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Via Email and RESS Filing

October 7, 2013

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**RE: EB-2013-0187, EB-2013-0196 and EB-2013-0198 – Hydro One Networks Inc.
Redacted Version of Exhibit A, Tab 3 Schedule 1 Attachment 6**

Further to the Board's Confidentiality Request Decision and Procedural Order 5 issued September 27, 2013, we enclose for filing a copy of the Share Purchase Agreement ("SPA") reflecting certain redactions allowed by the Board.

Please note that Schedules 3.1 N, O and X, of the SPA have not been included in this filing. Hydro One Networks Inc. ("HONI") understands that Norfolk Power is continuing its review of the contracts referenced in those schedules to determine the applicability of the "Non-Disclosure Exception" as described in the Board's Decision. As HONI is not a party to those contracts, HONI is not involved in that review process. These schedules (with redactions, if any) will be provided directly through counsel for Norfolk Power.

Two (2) hard copies of the enclosed will be sent to the Board shortly, and an electronic copy of this submission has been filed using the Board's Regulatory Electronic Submission System.

Yours truly,

McCarthy Tétrault LLP

GMN


Gordon M. Nettleton

GMN/mpf

c. EB-2013-0187/0196/0198 Intervenors (electronic only)

THE CORPORATION OF NORFOLK COUNTY

- and -

HYDRO ONE INC.

SHARE PURCHASE AGREEMENT

Dated the 2nd day of April, 2013

**Borden Ladner Gervais LLP
Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4**

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made the 2nd day of April, 2013 (the "Effective Date").

B E T W E E N:

THE CORPORATION OF NORFOLK COUNTY, a municipal corporation under the laws of Ontario, (the "Vendor")

- and -

HYDRO ONE INC., a corporation incorporated under the laws of Ontario, (the "Purchaser")

WHEREAS Norfolk Power Inc. (the "Corporation") is a corporation incorporated under the *Business Corporations Act* (Ontario) and is wholly-owned by the Vendor;

AND WHEREAS the Vendor is the beneficial and registered owner of all of the issued and outstanding shares of the Corporation;

AND WHEREAS the Vendor wishes to sell to the Purchaser, and the Purchaser wishes to purchase from the Vendor, all of the issued and outstanding shares of the Corporation, on and subject to the terms and conditions set forth herein;

THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree as follows.

ARTICLE I INTERPRETATION

1.1 Defined Terms. In this Agreement, including the recitals, and schedules hereto, unless the context otherwise specifies or requires, the following terms shall have the respective meanings specified or referred to below and grammatical variations of such terms shall have corresponding meanings:

- (a) “**Affiliate**” has the meaning ascribed thereto in the OBCA.
- (b) “**Agreement**” means this share purchase agreement, including all schedules attached hereto, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.
- (c) “**Ancillary Agreement**” has the meaning set forth in Section 6.9.
- (d) “**Applicable Law**” means any and all applicable laws, including Environmental Laws, common law, statutes, codes, licensing requirements, directives, rules, regulations, protocols, policies, by-laws, guidelines, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any Government Authority, including without limitation, the OEB.
- (e) “**Auditors**” means Millard, Rouse & Rosebrugh LLP, Chartered Accountants.
- (f) “**Business**” means, the business carried on by the Norfolk Corporations including the distribution of electricity, and the provision of Dark Fibre Rental Services in Norfolk County.
- (g) “**Business Day**” means a day other than a Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.
- (h) “**Claim**” means:
 - (i) any act, omission or state of facts actionable under or contrary to Applicable Law (including for clarity and without limitation, in contract, tort or equity); and
 - (ii) any loss, liability, damage or expense arising in connection with
 - (A) remediation of Environmental matters,
 - (B) litigation or matter disclosed in Schedule 3.1(u),
 - (C) terms of any Contracts to the extent the terms or Contracts were not included in the Data Room prior to the Proposal Date, other than written

terms of employment contracts true copies of which have been provided to the Purchaser,

- (D) resolution of matters relating to Employees and former Employees,
- (E) Encumbrances on any of the assets of the Norfolk Corporations other than those excluded in Section 3.1(x), and listed in Schedule 3.1(x),

and in either case arising prior to Closing, whether or not known to the Vendor or the Purchaser, and any demand, action, investigation, inquiry, suit, proceeding, claim, assessment, judgment or settlement or compromise relating thereto.

- (i) “**Closing**” means completion of the Transactions contemplated herein on the Closing Date and in accordance with the provisions of this Agreement.
- (j) “**Closing Date**” means a date (which shall be a Business Day) not later than thirty (30) days following the date that the Required Approval has been obtained or such earlier or later date as may be agreed to by the Parties in writing provided that in no event shall any such date be on or after December 31, 2014.
- (k) “**Closing Date Financial Statements**” means consolidated audited financial statements for the Corporation for the fiscal period ended on the Closing Date, prepared in accordance with GAAP, on the same basis as the Financial Statements, consistently applied and consisting of a balance sheet as of such date and statements of operations, retained earnings, and cashflow for such period, together with notes thereto as at such date of the Corporation’s auditors thereon addressed to the Corporation.
- (l) “**Closing Date NFA**” means the amount of NFA stated on the Closing Date Financial Statements.
- (m) “**Closing Date Working Capital**” shall have the meaning ascribed thereto in Section 2.4(a)(i).
- (n) “**Change in Applicable Law**” means:

- (i) the enactment, introduction or tabling of any Canadian federal or provincial legislation (whether by statute, regulation, order-in-council, notice of ways and means motion or otherwise);
- (ii) a ruling, order or decision of the OEB, including a ruling, order or decision of the OEB, relating to an electricity distribution utility other than the utility operated by NPDI;
- (iii) the issuance, modification or revision of the OEB's existing Electricity Distribution Rate Handbook, or the issuance of any rule, procedure, code, policy or directive by the OEB; and
- (iv) a directive, guideline or policy statement of a Government Authority;

taking effect after the Execution Date.

- (o) "**Collective Agreement**" has the meaning ascribed thereto in Section 3.1(q)(i).
- (p) "**Common Shares**" means the common shares in the share capital of the Corporation.
- (q) "**Confidentiality Agreement**" means the confidentiality agreement between the Corporation, and the Purchaser dated December 10th, 2012.
- (r) "**Confidential Information**" has the meaning ascribed thereto in Subsection 6.10(b)(i).
- (s) "**Corporation**" means Norfolk Power Inc.
- (t) "**Contract**" means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral.
- (u) "**CTA**" means the *Corporations Tax Act* (Ontario) or the *Taxation Act, 2007* (Ontario) and any regulation made thereunder.
- (v) "**Current Rates**" means those Rates specified in the Rate Order, and as presented under the column entitled "2013" in Schedule 6.7 of this Agreement.

- (w) **“Daily Distribution Service Revenues”** means a revenue value equal to thirty three thousand one hundred and eleven dollars (\$33,111).
- (x) **“Damages”** means any loss, liability, damage or expense (including reasonable legal fees, accountants’, investigators’, engineers’ and consultants’ fees and expenses, interest, penalties and amounts paid in settlements), whether resulting from any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, or any cause, matter, thing, act or omission or state of facts not involving a third party, but excluding any incidental, indirect or consequential loss, liability or damage and loss of profits other than damages of a third party in respect of a Third Party Claim.
- (y) **“Dark Fibre Rental Services”** means the provision of dark fibre pairs for purposes of high speed communication links to remote equipment and substations.
- (z) **“Data Room”** means the NPDI and NEI data sites located at <https://extranet.blg.com/clients/norfolkpowerdistribution/> and <https://extranet.blg.com/clients/norfolkenergy/>, respectively.
- (aa) **“Decision Period Days”** means the number of days between the Closing Date and the Reduced Rates Effective Date.
- (bb) **“Decision Period Payment Amount”** means an amount equal to thirty three thousand one hundred and eleven dollars (\$33,111) times Decision Period Days times one percent (1%) times the Decision Period Payment Factor.
- (cc) **“Decision Period Payment Factor”** means a factor equal to one (1) minus the Rate Adjustment Factor.
- (dd) **“Deposit”** has the meaning given to it in Section 2.3(a).
- (ee) **“Direct Claim”** has the meaning ascribed thereto in Section 12.3.
- (ff) **“Distribution Services Revenues”** means the revenues referred to as “distribution services revenues” in the statement of operations of the Corporation.
- (gg) **“Draft Financial Statements”** means those draft unaudited financial statements as provided to the Purchaser on March 27, 2013, copies of which are attached as Schedule

1.1(gg) hereto related to the Norfolk Corporations as provided by the Vendor to the Purchaser prior to the Effective Date.

- (hh) “**Easements**” means the right in perpetuity to use, traverse, enjoy or have access to, over, in or under any real property.
- (ii) “**EA**” means the *Electricity Act, 1998* (Ontario), as amended from time to time..
- (jj) “**Effective Date**” means the date of this Agreement as first stated above.
- (kk) “**Employee Plans**” has the meaning attributed to that term in Section 3.1(p)(i).
- (ll) “**Employees**” has the meaning ascribed thereto in Section 3.1(r)(i).
- (mm) “**Employee Fact Sheet**” has the meaning ascribed thereto in Section 3.1(r)(i).
- (nn) “**Encumbrance**” means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any Contract to create any of the foregoing.
- (oo) “**Environment**” means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub-surface strata and sewer system.
- (pp) “**Environmental Approvals**” means all permits, certificates, licences, authorizations, consents, registrations, directions, instructions, waste generation numbers or approvals required pursuant to Environmental Laws with respect to Real Property or the operation of any of the Norfolk Corporations or their respective Business.
- (qq) “**Environmental Laws**” means all Applicable Law relating in whole or in part to the protection of the Environment or to public health and safety, and includes those relating to the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances.
- (rr) “**Escrow Agreement**” means the form of escrow agreement attached hereto as Schedule 2.3.

- (ss) “**ETA**” means Part IX of the *Excise Tax Act* (Canada) and any regulation made thereunder.
- (tt) “**Financial Statements**” means the consolidated audited financial statements of the Corporation as at December 31, 2012 prepared in accordance with GAAP.
- (uu) “**Five-Year Fixed Payment Amount**” means an amount equal to four hundred ninety thousand dollars (\$490,000) times the Rate Adjustment Factor.
- (vv) “**Fixed Assets**” means fixed assets, furniture, furnishings, parts, tools, personal property fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, computer hardware and software, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings and any other similar or related item of a Norfolk Corporation’s Business.
- (ww) “**GAAP**” means the generally accepted accounting principles (including the methods of application of such principles) accepted or recommended by the Canadian Institute of Chartered Accountants which are applicable in Canada as at the date on which any calculation made hereunder is to be effective.
- (xx) “**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government.
- (yy) “**Hazardous Substances**” means any hazardous substance or any pollutant or contaminant, toxic or dangerous waste, substance or material as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly-chlorinated biphenyls.
- (zz) “**Indemnified Party**” has the meaning ascribed thereto in Section 12.3.
- (aaa) “**Indemnifying Party**” has the meaning ascribed thereto in Section 12.3.

- (bbb) **“Independent Auditor”** has the meaning ascribed thereto in Section 2.4(d).
- (ccc) **“Initial Long Term Debt”** means an amount of long term debt equal to twenty-six million, nine hundred and ninety-seven thousand, four hundred and fifty-seven dollars (\$26,997,457).
- (ddd) **“Leased Property”** has the meaning ascribed thereto in Subsection 3.1(k).
- (eee) **“Licenses”** has the meaning ascribed thereto in Subsection 3.1(z).
- (fff) **“Long Term Debt”** means long term debt as defined in the Corporation’s Financial Statements prepared as at the Closing Date. For greater certainty, Long Term Debt excludes the current portion of long term debt.
- (ggg) **“Long Term Debt Calculation”** has the meaning ascribed thereto in Section 2.4(a)(iii).
- (hhh) **“Losses”** means any and all loss, liability, damage, cost, expense, charge, fine, penalty or assessment, suffered or incurred by the Person seeking indemnification, directly resulting from or arising out of any Claim, including the costs and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, [including without limitation a gross-up to account for any tax payable or a reduction in the “cost amount”, as defined in subsection 248(1) of the *Income Tax Act* (Canada) of any property owned by the Purchaser or a successor entity in the taxation year as a result of receiving the indemnification amount but: (i) excluding any contingent liability until it becomes actual; (ii) reduced by any net Tax benefit; and (iii) reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Persons.
- (iii) **“Material Adverse Effect”** means any change or effect that has a material adverse effect on the Property or obligations and liabilities of any of the Norfolk Corporations or the operations or results of operations of the Business any of the Norfolk Corporations after taking into account any insurance which may be available with respect to such a change or effect. For greater clarity, a Material Adverse Effect does not include a Change in Law.

- (jjj) **“Material Contract”** means any Contract for the supply of goods or services which has a value exceeding Fifty Thousand Dollars (\$50,000.00) in annual payments excluding any collective bargaining agreements or other employment related agreements.
- (kkk) **“Material Discrepancies”** means the difference greater than ten percent (10%) between the amounts recorded on the Draft Financial Statements with respect to Regulatory Assets, Regulatory Liabilities, Post-Employment Benefits and Customer Deposits (the “Line Items”) and the amount of these Line Items recorded on the Financial Statements, but shall exclude any and all Taxes including Future Income Tax, any amounts attributable to events occurring after December 31, 2012, and any and all adjustments provided for in Section 2.4 of this Agreement.
- (lll) **“Negative Rate Rider”** has the meaning ascribed thereto in Section 6.7(a)(i) of this Agreement.
- (mmm) **“NEI”** means Norfolk Energy Inc., a corporation incorporated under the OBCA, carrying on the business of dark fibre services in the service territory of Norfolk County, and a wholly-owned subsidiary of the Corporation.
- (nnn) **“NFA”** means the aggregate value of the Corporation’s property and equipment as provided in its financial statements.
- (ooo) **“NFA Calculation”** has the meaning set out in Section 2.4(a)(ii).
- (ppp) **“NFA Index”** shall be equal to 1.5.
- (qqq) **“Norfolk Corporations”** means the Corporation and Norfolk Subsidiaries.
- (rrr) **“Norfolk Subsidiaries”** means NPDI and NEI.
- (sss) **“NPDI”** means Norfolk Power Distribution Inc., a corporation incorporated under the OBCA, licensed by the OEB to distribute electricity in Ontario, and a wholly-owned subsidiary of the Corporation.
- (ttt) **“OBCA”** means the *Business Corporations Act* (Ontario), as in effect on the date hereof.
- (uuu) **“OEB”** means the Ontario Energy Board and its successors.

- (vvv) “**OEB Act**” means the *Ontario Energy Board Act, 1998*, as in effect on the date hereof.
- (www) “**OEB Approval**” means the approval of the OEB to the Transactions contemplated herein pursuant to the OEB Act.
- (xxx) “**OEB Percent Rate Reduction**” means the percentage by which the arithmetic average of Reduced Rates is lower than the arithmetic average of Current Rates.
- (yyy) “**OMERS Plan**” means the Ontario Municipal Employees Retirement System Primary Pension Plan.
- (zzz) “**Party**” means a party to this Agreement, and “**Parties**” means both of them.
- (aaaa) “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal Representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.
- (bbbb) “**PILs**” means payment in lieu of corporate taxes required to be made under Section 93 of the EA.
- (cccc) “**Pole Purchase and Sale Agreement**” has the meaning set forth in Section 6.9.
- (dddd) “**Proposal Date**” means February 1, 2013.
- (eeee) “**Property**” means the property and assets used by the Norfolk Corporations to conduct its respective Business, including without limitation, the Real Property, the Leased Property, the Easements, the Intellectual Property and Fixed Assets.
- (ffff) “**Purchaser**” means Hydro One Inc. a corporation incorporated under the laws of Ontario.
- (gggg) “**Purchase Price**” has the meaning ascribed thereto in Section 2.2.
- (hhhh) “**Purchased Shares**” has the meaning ascribed thereto in Section 2.1.

- (iii) **“Purchaser’s Objection”** has the meaning ascribed thereto in Section 2.4(b).
- (jjj) **“Rate”** or **“Rates”** means the rate or rates for the distribution of electricity.
- (kkkk) **“Rate Adjustment Difference”** means a difference equal to one percent (1%) minus the OEB Percent Rate Reduction.
- (lll) **“Rate Adjustment Factor”** means a factor equal to the Rate Adjustment Difference divided by one percent (1%).
- (mmmm) **“Rate Application”** means an application to the OEB for an order approving or fixing Rates.
- (nnnn) **“Rate Class”** means those classes of Rates specified in Schedule 6.7 of this Agreement.
- (oooo) **“Rate Freeze Period”** means the period commencing on the Closing Date and ending on the date which is five (5) years after the Closing Date.
- (pppp) **“Rate Order”** means the order issued by the OEB approving the NPDI Rates, as of the Effective Date, and as set out in matter is EB-2011-0272.
- (qqqq) **“Real Property”** has the meaning ascribed thereto in Subsection 3.1(l).
- (rrrr) **“Reduced Rates”** has the meaning ascribed thereto in Section 6.7.
- (ssss) **“Reduced Rate Effective Date”** has the meaning ascribed thereto in Section 2.6(b) of this Agreement.
- (ttt) **“Release”** has the meaning ascribed thereto in any Environmental Law and includes, without limitation, any presence, release, spill, leak, pumping, pouring, addition, emission, emptying, discharge, injection, escape, leaching, disposal, dispersal, migration, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement.
- (uuuu) **“Remedial Order”** means any complaint, direction, order or sanction issued, filed or imposed by any governmental authority pursuant to any Environmental Law and includes any order requiring any remediation or clean-up of any Hazardous Substance or requiring that any Release or any other activity be reduced, modified or eliminated.

