



File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 5

COST OF CAPITAL AND CAPITAL STRUCTURE



File Number: EB-2013-0174

Date Filed: October 31, 2013

Exhibit 5

Tab 1 of 1

Cost of Capital and Capital Structure



Cost of Capital

Overview

Veridian has followed the *Report of the Board on Cost of Capital for Ontario's Regulated Utilities, dated December 11, 2009* in determining the cost of capital.

Veridian has used the deemed capital structure of 56% long-term debt, 4% short term debt and 40% equity and has used the most recent Board issued Cost of Capital parameter updates as stated in its letter of February 14, 2013 for the allowed return on equity and for deemed debt rates were appropriate. In that letter the Board determined Cost of Capital parameters for 2013 cost of service rate applications effective May 1, 2013 as follows:

- ROE – 8.98%, Deemed LT Debt Rate – 4.12%
- Deemed ST Debt Rate – 2.07%

Veridian understands that the Board will finalize the Cost of Capital parameters for 2014 cost of service applications for rates effective May 1, 2014 early in 2014 and that any calculations using these deemed rates may require updating when the Board releases the final parameters.

Veridian's weighted average cost of capital for the 2014 test year has been calculated as 6.53% as shown in Table 1, below.



Cost of Capital
File Number: EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1
Page: 2 of 6

Date Filed: October 31, 2013

1 Table 1: VCI – Weighted Average Cost of Capital

		2010 Board Approved		2014 Test Year	
	Deemed Capital Structure	Rate	Weighted Average Cost of Capital	Rate	Weighted Average Cost of Capital
Long Term Debt	56 %	5.57 %	3.12 %	5.10 %	2.86 %
Short Term Debt	4 %	2.07 %	0.083 %	2.07 %	0.083 %
Equity	40 %	9.85 %	3.94 %	8.98 %	3.59 %
Total	100 %		7.14 %		6.53 %

2
3
4 **Capital Structure**

5
6 Veridian's actual capital structure from 2010 to 2012, and the deemed structure for the bridge
7 year of 2013 and 2014 Test Year is provided in the table below. In September 2013, 5,000
8 additional shares of Veridian Connections Inc Common Stock were issued to its existing, single
9 shareholder, Veridian Corporation, at a total subscription price of \$5,000,000.

10
11 Appendix 2-OA Capital Structure and Cost of Capital has been provided as Exhibit 5, Tab 1,
12 Schedule 1, Attachment 1.



1 Table 2: Debt and Equity percentages 2010 to 2014

	2010 Actual	2011 Actual	2012 Actual	2013 Deemed	2014 Forecast
Total Debt (%age)	59.5 %	62.3 %	60.4 %	60.0 %	60.0 %
Equity (%age)	40.5 %	39.1 %	38.6 %	40.0 %	40.0 %

2

3 Veridian attempts to maintain debt to equity ratios in line with the deemed capital structure
4 established by the Board. Actual ratios may vary from year to year due to uneven borrowing
5 requirements. Veridian has used the Board's deemed capital structure in calculating its cost of
6 capital for the 2014 test year.

7

8 **Cost of Debt**

9

10 Veridian has relied upon the *Report of the Board on Cost of Capital for Ontario's Regulated*
11 *Utilities, dated December 11, 2009* ("the Board Report") when calculating its cost of debt.

12

13 On page 57, the Report states "*The Board will primarily rely on the embedded or actual cost for*
14 *existing long-term debt instruments. The Board is of the view that electricity distribution utilities*
15 *should be motivated to make rational decisions for commercial "arms-length" debt*
16 *arrangements, even with shareholders or affiliates.*"

17

18 Details of Veridian's calculated cost of debt from 2010 to 2014 is provided in Appendix 2-OB
19 Debt Instruments provided as Exhibit 5, Tab 1, Schedule 1, Attachment 2.

20

21

22



Cost of Capital
File Number: EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1
Page: 4 of 6

Date Filed: October 31, 2013

Affiliate Debt:

Veridian holds \$43,588,000 of long-term debt with four separate municipal shareholders:

- The Town of Ajax - \$14,060,000
- The City of Belleville - \$5,588,000
- The Municipality of Clarington - \$5,966,000
- The City of Pickering - \$17,974,000

The debt is in the form of unsecured promissory notes bearing interest at 5.57% per annum, issued on November 9th, 2009, payable on demand within 6 months notice and maturing on November 1st, 2039. Copies of the debt instruments are filed at Exhibit 5, Tab 1, Schedule 1, Attachment 3 – Fourth Amended and Restated Shareholder Promissory Notes. The terms of the shareholder promissory notes were negotiated as part of the Settlement Agreement in Veridian's 2010 COS proceeding (EB-2009-0140). Excerpts from pages 21 and 22 of the Settlement Agreement are provided below:

“Veridian agrees, and confirms that its municipal shareholders have agreed (subject to council approvals as set forth below), that the terms of all existing non-arms length debt owing by Veridian to the said municipal shareholders will be amended as follows:

1. Term. The term of each promissory note shall be 30 years, subject to the limited early redemption or repayment rights set forth below.

2. Interest. The interest rate shall be as follows:

a. For the period from May 1, 2010 to and including December 31, 2014, 5.57%, being the Board's deemed long-term debt rate, less 30 basis points

b. For each five year period after that date, the Board's deemed long-term debt rate set closest in time to the start of the period, less the same fixed 30 basis points. By way of example, if on February 15, 2015 the Board establishes a



Cost of Capital
File Number: EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1
Page: 5 of 6

Date Filed: October 31, 2013

1 *deemed long term-debt rate of 7.00%, for regulatory purposes, the rate on the*
2 *notes commencing January 1, 2015 will be 6.7%, and will be fixed at that rate*
3 *until December 31, 2019.*

4 *Notwithstanding the implementation date of the updated interest rate as stated in*
5 *clause 2(a) of this proposed settlement agreement, the effective interest rate used to*
6 *calculate Veridian's Cost of Debt in the 2010 test year for the purpose of setting*
7 *distribution rates shall be 5.57%.*

8 *Redemption or Repayment. Notes shall not be callable by the holder(s) except*
9 *pursuant to a duly enacted resolution or bylaw of the municipality holding the note(s)*
10 *certifying that the funds are required for the purpose of spending the funds for*
11 *municipal matters, including but not limited to: (i) spending on capital projects; (ii)*
12 *the acquisition of assets by such municipal shareholder; (iii) replenishing and/or*
13 *increasing the level of the reserves/reserve funds held by the municipal shareholder.*
14 *In those circumstances, and subject to the following, any note can be called on six*
15 *months notice in whole or in part by any holder, notwithstanding that other holders of*
16 *shareholder debt have not called all or any part of their notes. For greater certainty,*
17 *the notes shall not be callable by the holder(s) for the purpose of reinvesting the*
18 *funds."*

19
20 In addition to the shareholder promissory notes, VCI holds two long term debt notes payable to
21 parent company, Veridian Corporation. One issued June 1, 2007, originally in the amount of
22 \$30,000,000 bearing interest at 5.56% and maturing on June 1, 2017. The second, issued on
23 December 17, 2009, originally in the amount of \$21,000,000 bearing interest at 5.57% and
24 maturing December 17th, 2039.

