 business days of receipt of a redemption notice made in accordance with Section 3.11(2), waived in writing the future obligations of the Company under Section 3.10(1)(a) and Section 3.10(3) hereof in respect to such deduction or withholding or indemnity for Taxes (without prejudice to accrued obligations thereunder).

(2) The Company will give to the Trustee and each holder of a Series 2 Senior Bond or Series 2 Subordinate Bond whose Series 2 Bonds it has elected to redeem pursuant to Section 3.11(1) irrevocable written notice of any redemption pursuant to Section 3.11(1) not less than 10 business days nor more than 60 business days prior to the Redemption Date, specifying (i) the Series 2 Senior Bonds or Series 2 Subordinate Bonds (as the case may be) to be prepaid, (ii) the Redemption Date (which must be a business day), (iii) the total principal amount of the Series 2 Senior Bonds or Series 2 Subordinate Bonds, and of the Series 2 Bonds held by such holder, to be redeemed on such date, and (iv) stating that such redemption is to be made pursuant to Section 3.11(1). Notice of redemption having been given as aforesaid, the applicable Redemption Price, will become due and payable on such Redemption Date.

(3) Any redemption of the Series 2 Subordinate Bonds will be subject to the terms of Section 5.11 of the Indenture.

### **3.12 Optional Purchase of Series 2 Subordinate Bonds with Modified Make-Whole Amount**

(1) If the Company is required to make payments to any holder of a Series 2 Subordinate Bond pursuant to Section 3.10(1)(a) hereof or make any indemnity payment to any holder of a Series 2 Subordinate Bond pursuant to Section 3.10(3) hereof, then the Company will be entitled to arrange for a person (who would not be subject to the deductions or withholdings of Taxes that the holder of the particular Series 2 Subordinate Bond is subject to) (the

“Purchaser”) to purchase (and the holder of the particular Series 2 Subordinate Bond will be obliged to sell) the Series 2 Subordinate Bonds so affected in whole upon payment of the Series 2 Subordinate Bond Purchase Price for the Series 2 Subordinate Bonds to be purchased, provided that:

- (a) the Company’s right to arrange for the purchase of the Series 2 Subordinate Bonds under this Section 3.12(1) will terminate if the Purchaser has not given notice of purchase under Section 3.12(2) on or before the later of (A) 9 months after the date that the Company is first called upon by any holder of a Series 2 Subordinate Bond to honour its payment or indemnity obligations under Section 3.10(1)(a) or Section 3.10(3), or (B) 9 months after the date that any legislation requiring the Company to make any deduction or withholding under Section 3.10(1)(a) hereof, or requiring any holder of a Series 2 Subordinate Bond to pay any Indemnified Tax as contemplated in Section 3.10(3) hereof, comes into force; and
- (b) the Company will not be entitled to arrange for the purchase under this Section 3.12(1) of any Series 2 Subordinate Bond in respect of which the holder of such Bond has, within 10 business days of receipt of a purchase notice made in accordance with Section 3.12(2), waived in writing the future obligations of the Company under Section 3.10(1)(a) and Section 3.10(3) hereof in respect to such deduction or withholding or indemnity for Taxes (without prejudice to accrued obligations thereunder).

(2) The Purchaser will give to the Trustee and each holder of a Series 2 Subordinate Bond whose Series 2 Subordinate Bonds it has elected to purchase pursuant to Section 3.12(1) irrevocable written notice of any purchase pursuant to Section 3.12(1) not less than 10 business days nor more than 60 business days prior to the Purchase Date, specifying (i) the Series 2 Subordinate Bonds to be purchased, (ii) the Series 2 Subordinate Bond Purchase Date (which must be a business day), (iii) the total principal amount of the Series 2 Subordinate Bonds, and of the Series 2 Subordinate Bonds held by such holder, to be purchased on such date, and (iv) stating that such purchase is to be made pursuant to Section 3.12(1). Notice of purchase having been given as aforesaid, the applicable Series 2 Subordinate Bond Purchase Price will become due and payable on such Series 2 Subordinate Bond Purchase Date. The Company will be jointly and severally liable with the Purchaser for any damages incurred by a holder of a Series 2 Subordinate Bond arising from the failure of the Purchaser to complete such purchase on the Series 2 Subordinate Bond Purchase Date.

### **3.13 Form of Series 2 Bonds**

(1) The Series 2 Senior Bonds and Series 2 Subordinate Bonds will be substantially in the forms set out in Schedules 1 and 2, respectively, and will bear such distinguishing letters and numbers as the Trustee may approve.

(2) The Trustee understands and acknowledges that the Series 2 Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S.

Securities Act”). Each Series 2 Senior Bond and Series 2 Subordinate Bond originally issued in the United States or to a U.S. Person will be represented by a definitive certificate in the form set out in Schedule 3 or Schedule 4 hereto, respectively, which definitive certificate, and each Series 2 Bond certificate issued in exchange therefor or in substitution thereof, will bear the following legend:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE “COMPANY”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.

A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT”;

If any Series 2 Bonds are being sold or transferred outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act, the legend may be removed by providing a declaration to the Trustee to the following effect (or as the Company may prescribe from time to time),

“The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance upon Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and (B) certifies that (1) it is not an “affiliate” (as defined in Rule 405 under the U.S. Securities Act) of Great Lakes Power Limited, (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of the Toronto Stock Exchange and neither the seller nor any person on its behalf knows that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any person acting on its behalf has engaged

or will engage in any directed selling efforts in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of “washing off” the resale restrictions imposed because the securities are “restricted securities” (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act), (5) the seller does not intend to replace the securities sold in reliance on Rule 904 of Regulation S with fungible unrestricted securities, and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meaning given to them by Regulation S.”

If any Series 2 Bonds are being sold or transferred pursuant to Rule 144 of the U.S. Securities Act, the legend may be removed by delivery to the Trustee of a written opinion of United States Counsel reasonably satisfactory to the Company to the effect that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

Prior to the issuance of Series 2 Bonds, the Company will notify the Trustee, in writing, concerning which Series 2 Bonds are to be certificated and are to bear the legend described above. The Trustee will thereafter maintain a list of all registered holders from time to time of legended Series 2 Bonds.

### **3.14 Signatures on Series 2 Bonds**

The Series 2 Bonds will be signed in accordance with the provisions of Section 2.4 of the Trust Indenture.

### **3.15 Certification**

The certificate of the Trustee on any Series 2 Bond will not be construed as a representation or warranty by the Trustee as to the validity of this Fourth Supplemental Trust Indenture or of the Series 2 Bonds (except the due certification thereof and any other warranties implied by law) and the Trustee will in no respect be liable or answerable for the use made of the Series 2 Bonds or any of them or the proceeds thereof.

## **SECTION 4 COVENANTS APPLICABLE TO SERIES 2 BONDS**

### **4.1 Consent of Bondholders**

The Trustee confirms that the bondholders have consented to the entering into of this Fourth Supplemental Trust Indenture and the Trans Deed of Trust and the issuance of the Trans Senior Bonds, and all matters contemplated hereby and thereby.

### **4.2 Consent to Sale of Transmission Enterprise Assets and Partial Discharge of Security**

After the conversion of all Series 1 Bonds into Series 2 Bonds and Trans Senior Bonds in accordance with Section 2 and the Trans Deed of Trust:

- (a) The Company will be permitted to sell and transfer the Transmission Enterprise Assets to GLPT, make a Distribution of the proceeds of such sale and transfer and enter into and carry out its obligations under the Reciprocal Agreement and the Operation, Maintenance and Administration Agreement;
- (b) The Transmission Enterprise Assets will be released and discharged from Security, and the Debenture, GSA, Assignment of Material Contracts and Assignment of Insurance will be amended accordingly;
- (c) The covenants and provisions of the Indenture and the Operative Documents will cease to apply to the Transmission Business, the Transmission Enterprise Assets, the Secured Assets that are not Generation Secured Assets, and the Included Subsidiary;
- (d) The Pledge Agreement and Subsidiary Guarantee will be discharged and released and the securities pledged pursuant to the Pledge Agreement will be returned to the Company (which securities will be pledged as security for the Trans Senior Bonds pursuant to the Trans Deed of Trust); and
- (e) Notwithstanding Section 6.2(ii)(c) of the Indenture, the Company will be permitted to issue the Series 2 Subordinate Bonds contemplated by this Fourth Supplemental Trust Indenture and the bondholders hereby consent to the Company's non-compliance with such Section 6.2(ii)(c) as it relates only to the Series 2 Subordinate Bonds issued pursuant to this Fourth Supplemental Trust Indenture. This consent does not extend to any future issue by the Company of Subordinate Bonds;

provided that contemporaneous with each of the actions described above in this Section 4.2, GLPT assumes all of the obligations of the Company pursuant to the Trans Deed of Trust and all security documents relating thereto.

#### **4.3 Amendments to Indenture**

- (1) Notwithstanding Section 6.23 of the Indenture:
  - (a) the Company will maintain the Debt Service Reserve Account for the benefit of the Senior Bonds in accordance with Section 6.23 of the Indenture in an amount equal to 10 months interest on the outstanding Senior Bonds (whether by way of cash or Letter of Credit)
  - (b) in the event that there is an increase in the Series 2 Senior Bond Interest Rate as a result of an increase in the Applicable Margin, the Company will (i) deliver to the Trustee (for delivery to the bondholders) an Officers' Certificate setting out its revised calculation of the amount required to be on deposit in the Debt Service Reserve Account, and (ii) deposit such additional amount to the Debt Service Reserve Account as shall be required pursuant to Section 6.23 of the Indenture as

a result of such increase or shall provide to the Trustee an additional Letter of Credit in the amount otherwise required to be deposited to the Debt Service Reserve Account; and

- (c) the Company will establish and maintain a Subordinate Debt Service Reserve Account as a segregated account in the name of the Trustee in trust for the Company for purposes of servicing interest and, following the occurrence of an Event of Default, principal payments on the Subordinate Bonds. The Company will, at its option, either (i) maintain on deposit in the Subordinate Debt Service Reserve Account an amount of cash equal to 6 months interest on the Subordinate Bonds outstanding from time to time, or (ii) provide to the Trustee a Letter of Credit with a face amount equal to 6 months interest on the outstanding Subordinate Bonds. Funds held in the Subordinate Debt Service Reserve Account may be invested by the Trustee, on written instructions from the Company, in Permitted Investments. The Company will be entitled to, and the Trustee will allow the Company to, withdraw amounts from the Subordinate Debt Service Reserve Account to pay amounts of interest due under the Subordinate Bonds in the event that revenues of the Company are insufficient therefor; provided that the Company will not be entitled to make any Distribution following a withdrawal from the Subordinate Debt Service Reserve Account until the Subordinate Debt Service Reserve Account has been funded to its required level. For greater certainty, the Subordinate Debt Service Reserve Account will at all times be funded to the maximum level required hereunder and should any draw be made on such account, the Company will ensure that the account is re-funded, from time to time, in an amount equal to the withdrawn amount prior to making any Distributions. In the event that there is an increase in the Series 2 Subordinate Bond Interest Rate as a result of an increase in the Applicable Margin, the Company will (i) deliver to the Trustee (for delivery to the bondholders) an Officers' Certificate setting out its revised calculation of the amount required to be on deposit in the Subordinate Debt Service Reserve Account, and (ii) deposit such additional amount to the Subordinate Debt Service Reserve Account as shall be required pursuant to this paragraph as a result of such increase or shall provide to the Trustee an additional Letter of Credit in the amount otherwise required to be deposited to the Subordinate Debt Service Reserve Account. In the event that the Subordinate Debt Service Reserve Account is funded in an amount that exceeds that amount representing 6 months interest on the Subordinate Bonds, the Company will be entitled to, and the Trustee will allow the Company to, withdraw funds to the extent of such excess amount or reduce the Letter of Credit to, or replace the Letter of Credit held by the Trustee with a Letter of Credit in the required amount.

The Subordinate Debt Service Reserve Account shall form part of the Security for the Subordinate Bonds only and any Letter of Credit delivered pursuant to Section 4.3(1)(c) of this Fourth Supplemental Trust Indenture shall form part of the Security for the Subordinate Bonds only. If no agreement for a renewal or a replacement of a Letter of Credit delivered pursuant to

Section 4.3(1)(c) of this Fourth Supplemental Trust Indenture is made 15 days prior to the expiration of such Letter of Credit, the Company shall immediately notify the Trustee and the bondholders and the Trustee shall immediately draw on such Letter of Credit and deposit such drawing in the Subordinate Debt Service Reserve Account.

At any time that the principal amount of the outstanding Subordinate Bonds equals or is less than 30% of the principal amount of the outstanding Senior Bonds, Section 4.3(1)(a) will cease to apply and the provisions of Section 6.23 of the Indenture will apply, so that the amount of the Debt Service Reserve Account for the benefit of the Senior Bonds equals 9 months' interest on the outstanding Senior Bonds. For greater certainty, the obligation to maintain the Subordinate Debt Service Reserve Account in accordance with the provisions of Section 4.3(1)(c) shall not be affected by the provisions of the foregoing sentence.

(2) The Company will be permitted to grant permits, licenses, easements, rights of way, reciprocal rights, rights in the nature of easements, subleases, sublicenses, and other similar rights or agreements in favour of any owner of the Transmission Business, the D & C Business or any other Person provided that the same do not constitute a disposition of any, do not materially impair the value of the Generation Secured Assets or materially interfere with the use thereof in connection with the Generation Business (each a "**Permitted Right**"), including the Permitted Rights contemplated by the Reciprocal Agreement. The Trustee will, at the request of the Company, subordinate and/or postpone the Security to each Permitted Right, consent to, or grant a non-disturbance agreement in favour the holder of such Permitted Right, on such terms as the Company may reasonably require provided that the Company delivers to the Trustee:

- (a) a Written Request setting out the proposed subordination, postponement, consent and/or non-disturbance agreement; and
- (b) an Officers' Certificate providing details of the Permitted Right, stating that the requested subordination, postponement, consent and/or non-disturbance agreement complies with the provisions of this Section 4.3(2), and stating that, so far as is known to the signers, after having made due enquiry pursuant to Section 17.13 of the Indenture, no Default or Event of Default has occurred and is continuing or will result from the making or granting of the Written Request.

(3) The Trustee will, at the request of the Company, release and discharge the Security in respect of the Excluded Assets, or execute an acknowledgement to the effect that the Indenture, Operative Documents and/or Security do not extend to the Excluded Assets (or any part thereof) provided that the Company delivers to the Trustee:

- (a) a Written Request setting out the proposed release, discharge or acknowledgement; and
- (b) an Officers' Certificate stating that the proposed release, discharge or acknowledgement complies with the provisions of this Section 4.3(3), and stating that, so far as is known to the signers, after having made due enquiry pursuant to



Section 17.13 of the Indenture, no Default or Event of Default has occurred and is continuing or will result from the making or granting of the Written Request.

(4) Notwithstanding Section 6.2(i) of the Indenture, the Company may only issue Additional Bonds if, in addition to the matters provided for in Section 6.2(i) of the Indenture, the Company has provided to the Trustee an Officers' Certificate certifying that after giving effect to the proposed issuance of Additional Bonds and the application of the proceeds therefrom (to the extent used to retire existing Indebtedness), the ratio of the projected EBITDA for the twelve consecutive calendar months immediately following the date of the proposed issuance to the projected Debt Service for such period is at least equal to 3.0:1.0, which Officers' Certificate shall have attached thereto a schedule setting forth the calculation of such amounts in the form attached hereto as Schedule 11. For the purposes hereof, projected EBITDA shall be based on: (i) the average hydrology for the generating facilities owned by the Company over a 30 or more year period (or in respect of a particular generating station for which such data does not exist, such shorter period of time for which the Company has data) and the current capacity of the Generation Assets; and (ii) the lesser of (A) the weighted average of the actual price for power received by the Company for power on a hour-by-hour basis for the prior twelve-month period expressed as \$ per Mwh, and (B) the projected Ontario market price for power expressed as \$ per Mwh as set forth in the Consultant's Report as adjusted to reflect the historical prices received by the Company relative to historic market prices. For the purposes hereof, the "**Consultant's Report**" means in respect of each issuance of Additional Bonds, a report prepared by a nationally recognized consulting firm selected by the Company that is experienced in providing long-range electricity price forecasts for the Ontario market. Upon preparation of a Consultant's Report, a copy of same shall be provided to each holder of Bonds.

(5) Notwithstanding Section 6.2(ii) of the Indenture, the Company may only issue Subordinate Bonds if, in addition to the matters provided for in Section 6.2(ii) of the Indenture, the Company has provided to the Trustee an Officers' Certificate certifying that after giving effect to the proposed issuance of Subordinate Bonds and the application of the proceeds therefrom (to the extent used to retire existing Indebtedness), the ratio of the projected EBITDA for the twelve consecutive calendar months immediately following the date of the proposed issuance to the projected Debt Service for such period is at least equal to 2.0:1.0, which Officers' Certificate shall have attached thereto a schedule setting forth the calculation of such amounts in the form attached hereto as Schedule 11. For the purposes hereof, projected EBITDA shall be based on: (i) the average hydrology for the generating facilities owned by the Company over a 30 or more year period (or in respect of a particular generating station for which such data does not exist, such shorter period of time for which the Company has data) and the current capacity of the Generation Assets; and (ii) the lesser of (A) the weighted average of the actual price for power received by the Company for power on a hour-by-hour basis for the prior twelve-month period expressed as \$ per Mwh, and (B) the projected Ontario market price for power expressed as \$ per Mwh as set forth in the Consultant's Report as adjusted to reflect the historical prices received by the Company relative to historic market prices. For the purposes hereof, the "**Consultant's Report**" means in respect of each issuance of Subordinate Bonds, a report prepared by a nationally recognized consulting firm selected by the Company that is experienced

in providing long-range electricity price forecasts for the Ontario market. Upon preparation of a Consultant's Report, a copy of same shall be provided to each holder of Bonds.