- (vvvv) **“Representative”** means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, employees, agents and other representatives and advisors.
- (wwwv) **“Required Approval”** has the meaning ascribed thereto in Section 7.1.
- (xxxx) **“RFP Offers”** means offers and related documents and information received from third parties, excluding the Purchaser, in response to the Corporation’s Requests for Proposals and Confidential Information Memorandum for transactions involving the Norfolk Subsidiaries, dated December 7, 2012.
- (yyyy) **“Statutory Plans”** means benefit plans that the Norfolk Corporations are required by domestic or foreign statutes to participate in or contribute to in respect of an employee, director or officer of the Norfolk Corporations or any beneficiary or dependent thereof, including the Canada Pension Plan, and plans administered pursuant to applicable health, Tax, workplace safety insurance, workers’ compensation and employment insurance legislation.
- (zzzz) **“Shareholder Declaration”** means the shareholder direction and unanimous shareholder declaration of the Vendor establishing certain principles of governance relating to the Corporation and Norfolk Subsidiaries, dated January 10, 2012.
- (aaaa) **“Subsidiary”** has the meaning ascribed thereto in the OBCA.
- (bbbb) **“Tax”** or **“Taxes”** means the PILs payable pursuant to Section 93 of the EA and all domestic and foreign federal, provincial, state, municipal, territorial or other taxes, imposts, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed against the Norfolk Corporations including, without limitation, all income, capital gains, sales, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers’ compensation premiums, Canada Pension Plan premiums, Employment Insurance premiums, and special payments pursuant to Part VI of the EA together with all interest, fines and penalties with respect thereto.
- (cccc) **“Tax Return”** means all returns, declarations, designations, forms, schedules, reports and other documents of every nature whatsoever required to be filed with any Governmental

Authority with respect to any Taxes, including those required pursuant to Part VI of the EA.

(dddd) “**Tax Act**” means the *Income Tax Act* (Canada) and any regulations thereunder.

(eeee) “**Third Party Claim**” has the meaning ascribed thereto in Section 12.3.

(ffff) “**Time of Closing**” means 10:00 am (Toronto time) on the Closing Date.

(gggg) “**Total Rate Reduction Payment Amount**” means the Five-Year Fixed Payment Amount plus the Decision Period Payment Amount.

(hhhh) “**Transactions**” means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement.

(iiii) “**Vendor**” means the Corporation of Norfolk County.

(jjjj) “**Vendor’s Counsel**” means Borden Ladner Gervais LLP.

(kkkk) “**Working Capital**” means the working capital of the Corporation, which is the amount by which the net book value of the current assets, excluding cash, of the Corporation exceeds the net book value of the current liabilities. The current assets of the Corporation are the sum of accounts receivable, unbilled revenue, income taxes recoverable, prepaid expenses and inventory. The current liabilities of the Corporation are the sum of the accounts payable, income taxes payable, deferred income, current portion of customer deposits, demand loan and current portion of long term debt. The calculation of the net book value of assets and liabilities will be based upon GAAP.

(llll) “**Working Capital Calculation**” has the meaning ascribed thereto in Section 2.4(a)(i).

(mmmm) “**Year End Working Capital**” has the meaning ascribed thereto in Section 2.4(a)(i).

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) “including” or “includes” means “including (or includes) but is not limited to” and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”;
 - (iv) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts as of the date of this Agreement;
 - (v) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section as of the date of this Agreement;
 - (vi) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 Knowledge. In this Agreement, any reference to the knowledge of the Vendor means to the best of the knowledge, information and belief of the Vendor after reviewing all relevant records and making due inquiries regarding the relevant matter of all relevant Representatives and Affiliate Representatives of the Vendor.

1.5 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (b) all references to specific dates mean 11:59 p.m. on the dates;
- (c) all references to specific times are references to Toronto time; and
- (d) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”.

1.6 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.7 Calculation of Interest. In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

1.8 Currency and Payment. In this Agreement, unless specified otherwise:

- (a) references to dollar amounts or “\$” are to Canadian dollars;
- (b) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) that provides immediately available funds; and
- (c) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available by 2:00 p.m. on the due date and any payment received and available after that time is deemed to have been made and received on the next succeeding Business Day.

1.9 Schedules and Exhibits. The following schedules are attached to and form part of this Agreement:

Schedule 1.1(gg)	-	Draft Financial Statements
Schedule 2.3	-	Form of Escrow Agreement
Schedule 3.1(l)	-	Real Property, Leased Property and Easements
Schedule 3.1(m)	-	Intellectual Property
Schedule 3.1(n)	-	Contracts and Commitments
Schedule 3.1(o)	-	Material Contracts
Schedule 3.1(p)	-	Employee Plans
Schedule 3.1(q)	-	Collective Agreement
Schedule 3.1(r)	-	Employees
Schedule 3.1(s)	-	Insurance Policies
Schedule 3.1(t)	-	Environmental Disclosure
Schedule 3.1(u)	-	Vendor Litigation
Schedule 3.1(v)	-	Taxes
Schedule 3.1(x)	-	Permitted Encumbrances
Schedule 3.1(z)	-	Licences
Schedule 3.1(aa)	-	Bank Accounts
Schedule 5.2	-	Permitted Dispositions
Schedule 6.1	-	Community Involvement
Schedule 6.6	-	CapEx
Schedule 6.7	-	Rate Harmonization for NPDI
Schedule 6.9	-	Form of Pole Purchase Agreement

**ARTICLE II
PURCHASE AND SALE OF PURCHASED SHARES**

2.1 Purchase and Sale of Purchased Shares. Subject to the terms and conditions hereof, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor all of the issued and outstanding shares of the Corporation, as described in the table below (the "Purchased Shares"):

<u>Class of Shares</u>	<u>Issued</u>	<u>Shareholder</u>
Common Shares	2,000	Vendor

2.2 Purchase Price. The purchase price payable by the Purchaser to the Vendor for the Purchased Shares (the "Purchase Price") shall, subject to any adjustment in accordance with Section 2.4, be equal to the difference between Ninety Three Million dollars (\$93,000,000) and the amount of Long Term Debt, which shall remain the indebtedness of the Norfolk Corporations after Closing.

2.3 Payment of Purchase Price

The Purchase Price shall be payable as follows:

- (a) concurrently with the execution and delivery of this Agreement, the sum of four million nine hundred and ninety thousand dollars (\$4,990,000) delivered to the Vendor's Counsel, which together with the sum of ten thousand dollars (\$10,000) delivered by the Purchaser to the Vendor's Counsel upon signing the Confidentiality Agreement shall hereinafter be referred to as the "Deposit", and such Deposit to be held by Vendor's Counsel in trust and released in accordance with the terms and conditions of the Escrow Agreement; and
- (b) at the Time of Closing, an amount equal to Ninety Three Million dollars (\$93,000,000), less the Deposit and the amount of Initial Long Term Debt, being Sixty One Million Two Thousand Five Hundred and Forty-Three dollars (\$61,002,543) by wire transfer of immediately available funds to the Vendor; and
- (c) if applicable, the amounts payable pursuant to Section 2.4(c) below.

2.4 Adjustment to Purchase Price.

- (a) Subject to Section 2.5, within ninety (90) days following the Closing Date, the Vendor shall cause the preparation and delivery of the Closing Date Financial Statements together with the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation, to the Parties, all of which shall be audited by the Auditors. The Purchase Price contemplated in Section 2.2 shall be adjusted as follows:
 - (i) the Working Capital calculated based on the Financial Statements (the "Year End Working Capital"), as compared to the Working Capital calculated based on the Closing Financial Statements (the "Closing Date Working Capital") (such calculation to be referred to herein as the "Working Capital Calculation");
 - (ii) the Closing Date NFA as compared to an amount equal to fifty five million eighty-five thousand and one hundred and twenty dollars (\$55,085,120) (such calculation to be referred to herein as the "NFA Calculation"); and
 - (iii) the Long Term Debt as compared to the Initial Long Term Debt (such calculation to be referred to herein as the "Long Term Debt Calculation").

The Purchaser shall pay the Vendor, as applicable, on a dollar for dollar basis: (A) the amount by which the Closing Date Working Capital exceeds the Year End Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA exceeds \$55,085,120; and (C) the Initial Long Term Debt exceeds the Long Term Debt. The Vendor shall pay the Purchaser, as applicable, on a dollar for dollar basis, (A) the amount by which the Year End Working Capital exceeds the Closing Date Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA is less than \$55,085,120; and (C) the amount by which the Long Term Debt exceeds the Initial Long Term Debt.

- (b) The Purchaser shall have a period of thirty (30) Business Days from the later of (i) the receipt of the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation; and (ii) the date on which the Purchaser is provided with access to the Auditor's working papers relating to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation within which to notify the Vendor in writing that it disputes any amounts contained in the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and/or the Long Term Debt Calculation (the "Purchaser's Objection"), failing which the Purchaser shall be deemed to have accepted such amounts. The Purchaser's Objection shall set forth a specific description of the basis of the Purchaser's Objection and the adjustments to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and/or the Long Term Debt Calculation which the Purchaser believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by the Purchaser.
- (c) Payment of the adjustment to the Purchase Price pursuant to Section 2.4(a) shall be made by the applicable Party within thirty (30) Business Days following the later of (i) the date that the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation are received by the Purchaser; and (ii) the date on which the Purchaser is provided with access to the Auditor's working papers relating to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation.
- (d) If the Vendor and the Purchaser cannot agree on the adjustment of the Purchase Price pursuant to Section 2.4(a) within the time limit for payment of the adjustment to the Purchase Price pursuant to Section 2.4(b), the Vendor and the Purchaser will submit any

unresolved matter within a further five (5) day period, to an independent, nationally recognized accounting firm selected by the Vendor and the Purchaser (the "Independent Auditor") for resolution or, failing agreement, as appointed by the Ontario Superior Court of Justice. The Independent Auditor will be given access to all materials and information reasonably requested by it for such purpose. The rules and procedures to be followed in the arbitration proceedings will be determined by the Independent Auditor in its discretion. The Independent Auditor will make its determination as soon as practicable and, in any case, within thirty (30) days of the matter being submitted to it. The Independent Auditor determination of all such matters will be final and binding on all Parties and will not be subject to appeal by any party. The fees and expenses of the Independent Auditor will be borne equally between the Vendor and the Purchaser. The Closing Date Financial Statements and amounts specified in Section 2.4(a) will be modified to the extent required to give effect to the Independent Auditor's determination and will be deemed to have been approved as of the date of such determination.

2.5 Access. The Purchaser shall provide the Vendor and the Auditors with timely access to all books, records, documents, materials, and other information and Representatives of any of the Norfolk Corporations reasonably requested by the Vendor for purposes of preparation and delivery of the Closing Date Financial Statements together with the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation.

2.6 Rate Reduction Adjustment.

- (a) In the event the OEB does not approve the Negative Rate Rider, the Purchaser shall pay the Vendor, within five (5) Business Days from the Closing Date, a lump sum amount equal to \$490,000.00 in immediately available funds.
- (b) In the event that the OEB approves the Negative Rate Rider with an effective date occurring after the Closing Date (the "Reduced Rate Effective Date"), the Purchaser shall pay the Vendor, within five (5) Business Days from the Closing Date, an amount equal to one percent (1%) of the total Distribution Services Revenues received during the period between the Closing Date and the Reduced Rate Effective Date.
- (c) In the event that the OEB approves a Negative Rate Rider but such Negative Rate Rider results in an average reduction in Rates of less than one percent (1%), the Purchaser shall pay the Vendor the Total Rate Reduction Payment Amount within five (5) Business Days from the Closing Date.

**ARTICLE III
REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Vendor. The Vendor represents and warrants to the Purchaser as follows and acknowledges that, except as otherwise expressly provided herein, the Purchaser is relying on such representations and warranties in connection with the transactions contemplated herein. The Vendor further represents and warrants that the existence of matters in this section 3.1 qualified as to the absence of a “Material Adverse Effect”, when taken together, will not have a Material Adverse Effect:

- (a) **Organization.** Each of the Norfolk Corporations is a corporation duly incorporated and validly subsisting under the Laws of the Province of Ontario and has the corporate power, capacity and authority to own or lease or dispose of its property and assets and to carry on its business under the Laws of the Province of Ontario. No proceedings have been instituted or are pending for the dissolution, winding up or liquidation of any of the Norfolk Corporations.

- (b) **Corporate Power of the Vendor and Due Authorization.** The Vendor has all requisite and statutory power, authority and capacity to enter into, and to perform its obligations under this Agreement and to transfer the legal and beneficial title and ownership of the Purchased Shares to the Purchaser free and clear of all Encumbrances. The Vendor has duly taken, or has caused to be taken, all action required to be taken by the Vendor to authorize the execution and delivery of this Agreement by the Vendor in the performance of its obligations hereunder.

- (c) **Binding Agreement.** This Agreement has been duly executed by the Vendor and will, upon delivery, constitute a valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other Applicable Laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (d) **Authorized and Issued Capital of the Corporation.** The authorized share capital of the Corporation consists of an unlimited number of Common Shares, of which only the Purchased Shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of the Corporation at the Time of Closing.
- (e) **Ownership of Shares.**
- (i) The Vendor is the sole beneficial and registered owner of the Purchased Shares, with good and marketable title thereto, free and clear of all Encumbrances (other than the rights of the Purchaser hereunder) and has the exclusive right to dispose of the Purchased Shares as herein provided. Without limiting the generality of the foregoing, except for the Shareholder Declaration, none of the Purchased Shares is subject to any voting trust, shareholder agreement or voting agreement.
- (ii) The Corporation is the sole beneficial and registered owner of all of the shares of each of the Norfolk Corporations, with good and marketable title thereto, free and clear of all Encumbrances.
- (f) **Options.** No Person (other than the Purchaser under this Agreement) has the benefit of any Contract or any right or privilege (whether by Applicable Law, pre-emptive or contractual) binding upon or which may at any time in the future become binding upon the Vendor to acquire or obtain in any other way an interest in any of the Purchased Shares or the shares of any of the Norfolk Corporations.
- (g) **Subsidiaries.** The Norfolk Subsidiaries are the only Subsidiaries of the Corporation and none of the Norfolk Corporations owns or has any interest in any shares of any other corporation.
- (h) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the transactions herein contemplated will result in the violation of:
- (i) any provision of the by-laws of the Vendor;
- (ii) any Contract to which the Vendor or any of the Norfolk Corporations is a party or by which the Vendor, the Norfolk Corporations or any of their respective

Properties is bound, which would have a material adverse effect on the Vendor's ability to perform its obligations under this Agreement; or

- (iii) subject to the Required Approval, to the Vendor's knowledge, any Applicable Law or requirement of a Government Authority having jurisdiction over each of the Vendor and Norfolk Corporations, which would have a material adverse effect on the Vendor's ability to perform its obligations under this Agreement.
- (i) **Consents and Approvals.** Other than the Required Approval, there is no requirement for the Vendor or any of the Norfolk Corporations to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Government Authority as a condition to the lawful consummation of the Transaction.
- (j) **Compliance with Applicable Law.** Each of the Norfolk Corporations has complied in all material respects with all Applicable Laws relating to its respective Business, the failure to comply with which would have a Material Adverse Effect. None of the Norfolk Corporations is in violation or default under, and to the best of the Vendor's knowledge, no event has occurred which, with the lapse of time or the giving of notice or both, would result in the violation of or default under, the terms of any judgment, decree, order injunction or writ of any court or other Government Authority with respect to the Business of any of the Norfolk Corporations, which would have a Material Adverse Effect.
- (k) **Corporate Records.** The corporate records and minute books of the Norfolk Corporations produced by the Vendor are in all material respects a complete and accurate record of the material business transacted at meetings of, and contain all resolutions passed by, the directors and the sole shareholder of the Norfolk Corporations held since the respective incorporation of each of the Norfolk Corporations. To the Vendor's knowledge, each and all such meetings were duly called and held and all such resolutions and by-laws were duly passed. The share certificate books, registers of shareholders, registers of transfers, registers of directors and other corporate registers of each are complete and accurate.
- (l) **Real Property.**

- (i) To the Vendor's knowledge, Schedule 3.1(l) sets forth a list of lands owned in fee simple (the "Real Property") and leased property (the "Leased Property") by each of the Norfolk Corporations.
- (ii) To the Vendor's knowledge, none of the Norfolk Corporations owns any real property or has rights under any leases, or has agreed to acquire or lease, any real property other than that listed in Part I of Schedule 3.1(l).
- (iii) Neither the Vendor, nor any of the Norfolk Corporations, has received any, nor to the Vendor's knowledge are there any pending or threatened, notices of violation or alleged violation of any Applicable Laws against or affecting any Real Property or Leased Property.
- (iv) The Norfolk Corporations have such rights of occupancy, possession, use, entry and exit, as applicable, to and from Real Property, Leased Property and Easements as are reasonably necessary to carry on their respective Business.
- (v) Other than listed in Part II of Schedule 3.1(l), which encumbrances Vendor covenants to remove prior to Closing subject to those conditions in Section 5.10, no Person has any right to purchase any of the Real Property and no Person other than the Norfolk Corporations is using or has any right to use, is in possession or occupancy, of any part of the Real Property.
- (vi) There exists no option, right of first refusal or other contractual rights with respect to any of the Real Property.
- (vii) Other than listed in Part II of Schedule 3.1(l), which encumbrances Vendor covenants to remove prior to Closing subject to those conditions in Section 5.10, neither the Vendor, nor any of the Norfolk Corporations, has entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of the Norfolk Corporation in and to Real Property, Leased Property, or the air, density and easement rights relating to such Real Property or Leased Property, as may be applicable.
- (viii) Neither the Vendor, nor any of the Norfolk Corporations, has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on such Real Property, Leased Property, Easements or of any

current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with Applicable Law, including without limitation, building and zoning by-laws and regulations, and to the Vendor's knowledge, no by-law which would adversely affect the Business of any of the Norfolk Corporations is currently being contemplated by the Vendor.