25
26 The terms of the 2009 promissory notes were amended as part of the Settlement Agreement
27 referenced earlier with the same interest rate provisions as the shareholder promissory notes.



Cost of Capital
File Number: EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1
Page: 6 of 6

Date Filed: October 31, 2013

Copies of the debt instruments are filed at Exhibit 5, Tab 1, Schedule 1, Attachment 4 – Parent Company Long Term Debt Notes.

Third Party Debt:

Veridian has two debt instruments with the Toronto Dominion Bank (“Bank”). Both instruments have fixed interest rates based on an interest rate swap agreement with the Bank. Both instruments are amortizing where principal and interest are paid monthly.

Details of the two instruments are provided in the table below:

Table 2 – Details of Third Party Bank Debt

Date of Issue	Principal Amount	Interest Rate	Maturity Date
November 2, 2011	\$30,000,000	4.24%	November 2, 2031
December 19, 2012	\$15,000,000	3.99%	November 19, 2032

Short Term Debt:

Veridian has an uncommitted operating revolving line of credit of \$19,193,270 with the Toronto Dominion Bank. The line of credit is unsecured and interest is at bank prime rate of 3.0% plus a 1.0% stamping fee per annum.

Veridian has not forecast new debt requirements in the Test Year.

Cost of Equity

For the purposes of this application, Veridian has used a Return on Equity of 8.98%, as per the OEB’s letter of February 14, 2013. This value is a ‘placeholder’ and will be updated as per the methodology specified in the *Report of the Board on Cost of Capital for Ontario’s Regulated Utilities*, when the updated data becomes available.



File Number:EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1

Date Filed:October 31, 2013

Attachment 1 of 4

OEB Appendix 2-OA Capital Structure and Cost of Capital

File Number: EB-2013-0174
Exhibit: 5
Tab: 1
Schedule: 1
Page:
Date: 31-Oct-13

Appendix 2-OA Capital Structure and Cost of Capital

This table must be completed for the last Board approved year and the test year.

Year: 2014 Test Year

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$136,383,952	5.10%	\$6,956,945
2	Short-term Debt	4.00% (1)	\$9,741,711	2.07%	\$201,653
3	Total Debt	60.0%	\$146,125,663	4.90%	\$7,158,599
	Equity				
4	Common Equity	40.00%	\$97,417,108	8.98%	\$8,748,056
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$97,417,108	8.98%	\$8,748,056
7	Total	100.0%	\$243,542,771	6.53%	\$15,906,655

Year: 2010 Board Approved

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$104,493,177	5.57%	\$5,820,270
2	Short-term Debt	4.00% (1)	\$7,463,798	2.07%	\$154,501
3	Total Debt	60.0%	\$111,956,975	5.34%	\$5,974,771
	Equity				
4	Common Equity	40.00%	\$74,637,984	9.85%	\$7,351,841
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$74,637,984	9.85%	\$7,351,841
7	Total	100.0%	\$186,594,959	7.14%	\$13,326,612

Notes

(1) 4.0% unless an applicant has proposed or been approved for a different amount.



File Number:EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1

Date Filed:October 31, 2013

Attachment 2 of 4

OEB Appendix 2-OB Debt Instruments

File Number: EB-2013-0174
 Exhibit: 5
 Tab: 1
 Schedule: 1
 Page: 1
 Date: 31-Oct-13

Appendix 2-OB Debt Instruments

This table must be completed for the required years of all historical years, the bridge year and the test year.

Year 2014									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 10,770,779	0.0556	\$ 622,643
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 783,142
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 311,252
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 332,306
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$ 1,001,152
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 17,850,000	0.0557	\$ 994,245
7	Bank Loan	TD Bank	Third-Party	Fixed Rate	2-Nov-11	20	\$ 26,859,118	0.0424	\$ 1,163,419
8	Bank Loan	TD Bank	Third-Party	Fixed Rate	19-Dec-12	20	\$ 14,460,018	0.0399	\$ 582,942
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 113,527,915	0.05101	\$5,791,100.60

Year 2013									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 13,990,436	0.0556	\$ 800,378
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 783,142
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 311,252
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 332,306
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$ 1,001,152
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 18,900,000	0.0557	\$ 1,062,730
7	Bank Loan	TD Bank	Third-Party	Fixed Rate	2-Nov-11	20	\$ 28,432,931	0.0424	\$ 1,207,509
8	Bank Loan	TD Bank	Third-Party	Fixed Rate	19-Dec-12	20	\$ 14,867,693	0.0399	\$ 593,696
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 119,779,060	0.05078	\$6,082,164.80

Year 2012									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 17,037,133	0.0556	\$ 968,564
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 783,142
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 311,252
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 332,306
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$ 1,001,152
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 19,250,000	0.0557	\$ 1,091,720
7	Bank Loan	TD Bank	Third-Party	Fixed Rate	2-Nov-11	20	\$ 29,431,614	0.0424	\$ 1,249,773
8	Bank Loan	TD Bank	Third-Party	Fixed Rate	19-Dec-12	20	\$ 15,000,000	0.0399	\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 124,306,747	0.04616	\$5,737,908.60

Year 2011									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 19,920,161	0.0556	\$ 1,127,717
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 783,142
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 311,252
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 332,306
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$ 1,001,152
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 19,950,000	0.0557	\$ 1,130,710
7	Bank Loan	TD Bank	Third-Party	Fixed Rate	2-Nov-11	20	\$ 29,960,195	0.0424	\$ 1,060,000
8									\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 113,418,356	0.04225	\$4,792,278.60