(6) With effect from the date of the transfer of the Transmission Business and the Transmission Enterprise Assets, the definition of "Business" in the Indenture is amended to be the same as the definition of "Generation Business" herein and notwithstanding Section 6.8(ii) of the Indenture, the Company shall not carry on any business outside of the Province of Ontario.

(7) The definition of "Affiliate" in Section 1.3 of the Indenture is deleted in its entirety and the following is substituted therefor:

"**Affiliate**" means, with respect to any person, any person directly or indirectly controlled by, controlling or under common control with such person; where "**control**" includes (i) the ownership of or power to vote, directly or indirectly, shares, or the equivalent, representing 50% or more of the power to vote in the election of directors, managers, trustees or persons performing similar functions for that person, (ii) the ownership of 50% or more of the equity or beneficial interest in that person, (iii) the ownership of or power to vote directly or indirectly, shares or the equivalent, representing at least 20% of the voting rights attributable to the shares or interests in such other person, which enables the first person to, directly or indirectly, direct or cause the direction of the management or policies of such person, or (iv) with respect to a partnership, control (as otherwise determined in accordance with this definition) of a general partner of such partnership."

(8) The definition of "**Letter of Credit**" in Section 1.3 of the Indenture is deleted in its entirety and the following is substituted therefore:

"**Letter of Credit**" means an irrevocable and unconditional letter of credit in form and substance acceptable to the Trustee, upon receipt of advice of Counsel, issued by one of the Permitted Financial Institutions naming the Trustee as beneficiary thereunder on behalf of (i) the holders of the Senior Bonds, in the case of the Debt Service Reserve Account, (ii) the holders of the Subordinate Bonds, in the case of the Subordinate Debt Service Reserve Account, and (iii) the holders of all Bonds, in any other case;

(9) The definition of "**Major Rating Agency**" in Section 1.3 of the Indenture is deleted in its entirety and the following is substituted therefor:

"**Major Rating Agency**" means, any of S&P, DBRS, Moody's or Fitch or any of their respective successors or, if such rating agencies or their successors do not remain in existence, such nationally recognized statistical rating agency or other comparable

person designated by the Trustee and approved by Ordinary Resolution of the holders of the Senior Bonds (and if no Senior Bonds are outstanding, by the holders of Subordinate Bonds).”

(10) The following definition is inserted into Section 1.3 of the Indenture in alphabetical order:

“**Fitch**” means Fitch Ratings Ltd. and its successors and assigns.”

(11) The following is inserted at the end of the penultimate sentence of Section 3.9(1) of the Indenture:

“other than as a result of a payment made from the Subordinate Debt Service Reserve Account or from a Letter of Credit held by the Trustee in place of a deposit to the Subordinate Debt Service Reserve Account”.

(12) Section 9.1(n) of the Indenture is deleted in its entirety and the following is substituted therefore:

“(n) if a final judgement, execution, writ of seizure and sale, sequestration or decree for the payment of money due has been obtained or entered against the Company that is enforceable against the assets of the Company in an amount in excess of \$25,000,000 and such judgement, execution, writ of seizure and sale, sequestration or decree will not have been and remain vacated, bonded, paid, discharged or stayed pending appeal within 30 days; or”.

## SECTION 5- MISCELLANEOUS

### 5.1 Acceptance of Trust

The Trustee accepts the trusts in this Fourth Supplemental Trust Indenture and agrees to carry out and discharge the same upon the terms and conditions set out in this Fourth Supplemental Trust Indenture and in accordance with the Indenture.

### 5.2 Confirmation of Trust Indenture

The Trust Indenture as amended and supplemented by this Fourth Supplemental Trust Indenture is in all respects confirmed.

### 5.3 Indemnification of the Trustee

The Trustee, in both its individual and trustee capacity and its directors, officers, employees and agents, will at all times be indemnified and saved harmless by the Company from and against all claims, demands, losses, actions, causes of action, costs, charges, expenses,

damages and liabilities whatsoever, and, without limiting the generality of the foregoing, such indemnity must include a full indemnity referable to any and all environmental liability, (except to the extent caused by the gross negligence or wilful misconduct of the Trustee, its agents, employees, contractors, representatives, directors or officers) arising in connection with this Fourth Supplemental Trust Indenture, including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated hereby, legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee. The foregoing provisions of this 5.3 do not apply to the extent that in any circumstances there has been a failure by the Trustee or its employees or agents to act honestly and in good faith or to discharge the Trustee's obligations under Section 17.1 of the Indenture. This indemnity will survive the termination or discharge of this indenture and the resignation or removal of the Trustee.


#### **5.4 Counterparts**

This Fourth Supplemental Trust Indenture may be executed in counterparts, each of which so executed will be deemed to be original and such counterparts together will constitute one and the same instrument.

**[SIGNATURE PAGE FOLLOWS]**

IN WITNESS WHEREOF the parties hereto have executed this Fourth Supplemental Trust Indenture under the hands of their proper signatories in that behalf:

**GREAT LAKES POWER LIMITED**


By:   
Name: Patricia Bood  
Title: Vice-President and Secretary

By: \_\_\_\_\_  
Name:  
Title:

**CIBC MELLON TRUST COMPANY**

By:  \_\_\_\_\_

Name: EUGENIA PETRYDA  
Title: ACCOUNT MANAGER

By:  \_\_\_\_\_

Name: LENNOX AUGUST  
Title: ASSOCIATE MANAGER

S1-1

**Schedule 1 – FORM OF SERIES 2 SENIOR BOND**

No. S2-001

**GREAT LAKES POWER LIMITED**  
**(Incorporated under the laws of Ontario)**  
**6.60% SENIOR BOND DUE JUNE 16, 2023 (SERIES 2)**

Issue Date	■, 2008
Maturity Date	June 16, 2023
Interest Rate Per Annum	6.60% plus the Applicable Margin (as defined in the Fourth Supplemental Trust Indenture)
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	June 16, 2008
Principal Payment Dates	June 16 and December 16 in each year commencing December 16, 2013 based on a 25 year amortization period
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the “Company”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “**Maturity Date**”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 6.60% Senior Bond due June 16, 2023 (Series 2) (the “**Series 2 Senior Bond**”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay (i) during the period from the Issue Date until and including June 16, 2013, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum; and (ii) during the period from June 16, 2013 until and including the Maturity Date, blended semi-annual payments of principal and interest on the Principal Amount outstanding at the Interest Rate Per Annum, such amount to be calculated on the basis of a 25 year amortization period, at the address of the registered holder hereof appearing on the register of Series 2 Senior Bonds maintained by or at the direction of the Trustee (the “**Register**”). The remaining outstanding principal hereof will be due and payable on the Maturity Date. Interest will be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company will, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of

joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 2 Senior Bond is one of an authorized issue of bonds designated as 6.60% Senior Bonds due June 16, 2023 (Series 2) and forming the series of bonds created and issued under a fourth supplemental trust indenture made as of March 12, 2008 (the "**Fourth Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Fourth Supplemental Trust Indenture, the First Supplemental Trust Indenture dated as of June 16, 2003, the Second Supplemental Trust Indenture dated as of July 31, 2003, the Third Supplemental Trust Indenture dated as of June 30, 2006, and the Indenture (as further amended or supplemented from time to time) collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 2 Senior Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 2 Senior Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 2 Senior Bond and to each of which the registered holder of this Series 2 Senior Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 2 Senior Bonds that may be created and issued under the Trust Indenture is limited to \$264,000,000 in lawful money of Canada.

The Series 2 Senior Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Senior Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 2 Senior Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Series 2 Senior Bond Redemption Price (as defined in the Fourth Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 2 Senior Bonds in the open market, by tender or by private contract, at any price. Series 2 Senior Bonds purchased by the Company will be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.



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The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 2 Senior Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer will be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Series 2 Senior Bond is limited as provided for in the Trust Indenture.

This Series 2 Senior Bond will not become obligatory for any purpose until it will have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

IN WITNESS WHEREOF GREAT LAKES POWER LIMITED has caused this Series 2 Senior Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 2 Senior Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY,**  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

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**Schedule 2 – FORM OF SERIES 2 SUBORDINATE BOND**

No. S2-001

**GREAT LAKES POWER LIMITED**  
**(Incorporated under the laws of Ontario)**  
**7.80% SUBORDINATE BOND DUE JUNE 16, 2023 (SERIES 2)**

Issue Date	■, 2008
Maturity Date	June 16, 2023
Interest Rate Per Annum	7.80% plus the Applicable Margin (as defined in the Fourth Supplemental Trust Indenture)
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	June 16, 2008
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the “**Company**”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “**Maturity Date**”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 7.80% Subordinate Bond due June 16, 2023 (Series 2) (the “**Series 2 Subordinate Bond**”), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay during the period from the Issue Date until and including the Maturity Date, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum, at the address of the registered holder hereof appearing on the register of Series 2 Subordinate Bonds maintained by or at the direction of the Trustee (the “**Register**”). The Principal Amount will be due and payable on the Maturity Date. Interest will be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company will, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental

indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 2 Subordinate Bond is one of an authorized issue of bonds designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 2) and forming the series of bonds created and issued under a fourth supplemental trust indenture made as of March 12, 2008 (the "**Fourth Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Fourth Supplemental Trust Indenture, the First Supplemental Trust Indenture dated as of June 16, 2003, the Second Supplemental Trust Indenture dated as of July 31, 2003, the Third Supplemental Trust Indenture dated as of June 30, 2006, and the Indenture (as further amended or supplemented from time to time) collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 2 Subordinate Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 2 Subordinate Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 2 Subordinate Bond and to each of which the registered holder of this Series 2 Subordinate Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 2 Subordinate Bonds that may be created and issued under the Trust Indenture is limited to \$115,000,000 in lawful money of Canada.

The Series 2 Subordinate Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Subordinate Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 2 Subordinate Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Series 2 Subordinate Bond Redemption Price (as defined in the Fourth Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 2 Subordinate Bonds in the open market, by tender or by private contract, at any price. Series 2 Subordinate Bonds purchased by the Company will be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all

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holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 2 Subordinate Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer will be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Series 2 Subordinate Bond is limited as provided for in the Trust Indenture.

This Series 2 Subordinate Bond will not become obligatory for any purpose until it will have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

IN WITNESS WHEREOF Great Lakes Power Limited has caused this Series 2 Subordinate Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

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(FORM OF TRUSTEE'S CERTIFICATE)

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 2 Subordinate Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY,**  
Trustee

By: \_\_\_\_\_

Authorized Signatory

(FORM OF REGISTRATION PANEL)

(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

**Schedule 3 – U.S. FORM OF DEFINITIVE SERIES 2 SENIOR BOND**

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE "COMPANY") THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT.**

No. S2-001

**GREAT LAKES POWER LIMITED  
(Incorporated under the laws of Ontario)  
6.60% SENIOR BOND DUE JUNE 16, 2023 (SERIES 2)**

Issue Date	■, 2008
Maturity Date	June 16, 2023
Interest Rate Per Annum	6.60% plus the Applicable Margin (as defined in the Fourth Supplemental Trust Indenture)
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	June 16, 2008
Principal Payment Dates	June 16 and December 16 in each year commencing December 16, 2013 based on a 25 year amortization period
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the "**Company**") for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the "**Maturity Date**"), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 6.60% Senior Bond due June 16, 2023 (Series 2) (the "**Series 2 Senior Bond**"), the Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay (i) during the period from the Issue Date until and including June 16, 2013, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum; and (ii) during the period from June 16, 2013 until and including the Maturity Date, blended semi-annual payments of principal and interest on the Principal Amount outstanding at the Interest Rate Per Annum, such amount to be calculated on the basis of a 25 year amortization period, at the address of the registered holder hereof appearing on the register of Series 2 Senior Bonds maintained by or at the direction of the Trustee (the "**Register**"). The remaining outstanding principal hereof will be due and payable on the Maturity Date. Interest will be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company will, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 2 Senior Bond is one of an authorized issue of bonds designated as 6.60% Senior Bonds due June 16, 2023 (Series 2) and forming the series of bonds created and issued under a fourth supplemental trust indenture made as of March 12, 2008 (the "**Fourth Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Fourth Supplemental Trust Indenture, the First Supplemental Trust Indenture dated as of June 16, 2003, the Second Supplemental Trust Indenture dated as of July 31, 2003, the Third Supplemental Trust Indenture dated as of June 30, 2006, and the Indenture (as further amended or supplemented from time to time) collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 2 Senior Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 2 Senior Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 2 Senior Bond and to each of which the registered holder



of this Series 2 Senior Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 2 Senior Bonds that may be created and issued under the Trust Indenture is limited to \$264,000,000 in lawful money of Canada.

The Series 2 Senior Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Senior Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 2 Senior Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Series 2 Senior Bond Redemption Price (as defined in the Fourth Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 2 Senior Bonds in the open market, by tender or by private contract, at any price. Series 2 Senior Bonds purchased by the Company will be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 2 Senior Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer will be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Series 2 Senior Bond is limited as provided for in the Trust Indenture.

This Series 2 Senior Bond will not become obligatory for any purpose until it will have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

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IN WITNESS WHEREOF Great Lakes Power Limited has caused this Series 2 Senior Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

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**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 2 Senior Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY,**  
Trustee

By: \_\_\_\_\_

Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR

**Schedule 4 – U.S. FORM OF DEFINITIVE SERIES 2 SUBORDINATE BOND**

**THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, UNDERSTANDS AND ACKNOWLEDGES FOR THE BENEFIT OF GREAT LAKES POWER LIMITED (THE “COMPANY”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR RULE 144A THEREUNDER OR (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION, PROVIDED THAT IN THE CASE OF A TRANSFER PURSUANT TO (C) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**A NEW CERTIFICATE BEARING NO LEGEND, MAY BE OBTAINED FROM CIBC MELLON TRUST COMPANY UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO CIBC MELLON TRUST COMPANY AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT.**

No. S2-001

**GREAT LAKES POWER LIMITED  
(Incorporated under the laws of Ontario)  
7.80% SUBORDINATE BOND DUE JUNE 16, 2023 (SERIES 2)**

Issue Date	■, 2008
Maturity Date	June 16, 2023
Interest Rate Per Annum	7.80% plus the Applicable Margin (as defined in the Fourth Supplemental Trust Indenture)
Interest Payment Dates	June 16 and December 16 in each year
Initial Interest Payment Date	June 16, 2008
Principal Amount	\$●

**GREAT LAKES POWER LIMITED** (the “Company”) for value received hereby promises to pay to [name of bondholder/ the registered holder] hereof on June 16, 2023 (the “Maturity Date”), or on such earlier date as the Principal Amount (or a portion thereof) may become due in accordance with the provisions of the Trust Indenture (as defined below), this 7.80% Subordinate Bond due June 16, 2023 (Series 2) (the “Series 2 Subordinate Bond”), the

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Principal Amount in lawful money of Canada at the office of the Trustee (as defined below) at 320 Bay Street, Toronto, Ontario, and to pay during the period from the Issue Date until and including the Maturity Date, semi-annual payments of interest only on the Principal Amount outstanding at the Interest Rate Per Annum, at the address of the registered holder hereof appearing on the register of Series 2 Subordinate Bonds maintained by or at the direction of the Trustee (the "**Register**"). The Principal Amount will be due and payable on the Maturity Date. Interest will be payable semi-annually in arrears with the first such payment to be payable on the Initial Interest Payment Date, and if the Company at any time defaults in the payment of any principal or interest, to pay interest on the amount in default at the same rate, in like money, on demand, at the address of the registered holder hereof appearing on the Register. The Company will, at the request of the registered holder hereof, on the date on which principal and interest becomes due (or if such date is not a business day, the first business day preceding such day), (i) forward or cause to be forwarded by prepaid post to the address of the registered holder, or, in the case of joint holders, to one of such joint holders, one or more cheques (drawn on a Canadian chartered bank) for such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture) payable to the order of such holder or holders or, (ii) effect a wire transfer to the holder or, in the case of joint holders, to one of such joint holders, based on the wire transfer instructions provided by any such holder to the Company in the amount of such principal or interest (less any tax required to be deducted or withheld plus any gross up required to be paid pursuant to any supplemental indenture), in each case in immediately available funds for receipt not later than 12:00 (noon) Toronto time on the date such payment is due.

