

**IN THE MATTER** of the *Ontario Energy Board Act 1998*,  
Schedule B to the *Energy Competition Act, 1998*, S.O. 1998, c.15;

**AND IN THE MATTER OF** an Application by Rideau St.  
Lawrence Distribution Inc. for an Order or Orders approving just  
and reasonable rates and other service charges for the distribution  
of electricity, effective on May 1, 2012.

**INTERROGATORIES**  
**FROM THE**  
**SCHOOL ENERGY COALITION**

1. [Ex. 1/1/13]  
Please provide a brief cv for each member of the Board of Directors for the Applicant and its affiliates.

***Response:***  
***A brief cv for each member of the Board of Directors for the Applicant and its affiliates is attached as SEC Exhibit 1 – RSL Board.***

2. [Ex. 2/3/p.8]  
Please confirm that the Applicant has adopted all of the Typical Useful Life of the Kinetics Study dated April 28, 2010 undertaken on behalf of the Board.

***Response:***  
***RSL has adopted all of the Typical Useful Life of the Kinetics Study dated April 28, 2010***

3. [Ex. 2/7/p.25]  
For each year between 2008 and 2011, please provide the number of poles that the Applicant has replaced.

***Response:***  
***RSL pole replacements completed by year:***

<b><i>2008</i></b>	<b><i>23</i></b>
<b><i>2009</i></b>	<b><i>27</i></b>
<b><i>2010</i></b>	<b><i>25</i></b>
<b><i>2011</i></b>	<b><i>26</i></b>

4. [Ex. 4/2/p.10]

Please explain how the regulatory workload has changed sufficiently to require the addition of a Regulatory Analyst?

*RSL has found that the regulatory part of its business has required increased effort as time has passed. The regulatory portfolio of work includes a number of regulatory accounting and filing requirements. These include reporting under the Green Energy Act- including Fit and MicroFit, reporting and forecasting requirements for the Ontario Clean Energy Benefit, increasingly complicated rate filings, for both the IRM and Cost of Service, and revised service quality reporting.*

*These are responsibilities of the LDC's operating in our regulated environment. LDC's need to keep abreast of the changing regulatory environment. The monitoring, analysis and commenting on current Board initiatives is an important element for LDC's to understand and work within the Board's regulatory framework.*

*The regulatory requirements themselves and effort required to keep pace with the frequent changes have become increasingly taxing. The capacity which we may have had previously has been taken up.*

*In 2001, the first full year of operating following the RSL's formation, RSL employed 13.5 employees (by headcount, excluding summer students and over time). Headcount proposed for 2012 (by headcount, excluding overtime and students) is 13.18 as it appeared in the original application. The headcount has been reduced despite the increased reporting requirements.*

5. [Ex. 4/2/p.11]

Please explain the variance in Third Party Service Providers since 2008.

**Response:**

*The variance in Third Party Service Providers since 2008 is attributable to the following:*

**2008 Board Approved vs. 2008 Actual:**

**Third Party Service Providers cost for 2008 was under the Board approved level by \$40,000.**

*On September 17, 2008, changes to the Canadian Environmental Protection Act, 1999 were published. The changes extended the "End-Of-Use" dates for equipment containing PCBs in a concentration of at least 50 mg/kg but less than 500 mg/kg to December 31, 2009, in sensitive areas, and to 2025. This change, along with the loss of key personnel, and customer development in 2008, caused delays in this multi-year project.*

**2009 ACTUAL vs. 2008 ACTUAL:**

*Third Party service Provider costs for 2009 Actual were over 2008 Actual by \$51,383. PCB testing, and the elimination of PCB contaminated transformers was started in 2009. As explained in the note above for 2008, this task was rescheduled from 2008.*

**2010 ACTUAL vs. 2009 ACTUAL:**

*A third Party contractor was hired to perform back yard tree trimming in our service territory. The contract cost was \$15,900, and this made our 2010 third party service provider costs \$15,900 higher than our 2009 actuals.*

**2011 BRIDGE vs. 2010 ACTUAL:**

*Third Party Service Provider cost in 2011 Bridge Year is higher than 2010 actual by \$57,076.*

*The additional cost is a result of refurbishment on distribution sub stations (\$27,076) and additional work/testing on potential PCB contaminated transformers (\$30,000).*

**2012 TEST vs. 2011 BRIDGE:**

*2012 will be similar to 2011 as both the PCB elimination, and the distribution station refurbishment will continue.*

6. [Ex. 4/5/p.22]  
When was the last time cost sharing was reviewed?

*In preparation for the Cost of Service application the cost sharing was reviewed for changes that may have occurred to the billing, collecting, and meter reading activities that would cause a substantive change in allocations. We are of the opinion following the review that there have not been changes in these activities that would require changing the cost sharing allocation.*

7. [Ex. 4/Master Services Agreement/p.4]

Please provide the current “reasonable rate for return” applied to fee for services?

**Response:**

**The current “reasonable rate for return” being used was 6.64%, equal to the amount approved in RSL’s 2008 COS Rate Application EB-2007-0762. The rate will be adjusted to “Regulated Rate of Return” that will be approved in RSL’s 2012 COS Rate Application EB-2011-0274. The revised rate as shown in response to Board Staff IR 17 is 5.83%.**

8. [Ex.5/1/p.8]

Please provide a copy of all outstanding debt instruments?

**Response:**

**Copies are enclosed as attachments.**

9. [Ex.8/p.1/p.4]

Please provide the MSC ceiling for each rate class.

**The MSC for each Rate Class as submitted with the initial rate application are provided in the following table copied from Worksheet O2 from the Cost Allocation model:**

<b>Summary</b>	<b>Residential</b>	<b>GS &lt;50</b>	<b>GS&gt;50-Regular</b>	<b>Street Light</b>	<b>Sentinel</b>	<b>Unmetered Scattered Load</b>
Customer Unit Cost per month - Avoided Cost	\$5.65	\$17.05	\$81.55	\$0.03	\$0.16	\$20.51
Customer Unit Cost per month - Directly Related	\$9.35	\$27.50	\$135.76	\$0.07	\$0.30	\$34.44
Customer Unit Cost per month - Minimum System with PLCC Adjustment	\$15.98	\$36.50	\$181.23	\$7.11	\$7.34	\$39.99
Existing Approved Fixed Charge	\$10.28	\$24.34	\$281.39	\$2.29	\$1.24	\$7.41

10. [RRWF]

As a result of this interrogatory process, if any changes are made to inputs required for the Revenue Requirement Work form (RRWF), please provide an updated copy of that RRWF and an itemized list of changes and their corresponding revenue requirement impact.