- (ix) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets constructed on Real Property, Leased Property or Easements have been fully paid and, to the Vendor's knowledge, no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work.
- (x) To the Vendor's knowledge, there are no matters affecting the right, title and interest of the Norfolk Corporations, as applicable, in and to the Real Property, Leased Property or Easements which would materially and adversely affect the ability of any of the Norfolk Corporations to carry on its respective Business thereon.
- (m) **Intellectual Property.** Schedule 3.1(m) sets forth and describes all trade secrets and any licensed property or technology used in whole or in part by each of the Norfolk Corporation's respective Business, and all material trademarks, tradenames, service marks, brand names, patents, copyrights, industrial designs and other industrial property rights, and all applications therefor, in each case specifying whether the item is owned by each of the Norfolk Corporations or is used by each of the Norfolk Corporations under a licence agreement or arrangement from another Person.
- (n) **Contracts and Commitments.** Except as set forth in Schedule 3.1(n), none of the Norfolk Corporations is a party to or bound by any of the following:
 - (i) any offer letter, employment or consulting Contract or any other written Contract with any officer, employee or consultant, including any agreements or arrangements relating to compensation, other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice;
 - (ii) any agreement, contract or commitment limiting the freedom of the Corporation to engage in any line of business or to compete with another Person; or

- (iii) any Material Contract.

- (o) **Material Contracts.** The Vendor has previously delivered or will make available to the Purchaser at Closing, true and complete copies of all Material Contracts, all of which are in full force and effect and unamended and no material default exists under such Material Contracts on the part of the respective Norfolk Corporation or, on the part of any other party to such Contracts, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contract. The Material Contracts comply with the terms of the Collective Agreement. Except as set forth in Schedule 3.1(o), to the Vendor's knowledge, the materials provided in the Data Room folder entitled "Material Contracts", and those Contracts listed in Schedule 3.1(n) are true and complete copies of all Contracts of the Norfolk Corporations as of the Proposal Date.

- (p) **Employee Plans.**
 - (i) Except as set forth and described in Schedule 3.1(n) and Schedule 3.1(p), none of the Norfolk Corporations are party to, bound by, subject to or have any liability relating to any employment agreement or any agreement or arrangement relating to information provided under Section 3.1(n), deferred compensation, bonus, incentive or other compensation, commission, fee, profit-sharing, severance, termination pay, supplementary employment insurance, vacation entitlements, insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care, arrangements for personal use of any corporate assets based on past practice and other similar benefits, plans or arrangements, (the "Employee Plans"), whether funded or unfunded, formal or informal, written or unwritten, that is maintained, contributed to, or required to be maintained or contributed to, by the Norfolk Corporations, or to which the Norfolk Corporations is a party, for the benefit of the Employees and their respective beneficiaries and dependents, other than Statutory Plans, nor are any of the Norfolk Corporations in arrears in the payment of any contribution or assessment required to be made by them pursuant to any agreements or arrangements relating to Employee Plans.

 - (ii) Other than the OMERS Plan and MEARIE Policy 331268, a true and complete copy of each Employee Plan (as amended to date) has been provided to the Purchaser together with true and complete copies of all documents relating to each such Employee Plan, including, as applicable, all booklets, summaries,

notices or manuals prepared for or circulated to Employees generally concerning each such Employee Plan.

- (iii) All obligations of the Norfolk Corporations due prior to Closing under the Employee Plans and the Statutory Plans (whether pursuant to the terms thereof or any Applicable Law) have been satisfied in all material respects.
- (iv) Other than the OMERS Plan, with respect to which the Vendor makes no representation, and other than any material grievance that has been resolved or settled, as applicable, all Employee Plans are, and have been, established, registered (where required), and administered without default, in material compliance with (i) the terms thereof; and (ii) all Applicable Law; and neither the Vendor, nor any Norfolk Corporation has received, in the last four (4) years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor does the Vendor have any knowledge of any such notice from any Person questioning or challenging such compliance beyond the last four (4) years. Except as disclosed in Schedule 3.1(p), and other than the OMERS Plan, and as set out in the Collective Agreement, there are no promised improvements, increases or changes to, the benefits provided under any Employee Plan, nor does any Employee Plan provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.
- (v) Except as disclosed in Schedule 3.1(p), no Employee Plan, other than the OMERS Plan, provides benefits beyond retirement or other termination of service to employees or former employees of the Norfolk Corporations or to the beneficiaries or dependants of such employees or former employees. Other than the OMERS Plan, no Employee Plan requires or permits a retroactive increase in premiums or payments.
- (vi) All employee data necessary to administer the Norfolk Corporations' participation in the OMERS Plan and the other Employee Plans is in the possession of the relevant Norfolk Corporation and is complete, correct and in a form which is sufficient for the proper administration of the Norfolk Corporations' participation in the OMERS Plan and the other Employee Plans in accordance with the terms thereof and all Applicable Law.

(q) **Labour Matters**

- (i) Except as set forth in Schedule 3.1(q) (the “**Collective Agreement**”) the Norfolk Corporations are not a party to or bound by or subject to any agreement or arrangement with any labour union or employee association and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement.
- (ii) There is no strike or lockout occurring or affecting, or to the Vendor’s knowledge threatened against, any of the Norfolk Corporations.

(r) **Employees.**

- (i) The Purchaser has been provided with a complete and accurate list of the names of all individuals who are employees (the “Employees”) of each of the Norfolk Corporations specifying title, compensation, years of service, whether they are union or non-union, and the benefits under the Employee Plans to which they are entitled (the “Employee Fact Sheet”).
- (ii) Except as disclosed in Schedule 3.1(r), no Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act* (Ontario).
- (iii) Each of the Norfolk Corporations has been operated in material compliance with all laws relating to employees, including employment standards and all laws relating to full or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed in Schedule 3.1(r):
 - (A) there have been no Claims nor, to the best of the Vendor’s knowledge, are there any threatened complaints, under such laws against any of the Norfolk Corporations;
 - (B) to the Vendor’s knowledge, nothing has occurred which might lead to a Claim or complaint against any of the Norfolk Corporations, under any such laws; and

- (C) there are no outstanding decisions or settlements or pending settlements which place any obligation upon any of the Norfolk Corporations to do or refrain from doing any act.

- (iv) All assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business of each of the Norfolk Corporations have been paid or accrued and none of the Norfolk Corporations is subject to any special or penalty assessment under such legislation which has not been paid.

- (s) **Insurance.** Schedule 3.1(s) sets forth all insurance policies, other than those already disclosed in the Schedule 3.1(p), specifying: (i) any pending claims thereunder, maintained by each of the Norfolk Corporations on its Property; or (ii) any material pending claims under policies maintained by each of the Norfolk Corporations in respect of its Employees, excluding pending claims made in the ordinary course of Business.

- (t) **Environmental.**

To the knowledge of the Vendor:

- (i) other than as specified in Schedule 3.1(t), all operations of the Norfolk Corporations conducted on or at the Real Property and Leased Property while occupied or used by the Norfolk Corporations, have been and are now in compliance in all material respects with all applicable Environmental Laws. Any Release by the Norfolk Corporations, of any Hazardous Substance into the Environment complied and complies in all material respects with all applicable Environmental Laws, and not in a manner that could reasonably be expected to have a Material Adverse Effect;

- (ii) the Norfolk Corporations have obtained all requisite Environmental Approvals, which Environmental Approvals are valid and in full force and effect, have been and are being complied with in all material respects and there have been and are no proceedings commenced or threatened to revoke or amend any Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect. Schedule 3.1(t) lists all of the Environmental Approvals in the possession of the Norfolk Corporations;

- (iii) the Norfolk Corporations have not been and are not now the subject of any Remedial Order nor, is any investigation or evaluation threatened or commenced as to whether any such Remedial Order is necessary;
- (iv) the Norfolk Corporations have never been prosecuted for or convicted of any offence under Environmental Laws, nor has any of them been found liable in any proceeding to pay any damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Laws. No notice has been received by the Vendor or by the Norfolk Corporations of any investigation or evaluation by any Governmental Authority or of any claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence by any of the foregoing has occurred. There are no Claims that have been threatened or commenced against any of the Norfolk Corporations as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws;
- (v) no part of the Real Property or Leased Property has ever been used by the Norfolk Corporations as a landfill or for the disposal of waste;
- (vi) except as disclosed in Schedule 3.1(t), no asbestos, asbestos containing materials, polychlorinated biphenyls ("PCBs") and PCB wastes are used or stored by the Norfolk Corporations or otherwise present in or on the Real Property, or used or stored by the Norfolk Corporations on the Leased Property except for PCBs contained in the electrical transformers which are in service and which form an integral part of, and are necessary for the operation of their respective Business. The Vendor has disclosed to the Purchaser all inspection reports received from the Ministry of the Environment in connection with the Commission's handling, transportation and storage of PCBs;
- (vii) except as disclosed in Schedule 3.1(t), there has been no Release by any of the Norfolk Corporations which is now present in, on or under any of the Real Property, Leased Property or any neighbouring or adjoining property (including, without limitation, underlying soils and substrata, surface water, ground water and vegetation) at levels which exceed decommissioning or remediation standards under any applicable Environmental Laws or standards published or administered by those governmental authorities responsible for establishing or applying such

standard or in a manner that could reasonably be expected to have a Material Adverse Effect;

- (viii) there are no Hazardous Substances in, on or under the Real Property and there are no underground storage tanks on the Real Property and any underground storage tanks formerly on the Real Property have been removed and any affected soil, surface water or ground water has been remediated in compliance with all Applicable Law including, without limitation, Environmental Law.
- (u) **Litigation.** Except as set out in Schedule 3.1(u), there are no actions, suits or proceedings (whether or not purportedly on behalf of a Norfolk Corporation) pending or, to the Vendor's knowledge, threatened against or affecting, a Norfolk Corporation at law or in equity, or before or by any federal, provincial, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, or by or before an arbitrator or arbitration board which, either individually or in the aggregate, would have a Material Adverse Effect.
- (v) **Taxes.**
 - (i) Each of the Norfolk Corporations is exempt from Tax under the Tax Act and the CTA but is required to make PILS payments under the EA in an amount equal to the Tax that it would be liable to pay under the Tax Act and CTA if it were not exempt from Tax under those statutes.
 - (ii) Each of the Norfolk Corporations has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions with respect to taxation periods ended on or before the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. None of the Norfolk Corporations have ever been required to file any Tax Returns with, and have never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Each of the Norfolk Corporations has paid all Taxes and all instalments of Taxes due on or before the Closing Date. The Vendor has furnished to the Purchaser true, complete and accurate copies of all Tax Returns and any amendments thereto filed by the Norfolk Corporations since December 31, 2008 and all notices of assessment and reassessment and all correspondence with Governmental Authorities relating thereto as well as true, complete and accurate copies of all tax returns and any amendments filed at any time with respect to a taxation year that is not statute barred, and all notices of assessment and reassessment and all correspondence with Governmental Authorities or tax advisors relating thereto.

- (iii) Assessments under the EA have been issued to each of the Norfolk Corporations covering all periods up to and including its fiscal year ended December 31, 2011.
- (iv) There are no audits, assessments, reassessments or other Claims in progress or, to the knowledge of the Vendor, threatened against any of the Norfolk Corporations, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes except for those items listed in Schedule 3.1(v). The Vendor is not aware of any contingent liability of any of the Norfolk Corporations for Taxes or any grounds that could prompt an assessment or reassessment for Taxes, and none of the Norfolk Corporations have received any indication from any Governmental Authority that any assessment or reassessment is proposed with respect to taxation periods ended on or before the Closing Date.
- (v) None of the Norfolk Corporations have entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom the Norfolk Corporations were not dealing with at arm's length (within the meaning of the Tax Act). None of the Norfolk Corporations have acquired property from any Person in circumstances where the Corporation did or could have become liable for any Taxes payable by that Person.
- (vi) None of the Norfolk Corporations have entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of any of the Norfolk Corporations. None of the Norfolk Corporations is a party to any agreements or undertakings with respect to Taxes.
- (vii) Each of the Norfolk Corporations is a registrant for purposes of the ETA, and the HST registration numbers are as follows:

NPI	88974 1211
NPDI	86289 2593
NEI	86289 0399

All input tax credits claimed by the Norfolk Corporations pursuant to the ETA have been proper, correctly calculated and documented. The Norfolk Corporations have collected and remitted when due all Taxes, including GST/HST and RST, as required by tax legislation.

- (viii) Each of the Norfolk Corporations maintains its books and records in compliance with Section 230 of the Tax Act.

- (w) **Withholding.** Each of the Norfolk Corporations has withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including without limitation, all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper tax or other receiving officers within the time required under any applicable legislation. Each of the Norfolk Corporations has remitted to the appropriate tax authority when required by law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax.
- (x) **Ownership of Property.** The Norfolk Corporations are the sole legal and beneficial, and where its interests are registrable, the sole registered owner, of all of the Property used in connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of their respective Business with good and valid title thereto free and clear of all Encumbrances other than in respect of the Real Property, Leased Property or Easements, which may be subject to minor easements for the supply of utilities, with good and marketable title to the Real Property in fee simple, and those permitted encumbrances listed in Schedule 3.1(x). As of the Effective Date, forms of leases to the Leased Property disclosed to the Purchaser are in good standing and unamended. All of the Fixed Assets used in connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of their respective Business are in good working order, condition and repair, have been properly and regularly maintained and are free of any structural defect and free from any defect in material and workmanship, are of merchantable quality and fit for the purposes of the Purchaser and are in compliance with all Applicable Laws. There has been no assignment, subletting or granting of any licence (of occupation or otherwise) of or in respect of any such Property or any granting of any contract or right capable of becoming a contract or option for the purchase of any of such Property other than pursuant to the provisions of, or as disclosed in, this Agreement.
- (y) **Financial Statements.** The Financial Statements were prepared and the Closing Date Financial Statements will be prepared in accordance with GAAP applied on a basis consistent with that of the preceding period and present, or will present (in the case of the Closing Date Financial Statements), fairly:
- (i) in the case of the Financial Statements, all of the assets, liabilities and financial position of the Corporation as at December 31, 2012, and the sales, earnings, results of operation and changes in financial position of the Corporation for the 12-month period then ended; and

- (ii) in the case of the Closing Date Financial Statements, the assets and liabilities of the Corporation as at the Time of Closing.

- (z) **Licenses.** Schedule 3.1(z) sets out a complete list of all licenses, permits, approvals, consents, certificates, registrations and authorizations (“Licenses”) held by or granted to each of the Norfolk Corporations, and there are no other licences, permits, approvals, consents, certificates, registrations or authorizations necessary to carry on their respective Business. Each Licence is valid, subsisting and in good standing and none of the Norfolk Corporations are set in default or in breach of any Licence and, to the best of the Vendor’s knowledge, no proceeding is threatened or pending to revoke or limit any Licence.

- (aa) **Bank Accounts.** Schedule 3.1(aa) sets forth a complete list of every financial institution in which each of the Norfolk Corporations maintains any depository account, trust account or safety deposit box and the names of all persons authorized to draw on or who have access to such accounts or safety deposit box.

- (bb) **Absence of Guarantees.** None of the Norfolk Corporations has given, agreed to give or shall give, or is a party or bound by, any guarantee or indemnity in respect of indebtedness, or other obligations, of any Person, or any other commitment by which the relevant Norfolk Corporation is, or is contingently, responsible for such indebtedness or other obligations.

- (cc) **Limitation.** The Vendor makes no representation or warranty to the Purchaser except as specifically set forth in this Agreement and this Agreement contains all representations and warranties of the Vendor relating to the Purchased Shares and the Transaction.