This Series 2 Subordinate Bond is one of an authorized issue of bonds designated as 7.80% Subordinate Bonds due June 16, 2023 (Series 2) and forming the series of bonds created and issued under a fourth supplemental trust indenture made as of March 12, 2008 (the "**Fourth Supplemental Trust Indenture**") to a deed of trust (the "**Indenture**") made as of June 16, 2003, between the Company and CIBC Mellon Trust Company (the "**Trustee**"), as Trustee (the Fourth Supplemental Trust Indenture, the First Supplemental Trust Indenture dated as of June 16, 2003, the Second Supplemental Trust Indenture dated as of July 31, 2003, the Third Supplemental Trust Indenture dated as of June 30, 2006, and the Indenture (as further amended or supplemented from time to time) collectively referred to herein as the "**Trust Indenture**"). The Trust Indenture specifies the terms and conditions upon which the Series 2 Subordinate Bonds are created and issued or may be created, issued and held and the rights of the registered holders of the Series 2 Subordinate Bonds, the Company and the Trustee, all of which terms and conditions are incorporated by reference in this Series 2 Subordinate Bond and to each of which the registered holder of this Series 2 Subordinate Bond, by acceptance hereof, agrees. Capitalized terms used but not defined herein have the meanings specified in the Trust Indenture.

The aggregate principal amount of Series 2 Subordinate Bonds that may be created and issued under the Trust Indenture is limited to \$115,000,000 in lawful money of Canada.

The Series 2 Subordinate Bonds are direct secured obligations of the Company and will rank equally with each other and with all other Subordinate Bonds of every other series from time to time issued and outstanding pursuant to the Trust Indenture.

This Series 2 Subordinate Bond is redeemable, at the option of the Company, provided that no Default or Event of Default is continuing, in whole at any time or in part from time to time, subject to the terms and conditions set forth in the Trust Indenture, at a price equal to the Series 2 Subordinate Bond Redemption Price (as defined in the Fourth Supplemental Trust Indenture).

At any time when the Company is not in default under the Trust Indenture, the Company may, subject to the terms and conditions set forth in the Trust Indenture, purchase Series 2 Subordinate Bonds in the open market, by tender or by private contract, at any price. Series 2 Subordinate Bonds purchased by the Company will be cancelled and not reissued.

The Principal Amount may become or be declared due before the Maturity Date on the conditions, in the manner, with the effect and at the times set forth in the Trust Indenture.

The Trust Indenture contains provisions for the holding of meetings of registered holders of Bonds issued by the Company pursuant to the Trust Indenture and the making of resolutions at such meetings and the creation of instruments in writing signed by the registered holders of a specified majority of Bonds issued and outstanding pursuant to the Trust Indenture. Such resolutions and instruments will be binding on and may affect the rights and entitlements of all holders of Bonds issued by the Company pursuant to the Trust Indenture, subject to the provisions of the Trust Indenture.

This Series 2 Subordinate Bond may be transferred only upon compliance with the conditions prescribed in the Trust Indenture and upon compliance with such reasonable requirements as the Trustee or other registrar may prescribe, and such transfer will be duly noted hereon by the Trustee or other registrar.

Recourse against the Company in respect to its obligations under this Series 2 Subordinate Bond is limited as provided for in the Trust Indenture.

This Series 2 Subordinate Bond will not become obligatory for any purpose until it will have been certified by the manual signature of the Trustee in accordance with the Trust Indenture.

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IN WITNESS WHEREOF Great Lakes Power Limited has caused this Series 2 Subordinate Bond to be signed by its duly authorized signing officers.

**GREAT LAKES POWER LIMITED**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

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**(FORM OF TRUSTEE'S CERTIFICATE)**

**TRUSTEE'S CERTIFICATE**

This Bond is one of the Series 2 Subordinate Bonds referred to in the Trust Indenture referred to above.

**CIBC MELLON TRUST COMPANY,**  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

**(FORM OF REGISTRATION PANEL)**

**(NO WRITING HEREON EXCEPT BY THE TRUSTEE OR OTHER REGISTRAR)**

DATE OF REGISTRATION	IN WHOSE NAME REGISTERED	SIGNATURE OF TRUSTEE OR OTHER REGISTRAR



**Schedule 5**  
**to Fourth Supplemental Trust Indenture**  
**GENERATION LANDS**

**TOWNSHIP OF GLASGOW**

1. **PIN 31122-0002(LT)** - Parcel 2188 Section Algoma West Section; Dam Site Location JL331 Glasgow; Dam Site Location JL332 Glasgow subject to interest in LT21789; District of Algoma.

**TOWNSHIP OF MICHIPICOTEN (FLOOD LANDS)**

2. **PIN 31141-0002(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC448 Bird together with Parts 45 and 46 AR639 as in LT66709; together with Parts 2 to 44 AR639 as in LT66710; subject to LT20807; District of Algoma.
3. **PIN 31147-0008(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC445 Cowie subject to interest in LT20807; together with Parts 45 and 46 AR639 as in LT66709; together with Parts 2-44 AR639 as in LT66710; District of Algoma.
4. **PIN 31159-0210(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC447 Esquega subject to interest in LT20807; District of Algoma.
5. **PIN 31160-0004(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC438 Fiddler; Water Power Location JC447 Fiddler subject to interest in LT20807; together with Parts 45 and 46 AR639 as in LT66709; together with Parts 2-44 AR639 as in LT66710; District of Algoma.
6. **PIN 31166-0004(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC427 Michano subject to interest in LT20807; Michipicoten.
7. **PIN 31167-0007(LT)** - Parcel 2028 Section Algoma West Section; Water Power Location JC428 Maness; Water Power Location JC437 Maness; Water Power Location JC485 Maness subject to interest in LT20807; subject to LT177118; subject to easement in gross over Parts 1, 3 and 7 1R11192 as in AL14216; together with easement over part Township of Maness being Part 1 1R-11105 as in AL17773; District of Algoma.
8. **PIN 31167-0014(LT)** - Part of Township of Maness being Part 2 1R11192; together with easement over part of Maness Township being Part 1 1R11105 as in AL17773; subject to LT68364; District of Algoma.
9. **PIN 31167-0015(LT)** - Part of Township of Maness being Parts 4, 6, 8, 9, 10 and 11 1R11192; together with easement over part of Township of Maness being Part 1 1R11105 as in AL17773; subject to LT68364; subject to easement in gross over Parts 4 and 6 1R11192 as in AL14215; District of Algoma.

10. **PIN 31176-0024(LT)** - Parcel 2028 Section Algoma West Section; water power location JC332 Naveau subject to interest in LT20807; together with Parts 45 and 46 AR639 as in LT66709; together with Parts 2-44 AR639 as in LT66710; Michipicoten.
11. **PIN 31177-0010(LT)** - Parcel 2028 Section Algoma West Section; water power location JC331 Nebonaionquet subject to interest in LT20807; together with Parts 45 and 46 AR639 as in LT66709; together with Parts 2-44 AR639 as in LT66710; District of Algoma.

**WORK CENTRE, WAWA:**

12. **PIN 31170-0014(LT)** - Parcel 13-1 Section 1M-511; Lot 13 Plan 1M-511 Lendrum; Michipicoten.
13. **PIN 31170-0015(LT)** - Parcel 14-1 Section 1M-511; Lot 14 Plan 1M-511 Lendrum; Michipicoten.
14. **PIN 31170-0016(LT)** - Parcel 15-1 Section 1M-511; Lot 15 Plan 1M-511 Lendrum; Michipicoten.

**MAGPIE RIVER POWER PROJECT:**

15. **PIN 31169-1909(LT)** - Parcel 11656 Section Algoma West Section; Part location CK 85 Lendrum/McMurray Part 1 1R-7522; Michipicoten.
16. **PIN 31170-0120(LT)** - Parcel 11542 Section Algoma West Section; part location MS14 Lendrum Parts 1, 2 and 3 1R-7124; Michipicoten.
17. **PIN 31170-0276(LT)** - Parcel 2565 Section Algoma West Section; Block 31 Plan M26 Michipicoten except Part 4 1R-8027; Michipicoten.
18. **PIN 31170-0298(LT)** - Parcel 11239 Section Algoma West Section; part Mining Claim SSM4645 Lendrum Parts 2 to 4, 1R-6698; Michipicoten.
19. **PIN 31170-0299(LT)** - Parcel 11239 Section Algoma West Section; part Mining Claim SSM4645 Lendrum Parts 2 to 4, 1R-6698; Michipicoten.
20. **PIN 31170-0623(LT)** - Parcel 11656 Section Algoma West Section; part location EQ123 Lendrum Parts 1 and 2 1R-7523; Michipicoten.
21. **PIN 31170-0624(LT)** - Parcel 11656 Section Algoma West Section; part location EQ123 Lendrum Part 2 1R-7522; Michipicoten.
22. **PIN 31170-0720(LT)** - Part Hudson Bay Block Michipicoten River as in T22080 lying South of 1R-8023 and 1R-8027 except T59675, T243340, Parts 1, 2, 5, 6, 7, 8, 9, 1R-8674 and Part 6, 1R-6698; together with T342490; Michipicoten.

23. **PIN 31170-0721(LT)** - Part Hudson Bay Block Michipicoten River lying North of 1R-8023 and West of 1R-6698; together with T342490; Michipicoten.
24. **PIN 31170-0723(LT)** - Part Hudson Bay Block Michipicoten River lying East of Part 6 1R-6698 and East and North of 1R-8027; together with T342490; Michipicoten.

**TOWNSHIP OF MICHIPICOTEN:**

25. **PIN 31176-0009(LT)** - Parcel 2461 Section Algoma West Section; part Township of Naveau being land and land under the water as in LT23675 (surface rights only as in Firstly, surface rights only as in Secondly); part Township of Naveau being land and land under water as in LT23675 (Thirdly, Fourthly, Fifthly); subject to LT23675; Michipicoten.
26. **PIN 31176-0014(LT)** - Parcel 2029 Section Algoma West Section; part Township of Naveau as in LT20808; subject to interest in LT20808; Michipicoten.

**TOWNSHIP OF NAVEAU:**

27. **PIN 31176-0015(LT)** - Parcel 2469 Section Algoma West Section; part Township of Naveau as in LT23736; excepting the surface rights only on and over the strip of land 60 feet in width being 30 feet on each side of the centre line of the Algoma Power Company's transmission line; Michipicoten.

**ST MARY'S RIVER LANDS:**

28. **PIN 31577-0020(LT)** - Part St. Mary's Island Sault Ste. Marie; part The Laird & Henderson Mill site Sault Ste. Marie as in T220264 and Parts 3-5, 8-10, 12 1R-4438; together with T220780, T265989, T309204; subject to T367958, T367959; subject to T69271; Sault Ste. Marie.
29. **PIN 31577-0021(LT)** - Part water lot adjacent to St. Mary's Island Sault Ste. Marie Part 7 1R-4438 together with T220780; Sault Ste. Marie.
30. **PIN 31577-0028(LT)** - Parcel 9099 Section Algoma West Section; part water lot in front of lands south side Portage Street plan town plot of Sault Ste. Marie Part 4 1R-3620 except Parts 1, 4 1R-5709, Parts 1-4 1R-5809; together with Part 4 1R-5809 as in LT136132; subject to Parts 5-7 1R-5809 as in LT136132; together with Parts 1 and 4 1R-5709 as in LT136133; together with Part 3 1R-4290 as in LT254163; subject to LT12946; subject to LT136131, LT141385, LT144948; Sault Ste. Marie.
31. **PIN 31577-0029(LT)** - Parcel 10279 Section Algoma West Section; part land and land covered with water at the foot of rapids on St. Mary's River Sault Ste. Marie Part 10 1R-4409; subject to LT11793, LT12946; Sault Ste. Marie.
32. **PIN 31577-0030(LT)** - Parcel 996 Section Algoma West Section; part water lot at the foot of rapids in St. Mary's River Sault Ste. Marie; Part land and land covered with water Sault Ste. Marie and part land and land covered with water being composed of part of

water lot at the head of the rapids in St. Mary's River Sault Ste. Marie as in LT12658 except Part 3 1R-4409, Parts 1 and 2 1R-7289; subject to LT12658; subject to LT136131, LT141385, LT144948, LT200700, LT200701, LT57300; Sault Ste. Marie.

33. **PIN 31577-0031(LT)** - Parcel 2202 Section Algoma West Section; part land and land covered with water at the foot of Rapids on St. Mary's River Sault Ste. Marie as in LT21887; Sault Ste. Marie.
34. **PIN 31577-0036(LT)** - Parcel 1954 Section Algoma West Section; part land and land covered with water Sault Ste. Marie as in A4190; subject to LT141385, LT200700; Sault Ste. Marie.
35. **PIN 31577-0040(LT)** - Parcel 2340 Section Algoma West Section; part land and land covered with water at the foot of rapids on St. Mary's River Sault Ste. Marie Part 1 1R-4409; Sault Ste. Marie.
36. **PIN 31577-0041(LT)** - Parcel 10681 Section Algoma West Section; Firstly: Part St. Mary's Island St. Mary's Part 1 1R-5197; Secondly: Part water lot adjacent to St. Mary's Island St. Mary's Part 3 1R-5197; Thirdly: Part Laird and Henderson Mill site St. Mary's Part 2 1R-5197; subject to LT141385; Sault Ste. Marie.
37. **PIN 31577-0054(LT)** - Part Hudson's Bay Company's lands south side Portage Street Plan Town Plot of Sault Ste. Marie Part 9 1R-5809; Sault Ste. Marie.
38. **PIN 31577-0055(LT)** - Part water lot adjacent to St. Mary's Island Sault Ste. Marie Part 6 1R-4438; subject to T273014; Sault Ste. Marie.
39. **PIN 31613-0031(LT)** - Parcel 6994 Section Algoma West Section; part water lot North in St. Mary's River Awenge Parts 1 and 2 1R-2386; subject to LT200700; Sault Ste. Marie.
40. **PIN 31613-0309(LT)** - Part water lots adjacent to St. Mary's Island Sault Ste. Marie Awenge; part water lot adjacent to St. Mary's Island Sault Ste. Marie Part 1 1R-4438; subject to right in T218160; subject to T367958; Sault Ste. Marie.

#### **MONTREAL RIVER LANDS:**

41. **PIN 31230-0006(LT)** - Parcel 212 Section Algoma Central Railway Lands; water power location JC387 Home as in LT59098 except the right of way of the main line of the Algoma Central and Hudson Bay Railway and Regent Station Grounds thereon and two portions of the bed of the Montreal River all of which is shown on index plans Algoma Central Railway 41 and Algoma Central Railway 42; subject to the rights of the Abitibi Power and Paper Company, Limited, its successors and assigns to cut and remove timber as set out in agreement dated March 1st, 1911, and reserving unto the said transferor, its successors and assigns, forever, the mining rights in respect of the said lands, including all mines, mineral deposits and quarries thereon and so much of said land as may be necessary for the construction of buildings required for the working of such mines, mineral deposits and quarries and for roads and rights-of-way to and from such mines,

mineral deposits and quarries whenever and wherever necessary at all times and with all kinds of vehicles and the right to take and acquire portions of the said lands for the right-of-way of a railway or other railroad purposes wherever the line of the transferor or any branch thereof, is or shall be hereafter located over any part of the said land, or within fifty feet of the said land, and further reserving thereout to the transferor, its successors and assigns, all streams and five per cent of the said land for roads; but the said transferee, its successors or assigns shall be allowed the cost of any improvement taken or destroyed by the said Transferor, and the amount of such costs if disputed, shall be adjusted by arbitration in the terms of *The Arbitration Act* (R.S.O. 1927, Ch. 97 or amendments thereto) and the said Transferee its successors or assigns shall also be repaid by the Transferor the proportion of the purchase money received by the Transferor for any land so taken back out of said lands, excepting as to land for roads for the general benefit of the community, for which no compensation will be paid, provided that nothing in this reservation contained referring to mines, minerals or mining rights shall have the effect of interfering with the use of the said lands, or lands covered with water, in regard to any works or erections that may be installed or erected by the Transferee in connection with its business of producing hydro electric energy, including the flooding of the said lands and the storage of waters; and any use or uses of the said lands by the Transferor, or its successors or assigns in connection with mines, minerals or mining rights, shall be subject to the superior rights of the Transferee and no right of action for damages shall arise in connection therewith; District of Algoma.

**Schedule 6  
to Fourth Supplemental Trust Indenture  
TRANSMISSION LANDS**

**THIRD LINE SUBSTATION (TARENTORUS 19)**

1. **PIN 31563-0092(LT)** - Lot 66, Registrar's Compiled Plan H739, Tarentorus Section 19, Sault Ste. Marie.

**FOURTH LINE PROPERTY**

2. **PIN 31564-0058(LT)** - Part of Lot 38, Registrar's Compiled Plan H741, Tarentorus Section 18, as in T220780 (Schedule A 14thly), Sault Ste. Marie.

**FIFTH LINE PROPERTY (TARENTORUS 18)**

3. **PIN 31564-0101(LT)** - Lot 54, Registrar's Compiled Plan H741, Tarentorus Section 18, together with T220780, Sault Ste. Marie.

**TARENTORUS - SECTION 21**

4. **PIN 31506-0125(LT)** - Parcel 3329, Algoma West Section, being Part of Section 21, Tarentorus, as in LT29593 amended by LT32324, except LT30035 and Lots 1, 4 and 6, Expropriation Plan M-258, subject to LT40165 and LT70999, Sault Ste. Marie.
5. **PIN 31506-0126(LT)** - Parcel 3385, Algoma West Section, being Part of Section 21, Tarentorus, as in LT30035, except Lot 2, Expropriation Plan M-258, Sault Ste. Marie.

**PENNEFATHER**

6. **PIN 31350-0100(LT)** - Part of Section 24, Township of Pennefather as in T220780.