**Please see OEB IR # 49.**

Rideau St. Lawrence Utilities Inc. Summary of Proposed Changes												
		Regulated Return on Capital	Regulated Rate of Return	Rate Base	Working Capital	Working Capital Allowance	Amortization	PILs	OM&A	Service Revenue Requirement	Base Revenue Requirement	Gross Revenue Deficiency
<b>Original Submission</b>		\$440,535	6.10%	\$7,221,657	\$12,414,122	\$1,862,118	\$340,980	\$39,129	\$1,915,028	\$2,735,672	\$2,528,129	\$570,329
1	OEB IR 6 MIFRS Deprec Change	\$440,535 \$0	6.10% 0.00%	\$7,221,657 \$0	\$12,414,122 \$0	\$1,862,118 \$0	\$336,941 -\$4,039	\$39,129 \$0	\$1,915,028 \$0	\$2,731,633 -\$4,039	\$2,524,090 -\$4,039	\$566,289 -\$4,040
2	OEB IR 17 VECC 24 Capital Cost Change	\$421,234 -\$19,301	5.83% -0.27%	\$7,221,657 \$0	\$12,414,122 \$0	\$1,862,118 \$0	\$337,177 \$236	\$37,539 -\$1,590	\$1,915,028 \$0	\$2,710,978 -\$20,655	\$2,503,435 -\$20,655	\$545,634 -\$20,655
3	OEB 22 VECC 30 Low Voltage Change	\$421,960 \$726	5.83% 0.00%	\$7,234,102 \$12,445	\$12,497,093 \$82,971	\$1,874,564 \$12,446	\$337,177 \$0	\$37,622 \$83	\$1,915,028 \$0	\$2,711,787 \$809	\$2,504,244 \$809	\$546,444 \$810
4	RTSR Update Change	\$421,180 -\$780	5.83% 0.00%	\$7,220,729 -\$13,373	\$12,407,937 -\$89,156	\$1,861,191 -\$13,373	\$337,177 \$0	\$37,533 -\$89	\$1,915,028 \$0	\$2,710,917 -\$870	\$2,503,374 -\$870	\$545,574 -\$870
5	OEB 47 Stranded Meters Change	\$422,199 \$1,019	5.83% 0.00%	\$7,238,204 \$17,475	\$12,407,937 \$0	\$1,861,191 \$0	\$337,945 \$788	\$37,520 -\$13	\$1,915,028 \$0	\$2,712,692 \$1,775	\$2,505,149 \$1,775	\$547,349 \$1,775
						\$0						
Cumulative Change		-\$18,336	\$0	\$16,547	-\$6,185	-\$928	-\$3,035	-\$1,609	\$0	-\$22,980	-\$22,980	-\$22,980

*See responses to referenced Interrogatories.*

All of which is respectfully submitted this 11th day of May, 2012.

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**MR. JOHN ALLISON**  
**Owner John Allison Real Estate**

**Employment History:**

**1975 – Present    Owner/Operator : Allison Real Estate , Morrisburg , Ontario**

**Electricity Related Experience:**

**Present                    Director Rideau St Lawrence**

First appointed November 2001 by the Township of South Dundas as their appointment to the Rideau St. Lawrence Board of Directors.

**1998 - 2001            Chairman South Dundas Hydro Electric Commission**

Appointed by the newly created Township of South Dundas as the Chairman of the newly amalgamated HEC serving Morrisburg, Iroquois and Williamsburg. In addition to the duties and responsibilities of a commission member and chair, was the South Dundas appointment to the Technical Advisory Committee during the formation of Rideau St. Lawrence.

**1978 - 1998            Morrisburg Hydro Electric Commission**

Served as a member of the Commission and as the Chairperson with the MHEC.

# Curriculum Vitae – Hugh H. George

## Education:

- Diplome d'Etudes Collegiales, Commerce Major, Champlain College
- Honours Bachelor of Business Administration, Bishop's University
- Master of Business Administration, Queen's University

## Experience:

- 2003-Present. President and major shareholder of Toshack Service and Maintenance Corp, and predecessor companies. Toshack provides mechanical services to businesses and residences in Eastern Ontario.
- 2001-2003. Global Director Nortel Account, for Sanmina-SCI; responsible for account management of the \$600+ million Nortel Account.
- 2000-2001. Director of Facility Management for SCI's Brockville Ontario plant; responsible for facility management and procurement.
- 1998-2000. Plant Manager of Norsk Hydro's Maitland Ontario nitric acid and ammonium nitrate manufacturing plant.
- 1997-1998. Special Assignment to Norsk Hydro's urea manufacturing plant in Montoir-de-Bretagne, France. Responsible for operations improvement studies.
- 1994-1997. Manager of Plant Engineering at Nutrite/Nitrochem's Maitland Ontario facility. Responsible for engineering, maintenance and procurement.
- Various other finance and IT related management positions prior to 1994.

## Other Activities:

- Director, Rideau St. Lawrence Holdings Inc.
- Past Chairman of Brockville Public Utilities, for one+ year prior to sale to Ontario Hydro.
- President of the George Cemetery, 1998 to present.
- Past Chairman of the Leeds and Grenville United Way.

*Things may come to those who wait, but only the things left by those who hustle - Abraham Lincoln*

**MR. DONALD W. GIBSON**  
**Director, Rideau St Lawrence**

**Education:**

- **Memorial University of Newfoundland**  
**Bachelor of Engineering (Electrical)**

**Professional Associations:**

- Member in Good Standing – Ontario Funeral Directors Association

**Electricity Related Experience:**

**2010-Present     Director Rideau St Lawrence Holdings Inc.**

Responsibility for the fiduciary duties of a corporate Director. Appointed by the Township of Edwardsburgh/Cardinal as their Board member.