- (dd) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.1 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Vendor shall have no liability to the Purchaser with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.1 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

3.2 Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on such representations and warranties in connection with the transactions contemplated herein:

- (a) **Organization.** The Purchaser is a corporation duly incorporated and validly subsisting corporation under the laws of Ontario and has the corporate power to own or lease its property and assets and to carry on the business presently carried on by it.
- (b) **Corporate Power of the Purchaser and Due Authorization.** The Purchaser has all requisite corporate power, authority and capacity to enter into, and to perform its obligations under this Agreement. The Purchaser has duly taken, or has caused to be taken, all corporate action required to be taken by the Purchaser to authorize the execution and delivery of this Agreement by the Purchaser in the performance of its obligations hereunder and has the financial ability to complete the Purchase and pay the Purchase Price.
- (c) **Binding Agreement.** This Agreement has been duly executed by the Purchaser and will, upon delivery, constitute a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (d) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the transactions herein contemplated will result in the violation of:
 - (i) any provision of the constating documents, by-laws or any unanimous shareholder agreement of the Purchaser;
 - (ii) any Contract to which the Purchaser is a party or by which the Purchaser or any of its property or assets is bound, which would have a material adverse effect on the Purchaser's ability to perform its obligations under this Agreement; or
 - (iii) subject to obtaining the regulatory approvals set forth in Article VII, any terms or provisions of any Applicable Law of any authority having jurisdiction over the Purchaser which would have a materially adverse effect on the Purchaser's ability to perform its obligations under this Agreement.

- (e) **Investment Canada Act.** The Purchaser is not a “non-Canadian” within the meaning of the *Investment Canada Act* (Canada). The Purchaser is not a “non-resident” for tax purposes.
- (f) **Financial Capability.** The Purchaser has sufficient funds in place to pay the Purchase Price on the Closing Date on the terms and conditions contained in this Agreement.
- (g) **Consents and Approvals.** Except for the Required Approval, there is no requirement for the Purchaser to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any governmental or regulatory authority as a condition to the lawful consummation of the transactions contemplated by this Agreement.
- (h) **Litigation.** There is no legal proceeding in progress, pending, threatened against or affecting the Purchaser and, to the best of the knowledge and belief of the Purchaser, there are no grounds on which any such legal proceeding might be commenced with any reasonable likelihood of success and no judgment, decree, injunction, ruling, order or award of any tribunal outstanding against or affecting the Purchaser which, in any such case, might adversely affect the ability of the Purchaser to enter into this Agreement or to perform its obligations hereunder.
- (i) **Crown Corporation.** The Purchaser is a crown corporation as described in paragraph 149(1)(d) or (d.2) of the Tax Act.
- (j) **Limitation.** The Purchaser makes no representation or warranty to the Vendor except as specifically set forth in this Section 3.2 and this Agreement contains all representations and warranties of the Purchaser relating to the transactions contemplated hereby.
- (k) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.2 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Purchaser shall not have any liability to the Vendor with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.2 where the existence of

such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

ARTICLE IV SURVIVAL OF REPRESENTATIONS AND WARRANTIES

4.1 Survival of Representation and Warranties.

- (a) The representations and warranties of the Vendor set out in Section 3.1 shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Purchaser with respect thereto, shall continue in full force and effect for the benefit of the Purchaser provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of one (1) year from the Closing Date and, upon the expiry of such limitation period, the Vendor shall have no further liability to the Purchaser with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Purchaser to the Vendor in writing prior to the expiration of such period.

- (b) The representations and warranties of the Purchaser set out in Section 3.2 shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Vendor with respect thereto, shall continue in full force and effect for the benefit of the Vendor provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of one (1) year from the Closing Date and, upon the expiry of such limitation period, the Purchaser shall have no further liability to the Vendor with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Vendor to the Purchaser in writing prior to the expiration of such period.

ARTICLE V COVENANTS OF THE VENDOR

5.1 Access to the Corporation. The Vendor shall forthwith make available to the Purchaser and its authorized Representatives and, if requested in writing by the Purchaser, provide a copy to the Purchaser of, all title documents, Contracts, financial statements, policies, plans, reports, licences, orders, permits, books of account, accounting records and all other documents, information and data, excluding the RFP Offers, relating to the Business. The Vendor shall afford the Purchaser and its authorized Representatives every reasonable opportunity to have free and unrestricted access to the Business, Property and records of the Norfolk Corporations. At

the request of the Purchaser, the Vendor shall execute, or shall cause the relevant Norfolk Corporation to execute, such consents, authorizations and directions as may be necessary to permit any inspection of the Business or to enable the Purchaser or its authorized Representatives to obtain full access to all files and records relating to any of the Business maintained by Government Authorities. The Vendor and the Purchaser shall co-operate in good faith in arranging any such meetings as the Purchaser should reasonably request with:

- (a) senior executives of the Norfolk Corporations employed in the Business;
- (b) suppliers, distributors, service providers or others who have a business relationship with the Vendor and/or the Norfolk Corporations, in respect of the Business; and
- (c) the exercise of any rights of inspection by or on behalf of the Purchaser under this Section 5.1 shall not mitigate or otherwise affect any of the representations and warranties of the Vendor hereunder, which shall continue in full force and effect as provided in Section 4.1.

5.2 Conduct of Business Prior to Closing. During the period from the date of the Financial Statements to the Closing Date, the Vendor has caused and shall cause the Business of the Norfolk Corporations to be conducted in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement), and has not sold or otherwise disposed of any of its Property, other than sales or dispositions of Property in the ordinary course not exceeding fifty thousand dollars (\$50,000) in the aggregate. Other than those dispositions listed in Schedule 5.2, the Vendor shall obtain Purchaser's prior written approval if the amount of such disposition or sale is greater than fifty thousand dollars (\$50,000) in the aggregate. During such period there has been no change in the Business, operation, affairs, personnel and/or financial condition of any of the Norfolk Corporations, except for changes occurring in the ordinary course of business which in aggregate have not had a Material Adverse Effect. The Parties further expressly acknowledge that, notwithstanding anything herein contained, during the period from execution of this Agreement to the Closing Date, the Norfolk Corporations shall be permitted to declare and pay dividends to their respective shareholders out of cash on hand.

5.3 Delivery of Books and Records.

- (a) At the Time of Closing, the Vendor shall cause to be delivered to the Purchaser all of the books and records of and relating to the Norfolk Corporations and the Business; and

- (b) Notwithstanding Section 5.3(a), the Vendor shall be entitled to retain copies of any documents or other data delivered to the Purchaser pursuant to Section (a) provided that those documents are reasonably required by the Vendor to perform its obligations hereunder or under Applicable Law.

5.4 Resignation of Directors. The Vendor shall cause all of the directors of the Norfolk Corporations to resign in favour of nominees of the Purchaser, such resignation to be effective at the Time of Closing and releases from such individuals of all claims they may have against any of the Norfolk Corporations (other than in respect of unpaid salaries and accrued vacation pay).

5.5 No Material Contracts. From and after the date hereof, the Norfolk Corporations shall not enter into any Material Contracts without the prior consent of the Purchaser, which consent may not be unreasonably withheld.

5.6 Non Assignable Assets . The Vendor will use its best efforts to obtain any consents required from third parties to the effective transfer of the Property to and for the enjoyment of the Corporation and in the absence of any such consent or effective transfer, Vendor shall hold such asset in trust for the benefit of the Norfolk Corporations, in connection with which trust Purchaser shall indemnify Vendor.

5.7 Transfer of Purchased Shares. The Vendor shall take, and shall cause the Corporation to take, all necessary steps and proceedings to permit the Purchased Shares to be duly and validly transferred to the Purchaser and to have such transfers duly and validly recorded on the books of the Corporation so that the Purchaser is entered onto the books of the Corporation as the holder of the Purchased Shares and to issue share certificates to the Purchaser representing the Purchased Shares.

5.8 Transfer of Real Property. The Vendor shall take, and shall cause the Corporation to take, all necessary steps and proceedings to transfer the real property located at 1120 Bay Street, Port Rowan to the Corporation, such that the Corporation shall have with good and valid title thereto, prior to the Closing Date.

5.9 Termination of Certain Contracts. At the Purchaser's option, and upon receipt of written notice from the Purchaser to the Vendor, the Vendor shall cause the applicable Norfolk Corporation to terminate all obligations of such Norfolk Corporation under the Contracts referred to in Schedule 3.1(n) as "FINN Projects – CDM Consulting Services/Small Business Lighting

Services” and “Springboard Management – Health and Safety Consulting Services”, prior to Closing.

5.10 Removal of Certain Encumbrances.

(a) The Vendor shall:

- (i) upon receipt of written notice from the Purchaser within fifteen (15) days from the Effective Date, use its reasonable commercial efforts to make an application to the applicable land registry office to have any or all of the encumbrances listed under Part II(A) of Schedule 3.1(I), in accordance with the said written notice, removed from title prior to Closing; and
- (ii) The Vendor shall use its reasonable commercial efforts to make an application to the applicable land registry office to have any or all of the encumbrances listed under Part II(B) of Schedule 3.1(I) removed from title prior to Closing;

provided that, in the event such application is made by the Vendor and the applicable land registry office denies or rejects the said application, that the Vendor shall have no further obligation with respect to the matters set forth in this Section 5.10, the Purchaser shall complete the transactions contemplated herein subject to such encumbrances, and that the Vendor shall not be deemed to have failed to fulfill or perform its obligations for purposes of Section 9.2(b). For greater certainty, the Vendor shall only be required to make an application under this Section 5.10(a)(ii) if the Vendor is able to satisfy itself that the tenants under such lease agreements listed in in Part II(B) of Schedule 3.1(I) are not in possession of those said premises.

**ARTICLE VI
COVENANTS OF THE PURCHASER**

6.1 Employment and Location Guarantees. The Purchasers hereby covenants and agrees that for a period of one (1) year following the Closing Date, it will, subject to its rights to dismiss for just cause, guarantee the continued employment with the Purchaser or an Affiliate of a Purchaser, of each Employee who is an Employee of the Norfolk Corporations on the Closing Date at no less than the terms and conditions as outlined in the Employee Fact Sheet, including

the same or not less favourable: (i) benefits in the aggregate; (ii) compensation; and, (iii) seniority; and to remain located in the Town of Simcoe. The foregoing shall not prohibit the relocation of Employees with their prior consent. From and after the Closing Date, Employees may apply for positions within the Purchaser and its Affiliates and will be considered for such positions on a fair and equal basis with other employees of the Purchaser and its Affiliates, with credit for their seniority and service with the applicable Norfolk Corporation.

6.2 Participation in Community Events and Economic Development. After Closing, the Purchaser or the Corporation shall provide community assistance to the Vendor and Norfolk County by doing such things as listed in Schedule 6.1.

6.3 Advisory Committee. The Purchaser shall establish an advisory committee (the "Advisory Committee") as soon as practicable after Closing to provide a forum for communication between the Purchaser and the Vendor. In establishing the Advisory Committee, the Purchaser shall select Representatives, including a local superintendent from Hydro One's Zone 2 or equivalent, in consultation with officials of the Vendor. The Vendor may appoint at least three (3) Representatives to the Advisory Committee.

6.4 Employee Related Matters. The Purchaser acknowledges that from and after Closing, it and the Norfolk Corporations shall be responsible for all obligations owing to present and former employees and beneficiaries of the Business relating to such employment, including all obligations and liabilities relating to wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other employee benefits or claims, including vacation pay, and pension plans regardless of whether these arose before or after Closing. The Purchaser shall indemnify and save harmless the Vendor from and against any and all losses, damages, expenses, liabilities, claims and demands whatsoever made or brought against the Vendor by any person or Employee, association or trade union or by any federal, provincial, municipal or other government department, commission, board, bureau, agency or instrumentality or any other person or body which in any way pertains to or arises out of such liability including, without limiting the generality of the foregoing, any and all losses, damages, expenses, liabilities, claims and demands whatsoever with respect to wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other employee benefits or claims, including vacation pay, and including any interest, award, judgment or penalty relating thereto and any costs or expenses incurred by the Vendor in defending any such claim or demand.

6.5 Local presence. The Purchaser shall guarantee a local presence within the Vendor's office located at 70 Victoria Street, Simcoe, Ontario for a minimum period of 3 years. The Norfolk

Corporations' central operating facility and all operating Employees will be located or relocated to the Purchaser's Simcoe Operations Centre located at 4 Boswell Street or the location in Simcoe to which Purchaser relocates Dundas functions. The Purchaser shall also move its Dundas Field Business Centre functions from the City of Hamilton to the Town of Simcoe over a three (3) year period.

6.6 Capital Program. The Purchaser acknowledges and agrees that the aggregate capital expenditure budget and forecast for the Business is as set out in Schedule 6.6 hereto ("CapEx"), and agrees to use commercially best efforts to meet such CapEx.

6.7 Rate Harmonization.

- (a) Notwithstanding Section 2.6, the Purchaser acknowledges, agrees and covenants to:
- (i) within the timeframe specified in Section 7.1 and as part of the Required Approval, seek OEB approval for a negative rate rider ("Negative Rate Rider") to reduce Current Rates by 1% across all Rate classes (the "Reduced Rates"); and
 - (ii) such Reduced Rates shall:
 - (A) be effective as of the Closing Date; and
 - (B) be maintained without change during the Rate Freeze Period.
- (b) If the OEB does not approve the Negative Rate Rider in accordance with subsection (a), the Purchaser acknowledges, agrees and covenants to maintain Rates at Current Rates during the Rate Freeze Period." For greater clarity, this subsection (b) shall not affect the obligations of the Purchaser under Section 2.6.

6.8 Books and Records. The Purchaser shall preserve the books and records delivered by the Vendor to it pursuant to Section 5.3 for a period of eight (8) years from the Closing Date, or for such longer period as is required by any Applicable Law, and will permit the Vendor or its authorized Representatives reasonable access thereto in connection with the affairs of the Vendor relating to its matters.

6.9 Ancillary Agreements. The Purchaser hereby covenants and agrees that on the Closing Date, the Purchaser shall enter into the following agreement ("Ancillary Agreement"):

- (a) an agreement for the purchase and sale, whereby NPDI shall sell, and the Vendor shall purchase, effective as of the Closing Date, certain trans poles for a fixed cost per pole (the "Pole Purchase and Sale Agreement"), the terms and conditions for which are contained substantially in the form of agreement attached hereto as Exhibit 6.9.

6.10 Confidentiality.

- (a) Vendor hereby covenants and agrees that it shall keep confidential and not use or disclose except as required by Applicable Law, any and all information received by the Vendor from the Purchaser leading up to or in connection with the execution of this Agreement and completion of the transactions contemplated hereby, whether or not received prior to or after the Effective Date, concerning the business and affairs of the Purchaser or its Affiliates.
- (b) In the event that this Agreement is terminated in accordance with the provisions hereof,
 - (i) the Purchaser hereby covenants and agrees that it, and its Affiliates, shall keep confidential, in accordance with the terms of the Confidentiality Agreement, any and all information and trade secrets received by the Purchaser from the Vendor, whether or not received prior to or after the date of this Agreement, concerning the business and affairs of the Vendor and/or the Norfolk Corporations (the "Confidential Information").
 - (ii) subject to paragraph (ii), the Purchaser shall:
 - (A) promptly return to the Vendor all documents, computer disks, other forms of electronic storage or other materials furnished by the Vendor, or the Norfolk Corporations or by any of their respective Representatives to the Purchaser or its Representatives constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of the Purchaser or its Representatives and materials generated by the Purchaser or its Representatives that include or refer to any part of the Confidential Information, without retaining a copy of any such material; or
 - (B) alternatively, provided that the prior written consent of the Vendor has been obtained, promptly destroy all documents or other matters

constituting Confidential Information in the possession or under the control of the Purchaser or its Representatives;

and the Purchaser shall confirm such return and/or destruction of Confidential Information to the Vendor in writing and certified by two senior officers of the Purchaser;

- (iii) the Purchaser shall promptly destroy the portion of the Confidential Information which consist of analyses, compilations, forecasts, studies, other material or documents prepared by the Purchaser or its Representatives and shall confirm such destruction in writing and certified by two senior officers of the Purchaser;
- (iv) any verbal or visual Confidential Information will continue to be subject to the terms of the Confidentiality Agreement and the terms of this Section 6.1; and
- (v) the Purchaser shall not, directly, use for its own purposes, any Confidential Information discovered or acquired by the Purchaser's Representatives as a result of the Vendor, or the Norfolk Corporations making available to them any Confidential Information.

6.11 **Survival.** The covenants contained in this Article VI shall survive the Closing Date.

ARTICLE VII REQUIRED APPROVAL

7.1 **OEB Approval.** Each of the Purchaser and the Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than fifteen (15) days after the execution of this Agreement), file or cause to be filed with the OEB an application required to be made under Subsection 86(2) of the OEB Act in respect of the OEB Approval as it relates to NPDI (the "**Required Approval**"). Each of the Purchaser and the Vendor shall use their best efforts (which shall not be less than commercially reasonable efforts) to co-operate and assist the other, so that the Required Approval can be obtained as soon as reasonably possible, and in any event prior to the Closing Date. All the costs and expenses incurred by the Parties in connection with the application for the OEB Approval shall be borne each Party.

7.2 **Ontario Minister of Finance Notice.** The Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than the day before the Closing Date), file or

cause to be filed with the Ontario Minister of Finance the notification required under Subsection 4(2) of Ontario Regulation 124/99 made under the EA. If necessary, the Vendor will also file or cause to be filed with the Ontario Minister of Finance such notification as required by Section 7 of Ontario Regulation 124/99 within thirty (30) days after the Closing Date. The Purchaser shall be responsible for the costs incurred by it in connection with the Ontario Minister of Finance Notice.

