

# LakelandPower

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February 21, 2014

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

**Re: Responses to Board Staff Interrogatories  
Application by Lakeland Power Distribution Ltd. and Parry Sound Power  
Corporation for an Order of the Board granting leave to Amalgamate and  
related matters  
Board File Numbers: EB-2013-0427 and EB-2013-0428**

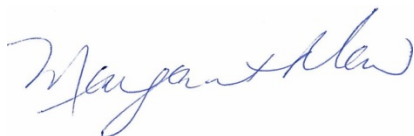
Dear Ms. K. Walli:

In accordance with Procedural Order No. 2, please find attached the applicants's responses to Board staff's interrogatories respecting the above referenced application.

As per the Board's requirements, 2 copies of the Application are enclosed via mail and a pdf version will be submitted via email to Board Secretary.

Should there be any questions, please contact me at the number above.

Respectfully Submitted,



Margaret Maw  
Chief Financial Officer  
Lakeland Power Distribution Ltd.

# **Responses to Board Staff Interrogatories**

**APPLICATION BY LAKELAND POWER DISTRIBUTION LTD AND PARRY  
SOUND POWER CORPORATION FOR LEAVE TO AMALGAMATE AND  
RELATED MATTERS**

**EB-2013-0427/ EB-2013-0428**

**February 21, 2014**

## INTERROGATORY NO. 1

**Reference:** Application Summary, Page 5:

The projected net synergy savings are expected to be in excess of \$300 K annually.

### Interrogatories:

1.1. Please provide the assumptions, analysis and calculations used to arrive at the \$300 K amount.

**Response:** *The table below indicates the original costs associated with the respective expenditure type and expected percentage of savings. The final column indicates the true annual savings once all one-time charges and penalties have been completed.*

Description	Annual Cost	% Savings	Year 1 - Annual Savings	Year 2 - Annual Savings
Staff reduction - retirement	\$ 100,000	100%	\$ 100,000	\$ 100,000
Billing System consolidation	\$ 50,000	75%	\$ 37,500	\$ 37,500
Cancellation of 3rd party billing system - bring in house		100%	-\$ 160,000	\$ -
Rate application process - consolidated	\$ 40,000	75%	\$ 30,000	\$ 30,000
RFP process for tree trimming/outside services	\$ 20,000	50%	\$ 10,000	\$ 10,000
Reduction of audit fees	\$ 15,000	75%	\$ 11,250	\$ 11,250
Sync operator/Smart Meter billing - bring in house	\$ 10,000	100%	\$ 10,000	\$ 10,000
Cancellation of 3rd party sync operator/SM data		100%	-\$ 10,000	\$ -
IT support and computer systems - bring in house	\$ 85,000	50%	\$ 42,500	\$ 42,500
Cancellation of current 3rd party IT support		100%	-\$ 10,000	\$ -
Improved purchasing rates	\$ 200,000	10%	\$ 20,000	\$ 20,000
Renegotiate 3rd party interest rate	\$ 175,000	45%	\$ 78,750	\$ 78,750
Combined training sessions	\$ 5,000	100%	\$ 5,000	\$ 5,000
Reduce number of Directors	\$ 15,000	60%	\$ 9,000	\$ 9,000
Legal/consulting for merger - one time charge		100%	-\$ 100,000	\$ -
<b>Total</b>			<b>\$ 74,000</b>	<b>\$ 354,000</b>

## INTERROGATORY NO. 2

**Reference:** MAAD Application, Section 1.6.7, Page 30:

The incremental costs that the parties expect to incur are consulting due diligence and legal costs surrounding the agreement preparations and transition. In addition, penalties to cancel existing outsourcing contracts will also be incurred. As all employees will be retained, severance costs will not be incurred. It is expected that the systems currently in place at LPDL will be sufficient to incorporate the PSPC operations. In the long term, because fixed costs of operations will be spread over a wider customer base, distribution customers should see a small price benefit. In total, the parties estimate that they will incur a one-time transition cost of \$280 K equivalent to a year of synergy savings. These costs will be financed through productivity gains.

- Legal/consulting/MAAD/tax \$100 K
- IT transition costs \$180 K

### Interrogatories:

- 4.1. Please identify the existing outsourcing contracts that will be canceled as a result of the proposed amalgamation along with the associated cancellation penalty amount and confirm whether the penalty amount is included in the projected cost of \$280 K.

**Response:** *The table in the response to 1.1 outlines the savings and corresponding one-time costs that are expected to be incurred through the first year. There are three contracts that will be cancelled with a total penalty of \$180 K. These have been included in the projected cost of \$280 K.*

4.2. Please identify any factors that may affect the achievement of the expected efficiencies and the recovery of costs associated with the proposed transaction in the timeline projected.

**Response:** *The applicants feel that the expected efficiencies and recovery of costs are highly achievable and believe that any factors that may affect the achievement are minimal in nature, \$63 K. Possible factors:*

- *billing process may incur more maintenance and human interface*
- *rate application process may take more consulting time*
- *lower tree trimming costs may not be attainable from current area contractors*
- *audit expense may be larger due to increased size and complexity of companies*
- *Smart meter data validation and transmission process may require an additional part time staff member*
- *Database size may require more/larger servers as well as increased data transmission speed and additional IT support*
- *10% price improvement on inventory purchases may not be available for all stock items*
- *Training cost reduction may not be possible with increased class size*

Lakeland Power Distribution Ltd. and Parry Sound Power Corporation

Description	Year 1 - Annual Savings	% Risk of not achieving	Impact on Savings Year 1	Impact on Savings Year 2
Staff reduction - retirement	\$ 100,000	0%	\$ -	\$ -
Billing System consolidation	\$ 37,500	25%	-\$ 9,375	-\$ 9,375
Cancellation of 3rd party billing system - bring in house	-\$ 160,000	0%	\$ -	\$ -
Rate application process - consolidated	\$ 30,000	50%	-\$ 15,000	-\$ 15,000
RFP process for tree trimming/outside services	\$ 10,000	50%	-\$ 5,000	-\$ 5,000
Reduction of audit fees	\$ 11,250	50%	-\$ 5,625	-\$ 5,625
Sync operator/Smart Meter billing - bring in house	\$ 10,000	50%	-\$ 5,000	-\$ 5,000
Cancellation of 3rd party sync operator/SM data	-\$ 10,000	0%	\$ -	\$ -
IT support and computer systems - bring in house	\$ 42,500	25%	-\$ 10,625	-\$ 10,625
Cancellation of current 3rd party IT support	-\$ 10,000	0%	\$ -	\$ -
Improved purchasing rates	\$ 20,000	50%	-\$ 10,000	-\$ 10,000
Renegotiate 3rd party interest rate	\$ 78,750	0%	\$ -	\$ -
Combined training sessions	\$ 5,000	50%	-\$ 2,500	-\$ 2,500
Reduce number of Directors	\$ 9,000	0%	\$ -	\$ -
Legal/consulting for merger - one time charge	-\$ 100,000	0%	\$ -	\$ -
<b>Total</b>			<b>-\$ 63,125</b>	<b>-\$ 63,125</b>

### INTERROGATORY NO. 3

**Reference:** Application Summary, Page 2:

The closing date of the Proposed Transaction is the day following the approval of this application by the Board. If the Board grants leave to LPDL and PSPC to amalgamate, upon closing of the Proposed Transaction, PSPC requests, pursuant to section 77(5) of the Act, that its electricity distribution licence be cancelled. LPDL has requested, under section 74 of the Act, that its distribution licence be amended to include in its service area the area currently served by PSPC.

#### **Interrogatories:**

5.1. Please confirm that, if the Board grants the requested relief, LPDL's amended licence should reflect the following Conservation and Demand Management Targets:

- (a) 2014 Net Annual Peak Demand Savings Target of 3.06 MW; and
- (b) 2011-2014 Net Cumulative Energy Savings Target of 14.34 GWh.

**Response:** *The applicants confirm that the amended license should reflect the CDM targets as listed above.*

## INTERROGATORY NO. 4

**Reference:** Application Summary, Page 27:

As a result of the due diligence process, a number of capital projects in the PSPC were identified as being a priority for system integrity and safety. These were addressed in PSPC asset management plan and will be undertaken by MergeCo as early as possible in 2014. All other capital plans filed in LPDL's asset management plan through its 2013 CoS filing will also be completed.

### **Interrogatories:**

6.1. Please indicate whether any material project by LPDL or PSPC will be affected by the proposed amalgamation. If so, please provide details.