**2000 - 2001     Director Rideau St Lawrence Holdings Inc.**

Appointed as director for Rideau St Lawrence Holdings by the Town of Prescott as their Board member. Elected first Chair of Rideau St. Lawrence.

**1982 - 2000     Prescott Public Utilities Commission**

Served as an elected member of the Prescott PUC which included responsibility for the electrical and water operations for the Town of Prescott. The final six years as Chairman of the Commission. In 2000 I was appointed to the technical advisory committee and the Steering Committee leading up to the formation of Rideau St. Lawrence..

**Employment History:**

**1988- Present     Employment by Dupont/Invista as a project coordinator.**  
**Maitland Site. Ontario**

**1978- Present     President of Inverwin Developments Ltd. Commercial Developments.**

**1978- 1988     Owner/Operator, Gibson Funeral Hoime Ltd. .**



**MR. DOUGLAS R. BRADBURY**  
**Director, Regulatory Affairs**  
*Canadian Niagara Power Inc.*

**Education:**

- Memorial University of Newfoundland  
Bachelor of Engineering (Electrical)

**Professional Associations:**

- Member in Good Standing – Professional Engineers of Ontario

**Employment History:**

**Present                    Director Regulatory Affairs**  
**Canadian Niagara Power Inc., Fort Erie**

As Director of Regulatory Affairs, Mr. Bradbury is responsible for managing the regulatory relationships of Canadian Niagara Power Inc. and its affiliates with the Ontario Energy Board, intervenors and other stakeholders. This includes managing distribution and transmission rate applications and ensuring compliance with applicable rules, codes and guidelines.

**1997 - 2001                Manager Transmission and Distribution**  
**Canadian Niagara Power Inc., Fort Erie**

As Manager of Transmission and Distribution, Mr. Bradbury was responsible for the operation of the electrical transmission and distribution systems at Canadian Niagara Power Inc.

**1982 - 1997                Newfoundland Power**

While at Newfoundland Power, a fully integrated electric utility providing service to approximately 243,000 customers in Newfoundland and Labrador, Mr. Bradbury held several managerial positions in both operations and administration.

**Board Memberships:**

Rideau St. Lawrence Holdings Inc. & Rideau St. Lawrence Distribution Inc.  
Prescott, Ontario

## Personal Information and Qualifications

### James Annable, CCCA

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James Annable  
P.O. Box 156  
Morrisburg, ON  
K0C 1X0  
613-349-9132

jannable@chevronconstruction.com

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### Education

Diploma in Architectural Technology, Mohawk College, Hamilton, Ontario  
Certificate in Advanced AutoCad  
Certified Construction Contract Administrator, Construction Specifications Canada  
Dale Carnegie Public Speaking  
Jack Miller, Advanced Negotiating  
Jack Miller, Marketing  
Jack Miller, Total Quality Management  
Jack Miller, Design-Build/Lease Financing

### Experience

30 years of construction estimating and management in the commercial and industrial field.  
Currently the co-owner and Secretary-Treasurer of Chevron Construction Services Ltd.

- 1977-1979     *Dodge Construction*, Brockville, Ontario  
-Detailing and purchasing construction services and subcontractors for Industrial and Commercial construction.
- 1979-1998     *Richard D. Steele Construction*, Brockville, Ontario  
-Chief estimator and project manager on various Industrial and Commercial construction projects.
- 1999-Present     *Chevron Construction Services Ltd.*  
-Co-owner  
-Chief estimator and project manager

## **Previous Community Involvement**

President of Morrisburg Minor Ball (12 years)

Morrisburg Minor Hockey executive, various positions including president (6 years)

South Dundas Recreation Committee (5 years)

South Dundas Township Property Committee (1 year)

## **James Annable, CCCA**

*Senior Estimator and Project Manager*

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Jim is the senior estimator and one of Chevron Construction's project managers. He brings with him over 30 years of design/build experience. Jim began at Chevron Construction in 1999 as an estimator and within a year became one of the partners in the company.

Jim has a proven track record in reliable and accurate estimating, as well as proactive management. His attention to detail and his ability to strategize for effective project solutions is a major asset to the Chevron Construction team. Jim's adept in the coordination of multiple tasks and trades while maintaining effective communications within all management levels.

### **Northern Cables**

**Brockville, Ontario**

As construction manager on this project, Jim looked after the budget, sub trades, scheduling and crews.

### **Pizza Hut**

**Cornwall, Ontario**

Jim worked closely with the Yum! Franchise and the architect on this project from the beginning to ensure the project was within a reasonable budget and timeline. This specific project was the first of a new concept for the Pizza Hut chain across Canada.

### **Upper Canada Motor Sales**

**Morrisburg, Ontario**

Jim was the project manager on this \$1.2 million dollar addition/renovation. The massive renovation included adding a showroom, new offices, and a new parts and service department. The dealership remained open during the entire length of construction.

### **3M Canada**

**Brockville, Ontario**

Jim is overseeing the entire \$5.6 million dollar expansion at the 3M Tape Plant in Brockville.

### **Giant Tiger Stores Ltd.**

**Orleans, Ontario**

Jim worked as the Project Manager on this 1.8 million dollar design/build project. The 20,000 square foot store was split into 2 phases so the existing business could remain open during construction.

### **MAHLE Engine Components Canada, Inc.**

**Gananoque, Ontario**

This 1.2 million dollar design/build project consisted of adding two building additions. Jim, was the project manager on this job. The first addition was unique because it had to accommodate both receiving large loads of steel bars and heavy bar shearing equipment. The large overhead doors allow trucks to enter the building where a crane removes the load of bars. The shearing equipment floor is 4 feet above the truck slab to allow for easier bar removal and to be level with

the plant floor. The second addition was constructed to house new steel press machines. It features three overhead doors for shipping, receiving and circulation, as well as an 8" thick reinforced floor slab to accommodate equipment loads.