Year 2010 Board Actual									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 22,468,310	0.0556	\$ 1,250,245
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 1,057,781
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 420,404
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 448,842
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$ 1,352,244
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 20,650,000	0.0557	\$ 1,372,612
7									\$ -
8									\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 86,706,310	0.06817	\$5,911,128.00

*Promissory Note Interest - From January 1st, 2010 to April 30th, 2010 - 7.62%, From May 1st, 2010 - 5.57%

Year 2010 Board-Approved									
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
1	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	1-Jun-07	10	\$ 22,468,300	0.0556	\$1,250,245.00
2	Promissory Note	Town of Ajax	Affiliated	Fixed Rate	1-Nov-09	30	\$ 14,060,000	0.0557	\$ 783,142.00
3	Promissory Note	City of Belleville	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,588,000	0.0557	\$ 311,251.60
4	Promissory Note	Municipality of Clarington	Affiliated	Fixed Rate	1-Nov-09	30	\$ 5,966,000	0.0557	\$ 332,306.20
5	Promissory Note	City of Pickering	Affiliated	Fixed Rate	1-Nov-09	30	\$ 17,974,000	0.0557	\$1,001,151.80
6	Note Payable	Veridian Corporation	Affiliated	Fixed Rate	19-Dec-09	30	\$ 19,950,000	0.0557	\$1,111,215.00
7									\$ -
8									\$ -
9									\$ -
10									\$ -
11									\$ -
12									\$ -
Total							\$ 86,006,300	0.05579	\$4,798,311.60

1 If financing is in place only part of the year, calculate the pro-rated interest and input in the cell.

2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009

3 Add more lines above row 12 if necessary.



File Number:EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1

Date Filed:October 31, 2013

Attachment 3 of 4

Shareholder Promissory Notes

COPY

FOURTH AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: November 1st, 2039
Principal Amount: \$5,588,000

This note amends and restates a Third Amended and Restated Promissory Note (the "**Predecessor Note**") issued by Veridian Connections Inc. (the "**Corporation**") to the Corporation of the City of Belleville (the "**Holder**") on October 31, 2009 for the Principal Amount. The Predecessor Note was issued pursuant to By-law No. 2009-161 of the Holder.

This note amends the terms of repayment of, and does not extinguish, the debt created pursuant to the transfer by-law (enacted pursuant to the authority granted under the *Electricity Act, 1998*) as set forth originally in By-Law 2000,170 of the Holder, as amended by By-Law 2006-159, By-law No. 2009-161 and the Predecessor Note.

FOR VALUE RECEIVED, the Corporation hereby promises to pay to or to the order of the Holder, in lawful money of Canada, on November 1, 2039 (the "**Maturity Date**"), subject to the right of the Holder to demand earlier repayment (in whole or in part) at any time in accordance with the terms set forth in Section 5, at the principal office of the Holder, the principal amount of FIVE MILLION, FIVE HUNDRED AND EIGHTY-EIGHT THOUSAND Dollars (\$5,588,000) (the "**Principal Amount**") together with interest on the unpaid Principal Amount.

1. Interest Rate. Interest on the Principal Amount shall be calculated annually, not in advance, for the following periods:
 - (a) from November 1, 2009 to April 30, 2010 (the "**First Period**"), at a rate per annum equal to 7.62% which rate represents the Ontario Energy Board ("**OEB**") deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the First Period ("**First Interest Rate**");
 - (b) from May 1, 2010 to December 31, 2014 (the "**Second Period**"), at a rate per annum equal to 5.57%, which rate represents the OEB's deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the Second Period, less 30 basis points ("**Second Interest Rate**"); and
 - (c) for the five year period commencing January 1, 2015 until December 31, 2019 (the "**Third Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Third Period, less 30 basis points ("**Third Interest Rate**").

- (d) for the five year period commencing January 1, 2020 until December 31, 2024 (the "**Fourth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fourth Period, less 30 basis points ("**Fourth Interest Rate**").
- (e) for the five year period commencing January 1, 2025 until December 31, 2029 (the "**Fifth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fifth Period, less 30 basis points ("**Fifth Interest Rate**").
- (f) for the five year period commencing January 1, 2030 until December 31, 2034 (the "**Sixth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Sixth Period, less 30 basis points ("**Sixth Interest Rate**").
- (g) for the five year period commencing January 1, 2035 until the Maturity Date (the "**Seventh Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Seventh Period, less 30 basis points ("**Seventh Interest Rate**").

Interest for the First Period at the First Interest Rate shall be due and payable on May 1, 2010.

Interest for the Second Period at the Second Interest Rate shall be due and payable on January 1st of each year from January 1, 2011 to and including January 1, 2015.

Interest for the Third Period at the Third Interest Rate shall be due and payable on January 1st of each year from January 1, 2016 to and including January 1, 2019.

Interest for the Fourth Period at the Fourth Interest Rate shall be due and payable on January 1st of each year from January 1, 2020 to and including January 1, 2024.

Interest for the Fifth Period at the Fifth Interest Rate shall be due and payable on January 1st of each year from January 1, 2025 to and including January 1, 2029.

Interest for the Sixth Period at the Sixth Interest Rate shall be due and payable on January 1st of each year from January 1, 2030 to and including January 1, 2034.

Interest for the Seventh Period at the Seventh Interest Rate shall be due and payable on January 1st of each year from January 1, 2035 to and including the Maturity Date.

2. Acceleration on Default. Upon default in the payment of any principal or interest due hereunder, or if the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy, the entire unpaid principal indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the

date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note. This Note shall rank equally in all respects as to the payment of principal and interest hereunder with promissory notes issued to the Corporation of the Town of Ajax, to the Corporation of the City of Pickering, to the Corporation of the Municipality of Clarington and to Veridian Corporation (collectively the "**Other Parties**") described in Schedule "A" hereto (together the "**Other Notes**"). For greater clarity, nothing shall prevent the Holder to demand repayment of this Note at any time in accordance with the terms set forth in Section 5.
4. Subordination. The Holder acknowledges and agrees that the obligation of the Corporation to repay the Principal Amount and the principal amount of the Other Notes is subordinated and postponed to the obligations of the Corporation from time to time to any other financial institution or lender. The Holder will execute, promptly do, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required to provide for the subordination and postponement of the Holder's rights evidenced by this Note.
5. Repayment. Notwithstanding that this Note matures on the Maturity Date, the Holder of this Note shall have the right to demand repayment of this Note (in whole or in part) at any time upon six (6) months prior written notice (the "**Prepayment Notice**") to the Corporation provided that a duly enacted resolution or by-law is passed by the Holder certifying that the funds are required for municipal purposes, including but not limited to the following:
 - (a) expenditures in respect of municipal capital projects;
 - (b) acquisition of assets by the Holder; and
 - (c) replenishing and/or increasing the level of the reserves/reserve funds held by the Holder.