**Response:** *There are currently no projects that will be adversely affected by the proposed amalgamation. The applicants expect that a number of projects will be done earlier than originally planned due to the efficiency gains from the amalgamation.*



## INTERROGATORY NO. 5

**Reference:** Exhibit 9, Draft Merger Participation Agreement between, Lakeland Holding Ltd and Parry Sound Hydro Corporation , section 4.3(1)(c):

### 4.3 Mutual Conditions

(1) The obligations of each of the Parties to complete the Amalgamations shall be subject to the fulfilment of all of the following conditions on or before the Closing Date:

(c) the OEB shall have approved the Amalgamations in accordance with the MAAD Application **and as may be required pursuant to Section 80 of the OEB Act** (emphases added by Board staff) provided that no terms or conditions required by the OEB in connection therewith shall have a Material Adverse Effect on either Lakeland HoldCo or Parry Sound HoldCo or Merged HoldCo;

**Reference:** Section 80 of the *Ontario Energy Board Act, 1998*

80. No transmitter or distributor or affiliate of a transmitter or distributor shall acquire an interest in a generation facility in Ontario, construct a generation facility in Ontario or purchase shares of a corporation that owns a generation facility in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

- (a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
- (b) has approved the proposal under section 82. 1998, c. 15, Sched. B, s. 80.

**Reference:** Section 81 of the *Ontario Energy Board Act, 1998*

81. No generator or affiliate of a generator shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

- (a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
- (b) has approved the proposal under section 82. 1998, c. 15, Sched. B, s. 81.

## Interrogatories:

5.1. Please indicate whether a notice under section 80/81 of the *Ontario Energy Board Act, 1998* will be filed with the Board as contemplated in the Draft Merger Participation Agreement. If the answer is no, please provide an explanation.

**Response:** *The applicants will be submitting a separate application for a Notice of Proposal under Sections 80 and 81 of the Ontario Energy Board Act, 1998 as all companies are considered affiliates to the distribution company.*

*Currently the organizational structure has the generation company as a subsidiary of the Holding company. It was anticipated that the two generation companies would merge and remain separate from the distribution company. In other words, no structural change from the current. Under a separate application, the applicants would be seeking a license amendment to have the facilities under EG-2003-0128 be added to EG-2003-0120 and to have EG-2003-0128 cancelled.*

## INTERROGATORY NO. 6

**Reference:** Exhibit 9, Draft Merger Participation Agreement between, Lakeland Holding Ltd and Parry Sound Hydro Corporation.

### **Interrogatories:**

5.2. Please indicate whether the Merger Participation Agreement referenced above (including schedules) has been finalized. If so, please provide the final version.

**Response:** *The above referenced Merger Participation Agreement has been finalized and is attached in Exhibit A*

# Exhibit A

## Merger Participation Agreement

### Final Signed version

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**MERGER PARTICIPATION AGREEMENT**

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December 16<sup>th</sup>, 2013

**LAKELAND HOLDING LTD.**

- and -

**PARRY SOUND HYDRO CORPORATION**

**BORDEN LADNER GERVAIS LLP**

Barristers & Solicitors

Scotia Plaza

40 King Street West

Toronto, Ontario

M5H 3Y4

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Parry Sound – Unusual Transactions

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**MERGER PARTICIPATION AGREEMENT**

**THIS AGREEMENT** made as of the ● day of [January], 2014,

**BETWEEN:**

**LAKELAND HOLDING LTD.**, a corporation existing  
under the laws of Ontario

(“**Lakeland HoldCo**”)

- and -

**PARRY SOUND HYDRO CORPORATION**, a  
corporation existing under the laws of Ontario

(“**Parry Sound HoldCo**”)

**RECITALS:**

- (a) Each Lakeland Subsidiary was incorporated by Bracebridge, Burk’s Falls, Huntsville, Magnetawan and Sundridge pursuant to Section 142 of the *Electricity Act* for the purpose of distributing electricity and delivering electricity generation and other energy services to the residents of Bracebridge, Burk’s Falls, Huntsville, Magnetawan and Sundridge.
- (b) Each Parry Sound Subsidiary was incorporated by Parry Sound pursuant to Section 142 of the *Electricity Act* for the purpose of distributing electricity and delivering electricity generation and other energy services to the residents of Parry Sound.
- (c) All of the issued and outstanding shares of each Lakeland Subsidiary are owned by Lakeland HoldCo and all of the issued and outstanding shares of Lakeland HoldCo are owned by Bracebridge, Burk’s Falls, Huntsville, Magnetawan and Sundridge.
- (d) All of the issued and outstanding shares of each Parry Sound Subsidiary are owned by Parry Sound HoldCo and all of the issued and outstanding shares of Parry Sound HoldCo are owned by Parry Sound.
- (e) Lakeland HoldCo and Parry Sound HoldCo wish to amalgamate their respective subsidiaries as follows:
  - (i) Lakeland WiresCo and Parry Sound WiresCo upon the terms and conditions set out in this Agreement in order to form a new merged electricity distribution company to serve the residents of Bracebridge, Burk’s Falls, Huntsville, Magnetawan, Sundridge and Parry Sound (the “**WiresCo Amalgamation**”);

- (ii) Lakeland GenCo and Parry Sound GenCo upon the terms and conditions set out in this Agreement in order to form a new merged electricity generation company (the “**GenCo Amalgamation**”); and
- (iii) Lakeland HoldCo and Parry Sound HoldCo upon the terms and conditions set out in this Agreement in order to form a new merged holding company to hold the new merged subsidiaries referred to in paragraphs (e)(i); and (e)(ii) (the “**HoldCo Amalgamation**”).

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the respective covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Defined Terms**

All capitalized terms used in the recitals hereto and this Agreement (including the Schedules hereto) and not defined therein shall have the following meanings:

**"Accounts Receivable"** means accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing due to Lakeland WiresCo or Parry Sound WiresCo, as applicable, and the full benefit of any related security;

**"Affiliate"** has the meaning set forth in the OBCA.

**"Affiliate Relationships Code"** means the Affiliate Relationships Code for Electricity Distributors and Transmitters issued by the OEB as revised from time to time;

**"Agreement"** means this Agreement and all Schedules hereto, as amended, supplemented, restated or replaced from time to time in accordance with this Agreement;

**"Amalgamations"** means the HoldCo Amalgamation, WiresCo Amalgamation and GenCo Amalgamation and “**Amalgamation**” means any one of them as the context may require;

**"Amalgamation Agreement"** means any one of the HoldCo Amalgamation Agreement, WiresCo Amalgamation Agreement or GenCo Amalgamation Agreement as the context may require;

**"Amalgamation Effective Date"** means the date upon which the HoldCo Amalgamation shall become effective which shall be the date that is five (5) Business Days following the Closing Date or such earlier or later date as may be agreed in writing by the Parties provided that such date will be after the Closing Date;

**"Amalgamation Effective Time"** means 12:01 a.m. on the Amalgamation Effective Date;

**"Applicable Law"** means, collectively, all applicable federal, provincial and municipal laws, statutes, ordinances, decrees, rules, regulations, by-laws, legally enforceable policies, codes, or guidelines, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, directives, rulings or awards, and conditions of any grant of approval, permission, certification, consent, registration, authority or licence by any statutory body, self-regulatory authority, stock exchange or other Governmental Authority, including all Employment Law and Environmental Law;

**"Arm's Length"** has the same meaning as for the purposes of the Tax Act;

**"Associate"** has the meaning set forth under the OBCA;

**"Books and Records"** means all books, records, files and papers of Lakeland HoldCo and Lakeland Subsidiaries and Parry Sound HoldCo and Parry Sound Subsidiaries, as applicable, including computer programs (including source codes and software programs), computer manuals, computer data, financial and Tax working papers, financial and Tax books and records, business reports, business plans and projections, sales and advertising materials, sales and purchases records and correspondence, trade association files, research and development records, lists of present and former customers and suppliers, personnel and employment records, minute and share certificate books, and all copies and recordings of the foregoing;

**"Bracebridge"** means The Corporation of the Town of Bracebridge, a municipal corporation existing under the laws of Ontario;

**"Burk's Falls"** means The Corporation of the Village of Burk's Falls, a municipal corporation existing under the laws of Ontario;

**"Business Day"** means any day other than a day which is a Saturday, a Sunday or a statutory holiday in the Province of Ontario;

**"Claim"** means:

- (a) any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative;
- (b) any other proceeding; or
- (c) any appeal or application for review;

at law or in equity or before or by any Governmental Authority;

**"Closing"** means the delivery of all documents and instruments required to effect the completion of the Amalgamations and of the other transactions and entering into of the documents and agreements referred to herein;

**"Closing Date"** means a date (which shall be a Business Day) not later than thirty (30) days following the date that the approval of the OEB pursuant to Section 4.3(1)(c) has been obtained as may be agreed upon in writing by the Parties;

**"Closing Time"** means the time of the Closing which shall be 10:00 am on the Closing Date or such other time on the Closing Date as may be agreed to by the Parties;