**FENWICK**

7. **PIN 31346-0082(LT)** - Lot 21, Registrar's Compiled Plan H-812, subject to RB640 and T-15805, District of Algoma.

**TILLEY**

8. **PIN 31302-0339(LT)** - Part of Section 36 Tilley, designated as Part 1 on Plan 1R-3450, subject to BC97, District of Algoma

**D.A. WATSON TRANSMISSION STATION HIGH FALLS SUBSTATION**

9. **PIN 31176-0002(LT)** - Parcel 423, Algoma Central Railway Lands, Township of Naveau, designated as Parts 1, 2 and 3, Plan 1R-9587 except an area of land containing 11 acres more or less being a right-of-way for power transmission line of the Great Lakes Power Company; subject to LT68364, LT26454 and LT113588, Michipicoten.

### **GARTSHORE TRANSMISSION STATION**

10. **PIN 31231-0019(LT)** - Surface rights only, all of location CL 13852, designated as Part 1, Plan 1R-11005, Township of Peever, District of Algoma as in Crown Patent AL18166.

### **ECHO RIVER TRANSMISSION STATION**

11. **PIN 31473-0101(LT)** - Part of Lots 24 and 37, RCP H766, as in T266124 and Parts 1 and 2, Plan 1R-5849, Macdonald, Meredith, Aberdeen Additional.

**Schedule 7 – BONDS OUTSTANDING**

Series 1 Senior Bonds

Registered Holder	Outstanding Principal Amount of Series 1 Senior Bond
Brant Investments Limited AC 110680001	\$200,000
Carr & Co. AC 75-1000/0.21	\$1,000,000
Fiducie Desjardins Inc.	\$19,500,000
Industrial Alliance Insurance and Financial Services Inc.	\$8,000,000
Industrial Alliance Pacific Insurance and Financial Services Inc.	\$1,500,000
Jayvee & Co.	\$500,000
Jayvee & Co. AC BPWF 0010002	\$500,000
Jayvee & Co. AC CULF 0016002	\$500,000
Sun Life Assurance Company of Canada	\$120,000,000
The Maritime Life Assurance Company* (*Now The Manufacturers Life Insurance Company)	\$20,000,000
The National Life Assurance Company of Canada* (*Now Industrial Alliance Insurance and Financial Services Inc.)	\$2,000,000
Trust Banque Nationale Inc.	\$300,000
Teachers Insurance and Annuity Association of America	\$95,000,000
The Prudential Insurance Company of America	\$115,000,000

Series 1 Subordinate Bonds



Registered Holder	Outstanding Principal Amount of Series 1 Subordinate Bc
Fiducie Desjardins Inc. AC 906549 1 46,	\$1,400,000
Fiducie Desjardins Inc. AC 906185 4 83,	\$800,000
Fiducie Desjardins Inc. AC 907226 5 83,	\$4,800,000
Industrial Alliance Insurance and Financial Services Inc.	\$5,000,000
The Manufacturers Life Insurance Company	\$36,000,000
Teachers Insurance and Annuity Association of America	\$33,000,000
The Prudential Insurance Company of America	\$34,000,000

## Schedule 8 – NOTICE OF CONVERSION

### NOTICE OF CONVERSION

To: Great Lakes Power Limited (the “Company”)

And to: CIBC Mellon Trust Company, as Trustee (the “Trustee”)

Reference is made to the deed of trust (the “**Indenture**”) made as of June 16, 2003, between the Company and the Trustee, as amended by a First Supplemental Trust Indenture dated as of June 16, 2003, a Second Supplemental Trust Indenture dated as of July 31, 2003, a Third Supplemental Trust Indenture dated as of June 30, 2006, and a Fourth Supplemental Trust Indenture made as of February •, 2008 (the “**Fourth Supplemental Trust Indenture**”) (the Indenture, as so amended, the “**Trust Indenture**”). Capitalized terms used and not otherwise defined in this Notice of Conversion have the meanings given to them in the Fourth Supplemental Trust Indenture.

**[The undersigned hereby gives notice pursuant to Section 2.1(1) and Section 2.1(4) of the Fourth Supplemental Trust Indenture, that the undersigned is exercising its right to convert 31.25% of the principal amount of the Series 1 Senior Bonds held by it into Trans Senior Bonds having a principal amount equal to the amount of the Series 1 Senior Bonds being converted./ The undersigned hereby gives notice pursuant to Section 2.1(3) and Section 2.1(4) of the Fourth Supplemental Trust Indenture, that the undersigned is exercising its right to convert all of the principal amount of the Series 1 Subordinate Bonds held by it into a Series 2 Subordinate Bond having a principal amount equal to the aggregate principal amount of the Series 1 Subordinate Bonds being converted.]**

**[The undersigned hereby also gives notice pursuant to Section 2.1(2) and Section 2.1(4) of the Fourth Supplemental Indenture that, having exercised its right to convert 31.25% of its Series 1 Senior Bonds into Trans Senior Bonds in accordance with Section 2.1(1) of the Fourth Supplemental Indenture, the undersigned is exercising its right to convert all of the balance of its Series 1 Senior Bonds, after giving effect to the conversion provided for in the preceding paragraph, into a Series 2 Senior Bond having a principal amount equal to the principal amount of such remaining balance.]**

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**[Name of Bondholder]**

Per: \_\_\_\_\_

Name:

Title:

Per: \_\_\_\_\_

Name:

Title:

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**Schedule 9 – PAYMENT SCHEDULE FOR SERIES 2 SENIOR BONDS**

**Generation Bonds**

\$ 264,000,000  
 6.60%

<u>Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total payment</u>	<u>Amount outstanding</u>
June 16, 2003				
December 16, 2003	8,712,000	-	8,712,000	264,000,000
June 16, 2004	8,712,000	-	8,712,000	264,000,000
December 16, 2004	8,712,000	-	8,712,000	264,000,000
June 16, 2005	8,712,000	-	8,712,000	264,000,000
December 16, 2005	8,712,000	-	8,712,000	264,000,000
June 16, 2006	8,712,000	-	8,712,000	264,000,000
December 16, 2006	8,712,000	-	8,712,000	264,000,000
June 16, 2007	8,712,000	-	8,712,000	264,000,000
December 16, 2007	8,712,000	-	8,712,000	264,000,000
June 16, 2008	8,712,000	-	8,712,000	264,000,000
December 16, 2008	8,712,000	-	8,712,000	264,000,000
June 16, 2009	8,712,000	-	8,712,000	264,000,000
December 16, 2009	8,712,000	-	8,712,000	264,000,000
June 16, 2010	8,712,000	-	8,712,000	264,000,000
December 16, 2010	8,712,000	-	8,712,000	264,000,000
June 16, 2011	8,712,000	-	8,712,000	264,000,000
December 16, 2011	8,712,000	-	8,712,000	264,000,000
June 16, 2012	8,712,000	-	8,712,000	264,000,000
December 16, 2012	8,712,000	-	8,712,000	264,000,000
June 16, 2013	8,712,000	-	8,712,000	264,000,000
December 16, 2013	8,712,000	2,140,491	10,852,491	261,859,509
June 16, 2014	8,641,364	2,211,127	10,852,491	259,648,382
December 16, 2014	8,568,396	2,284,094	10,852,491	257,364,288
June 16, 2015	8,493,022	2,359,469	10,852,491	255,004,819
December 16, 2015	8,415,159	2,437,332	10,852,491	252,567,487
June 16, 2016	8,334,727	2,517,764	10,852,491	250,049,723
December 16, 2016	8,251,641	2,600,850	10,852,491	247,448,873
June 16, 2017	8,165,813	2,686,678	10,852,491	244,762,196
December 16, 2017	8,077,152	2,775,339	10,852,491	241,986,857
June 16, 2018	7,985,566	2,866,925	10,852,491	239,119,933
December 16, 2018	7,890,958	2,961,533	10,852,491	236,158,400
June 16, 2019	7,793,227	3,059,264	10,852,491	233,099,136
December 16, 2019	7,692,272	3,160,219	10,852,491	229,938,917
June 16, 2020	7,587,984	3,264,506	10,852,491	226,674,411
December 16, 2020	7,480,256	3,372,235	10,852,491	223,302,176
June 16, 2021	7,368,972	3,483,519	10,852,491	219,818,657
December 16, 2021	7,254,016	3,598,475	10,852,491	216,220,182
June 16, 2022	7,135,266	3,717,225	10,852,491	212,502,958
December 16, 2022	7,012,598	3,839,893	10,852,491	208,663,065
June 16, 2023	6,885,881	208,663,065	215,548,946	-

**Transmission Bonds**

\$ 120,000,000 0.3125  
 6.60%

<u>Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Total payment</u>	<u>Amount outstanding</u>
June 16, 2003				
December 16, 2003	3,960,000	-	3,960,000	120,000,000
June 16, 2004	3,960,000	-	3,960,000	120,000,000
December 16, 2004	3,960,000	-	3,960,000	120,000,000
June 16, 2005	3,960,000	-	3,960,000	120,000,000
December 16, 2005	3,960,000	-	3,960,000	120,000,000
June 16, 2006	3,960,000	-	3,960,000	120,000,000
December 16, 2006	3,960,000	-	3,960,000	120,000,000
June 16, 2007	3,960,000	-	3,960,000	120,000,000
December 16, 2007	3,960,000	-	3,960,000	120,000,000
June 16, 2008	3,960,000	-	3,960,000	120,000,000
December 16, 2008	3,960,000	-	3,960,000	120,000,000
June 16, 2009	3,960,000	-	3,960,000	120,000,000
December 16, 2009	3,960,000	-	3,960,000	120,000,000
June 16, 2010	3,960,000	-	3,960,000	120,000,000
December 16, 2010	3,960,000	-	3,960,000	120,000,000
June 16, 2011	3,960,000	-	3,960,000	120,000,000
December 16, 2011	3,960,000	-	3,960,000	120,000,000
June 16, 2012	3,960,000	-	3,960,000	120,000,000
December 16, 2012	3,960,000	-	3,960,000	120,000,000
June 16, 2013	3,960,000	-	3,960,000	120,000,000
December 16, 2013	3,960,000	972,950	4,932,950	119,027,050
June 16, 2014	3,927,893	1,005,058	4,932,950	118,021,992
December 16, 2014	3,894,726	1,038,225	4,932,950	116,983,767
June 16, 2015	3,860,464	1,072,486	4,932,950	115,911,281
December 16, 2015	3,825,072	1,107,878	4,932,950	114,803,403
June 16, 2016	3,788,512	1,144,438	4,932,950	113,658,965
December 16, 2016	3,750,746	1,182,204	4,932,950	112,476,761
June 16, 2017	3,711,733	1,221,217	4,932,950	111,255,543
December 16, 2017	3,671,433	1,261,518	4,932,950	109,994,026
June 16, 2018	3,629,803	1,303,148	4,932,950	108,690,878
December 16, 2018	3,586,799	1,346,151	4,932,950	107,344,727
June 16, 2019	3,542,376	1,390,574	4,932,950	105,954,153
December 16, 2019	3,496,487	1,436,463	4,932,950	104,517,690
June 16, 2020	3,449,084	1,483,867	4,932,950	103,033,823
December 16, 2020	3,400,116	1,532,834	4,932,950	101,500,989
June 16, 2021	3,349,533	1,583,418	4,932,950	99,917,571
December 16, 2021	3,297,280	1,635,670	4,932,950	98,281,901
June 16, 2022	3,243,303	1,689,648	4,932,950	96,592,253
December 16, 2022	3,187,544	1,745,406	4,932,950	94,846,848
June 16, 2023	3,129,946	94,846,848	97,976,793	-

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**Schedule 10 – OPERATIVE DOCUMENTS**

**SCHEDULE 11  
 CALCULATIONS**

Calendar Month	EBITDA/Projected EBITDA	Debt Service	Coverage
<b>Total</b>			

<b>Senior Debt</b>	
Term	• years
Principal	•
Interest	•%
<b>Subordinate Debt</b>	
Term	• years
Principal	•
Interest	•%
	Annual
Senior Debt	•
Subordinate Debt	•

# Great Lakes Power



## TRANSMISSION CAPITAL PLAN 2010 - 2014 TECHNICAL REVIEW



## **5 YEAR PLAN**

## 5 Year Program

### 2010

<u>Project</u>	<u>Project Cost</u>
437 - # 3 Sault Numbering	\$46,000
438 - Anjigami TS SS Voltage Regulator Installation	\$54,000
435 - Northern Ave Transformer Leak Repair	\$74,000
442 - Telecom upgrades	\$100,000
451 - Mackay TS Fire Suppression Installation	\$117,000
444 - Fleet Requirements	\$130,000
443 - ROW Acquisition Planning	\$149,000
362 - Third Line TS Fire Suppression Installation	\$155,000
439 - Centralized Information Retrieval - Upgrades	\$165,000
433 - Engineering	\$165,000
334 - Transmission Line / Station Emergency work	\$174,000
537 - Asset Management Software	\$183,000
440 - Tx System Safety / Security Enhancements	\$187,000
436 - GIS Software Purchase / Installation	\$193,000
441 - IT Infrastructure	\$248,000
281 - Algoma #1, 2, 3 Refurbishment - engineering	\$347,000
393 - Master SCADA System Replacement	\$407,000
445 - OSC / Sackville building Genset	\$444,000
131 - Minor Fixed Assets - 2010	\$481,000
38 - Building Upgrades - 2010	\$541,000
274 - Steelton St TS Gnd. Refurbishment	\$584,000
87 - Engineering	\$1,730,000
357 - Third Line TS - Redevelopment	\$9,530,000
<b>Total 2010</b>	<b>\$16,204,000</b>

## 5 Year Program

**2011**

<u>Project</u>	<u>Project Cost</u>
421 - 115kV Line Protections to PUC (St. Mary's& tarant)	
420 - 115kV Line Protections to PUC (St. Mary's& tarant)	\$0
252 - Upgrading LV Cap. Bank Prot. Tarentorus (PUC)	\$0
250 - Upgrading LV Cap. Bank Prot. St. Mary (PUC)	\$0
367 - Algoma ccts re-termination	\$0
422 - PUC ccts re-termination	\$0
521 - Telecom upgrades	\$100,000
475 - Fleet Requirements	\$130,000
373 - Transmission Line / Station Emergency work	\$163,000
446 - Asset Management Software	\$166,000
535 - OSC / Sackville building Genset	\$193,000
503 - GIS Software Purchase / Installation	\$193,000
520 - Mackay SS voltage regulator installation	\$220,000
39 - Building Upgrades - 2011	\$226,000
518 - Magpie TS Installation of Lightning Arresters	\$244,000
88 - Engineering	\$248,000
452 - IT Infrastructure	\$248,000
519 - Clergue L/R Scheme and Protections Mods	\$252,000
132 - Minor Fixed Assets - 2011	\$275,000
507 - ROW Acquisition	\$424,000
502 - Work Management System	\$688,000
536 - Mackay TS Gnd. Upgrades	\$826,000
447 - Master SCADA System Replacement	\$847,000
310 - Algoma #1, 2, 3 Refurbishment	\$7,019,000
369 - Third Line TS - Redevelopment	\$12,000,000
<b>Total 2011</b>	<b>\$24,462,000</b>

## 5 Year Program

### 2012

<u>Project</u>	<u>Project Cost</u>
522 - SCADA, Telecom, Communications upgrades	\$100,000
504 - GIS Software Purchase / Installation	\$101,000
476 - Fleet Requirements	\$130,000
374 - Transmission Line / Station Emergency work	\$163,000
133 - Minor Fixed Assets - 2012	\$182,000
40 - Building Upgrades - 2012	\$210,000
89 - Engineering	\$248,000
453 - IT Infrastructure	\$248,000
505 - Work Management System	\$484,000
508 - ROW Acquisition	\$756,000
516 - Third Line TS - Redevelopment	\$1,271,000
434 - Master SCADA System Replacement	\$1,425,000
336 - Algoma #1,2,3 Refurbishment -	\$7,503,000
<b>Total 2012</b>	<b>\$12,821,000</b>

## 5 Year Program

### 2013

<u>Project</u>	<u>Project Cost</u>
523 - SCADA, Telecom, Communications upgrades	\$100,000
41 - Building Upgrades - 2013	\$100,000
477 - Fleet Requirements	\$130,000
375 - Transmission Line / Station Emergency work	\$163,000
134 - Minor Fixed Assets - 2013	\$182,000
90 - Engineering	\$248,000
454 - IT Infrastructure	\$248,000
506 - Work Management System	\$248,000
510 - Master SCADA System Replacement	\$572,000
450 - Wood Structure Replacement Program	\$638,000
290 - Echo River TS ULTC Replacement	\$823,000
509 - ROW Acquisition	\$1,139,000
286 - Clergue TS Replace 12 kV Breaker and Switchgear	\$1,832,000
<b>Total 2013</b>	<b>\$6,423,000</b>