For greater clarity, the Holder of this Note is not permitted to demand repayment of this Note for the purpose of reinvesting the funds.

The Prepayment Notice shall set forth the amount to be repaid by the Corporation and the purposes for which the funds are required by the Holder. Upon receipt by the Corporation of the Prepayment Notice, the Corporation shall be obliged to pay the amount set out in such Prepayment Notice to the Holder no later than six (6) months from the date of receipt of such Prepayment Notice.

6. Sale of Shares. In the event that the Holder transfers its common shares in the capital of Veridian Corporation (in accordance with the terms of a shareholders' agreement among the Holder, the Other Parties, Veridian Energy Inc. and the Corporation dated September 28, 2001, as amended and/or restated from time to

time) prior to the Maturity Date, the Note shall remain due to the Holder in accordance with its terms.

7. Note Non-negotiable and Non-assignable. The Note shall be non-negotiable and non-assignable.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 30th day of March, 2010.

VERIDIAN CONNECTIONS INC.

By: _____

Glenn Rainbird, Chair

By: _____

Michael Angemeer, President

SCHEDULE "A"

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering in the principal amount of \$17,974,000 and dated March 30th, 2010.
2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax in the principal amount of \$14,060,000 and dated March 30th, 2010.
3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington in the principal amount of \$5,966,000 and dated March 30th, 2010.
4. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Municipality of Clarington in the principal amount of \$2,355,000 and dated October 31, 2009.
5. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Pickering in the principal amount of \$7,095,000 and dated October 31, 2009.
6. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Town of Ajax in the principal amount of \$5,550,000 and dated October 31, 2009.
7. Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation in the principal amount of \$21,000,000 and dated March 30th, 2010.

COPY

FOURTH AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: November 1st, 2039
Principal Amount: \$17,974,000

This note amends and restates a Third Amended and Restated Promissory Note (the "**Predecessor Note**") issued by Veridian Connections Inc. (the "**Corporation**") to the Corporation of the City of Pickering (the "**Holder**") on October 31, 2009 for the Principal Amount. The Predecessor Note was issued pursuant to By-law No. 6994/09 of the Holder.

This note amends the terms of repayment of, and does not extinguish, the debt created pursuant to the transfer by-law (enacted pursuant to the authority granted under the *Electricity Act, 1998*) as set forth originally in By-Law 5586/99 of the Holder, as amended by By-Law 6706/06, By-law No. 6994/09 and the Predecessor Note.

FOR VALUE RECEIVED, the Corporation hereby promises to pay to or to the order of the Holder, in lawful money of Canada, on November 1, 2039 (the "**Maturity Date**"), subject to the right of the Holder to demand earlier repayment (in whole or in part) at any time in accordance with the terms set forth in Section 5, at the principal office of the Holder, the principal amount of SEVENTEEN MILLION NINE HUNDRED AND SEVENTY-FOUR Dollars (\$17,974,000) (the "**Principal Amount**") together with interest on the unpaid Principal Amount.

1. Interest Rate. Interest on the Principal Amount shall be calculated annually, not in advance, for the following periods:
 - (a) from November 1, 2009 to April 30, 2010 (the "**First Period**"), at a rate per annum equal to 7.62% which rate represents the Ontario Energy Board ("**OEB**") deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the First Period ("**First Interest Rate**");
 - (b) from May 1, 2010 to December 31, 2014 (the "**Second Period**"), at a rate per annum equal to 5.57%, which rate represents the OEB's deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the Second Period, less 30 basis points ("**Second Interest Rate**"); and
 - (c) for the five year period commencing January 1, 2015 until December 31, 2019 (the "**Third Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Third Period, less 30 basis points ("**Third Interest Rate**").

- (d) for the five year period commencing January 1, 2020 until December 31, 2024 (the "**Fourth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fourth Period, less 30 basis points ("**Fourth Interest Rate**").
- (e) for the five year period commencing January 1, 2025 until December 31, 2029 (the "**Fifth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fifth Period, less 30 basis points ("**Fifth Interest Rate**").
- (f) for the five year period commencing January 1, 2030 until December 31, 2034 (the "**Sixth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Sixth Period, less 30 basis points ("**Sixth Interest Rate**").
- (g) for the five year period commencing January 1, 2035 until the Maturity Date (the "**Seventh Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Seventh Period, less 30 basis points ("**Seventh Interest Rate**").

Interest for the First Period at the First Interest Rate shall be due and payable on May 1, 2010.

Interest for the Second Period at the Second Interest Rate shall be due and payable on January 1st of each year from January 1, 2011 to and including January 1, 2015.

Interest for the Third Period at the Third Interest Rate shall be due and payable on January 1st of each year from January 1, 2016 to and including January 1, 2019.

Interest for the Fourth Period at the Fourth Interest Rate shall be due and payable on January 1st of each year from January 1, 2020 to and including January 1, 2024.

Interest for the Fifth Period at the Fifth Interest Rate shall be due and payable on January 1st of each year from January 1, 2025 to and including January 1, 2029.

Interest for the Sixth Period at the Sixth Interest Rate shall be due and payable on January 1st of each year from January 1, 2030 to and including January 1, 2034.

Interest for the Seventh Period at the Seventh Interest Rate shall be due and payable on January 1st of each year from January 1, 2035 to and including the Maturity Date.