**"Commissioner"** means the Commissioner of Competition appointed under the Competition Act;

**"Competition Act"** means the *Competition Act* (Canada);

**"Confidentiality Agreement"** means the non-disclosure agreement dated November 1, 2012 between Parry Sound HoldCo and Lakeland HoldCo;

**"Constating Documents"** means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, by-laws and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar Contracts, arrangements and understandings, all as amended, supplemented, restated and replaced from time to time;

**"Contract"** means, in respect of a particular Person, any contract, note, bond, mortgage, agreement, indenture, lease, agreement to lease, licence, personal property lease, commitment, understanding, instrument, option or any other instrument, document or obligation, oral or written, to which such Person is a party or whereby such Person's assets may be bound;

**"Control"** with respect to the relationship with a Person, means:

- (1) if that Person is a corporation, the holding (other than by way of security) of securities of that Person to which are attached more than 50% of the votes that may be cast for the election of directors and those votes are sufficient, if exercised, to elect a majority of the board of directors; or
- (a) the right, directly or indirectly, to direct or cause the direction of the management of the affairs of that Person, whether by ownership of Equity Interests, by Contract or otherwise; and

the term **"Controlled by"** has a corresponding meaning; provided that a Person (the **"first-mentioned Person"**) who Controls a corporation, partnership, limited partnership or joint venture (the **"second-mentioned Person"**) shall be deemed to Control a corporation, partnership, limited partnership or joint venture which is Controlled by the second-mentioned Person and so on;

"**CRA**" means the Canada Revenue Agency;

"**CUPE**" means the Canadian Union of Public Employees;

"**Direct Claim**" has the meaning set forth in Section 7.2(9);

"**Disputes**" has the meaning set forth in Section 8.2(f);

"**Electricity Act**" means the *Electricity Act, 1998* (Ontario) and the regulations thereto, as amended;

"**Employment Law**" means the Employment Standards Act, 2000 (Ontario), the Labour Relations Act, 1995 (Ontario), the Pay Equity Act (Ontario), the Occupational Health and Safety Act (Ontario), the Human Rights Code (Ontario) and the Workplace Safety and Insurance Act, 1997 (Ontario) and any other applicable statute as it relates to employment matters;

"**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, option, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing;

"**Environment**" means the ambient air, all layers of the atmosphere, surface water, underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matter and living organisms;

"**Environmental Law**" means all applicable statutes, regulations, ordinances, by-laws, Environmental Permits, orders, decisions and rules and any legally enforceable policies, codes or guidelines of a Governmental Authority (whether federal, provincial or municipal) relating to the Environment or the Release, use, transport, disposal or handling of Hazardous Substances, including without limitation the *Environmental Protection Act*, (Ontario), *Canadian Environmental Assessment Act*, *Canadian Environmental Protection Act*, *Dangerous Goods Transportation Act* (Ontario), *Energy Competition Act* (Ontario), *Environmental Bill of Rights* (Ontario), *Fisheries Act* (Canada), *Technical Standards and Safety Act* (Ontario), *Ontario Water Resources Act*, *Pest Control Products Act* (Canada), *Pesticides Act* (Ontario), *Transportation of Dangerous Goods Act* (Canada) and any applicable municipal noise or sewer use by-law;

"**Environmental Permit**" means any Permit required pursuant to Environmental Law;

"**Fixtures**" means fixtures, plants, buildings, structures, erections, improvements, fixtures, machinery, equipment, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, equipment, material, poles, pipelines, fittings and any other similar or related item;

**“GenCo Amalgamation”** has the meaning set forth in Recital (e)(ii);

**"GenCo Amalgamation Agreement"** has the meaning set forth in Section 2.2;

**"Good Utility Practices"** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, as applied to electricity distribution facilities of similar design, size and capacity to the facilities of Lakeland WiresCo or Parry Sound WiresCo, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety and expedition. Good utility practices is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

**"Governmental Authority"** means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or quasi-governmental or regulatory agency, authority, board, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the OEB, the OPA, the Electrical Safety Authority and the Independent Electricity Market Operator of Ontario;

**"Government Filings"** has the meaning set forth in Section 5.2(17);

**"GST/HST"** means all taxes payable under Part IX of the *Excise Tax Act* (including where applicable both the federal and provincial portion of those taxes) or under any provincial legislation imposing a similar value added or multi-staged tax.

**"Hazardous Substance"** means:

- (1) any petrochemical or petroleum product, oil or coal ash, mercury, radioactive material, radon gas, asbestos in any form that is friable, urea formaldehyde foam insulation or substance that contains or may contain PCBs;
- (b) any chemical, material or substance defined as or included in the definition of "hazardous substance", "hazardous waste", "hazardous material", "hazardous constituent", "restricted hazardous material", "extremely hazardous substance", "toxic substance", "deleterious substance", "contaminant", "pollutant", "toxic pollutant" or words of similar meaning and regulatory effect under any applicable Environmental Law; and
- (c) any other material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

**“HoldCo Amalgamation”** has the meaning set forth in Recital (e)(iii);

**"HoldCo Amalgamation Agreement"** has the meaning set forth in Section 2.2;

**"HoldCo Board"** has the meaning set forth in Section 2.3;

**"Huntsville"** means The Corporation of the Town of Huntsville, a municipal corporation existing under the laws of Ontario;

**"Includes"** means "includes, without limitation" and **"including"** means "including without limitation";

**"Income Tax"** means any federal, provincial, territorial or municipal tax (i) imposed or based upon, measured by or calculated with respect to net income, income as specially defined, earnings, gross or net profits or selected items of income, earnings or profits (including capital gains taxes and minimum taxes); or (ii) based upon, measured by or calculated with respect to multiple bases (including corporate franchise taxes) if one or more of the bases on which such tax may be based, measured by or calculated with respect to, is described in (i), in each case together with any interest, penalties or additions to such tax;

**"Indemnitee"** means any Lakeland Indemnitee or Parry Sound Indemnitee;

**"Indemnifiable Losses"** has the meaning set forth in Section 7.1;

**"Indemnifying Party"** has the meaning set forth in Section 7.1(5);

**"Insolvency Official"** means an administrator, trustee in bankruptcy, liquidator, receiver, administrative receiver, receiver-manager or other official or Person with similar or equivalent powers;

**"Intellectual Property"** means all intellectual property of whatever nature and kind, including patents and patent applications, trademarks and trademark applications, trade names, trading styles, domain names, certification marks, industrial designs and copyrights (whether registered or unregistered and all applications for registration thereof), computer software, information technology, inventions, works, designs, formulae, processes, procedures, know-how, trade secrets, industrial designs and plans, engineering designs and plans, blueprints and as-built plans and specifications, training, operating, safety, maintenance and any other manuals, documentation of procedures and processes, design, user and maintenance information and service records and warranty records;

**"Interim Period"** means the period from and including the date of this Agreement to and including the Closing Date or the earlier termination date of this Agreement;

**"Knowledge of Lakeland HoldCo"** or **"Knowledge"** when referring to Lakeland HoldCo means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Lakeland HoldCo; after due enquiry of the officers and employees of Lakeland HoldCo and as applicable Lakeland WiresCo having knowledge of or responsibility for the matter, which is the subject of the enquiry;

**"Knowledge of Parry Sound HoldCo" or "Knowledge"** when referring to Parry Sound HoldCo means the actual knowledge of the Chief Executive Officer and Chief Financial Officer of Parry Sound HoldCo; after due enquiry of the officers and employees of Parry Sound HoldCo and as applicable Parry Sound WiresCo having knowledge of or responsibility for the matter, which is the subject of the enquiry;

**"Lakeland Business"** means the electricity distribution, generation and services businesses and the provision of other ancillary services carried on by the Lakeland Subsidiaries;

**"Lakeland Easements"** means all of the following real property interests enjoyed or used by or for the benefit of the Lakeland Business: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, transverse, enjoy or have access to, over, in or under any real property, whether public or private; and (iii) all permits, licences and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing;

**"Lakeland Employee Plans"** has the meaning set forth in Section 5.2(30)(a);

**"Lakeland Employees"** means all full time and part time, union and non-union employees and contract employees of the Lakeland Subsidiaries;

**"Lakeland Encumbrances"** has the meaning set forth in Section 5.2(9)(f);

**"Lakeland Environmental Permits"** has the meaning set forth in Section 5.2(29)(b);

**"Lakeland Equipment Leases"** means the leases and agreements to lease under which a Lakeland Subsidiary leases any personal property;

**"Lakeland GenCo"** means Bracebridge Generation Ltd.;

**"Lakeland HoldCo"** has the meaning set forth in the preamble;

**"Lakeland Indemnitee"** has the meaning set forth in Section 7.1(3);

**"Lakeland Insurance Policies"** has the meaning set forth in Section 5.2(14);

**"Lakeland Leased Property"** means all leasehold interests in real property held by the Lakeland Subsidiaries;

**"Lakeland Permits"** has the meaning set forth in Section 5.2(18);

**"Lakeland Real Property"** means all real property (excluding Lakeland Leased Property and Lakeland Easements) that is owned by the Lakeland Subsidiaries;

**"Lakeland ServicesCo"** means Lakeland Energy Ltd.;



“**Lakeland Shareholders**” means Bracebridge, Burk’s Falls, Huntsville, Magnetawan and Sundridge, and “**Lakeland Shareholder**” means any one of them.