7.3 Environmental Permits. The Parties shall co-operate to ensure promptly that any required notices of change are given with respect to all Environmental Approvals, if any.

ARTICLE VIII TAX MATTERS

8.1 Preparation and Filing of Tax Returns. The Purchaser shall cause the Corporation to prepare and submit all Tax Returns of each Norfolk Corporation that are not due for filing until after the Closing Date to the Vendor for approval at least thirty (30) Business Days before the filing due-date thereof except for the debt retirement charge and sales tax returns, which shall be prepared and submitted to the Vendor for approval at least seven (7) Business Days before the filing due-date thereof. The Purchaser shall provide the Vendor and its Representatives access to such Books and Records of the Norfolk Corporations relating to the period preceding Closing as the Vendor reasonably request for purposes of approving those Tax Returns. After the Vendor has approved those Tax Returns, the Purchaser shall, on a timely basis, cause each Norfolk Corporation to file the Tax Returns.

8.2 Books and Records Relating to Taxes. Within thirty (30) Business Days after the Closing Date, the Vendor shall deliver to the Purchaser the copies of all documents relating to Taxes of the Corporation in respect of the period preceding Closing that the Vendor retained pursuant to Section 5.3(b) and all working papers, correspondence and other documents prepared after the Closing Date which relate to Taxes for such periods.

8.3 Notification Requirements. The Purchaser shall promptly forward to the Vendor all written notifications and other written communications from any Governmental Authority received by the Purchaser or the Norfolk Corporations relating to Taxes of the Norfolk Corporations for all periods preceding Closing, and shall promptly inform the Vendor of any audit proposed to be undertaken and any adjustment proposed in writing to be made by any Governmental Authority in respect of a Pre-Closing Period. Notwithstanding the obligation of the Purchaser to give prompt notice as required above, the failure of the Purchaser to give that prompt notice shall not

relieve the Vendor of its obligations under this Article VIII except to the extent (if any) that the Vendor shall have been prejudiced thereby.

8.4 Vendor Indemnification. From and after the Closing Date, the Vendor shall be responsible for and shall indemnify and save harmless the Purchaser for all Taxes payable by the Norfolk Corporations for all periods preceding Closing, less any Tax refunds and credits received by the Norfolk Corporations after the Closing Date and where such Tax refunds and credits relate to periods preceding Closing.

8.5 Purchaser's Contest Rights. Subject to Section 8.6, the Purchaser shall have the sole right to control, defend, settle, compromise, or prosecute in any manner an audit, examination, investigation, and other proceeding with respect to any Tax Return of the Norfolk Corporations. The Purchaser shall keep the Vendor duly informed of any proceedings in connection with any matter for which the Purchaser may have a right to indemnification pursuant to this Article VIII or Article XII and promptly provide the Vendor with copies of all correspondence and documents relating to those proceedings. The Vendor shall execute or cause to be executed such documents and shall take such action as reasonably requested by the Purchaser to enable the Purchaser to take any action the Purchaser deems appropriate with respect to any proceedings in respect of which the Purchaser has contest rights under this Agreement.

8.6 Vendor's Contest Rights.

- (a) The Vendor may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding with respect to Taxes or Tax issues related to any matter in respect of which the Purchaser may have a right of indemnification pursuant to this Article VIII or Article XII, except that:
 - (i) the Vendor shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all Losses arising out of that audit, examination or other proceeding and that the Vendor shall be liable for the entire amount of those Losses;
 - (ii) the Vendor may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to any matter which may affect Tax liabilities of the Purchaser or the Norfolk Corporations for a period following Closing; and

- (iii) the Vendor shall pay to the Purchaser the amount of all Taxes (including, for greater certainty, interest and penalties) specified in the notice of assessment or other Claim from the Governmental Authority which are due and payable and to which the Purchaser's indemnity Claim relates within 10 Business Days before the amount is required to be paid to the Governmental Authority or within 10 Business Days after the Purchaser has forwarded to the Vendor a Claim for indemnity.

- (b) If the consent of the Purchaser to a settlement or compromise arranged by the Vendor is not obtained for any reason, the indemnification liability of the Vendor shall be limited to the proposed settlement amount. The Purchaser and/or the Norfolk Corporations, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendor to enable the Vendor to take any action it deems appropriate with respect to any proceedings in respect of which the Vendor has contest rights under this Agreement. In addition:
 - (i) the Vendor shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser or the Norfolk Corporations; and
 - (ii) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.

8.7 Indemnification Procedures. Except to the extent expressly provided to the contrary in this Article VIII, the general procedures regarding notice and pursuit of indemnification Claims set forth in Article XII shall apply to all Claims for indemnification made under this Article VIII, except that notwithstanding any provision of Article XII to the contrary, if a Claim for indemnification involves any matter covered in this Article VIII, then the contest provisions of Sections 8.5 and 8.6, as applicable, shall control regarding the defence and handling of any such third-party Claim that could give rise to an indemnification obligation on the part of the Vendor. Notwithstanding Article IV, there shall be no limit on the time period during which a Claim for indemnification may be made under this Article VIII.

**ARTICLE IX
CONDITIONS OF CLOSING**

9.1 Conditions of Closing in Favour of the Purchaser. The Transaction including sale and purchase of the Purchased Shares are subject to the following conditions for the exclusive benefit of the Purchaser, to be fulfilled or performed at or prior to the Time of Closing:

- (a) **Representations and Warranties** - The representations and warranties of the Vendor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of (i) the Mayor; and (ii) the Clerk, or the Deputy Clerk of the Vendor dated the Closing Date to that effect shall have been delivered to the Purchaser.

- (b) **Covenants** - All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Vendor at or prior to the Time of Closing shall have been complied with or performed, and a certificate from (i) the Mayor; and (ii) the Clerk, or the Deputy Clerk of the Vendor dated the Closing Date to that effect shall have been delivered to the Purchaser.

- (c) **Consents and Required Approval** - There shall have been obtained, from all appropriate Persons the Required Approval.

- (d) **No Action to Restrain** - No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit:
 - (i) the purchase and sale of the Purchased Shares; or

 - (ii) the Norfolk Corporations from carrying on the Business as the Business is being carried on as at the date hereof;

- (e) **Material Adverse Effect** - There shall not have occurred any change to the Business or change of Applicable Law which would have a Material Adverse Effect since the date of this Agreement.

- (f) **Resignation of Directors** - All directors of the Norfolk Corporations shall have tendered their resignations and each such individual and the Vendor shall have duly executed and delivered comprehensive releases of all their claims (other than in respect of unpaid salaries and accrued vacation pay) respectively against the Norfolk Corporations.

- (g) **Financial Statements**. Within fourteen (14) days of delivery of the Financial Statements by the Vendor to the Purchaser, the Purchaser shall provide written notice to the Vendor identifying Material Discrepancies, if any. The Vendor shall use commercially reasonable efforts to rectify any Material Discrepancies identified by the Purchaser in the written notice any time prior to Closing, to the Purchaser's satisfaction acting reasonably. Upon rectification of the Material Discrepancies by the Vendor or if the Purchaser does not provide written notice within the time frame specified herein, the Purchaser's rights under this section shall expire and the Vendor's obligations hereunder shall terminate.

If any of the conditions contained in this Section 9.1 shall not be performed or fulfilled at or prior to the Time of Closing or any other timeframe specified above to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement and in such event the Purchaser shall be released from all obligations hereunder except those set forth in Section 6.1 and in the Confidentiality Agreement and the Vendor shall refund the Deposit, as the Purchaser's sole and exclusive remedy for all matters arising out of this Agreement and Vendor shall be released from all obligations hereunder. Any such condition may be waived in whole or in part by the Purchaser without prejudice to any claims it may have for breach of covenant, representation or warranty.

9.2 Conditions of Closing in Favour of the Vendor. The purchase and sale of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be fulfilled or performed at or prior to the Time of Closing:

- (a) **Representations and Warranties** - The representations and warranties of the Purchaser contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of two (2) senior officers of the Purchaser dated the Closing Date to that effect shall have been delivered to the Purchaser.

- (b) **Covenants** – All of the obligations, covenants, and agreements contained in this Agreement to be complied with or performed by the Purchaser at or prior to the Time of Closing shall have been complied with or performed, and a certificate of two (2) senior officers of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendor.
- (c) **Consents and Regulatory Approvals** - There shall have been obtained, from all appropriate Persons such consents, as may be required in connection with the completion of the Transaction, including without limitation, the Required Approval.
- (d) **Ancillary Agreements** - The Purchaser and Vendor shall have entered into the Ancillary Agreement in substantially as the form attached to this Agreement.
- (e) **No Action to Restrain** - No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit the purchase of the Purchased Shares.

If any of the conditions in this Section 9.2 shall not be performed or fulfilled at or prior to the Time of Closing to the satisfaction of the Vendor, acting reasonably, the Vendor may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, and in such event the Vendor shall be released from all obligations hereunder except those set forth in the Confidentiality Agreement and the Vendor shall be entitled to the Deposit only in circumstances resulting in termination for failure of performance or fulfillment by the Purchaser of the conditions listed in Section 9.2 (a) and (b), as its sole and exclusive remedy for all matters arising out of this Agreement and Purchaser shall be released from all obligations hereunder. Any such condition may be waived in whole or in part by the Vendor without prejudice to any claims it may have for breach of covenant, representation or warranty.

ARTICLE X CLOSING ARRANGEMENTS

10.1 **Place of Closing.** The closing shall take place at the Time of Closing at the offices of Borden Ladner Gervais LLP, counsel to the Vendor, at Toronto, Ontario.

10.2 **Transfer.** At the Time of Closing, upon fulfilment of all the conditions set out in Article IX that have not been waived in writing by the Purchaser or the Vendor, the Vendor shall deliver to the Purchaser certificates representing all the Purchased Shares, duly endorsed in blank for transfer and will cause transfers of such shares to be duly and regularly recorded in the name of the Purchaser whereupon, subject to all other terms and conditions hereof being complied with, payment of the Purchase Price shall be paid and satisfied in the manner provided in Article II.

ARTICLE XI ARBITRATION

11.1 **Arbitration.**

- (a) Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, including the Confidentiality Agreement, or the performance, breach, termination or validity thereof, shall be finally settled by arbitration. Either Party may initiate arbitration within a reasonable time after any such dispute, controversy or claim has arisen, by delivering a written demand for arbitration upon the other Party. The arbitration shall be conducted in accordance with the Ontario *Arbitration Act*, S.O., 1991, c.17. The arbitration shall take place in Toronto, Ontario, and shall be conducted in English.
- (b) The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the Parties. In the event the Parties are unable to agree on the appointment of the arbitrator within ten (10) days after notice of a demand for arbitration is given by either Party, then either Party shall be free to apply to the Superior Court of Ontario for an Order appointing the arbitrator. Absent agreement or an award in the arbitration to the contrary, the arbitration fees and expenses shall be paid by the Parties jointly.
- (c) The arbitrator shall have the authority to award any remedy or relief that a court could order or grant in accordance with this Agreement, including, without limitation, specific performance of any obligation created under this Agreement, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.
- (d) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the Parties with no rights of appeal. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the

arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

ARTICLE XII INDEMNIFICATION

12.1 Indemnification for breaches of Covenants, Warranty, etc. Subject to Sections 12.3 and 12.8, the Vendor covenants and agrees to indemnify and save harmless the Purchaser, and the Corporation effective as and from the Closing Time, from and against all Claims which may be made or brought against the Purchaser (or made or brought by the Purchaser against the Vendor pursuant to this Agreement) or any of the Norfolk Corporations and all Damages and Losses arising in connection therewith. The foregoing obligation of indemnification in respect of such Claims shall be subject to:

- (a) the limitation contained in Section 4.1 respecting the survival of the representations and warranties of the Parties; and
- (b) the requirement that the Vendor shall, in respect of any Claim made by any third Person, be afforded an opportunity at its sole expense to resist, defend and compromise such Claim.

12.2 Indemnification by the Purchaser. Subject to Section 12.3 and 12.8, the Purchaser agrees to indemnify and save harmless the Vendor from all Losses suffered or incurred by the Vendor as a result of or arising directly or indirectly out of or in connection with:

- (a) any breach by the Purchaser of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto;
- (b) any breach or non-performance by the Purchaser of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto in respect of which the Vendor or its respective officers, directors and employees and any of its respective agents, counsel or consultants involved in the due diligence investigations related to this transaction did not have knowledge of such breach or non-performance at any time prior to the Time of Closing; and

- (c) the operations of the Business and the ownership of the Purchased Shares in respect of the period after the Closing Time.

12.3 **Notice of Claim.** In the event that a party (the "Indemnified Party") shall become aware of any Claim in respect of which the other party (the "Indemnifying Party") agreed to indemnify the Indemnified Party pursuant to this Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arises as a result of a claim by a person against the Indemnified Party (a "Third Party Claim") or whether the Claim does not so arise (a "Direct Claim"), and shall also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Claim; and
- (b) the amount of the Claim, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to effectively contest the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis.

12.4 **Direct Claims.** With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have 30 days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration in such manner as the parties may agree or shall be determined by a court of competent jurisdiction.

12.5 **Third Party Claims.** With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of the Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of-pocket expenses as a result of such

participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and a representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences). If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. If any Third Party Claim is of a nature such that the Indemnified Party is required by applicable Law to make a payment to any person (a "Third Party") with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

12.6 Settlement of Third Party Claims. If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that the liability of the Indemnifying Party shall be limited to the proposed settlement amount if any such consent is not obtained for any reason.

12.7 Co-Operation. The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available).

12.8 Limitation on Claims.

- (a) Notwithstanding Sections 12.1 and 12.2 or any other provision in this Agreement:
 - (i) no Claim for indemnification hereunder may be made by the Purchaser against the Vendor until the aggregate amount of Claims in respect of which the Purchaser may so claim exceeds ten million dollars (\$10,000,000) (the "Deductible"), and then only for the amount of any Claims exceeding the Deductible;
 - (ii) the maximum aggregate amount of indemnification exceeding the Deductible which may be payable by the Vendor under this Agreement shall not exceed an aggregate of ten million dollars (\$10,000,000), for any reason whatsoever; and
 - (iii) if any payment made pursuant to this Article XII is subject to HST or is deemed by Applicable Law to be inclusive of HST, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the HST in connection with the payment and any additional amount hereunder.
- (b) Neither Party shall be required to indemnify or save harmless the other Party in respect of any breach or inaccuracy of any representation or warranty made under Article III unless notice is provided by the Indemnified Party to the Indemnifying Party in accordance with Section 12.1 on or prior to the expiration of the applicable time period related to such representation and warranty as set out in Article XII.
- (c) The Indemnifying Party shall only be liable for Losses suffered by the Indemnified Party in respect of a Claim after taking into account:
 - (i) insurance proceeds received by the Indemnified Party in respect of the occurrence giving rise to the Claim; and
 - (ii) Tax benefits accruing to the Indemnified Party relating to the actions taken by the Indemnified Party in respect of the Claim.

12.9 Exclusivity. The provisions of this Article XII shall apply to any Claim for or in respect of any breach of any covenant, representation, warranty, indemnity or other provision of this Agreement or any agreement, certificate or other document delivered pursuant to this Agreement

(other than a claim for specific performance or injunctive relief) with the intent that all such Claims shall be subject to the limitations and other provisions contained in this Article XI.

ARTICLE XIII MISCELLANEOUS

13.1 **Further Assurances.** Each Party to this Agreement covenants and agrees that, from time to time subsequent to the Closing Date, it will, at the request and expense of the requesting Party, execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as any other party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

13.2 **Announcements.** The Parties shall make a joint public announcement with respect to this Agreement and the transactions herein contemplated, at such time and in such manner as may be mutually agreed upon by the Parties. Except as required by law, no other public announcement, press release, notices, statements and communications to third parties shall be made by either Party hereto without the prior consent and approval of the other Party, provided that the Parties hereby acknowledge that the Parties may be compelled to disclose details of this Agreement and the transactions contemplated herein in respect of the OEB Approval and that the Vendor or the Purchaser may be compelled to disclose details of this agreement and the transactions herein contemplated pursuant to the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario).

13.3 **Brokerage, Commissions, etc.** It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor, the Corporation or the Purchaser, in connection with the transaction herein contemplated. The Vendor agrees to indemnify and save harmless the Purchaser from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Vendor in connection with the transactions herein contemplated. The Purchaser agrees to indemnify and save harmless the Vendor from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary, who purports to act or to have acted for the Purchaser in connection with the transactions herein contemplated.

13.4 **Notices.**

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopy or sent by registered mail, charges prepaid, addressed as follows:

(i) if to the Vendor: The Corporation of Norfolk County
50 Colborne Street, South
Simcoe, ON
N3Y 4H3

Attention: Municipal Clerk

Fax No.: 519.426.8573

(ii) if to the Purchaser: Hydro One Inc.
483 Bay Street
Toronto, ON M5G 2P5

Attention: General Counsel

Fax No.: 416-345-6056

(b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by telecopy as aforesaid.