## 5 Year Program

**2014**

<u>Project</u>	<u>Project Cost</u>
258 - WatsonTS-34.5 kV Bus B1 & B2- Prot. Upgrade	\$0
110 - Highway 101 Protections(COMBINED WITH 259)	\$0
212 - Watson TS-T1 & T2 Trans. prot. Upgrade	\$0
256 - Watson TS -34.5 kV McPhail #1 and #2 Prot Upgrade	\$0
257 - Watson TS-T1 & T2 Bank BF Protection Upgrade	\$0
26 - Anjigami T1 115kV:44kV; 3X New 44kV:115V VTs	\$0
27 - Anjigami 115 kV Bus and BF Prot. Upgrade	\$0
371 - Watson RTU Replacement	\$0
273 - Watson SF6 Breaker Platform Refurbishment	\$26,000
524 - SCADA, Telecom, Communications upgrades	\$100,000
42 - Building Upgrades - 2014	\$100,000
478 - Fleet Requirements	\$130,000
376 - Transmission Line / Station Emergency work	\$163,000
135 - Minor Fixed Assets - 2014	\$182,000
455 - IT Infrastructure	\$248,000
517 - Batchawana TS Transformer Replacement	\$451,000
511 - Wood Structure Replacement Program	\$638,000
91 - Engineering	\$660,000
246 - Watson TS - Complete Protection Upgrade	\$697,000
529 - Echo River TS ULTC Replacement	\$824,000
353 - Watson TS- New 115kv T2 Breaker & Circuit Switcher	\$899,000
389 - Third Line SVC Installation	\$2,481,000
372 - Replace Watson 34.5 Switchgear	\$2,629,000
534 - Clergue TS Replace 12 kV Breaker and Switchgear	\$4,032,000
<b>Total 2014</b>	<b>\$14,260,000</b>
<b>TOTAL COST OF PROJECTS</b>	<b>\$74,170,000</b>

## **2010 DETAILS**

# Transmission Project Details

<b>Trans Projects ID:</b>	38
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Buildings / Infrastructure
<b>Location:</b>	Systemwide

<b>Title:</b>	Building Upgrades - 2010
<b>Project Manager:</b>	Liza Chikoski

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	This investment provides for improvements that address aging transmission station control building facilities and infrastructure throughout the GLP system. Also included is the installation of modular storage facilities to store an inventory of components in the Wawa area, including fuses, bushings, cable, connectors etc.)
<b>Solution:</b>	Identify improvement projects required through annual condition assessments. Prioritize work, draft an action plan and implement work program.
<b>Description:</b>	<p>This investment involves the replacement of major building components including the following:</p> <ul style="list-style-type: none"> <li>•Roof structures</li> <li>•Windows, Doors</li> <li>•Heating, Ventilation and Air Conditioning (HVAC)</li> <li>•Regulatory compliance (Asbestos removal)</li> </ul> <p>Station condition assessments are performed annually where the control buildings are inspected and assessed. Issues are identified through this process and corrective work is assigned on a priority basis.</p> <p>The projects that will be undertaken in 2010 are; Waston Station Service Transformer Ice Hood Installation, Sackville Building Upgrades (Recommendations from the Energy Audit), Radio Tower Building Replacements, Storage Facility Purchase (Cans for Wawa), Transmission Documentation Vault (Drawings, HR records, Easement,, Joint Use Agreements etc.etc.)</p>
<b>Benefits:</b>	<p>Results include:</p> <ul style="list-style-type: none"> <li>•Improved facilities through replacement of aging building components</li> <li>•Reduced environmental hazards (elimination of asbestos)</li> </ul>
<b>Risks:</b>	Inaction may result in health and safety issues related to asbestos and poor ergonomics as well as damage to equipment and critical documents (drawings / manuals) due to weather exposure thus impacting business continuity.
<b>Justification:</b>	



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Building Upgrades - 2010

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$10,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$40,000
<hr/>	
<b>Engineering Sub Total:</b>	\$50,000
<b>Engineering Contingency:</b>	\$5,000
<b>Engineering Total:</b>	\$55,000

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$15,000
<b>Total Labour:</b>	\$15,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$10,000
<b>Watson Ice Hoods</b>	\$27,000
<b>Sackville Building Upgrades (E</b>	\$185,000
<b>Radio Tower Building Replace</b>	\$85,000
<b>Purchase Storage Facility (Wa</b>	\$20,000
<b>Document Vault (Sackville)</b>	\$100,000
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<hr/>	
<b>Construction Sub Total:</b>	\$442,000
<b>Construction Contingency:</b>	\$44,200
<b>Construction Total:</b>	\$486,200

<b>Total Estimate:</b>	\$541,000
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# Transmission Project Details

<b>Trans Projects ID:</b>	87
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Systemwide

<b>Title:</b>	Engineering
<b>Project Manager:</b>	

## Project Rationale (Sheet 1)

**Problem Statement:** Annual allowance for the preparation of the following year's capital plan.

**Solution:** Provide annual allowance for engineering, planning and design activities required for new connections or the following year's capital plan.

**Description:** This project is to cover the engineering, planning and design costs for new connections, modifications to the transmission system and 2006 capital plan to provide reasonable estimates for budgeting. Engineering for 2010 includes the following:

- 1) Clergue TS Refurbishment Feasibility Study
- 2) Waston TS refurbishment Feasibility Study
- 3) Third Line TS SVC Feasibility Study
- 4) Echo River Transformer Replacement
- 5) Steel and Wood Structure replacement study
- 6) RTU replacement Study
- 7) GLP System configuration Assessment
- 8) Protections Replacement Study
- 9) Transmormer Lifecycle Study
- 10) Work Management System Replacement (Phase 1)

**Benefits:** Increases accuracy of estimates, improves capital planning process and facilitates timely completion of projects in the following year. The studies support the 20 year planning process where "surprise" expenditures will be reduced.

**Risks:** Increased risk of project cost overruns.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Engineering

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$0
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
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<b>Engineering Sub Total:</b>	\$0
<b>Engineering Contingency:</b>	\$0
<b>Engineering Total:</b>	\$0

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$0
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
<b>Clegue TS Fault Issue Feasibili</b>	\$85,000
<b>Watson Feasibility Study</b>	\$60,000
<b>Third Line SVC Study</b>	\$160,000
<b>Echo River Transformer Replac</b>	\$60,000
<b>Steel and Wood Structure repla</b>	\$525,000
<b>System Configuration Study</b>	\$220,000
<b>RTU Replacement Study</b>	\$120,000
<b>Protections Replacement Stud</b>	\$200,000
<b>Transformer lifecycle study</b>	\$150,000
<b>Misc Material Cost:</b>	\$150,000
<hr/>	
<b>Construction Sub Total:</b>	\$1,730,000
<b>Construction Contingency:</b>	\$0
<b>Construction Total:</b>	\$1,730,000

<b>Total Estimate:</b>	<b>\$1,730,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	131
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Minor Fixed Assets
<b>Location:</b>	Systemwide

<b>Title:</b>	Minor Fixed Assets - 2010	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** Minor Fixed asset spending involves the procurement of equipment which includes major tools, spare parts and other miscellaneous components that may affect business continuity or compromise regulatory requirements (transmission system code TSC).

**Solution:** Identify the need for tools and equipment and additional components through capital and maintenance planning process to determine the requirements as the system and conditions change.

**Description:** Procurement of spare parts and components are made on an as-required basis and will vary year to year and depends on the following factors:

- Work program size
- Equipment failures
- Equipment replacements
- System growth
- Weather severity
- Regulatory requirements

2010 Purchases include:

- Manta Test Set
- Trades Tooling (Meters etc)
- Spare Breaker For Watson TS
- Projector Installation for St Marys Room
- Purchase Office Equipment
- Infrared equipment

**Benefits:** Maintaining the equipment and tool fleets at required levels will enable GLP to successfully execute the capital and maintenance programs. This also adds a health and safety benefit as aging office equipment (chairs etc) will be replaced thus reducing economic issues.

**Risks:** Inadequate investment will result in the following

- Increased maintenance costs
- Increased equipment unavailability
- Disruption to business continuity
- Potential Health Issues

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Minor Fixed Assets - 2010

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$5,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$5,000
<b>Engineering Contingency:</b>	\$500
<b>Engineering Total:</b>	\$5,500

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$10,000
<b>Electrical Maintenance Labour:</b>	\$10,000
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$10,000
<b>Total Labour:</b>	\$30,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
<b>Equipment / tools</b>	\$115,000
<b>Power Quality Analyser</b>	\$35,000
<b>Manta Test Set</b>	\$68,000
<b>Spare Metal Clad Breaker (Wat</b>	\$40,000
<b>Scanner Copier (Easments, Jol</b>	\$15,000
<b>Portabel Projector for Engineer</b>	\$2,000
<b>Projector Installation for St Ma</b>	\$15,000
<b>Purchase office equipment (Ch</b>	\$100,000
<b>Radio Test Equipment</b>	\$12,000
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$432,000
<b>Construction Contingency:</b>	\$43,200
<b>Construction Total:</b>	\$475,200

<b>Total Estimate:</b>	<b>\$481,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	274
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Legislative/Environment/Safety
<b>Location:</b>	Patrick Street and Steelton TS

<b>Title:</b>	Steelton St TS Gnd. Refurbishment
<b>Project Manager:</b>	Gary Gazankas

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	Current grounding of the Station does not meet IEEE step and touch potential grounding requirements, for example, improper bonding connectors, improper perimeter ground and equipment grounds as well as crushed stone requirements are inadequate. A study was performed showing that the safe touch potential exceeds tolerable limits.
<b>Solution:</b>	Install new ground grid as per IEEE and ESA standards and engineered design (One Line Engineering)
<b>Description:</b>	<p>The project work includes:</p> <ol style="list-style-type: none"> <li>1) Installation of ground rods at specified locations - As per One Line engineering design</li> <li>2) Installation of additional copper conductor as per One line engineering design</li> <li>3) Equipment and fence bonding as per One line engineering design</li> <li>4) Application of crushed stone as per One line engineering design</li> </ol>
<b>Benefits:</b>	Civil / Grounding Refurbishment will provide increased employee / public safety as IEEE step and touch potential requirements will be within the specified tolerable limits.
<b>Risks:</b>	The grounding issue poses as a threat to public / employee safety. Do nothing approach increases probability of injury to public.
<b>Justification:</b>	Touch potential study determined that the touch Voltage exceeds tolerable limits. New ground grid required to be within acceptable limits.

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Steelton St TS Gnd. Refurbishment

<b>Engineering</b>	
Descriptions	Cost
<b>Pre Engineering:</b>	\$10,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$25,000
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$50,000
<b>Engineering Sub Total:</b>	<b>\$85,000</b>
<b>Engineering Contingency:</b>	<b>\$8,500</b>
<b>Engineering Total:</b>	<b>\$93,500</b>

<b>Construction</b>	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$5,000
<b>Drawings Labour:</b>	\$5,000
<b>Removals Labour:</b>	\$3,000
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	<b>\$13,000</b>
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$3,000
<b>Ground wire / Installation</b>	<b>\$180,000</b>
<b>Grading</b>	<b>\$50,000</b>
<b>Civil Work - crushed stone etc</b>	<b>\$200,000</b>
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	<b>\$446,000</b>
<b>Construction Contingency:</b>	<b>\$44,600</b>
<b>Construction Total:</b>	<b>\$490,600</b>

<b>Total Estimate:</b>	<b>\$584,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	281
<b>Plan Year:</b>	2010
<b>Group</b>	Line Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Algoma #2; Third Line T.S. to S

<b>Title:</b>	Algoma #1, 2, 3 Refurbishment - engineering	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	The wood pole structures on No. 1, No. 2 and No. 3 Algoma circuits between Third Line TS and Steelton TS are in poor condition. Woodpecker holes and deterioration is threatening structural integrity. Conductor is potentially underrated and there is no available capacity as calculated using the transmission system methodology. Need to define and review options, taking into consideration: 1) Safety 2) Reliability 3) Operability 4) Maintainability 5) Expandability 6) Constructability
<b>Solution:</b>	Replace and install new structures and conductor from Third Line to Steelton TS.
<b>Description:</b>	This phase of the project includes the funding to perform engineering to define a solution, move forward with engineering , Environmental Assessments, and possibly Leave to Construct application.
<b>Benefits:</b>	Structural integrity of the line will be maintained. Re-conductoring will enable future capacity upgrade. Reliability concerns will be addressed.
<b>Risks:</b>	Do-nothing option will result in further deterioration and a possible structure failure which will have a significant negative impact to system reliability and connected customer operations. Do-nothing option will result in further contamination and compromised insulation. This may result in more inexplicable trips and/or possible pole fires similar to the one experienced on Leigh's Bay cct. in 2004.
<b>Justification:</b>	



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Algoma #1, 2, 3 Refurbishment - engineering

Engineering	
Descriptions	Cost
Pre Engineering:	\$20,000
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$80,000
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$100,000
<b>Engineering Sub Total:</b>	<b>\$200,000</b>
<b>Engineering Contingency:</b>	<b>\$20,000</b>
<b>Engineering Total:</b>	<b>\$220,000</b>

Construction	
Descriptions	Cost
Lines Department Labour:	\$10,000
PC Maintenance:	\$0
Electrical Maintenance Labour:	\$0
Drawings Labour:	\$0
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$0
<b>Total Labour:</b>	<b>\$10,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$5,000
Consulting	\$60,000
EA	\$40,000
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
Misc Material Cost:	\$0
<b>Construction Sub Total:</b>	<b>\$115,000</b>
<b>Construction Contingency:</b>	<b>\$11,500</b>
<b>Construction Total:</b>	<b>\$126,500</b>

<b>Total Estimate:</b>	<b>\$347,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	334
<b>Plan Year:</b>	2010
<b>Group</b>	Line Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Systemwide

<b>Title:</b>	Transmission Line / Station Emergency work	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** Storm / Station Component failure damage can account for a considerable amount of dollars. It is difficult to predict the amount of dollars that are spent each year due to storm damage expense where if the budget is underspent, small improvement line projects can be initiated.

**Solution:** Set budget dollars aside for fixing failed equipment.

**Description:** Maintenance or Capital dollars are often tapped and affected by storm and component failure related incidents. Having a dollar amount identified will better prepare GLP and enable planners to generate work order numbers effectively.

**Benefits:** less deviation from the capital or maintenance programs due to budget constraints.

**Risks:** Risks of cost overruns or underspending as prediction of the amount is impossible.

**Justification:** This will aid in keeping the Capital and Maintenance Programs on track and allow for proper allocation of funds.

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Transmission Line / Station Emergency work

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$0
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$0
<b>Engineering Contingency:</b>	\$0
<b>Engineering Total:</b>	\$0

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$35,000
<b>PC Maintenance:</b>	\$5,000
<b>Electrical Maintenance Labour:</b>	\$35,000
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$15,000
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$90,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$15,000
<b>Composite Structures</b>	\$10,000
<b>Crossarms/ Insulators</b>	\$3,730
<b>Conductor</b>	\$3,000
<b>Guy Wire</b>	\$1,000
<b>Contracts</b>	\$35,000
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$157,730
<b>Construction Contingency:</b>	\$15,773
<b>Construction Total:</b>	\$173,503

<b>Total Estimate:</b>	<b>\$174,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	357
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Third Line TS

<b>Title:</b>	Third Line TS - Redevelopment	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** Concerns regarding aging equipment, inadequate equipment ratings, operational / maintainability and station configuration issues have resulted in the need to proactively reconfigure / relocate the station and replace all station equipment that has the highest risk of affecting safety, security and customer connection reliability.

**Solution:** In 2008 Wardop performed an engineering assessment to determine the best approach to the refurbishment of the Third Line Transmission Station. Upon completion, the recommended approach was is to construct a new station on the western area of the property using diameters of breaker and a half configuration.

**Description:** Specifically, the investment includes a new "breaker and a half" configuration comprised of 17 SF6 breakers, 34 associated disconnect switches, 9 Motorized operated disconnect switches as well as the replacement of aging Capacitive Voltage Transformers (CVT). Also included is the replacement of the existing protections as well as enhancements to the station ground grid and modifications to site drainage and the installation of a new 115kV control building. The design is per all applicable standards and uses good utility practice.

The configuration changes are supplemented with equipment replacements to improve reliability, maintainability and flexibility of the facilities.  
 The overall investment integrates individual asset needs into an effective plan.