**BRIEF BIOGRAPHY  
JAMES SCOTT BRYCE**

**Education:**

**Queen's University – Bachelor of Arts (Honours)  
Master of Arts (International Relations)  
Master of Business Administration  
Carleton University – Doctoral Studies in Public Policy and  
Administration**

**Professional Associations:**

**Association of Municipal Clerks and Treasurers of Ontario (AMCTO),  
Municipal Finance Officers of Ontario (MFOA), Ontario Municipal  
Water Association (OMWA)**


**Employment History:**

**Present Clerk/Treasurer, Village of Westport**

**1980 – 1985 Manager, Contract and Administration, Canadian  
Institute of Guided Ground Transport (CIGGT), Queen's University,  
Kingston**

**Board Memberships: 2000- Present: Director, Chair, Rideau St.  
Lawrence Holdings Inc. and Rideau St. Lawrence Distribution Inc.,  
Prescott, Ont.**

**Current Committees: Mississippi Rideau Sourcewater Protection  
Committee, MFOA Finance Policy Committee**

BMO  Bank of Montreal

\_\_\_\_\_ Date

\$1,450,000.00

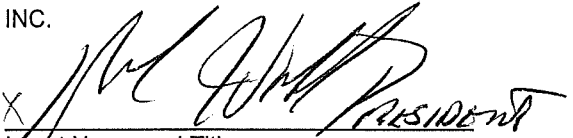
Prescott Ontario  
Branch

On demand I promise to pay to the order of Bank of Montreal the sum of One Million Four Hundred and Fifty Thousand--xx/100 Dollars and to pay interest monthly at a rate of 00.00 per cent per annum above the Bank of Montreal's prime interest rate per annum in effect from time to time, up to and after maturity, compounded monthly from the due date of such interest until actual payment at the above mentioned branch of the Bank of Montreal. At the date of this note such prime interest rate per annum is \_\_\_\_\_ per cent. Value received.

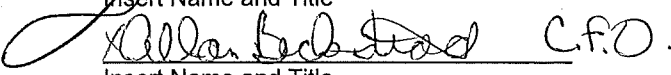
FOR INTERNAL BANK USE ONLY

Credit Deposit Account No.	Loan Account No.	Initials
2394-1017-033	2394-6011-044	

RIDEAU ST. LAWRENCE DISTRIBUTION  
INC.

X  PRESIDENT

Insert Name and Title

X  C.F.O.

Insert Name and Title

This LOAN AGREEMENT is made as of the 16<sup>th</sup> day of SEPTEMBER, 2011, between BANK OF MONTREAL (the "Bank")

AND RIDEAU ST. LAWRENCE DISTRIBUTION INC. (the "Borrower")

For good and valuable consideration, the receipt and adequacy of which are acknowledged, the Bank establishes in favour of the Borrower a Fixed Rate Term Loan allowing the Borrower to borrow from the Bank the principal amount of \$282,556.35, upon the following terms and conditions:

1. In this Agreement:

- (a) "Agreement" means this loan agreement, as it may be amended, supplemented, restated, replaced or otherwise modified from time to time;
- (b) "Business Day" means any day that is not a Saturday, Sunday or other day on which the Bank is authorized or required by applicable law in the jurisdiction listed in Section 15 of this Agreement to remain closed;
- (c) "Change in Control" means the occurrence of one or more sales, transfers or other dispositions of the beneficial ownership of the Borrower existing on the date of this Agreement in the aggregate of:
  - (i) shares, other securities or other equity interests issued by the Borrower which have more than 50% of the total ordinary voting power of all shares, other securities and other equity interests issued by the Borrower; or
  - (ii) shares, other securities or equity interests issued by any Controlling Entity which have more than 50% of the total ordinary voting power of all shares, other securities and other equity interests issued by such Controlling Entity;
- (d) "Controlling Entity" means any corporation or other entity which on the date of this Agreement beneficially owned, directly or indirectly, shares, other securities or other equity interests issued by the Borrower which have more than 50% of the total ordinary voting power of all shares, other securities and other equity interests issued by the Borrower;
- (e) "Fixed Rate" has the meaning set out in clause 3 of this Agreement;
- (f) "Loan" means the total principal amount advanced and outstanding at any time under this Agreement, together with accrued and unpaid interest thereon, if any;
- (g) "Maturity Date" means the day of \_\_\_\_\_, 2011; and
- (h) "Prime Rate" means, on any day, the annual rate of interest established by the Bank and in effect on such day as the reference rate it will use to determine the rate of interest charged on Canadian dollar loans to customers in Canada, and designated by the Bank as its "Prime Rate".

Delete 2. if (i) the Borrower is an individual, (ii) the loan is not secured by a real property mortgage and (iii) the loan amount is for \$100,000 or less. Borrower to initial change.

2. Prepayment of the Loan in whole or in part is not permitted prior to the Maturity Date.

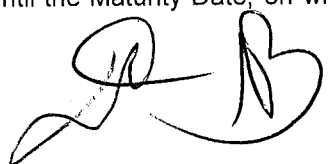
3. The Loan shall bear interest, from and including the date of this Agreement, at the rate of 3.800% per annum, determined and accrued daily and compounded monthly, not in advance, on the outstanding balance of the Loan (the "Fixed Rate").

4.

(a) **Principal Payment Plus Interest:**

(i) The Loan principal shall be repaid by installments as follows: \$2,942.85 on the 31<sup>st</sup> day of October, 2011 and thereafter \$2,943.30 on the last day of each and every monthly period until the Maturity Date, on which date the balance of the

Check either (a) or (b), as appropriate.





Loan then outstanding and all accrued and unpaid interest shall become due and payable.

(ii) Interest shall be paid at the Fixed Rate on the last day of each and every month from the date of this Agreement on the balance of the Loan from time to time remaining unpaid up to and after the Maturity Date.

(b) ~~Blended Payments:~~ The Loan shall be repaid by installments comprising principal and interest at the Fixed Rate as follows:  
\$ \_\_\_\_\_ on the last day of \_\_\_\_\_, 20 \_\_\_\_\_ and thereafter \$ \_\_\_\_\_ on the last day of each and every month until the Maturity Date, on which date the balance of the Loan then outstanding and all accrued and unpaid interest shall become due and payable.