2. Acceleration on Default. Upon default in the payment of any principal or interest due hereunder, or if the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy, the entire unpaid principal indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the

date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note. This Note shall rank equally in all respects as to the payment of principal and interest hereunder with promissory notes issued to the Corporation of the Town of Ajax, to the Corporation of the Municipality of Clarington, to the Corporation of the City of Belleville and to Veridian Corporation (collectively the "**Other Parties**") described in Schedule "A" hereto (together the "**Other Notes**"). For greater clarity, nothing shall prevent the Holder to demand repayment of this Note at any time in accordance with the terms set forth in Section 5.
4. Subordination. The Holder acknowledges and agrees that the obligation of the Corporation to repay the Principal Amount and the principal amount of the Other Notes is subordinated and postponed to the obligations of the Corporation from time to time to any other financial institution or lender. The Holder will execute, promptly do, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required to provide for the subordination and postponement of the Holder's rights evidenced by this Note.
5. Repayment. Notwithstanding that this Note matures on the Maturity Date, the Holder of this Note shall have the right to demand repayment of this Note (in whole or in part) at any time upon six (6) months prior written notice (the "**Prepayment Notice**") to the Corporation provided that a duly enacted resolution or by-law is passed by the Holder certifying that the funds are required for municipal purposes, including but not limited to the following:
 - (a) expenditures in respect of municipal capital projects;
 - (b) acquisition of assets by the Holder; and
 - (c) replenishing and/or increasing the level of the reserves/reserve funds held by the Holder.

For greater clarity, the Holder of this Note is not permitted to demand repayment of this Note for the purpose of reinvesting the funds.

The Prepayment Notice shall set forth the amount to be repaid by the Corporation and the purposes for which the funds are required by the Holder. Upon receipt by the Corporation of the Prepayment Notice, the Corporation shall be obliged to pay the amount set out in such Prepayment Notice to the Holder no later than six (6) months from the date of receipt of such Prepayment Notice.

6. Sale of Shares. In the event that the Holder transfers its common shares in the capital of Veridian Corporation (in accordance with the terms of a shareholders' agreement among the Holder, the Other Parties, Veridian Energy Inc. and the Corporation dated September 28, 2001, as amended and/or restated from time to

time) prior to the Maturity Date, the Note shall remain due to the Holder in accordance with its terms.

7. Note Non-negotiable and Non-assignable. The Note shall be non-negotiable and non-assignable.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 30th day of March, 2010.

VERIDIAN CONNECTIONS INC.

By: _____

Glenn Rainbird, Chair

By: _____

Michael Angemeer, President

SCHEDULE "A"

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington in the principal amount of \$5,966,000 and dated March 30th, 2010.
2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax in the principal amount of \$14,060,000 and dated March 30th, 2010.
3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville in the principal amount of \$5,588,000 and dated March 30th, 2010.
4. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Municipality of Clarington in the principal amount of \$2,355,000 and dated October 31, 2009.
5. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Belleville in the principal amount of \$2,206,000 and dated October 31, 2009.
6. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Town of Ajax in the principal amount of \$5,550,000 and dated October 31, 2009.
7. Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation in the principal amount of \$21,000,000 and dated March 30th, 2010.

COPY

FOURTH AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: November 1st, 2039
Principal Amount: \$5,966,000

This note amends and restates a Third Amended and Restated Promissory Note (the "**Predecessor Note**") issued by Veridian Connections Inc. (the "**Corporation**") to the Corporation of the Municipality of Clarington (the "**Holder**") on October 31, 2009 for the Principal Amount. The Predecessor Note was issued pursuant to By-law No. 2009-131 of the Holder.

This note amends the terms of repayment of, and does not extinguish, the debt created pursuant to the transfer by-law (enacted pursuant to the authority granted under the *Electricity Act, 1998*) as set forth originally in By-Law 99-173 of the Holder, as amended by By-Law 06-191, By-law No. 2009-131 and the Predecessor Note.

FOR VALUE RECEIVED, the Corporation hereby promises to pay to or to the order of the Holder, in lawful money of Canada, on November 1, 2039 (the "**Maturity Date**"), subject to the right of the Holder to demand earlier repayment (in whole or in part) at any time in accordance with the terms set forth in Section 5, at the principal office of the Holder, the principal amount of FIVE MILLION, NINE HUNDRED AND SIXTY-SIX THOUSAND Dollars (\$5,966,000) (the "**Principal Amount**") together with interest on the unpaid Principal Amount.

1. Interest Rate. Interest on the Principal Amount shall be calculated annually, not in advance, for the following periods:
 - (a) from November 1, 2009 to April 30, 2010 (the "**First Period**"), at a rate per annum equal to 7.62% which rate represents the Ontario Energy Board ("**OEB**") deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the First Period ("**First Interest Rate**");
 - (b) from May 1, 2010 to December 31, 2014 (the "**Second Period**"), at a rate per annum equal to 5.57%, which rate represents the OEB's deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the Second Period, less 30 basis points ("**Second Interest Rate**"); and
 - (c) for the five year period commencing January 1, 2015 until December 31, 2019 (the "**Third Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Third Period, less 30 basis points ("**Third Interest Rate**").

- (d) for the five year period commencing January 1, 2020 until December 31, 2024 (the "**Fourth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fourth Period, less 30 basis points ("**Fourth Interest Rate**").
- (e) for the five year period commencing January 1, 2025 until December 31, 2029 (the "**Fifth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fifth Period, less 30 basis points ("**Fifth Interest Rate**").
- (f) for the five year period commencing January 1, 2030 until December 31, 2034 (the "**Sixth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Sixth Period, less 30 basis points ("**Sixth Interest Rate**").
- (g) for the five year period commencing January 1, 2035 until the Maturity Date (the "**Seventh Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Seventh Period, less 30 basis points ("**Seventh Interest Rate**").

Interest for the First Period at the First Interest Rate shall be due and payable on May 1, 2010.

Interest for the Second Period at the Second Interest Rate shall be due and payable on January 1st of each year from January 1, 2011 to and including January 1, 2015.

Interest for the Third Period at the Third Interest Rate shall be due and payable on January 1st of each year from January 1, 2016 to and including January 1, 2019.

Interest for the Fourth Period at the Fourth Interest Rate shall be due and payable on January 1st of each year from January 1, 2020 to and including January 1, 2024.

Interest for the Fifth Period at the Fifth Interest Rate shall be due and payable on January 1st of each year from January 1, 2025 to and including January 1, 2029.

Interest for the Sixth Period at the Sixth Interest Rate shall be due and payable on January 1st of each year from January 1, 2030 to and including January 1, 2034.

Interest for the Seventh Period at the Seventh Interest Rate shall be due and payable on January 1st of each year from January 1, 2035 to and including the Maturity Date.