**Benefits:**

**Results include:**

- Address the end of life (EOL) station equipment and minimize costs
- Improve the customer reliability through the reconfiguration of the 115 kV supply circuits
- Provide additional breakers to accommodate future expansions
- Reduction in safety and environmental issues
- Reduction in operational risks and maintenance costs
- Enhanced operational flexibility

**Risks:**

A lack of proactive action will result in a decrease in employee safety and an overall decline in equipment health and reliability with the consequences being:

- Increases in equipment unavailability
- An increase in the probability of failure and equipment outages
- Increased risk of compromising Safety and Environment values

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Third Line TS - Redevelopment

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$30,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$150,000
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$180,000
<b>Engineering Contingency:</b>	\$0
<b>Engineering Total:</b>	\$180,000

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$16,000
<b>Electrical Maintenance Labour:</b>	\$16,000
<b>Drawings Labour:</b>	\$10,000
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$50,000
<b>Total Labour:</b>	\$92,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$10,000
<b>Control Building</b>	\$535,000
<b>Civil works (concrete)</b>	\$2,200,000
<b>Civil (grubbing, excavation, bac</b>	\$2,325,000
<b>Grounding</b>	\$800,000
<b>Equipment (Breakers, disconne</b>	\$3,315,000
<b>Construction Interest</b>	\$73,000
	\$0
	\$0
	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$9,350,000
<b>Construction Contingency:</b>	\$0
<b>Construction Total:</b>	\$9,350,000

<b>Total Estimate:</b>	<b>\$9,530,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	362
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Buildings / Infrastructure
<b>Location:</b>	Systemwide

<b>Title:</b>	Third Line TS Fire Suppression Installation	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	This is IESO and NERC Cyber Security requirement. It is mandatory and must be in compliance with Cyber Security Standards (CIP) CIP-002-1 through CIP-002-9. IESO has identified GLP Third Line TS, Mackay TS and System Control and Backup System Control as Critical Assets. In order to protect against fire and maintain integrity of the asset, a fire suppression system is required.
<b>Solution:</b>	Identify requirements and implement solutions as per IESO and NERC standards.
<b>Description:</b>	This project must include the following requirements: 5. CIP-006-1 Physical Security of Critical Cyber Assets.
<b>Benefits:</b>	GLP critical cyber assets will be protected and in compliance with IESO and NERC requirement. Fire in the facility should not result in complete destruction of the asset and will provide a means of quickly repairing damage thus resulting in little impact to the BES.
<b>Risks:</b>	As Third Line is part of the BES and defined as a critical asset by the IESO, failure to protect against fire may result in negative impacts to the system.
<b>Justification:</b>	

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Third Line TS Fire Suppression Installation

Engineering		Construction	
Descriptions	Cost	Descriptions	Cost
<b>Pre Engineering:</b>	\$0	<b>Lines Department Labour:</b>	\$0
<b>Approvals:</b>	\$0	<b>PC Maintenance:</b>	\$4,000
<b>Design Labour:</b>	\$0	<b>Electrical Maintenance Labour:</b>	\$4,000
<b>Design Material:</b>	\$0	<b>Drawings Labour:</b>	\$1,000
<b>Design Travel:</b>	\$0	<b>Removals Labour:</b>	\$0
<b>Design Expenses:</b>	\$0	<b>Updates/Integration Labour:</b>	\$0
<b>Design Contracts:</b>	\$7,000	<b>Forestry Labour:</b>	\$0
<b>Proj Man Labour:</b>	\$0	<b>Miscellaneous Labour:</b>	\$5,000
<b>Proj Man Material:</b>	\$0	<b>Total Labour:</b>	\$14,000
<b>Proj Man Travel:</b>	\$0	<b>Property:</b>	\$0
<b>Proj Man Contracts:</b>	\$15,000	<b>Const Travel:</b>	\$0
<b>Engineering Sub Total:</b>	\$22,000	<b>Const Rentals:</b>	\$0
<b>Engineering Contingency:</b>	\$2,200	<b>Const Fleet Usage:</b>	\$0
<b>Engineering Total:</b>	\$24,200	<b>Const Expenses:</b>	\$0
		<b>Const Contracts:</b>	\$2,000
		<b>Third Line TS Fire Suppression</b>	\$103,000
		<b>Mackay TS Fire Suppression Sys</b>	\$0
			\$0
			\$0
			\$0
			\$0
			\$0
			\$0
		<b>Misc Material Cost:</b>	\$0
		<b>Construction Sub Total:</b>	\$119,000
		<b>Construction Contingency:</b>	\$11,900
		<b>Construction Total:</b>	\$130,900
		<b>Total Estimate:</b>	\$155,000

# Transmission Project Details

<b>Trans Projects ID:</b>	393
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Control Systems (SCADA - RT
<b>Location:</b>	Systemwide

<b>Title:</b>	Master SCADA System Replacement
<b>Project Manager:</b>	Gary Gazankas

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	SCADA system is aging and requires replacement. Spare components are difficult to find, the system does not perform as required by the IESO. The probability of failure increases at an exponential rate annually.
<b>Solution:</b>	Replace aging SCADA system with new modern system comparable to IESO and Hydro One systems .
<b>Description:</b>	This phase of the project involves the development of the scope, Request for Proposal (RFP), design and project planning.
<b>Benefits:</b>	Detailed planning prior to implementation will reduce the risk of project cost overruns, poor design, project delays etc. etc. It is expected that upon completion the SCADA system will perform as required and will improve reliability of supply moving forward.
<b>Risks:</b>	Failure to proceed will negatively impact reliability, operability and safety.
<b>Justification:</b>	



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Master SCADA System Replacement

Engineering		Construction	
Descriptions	Cost	Descriptions	Cost
<b>Pre Engineering:</b>	\$50,000	<b>Lines Department Labour:</b>	\$0
<b>Approvals:</b>	\$0	<b>PC Maintenance:</b>	\$60,000
<b>Design Labour:</b>	\$0	<b>Electrical Maintenance Labour:</b>	\$0
<b>Design Material:</b>	\$0	<b>Drawings Labour:</b>	\$10,000
<b>Design Travel:</b>	\$0	<b>Removals Labour:</b>	\$0
<b>Design Expenses:</b>	\$0	<b>Updates/Integration Labour:</b>	\$0
<b>Design Contracts:</b>	\$60,000	<b>Forestry Labour:</b>	\$0
<b>Proj Man Labour:</b>	\$0	<b>Miscellaneous Labour:</b>	\$35,000
<b>Proj Man Material:</b>	\$0	<b>Total Labour:</b>	\$105,000
<b>Proj Man Travel:</b>	\$0	<b>Property:</b>	\$0
<b>Proj Man Contracts:</b>	\$100,000	<b>Const Travel:</b>	\$0
		<b>Const Rentals:</b>	\$0
<b>Engineering Sub Total:</b>	\$210,000	<b>Const Fleet Usage:</b>	\$0
<b>Engineering Contingency:</b>	\$21,000	<b>Const Expenses:</b>	\$0
<b>Engineering Total:</b>	\$231,000	<b>Const Contracts:</b>	\$5,000
		<b>RFP Process</b>	\$50,000
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		<b>Misc Material Cost:</b>	\$0
		<b>Construction Sub Total:</b>	\$160,000
		<b>Construction Contingency:</b>	\$16,000
		<b>Construction Total:</b>	\$176,000
		<b>Total Estimate:</b>	\$407,000

# Transmission Project Details

<b>Trans Projects ID:</b>	433
<b>Plan Year:</b>	2010
<b>Group:</b>	Station Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Systemwide

<b>Title:</b>	Engineering
<b>Project Manager:</b>	

## Project Rationale (Sheet 1)

**Problem Statement:** Annual allowance for the preparation of the following year's capital plan.

**Solution:** Provide annual allowance for engineering, planning and design activities required for new connections or the following year's capital plan.

**Description:** This project is to cover the engineering, planning and design costs for new connections, modifications to the transmission system and 2010 capital plan to provide reasonable estimates for budgeting. Engineering includes:  
 1) Magpie Area Lightning Study  
 2) Mackay SS Voltage Regulation Study  
 3) GLP Facilities Plan  
 4) ROW Acquisition Planning

**Benefits:** Increases accuracy of estimates, improves capital planning process and facilitates timely completion of projects in the following year.

**Risks:** Increased risk of project cost overruns due to poor estimates and inaccurate timelines.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Engineering

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$0
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$0
<b>Engineering Contingency:</b>	\$0
<b>Engineering Total:</b>	\$0

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$0
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
<b>Maggie Area Lighting Study</b>	\$80,000
<b>Mackay SS Voltage Regulation</b>	\$30,000
<b>GLP Building Facilites Plan</b>	\$55,000
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$165,000
<b>Construction Contingency:</b>	\$0
<b>Construction Total:</b>	\$165,000

<b>Total Estimate:</b>	\$165,000
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# Transmission Project Details

<b>Trans Projects ID:</b>	435
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Transformers
<b>Location:</b>	Northern Avenue TS

<b>Title:</b>	Northern Ave Transformer Leak Repair	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** Northern Avenue 115kV / 34.5 kV transformer has begun leaking from the main tank. Although not severe, this may become an environmental issue if not proactively managed. The unit is monitored very closely where should the leak become severe the transformer will be taken out of service immediately and fixed.

**Solution:** Weld the main tank lid physically shut to prevent further leaking.

**Description:** Contract ABB transformer division to weld the main tank shut preventing leaks in the future.

**Benefits:** Stop oil from leaking thus minimizing environmental impact.

**Risks:** Failure to proceed will eventually result increased leaking and potential for environmental impacts.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Northern Ave Transformer Leak Repair

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$5,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$10,000
<b>Engineering Sub Total:</b>	\$15,000
<b>Engineering Contingency:</b>	\$1,500
<b>Engineering Total:</b>	\$16,500

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$5,000
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$5,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$2,000
<b>ABB</b>	\$45,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$52,000
<b>Construction Contingency:</b>	\$5,200
<b>Construction Total:</b>	\$57,200

<b>Total Estimate:</b>	<b>\$74,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	436
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Buildings / Infrastructure
<b>Location:</b>	Systemwide

<b>Title:</b>	GIS Software Purchase / Installation	
<b>Project Manager:</b>		Liza Chikoski

## Project Rationale (Sheet 1)

**Problem Statement:** GLP transmission currently has no GIS infrastructure to manage its transmission line assets, land / property and easement agreements not to mention critical environmentally sensitive areas and transmission line right of way (ROW) access roads.

**Solution:** Purchase and Install a GIS to assist in managing the capital and maintenance and forestry programs.

**Description:** The GIS software will be incorporated into an enterprise system that will eventually include asset management and vegetation management applications as well as a work management system. The new system will meet new business and regulatory requirements. These tools will support the following:

- Environmental Management
- Forestry Program Management
- Outage planning and scheduling
- Asset Investment Planning
- Maintenance Planning
- Regulatory reporting requirements
- Land management
- ROW management
- ROW access management

**Benefits:** This program will enhance existing Transmission Line asset management techniques, as well as the management of lands, property, easements, environmental areas and ROW access roads. Results include:

- Enhanced Environmental management
- Reduced Maintenance Costs
- Lower support costs
- Improve the information and service to transmission customers
- Improve the information and service to transmission employees and stakeholders

**Risks:** There is no GIS system installed for the GLP transmission system. Inaction will result in an increased risk of service quality degradation in critical applications for transmission operations. This will ultimately reduce the effectiveness of the existing programs.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** GIS Software Purchase / Installation

### Engineering

Descriptions	Cost
Pre Engineering:	\$10,000
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$0
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$30,000
<b>Engineering Sub Total:</b>	<b>\$40,000</b>
<b>Engineering Contingency:</b>	<b>\$4,000</b>
<b>Engineering Total:</b>	<b>\$44,000</b>

### Construction

Descriptions	Cost
Lines Department Labour:	\$0
PC Maintenance:	\$0
Electrical Maintenance Labour:	\$0
Drawings Labour:	\$0
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$30,000
<b>Total Labour:</b>	<b>\$30,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$5,000
Input of Records (Easements et	\$60,000
Further Connectivity of Busines	\$40,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
Misc Material Cost:	\$0
<b>Construction Sub Total:</b>	<b>\$135,000</b>
<b>Construction Contingency:</b>	<b>\$13,500</b>
<b>Construction Total:</b>	<b>\$148,500</b>

**Total Estimate:** \$193,000

# Transmission Project Details

<b>Trans Projects ID:</b>	437
<b>Plan Year:</b>	2010
<b>Group</b>	Line Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Sault #3; Third Line T.S. to Ma

<b>Title:</b>	# 3 Sault Numbering
<b>Project Manager:</b>	Gary Gazankas

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	Numbers have never been placed on all structures on the #3 Sault 115kV transmission circuit. The existing numbers have worn to the extent that they are not legible resulting in a need for the replacement and installation of all numbers on the circuit.
<b>Solution:</b>	Purchase and install numbers on # 3 Sault 115kV Transmission Line.
<b>Description:</b>	This Project will be performed by Internal Lines Staff. It involves the installation / replacement of the structure numbers on # 3 Sault.
<b>Benefits:</b>	Transmission Line numbering provides a quick reference to crews and emergency response teams. They allow for better response to emergency conditions (structure failure, vegetation related incident) as to pinpoint location via structure number. This also enhances asset management practices, specifically when defining woodpecker patching and structure replacement programs.
<b>Risks:</b>	Failure to proceed will result in inefficient emergency response as well as substandard asset management program.
<b>Justification:</b>	



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** # 3 Sault Numbering

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$0
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$0
<b>Engineering Contingency:</b>	\$0
<b>Engineering Total:</b>	\$0

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$41,500
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$41,500
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$41,500
<b>Construction Contingency:</b>	\$4,150
<b>Construction Total:</b>	\$45,650

<b>Total Estimate:</b>	<b>\$46,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	438
<b>Plan Year:</b>	2010
<b>Group:</b>	Station Assets
<b>Subgroup:</b>	Ancillary Equipment
<b>Location:</b>	Anjigami TS

<b>Title:</b>	Anjigami TS SS Voltage Regulator Installation	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** 230kV system voltage fluctuates dramatically at Anjigami TS depending on the power flow east. High voltages impact the 115 kV station thus impacting the Anjigami TS Station Service Voltage. Specifically, electronic equipment is stressed due to an over voltage condition. This is taxing on the electronic equipment and may result in failure to battery chargers and other AC connected equipment, impacting reliability of supply.

**Solution:** Install low voltage regulator within TS control room in order to regulate the low voltage supply to hold at an acceptable level. This will result in acceptable low voltage bandwidths, increasing equipment availability and reliability of supply.

**Description:** Purchase and install low voltage regulator at Anjigami TS.

**Benefits:** All AC connected low voltage equipment will run within specifications thus reducing the potential for failure and allowing the equipment to operate as expected for its entire lifecycle.

**Risks:** Do nothing is not acceptable as the equipment will be subject to continuous high voltage thus operating outside manufacturers specifications that will eventually lead to failure.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Anjigami TS SS Voltage Regulator Installatio

Engineering		Construction	
Descriptions	Cost	Descriptions	Cost
<b>Pre Engineering:</b>	\$10,000	<b>Lines Department Labour:</b>	\$0
<b>Approvals:</b>	\$0	<b>PC Maintenance:</b>	\$4,000
<b>Design Labour:</b>	\$0	<b>Electrical Maintenance Labour:</b>	\$16,000
<b>Design Material:</b>	\$0	<b>Drawings Labour:</b>	\$5,000
<b>Design Travel:</b>	\$0	<b>Removals Labour:</b>	\$0
<b>Design Expenses:</b>	\$0	<b>Updates/Integration Labour:</b>	\$0
<b>Design Contracts:</b>	\$0	<b>Forestry Labour:</b>	\$0
<b>Proj Man Labour:</b>	\$0	<b>Miscellaneous Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0	<b>Total Labour:</b>	\$25,000
<b>Proj Man Travel:</b>	\$0	<b>Property:</b>	\$0
<b>Proj Man Contracts:</b>	\$0	<b>Const Travel:</b>	\$0
		<b>Const Rentals:</b>	\$0
<b>Engineering Sub Total:</b>	\$10,000	<b>Const Fleet Usage:</b>	\$0
<b>Engineering Contingency:</b>	\$1,000	<b>Const Expenses:</b>	\$0
<b>Engineering Total:</b>	\$11,000	<b>Const Contracts:</b>	\$0
		<b>Purchase 120/240 Voltage Regu</b>	\$12,000
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		N/A	\$0
		<b>Misc Material Cost:</b>	\$2,000
		<b>Construction Sub Total:</b>	\$39,000
		<b>Construction Contingency:</b>	\$3,900
		<b>Construction Total:</b>	\$42,900
		<b>Total Estimate:</b>	\$54,000

# Transmission Project Details

<b>Trans Projects ID:</b>	439
<b>Plan Year:</b>	2010
<b>Group:</b>	Station Assets
<b>Subgroup:</b>	Control Systems (SCADA - RT
<b>Location:</b>	Systemwide

<b>Title:</b>	Centralized Information Retrieval - Upgrades	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** GLP needs to be compliant with the Market Rules where due to a power system encompassing a wide geographical area, retrieval of system disturbance data from RTUs, protection and DFRs is costly and untimely. This results in the potential for loss of critical data leading to the inability to investigate misoperations properly, leading to incorrect action and further protections misoperations.

**Solution:** Expand the centralized data reporting center (initiated in 2005) to allow technicians and engineers to quickly retrieve data from remote stations. Integrate communication units to new relays for data retrieval and alarm annunciation.

**Description:** 2010 works will include installation upgrades to the entire system. Relays and equipment have changed since the original installation and require connection and configuration to the CIRS system.

**Benefits:** The project will eliminate the need for costly DFRs and reduce maintenance. This will allow for Quick access to all system event data to accurately investigate disturbances and facilitate efficient troubleshooting as per IESO requirements.