~~(c) Any installments to be paid on a non-Business Day may, at the Bank's discretion, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon.~~

(d) Notwithstanding the foregoing and unless otherwise prohibited by law, if the Loan is not paid in full with interest on the Maturity Date, the Loan shall bear interest at a rate per annum equal to the sum of 3% plus the Bank's Prime Rate, determined and accrued daily and compounded monthly, not in advance, on the outstanding balance, from the Maturity Date and both before and after demand and both before and after judgment until actual payment in full.

5. Fees:

(a) The Borrower agrees to pay on the N/A day of \_\_\_\_\_, 20 \_\_\_\_\_, a booking fee of 0.000% of the principal amount of the Loan.

(b) The Borrower agrees to pay on the N/A day of \_\_\_\_\_, 20 \_\_\_\_\_, an application fee in the amount of \$0.00.

(c) At the request of the Borrower, the Fixed Rate may be fixed up to 45 days before the first advance. If requested, the Borrower shall pay on the \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, a refundable rate reservation fee of 1% of the principal amount of the Loan, which fee will be refunded to the Borrower on the day the Loan is advanced. In the event that the Loan is cancelled by the Borrower, such fee will not be refunded to the Borrower.

6. The Bank shall be under no obligation to make any advance until the Bank shall be satisfied that it has received:

- (a) a duly executed copy of this Agreement;
- (b) security for the amount of the Loan, duly registered and in form and substance satisfactory to the Bank and duly executed by the Borrower;
- (c) payment in full of all fees and other amounts due and payable on or prior thereto; and
- (d) any additional documents which the Bank may reasonably require.

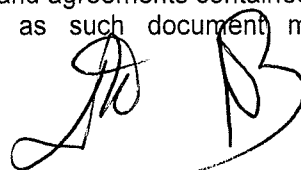
7. The Borrower represents and warrants that:

- (a) it has been duly incorporated, organized and is properly constituted, exists in good standing and is entitled to conduct its business in all jurisdictions in which it carries on business or has assets or, if the Borrower is an individual, the Borrower has the requisite legal capacity to enter into and perform its obligations under this Agreement;
- (b) the entering into of this Agreement and the incurring of liability and indebtedness by the

Borrower hereunder do not and will not contravene or breach,

- (i) any law, regulation or judicial order applicable to the Borrower or (if applicable) the charter, by-laws or other organizational documents of the Borrower; or
  - (ii) any provision contained in any other loan or credit agreement, debenture, trust deed or other borrowing instrument or contract to which the Borrower is party;
- (c) this Agreement, when duly executed and delivered by the Borrower to the Bank, will constitute a valid and binding obligation of the Borrower, enforceable in accordance with its terms;
- (d) the Borrower's assets are legally and beneficially owned by the Borrower and, except as previously disclosed to the Bank in writing, all of the Borrower's assets pledged to secure the Loan are free and clear of all hypothecs, mortgages, claims, security interests, liens, charges or other encumbrances or rights in favour of third parties, whether perfected or otherwise, which are not in favour of the Bank; and
- (e) all necessary authorizations, approvals, consents or other orders from any authority, governmental or otherwise, have been obtained with respect to the obtaining of the Loan and the execution and delivery of this Agreement.
8. The Borrower covenants that it:

- (a) will deliver to the Bank:
  - (i) as soon as available and in any event within 90 days of the end of each fiscal year, copies of its financial statements (audited, where available) and, if applicable, the report of its auditor thereon; and
  - (ii) at any time and from time to time such other information as the Bank may reasonably request;
- (b) unconditionally promises to pay to the Bank on the Maturity Date the then unpaid principal amount of the Loan, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder;
- (c) will insure against all risks relevant to its business operations for amounts commensurate thereto, and assign the policies to the Bank and assign, hypothecate or otherwise ensure all amounts payable thereunder are payable to the Bank, all as required by and satisfactory to the Bank;
- (d) will furnish the Bank with additional security from time to time as the Bank may request;
- (e) will limit capital expenditures to a maximum of \$            in any fiscal year;
- (f) authorizes the Bank to record, file or register, at the Borrower's expense, any registrations or filings, including without limitation any financing statements, that are necessary or desirable to protect, perfect and maintain the protection and perfection of any hypothecs, mortgages, claims, security interests, liens, charges or other encumbrances or rights in favour of the Bank, and to obtain evidence satisfactory to the Bank of the rank and priority of such hypothecs, mortgages, claims, security interests, liens, charges or other encumbrances or rights;
- (g) will notify the Bank in writing immediately (i) upon receipt or notice of any law suits, claims, demands, governmental investigation or requirements to pay addressed to the Borrower or in which the Borrower is named as a party, and (ii) if any guarantor of all or any part of the Loan dies or terminates its guarantee;
- (h) will use the proceeds of the Loan solely for the purpose of:  
FINANCING THE PURCHASE OF NEW LINE TRUCK;
- (i) will, to the extent not in conflict or inconsistent with the provisions of this Agreement, comply with all of the provisions, covenants and agreements contained in any term sheet, commitment letter or similar document, as such document may be amended,



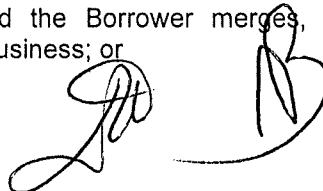
supplemented, restated, replaced or otherwise modified from time to time, given by the Borrower to the Bank which relates to the Loan hereunder, and such provisions, covenants and agreements are incorporated herein as if restated in their entirety; and

- (j) will not, without the prior written consent of the Bank:
  - (i) materially change the nature of its business from that now carried on;
  - (ii) create, incur, assume or permit to exist any hypothec, mortgage, claim, security interest, lien, charge or other encumbrance or right, whether perfected or otherwise, in favour of a third party ranking ahead of or equally with any security given to or agreed to be given to the Bank;
  - (iii) create, incur, assume or permit to exist any additional debt other than in the ordinary course of business;
  - (iv) sell, lease, license, transfer, assign or otherwise dispose of any assets except in the ordinary course of business; or
  - (v) change the ownership of the business.