“**Lakeland Shareholders Agreement**” means the shareholders agreement between Bracebridge, Burk’s Falls, Huntsville, Magnetawan, Sundridge, and the Lakeland Subsidiaries dated September 1, 2000;

“**Lakeland Subsidiaries**” means Lakeland GenCo, Lakeland ServicesCo and Lakeland WiresCo, and “**Lakeland Subsidiary**” means any one of them;

"**Lakeland Third Party Consents**" means the Third Party Consents listed in Schedule 5.2(27);

"**Lakeland WiresCo Financial Statements**" means the 2012 audited financial statements of Lakeland WiresCo;

“**Lakeland WiresCo**” means Lakeland Power Distribution Ltd.;

"**Loss**" includes any and all damages, costs, charges, liabilities, awards, fines, fees, penalties, assessments, reassessments, claims, judgments, deficiencies, losses and expenses (including all remediation costs, fees of lawyers, accountants and other professionals and experts, or other expenses of litigation or proceedings or of any claim, default or assessment and interest thereon);

"**MAAD Application**" has the meaning set forth in Section 6.3(4);

“**Magnetawan**” means The Corporation of the Municipality of Magnetawan, a municipal corporation existing under the laws of Ontario;

"**Material**" means of such a nature or amount as would reasonably be expected to influence or change a decision relating to the business or operations of that Person, and "**Materially**" has a corresponding meaning;

"**Material Adverse Change**" or "**Material Adverse Effect**" with respect to any Person means any change or effect that:

- (a) individually or when taken together with all other changes or effects that have occurred during any relevant period of time before the determination of the occurrence of that change or effect is or is reasonably likely to be Materially adverse to the business, operations, assets, liabilities, capital, prospects, condition (financial or otherwise) or results of operation of that Person; or
- (b) Materially adversely affects the ability of that Person to conduct its business after the Closing Date substantially as its business has been conducted to the date of this Agreement;

"**Material Contract**" means any Contract in respect of the Lakeland Business or the Parry Sound WiresCo Business, as applicable, which expires or may expire, if the same is

not renewed or extended at the unilateral option of any other Person, more than two (2) years after the date of this Agreement, and which requires payment (including contingent payments) of more than \$250,000 in aggregate during the term thereof; or any other Contract, the termination of which would result in a Material Adverse Effect on Lakeland WiresCo or Parry Sound WiresCo, as applicable;

**"Merged GenCo"** has the meaning set forth in Section 2.1(2);

**"Merged HoldCo"** has the meaning set forth in Section 2.1(2);

**"Merged HoldCo Shareholders Agreement"** means the shareholders agreement to be entered into by Bracebridge, Burk's Falls, Huntsville, Magnetawan, Sundridge, Parry Sound and Merged HoldCo on Closing to take effect as of the Amalgamation Effective Time substantially in the form attached as Schedule 1.1 (a);

**"Merged WiresCo"** has the meaning set forth in Section 2.1(2);

**"MOF"** means the Ontario Ministry of Finance;

**"MOU"** means the Memorandum of Understanding dated January 31, 2013 between Lakeland HoldCo and Parry Sound Holdco relating to the proposed Amalgamations;

**"OBCA"** means the *Business Corporations Act* (Ontario) and the regulations thereto, as amended;

**"OEB"** means the Ontario Energy Board or any successor thereto;

**"OEB Act"** means the *Ontario Energy Board Act, 1998* (Ontario) and the regulations thereto, as amended;

**"OMERS"** means the Ontario Municipal Employees Retirement System;

**"OMERS Board"** means the Ontario Municipal Employees Retirement System Board;

**"OPA"** means the Ontario Power Authority and any successor thereto;

**"Ordinary Course"** means, with respect to an action taken by a Person, that the action is consistent with the past practices of the Person and is taken in the normal day-to-day operations of the Person;

**"Parry Sound"** means The Corporation of the Town of Parry Sound, a municipal corporation existing under the laws of Ontario;

**"Parry Sound Business"** means the electricity distribution businesses carried on by Parry Sound WiresCo and the provision of ancillary services;

**"Parry Sound Easements"** means all of the following real property interests enjoyed or used by or for the benefit of the Parry Sound Business: (i) all easements and rights of way, registered and unregistered; (ii) the right to use, transverse, enjoy or have access to,

over, in or under any real property, whether public or private; and (iii) all permits, licences and permissions received, used or enjoyed in respect of any of the foregoing and any right or benefit in the nature or character of any of the foregoing;

**"Parry Sound Employee Plans"** has the meaning set forth in Section 5.4(30)(a);

**"Parry Sound Employees"** means all full time and part time, union and non-union employees and contract employees of Parry Sound WiresCo and includes the Designated Parry Sound HoldCo Employees;

**"Parry Sound Encumbrances"** has the meaning set forth in Section 5.4(9)(f);

**"Parry Sound Environmental Permits"** has the meaning set forth in Section 5.4(29)(b);

**"Parry Sound Equipment Leases"** means the leases and the agreements to lease under which Parry Sound WiresCo leases any personal property and described in 5.4(13);

**"Parry Sound GenCo"** means Parry Sound Powergen Corporation;

**"Parry Sound GenCo Amalgamation"** has the meaning set forth in Recital e(iii);

**"Parry Sound HoldCo"** has the meaning set forth in the preamble;

**"Parry Sound Indemnitee"** has the meaning set forth in Section 7.1(1);

**"Parry Sound Insurance Policies"** has the meaning set forth in Section 5.4(16);

**"Parry Sound Leased Property"** means all leasehold interests in real property held by Parry Sound WiresCo;

**"Parry Sound Permits"** has the meaning set forth in Section 5.4(18);

**"Parry Sound Promissory Note"** means the promissory note in the outstanding principal amount of \$3,968 million issued by Parry Sound WiresCo to Parry Sound HoldCo;

**"Parry Sound Subsidiaries"** means any one of Parry Sound WiresCo and Parry Sound GenCo, and **"Parry Sound Subsidiary"** means any one of them.

**"Parry Sound Real Property"** means all real property (excluding Parry Sound Leased Property and Parry Sound Easements) that is owned by Parry Sound WiresCo;

**"Parry Sound Third Party Consents"** means the Third Party Consents listed in Schedule 5.4(37);

**"Parry Sound WiresCo"** means Parry Sound Power Corporation;

**"Parties"** means the parties to this Agreement, and **"Party"** means any one of them;

**"PCBs"** means poly-chlorinated biphenyls;

**"Permitted Encumbrances"** means:

- (a) the Lakeland Encumbrances;
- (b) the Parry Sound WiresCo Encumbrances;
- (c) statutory liens for any Taxes not yet due or delinquent or the validity of which is being contested in good faith by appropriate proceedings;
- (d) construction, materialmens', carriers', workers', repairers' and other similar liens arising or incurred in the Ordinary Course, as to which there is no default on the part of Lakeland WiresCo or Parry Sound WiresCo, as applicable, or the validity of which is being contested in good faith by appropriate proceedings; and
- (e) such other security interests, liens, imperfections in or failures of title, charges, restrictions, encroachments and defects in title which do not materially, individually or in the aggregate, detract from the value of Lakeland WiresCo or Parry Sound WiresCo, as the case may be, nor, individually or in the aggregate, result in a Material Adverse Effect;

**"Permits"** mean all permits, licences, certificates, franchises, registrations, rights, privileges and other consents and approvals of any Governmental Authority;

**"Person"** means any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, Governmental Authority and any other form of entity or organization;

**"Personal Information"** means any information in the possession, custody or control of Lakeland WiresCo or Parry Sound WiresCo about an identifiable individual, and for greater certainty includes all such information which falls within the definition of "personal information" in any applicable personal information protection law of Canada, or any province or territory thereof to which Lakeland WiresCo or Parry Sound WiresCo is subject;

**"PILS"** means payments in lieu of Taxes payable by Lakeland WiresCo and Parry Sound WiresCo pursuant to Section 93 of the Electricity Act;

**"Post-Closing Capital Structure"** has the meaning set forth in Section 2.1(4);

**"Regulatory Assets"** has the meaning set forth in Section 79.13 of the OEB Act;

**"Release"** means any release, spill, leak, emission, discharge, leaching, dumping, escape or other disposal;

**"Representatives"** of a Party means its Affiliates and directors, officers, employees, agents, partners and advisors of the party and/or its Affiliates (including external

accountants, lawyers, environmental consultants, financial advisors and other authorized representatives);