2. Acceleration on Default. Upon default in the payment of any principal or interest due hereunder, or if the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy, the entire unpaid principal indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the

date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note. This Note shall rank equally in all respects as to the payment of principal and interest hereunder with promissory notes issued to the Corporation of the Town of Ajax, to the Corporation of the City of Pickering, to the Corporation of the City of Belleville and to Veridian Corporation (collectively the "**Other Parties**") described in Schedule "A" hereto (together the "**Other Notes**"). For greater clarity, nothing shall prevent the Holder to demand repayment of this Note at any time in accordance with the terms set forth in Section 5.
4. Subordination. The Holder acknowledges and agrees that the obligation of the Corporation to repay the Principal Amount and the principal amount of the Other Notes is subordinated and postponed to the obligations of the Corporation from time to time to any other financial institution or lender. The Holder will execute, promptly do, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required to provide for the subordination and postponement of the Holder's rights evidenced by this Note.
5. Repayment. Notwithstanding that this Note matures on the Maturity Date, the Holder of this Note shall have the right to demand repayment of this Note (in whole or in part) at any time upon six (6) months prior written notice (the "**Prepayment Notice**") to the Corporation provided that a duly enacted resolution or by-law is passed by the Holder certifying that the funds are required for municipal purposes, including but not limited to the following:
 - (a) expenditures in respect of municipal capital projects;
 - (b) acquisition of assets by the Holder; and
 - (c) replenishing and/or increasing the level of the reserves/reserve funds held by the Holder.

For greater clarity, the Holder of this Note is not permitted to demand repayment of this Note for the purpose of reinvesting the funds.

The Prepayment Notice shall set forth the amount to be repaid by the Corporation and the purposes for which the funds are required by the Holder. Upon receipt by the Corporation of the Prepayment Notice, the Corporation shall be obliged to pay the amount set out in such Prepayment Notice to the Holder no later than six (6) months from the date of receipt of such Prepayment Notice.

6. Sale of Shares. In the event that the Holder transfers its common shares in the capital of Veridian Corporation (in accordance with the terms of a shareholders' agreement among the Holder, the Other Parties, Veridian Energy Inc. and the Corporation dated September 28, 2001, as amended and/or restated from time to

time) prior to the Maturity Date, the Note shall remain due to the Holder in accordance with its terms.

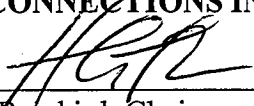
7. Note Non-negotiable and Non-assignable. The Note shall be non-negotiable and non-assignable.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 30th day of March, 2010.

VERIDIAN CONNECTIONS INC.

By:


Glenn Rainbird, Chair

By:


Michael Angemder, President

COPY

SCHEDULE "A"

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering in the principal amount of \$17,974,000 and dated March 30th, 2010.
2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax in the principal amount of \$14,060,000 and dated March 30th, 2010.
3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville in the principal amount of \$5,588,000 and dated March 30th, 2010.
4. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Pickering in the principal amount of \$7,095,000 and dated October 31, 2009.
5. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Belleville in the principal amount of \$2,206,000 and dated October 31, 2009.
6. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Town of Ajax in the principal amount of \$5,550,000 and dated October 31, 2009.
7. Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation in the principal amount of \$21,000,000 and dated March 30th, 2010.

COPY

FOURTH AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: November 1st, 2039
Principal Amount: \$14,060,000

This note amends and restates a Third Amended and Restated Promissory Note (the "**Predecessor Note**") issued by Veridian Connections Inc. (the "**Corporation**") to the Corporation of the Town of Ajax (the "**Holder**") on October 31, 2009 for the Principal Amount. The Predecessor Note was issued pursuant to By-law No. 103-2009 of the Holder.

This note amends the terms of repayment of, and does not extinguish, the debt created pursuant to the transfer by-law (enacted pursuant to the authority granted under the *Electricity Act, 1998*) as set forth originally in By-Law 115-99 of the Holder, as amended by By-Law 121-2006, By-law No. 103-2009 and the Predecessor Note.

FOR VALUE RECEIVED, the Corporation hereby promises to pay to or to the order of the Holder, in lawful money of Canada, on November 1, 2039 (the "**Maturity Date**"), subject to the right of the Holder to demand earlier repayment (in whole or in part) at any time in accordance with the terms set forth in Section 5, at the principal office of the Holder, the principal amount of FOURTEEN MILLION, AND SIXTY THOUSAND Dollars (\$14,060,000) (the "**Principal Amount**") together with interest on the unpaid Principal Amount.

1. Interest Rate. Interest on the Principal Amount shall be calculated annually, not in advance, for the following periods:
 - (a) from November 1, 2009 to April 30, 2010 (the "**First Period**"), at a rate per annum equal to 7.62% which rate represents the Ontario Energy Board ("**OEB**") deemed long-term debt rate established by the OEB during the First Period ("**First Interest Rate**");
 - (b) from May 1, 2010 to December 31, 2014 (the "**Second Period**"), at a rate per annum equal to 5.57%, which rate represents the OEB's deemed long-term debt rate established by the OEB during the Second Period, less 30 basis points ("**Second Interest Rate**"); and
 - (c) for the five year period commencing January 1, 2015 until December 31, 2019 (the "**Third Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Third Period, less 30 basis points ("**Third Interest Rate**").
 - (d) for the five year period commencing January 1, 2020 until December 31, 2024 (the "**Fourth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fourth Period, less 30 basis points ("**Fourth Interest Rate**").

- (e) for the five year period commencing January 1, 2025 until December 31, 2029 (the "**Fifth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fifth Period, less 30 basis points ("**Fifth Interest Rate**").
- (f) for the five year period commencing January 1, 2030 until December 31, 2034 (the "**Sixth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Sixth Period, less 30 basis points ("**Sixth Interest Rate**").
- (g) for the five year period commencing January 1, 2035 until the Maturity Date (the "**Seventh Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Seventh Period, less 30 basis points ("**Seventh Interest Rate**").

Interest for the First Period at the First Interest Rate shall be due and payable on May 1, 2010.

Interest for the Second Period at the Second Interest Rate shall be due and payable on January 1st of each year from January 1, 2011 to and including January 1, 2015.

Interest for the Third Period at the Third Interest Rate shall be due and payable on January 1st of each year from January 1, 2016 to and including January 1, 2019.