9. If one or more of the following events shall occur:

(a) If:

- (i) the Borrower fails to pay any amount owing to the Bank pursuant to this Agreement or any other document given to the Bank, including without limitation the Loan, on the date same becomes due;
- (ii) the Borrower leases, licenses, transfers, assigns or otherwise disposes of any or all of the assets which the Bank holds as security for the Loan, other than in the ordinary course of business;
- (iii) the Borrower shall be in default in respect of any obligation to pay money whether or not it is in respect of the Loan;
- (iv) the Borrower shall fail to observe and comply with any term, condition or provision of this Agreement or in any other document given to the Bank, other than a default in the payment of money, and such default cannot be cured;
- (v) the Borrower shall fail to observe and comply with any term, condition or provision of this Agreement or in any other document given to the Bank, other than a default in the payment of money, and such default can be cured and the Borrower shall fail to do so within 30 days after the earlier of the Borrower acquiring knowledge of such default or receiving written notice thereof from the Bank;
- (vi) any of the Borrower's representations and warranties in this Agreement or in any other document given to the Bank shall prove to have been incorrect when made or deemed to be made;
- (vii) the holder (including the Bank) of any claim, hypothec, mortgage, security interest, lien, charge or other encumbrance or right on any of the Borrower's assets and undertaking does anything to enforce or realize on such claim, hypothec, mortgage, security interest, lien, charge or other encumbrance or right;
- (viii) the Bank determines that there has been a materially adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower;
- (ix) a guarantor of all or any part of the Loan dies or if a guarantee for the Loan terminates or ceases to be in full force and effect and a legally valid, binding and enforceable obligation of a guarantor;
- (x) the Borrower is not an individual and a Change in Control occurs without the prior written consent of the Bank;
- (xi) the Borrower is not an individual and the Borrower merges, consolidates or amalgamates with any other person or business; or



- (b) If an application for a bankruptcy order, notice of intention to make a proposal or proposal is filed, application made or other proceeding instituted against or in respect of the Borrower, or assignment of all the property of the Borrower is made under the terms of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act*, the *Winding-Up and Restructuring Act*, any applicable corporations legislation or any other bankruptcy, insolvency or analogous laws, or if a receiver, receiver manager, custodian, trustee, liquidator, sequestrator or other similar official is appointed to take possession over any substantial portion of the assets of the Borrower, or if the Borrower permits any of its assets to be seized (including by way of execution, attachment, garnishment, levy or distraint) or if the Borrower makes an assignment for the benefit of its creditors or is adjudicated insolvent or bankrupt or applies to any tribunal for any receiver, receiver manager, custodian, trustee, liquidator, sequestrator or other similar official of or for the Borrower or the Borrower's assets, or any other proceeding is commenced in relation to any of the foregoing in respect of the Borrower,

then the Borrower shall be in default hereunder and the Bank may, at its option upon written notice to the Borrower, declare that the entire balance of the Loan, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall immediately become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

10. (a) Any request, notice, or demand made or given in connection with this Agreement may be made or given by mail by prepaid post or by delivery to the party for which it is intended and addressed as follows:

BORROWER:  
RIDEAU ST. LAWRENCE DISTRIBUTION INC.

BANK OF MONTREAL:  
Renata P. Kimmerly  
Commercial Account Manager  
1 Wall St., Brockville, ON K6V7K4  
Phone: (613) 342-9326  
Fax: (613) 345-4088  
Email: renata.kimmerly@bmo.com

provided however that any party may change its address for purposes of receipt of such communication by giving 10 calendar days prior written notice of such change to the other party in the manner prescribed herein.

- (b) Any such request, notice, or demand shall be conclusively deemed to have been received by the party to which it is addressed on the third Business Day following the day of such mailing, if mailed, or on the day of delivery, if delivered.

A handwritten signature in black ink, consisting of a stylized 'A' followed by a 'B' and a horizontal line underneath.

11. All out-of-pocket expenses incurred by the Bank, including reasonable legal costs and all applicable taxes, in the preparation, administration or enforcement of this Agreement or any security or other documentation required hereunder or in connection herewith shall be for the account of the Borrower.
12. The Borrower acknowledges that the actual recording of the amount of any advance or repayment under the Loan and interest, fees and other amounts due in connection with the Loan in the accounts of the Borrower maintained by the Bank, shall constitute prima facie evidence of the Borrower's indebtedness and liability from time to time under this Agreement; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with this Agreement shall not be affected by the failure of the Bank to make such recording.
13. The Bank may from time to time and at any time waive in whole or in part:
- (a) the rights accruing to it by reason of any of the provisions of any clause of this Agreement; or
  - (b) any default under any clause in this Agreement which is to its benefit;

but any such waiver by the Bank of any such right or of any such default on any occasion shall be deemed not to be a waiver of the provisions of any such clause thereafter or of any other clause or of any subsequent default, as the case may be.

14. If the Borrower comprises more than one person, all covenants and liabilities entered into, by or imposed upon the Borrower shall be joint and several (solidary in the Province of Quebec). Each Borrower, if more than one, is responsible both individually and together with the other Borrower(s) for all obligations of the Borrower to the Bank pursuant to this Agreement.
15. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in that province.
16. This Agreement shall be binding upon and enure to the benefit of the parties hereto, their successors, heirs, liquidators, administrators and assigns, except that the Borrower may not assign any of its rights or obligations hereunder without the Bank's prior written consent.
17. Any clause or part thereof which may be null or unenforceable shall not invalidate, affect or impair the remaining provisions of this Agreement.
18. Any schedules attached to this Agreement are incorporated herein in their entirety and form an integral part of this Agreement.
19. It is the express wish of the parties that this Agreement and any related documents be drawn up and executed in English.  
*Les parties conviennent que la présente convention et tous les documents s'y rattachant soient rédigés et signés en anglais.*

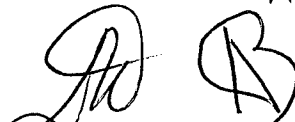
This clause applies only in the Province of Quebec

IN WITNESS WHEREOF this Agreement has been executed by the Borrower and the Bank as of the date set forth above.

**BANK OF MONTREAL**

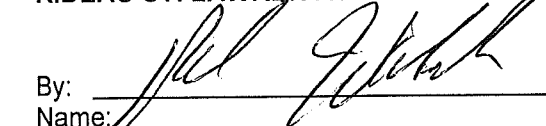
By: 

Name: RENATA KUMMERLY



Title:

**RIDEAU ST. LAWRENCE DISTRIBUTION INC.**

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

"I/We have the authority to bind the Corporation"

**SCHEDULE A**  
**ADDITIONAL TERMS AND CONDITIONS**

Check 1. if Debt Service covenant is required. Borrower to initial.