(c) Either Party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 12.4.

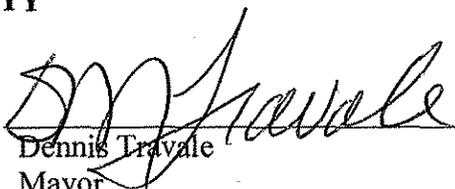
13.5 **Best Efforts.** The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of the Party to use its best efforts (which shall not be less than commercially reasonable efforts) to obtain any waiver, consent, approval, permit, licence or other document shall not require such Party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

13.6 **Costs and Expenses.** Except as otherwise provided for herein, all costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the transactions herein contemplated shall be paid by the Party incurring such costs and expenses.

13.7 **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Agreement has been executed by the parties.

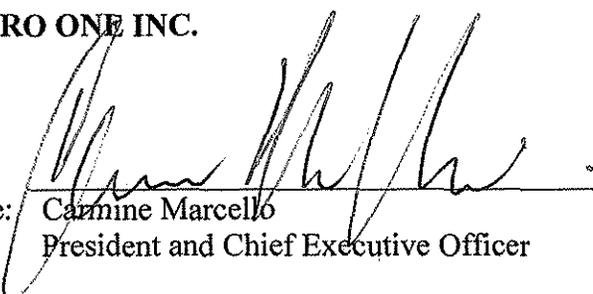
**THE CORPORATION OF NORFOLK
COUNTY**

By: 

Name: Dennis Travale

Title: Mayor

HYDRO ONE INC.

By: 

Name: Carmine Marcello

Title: President and Chief Executive Officer

SCHEDULE 1.11.1(GG) – DRAFT FINANCIAL STATEMENTS

Norfolk Energy Inc.
Balance Sheet
As at December 31, 2012

	2012	2011
ASSETS		
Current		
Cash	\$ 324,180	\$ 129,271
Term deposits	2,250,000	-
Accounts receivable	51,211	215,778
Inventory	-	1,032
Income taxes recoverable	-	52,419
	2,625,391	398,500
Property and equipment (Note 4)	1,225,713	2,542,368
	\$ 3,851,104	\$ 2,940,868
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	\$ 228,414	\$ 176,038
Income taxes payable	406,628	-
Due to associated companies (Note 5)	1,906,880	133,145
Deferred revenue	63,991	168,715
Current portion of bank loan	-	58,333
	2,605,913	536,231
Bank loan (Note 6)	-	500,695
Future income taxes	94,000	118,000
	2,699,913	1,154,926
Shareholder's equity		
Share capital (Note 7)	373,386	373,386
Retained earnings	777,805	1,412,556
	1,151,191	1,785,942
	\$ 3,851,104	\$ 2,940,868

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See accompanying notes

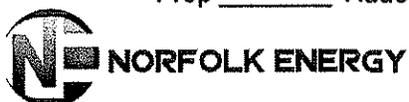
Norfolk Energy Inc.
Statement of Retained Earnings
Year ended December 31, 2012

	2012	2011
Retained earnings - beginning of year	\$ 1,412,556	\$ 1,306,405
Net income for the year	1,165,249	146,151
	2,577,805	1,452,556
Dividends	(1,800,000)	(40,000)
RETAINED EARNINGS - END OF YEAR	\$ 777,805	\$ 1,412,556

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See accompanying notes

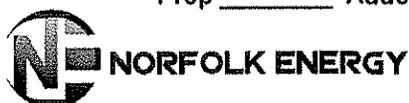
Norfolk Energy Inc.
Statement of Operations
Year ended December 31, 2012

	2012	2011
REVENUE - Schedule 1	\$ 2,273,343	\$ 1,867,240
EXPENSES - Schedule 1	84,750	815,032
NET REVENUE	2,188,593	1,052,208
OTHER EXPENSES		
Administrative and general expense	348,181	509,798
Income before amortization, interest and taxes	1,840,412	542,410
Amortization	211,572	314,909
Interest	38,217	29,532
	249,789	344,441
Income before income taxes	1,590,623	197,969
Income taxes		
Current (Note 8)	449,374	46,818
Future	(24,000)	5,000
	425,374	51,818
NET INCOME FOR THE YEAR	\$ 1,165,249	\$ 146,151

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See accompanying notes

Norfolk Energy Inc.
Schedule of Revenue and Expenses
Year Ended December 31, 2012

(Schedule 1)

	Revenue	Expenses	Net Revenue 2011	Net Revenue 2010
Telecommunication services <i>(Note 9)</i>	\$ 340,869	\$ 57,602	\$ 283,267	\$ 258,410
Home comfort division <i>(Note 9)</i>	389,397	24,206	365,191	509,227
Gain on sale of home comfort division <i>(Note 9)</i>	1,523,922	-	1,523,922	-
Interest and sundry revenue	955	-	955	(39,308)
Sentinel light rentals <i>(Note 9)</i>	18,200	2,942	15,258	22,142
Billing and collecting services <i>(Note 9)</i>	-	-	-	161,586
Conservation program consulting <i>(Note 9)</i>	-	-	-	115,881
SCADA services <i>(Note 9)</i>	-	-	-	6,523
Street light maintenance <i>(Note 9)</i>	-	-	-	17,747
	\$ 2,273,343	\$ 84,750	\$ 2,188,593	\$ 1,052,208

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See accompanying notes

Norfolk Energy Inc.
Statement of Cash Flow
Year ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Net income for the year	\$ 1,165,249	\$ 146,151
Items not affecting cash:		
Amortization	211,572	314,909
Future income taxes	(24,000)	5,000
(Gain) loss on disposal of property and equipment	(1,506,532)	48,545
	(153,711)	514,605
Changes in non-cash working capital:		
Accounts receivable	164,567	(10,949)
Inventory	1,032	21,315
Income taxes recoverable	459,047	(42,223)
Accounts payable	52,376	59,785
Due to associated companies	1,773,735	(26,645)
Deferred revenue	(104,724)	66,610
	2,346,033	67,893
Cash flow from operating activities	2,192,322	582,498
INVESTING ACTIVITIES		
Purchase of property and equipment	(434,274)	(587,075)
Proceeds on disposal of property and equipment	3,045,889	9,874
Purchase of investments	(2,250,000)	-
Cash flow from (used by) investing activities	361,615	(577,201)
FINANCING ACTIVITIES		
Dividends paid	(1,800,000)	(40,000)
Repayment of bank loan	(559,028)	(58,333)
Cash flow used by financing activities	(2,359,028)	(98,333)
INCREASE (DECREASE) IN CASH	194,909	(93,036)
Cash - beginning of year	129,271	222,307
CASH - END OF YEAR	\$ 324,180	\$ 129,271

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See accompanying notes

Norfolk Power Distribution Inc.

Balance Sheet

As at December 31, 2012

	2012	2011
ASSETS		
Current		
Cash	\$ 895,049	\$ 3,142,592
Accounts receivable	5,188,861	4,253,675
Unbilled revenue	4,062,418	3,953,201
Due from associated companies (Note 5)	39,571	-
Income taxes recoverable	-	729,939
Inventory	575,141	533,619
Prepaid expenses	390,613	395,003
	11,151,653	13,008,029
Property and equipment (Note 6)	53,859,407	50,122,402
Regulatory assets (Note 7)	1,249,684	6,389,112
Future income taxes	897,781	897,781
	\$ 67,158,525	\$ 70,417,324
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable	\$ 5,396,838	\$ 6,707,499
Due to associated companies	-	134,166
Current portion of customer deposits	50,000	115,000
Current portion of long term debt	1,172,547	966,967
	6,619,385	7,923,632
Regulatory liabilities (Note 7)	2,930,240	4,259,651
Customer deposits (Note 8)	51,547	20,916
Long term debt (Note 9)	26,997,457	28,170,004
Post employment benefits (Note 10)	956,214	878,082
	37,554,843	41,252,285
Shareholder's equity		
Share capital (Note 11)	22,768,898	22,768,898
Retained earnings	6,834,784	6,396,141
	29,603,682	29,165,039
	\$ 67,158,525	\$ 70,417,324



See accompanying notes

Norfolk Power Distribution Inc.
Statement of Retained Earnings
Year ended December 31, 2012

	2012	2011
Retained earnings - beginning of year	\$ 6,396,141	\$ 4,885,948
Net income for the year	1,638,643	2,310,193
	8,034,784	7,196,141
Dividends	(1,200,000)	(800,000)
RETAINED EARNINGS - END OF YEAR	\$ 6,834,784	\$ 6,396,141

Draft for discussion purposes only



See accompanying notes

Norfolk Power Distribution Inc.

Statement of Operations

Year ended December 31, 2012

	2012	2011
REVENUE		
Energy sales	\$ 34,011,357	\$ 32,764,997
Distribution services	11,424,687	11,022,242
Other	660,823	667,005
	46,096,867	44,454,244
Cost of power	34,011,357	32,764,997
Distribution revenue	12,085,510	11,689,247
EXPENSES		
Distribution system - operation and maintenance	2,245,690	2,191,894
Billing and collecting	1,251,412	1,008,136
Community relations	30,932	48,570
Administrative and general expense	2,732,838	1,553,796
Taxes other than amounts in lieu of corporate taxes	57,594	36,435
	6,318,466	4,838,831
Income before amortization, interest and income taxes	5,767,044	6,850,416
Amortization (Note 12)	2,308,080	2,625,509
Interest	1,402,550	1,638,214
	3,710,630	4,263,723
Income before income taxes	2,056,414	2,586,693
Income taxes (Note 13)	417,771	276,500
NET INCOME FOR THE YEAR	\$ 1,638,643	\$ 2,310,193



See accompanying notes

Norfolk Power Distribution Inc.

Statement of Cash Flow

Year ended December 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Net income for the year	\$ 1,638,643	\$ 2,310,193
Items not affecting cash:		
Amortization (Note 12)	2,408,371	2,949,756
Future income taxes	-	317,469
Post employment benefits	78,132	10,282
Loss (gain) on disposal of property and equipment	(6,600)	(13,890)
	4,118,546	5,573,810
Changes in non-cash working capital:		
Accounts receivable	(935,186)	(62,253)
Unbilled revenue	(109,217)	572,848
Amount due from (to) associated companies	(173,735)	216,647
Income taxes recoverable	729,939	(608,815)
Inventory	(41,522)	16,059
Prepaid expenses	4,390	(75,181)
Accounts payable	(1,310,661)	(1,242,123)
	(1,835,992)	(1,182,818)
Cash flow from operating activities	2,282,554	4,390,992
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,132,954)	(5,053,411)
Proceeds on disposal of property and equipment	272,787	46,800
Contributions in aid of construction	721,389	1,338,253
Net change in regulatory assets and liabilities	3,810,017	(1,008,197)
Cash flow used by investing activities	(2,328,761)	(4,676,555)
FINANCING ACTIVITIES		
Repayment of customer deposits	(34,369)	(104,447)
Demand loan financing (repaid)	-	(3,500,000)
Loans and debentures financing received	-	6,000,000
Repayment of loans and debentures	(966,967)	(918,150)
Dividends declared	(1,200,000)	(800,000)
Cash flow from (used by) financing activities	(2,201,336)	677,403
INCREASE (DECREASE) IN CASH	(2,247,543)	391,840
Cash - beginning of year	3,142,592	836,521
CASH - END OF YEAR	\$ 895,049	\$ 1,228,361



See accompanying notes

SCHEDULE 2.3 – FORM OF ESCROW AGREEMENT

ESCROW AGREEMENT

THIS AGREEMENT dated this 2nd day of April, 2013 (the "Effective Date").

BETWEEN:

THE CORPORATION OF NORFOLK COUNTY

As Vendor

- and -

HYDRO ONE INC.

As Purchaser

- and -

BORDEN LADNER GERVAIS LLP

As Escrow Agent

RECITALS:

- A. The Vendor and the Purchaser entered into a purchase agreement (the "**Purchase Agreement**") dated 28th of March, 2013 providing for the purchase and sale of all of the issued and outstanding shares of Norfolk Power Inc. (the "**Corporation**").
- B. Pursuant to Section 2.3(a) of the Purchase Agreement, concurrently with the execution and delivery of the Purchase Agreement, the Purchaser shall deliver the Deposit to the Escrow Agent in trust and in accordance with the terms of this Agreement.
- C. The preceding recitals and statements of fact are made by the Vendor and the Purchaser and not by the Escrow Agent.

IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1 INTERPRETATION

- 1.1 **Definitions.** In this Agreement, including the Recitals to this Agreement, capitalized terms not otherwise defined herein shall have the meaning ascribed thereto under the Purchase Agreement:
 - (1) "**Agreement**" means this escrow agreement as amended, supplemented, restated and replaced from time to time in accordance with its provisions.

- (2) "**Escrow Agent**" means Borden Ladner Gervais LLP, a limited liability partnership duly constituted under the laws of the Province of Ontario.
- (3) "**Parties**" means collectively the Vendor, the Purchaser and the Escrow Agent, and "**Party**" means any of them.
- (4) "**Purchaser**" means Hydro One Inc., a corporation incorporated under the laws of Ontario;
- (5) "**Purchase Agreement**" has the meaning attributed to that term in the Recitals.
- (6) "**Vendor**" means The Corporation of Norfolk County, a municipal corporation incorporated under the laws of Ontario.

1.2 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement; and
 - (ii) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.3 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.4 Currency and Payment. In this Agreement, unless specified otherwise references to dollar amounts or "\$" are to Canadian dollars.

ARTICLE 2 ESCROW

2.1 Appointment of Escrow Agent. The Vendor hereby appoints, and the Purchaser hereby concurs in the appointment of, the Escrow Agent to act as escrow agent, in accordance with the terms and conditions set out in this Agreement and the Escrow Agent hereby accepts that appointment.

- 2.2 Delivery of Deposit into Escrow.** The Purchaser shall deliver the Deposit to the Escrow Agent on the date of this Agreement. The Escrow Agent shall hold and dispose of the Deposit in accordance with, and subject to the terms and conditions, of this Agreement.
- 2.3 Interest on Deposit.** The Escrow Agent shall invest and retain the Deposit in its name, in a daily interest bearing account with any Canadian chartered bank listed on Schedule 1 of the *Bank Act* (Canada). At the Time of Closing, the Deposit and any and all interest accrued thereon (the “**Interest**”) shall be paid by the Escrow Agent to the applicable party in accordance with Sections 2.4 and 2.5 of this Agreement.
- 2.4 Release of Escrow Property and Interest.** The Escrow Agent shall retain the Deposit and Interest until the Time of Closing and upon the occurrence of this event, the Escrow Agent shall release the Deposit and Interest in accordance with the following:
- (1) the joint written direction of the Purchaser and the Vendor to the Escrow Agent, and the Escrow Agent shall be entitled to act on such joint written direction; or
 - (2) if the parties are unable to provide such joint written direction, in accordance with Sections 3.5 and 3.6 of this Agreement.
- 2.5 Joint Written Direction re Interest Payment.** For purposes of the joint written direction in Section 2.4(1), the Vendor and Purchaser shall determine and specify in the joint written direction the party that is entitled to the Deposit and/or Interest as of the Time of Closing, as follows:
- (1) if the conditions set for in Article IX of the Purchase Agreement have been satisfied or complied with by each of the Vendor and Purchase, as applicable, or the Vendor or the Purchaser, as applicable, waives compliance therewith in whole or in part on such terms as may be agreed in writing, the Escrow Agent shall pay: (a) the Deposit to the Vendor; and (b) the Interest to the Purchaser; or
 - (2) if the conditions set forth in Section 9.1 of the Purchase Agreement have not been satisfied or complied with and the Purchaser does not waive compliance therewith in whole or in part on such terms as may be agreed in writing, the Deposit, together with any Interest earned thereon, but less any fees or costs payable by the Purchaser pursuant to Section 13.6 of the Purchase Agreement not yet then paid by the Purchaser, shall be refunded to the Purchaser; or
 - (3) if the transactions contemplated in the Purchase Agreement are not completed by the Closing Date and the conditions set forth in Section 9.2 therein have been satisfied, complied with or waived, the Deposit, together with any Interest earned thereon, shall be retained by the Vendor and applied by the Vendor against Losses suffered by the Vendor without limiting the Vendor’s right to recover the balance of such Losses, if any.
- 2.6 Termination of Escrow.** Upon the release and disbursement by the Escrow Agent of the all of the Deposit and Interest in accordance with the terms of this Agreement, this Agreement will terminate and be of no further force and effect, except to the extent

necessary in order for Sections 3.3, 3.5, 3.6, 3.7 and 3.10 to continue to be of full force and effect, and the Escrow Agent will be automatically released from all of its duties and liabilities under this Agreement.