Interest for the Fourth Period at the Fourth Interest Rate shall be due and payable on January 1st of each year from January 1, 2020 to and including January 1, 2024.

Interest for the Fifth Period at the Fifth Interest Rate shall be due and payable on January 1st of each year from January 1, 2025 to and including January 1, 2029.

Interest for the Sixth Period at the Sixth Interest Rate shall be due and payable on January 1st of each year from January 1, 2030 to and including January 1, 2034.

Interest for the Seventh Period at the Seventh Interest Rate shall be due and payable on January 1st of each year from January 1, 2035 to and including the Maturity Date.

2. Acceleration on Default. Upon default in the payment of any principal or interest due hereunder, or if the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy, the entire unpaid principal indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note. This Note shall rank equally in all respects as to the payment of principal and interest hereunder with promissory notes issued to the Corporation of the City of Pickering, to the Corporation of the Municipality of Clarington, to the Corporation of the City of Belleville and to Veridian Corporation (collectively the "**Other Parties**") described in Schedule "A" hereto (together the "**Other Notes**"). For greater clarity, nothing shall prevent the Holder to demand repayment of this Note at any time in accordance with the terms set forth in Section 5.
4. Subordination. The Holder acknowledges and agrees that the obligation of the Corporation to repay the Principal Amount and the principal amount of the Other Notes is subordinated and postponed to the obligations of the Corporation from time to time to any other financial institution or lender. The Holder will execute, promptly do, deliver or cause to be done, executed and delivered all further acts, documents and things as may be required to provide for the subordination and postponement of the Holder's rights evidenced by this Note.
5. Repayment. Notwithstanding that this Note matures on the Maturity Date, the Holder of this Note shall have the right to demand repayment of this Note (in whole or in part) at any time upon six (6) months prior written notice (the "**Prepayment Notice**") to the Corporation provided that a duly enacted resolution or by-law is passed by the Holder certifying that the funds are required for municipal purposes, including but not limited to the following:
 - (a) expenditures in respect of municipal capital projects;
 - (b) acquisition of assets by the Holder; and
 - (c) replenishing and/or increasing the level of the reserves/reserve funds held by the Holder.

For greater clarity, the Holder of this Note is not permitted to demand repayment of this Note for the purpose of reinvesting the funds.

The Prepayment Notice shall set forth the amount to be repaid by the Corporation and the purposes for which the funds are required by the Holder. Upon receipt by the Corporation of the Prepayment Notice, the Corporation shall be obliged to pay the amount set out in such Prepayment Notice to the Holder no later than six (6) months from the date of receipt of such Prepayment Notice.

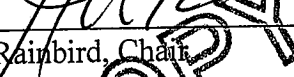
6. Sale of Shares. In the event that the Holder transfers its common shares in the capital of Veridian Corporation (in accordance with the terms of a shareholders' agreement among the Holder, the Other Parties, Veridian Energy Inc. and the Corporation dated September 28, 2001, as amended and/or restated from time to time) prior to the Maturity Date, the Note shall remain due to the Holder in accordance with its terms.


7. Note Non-negotiable and Non-assignable. The Note shall be non-negotiable and non-assignable.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 30th day of March, 2010.

VERIDIAN CONNECTIONS INC.

By: 
Glenn Rainbird, Chair

By: 
Michael Angemeer, President

SCHEDULE "A"

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington in the principal amount of \$5,966,000 and dated March 30th, 2010.
2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering in the principal amount of \$17,974,000 and dated March 30th, 2010.
3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville in the principal amount of \$5,588,000 and dated March 30th, 2010.
4. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Municipality of Clarington in the principal amount of \$2,355,000 and dated October 31, 2009.
5. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Pickering in the principal amount of \$7,095,000 and dated October 31, 2009.
6. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Belleville in the principal amount of \$2,206,000 and dated October 31, 2009.
7. Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to Veridian Corporation in the principal amount of \$21,000,000 and dated March 30th, 2010.



File Number:EB-2013-0174

Exhibit: 5
Tab: 1
Schedule: 1

Date Filed:October 31, 2013

Attachment 4 of 4

Long Term Debt Notes

Term Promissory Note

Maturity Date: June 1, 2017

Principal Amount: \$30,000,000

FOR VALUE RECEIVED, Veridian Connections Inc. (the "Corporation"), hereby promises to pay to or to the order of Veridian Corporation (the "Holder"), in lawful money of Canada, at the principal office of the Holder, the principal amount of THIRTY MILLION dollars (\$30,000,000) (the "Principal Amount") with interest on the Principal Amount at the rate of 5.56% per annum, calculated quarterly, not in advance, (the "Interest Rate") in equal quarterly instalments of blended principal and interest at the Interest Rate of NINE HUNDRED AND EIGHTY-TWO THOUSAND, SEVEN HUNDRED AND NINETY-TWO dollars (\$982,792) each on March 1, June 1, September 1 and December 1 of each year, from and including September 1, 2007, to and including March 1, 2017, and on June 1, 2017 (the "Maturity Date") a payment in the amount of NINE HUNDRED AND EIGHTY-TWO THOUSAND, SEVEN HUNDRED AND SEVENTY-ONE (\$982,771).

1. Acceleration on Default

Upon default in the payment of any principal or interest due hereunder, or if the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy, the entire unpaid Principal Amount owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

2. Ranking of this Note

This Note shall rank in all respects as to the payment of principal and interest hereunder in priority to the promissory notes issued by the Corporation to the Corporation of the City of Pickering, to the Corporation of the Municipality of Clarington and to the Corporation of the City of Belleville described in Schedule "A" hereto.

3. Revisions and Replacement

At the sole option of the Holder, the Maturity Date and any of the terms of this note may be revised, changed or restated by the Holder following consultation with the Corporation. If this Note is revised, changed or restated, the Corporation may cancel and replace this Note in which case, the Holder shall forthwith surrender this Note for cancellation.

4. Note Non-Negotiable and Non-assignable.

The Note shall be non-negotiable and non-assignable.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 1st day of June, 2007.

VERIDIAN CONNECTIONS INC.