1. The Borrower covenants that it will at all times maintain a debt service coverage ratio of not less than N/A, and it will upon request by the Bank from time to time deliver to the Bank all such financial statements and records as are required by the Bank to determine the debt service coverage ratio; for the purpose of this Agreement, the term "debt service coverage ratio" at any date means the ratio of:
- (i) the amount of the net revenue of the Borrower for the period from the commencement of the then current fiscal year to such date, plus the amounts of depreciation and amortization expense of the Borrower for such period, all as determined by the Bank from financial statements and records provided by the Borrower, to
  - (ii) the aggregate amount of all payments required to be made by the Borrower during such period on account of (i) principal and interest on any indebtedness of the Borrower for borrowed money (from the Bank or otherwise) and (ii) rents or other amounts payable on leases treated by the Borrower as capital leases for accounting purposes.

Check 2. if the Borrower is a municipality. Borrower to initial.

2. In the event that the Borrower is a municipality, the provisions of Section 8 of the Agreement shall be deleted in its entirety and replaced with the following:

- "8. The Borrower covenants that it:
- (a) will deliver to the Bank:
    - (i) as soon as available and in any event within 90 days of the end of each fiscal year, copies of its financial statements (audited, where available) and, if applicable, the report of its auditor thereon; and
    - (ii) at any time and from time to time such other information as the Bank may reasonably request;
  - (b) unconditionally promises to pay to the Bank on the Maturity Date the then unpaid principal amount of the Loan, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder
  - (c) will insure against all risks relevant to its operations for amounts commensurate thereto and satisfactory to the Bank;
  - (d) will furnish the Bank with additional security from time to time as the Bank may deem fit at the request of the Bank;
  - (e) authorizes the Bank to record, file or register, at the Borrower's expense, any registrations or filings, including without limitation any financing statements, that are necessary or desirable to protect, perfect and maintain the protection and perfection of any hypothecs, mortgages, claims, security interests, liens, charges or other encumbrances or rights in favour of the Bank, and to obtain evidence satisfactory to the Bank of the rank and priority of such hypothecs, mortgages, claims, security interests, liens, charges or other encumbrances or rights;
  - (f) will use the proceeds of the Loan for the purpose of:  
FINANCING THE PURCHASE OF NEW LINE TRUCK; and
  - (g) will, to the extent not in conflict or inconsistent with the provisions of this Agreement, comply with all of the provisions, covenants and agreements contained in any term sheet, commitment letter or similar document, as such document may be amended,

supplemented, restated, replaced or otherwise modified from time to time, given by the Borrower to the Bank which relates to the Loan hereunder, and such provisions, covenants and agreements are incorporated herein as if restated in their entirety."

Two handwritten signatures in black ink, one on the left and one on the right, appearing to be initials or names.



Date \_\_\_\_\_

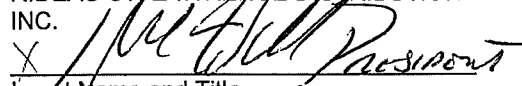
Prescott Ontario  
Branch

On demand I promise to pay to the order of Bank of Montreal the sum of Two Hundred and Forty Five Thousand—xx/100 Dollars and to pay interest monthly at a rate of 00.00 per cent per annum above the Bank of Montreal's prime interest rate per annum in effect from time to time, up to and after maturity, compounded monthly from the due date of such interest until actual payment at the above mentioned branch of the Bank of Montreal. At the date of this note such prime interest rate per annum is \_\_\_\_\_ per cent. Value received.

FOR INTERNAL BANK USE ONLY

Credit Deposit Account No.	Loan Account No.	Initials
2394-1017-033	2394-6011-052	

RIDEAU ST. LAWRENCE DISTRIBUTION  
INC.

X  President

Insert Name and Title

 C.F.O.

Insert Name and Title

THIS INDENTURE made (in duplicate) BETWEEN  
RIDEAU ST. LAWRENCE DISTRIBUTION INC.

of 985 Industrial Road in the Town  
(Street Address)

(City, etc.)

of Prescott in the Province of Ontario, K0E 1T0,  
(Name of City)

(Postal Code)

(hereinafter called the "Mortgagor")

- and -

**BANK OF MONTREAL**, the Mortgagee

(hereinafter called the "Bank")

In consideration of money lent or to be lent by the Bank to the Mortgagor, the Mortgagor mortgages and assigns to the Bank the following chattels and all proceeds thereof and accessions thereto (hereinafter called "the property") :

Description of Chattels  
2009 Pole Line Truck

Location of Chattels  
985 Industrial Road Prescott Ontario K0E1T0

Type or print  
in block  
letters only.

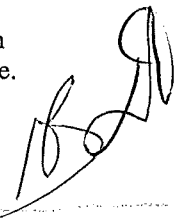
Do not  
describe as  
equipment  
or consumer  
goods  
without  
specifying  
type

TO HAVE AND TO HOLD the same unto the Bank:

PROVIDED that if the Mortgagor shall pay to the Bank all indebtedness and interest thereon now owed by the Mortgagor to the Bank and also all other present and future indebtedness, interest and other liabilities, direct or indirect or contingent, and whether now existing or hereafter created, then this mortgage shall be void.

The Mortgagor covenants with the Bank as follows:

1. THAT the Mortgagor will pay to the Bank all present and future indebtedness, interest and liabilities now or hereafter owed by the Mortgagor to the Bank.
2. THAT the Mortgagor is the sole owner of the property and there are no liens, mortgages, charges or other encumbrances thereon.
3. THAT if the property is now, or hereafter becomes, subject to any charge in favour of any person other than the Bank, the Bank may pay such charge and the amount so paid shall, together with interest thereon at the rate then applicable upon indebtedness owed by the Mortgagor to the Bank (or, if more than one such rate, the highest rate), become a charge on the property in favour of the Bank and be added to the sum secured hereby, and the sum secured hereby, including the amount so added, shall, at the option of the Bank, forthwith become due and payable.