**"Schedule"** means a schedule to this Agreement as identified in Section 1.2;

**"Share Allocation"** has the meaning set forth in Section 2.1(5);

**"Sundridge"** means The Corporation of the Village of Sundridge, a municipal corporation existing under the laws of Ontario;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereto, as amended;

**"Tax Return"** means any return, report, information return, declaration, statement, election, notice, filing, form, or other document (including any schedule or related or supporting information) required to be supplied to or filed with any Governmental Authority with respect to Taxes, including any attached schedules or amendments thereto;

**"Taxes"** means all Income Taxes and all capital taxes, gross receipts taxes, surtaxes, environmental taxes, sales taxes, use taxes, ad valorem taxes, value added taxes, excise taxes, transfer taxes (including land transfer taxes and Transfer Tax), franchise taxes, license taxes, withholding taxes, payroll taxes, health taxes and premiums, employment taxes, Canada Pension Plan premiums, severance, social security premiums, workers' compensation premiums, employment or unemployment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services taxes (including the Goods and Services Tax), customs duties, rates, levies, all special payments and PILS pursuant to Part V.1 and Part VI of the Electricity Act and the regulations thereto and all other taxes, fees, imposts, duties, assessments or charges of any kind whatsoever imposed by any Governmental Authority, and any interest, penalties, additions to tax and other additional amounts imposed with respect to the foregoing;

**"Third Party Claim"** has the meaning set forth in section 7.2(1);

**"Third Party Consents"** means declarations, notices to, or authorizations, consents, waivers, approvals or permissions of, any Person;

**"Transfer Tax"** means the tax payable pursuant to Section 94 of the Electricity Act or any similar tax or replacement or substitution thereof;

**"WiresCo Amalgamation"** means the amalgamation set forth in Recital (e)(i);

**"WiresCo Amalgamation Agreement"** has the meaning set forth in Section 2.2; and

**"WiresCo Board"** has the meaning set forth in Section 2.3.

## 1.2 Schedules

The following schedules which are attached to this Agreement are incorporated into this Agreement by reference and form hereof:

<b><u>Schedule Number</u></b>	<b><u>Schedule Title</u></b>
Schedule 1.1	Merged HoldCo Shareholders Agreement
Schedule 5.1(7)	Lakeland Litigation
Schedule 5.2(3)	Lakeland Authorized and Issued Capital
Schedule 5.2(4)	Lakeland – Options
Schedule 5.2(9)(f)	Lakeland – Encumbrances
Schedule 5.2(16)	Lakeland – Material Contracts
Schedule 5.2(25)	Lakeland – Unusual Transactions
Schedule 5.2(27)	Lakeland – Litigation
Schedule 5.2(28)	Lakeland – Non-Arm's Length Transactions
Schedule 5.2(37)	Lakeland – Third Party Consents
Schedule 5.4(3)	Parry Sound Authorized and Issued Capital
Schedule 5.4(4)	Parry Sound – Options
Schedule 5.4(9)(f)	Parry Sound – Encumbrances
Schedule 5.4(16)	Parry Sound – Material Contracts
Schedule 5.4(25)	Parry Sound – Unusual Transactions
Schedule 5.4(27)	Parry Sound – Litigation
Schedule 5.4(28)	Parry Sound – Non-Arm's Length Transactions
Schedule 5.4(37)	Parry Sound – Third Party Consents

## 1.3 Interpretation Not Affected by Headings

The division of this Agreement into articles, sections, subsections, paragraphs, subparagraphs and clauses and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein", "hereunder" and similar expressions refer to this Agreement and the schedules hereto and not to any particular article, section, paragraph, subparagraph, clause or other hereof and include any agreement or instrument supplementary or ancillary hereto. Each Party acknowledges that it and its legal counsel have reviewed and participated in settling the terms of this Agreement.

## 1.4 Number and Gender

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

## 1.5 Generally Accepted Accounting Principles

Except as otherwise specifically provided in this Agreement, all accounting terms shall be applied and construed in accordance with generally accepted accounting principles

consistently applied. References in this Agreement to "**generally accepted accounting principles**" or "**GAAP**" mean, for all principles stated from time to time in the Handbook of the Canadian Institute of Chartered Accountants, the principles as so stated.

#### **1.6 Statutes and Agreement**

Any reference in this Agreement to an agreement, or to a statute, regulation or rule promulgated under a statute or to any provision of an agreement, a statute, regulation or rule shall be a reference to the agreement, statute, regulation, rule or provision, as amended, restated, re-enacted or replaced from time to time.

#### **1.7 Currency**

All amounts in this Agreement are stated and shall be paid in Canadian currency.

### **ARTICLE 2 AMALGAMATION**

#### **2.1 Amalgamation**

- (1) Subject to Section 2.1(2), all actions to be completed by each Party to give effect to an Amalgamation, including delivery of all documents required by either Party pursuant to the terms of this Agreement, shall be completed on or before the Closing Date.
- (2) Notwithstanding the Closing Date provided in Section 2.1(1) and subject to and conditional upon the terms and conditions of this Agreement, the Parties agree that they will cause the following:
  - (a) Lakeland HoldCo and Parry Sound HoldCo shall amalgamate with each other effective on the Amalgamation Effective Date as at the Amalgamation Effective Time and continue as a corporation amalgamated under the laws of Ontario and known as ("**Merged HoldCo**");
  - (b) Lakeland WiresCo and Parry Sound WiresCo shall amalgamate with each other effective on the Amalgamation Effective Date and continue as a corporation amalgamated under the laws of Ontario and known as ("**Merged WiresCo**"); and
  - (c) Lakeland GenCo and Parry Sound GenCo shall amalgamate with each other effective on the Amalgamation Effective Date and continue as a corporation amalgamated under the laws of Ontario and known as ("**Merged GenCo**").
- (3) The Parties agree that the corporate names for the amalgamated entities will be as follows:
  - (a) in respect of Merged HoldCo, LAKELAND HOLDING LTD.
  - (b) in respect of Merged WiresCo, LAKELAND POWER DISTRIBUTION LTD.;

- (c) in respect of Merged GenCo, BRACEBRIDGE GENERATION LTD.; and
- (d) the Parties agree that Lakeland ServicesCo will continue to be named LAKELAND ENERGY LTD.
- (4) Prior to Closing the Parties shall mutually agree on the capital structure of Merged HoldCo to be in place as of the Amalgamation Effective Date ("**Post-Closing Capital Structure**").
- (5) Merged HoldCo shall issue as fully paid and non-assessable the following number of common shares (the "**Share Allocation**") in exchange for (a) all of the issued and outstanding shares held by Bracebridge, Burk's Falls, Huntsville, Magnetawan and Sundridge in Lakeland HoldCo, and (b) all of the issued and outstanding shares held by Parry Sound in Parry Sound HoldCo:

<u>PARTY</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE TOTAL</u>
Bracebridge	5631	56.31%
Hunstville	2174	21.74%
Sundridge	375	3.75%
Burk's Falls	343	3.43%
Magnetawan	127	1.27%
Parry Sound	1350	13.50%

- (6) If Merged GenCo obtains a certificate of project commercial operation in respect of the planned upgrade of the Cascade Generation Station in Parry Sound, the parties agree that the proportionate ownership held by each of the Lakeland Shareholders and Parry Sound in Merged HoldCo as set out in Section 2.1(5) will be changed to the following:

<u>NAME OF SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE TOTAL</u>
Bracebridge	5497	54.97%
Hunstville	2122	21.22%
Sundridge	366	3.66%



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Burk's Falls	334	3.34%
Magnetawan	124	1.24%
Parry Sound	1557	15.57%

The share allocation adjustment set out above will be effected by issuing or purchasing shares.

## 2.2 Amalgamation Agreements

On or prior to Closing, the relevant Lakeland Subsidiary and Parry Sound Subsidiary shall execute and deliver an amalgamation agreement together with all other documents, instruments and certificates required under the OBCA to give effect to the relevant Amalgamation and in the case of the HoldCo Amalgamation, to reflect the share allocation set forth in Section 2.1(5). Each Amalgamation Agreement shall be filed in accordance with Section 178 of the OBCA on or as of the Amalgamation Effective Date as follows:

- (a) Lakeland HoldCo and Parry Sound HoldCo ("**HoldCo Amalgamation Agreement**");
- (b) Lakeland WiresCo and Parry Sound WiresCo ("**WiresCo Amalgamation Agreement**"); and
- (c) Lakeland GenCo and Parry Sound GenCo ("**GenCo Amalgamation Agreement**").