Per: 

Name: Glenn Rainbird

Title: Chair

Per: 

Name: Michael Angemeer

Title: President and CEO

::ODMA\PCDOCS\TOR01\3622118\3

FIRST AMENDED AND RESTATED TERM PROMISSORY NOTE

Maturity Date: December 17, 2039
Principal Amount: \$21,000,000.00

This note amends and restates the terms of repayment of, and does not extinguish the debt created pursuant to, the Term Promissory Note (the "**Predecessor Note**") issued by Veridian Connections Inc. (the "**Corporation**") to Veridian Corporation (the "**Holder**") on December 17, 2009 for the Principal Amount.

FOR VALUE RECEIVED, the Corporation, hereby promises to pay to or to the order of the Holder, in lawful money of Canada, at the principal office of the Holder, the principal amount of TWENTY-ONE MILLION dollars (\$21,000,000) (the "**Principal Amount**") together with interest on the unpaid Principal Amount and the *Principal* in equal instalments of SEVEN HUNDRED THOUSAND dollars (\$700,000) each from December 17, 2010 and including December 17, 2039.

1. Interest Rate

Interest on the Principal Amount shall be calculated annually, not in advance, for the following periods:

- (a) from December 17, 2009 until April 30, 2010, at a rate per annum equal to 7.62% which rate represents the Ontario Energy Board ("**OEB**") deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the First Period ("**First Interest Rate**");
- (b) from May 1, 2010 to December 31, 2014 (the "**Second Period**"), at a rate per annum equal to 5.57%, which rate represents the OEB's deemed long-term debt rate as set forth on an annual basis in the OEB's Cost of Capital Parameter Updates for Cost of Service Applications, or as the deemed long-term debt rate may otherwise be established by the OEB during the Second Period, less 30 basis points ("**Second Interest Rate**"); and
- (c) for the five year period commencing January 1, 2015 until December 31, 2019 (the "**Third Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Third Period, less 30 basis points ("**Third Interest Rate**").
- (d) for the five year period commencing January 1, 2020 until December 31, 2024 (the "**Fourth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Fourth Period, less 30 basis points ("**Fourth Interest Rate**").
- (e) for the five year period commencing January 1, 2025 until December 31, 2029 (the "**Fifth Period**"), the OEB's deemed long-term debt rate established by the

OEB closest in time to the start of the Fifth Period, less 30 basis points ("**Fifth Interest Rate**").

- (f) for the five year period commencing January 1, 2030 until December 31, 2034 (the "**Sixth Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Sixth Period, less 30 basis points ("**Sixth Interest Rate**").
- (g) for the five year period commencing January 1, 2035 until the Maturity Date (the "**Seventh Period**"), the OEB's deemed long-term debt rate established by the OEB closest in time to the start of the Seventh Period, less 30 basis points ("**Seventh Interest Rate**").

Interest for the First Period at the First Interest Rate shall be due and payable on May 1, 2010.

Interest for the Second Period at the Second Interest Rate shall be due and payable on January 1st of each year from January 1, 2011 to and including January 1, 2015.

Interest for the Third Period at the Third Interest Rate shall be due and payable on January 1st of each year from January 1, 2016 to and including January 1, 2019.

Interest for the Fourth Period at the Fourth Interest Rate shall be due and payable on January 1st of each year from January 1, 2020 to and including January 1, 2024.

Interest for the Fifth Period at the Fifth Interest Rate shall be due and payable on January 1st of each year from January 1, 2025 to and including January 1, 2029.

Interest for the Sixth Period at the Sixth Interest Rate shall be due and payable on January 1st of each year from January 1, 2030 to and including January 1, 2034.

Interest for the Seventh Period at the Seventh Interest Rate shall be due and payable on January 1st of each year from January 1, 2035 to and including the Maturity Date.

2. Acceleration on Default

Upon the occurrence of the following defaults:

- (a) the failure to make payment when due of any principal or interest due hereunder;
- (b) the undersigned shall become insolvent or bankrupt or make a proposal in bankruptcy;
- (c) the undersigned breaches the terms of its operating licenses or if a license is materially amended, cancelled, suspended or revoked or if the undersigned receives notice from the Ontario Energy Board of default under such licenses;

- (d) the undersigned ceases or threatens to cease to carry on its business as a regulated electricity distributor or any substantial part thereof;
- (e) the undersigned fails to adhere to the Affiliate Relationship Code restrictions set by the Ontario Energy Board, as applicable;
- (f) the undersigned fails to file its Ontario Energy Board rate submissions as outlined in its annual business plan forecast;

the entire unpaid indebtedness owing by the undersigned to the Holder evidenced hereby and all interest accrued thereon to the date of payment shall forthwith become due and payable upon demand by the Holder subject to any subordination and postponement to any other financial institution or lender.

3. Ranking of this Note

This note shall rank equally in all respects as to the payment of principal and interest hereunder with the promissory notes issued to the Corporation of the City of Pickering, to the Corporation of the Town of Ajax, to the Corporation of the Municipality of Clarington and to the Corporation of the City of Belleville (collectively the "**Municipalities**") described in Schedule "A" hereto (together the "**Other Notes**").

4. Note Non-negotiable and Non-assignable


The Note shall be non-negotiable and non-assignable. Notwithstanding the foregoing, the Note may be assigned by the Holder to a financial institution or lender as security for its obligations to such financial institution or lender.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF Veridian Connections Inc. has caused this Note to be signed under its corporate seal by its duly authorized officers as of this 30th day of March, 2010.


VERIDIAN CONNECTIONS INC.

Per: _____


Name: Glenn Rainbird

Title: Chair

Per: _____


Name: Michael Angemeer

Title: President and CEO

SCHEDULE "A"

1. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Municipality of Clarington in the principal amount of \$5,966,000 and dated March 30th, 2010.
2. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Pickering in the principal amount of \$17,974,000 and dated March 30th, 2010.
3. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the City of Belleville in the principal amount of \$5,588,000 and dated March 30th, 2010.
4. Fourth Amended and Restated Term Promissory Note issued by Veridian Connections Inc. to the Corporation of the Town of Ajax in the principal amount of \$14,060,000 and dated March 30th, 2010.
5. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Municipality of Clarington in the principal amount of \$2,355,000 and dated October 31, 2009.
6. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Belleville in the principal amount of \$2,206,000 and dated October 31, 2009.
7. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the Town of Ajax in the principal amount of \$5,550,000 and dated October 31, 2009.
8. Third Amended and Restated Term Promissory Note issued by Veridian Corporation to the Corporation of the City of Pickering in the principal amount of \$7,095,000 and dated October 31, 2009.