**Risks:** Not upgrading to accommodate recent protections changes will result in a system that would lack the required functionality and inhibit GLP personnel to access the required remote data and may result in regulatory non-compliance as well as reliability issues.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Centralized Information Retrieval - Upgrades

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$10,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$10,000
<b>Engineering Contingency:</b>	\$1,000
<b>Engineering Total:</b>	\$11,000

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$60,000
<b>Electrical Maintenance Labour:</b>	\$25,000
<b>Drawings Labour:</b>	\$5,000
<b>Removals Labour:</b>	\$5,000
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$20,000
<b>Total Labour:</b>	\$115,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
	\$0
	\$0
	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$25,000
<b>Construction Sub Total:</b>	\$140,000
<b>Construction Contingency:</b>	\$14,000
<b>Construction Total:</b>	\$154,000

<b>Total Estimate:</b>	\$165,000
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# Transmission Project Details

<b>Trans Projects ID:</b>	440
<b>Plan Year:</b>	2010
<b>Group</b>	Regulatory
<b>Subgroup:</b>	Legislative/Environment/Safety
<b>Location:</b>	Systemwide

<b>Title:</b>	Tx System Safety / Security Enhancements	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	Condition assessments have identified the need for station fence repair, fill and minor excavation to improve the security at the stations as well as the installation additional signage to improve public awareness of the danger of high voltage facilities.
<b>Solution:</b>	Take corrective action and repair the areas identified in the condition assessments.
<b>Description:</b>	Install fill, Replace fencing sections, repair bonding, improve drainage and install additional signage as per condition assessment findings.
<b>Benefits:</b>	Increased security and public awareness / education resulting in lower probability of electrical contact. Compliance with GLP public safety requirement.
<b>Risks:</b>	Do nothing approach is unacceptable due to the fact that safety to the public may be compromised.
<b>Justification:</b>	

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Tx System Safety / Security Enhancements

Engineering	
Descriptions	Cost
Pre Engineering:	\$0
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$0
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$20,000
<hr/>	
<b>Engineering Sub Total:</b>	<b>\$20,000</b>
<b>Engineering Contingency:</b>	<b>\$2,000</b>
<b>Engineering Total:</b>	<b>\$22,000</b>

Construction	
Descriptions	Cost
Lines Department Labour:	\$15,000
PC Maintenance:	\$0
Electrical Maintenance Labour:	\$5,000
Drawings Labour:	\$0
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$20,000
<b>Total Labour:</b>	<b>\$40,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$0
Fencing, Barb Wire, Fence Post	\$70,000
Ground connectors, conductor	\$10,000
Fill, excavation, drainage	\$30,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
Misc Material Cost:	\$0
<hr/>	
<b>Construction Sub Total:</b>	<b>\$150,000</b>
<b>Construction Contingency:</b>	<b>\$15,000</b>
<b>Construction Total:</b>	<b>\$165,000</b>

<b>Total Estimate:</b>	<b>\$187,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	441
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Buildings / Infrastructure
<b>Location:</b>	Systemwide

<b>Title:</b>	IT Infrastructure	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

**Problem Statement:** Information Technology is a key component to the ongoing operation and success of the business. Infrastructure and software systems must be updated on an ongoing basis to ensure the continued reliability, integrity, availability, and regulatory compliance of systems. It is also necessary to exploit new established technology to ensure the maximum return on investment from IT expenditures.

**Solution:** Great Lakes Power refreshes technology on a regular basis. The standard interval is 3 years for laptops, 4 years for desktops, up to 5 years for servers and longer for networking equipment. It is also necessary to acquire new software and equipment to accommodate new hires and to improve existing infrastructure.

**Description:**

- Replace hardware as required to refresh technology
- Acquire new equipment and software for new hires
- Acquire new technology to ensure the continued reliability, integrity, and availability of systems within the regulatory framework.

**Benefits:**

- Employees have the technology required to complete their day to day tasks in a efficient and cost effective manner.
- Great Lakes Power is able to utilize technology to manage to quality of our assets to positively impact rates.

**Risks:**

- Loss of employee productivity when systems and equipment are not available when needed.
- Inability to provide information in a timely fashion within regulator requirements such as OEB, NERC and Sarbanes Oxley
- Negative impact on transmission assets
- Loss of customer and public trust

**Justification:**



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** IT Infrastructure

### Engineering

Descriptions	Cost
Pre Engineering:	\$0
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$0
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$0
<b>Engineering Sub Total:</b>	<b>\$0</b>
<b>Engineering Contingency:</b>	<b>\$0</b>
<b>Engineering Total:</b>	<b>\$0</b>

### Construction

Descriptions	Cost
Lines Department Labour:	\$0
PC Maintenance:	\$0
Electrical Maintenance Labour:	\$0
Drawings Labour:	\$0
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$75,000
<b>Total Labour:</b>	<b>\$75,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$0
IT	\$150,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
Misc Material Cost:	\$0
<b>Construction Sub Total:</b>	<b>\$225,000</b>
<b>Construction Contingency:</b>	<b>\$22,500</b>
<b>Construction Total:</b>	<b>\$247,500</b>

<b>Total Estimate:</b>	<b>\$248,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	442
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Systemwide

<b>Title:</b>	Telecom upgrades
<b>Project Manager:</b>	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	Existing radio equipment is at end of life and requires replacement. The radio system provides an important communication media for field crews as it is a tool used in emergency situations. Expenditures are required to replace existing aging equipment to maintain and improve current levels of equipment reliability.
<b>Solution:</b>	Replace end of life equipment to increase reliability.
<b>Description:</b>	Replace the following in 2010: 1) Replace Gartshore Radio Link. 2) Replace Helen Mine repeater 3) Replace Helen Mine and Gartshore repeater manager 4) Replace Gartshore Antenna and transmission line 5) Install Security Camera at Gartshore Radio Tower
<b>Benefits:</b>	Increased equipment reliability with the result being a dependable means of communications for field crews.
<b>Risks:</b>	Unreliable equipment not acceptable due to importance to field crews from both an operational and emergency perspective. The equipment and needs to operate when required in the event of an emergency where failure to do so may result in delayed response to emergency situations.
<b>Justification:</b>	

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Telecom upgrades

Engineering	
Descriptions	Cost
<b>Pre Engineering:</b>	\$5,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$30,000
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$10,000
<b>Engineering Sub Total:</b>	<b>\$45,000</b>
<b>Engineering Contingency:</b>	<b>\$4,500</b>
<b>Engineering Total:</b>	<b>\$49,500</b>

Construction	
Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$8,000
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	<b>\$8,000</b>
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$2,000
<b>Replace Gartshore UHF Radio</b>	<b>\$10,000</b>
<b>Replace Helen Mine Repeater</b>	<b>\$10,000</b>
<b>Replace 47R Repeater Manage</b>	<b>\$9,000</b>
<b>Replace Gartshore Antenna an</b>	<b>\$3,000</b>
<b>Install security Camera at Gart</b>	<b>\$4,000</b>
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	<b>\$46,000</b>
<b>Construction Contingency:</b>	<b>\$4,600</b>
<b>Construction Total:</b>	<b>\$50,600</b>

<b>Total Estimate:</b>	<b>\$100,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	443
<b>Plan Year:</b>	2010
<b>Group</b>	Line Assets
<b>Subgroup:</b>	Property Rights and Acquisitio
<b>Location:</b>	W23K Mackay T.S. to Wawa T.

<b>Title:</b>	ROW Acquisition Planning
<b>Project Manager:</b>	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	GLP must analyze its Right of way (ROW) standard to determine if it meets the requirements of the Transmission System Code (TSC) and the NERC vegetation FAC-003 Standard.
<b>Solution:</b>	Utilize newly developed tools (GIS, Veg Management) for expansion planning on the 115 and 230 kV ROW's
<b>Description:</b>	Review data and develop multi year plan.
<b>Benefits:</b>	<b>Benefits include:</b> 1) Increased reliability 2) Compliance with FAC-003 3) Compliance with GLP Environmental Policy (Public Safety) 3) Compliance with GLP Environmental Policy 9Public Safety_
<b>Risks:</b>	Increased risk of vegetation related outages, non-compliance with the TSC ( Good Utility Practice).
<b>Justification:</b>	

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** ROW Acquisition Planning

### Engineering

### Construction

Descriptions	Cost
<b>Pre Engineering:</b>	\$20,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$0
<b>Engineering Sub Total:</b>	\$20,000
<b>Engineering Contingency:</b>	\$2,000
<b>Engineering Total:</b>	\$22,000

Descriptions	Cost
<b>Lines Department Labour:</b>	\$15,000
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$100,000
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$115,000
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>N/A</b>	\$0
<b>Misc Material Cost:</b>	\$0
<b>Construction Sub Total:</b>	\$115,000
<b>Construction Contingency:</b>	\$11,500
<b>Construction Total:</b>	\$126,500

<b>Total Estimate:</b>	\$149,000
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# Transmission Project Details

<b>Trans Projects ID:</b>	444
<b>Plan Year:</b>	2010
<b>Group</b>	Station Assets
<b>Subgroup:</b>	Minor Fixed Assets
<b>Location:</b>	Systemwide

<b>Title:</b>	Fleet Requirements	
<b>Project Manager:</b>		

## Project Rationale (Sheet 1)

**Problem Statement:** This investment is required to meet vehicle and fleet capital requirements arising from capital and maintenance work programs. Not proceeding or delaying this investment would lead to lower-than-required fleet levels, change the vehicle mix and may cause a shift to use of more expensive rental units. Extending the life of the vehicles past their optimum level of economic and reliable operations will result in increased equipment and user operating costs, reduced reliability and unsafe operating conditions.

**Solution:** Purchase vehicles as required.  
 1) 1 - Truck  
 2) 2 - Snow machines  
 3) 1 - ORV

**Description:** GLPL controls and manages a fleet which support the various business groups including Lines, Stations, Forestry and Engineering. Fleet vehicles must be maintained at an optimum level to comply with various regulations (Highway Traffic Act, CVOR regulations, etc.) and to maintain business group productivity by minimizing downtime and travel time and taking advantage of technology improvement opportunities. Present replacement criteria are based on manufacturers' recommendations and repair history.

**Benefits:** Reduced operating costs and increased reliability.

**Risks:** Do nothing may result in the operation of unsafe vehicles resulting in injury.

**Justification:**

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Fleet Requirements

Engineering		Construction	
Descriptions	Cost	Descriptions	Cost
<b>Pre Engineering:</b>	\$0	<b>Lines Department Labour:</b>	\$0
<b>Approvals:</b>	\$0	<b>PC Maintenance:</b>	\$0
<b>Design Labour:</b>	\$0	<b>Electrical Maintenance Labour:</b>	\$0
<b>Design Material:</b>	\$0	<b>Drawings Labour:</b>	\$0
<b>Design Travel:</b>	\$0	<b>Removals Labour:</b>	\$0
<b>Design Expenses:</b>	\$0	<b>Updates/Integration Labour:</b>	\$0
<b>Design Contracts:</b>	\$0	<b>Forestry Labour:</b>	\$0
<b>Proj Man Labour:</b>	\$0	<b>Miscellaneous Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0	<b>Total Labour:</b>	\$0
<b>Proj Man Travel:</b>	\$0	<b>Property:</b>	\$0
<b>Proj Man Contracts:</b>	\$0	<b>Const Travel:</b>	\$0
		<b>Const Rentals:</b>	\$0
<b>Engineering Sub Total:</b>	\$0	<b>Const Fleet Usage:</b>	\$0
<b>Engineering Contingency:</b>	\$0	<b>Const Expenses:</b>	\$0
<b>Engineering Total:</b>	\$0	<b>Const Contracts:</b>	\$0
		<b>Truck</b>	\$68,000
		<b>2 Snowmachines</b>	\$27,000
		<b>1 - ORV</b>	\$25,000
		<b>1 - Trailer</b>	\$10,000
		<b>N/A</b>	\$0
		<b>N/A</b>	\$0
		<b>N/A</b>	\$0
		<b>N/A</b>	\$0
		<b>N/A</b>	\$0
		<b>N/A</b>	\$0
		<b>Misc Material Cost:</b>	\$0
		<b>Construction Sub Total:</b>	\$130,000
		<b>Construction Contingency:</b>	\$0
		<b>Construction Total:</b>	\$130,000
		<b>Total Estimate:</b>	\$130,000

# Transmission Project Details

<b>Trans Projects ID:</b>	445
<b>Plan Year:</b>	2010
<b>Group:</b>	Station Assets
<b>Subgroup:</b>	Refurbishments/Replacements
<b>Location:</b>	Northern Avenue TS

<b>Title:</b>	OSC / Sackville building Genset	
<b>Project Manager:</b>		Gary Gazankas

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	Existing Genset is not reliable and has failed to start on a number of occasions in the past year. The genset provides back up power supply to critical business systems as well as the SCADA system.
<b>Solution:</b>	Purchase and Install new dual fuel reliable emergency generator.
<b>Description:</b>	Perform engineering studies to determine the generator requirements (size, fuel type, max run time etc. etc.), as well as purchase. Installation specifications and design will also be done as to facilitate the installation in 2011.
<b>Benefits:</b>	It is expected that the emergency generator that will perform as required that will ensure that critical business systems are not compromised during power outage conditions. The SCADA system will also perform as required and will operate reliably under outage conditions.
<b>Risks:</b>	Do nothing approach is not acceptable as the business IT infrastructure requires a reliable backup supply not to mention the fact that the SCADA system needs to operate under outage conditions. Not proceeding may impact the Bulk Electrical System (BES) and IESO controlled grid negatively.
<b>Justification:</b>	



# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** OSC / Sackville building Genset

Engineering	
Descriptions	Cost
Pre Engineering:	\$15,000
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$75,000
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$20,000
<b>Engineering Sub Total:</b>	<b>\$110,000</b>
<b>Engineering Contingency:</b>	<b>\$11,000</b>
<b>Engineering Total:</b>	<b>\$121,000</b>

Construction	
Descriptions	Cost
Lines Department Labour:	\$0
PC Maintenance:	\$2,000
Electrical Maintenance Labour:	\$2,000
Drawings Labour:	\$0
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$0
<b>Total Labour:</b>	<b>\$4,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$0
Purchase Genset	\$200,000
Purchase UPS	\$90,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
Misc Material Cost:	\$0
<b>Construction Sub Total:</b>	<b>\$294,000</b>
<b>Construction Contingency:</b>	<b>\$29,400</b>
<b>Construction Total:</b>	<b>\$323,400</b>

<b>Total Estimate:</b>	<b>\$444,000</b>
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# Transmission Project Details

<b>Trans Projects ID:</b>	451
<b>Plan Year:</b>	2010
<b>Group:</b>	Station Assets
<b>Subgroup:</b>	Buildings / Infrastructure
<b>Location:</b>	MacKay TS

<b>Title:</b>	Mackay TS Fire Suppression Installation	
<b>Project Manager:</b>	Gary Gazankas	

## Project Rationale (Sheet 1)

<b>Problem Statement:</b>	This is IESO and NERC Cyber Security requirement. It is mandatory and must be in compliance with Cyber Security Standards (CIP) CIP-002-1 through CIP-002-9. IESO has identified Mackay TS as a Critical Asset.
<b>Solution:</b>	Identify requirements and Implement solutions as per IESO and NERC standards.
<b>Description:</b>	<p>This project must include the following requirements:</p> <p><b>CIP-006-1 Physical Security of Critical Cyber Assets.</b>          Implement at least two different security procedures to establishing a Physical Security Perimeter around critical cyber assets.</p> <p><b>CIP-009-1 Recovery Plans for Critical Cyber Assets</b>          Implement procedures for backup all cyber critical assets data and store it in off-site.          Update the recovery plan when there is indication of a weakness or problem with the cyber security incident recovery plan.</p>
<b>Benefits:</b>	GLP critical cyber assets will be protected and in compliance with IESO and NERC requirement. Fire suppression will enhance recovery time resulting in less impact to the BES.
<b>Risks:</b>	non-compliance with Cyber Security Standards (CIP) CIP-002-1 through CIP-002-9.
<b>Justification:</b>	

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Mackay TS Fire Suppression Installation

### Engineering

Descriptions	Cost
Pre Engineering:	\$0
Approvals:	\$0
Design Labour:	\$0
Design Material:	\$0
Design Travel:	\$0
Design Expenses:	\$0
Design Contracts:	\$7,000
Proj Man Labour:	\$0
Proj Man Material:	\$0
Proj Man Travel:	\$0
Proj Man Contracts:	\$8,000
<b>Engineering Sub Total:</b>	<b>\$15,000</b>
<b>Engineering Contingency:</b>	<b>\$1,500</b>
<b>Engineering Total:</b>	<b>\$16,500</b>

### Construction

Descriptions	Cost
Lines Department Labour:	\$0
PC Maintenance:	\$4,000
Electrical Maintenance Labour:	\$4,000
Drawings Labour:	\$1,000
Removals Labour:	\$0
Updates/Integration Labour:	\$0
Forestry Labour:	\$0
Miscellaneous Labour:	\$5,000
<b>Total Labour:</b>	<b>\$14,000</b>
Property:	\$0
Const Travel:	\$0
Const Rentals:	\$0
Const Fleet Usage:	\$0
Const Expenses:	\$0
Const Contracts:	\$2,000
	\$0
<b>Mackay TS Fire Suppresion Sys</b>	<b>\$75,000</b>
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
	\$0
<b>Misc Material Cost:</b>	<b>\$0</b>
<b>Construction Sub Total:</b>	<b>\$91,000</b>
<b>Construction Contingency:</b>	<b>\$9,100</b>
<b>Construction Total:</b>	<b>\$100,100</b>

**Total Estimate:** \$117,000

# Transmission Project Details

<b>Trans Projects ID:</b>	537
<b>Plan Year:</b>	2010
<b>Group:</b>	Regulatory
<b>Subgroup:</b>	Legislative/Environment/Safety
<b>Location:</b>	Systemwide

<b>Title:</b>	Asset Management Software	
<b>Project Manager:</b>		Gary Gazankas

## Project Rationale (Sheet 1)

**Problem Statement:** The existing database and application software requiring replacement is vulnerable to increased business risk due to instability issues. Replacement is required to enhance existing applications to meet regulatory and business requirements.