## 2.3 Initial Boards of Directors

- (a) Merged HoldCo. The initial board of directors of Merged HoldCo (the "**HoldCo Board**") at Closing shall be comprised of six (6) directors as set out in the HoldCo Amalgamation Agreement so that the following individuals will serve as members of the initial HoldCo Board immediately following the completion of the HoldCo Amalgamation: Roger Alexander, Phil Matthews, William Ingram, Tom Peppiatt, Don Waddington and Chris Litschko.
- (b) Merged GenCo and Lakeland ServicesCo. The initial boards of directors of Merged GenCo ("**GenCo Board**") and Lakeland ServicesCo at Closing shall be comprised of six (6) directors as set out in the GenCo Amalgamation Agreement (in relation to Merged GenCo) so that the following individuals will serve as members of the initial GenCo Board and succeeding board of Lakeland ServicesCo: Roger Alexander, Phil Matthews, William Ingram, Tom Peppiatt, Don Waddington and Chris Litschko immediately following the completion of the GenCo Amalgamation.
- (c) Merged WiresCo. The initial board of directors of Merged WiresCo ("**WiresCo Board**") at Closing shall be comprised of 3 (three) directors as set out in the

WiresCo Amalgamation Agreement so that the following individuals will serve as members of the initial WiresCo Board: Bruce Flowers, Tom Peppiatt, and Don Waddington immediately following the completion of the WiresCo Amalgamation.

#### **2.4 Interim Period**

Immediately following the execution of this Agreement, each of the Parties shall designate representatives who shall be responsible for facilitating any matters relating to the Amalgamation during the Interim Period.

#### **2.5 Transition Arrangements**

During the Interim Period, the Parties shall co-operate in good faith and use reasonable commercial efforts to address the following mutual transition arrangements:

- (i) consolidation and co-ordination of insurance policies to ensure proper insurance coverage for Merged HoldCo;
- (ii) determination of appropriate method for sharing of any tax benefits from Merged HoldCo among affiliates of Merged HoldCo;
- (iii) operational and human resource support arrangements between Merged HoldCo and affiliates of Merged HoldCo to be in effect after the Amalgamation Effective Date;
- (iv) employee retention plans;
- (v) co-ordination of timing and content of public information process and public statements regarding this Agreement and the Amalgamations;
- (vi) review of treatment of Regulatory Assets and OEB related issues;
- (vii) review of financial statements and accounting policies and reconciliation issues;
- (viii) preparation of Merged HoldCo pro forma financial statements;
- (ix) selection of the auditor for Merged HoldCo;
- (x) development of initial 3-year business plan for Merged HoldCo;
- (xi) consolidation and co-ordination of employee benefit plans and development of benefit plan transition arrangements;
- (xii) development of the capital structure of Merged HoldCo; and

- (xiii) development and co-ordination of dividend and financing policies and financing, credit and banking arrangements.

## **2.6 Consulting Costs**

The Parties agree that they may jointly engage consultants to provide advice with respect to the Amalgamation, which may include continuing to engage consultants jointly engaged pursuant to the terms of the MOU. Upon Closing of the Amalgamations, the costs of all such jointly engaged consultants shall be transferred to Merged HoldCo and shall become the responsibility of Merged HoldCo. In the event that this Agreement is terminated and Closing of the Amalgamations does not occur, then the Parties agree to share equally the total cost of such jointly engaged consultants. For greater certainty, as at the date of this Agreement, jointly retained consultants include Borden Ladner Gervais LLP.

## **2.7 Initial Senior Executive Arrangements**

- (a) The Parties acknowledge and agree that the following initial senior executive arrangements as of the Closing Date shall be in effect and thereafter the relevant Board, in its discretion, shall determine the offices and responsibilities of the senior management of Merged HoldCo and shall appoint such individuals as it may determine to hold such offices as it may determine:
- (b) Chris Litschko, Chief Executive Officer;
- (c) Vince Kulchycki, Chief Operating Officer; and
- (d) Margaret Maw, Chief Financial Officer.

## **2.8 Parry Sound Promissory Note**

The Parties agree that it is their intention to utilize the proceeds of third party bank financing obtained by Merged WiresCo to repay the Parry Sound Promissory Note and all interest thereon as soon as reasonably practicable following the Closing Date, but in any event, no later than sixty (60) days after the Amalgamation Effective Date.

# **ARTICLE 3 THE CLOSING**

## **3.1 Closing**

Subject to the terms and conditions of this Agreement, the Closing of the Amalgamation shall take place at the Closing Time on the Closing Date at the Toronto offices of Borden Ladner Gervais LLP.

## **3.2 Closing Deliveries of Lakeland HoldCo and Lakeland Subsidiaries**

At Closing, Lakeland HoldCo shall deliver, or cause to be delivered, to Parry Sound HoldCo the following:

- (a) the share certificates representing all of the issued and outstanding shares of the Lakeland Subsidiaries;
- (b) original share registers, share transfer ledgers, minute books and corporate seals (if any) of the Lakeland Subsidiaries;
- (c) copies of any and the Lakeland Third Party Consents required to be obtained by Lakeland HoldCo or any of the Lakeland Subsidiaries with respect to the Amalgamations;
- (d) a certificate of a senior officer of Lakeland HoldCo dated as of the Closing Date certifying that:
  - (i) the representations and warranties of Lakeland HoldCo herein are true and correct in all respects as at the Closing, or where any representation and warranty is qualified by Materiality, such representation and warranty is true and correct in all Material respects as at the Closing;
  - (ii) the Lakeland Subsidiaries have complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by each of them on or prior to the Closing;
- (e) a copy of the by-law, resolution or other authorizing instrument duly passed by each municipal council of the Lakeland Shareholders, certified by a municipal officer of each Lakeland Shareholder, authorizing the execution, delivery and performance of the City Agreement and approving the Amalgamations;
- (f) copies of the corporate resolutions of the Lakeland Subsidiaries, certified by a director or senior officer of each of the Lakeland Subsidiaries, as applicable, authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by each of the Lakeland Subsidiaries in connection with this Agreement and completion of the Amalgamation;
- (g) a certificate of status for each of the Lakeland Subsidiaries or its equivalent under the laws of Ontario;
- (h) a certificate of incumbency for each of the Lakeland Subsidiaries;
- (i) a copy of the Merged HoldCo Shareholders Agreement executed by Bracebridge, Burk's Falls, Huntsville, Magnetawan and Sundridge; and
- (j) such other documentation as Parry Sound HoldCo may reasonably request in order to effect the completion of the Amalgamation and the taking of all corporate proceedings in connection with the Amalgamation, in each case in form and substance satisfactory to Parry Sound HoldCo acting reasonably.

### **3.3 Closing Deliveries of Parry Sound HoldCo and Parry Sound Subsidiaries**

At Closing, Parry Sound HoldCo shall deliver, or cause to be delivered, to Lakeland HoldCo the following:

- (a) the share certificates evidencing all of the issued and outstanding shares of the Parry Sound Subsidiaries;
- (b) original share registers, share transfer ledgers, minute books and corporate seals (if any) of the Parry Sound Subsidiaries;
- (c) copies of any and all of the Parry Sound Third Party Consents required to be obtained by the Parry Sound Subsidiaries with respect to the Amalgamations;
- (d) a certificate of a senior officer of Parry Sound HoldCo dated as of the Closing Date certifying that:
  - (i) the representations and warranties of Parry Sound HoldCo herein are true and correct in all respects as at the Closing, or where any representation and warranty is qualified by Materiality, such representation and warranty is true and correct in all Material respects at the Closing;
  - (ii) the Parry Sound Subsidiaries have complied in all Material respects with the covenants and agreements contained in this Agreement which are required to be performed and complied with by each of them on or prior to the Closing;
- (e) a copy of the by-law, resolution or other authorizing instrument duly passed by the Parry Sound municipal council, certified by a municipal officer of Parry Sound, authorizing the execution, delivery and performance of the City Agreement and approving the Amalgamations;
- (f) copies of the corporate resolutions of the Parry Sound Subsidiaries, certified by a director or senior officer of each of the Parry Sound Subsidiaries, as applicable, authorizing the execution, delivery and performance of this Agreement and all other agreements and instruments to be executed and delivered by each of the Parry Sound Subsidiaries in connection with this Agreement and completion of the Amalgamation;
- (g) a certificate of status for each of the Parry Sound Subsidiaries or its equivalent under the laws of Ontario;
- (h) a certificate of incumbency for each of the Parry Sound Subsidiaries;
- (i) a copy of the Merged HoldCo Shareholders Agreement executed by Parry Sound HoldCo; and

- (j) such other documentation as Lakeland HoldCo may reasonably request in order to effect the completion of the Amalgamation and the taking of all corporate proceedings in connection with the Amalgamation, in each case in form and substance satisfactory to Lakeland HoldCo, acting reasonably.