ARTICLE 3 CONCERNING THE ESCROW AGENT

3.1 Duties and Liability of Escrow Agent.

- (1) The Escrow Agent has no duties other than those duties expressly set forth in this Agreement. The Escrow Agent will not refer to, and is not bound by, the provisions of any agreement other than the terms of this Agreement and no implied duties or obligations of the Escrow Agent may be read into this Agreement.
- (2) Notwithstanding anything contained in this Agreement or in the Purchase Agreement to the contrary, the Escrow Agent has no duty to determine the performance or non-performance of any term or provision of the Purchase Agreement, has no obligation or responsibility to determine any dispute or evaluate any equities between the parties regardless of any knowledge or any fact that the Escrow Agent may have or receive, and has no obligations, responsibilities or liability arising under any other agreement to which the Escrow Agent is not a party, even though reference to such other agreement may be made in this Agreement or the Purchase Agreement.
- (3) Nothing in this Agreement is to be construed as creating a relationship of trust between the Escrow Agent and the Vendor and Purchaser or either of them. The Vendor and the Purchaser understand and agree that the duties of the Escrow Agent under this Agreement are purely ministerial in nature and that the Escrow Agent is not liable for any error, judgement, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own fraud, gross negligence or wilful misconduct.
- (4) The Escrow Agent is not under any duty to give the Deposit held by it under this Agreement any greater degree of care than it gives its own similar property. The Escrow Agent's duties with respect to delivery of the Deposit under this Agreement will be fully performed by delivering the Deposit and any Interest accrued thereon in accordance with Section 2.4.
- (5) The appointment of the Escrow Agent is a personal one and the duty of the Escrow Agent is only to the other Parties, their successors and assigns, and to no other Person whomsoever.

3.2 Legal Counsel. The Escrow Agent has the right to consult with counsel of its own choice and is not be liable for any action taken, suffered or omitted to be taken by it if the Escrow Agent acts in accordance with the advice of such counsel.

3.3 Indemnity. The Purchaser and the Vendor hereby jointly and severally indemnify and shall save harmless the Escrow Agent from and against any and all actions, causes of

action, claims, losses, demands, damages, expenses, costs, liabilities, penalties and expenses whatsoever and to reimburse the Escrow Agent for any legal or related expenses, including those of its own partners and associates (collectively, the "**Claims**") which the Escrow Agent, its partners, associates, employees and agents may suffer or incur in connection with its acting as Escrow Agent under this Agreement, other than Claims arising as a result of the fraud, gross negligence or wilful misconduct of the Escrow Agent in the performance of its duties under this Agreement. The Escrow Agent, its partners, associates, employees and agents will in no event be liable for any loss, Claim or indirect, consequential, incidental or punitive damages to either the Vendor or the Purchaser, regardless of whether or not such losses, claims or damages were reasonably foreseeable by the Escrow Agent.

3.4 Reliance.

(1) The Escrow Agent may:

- (a) act in reliance on any writing or instrument or signature which it, in good faith, believes to be genuine;
- (b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and
- (c) assume that any Person purporting to give any written notice, advice or instructions on behalf of any of the other Parties in connection with the provisions of this Agreement has been duly authorized to do so.

The Escrow Agent is not, as such, liable in any manner for the sufficiency or correctness as to form, execution, or validity of any document, nor as to the identity, authority, or right of any Person executing the document.

- (2) Nothing in this Agreement makes the Escrow Agent responsible, or liable in any manner for the sufficiency, correctness, genuineness or validity of any document forming part of the Deposit.
- (3) The Escrow Agent is not required to make any determination or decision with respect to the validity of any claim made by any Party, or of any denial thereof but is entitled to rely conclusively on the terms of this Agreement and the documents tendered to it in accordance with the terms of this Agreement.

3.5 Disputes. If there is any dispute as to whether the Escrow Agent is obligated to deliver the Deposit and Interest, the Escrow Agent shall hold such Deposit and Interest until receipt of an authorization in writing executed by each of the Vendor and the Purchaser directing the delivery thereof, or in the absence of such authorization, the Escrow Agent may hold the Deposit and Interest until the final determination of the rights of the Parties in an appropriate court proceeding. If such written authorization is not given, or proceedings for such determination have not begun and been diligently continued, the Escrow Agent may bring, but is not required to bring, an appropriate action or proceeding

pursuant to Section 3.6 for leave to deposit the Deposit and Interest in court, pending such determination. If a judicial proceeding is instituted by the Escrow Agent, the Escrow Agent will be entitled to reasonable solicitor's fees.

3.6 Interpleader. Without limiting Section 3.5, if:

- (a) any action is threatened or instituted against the Escrow Agent;
- (b) any dispute arises, or any action is threatened or instituted, concerning the entitlement of a Party to the Deposit and/or Interest; or
- (c) if at any time the Escrow Agent is uncertain as to its obligations under this Agreement,

the Escrow Agent may apply to a court of competent jurisdiction in the Province of Ontario for clarification or directions with respect to its obligations under this Agreement, and in such event, or if any other person should apply to a court of competent jurisdiction (which must be in the Province of Ontario) on any matter affecting the obligations of the Escrow Agent under this Agreement or otherwise relating to the Deposit and/or Interest, the Escrow Agent may and is hereby authorized to release, deliver or otherwise deal with the Deposit and Interest in accordance with the directions, order, judgment or decree of such court.

3.7 Court Orders.

- (1) The Escrow Agent is hereby authorized, in its sole discretion, to comply with all writs, orders or decrees entered or issued, whether with or without jurisdiction, which purport to:
 - (a) attach, garnish or be levied on any part of the Deposit and Interest;
 - (b) stay or enjoin the disbursement, payment or delivery of any part of the Deposit and Interest; or
 - (c) affect any part of the Deposit and Interest in any way.

The Escrow Agent is not liable to any of the other Parties or to any other Person because it obeys or complies with any such writ, order or decree, even if such writ, order or decree is subsequently reversed, modified, annulled, set aside or vacated.

3.8 No Disqualification. Each of the Vendor and the Purchaser acknowledges that the Escrow Agent:

- (a) acts as counsel to the Vendor and may continue to act as counsel to Vendor in all matters including any matters in dispute between the Vendor and the Purchaser and any issue arising out of or in connection with this Agreement or the Deposit and Interest; and

(b) in so acting, is not disqualified from acting as Escrow Agent under this Agreement and is deemed not to be in conflict by reason of performing its duties under this Agreement.

3.9 Resignation, Removal and Replacement of Escrow Agent. The Escrow Agent may resign by notice to the other Parties. Upon the effective date of such resignation, the Escrow Agent shall deliver the Deposit and Interest then held by it under this Agreement to such Person as may be jointly designated in writing by the Vendor and the Purchaser as the new escrow agent (the "**Successor Escrow Agent**"). If the Vendor and the Purchaser fail to deliver such a written designation, the Escrow Agent will not resign its position until such designation is delivered or until the Deposit then held are delivered to the control of a court of competent jurisdiction. Upon the delivery of the Deposit to the Successor Escrow Agent or to the control of a court of competent jurisdiction, all of the Escrow Agent's obligations as escrow agent under this Agreement will cease and terminate.

ARTICLE 4 General

4.1 Time of Essence. Time is of the essence of this Agreement.

4.2 Amendment. This Agreement may be supplemented, amended, restated or replaced only by a written agreement signed by each Party.

4.3 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of such right. No single or partial exercise of any such right precludes any other or further exercise of such right or the exercise of any other right.

4.4 Jurisdiction. Each Party irrevocably and unconditionally attorns to the exclusive jurisdiction of the courts of the province of Ontario.

4.5 Governing Law. This Agreement and any dispute arising from or in relation to this Agreement is governed by, and interpreted and enforced in accordance with, the law of the Province of Ontario and the laws of Canada applicable in that Province, excluding the choice of law rules of that Province.

4.6 Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. There are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or which induced any Party to enter into this Agreement. No reliance is placed on any representation, warranty,

opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement by any Party to this Agreement to any other Party, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement and none of the Parties has been induced to enter into this Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.

4.7 Notices.

(1) Any notice, demand or other communication (in this Section 4.7, a "**notice**") required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:

- (a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below;
- (b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; or
- (c) sent by facsimile transmission, with confirmation of transmission by the transmitting equipment (a "**Transmission**");

in the case of a notice to The Corporation of Norfolk County addressed to it at:

The Corporation of Norfolk County
50 Colborne Street, South
Simcoe, ON
N3Y 4H3

Attention: _____ Municipal Clerk
Facsimile No.: _____ 519.426.8573

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, Ontario, Canada, M5H 3Y4

Attention: _____ J. Mark Rodger, Partner
Facsimile No.: _____ 416.361.7088

and in the case of a notice to Hydro One Inc., addressed to it at:

Hydro One Inc.
483 Bay Street
Toronto, Ontario, Canada, M5G 2P5

Attention: _____ General Counsel
Facsimile No.: _____ 416.345.6056

and in the case of a notice to Escrow Agent, addressed to it at:

Borden Ladner Gervais LLP
Scotia Plaza, 40 King Street West
Toronto, Ontario, Canada, M5H 3Y4

Attention: _____ J. Mark Rodger, Partner
Facsimile No.: _____ 416.361.7088

- (2) Any notice sent in accordance with this Section 4.7 shall be deemed to have been received:
- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (b) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of such disruption;
 - (c) if sent by facsimile during normal business hours on a Business Day in the place where the transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or
 - (d) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by Transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, shall be deemed to have been received on the next succeeding Business Day in the place where the notice is received.

- (3) Any Party may change its address for notice by giving notice to the other Parties.

4.8 Assignment. No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Parties.

- 4.9 Further Assurances.** Each Party shall, at the expense of another Party, promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that such other Party may reasonably require, for the purposes of giving effect to this Agreement.
- 4.10 Successors and Assigns.** This Agreement is binding on, and enures to the benefit of, the Parties and their respective heirs, administrators, executors, successors and permitted assigns.
- 4.11 Counterparts.** This Agreement may be executed in any number of counterparts, each of which is deemed to be an original and all of which taken together constitutes one agreement. To evidence the fact that it has executed this Agreement, a Party may send a copy of its executed counterpart to all other Parties by Transmission and the signature transmitted by Transmission is deemed to be its original signature for all purposes.

[SIGNATURES ON FOLLOWING PAGE]

TOR01: 5133820: v4

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the Effective Date.

**THE CORPORATION OF NORFOLK
COUNTY**

By: _____
Name: Dennis Travale
Title: Mayor

HYDRO ONE INC.

By: _____
Name: Carmine Marcello
Title: President and Chief Executive
Officer

BORDEN LADNER GERVAIS LLP

By: _____
Name: J. Mark Rodger
Title: Partner

SCHEDULE 3.1(L) – REAL PROPERTY, LEASED PROPERTY AND EASEMENTS

PART I

Real Property

Norfolk Power Distribution Inc.

- **Distribution Stations**
 - NP1 Simcoe Victoria DS – 73 Victoria St., Simcoe
 - NP2 Simcoe Wellington DS – 16 Wellington St., Simcoe
 - NP3 Simcoe Chapel DS – 270 Chapel St., Simcoe
 - NP4 Simcoe Blueline DS – 998 Blueline Road, Simcoe
 - NP5 Simcoe Evergreen DS – 65 Evergreen Hill Road, Simcoe
 - NP6 Simcoe Ireland DS – 656 Ireland Road, Simcoe
 - NP8 Delhi Ann DS – 176 Ann St., Delhi
 - NP9 Delhi Industrial DS – 60 Industrial Road, Delhi
 - NP10 Waterford Blueline DS – 2276 Blueline Road, Waterford
 - NP11 Port Dover St. Andrews DS – 121 St. Andrew St., Port Dover
 - NP12 Port Dover Scott DS – 13 Scott St., Port Dover
 - NP13 Port Dover Prospect DS – 179 Prospect St., Port Dover
- **Transformer Station**
 - Bloomsburg TS – 27 Old Hwy 24, Waterford
- **General Real Estate**
 - Main Office and Service Centre – 70 Victoria St., Simcoe;
 - Pond Street Storage Building – Corner Pond and Victoria St. Simcoe;
 - Port Rowan Rental Property – 1120 Bay St., Port Rowan (Part of Lot 1, Block 35, Plan 168);*
 - NP7 Simcoe Oakwood DS – 16A Oakwood Drive, Simcoe.
- **Real Property to be Sold Prior to Closing**
 - 32 Nichol Street, Waterford (Closing on March 28, 2013)

Leased Property

Norfolk Power Distribution

- Plan 182, Block 30, Lot 1 to Lot 7, Block 40, Part Lot 2 in Norfolk County in the Province of Ontario

Easements/Right of Ways

Norfolk Power Inc.

- Windham Street – Norfolk County transfer of easement to Norfolk Power

Norfolk Energy Inc.

- Canadian National Railway Company – Right of Way along Cayuga Subdivision located between mile 80.92 and 82.46;
- Southern Ontario Railway – 241 Stuart Street West P.O. Box 953 Hamilton, ON L8N 3P9.

Norfolk Power Distribution Inc.

- [REDACTED]
- [REDACTED]
- Dover Coast - Port Dover
- Elmhurst Avenue Condos - 310 West Street, Simcoe
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Hydro One – Transfer of easements to NPDI
- Industrial Drive/ Windham Street Closed Road – Simcoe
- [REDACTED]
- [REDACTED]
- [REDACTED]
- 800 Main Street, Port Dover
- [REDACTED]
- New Lakeshore Road – Port Dover
- 1358609 Ontario Limited – 29 Freeman Cres., Simcoe
- Orchard Park Phase IV – Simcoe
- [REDACTED]
- Villages of Long Point Bay
- Village Park – Harvest Lane, Delhi
- [REDACTED]
- St. Peter's Evangelical Lutheran Church – 155 Colborne St., Simcoe
- Norfolk County – 16A Oakwood Ave., Simcoe (right-of-way)

Other

- 614519 Ontario Limited - Pt L 3, C 14, Simcoe (held by Simcoe Hydro-Electric Commission)
- [REDACTED]
- Brook Conservation Lands (held by Simcoe Hydro-Electric Commission)
- Crosier Street – Delhi (held by Delhi Hydro-Electric Commission)
- [REDACTED]
- Ireland Road – L4 C3, 4 Woodhouse (held by Simcoe Hydro-Electric Commission)
- Lynndale Heights Public School – Donly Drive S., Simcoe (held by Simcoe Hydro-Electric Commission)
- [REDACTED]
- Proctor Marine – 495 Quesway W., Simcoe (held by Simcoe Hydro-Electric Commission)
- [REDACTED]
- [REDACTED]
- South Oakes Holdings Ltd, - Stephens Court, Simcoe (held by Simcoe Hydro-Electric Commission)
- [REDACTED]
- Trademark Warehousing – Robinson St., Simcoe (held by Simcoe Hydro-Electric Commission)
- Alley closure – Waverly & Brock Streets, Delhi (held by Delhi Hydro-Electric Commission)

*Previously 1120 Main Street, Port Rowan.

PART II

(A)

1. 65 Evergreen Hill Road, Simcoe – granted to Bell Canada.
2. 70 Victoria Street, Simcoe – granted to Norfolk County – Right-of-way to permit persons, animals and vehicles.

(B)

3. 60 Industrial Road, Delhi – Oil & Gas lease
4. 998 Blueline Road, Simcoe – Oil & Gas lease

SCHEDULE 3.1(M) – INTELLECTUAL PROPERTY

- Norfolk Power Inc., Norfolk Power Distribution Inc. and Norfolk Energy Inc. logos and related designs.

SCHEDULE 3.1(P) – EMPLOYEE PLANS

Norfolk Power Inc. and Norfolk Power Distribution Inc. (as applicable)

1. Life insurance offered under Equitable Life Policy Number 98476
2. Life insurance offered under MEARIE Group Policy Number 331268
3. Dependent life insurance offered under MEARIE Group Policy Number 331268
4. Optional life insurance offered under MEARIE Group Policy Number 331268
5. Accidental death and dismemberment offered under ACE INA Life Insurance Policy Number CA 10368519
6. Critical care offered under ACE INA Life Insurance Policy Number CA 10368519
7. Long-term disability offered under Equitable Life Policy Number 98476
8. Weekly indemnity offered under Equitable Life Policy Number 98476
9. Health care offered under Equitable Life Policy Number 98476
10. Vision care offered under Equitable Life Policy Number 98476
11. Vision care offered by Norfolk Power (self-insured and administered by Norfolk Power)
12. Paramedical services offered under Equitable Life Policy Number 98476
13. Dental care offered under Equitable Life Policy Number 98476
14. Orthodontic care offered by Norfolk Power (self-insured and administered by Norfolk Power)
15. Smoking cessation offered by Norfolk Power (self-insured and administered by Norfolk Power)
16. Wellness benefit offered by Norfolk (self-insured and administered by Norfolk Power)
17. Employee Assistance Plan offered under Ceridian Policy Number 102893
18. The OMERS Pension Plan

19. Group registered retirement savings plan offered under Manulife Group Insurance Contract Number 20001873
20. Overtime entitlement for management Employees (self-insured and administered by Norfolk Power).
21. Personal use of vehicle (self-insured and administered by Norfolk Power).
22. Tuition assistance offered by Norfolk Power (self-insured and administered by Norfolk Power).*
23. The contracts referred to in Section 3.1(n).