**Solution:** Install new software and ensure that all business and regulatory needs are met. This solution will work in conjunction of the vegetation management and GIS software purchases.

**Description:** The existing database and software application is the core facility used for planning the Capital program for the transmission system. It is the key facility by which GLP requires to support asset strategy and investment plans. This investment will fund the replacement of the existing application and database software to support the Capital program for asset management.

- Benefits:**
- Results Include:**
- Sustaining or improving the reliability of an aging asset base
  - Minimizing O&M and capital costs
  - Managing risks (operational, safety, environmental, etc.)
  - Considering numerous alternatives for asset repair, replacement, rehabilitation, upgrade, and decommissioning
- 
- Managing risks (operational, safety, environmental, etc.)
  - Maximizing availability and managing work within tight outage windows
  - Considering numerous alternatives for asset repair, replacement, rehabilitation, upgrade, and decommissioning
  - Coordinating competing expenditure plans to achieve a single, optimized long-term plan

**Risks:** The existing application and database software is unstable and lacks the functionality required to meet growing business and regulatory requirements. Inaction will result in a reduction in aging asset reliability, increased capital and maintenance costs and increased operational, safety and environmental risks.

**Justification:** Replacement of existing software.

# Transmission Project Details

## Project Estimates (Sheet 2)

**Title:** Asset Management Software

### Engineering

Descriptions	Cost
<b>Pre Engineering:</b>	\$20,000
<b>Approvals:</b>	\$0
<b>Design Labour:</b>	\$0
<b>Design Material:</b>	\$0
<b>Design Travel:</b>	\$0
<b>Design Expenses:</b>	\$0
<b>Design Contracts:</b>	\$0
<b>Proj Man Labour:</b>	\$0
<b>Proj Man Material:</b>	\$0
<b>Proj Man Travel:</b>	\$0
<b>Proj Man Contracts:</b>	\$30,000
<b>Engineering Sub Total:</b>	\$50,000
<b>Engineering Contingency:</b>	\$5,000
<b>Engineering Total:</b>	\$55,000

### Construction

Descriptions	Cost
<b>Lines Department Labour:</b>	\$0
<b>PC Maintenance:</b>	\$0
<b>Electrical Maintenance Labour:</b>	\$0
<b>Drawings Labour:</b>	\$0
<b>Removals Labour:</b>	\$0
<b>Updates/Integration Labour:</b>	\$0
<b>Forestry Labour:</b>	\$0
<b>Miscellaneous Labour:</b>	\$0
<b>Total Labour:</b>	\$0
<b>Property:</b>	\$0
<b>Const Travel:</b>	\$0
<b>Const Rentals:</b>	\$0
<b>Const Fleet Usage:</b>	\$0
<b>Const Expenses:</b>	\$0
<b>Const Contracts:</b>	\$1,000
<b>Development of AM Solution</b>	\$110,000
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
N/A	\$0
<b>Misc Material Cost:</b>	\$5,000
<b>Construction Sub Total:</b>	\$116,000
<b>Construction Contingency:</b>	\$11,600
<b>Construction Total:</b>	\$127,600

**Total Estimate:** \$183,000

## Budgeted Financial Statements

### **GREAT LAKES POWER TRANSMISSION LIMITED PARTNERSHIP**

For the years ending December 31, 2010-2014

## Contents

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**Great Lakes Power Transmission Limited Partnership**  
**2010-2014 Balance Sheet - Forecast**  
**Prepared on an Annual Basis**

	2010	2011	2012	2013	2014
<b>Assets</b>					
<b>Current Assets</b>					
Cash	\$ 866,338	\$ 3,105,164	\$ 1,151,628	\$ 1,504,199	\$ 536,794
Accounts receivable	2,989,354	3,112,734	3,269,836	3,338,428	3,415,787
Prepaid expenses and other	150,000	150,000	150,000	150,000	150,000
	4,005,692	6,367,898	4,571,464	4,992,626	4,102,581
Gross	290,286,860	324,457,010	338,998,387	346,706,019	362,141,595
CWIP	14,695,140	4,986,990	3,266,613	1,981,981	806,405
Accum. Deprec.	(80,730,000)	(88,374,450)	(96,210,011)	(104,241,462)	(112,473,698)
<b>Property, plant and equipment, net</b>	<b>224,252,000</b>	<b>241,069,550</b>	<b>246,054,989</b>	<b>244,446,538</b>	<b>250,474,302</b>
	\$ 228,257,692	\$ 247,437,448	\$ 250,626,453	\$ 249,439,165	\$ 254,576,883
<b>Liabilities and Capital Account</b>					
<b>Current liabilities</b>					
Accounts and other payables	\$ 1,412,371	\$ 1,921,444	\$ 1,916,992	\$ 1,916,905	\$ 1,995,843
Regulatory liability	1,886,000	943,000	-	-	-
Taxes payable	-	-	-	-	-
	3,298,371	2,864,444	1,916,992	1,916,905	1,995,843
<b>First mortgage bonds</b>	<b>117,210,000</b>	<b>117,340,000</b>	<b>117,470,000</b>	<b>117,600,000</b>	<b>117,730,000</b>
<b>Intercompany loans</b>	<b>14,000,000</b>	<b>35,000,000</b>	<b>41,000,000</b>	<b>41,000,000</b>	<b>47,000,000</b>
	134,508,371	155,204,444	160,386,992	160,516,904	166,725,843
<b>Capital account</b>	<b>93,749,321</b>	<b>92,233,004</b>	<b>90,239,461</b>	<b>88,922,260</b>	<b>87,851,040</b>
	\$ 228,257,692	\$ 247,437,448	\$ 250,626,453	\$ 249,439,165	\$ 254,576,883



**Great Lakes Power Transmission Limited Partnership**  
**2010-2014 Statement of Income - Forecast**  
**Prepared on an Annual Basis**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>					
Transmission	\$ 35,363,000	\$ 36,822,536	\$ 38,680,999	\$ 39,492,409	\$ 40,407,544
Ancillary Revenue - Deposit Interest	-	-	-	-	-
<b>Total Revenues</b>	<b>35,363,000</b>	<b>36,822,536</b>	<b>38,680,999</b>	<b>39,492,409</b>	<b>40,407,544</b>
<b>Operating Expenses</b>					
Operations and maintenance	4,126,903	4,250,710	4,378,231	4,509,578	4,644,866
Administration	3,650,394	3,759,906	3,872,703	3,988,884	4,108,551
Major maintenance	2,817,000	2,901,510	2,988,555	3,078,212	3,170,558
Insurance	211,500	217,845	224,380	231,112	238,045
Property taxes	258,200	265,946	273,924	282,142	290,606
Capital tax	146,200	-	-	-	-
Extraordinary expenditure	400,000	412,000	424,360	437,091	450,204
<b>Total Operating Expenses</b>	<b>11,610,197</b>	<b>11,807,917</b>	<b>12,162,154</b>	<b>12,527,019</b>	<b>12,902,830</b>
<b>Net Operating Income</b>	<b>\$23,752,803</b>	<b>\$25,014,619</b>	<b>\$26,518,845</b>	<b>\$26,965,390</b>	<b>\$27,504,714</b>
Interest and financing fees - primary	7,920,000	7,920,000	7,920,000	7,920,000	7,920,000
Interest and financing fees - secondary	177,800	1,562,100	2,705,100	3,124,200	3,162,300
Deferred financing fees	130,000	130,000	130,000	130,000	130,000
Capitalized Interest	(403,150)	(1,090,972)	(473,077)	(288,707)	(286,252)
Depreciation of transmission assets	7,458,000	7,644,450	7,835,561	8,031,450	8,232,237
Total tax and other	1,418,832	1,365,358	1,394,803	1,365,647	1,417,651
	16,701,482	17,530,936	19,512,388	20,282,591	20,575,935
Other income	-	-	-	-	-
<b>Total Net Income</b>	<b>\$7,051,321</b>	<b>\$7,483,683</b>	<b>\$7,006,457</b>	<b>\$6,682,799</b>	<b>\$6,928,779</b>

**Great Lakes Power Transmission Limited Partnership**  
**2010-2014 Statement of Capital Account - Forecast**  
**Prepared on an Annual Basis**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Opening Capital Account	\$ 97,698,000	\$ 93,749,321	\$ 92,233,004	\$ 90,239,461	\$ 88,922,260
Net Income	7,051,321	7,483,683	7,006,457	6,682,799	6,928,779
Contributed Surplus	-	-	-	-	-
Dividends Paid	(11,000,000)	(9,000,000)	(9,000,000)	(8,000,000)	(8,000,000)
<b>Closing Capital Account</b>	<b>\$ 93,749,321</b>	<b>\$ 92,233,004</b>	<b>\$ 90,239,461</b>	<b>\$ 88,922,260</b>	<b>\$ 87,851,040</b>

**Great Lakes Power Transmission Limited Partnership**  
**2010-2014 Cash Flow - Forecast**  
**Prepared on an Annual Basis**

	2010	2011	2012	2013	2014
<b>Operating Activities</b>					
Net Income	\$7,051,321	\$7,483,683	\$7,006,457	\$6,682,799	\$6,928,779
Items not affecting cash;					
Depreciation of transmission assets	7,458,000	7,644,450	7,835,561	8,031,450	8,232,237
(Gain) or loss on disposal of assets	-	-	-	-	-
Deferred Financing Fees	130,000	130,000	130,000	130,000	130,000
Net change in non-cash working capital and other	(1,017,984)	(557,306)	(1,104,555)	(68,678)	1,579
	13,621,338	14,700,827	13,867,463	14,775,571	15,292,595
<b>Investing Activities</b>					
Due to related party	-	-	-	-	-
Invested cash	-	-	-	-	-
Proceeds on disposition of property, plant and equipment	-	-	-	-	-
Additions to property, plant and equipment	(16,647,000)	(24,462,000)	(12,821,000)	(6,423,000)	(14,260,000)
	(16,647,000)	(24,462,000)	(12,821,000)	(6,423,000)	(14,260,000)
<b>Financing Activities</b>					
Debt financing	14,000,000	21,000,000	6,000,000	-	6,000,000
Dividends paid	(11,000,000)	(9,000,000)	(9,000,000)	(8,000,000)	(8,000,000)
	3,000,000	12,000,000	(3,000,000)	(8,000,000)	(2,000,000)
(Decrease) increase in cash	(25,662)	2,238,827	(1,953,537)	352,571	(967,405)
Cash, beginning balance	892,000	866,338	3,105,164	1,151,628	1,504,199
<b>Cash, ending balance</b>	<b>\$ 866,338</b>	<b>\$ 3,105,164</b>	<b>\$ 1,151,628</b>	<b>\$ 1,504,199</b>	<b>\$ 536,794</b>

## Great Lakes Power Transmission Limited Partnership

### Notes to Financial Statement Forecasts

### Prepared on an Annual Basis

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#### **1. NATURE AND DESCRIPTION OF BUSINESS**

Great Lakes Power Transmission (GLPT) is engaged in the transmission of electricity to the area adjacent to Sault Ste. Marie, Canada and is subject to the regulations of the Ontario Energy Board (the "OEB").

#### **2. BASIS OF PRESENTATION**

These forecasted financial statements are prospective results of operations and financial position based on assumptions that reflect the entity's expected courses of action for the period covered given management's judgement as to the most probable set of economic conditions, together with one or more hypotheses that are assumptions which are consistent with management's judgement.

The forecasted financial statements are for the five year period ended December 31, 2014.

#### **3. BALANCE SHEET ASSUMPTIONS**

##### **Cash**

Cash balances are assumed to float around the \$2M level, utilizing borrowing when necessary, and paying dividends when cash becomes available.

##### **Account Receivable**

Accounts receivables are based on current month revenue, collectible from the Independent Electricity System Operator ("IESO").

##### **Prepaid Expenses and Other**

Prepaid expenses include but are not limited to OEB fees, Canadian Electricity Association fees, Electrical Safety Authority fees, and insurance fees.

##### **Property, Plant and Equipment**

Property, plant and equipment consists both of capital assets as well as construction work in progress. Property, plant and equipment are depreciated on a straight line basis at rates between 2.5% and 20%. The majority of the assets are depreciated at 2.5%.

##### **Construction Work in Progress**

The company transfers assets classified as construction work in progress to property, plant and equipment when the asset being constructed is put into service.

##### **Accounts and Other Payables**

Accounts and other payables represents trade accounts payable supporting operating and capital expenditures, and the interest payable on all outstanding bonds.

Trade accounts payable at year end represents all operating and capital spending activity from the current month, and 50% of the activity from the previous month.

Interest on outstanding bonds is accrued monthly with interest payments made bi-annually in June and December.

## Great Lakes Power Transmission Limited Partnership

### Notes to Financial Statement Forecasts

#### Prepared on an Annual Basis

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#### **Regulatory Liability**

In the 2010 Transmission Rate Application GLPT proposes to consolidate all regulatory liabilities and assets into a single account and to disburse the aggregate balance over a two-year period. The consolidated deferral account balance is a liability balance of \$2,829,000 as at December 31, 2009. This amount will be returned to the ratepayer over a three year period.

#### **Taxes Payable**

The Company is a Limited Partnership and as such does not pay tax at the company level. The company records a tax provision based on current taxes at the corporate level.

A provision for Income Taxes has been calculated for each year using the currently enacted tax rates. In calculating CCA for 2010-2014, the UCC table was re-established so UCC was equal to the purchase price of the Transmission assets at March 12, 2008.

#### **First Mortgage Bonds**

First mortgage bonds have been issued for CDN\$120 million, the balance reflected on the balance sheet is net of finance fees that will be amortized over a 20 year period.

Under the current bond agreement, principle re-payments will begin in June 2013. It is assumed that the bonds will be re-financed and no principle re-payments will occur during the forecast period.

Interest on the first mortgage bonds is at a rate of 6.60% with an effective interest rate of 6.87%.

#### **Intercompany loans**

Intercompany loans are assumed to be made between GLPT and an affiliated company at the OEB deemed rate of interest of 7.62%. the loan is assumed to be interest only, with interest paid monthly, The principal is repayable on demand.

### **4. INCOME STATEMENT ASSUMPTIONS**

#### **Revenue**

Revenue for 2010 is calculated using the applicable revenue requirement calculation in the 2010 Transmission Rate Application. The revenue calculation in the 2010 Transmission Rate Application has been modified to take into account the actual corporate UCC table, a deemed debt to equity of 60/40 and the approved ROE of 8.01%.

Revenue for 2011 - 2014 is calculated using a Cost of Service approach to develop the company's annual revenue requirement. It is expected that the company will submit and receive approval for new revenue requirement effective January 1 of each year.

#### **Expenses**

Operations, maintenance, administration, insurance, property taxes and extraordinary expenditures are based on the approved 2010 budget for the company, and have been increased annually by the assumed inflation rate of 3%.

Capital taxes for 2010 are based on the approved 2010 budget for the company. Capital taxes will be eliminated by the Ontario government effective July 1, 2010.

#### **Interest and Financing Fees**

Interest expense is paid on the outstanding First mortgage bonds at an effective rate of 6.87%, actual interest rate is 6.60%, and on the outstanding intercompany loans at the OEB deemed interest rate of 7.62%.

## **Great Lakes Power Transmission Limited Partnership**

### **Notes to Financial Statement Forecasts**

#### **Prepared on an Annual Basis**

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#### **Capitalized Interest**

Interest on funds used during construction is charged to construction work in progress at the company's weighted average interest rate on all outstanding debt. Interest is charged based on monthly closing balances in the construction work in progress account.

#### **Depreciation of Transmission Assets**

Depreciation of the company's property, plant and equipment is forecasted based on net fixed asset values. Property, plant and equipment is depreciated on a straight line basis at rates between 2.5% and 20%. The majority of the assets are depreciated at 2.5%.

#### **Total Tax and Other**

The Company is a Limited Partnership and as such does not pay tax at the company level. The company records a tax provision based on currently enacted tax rates at the corporate level. Total tax and other represents the tax provision for each period.

#### **Other Income**

Where applicable, Other income would represent gains or losses from activities that are not operational in nature.

### **5. CASH FLOW ASSUMPTIONS**

#### **Depreciation and Amortization**

Depreciation of the company's property, plant and equipment is forecasted based on net fixed asset values. Property, plant and equipment is depreciated on a straight line basis at rates between 2.5% and 20%. The majority of the assets are depreciated at 2.5%.

#### **Non-Cash Working Capital**

Items in non-cash working capital include: Accounts receivable, Prepaid Expenses, Regulatory Asset, Accounts payable, Income taxes payable, and Regulatory liability. The year-to-year variances in these accounts are reflected in the cash flow forecast.

#### **Additions to Property Plant and Equipment**

The cash flow budget is affected by the forecasted capital spending for each year. All capital spending is tracked through construction work in progress. The company transfers assets classified as construction work in progress to property, plant and equipment when the asset being constructed is put into service.

#### **Dividends Paid**

Dividends paid represent funds that are transferred to the parent company.

Dividends will be paid annually and will be based on both the cash flow generated in the previous year, and on maintaining a consistent debt/equity structure throughout the forecast period.

All dividend payments will abide by existing covenants on First mortgage bonds and Secondary bonds.