**ARTICLE 4  
CONDITIONS OF CLOSING**

**4.1 Conditions in Favour of Lakeland HoldCo**

- (1) Lakeland HoldCo shall be obliged to complete the Amalgamations only if each of the following conditions precedent has been satisfied in full at or before the Closing Time (each of which conditions precedent is acknowledged to be for the exclusive benefit of Lakeland HoldCo):
  - (a) all of the representations and warranties of Parry Sound HoldCo made in or pursuant to this Agreement shall be true and correct as at the Closing Time with the same effect as if made at and as of the Closing Time (except as those representations and warranties may be affected by events or transactions (i) expressly permitted by this Agreement, or (ii) approved in writing by Lakeland HoldCo);
  - (b) each of Parry Sound and the Parry Sound Subsidiaries shall have complied with or performed all of the obligations, covenants and agreements under this Agreement or the City Agreement to be complied with or performed by Parry Sound and the Parry Sound Subsidiaries, or any of them at or before the Closing Time, including the Closing deliveries specified in Section 3.3;
  - (c) the Lakeland Shareholders shall have approved the Amalgamation and such approval shall be in full force and effect;
  - (d) all Lakeland Third Party Consents described in Schedule 5.2(37) shall have been obtained, in each case in form and substance satisfactory to Lakeland HoldCo, acting reasonably;
  - (e) all documentation relating to the Amalgamations is satisfactory to Lakeland HoldCo, acting reasonably; and
  - (f) except as contemplated by this Agreement, there shall have been no Material Adverse Change in respect of the Lakeland Subsidiaries or the Parry Sound Subsidiaries since the date of this Agreement.
- (2) If any of the conditions in Section 4.1(1) shall not be satisfied or fulfilled in full at or before the Closing Time to the satisfaction of Lakeland HoldCo, acting reasonably, Lakeland HoldCo in its sole discretion may, without limiting any rights or remedies available to Lakeland HoldCo at law or in equity, either:

- (a) terminate this Agreement by notice in writing to Parry Sound HoldCo, except with respect to the obligations contained in Sections 6.3(5) and 6.3(6) which shall survive that termination; or
- (b) waive compliance with any such condition in whole or in part by notice in writing to Parry Sound HoldCo, except that no such waiver shall operate as a waiver of any other condition.

#### 4.2 **Conditions in Favour of Parry Sound HoldCo**

- (1) Parry Sound HoldCo shall be obliged to complete the Amalgamation only if each of the following conditions precedent has been satisfied in full at or before the Closing Time (each of which conditions precedent is acknowledged to be for the exclusive benefit of Parry Sound HoldCo):
  - (a) all of the representations and warranties of Lakeland HoldCo made in or pursuant to this Agreement shall be true and correct as at the Closing Time with the same effect as if made at and as of the Closing Time (except as those representations and warranties may be affected by events or transactions (i) expressly permitted by this Agreement, or (ii) approved in writing by Parry Sound HoldCo);
  - (b) each of the Lakeland Shareholders and the Lakeland Subsidiaries shall have complied with or performed all of the obligations, covenants and agreements under this Agreement or the City Agreement to be complied with or performed by the Lakeland Shareholders and the Lakeland Subsidiaries or any of them at or before the Closing Time, including the Closing deliveries specified in Section 3.2;
  - (c) Parry Sound shall have approved the Amalgamation and such approval shall be in full force and effect;
  - (d) all Parry Sound Third Party Consents described in Schedule 5.4(37) shall have been obtained, in each case in form and substance satisfactory to Parry Sound HoldCo, acting reasonably;
  - (e) all documentation relating to the Amalgamation is satisfactory to Parry Sound HoldCo, acting reasonably;
  - (f) except as contemplated by this Agreement, there shall have been no Material Adverse Change in respect of Lakeland Subsidiaries or Parry Sound Subsidiaries since the date of this Agreement.
- (2) If any of the conditions in Section 4.2(1) shall not be satisfied or fulfilled in full at or before the Closing Time to the satisfaction of Parry Sound HoldCo, acting reasonably, Parry Sound HoldCo in its sole discretion may, without limiting any rights or remedies available to Parry Sound HoldCo at law or in equity, either:

- (a) terminate this Agreement by notice in writing to Lakeland HoldCo, except with respect to the obligations contained in Sections 6.3(5) and 6.3(6) which shall survive that termination; or
- (b) waive compliance with any such condition in whole or in part by notice in writing to Lakeland HoldCo, except that no such waiver shall operate as a waiver of any other condition.

#### **4.3 Mutual Conditions**

- (1) The obligations of each of the Parties to complete the Amalgamations shall be subject to the fulfilment of all of the following conditions on or before the Closing Date:
  - (a) there shall be no injunction or restraining order issued preventing, and no pending or threatened Claim, against any Party, for the purpose of enjoining or preventing the completion of the Amalgamations or otherwise claiming that this Agreement or the completion of the Amalgamations is improper or would give rise to a Claim under any Applicable Law;
  - (b) no Applicable Law shall have been enacted, introduced or announced which prohibits the Amalgamations or has a Material Adverse Effect in respect of Lakeland WiresCo or Parry Sound WiresCo or will have a Material Adverse Effect in respect of Merged HoldCo after the Amalgamations;
  - (c) the OEB shall have approved the Amalgamations in accordance with the MAAD Application and as may be required pursuant to Section 80 of the OEB Act provided that no terms or conditions required by the OEB in connection therewith shall have a Material Adverse Effect on either Lakeland HoldCo or Parry Sound HoldCo or Merged HoldCo;
  - (d) no Transfer Tax or special payment under Part VI of the Electricity Act as a result of the Amalgamation is payable by a Party; and
  - (e) Merged HoldCo will, immediately following the Amalgamations, be exempt under Section 149(1) of the Tax Act and Section 57(1) of the *Corporations Tax Act* (Ontario) from the payment of Tax under these statutes.

#### **4.4 Termination**

- (1) This Agreement may be terminated at any time prior to Closing by mutual written consent of the Parties.
- (2) This Agreement may be terminated by Lakeland HoldCo or Parry Sound HoldCo by written notice to the other Party if the Closing contemplated by this Agreement shall have not occurred on or before December 31, 2014 or such later date as may be mutually agreed by the Parties in writing and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in



Sections 2.6, 6.3(5) and 6.3(6), provided that the right to terminate this Agreement under this Section 4.4(2) shall not be available to a Party if the acts or omissions of that Party or any of its Affiliates have been the cause of, or result in, the failure of the Closing to occur on or before such date.

- (3) If any condition in Section 4.1 or 4.3 is not satisfied on or before the Closing Date, Lakeland HoldCo may, by notice to Parry Sound HoldCo, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 2.6, 6.3(5) and 6.3(6); provided that Lakeland HoldCo may also bring a Direct Claim against Parry Sound in accordance with Article 7 for Indemnifiable Losses asserted against or suffered by Lakeland HoldCo, as a result of the failure to Close the Amalgamation, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Parry Sound HoldCo.
- (4) If any condition in Section 4.2 or 4.3 is not satisfied on or before the Closing Date, Parry Sound HoldCo may, by notice to Lakeland HoldCo, terminate this Agreement and thereupon the Parties shall be released from all obligations then remaining under this Agreement, other than the obligations contained in Sections 2.6, 6.3(5) and 6.3(6); provided that Parry Sound HoldCo may also bring a Direct Claim against Lakeland HoldCo in accordance with Article 7 for Indemnifiable Losses asserted against or suffered by Parry Sound HoldCo, as a result of the failure to close the Amalgamation, where the non-performance or non-conformance of the relevant condition is as a result of a breach of covenant, representation or warranty by Lakeland HoldCo.

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES**

### **5.1 Representations and Warranties Relating to Lakeland HoldCo**

Lakeland HoldCo hereby represents and warrants to Parry Sound HoldCo as to itself as follows and acknowledges that Parry Sound HoldCo is relying on these representations and warranties in connection with this Agreement and the Amalgamation:

- (1) Organization and Status. Lakeland HoldCo is a corporation duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) Corporate Power. It has all necessary corporate power and authority to own or lease or dispose of its undertakings, property and assets, to enter into this Agreement, the Amalgamation Agreement and the Merged HoldCo Shareholders Agreement and the Contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) Authorization. All necessary corporate action has been taken by it or on its part to authorize its execution and delivery of this Agreement and the Contracts required by this

Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.