- **Exceptions Referred to in Section 3.1(p)(iv):**

1. The contracts referred to in Section 3.1(n)

- **Exceptions Referred to in Section 3.1(p)(v):**

1. Group registered retirement savings plan offered under Manulife Group Insurance Contract Number 20001873
2. Life insurance offered under MEARIE Group Policy Number 331268
3. Health care offered under Equitable Life Policy Number 98476
4. Vision care offered under Equitable Life Policy Number 98476
5. Vision care offered by Norfolk (self-insured and administered by Norfolk)
6. Paramedical services offered under Equitable Life Policy Number 98476
7. Dental care offered under Equitable Life Policy Number 98476
8. The contracts referred to in Section 3.1(n)

* Norfolk Power is prepared to pay 100% of the tuition costs provided the employee successfully completes the course and their supervisor pre-approves the course

SCHEDULE 3.1(Q) – COLLECTIVE AGREEMENT

Norfolk Power Distribution Inc.

1. Collective Agreement between Norfolk Power Distribution Inc. and Power Workers' Union of Public Employees, Local 1000 – C.L.C. dated March 8, 2011 (as amended)

Amendments

1. Mid-Term Agreement Number NO-05, GIS Projects and Records Analyst, dated November 16, 2012
2. Mid-Term Agreement Number NO-04, Senior System Control Operator, dated November 16, 2012
3. Norfolk Power Wages – 2011 – 2013 – Pay Equity revisions

SCHEDULE 3.1(R) – EMPLOYEES

Exception referred to in Section 3.1(r)(ii)

1. Short term disability leave of [REDACTED], beginning on [REDACTED], with benefits approved until [REDACTED]; and
2. Short term disability leave of [REDACTED], beginning on [REDACTED].
3. Maternity leave [REDACTED], to beginning approximately [REDACTED], [REDACTED].

*may be extended depending on further medical information being provided.

**a return date (termination date for short term disability leave) has not yet been provided.

Exceptions referred to in Section 3.1(r)(iii):

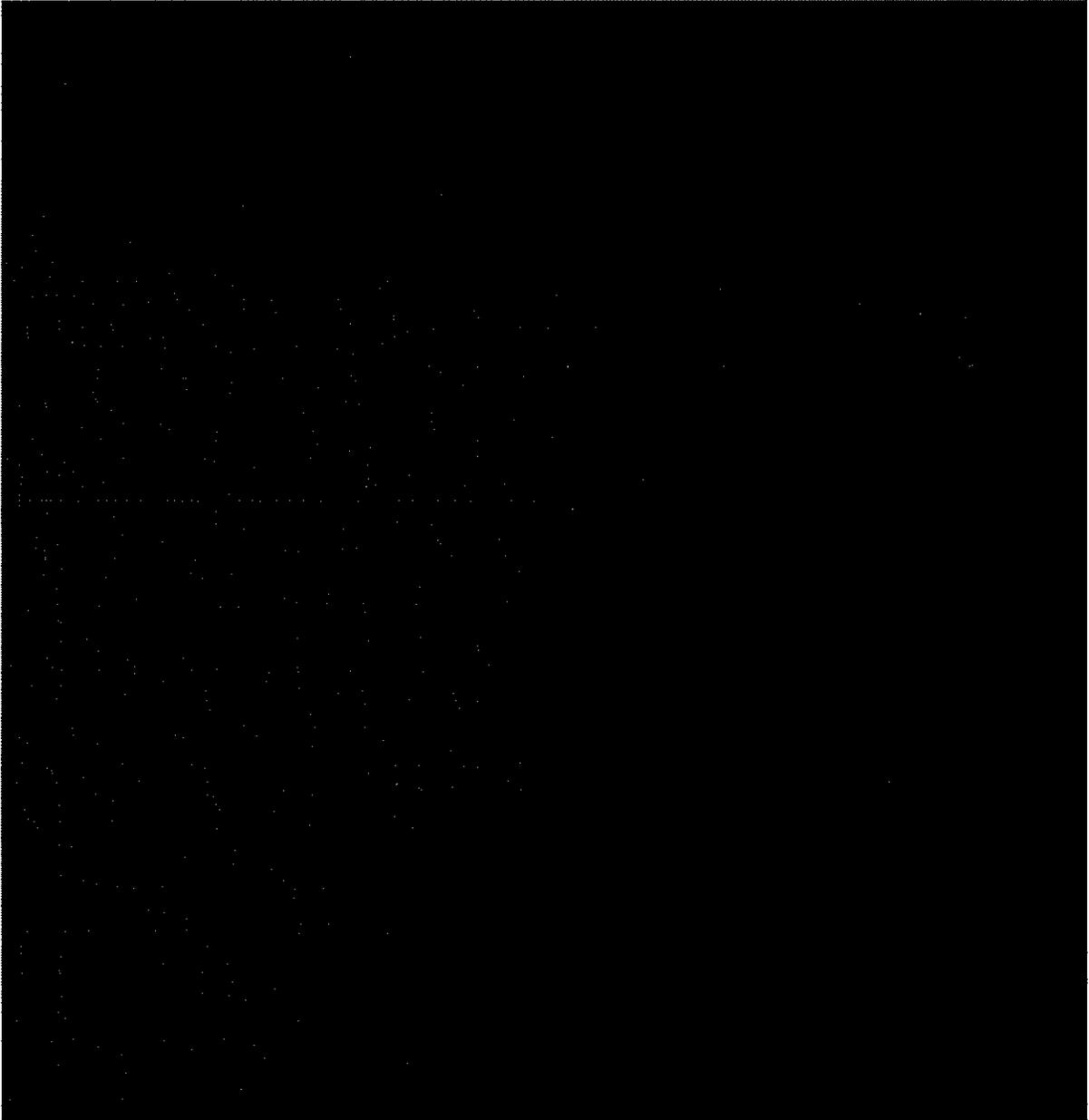
4. Workplace Violence/Harassment Complaint dated March 22, 2013.

SCHEDULE 3.1(S) – INSURANCE POLICIES

1. MEARIE Comprehensive Liability Insurance Program (#L2013NORP1)
2. MEARIE Property Insurance Program (#P2013NORP1)
3. MEARIE Fleet Vehicle Insurance Program (#V2013NORP1)

SCHEDULE 3.1(T) – ENVIRONMENTAL DISCLOSURE

Norfolk Power Distribution Inc.



SCHEDULE 3.1(U) – VENDOR LITIGATION

1. Nil.

SCHEDULE 3.1(V) - TAXES

1. Statement of Audit Adjustments for NPDI dated February 28th, 2013 from Canada Revenue Agency re: Account/Business Number [REDACTED], GST/HST Audit for the Period 2009-01-01 to 2012-06-30;
2. Letter dated December 6th, 2012 from Canada Revenue Agency re: NEI, Account/Business Number [REDACTED], Audit Period: 2008-11-01 to 2011-12-31; and
3. Statement of Audit Adjustments for NEI dated March 14, 2013 from Canada Revenue Agency re: Account/Business Number [REDACTED], Audit Period: 2008-11-01 to 2011-12-31.

SCHEDULE 3.1(Z) – LICENCES

Norfolk Power Distribution Inc.

- Ontario Energy Board Electricity distributor licence ED-2002-0521, issued October 22, 2003.

Norfolk Energy Inc.

- CRTC License, Entity ID 748329, granted on February 2, 2012.

SCHEDULE 3.1(AA) – BANK ACCOUNTS



SCHEDULE 5.2 – PERMITTED DISPOSITIONS

1. Disposition of property located at [REDACTED], in accordance with purchase and sale agreement dated December 18, 2012 between Norfolk Power Inc. and [REDACTED]; and
2. Payment of dividend from any of the Norfolk Corporations.

SCHEDULE 6.1 – COMMUNITY INVOLVEMENT

The Purchaser shall offer the following Community Citizenship Plan in Norfolk County:

- PowerPlay (up to \$25,000 per facility);
- Employee Volunteer Grant (\$1000 per employee with 50 or more hours of volunteer time);
- Annual Charity Campaign (2012 campaign raised over \$1,000,000 in employee donations directed to charity of employee's choice); and
- Support for local events.

SCHEDULE 6.6 – CAPEX

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
CapEx (M\$)	3.4	3.2	3.2	3.3	3.4

SCHEDULE 6.7 – RATE HARMONIZATION FOR NPDI

<u>Rate Class</u>	<u>Dx Charges</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
		<u>Current Rates</u>	<u>Reduced Rates</u>				
Residential	SrChg [\$/month]	20.77	20.56	20.56	20.56	20.56	20.56
	VarChg [c/kWh]	2.17	2.15	2.15	2.15	2.15	2.15
	LV Chg [\$/kWh]	0.0009	0.0009	0.0009	0.0009	0.0009	0.0009
GS < 50 kW	SrChg [\$/month]	49.74	49.24	49.24	49.24	49.24	49.24
	VarChg [c/kWh]	1.55	1.53	1.53	1.53	1.53	1.53
	LV Chg [\$/kWh]	0.0008	0.0008	0.0008	0.0008	0.0008	0.0008
GS > 50 kW	SrChg [\$/month]	244.38	241.94	241.94	241.94	241.94	241.94
	VarChg [\$/kW]	3.9413	3.9019	3.9019	3.9019	3.9019	3.9019
	LV Chg [\$/kW]	0.305	0.302	0.302	0.302	0.302	0.302

SCHEDULE 6.9 – FORM OF POLE PURCHASE AGREEMENT

POLE PURCHASE AND SALE AGREEMENT

This Agreement made this ____ day of ____, 2013 (the "Closing Date").

BETWEEN

NORFOLK POWER DISTRIBUTION INC.,
a corporation incorporated under the laws of Ontario,
(hereinafter called the "Seller")

- AND -

THE MUNICIPALITY OF NORFOLK COUNTY,
a corporation incorporated under the laws of Ontario,
(hereinafter called the "Buyer")

(each a "Party" and collectively, the "Parties".)

WHEREAS the Seller is a corporation incorporated under the *Business Corporations Act* (Ontario) and is licenced by the Ontario Energy Board to distribute electricity in Ontario;

AND WHEREAS the Seller has agreed to sell, and the Buyer has agreed to purchase, the Purchased Assets (as defined below) on the conditions hereinafter described;

NOW THEREFORE THIS AGREEMENT WITNESSETH in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party), the Parties covenant and agree as follows:

ARTICLE 1 PURCHASE AND SALE OF PURCHASED ASSETS

1.1 Purchased Assets. Subject to the provisions of this Agreement, effective as of the Closing Date, the Seller agrees to sell, assign, and transfer to the Buyer, and the Buyer agrees to purchase from the Seller, all of the Seller's rights, title, and interests in and to (collectively, the "Purchased Assets");

- (a) *Equipment.* As set out in Schedule A, including, without limitation, all streetlight Pole-Trans (total of 44 units), conduits, ducts, duct banks, handwells, above and below ground wiring, downstream of the ownership demarcation point as defined in the Ontario Energy Board Distribution System Code (revised April 1, 2011) used in providing electrical service solely to the existing street lighting equipment; and
- (b) *Books and Records.* The books and records maintained by the Seller related to the Purchased Assets which may include asset lists, supply records, maintenance and construction records, standards and specifications of the Seller relating to the Purchased Assets, where available.

ARTICLE 2 ASSUMPTION OF LIABILITIES

2.1 Assumed Liabilities. Subject to the provisions of this Agreement, the Buyer agrees to assume, pay, satisfy, discharge, perform and fulfil, from and after the Closing Date, all of the obligations and liabilities related to the Purchased Assets including those liabilities under all contracts related to the Purchased Assets.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price. The purchase price payable by the Buyer to the Seller for the Purchased Assets shall be \$8800.00 plus applicable taxes (the "Purchase Price") and the assumption of all Assumed Liabilities. The Purchase Price shall be paid on the Closing Date by certified cheque or wire transfer of immediately available funds, payable to the Seller. If the Closing Date is not on a business day, the completion of the purchase and sale of the Purchased Assets shall be effective as of the Closing Date notwithstanding that the Purchase Price is paid on the next immediate business day after the Closing Date and the Buyer shall pay the Purchase Price on such business day.

3.2 Payment of Costs. Within thirty (30) days of completing the work specified in Sections 5.1 (b) and 5.1 (c) (the "Work"), the Seller shall provide the Buyer with an invoice specifying the costs associated with completion of the Work, except to the extent that the costs of any such Work is accounted for and reflected in the Seller's 2013 Budget Reports dated November 26, 2012 (the "Reconnection Work"). The Buyer shall pay the total costs listed in the invoice within thirty (30) days of receipt of such invoice. For greater certainty, the Buyer shall not be liable for any costs relating to the Work, other than costs for Reconnection Work.

ARTICLE 4 BUYER ACKNOWLEDGMENTS AND COVENANTS

4.1 As is, where is. The Buyer hereby specifically acknowledges that the sale of the Purchased Assets, and all matters related thereto is done on an "as is where is basis" without any representations, warranties or agreements express or implied of any kind whatsoever save as specifically set forth herein. Specifically, the Seller provides no warranties as to the status of the

Purchased Assets in regards to compliance with laws or regulations including environmental laws, permits, bylaws, street lighting standards and specifications, past or future liabilities and claims related to the Purchased Assets and any environmental damage, destruction or degradation associated or caused by the Purchased Assets.

4.2 Inspection. The Buyer acknowledges it has fully inspected the Purchased Assets and is satisfied with the condition of same and further acknowledges and agrees that, all costs and expenses (other than applicable costs and expenses specified in the 2013 Budget Reports dated November 26, 2012) relating to the Purchased Assets, if necessary and as the case may be, shall be at the Buyer's expense.

ARTICLE 5 SELLER COVENANTS

5.1 Seller Covenants.

(a) The Seller covenants that it has good and marketable title to and the right to sell the Purchased Assets, without obtaining any consent, license or permission to do so, and the Seller hereby transfers, conveys, and releases all of its right, title and interest in and to the Purchased Assets to the Buyer, its successors and assigns.

(b) The Seller agrees to use commercially reasonable efforts to drain and dispose of the oil and/or other substances contained within the transformers currently mounted and affixed to the Purchased Assets.

(c) The Seller covenants and undertakes to complete the work specified in Schedule A within a time frame that is mutually satisfactory to both parties hereto, which covenant and undertaking shall survive the completion of this Work.

(d) The Seller shall and will from time to time, and at all times hereafter and upon every reasonable written request of the Buyer, but at the cost and charge of the Buyer, make, do and execute all such further acts, deeds and assurances for the more effectually assigning and assuring the Purchased Assets unto the Buyer, in the manner aforesaid, and according to the true intent and meaning of this Agreement as the Buyer shall be reasonably advised or require.

ARTICLE 6 GENERAL

6.1 Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by facsimile or by courier, charges prepaid, addressed as follows:

if to the Seller:

Hydro One Networks Inc.
483 Bay Street
Toronto, ON M5G 2P5

if to the Buyer:

The Corporation of Norfolk County
50 Colborne St. South
Simcoe ON N3Y 4N5

Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if sent by same day courier, on the date of delivery if sent on Business Day and delivery was made prior to 4:00 p.m. (local time place of receipts) and otherwise on the next Business Day or, if sent by overnight courier, on the next Business Day, or if sent by facsimile, on the Business Day following the date of confirmation of transmission by originating facsimile, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three (3) Business Days thereafter there is or occurs a labour dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means of recorded electronic communication as aforesaid.

Either Party may at any time change its address for service from time to time by giving notice to the other Party in accordance with this Section 6.1.

6.2 Severability. If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect.

6.3 Assignment. Neither Party may assign its rights under this Agreement in whole or in part to any other person without the prior written consent of the other Party, which consent should not be unreasonably withheld, conditioned or delayed.

6.4 Successors and Assigns. This Agreement shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and permitted assigns.

6.5 Applicable Law. This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each Party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.

IN WITNESS WHEREOF this Agreement has been executed as of the Closing Date.

**NORFOLK POWER DISTRIBUTION
INC.**

Per: Carmine Marcello

Title: President and Chief Executive Officer

"I have authority to bind the corporation"

**THE MUNICIPALITY OF NORFOLK
COUNTY**

Per: Dennis Travale

Title: Mayor

"I have authority to bind the corporation"

SCHEDULE A

Assets

The following constitute all Purchased Assets, other than the Books and Records, purchased by the Buyer pursuant to the terms of this Agreement.

There are 44 Pole-Tran assets that include in a steel pole: an integrated distribution transformer, Primary and Secondary isolation switches, primary wiring with terminations, secondary bus bars, secondary service wiring to NPDI customers, a street light, the street light service wiring, and grounding.

These are located on Lynndale Rd from #43 to #71 (3 units), Berkley Cres. from #29 to #124 (16 units), McCall Cres. from #136 to Berkley Cres (5 units), Eden Place (2 units), Adams Lane (6 units), Northgate (1 unit), Sheridan Blvd. (5 units), Thorncliffe Rd from #37 to Adams Lane (6 units).

Work

Seller shall complete all work necessary for the safe decommissioning of the distribution-related equipment integrated into the poles and the disconnection of electrical services benefitting other customers of Seller and the reconnection of same to the Seller's system, including:

- Drain, plug and abandon the distribution transformer within the Pole-Tran; and
- remove or abandon the primary wiring and associated terminations; and
- remove or abandon and relocate the secondary service wiring to NPDI customers.
- Install secondary service wiring and associated terminations from the ownership demarcation point to the existing street light service wiring residing in the Pole-Trans; and
- Install overcurrent protective devices (fuses) for the new streetlight services downstream of the ownership demarcation point; and
- connect the street light service wiring to the NPDI distribution system at the ownership demarcation point.