INITIALS 

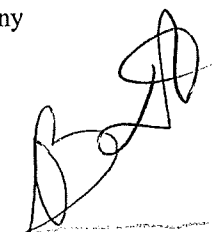
4. THAT the Mortgagor will insure and keep insured the property for its full insurable value against loss or damage by fire or theft, or if the property includes a motor vehicle, collision, and hereby assigns to the Bank all such policies of insurance and all amounts payable thereunder. If the Mortgagor fails to effect or maintain such insurance, the Bank may effect and maintain the same and all moneys expended by it for such purpose, together with interest thereon at the rate then applicable upon indebtedness owed by the Mortgagor to the Bank (or, if more than one such rate, the highest rate), from the time the same has been expended, shall become a charge on the property and be added to the sum secured hereby.

5. THAT the Mortgagor will not sell or dispose of or part with the possession of the property or any part thereof and will not permanently remove if from the premises where it new is without first obtaining the written consent of the Bank.

6. THAT if the Mortgagor fails to pay any indebtedness, interest or liability owed to the Bank when due or fails to perform any other obligation of the Mortgagor to the Bank or institutes, or does anything which permits to be instituted any proceedings leading to the Mortgagor becoming a bankrupt, or if the Mortgagor dies, then all the moneys secured hereby shall, at the option of the Bank, forthwith become due and payable and the Bank, its servants or agents, may, with or without legal process, take possession of the property (and may for that purpose enter upon the premises where the property is located) and sell the same at public auction or private sale, or otherwise realize on the property by any method not prohibited by law, including by lease or by sale for deferred payment, with or without notice to the Mortgagor. After payment out of the net proceeds of such sale of all amounts due to the Bank hereunder the Bank shall pay over to the Mortgagor or such other person who may be entitled thereto any surplus but if such proceeds are not sufficient to pay all amounts due to the Bank hereunder the Mortgagor will pay the deficiency to the Bank. The Bank may deduct from the proceeds of any sale of the property all reasonable costs on a solicitor and his client basis incurred by the Bank in enforcing this mortgage and disposing of the property. Out of the net proceeds of any sale the Bank shall first be paid all of the costs incurred by the Bank in enforcing the security interest it holds herein or in enforcing the covenants contained herein, including preparation of the property or any part thereof for disposition or sale and including all sale costs and all legal fees incurred by the Bank on a solicitor and his own client basis.

7. THAT the Bank may, in order to recover any amount owing to it hereunder, pursue either singly or concurrently the remedy of action and the remedy of taking possession and selling given to it hereby and shall not be precluded by the exercise of either remedy from the exercise of any other remedy. The Bank shall not be responsible for any loss or damage to the property, whether caused by the negligence or fault of the Bank, its servants or agents, or a sheriff or receiver, and the Bank shall not be obliged to preserve rights against other persons or prepare the property for disposition or keep the property identifiable, and shall only be liable to account for funds (net of costs of collection, realization and sale, including solicitor and his own client legal costs), actually received by the Bank.

8. This Mortgage shall be a continuing security to the Bank for the repayment of all present and future indebtedness, interest and liability owed to the Bank. Notwithstanding at any time or from time to time there is (i) any change in the nature, state or form of any account between the Mortgagor and the Bank, (ii) any new advance by the Bank to the Mortgagor, whether by way of loan, discount, the drawing of a cheque against an account of the Mortgagor or otherwise (iii) any discount or acceptance by the Bank from or for the Mortgagor of any promissory note, bill of exchange or other negotiable instrument or commercial paper, (iv) any credit of any amount to any account of the Mortgagor by reason of deposit of moneys or otherwise, (v) any renewal, replacement, substitution or alteration of any promissory note, bill of exchange or other negotiable instrument or other commercial paper from time to time held by the Bank or any reduction, satisfaction, payment, release or discharge thereof, or of any other security therefor, no such event or act shall constitute or be deemed to be a repayment on account of any indebtedness or any part thereof or call for or require any application, appropriation or payment on account of any indebtedness or any part thereof, unless such application, appropriation or payment shall have been expressly agreed to in writing by the Bank and have been certified on a copy of this Mortgage by the signature of some official of the Bank or until this mortgage shall have been fully released and discharged by the unconditional delivery of a Discharge of Mortgage expressly discharging this Mortgage; and this Mortgage shall be deemed to be taken as security for the ultimate balance of the said indebtedness, interest and liability owed to the Bank. It is further agreed that this mortgage shall not nor shall anything herein contained operate so as to create any merger, rebate or discharge of any debt owing to the Bank or of any lien, bond, promissory note, bill of exchange, or other security held by or which may hereafter be held by the Bank for any indebtedness or any part or parts thereof or the liability of any endorser or any other person or persons upon any such lien, bond, bill of exchange, promissory note or other security or contract or any renewal or renewals thereof held by the Bank for or on account of indebtedness or any part thereof, nor shall the remedies of the Bank in respect thereof be prejudiced or delayed in any manner whatsoever by the taking of this Mortgage.



9. [The Mortgagor waives the right to receive any financing statement or financing change statement registered by the Bank and any confirmation of registration or verification statement issued.]

10. The Mortgagor acknowledges receipt of a copy of this Chattel Mortgage.

All grants, warrants, covenants, agreements, rights, powers, privileges and liabilities contained in this indenture shall enure to the benefit of and be binding upon the executors, administrators, successors and assigns of the parties hereto respectively; all covenants and agreements on the part of the Mortgagor shall be construed as both joint and several and when the context so requires the singular number shall be read as if the plural were expressed.

This Mortgage was executed on the 8th day of July, 2009. *B*

IN WITNESS whereof the Mortgagor has hereunto set his hand and seal.

SIGNED, SEALED AND DELIVERED

in the presence of



RIDEAU ST. LAWRENCE DISTRIBUTION  
INC.

X *[Signature]*  
Mortgagor  
X *[Signature]*  
Mortgagor

Type or print  
exact name of  
customer and  
affix corporate  
seal in the case of  
a corporation  
with a corporate  
seal

Witness

Witness

Witness

Witness

Mortgagor

Mortgagor