- (4) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Party) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar 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. The Amalgamation Agreement, Merged HoldCo Shareholders Agreement and each of the Contracts required by this Agreement to be delivered by it will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that 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.
- (5) Bankruptcy. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (6) Absence of Conflict. The execution, delivery and performance by it of this Agreement, the Amalgamation Agreement and the Merged HoldCo Shareholders Agreement and the completion of the Amalgamation will not (whether after the passage of time or notice or both), result in the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
  - (i) any Contract to which it is a party or by which any of its undertakings, property or assets is bound or affected;
  - (ii) any provision of its Constating Documents or resolutions of its board of directors (or any committee thereof) or shareholder;
  - (iii) to the Knowledge of Lakeland HoldCo, any resolution of each municipal council of each of the Lakeland Shareholders; or
  - (iv) any Applicable Law.
- (7) Litigation. Except as disclosed in Schedule 5.1(7). There are no Claims (whether or not purportedly on its behalf) pending or outstanding or, to its Knowledge, threatened against

it which could affect its ability to perform its obligations under this Agreement. To the Knowledge of Lakeland HoldCo there is not any factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.

- (8) Residence. It is not a non-resident of Canada for purposes of the Tax Act.

**5.2 Representations and Warranties of Lakeland HoldCo Relating to Lakeland Subsidiaries**

Lakeland HoldCo represents and warrants to Parry Sound HoldCo as follows and acknowledges that Parry Sound HoldCo is relying on these representations and warranties in connection with this Agreement and the Amalgamation:

- (1) Organization and Status. Each Lakeland Subsidiary is duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) Corporate Power. Each Lakeland Subsidiary has all necessary corporate power and authority to own or lease its assets and to carry on the Lakeland Business as now being conducted by it.
- (3) Authorized and Issued Capital. The authorized capital of each Lakeland Subsidiary is set out in Schedule 5.2(3) and all shares described therein are duly issued and outstanding as fully paid and non-assessable. Lakeland HoldCo is the registered and beneficial owner of all of the issued and outstanding shares of each of Lakeland Subsidiaries with good and marketable title thereto, free and clear of all Encumbrances. Without limiting the generality of the foregoing, none of the common shares of any Lakeland Subsidiary is subject to any voting trust, shareholder agreement or voting agreement other than the Lakeland Shareholders Agreement.
- (4) No Options. Except as set out in Schedule 5.2(4), no Person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warranties or convertible obligations of any nature, for:
  - (a) the purchase, subscription, allotment or issuance of, or conversion into, any of the unissued shares in the capital of any Lakeland Subsidiary;
  - (b) the purchase, transfer or assignment of the shares of each Lakeland Subsidiary owned by Lakeland HoldCo;
  - (c) the purchase or other acquisition from any Lakeland Subsidiary of any of its undertaking, property or assets or related to or used in connection with the Lakeland Business, other than in the Ordinary Course of the Lakeland Business.
- (5) Subsidiaries. No Lakeland Subsidiary owns or has any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary

interests in any Person, and no Lakeland Subsidiary has any agreements to acquire or lease any other business operations.

- (6) Absence of Conflict. The execution, delivery and performance of this Agreement, the Merged HoldCo Shareholders Agreement and the Amalgamation Agreement by each Lakeland Subsidiary and the completion of the Amalgamations will not (whether after the passage of time or notice or both), result in:
- (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
    - (i) any Contract to which any Lakeland Subsidiary is a party or by which the Lakeland Business or any assets of any Lakeland Subsidiary is bound or affected;
    - (ii) any provision of the Constatng Documents or resolutions of the board of directors (or any committee thereof) or shareholder of any Lakeland Subsidiary;
    - (iii) any judgement, decree, order or award of any Governmental Authority having jurisdiction over any Lakeland Subsidiary;
    - (iv) any Third Party Consents issued to or held by, any Lakeland Subsidiary or held for the benefit of or necessary to the operation of, any Lakeland Subsidiary or the Lakeland Business; or
    - (v) any Applicable Law.
  - (b) the creation or imposition of any Encumbrance over any of the assets of any Lakeland Subsidiary; or
  - (c) the requirement of any Third Party Consents.
- (7) Conduct of Business. To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has in all Material respects complied with, and has conducted and is conducting the Lakeland Business in compliance with, all Applicable Laws. The Lakeland Business is the only business operation carried on by the Lakeland Subsidiaries and the assets of the Lakeland Subsidiary are sufficient to permit the continued operation of the Lakeland Business in substantially the same manner as conducted in the one year preceding the date of this Agreement. During the two year period preceding the date of this Agreement, there has not been any Material interruption of operations (being an interruption of more than one day) of the Lakeland Business due to inadequate maintenance of any of the assets of the Lakeland Subsidiaries.
- (8) Bankruptcy. No Lakeland Subsidiary is an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition

for a receiving order has been presented in respect of it. No Lakeland Subsidiary has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of any Lakeland Subsidiary or any of the assets of any Lakeland Subsidiary and no execution or distress has been levied on any of the assets of any Lakeland Subsidiary, nor have proceedings been commenced in connection with any of the foregoing.

- (9) Title to Lakeland Real Property and Leased Property Matters. The applicable Lakeland Subsidiary has the exclusive right to possess, use and occupy, and has good and marketable title in fee simple to all the Lakeland Real Property, free and clear of all Encumbrances or other restrictions of any kind other than the Permitted Encumbrances. The applicable Lakeland Subsidiary occupies the Lakeland Leased Property and has the exclusive right to use and occupy the Lakeland Leased Property. To the Knowledge of Lakeland HoldCo, all Fixtures situated on the Lakeland Real Property or the Lakeland Leased Property are, in all Material respects in good operating condition and in a state of good maintenance and repair, are adequate and suitable for the purposes for which they are currently being used and Lakeland WiresCo has adequate rights of ingress and egress for the operation of the Lakeland Business in the Ordinary Course in all Material respects. To the Knowledge of Lakeland HoldCo, none of those Fixtures (or any equipment therein), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law, or encroaches on any property owned by others in such a manner as would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing:
- (a) to the Knowledge of Lakeland HoldCo, the Lakeland Real Property, the Lakeland Leased Property, the current uses of and the conduct of the Lakeland Business on those properties comply in all Material respects with all Applicable Laws including those dealing with zoning, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety and Environmental Law;
  - (b) to the Knowledge of Lakeland HoldCo, other than in the Ordinary Course no alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Lakeland Real Property, the Lakeland Leased Property or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works by any Governmental Authority, which alteration, repair, improvement or other work has not been completed in all Material respects, and to the Knowledge of Lakeland HoldCo, no written notification has been given to any Lakeland Subsidiary of any such outstanding work being ordered, directed or requested, other than those that have been complied with in all Material respects;
  - (c) to the Knowledge of Lakeland HoldCo, all accounts for work and services performed and materials placed or furnished on or in respect of the Lakeland Real Property or the Lakeland Leased Property at the request of any Lakeland

Subsidiary have been fully paid and satisfied in all Material respects, and no Person is entitled to claim a lien against the Lakeland Real Property, the Lakeland Leased Property or any part thereof, other than current accounts in respect of which the payment due date has not yet passed;

- (d) to the Knowledge of Lakeland HoldCo, there are no amounts owing in respect of the Lakeland Real Property or the Lakeland Leased Property by any Lakeland Subsidiary to any municipal corporation or to any other corporation or commission owning or operating a utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
  - (e) to the Knowledge of Lakeland HoldCo, no part of the Lakeland Real Property or the Lakeland Leased Property has been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced;
  - (f) to the Knowledge of Lakeland HoldCo, except for the Encumbrances listed in Part 1 of Schedule 5.2(9)(f) (the "**Lakeland Encumbrances**") there are no Encumbrances with a principal amount of [**\$250,000**] or more affecting the Lakeland Real Property or the Lakeland Leased Property;
  - (g) to the Knowledge of Lakeland HoldCo, each of the Lakeland Real Property and the Lakeland Leased Property (including all Fixtures) is free of Material defects (patent or latent) and is fit for its present use, and there are no material or structural repairs or replacements that are necessary or advisable and, without limiting the foregoing, there are no repairs to, or replacements of, the roof or the mechanical, electrical, heating, ventilating, air-conditioning, plumbing or drainage equipment or systems that are necessary or advisable, and none of the Lakeland Real Property or the Lakeland Leased Property is currently undergoing any Material alteration or renovation nor is any such alteration or renovation contemplated; and
  - (h) to the Knowledge of Lakeland HoldCo, each of the Lakeland Real Property and Lakeland Leased Property is fully serviced and has suitable access to public roads, and there are no outstanding levies, charges or fees assessed against the Lakeland Real Property or the Lakeland Leased Property by any public authority (including development or improvement levies, charges or fees).
- (10) Personal Property. To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary either owns or has rights to use, all of the personal property currently used in the Lakeland Business, free and clear of all Encumbrances, other than Permitted Encumbrances and the Encumbrances listed in Part 2 of Schedule 5.2(9)(f) which are all of the Encumbrances that effect the personal property of any Lakeland Subsidiary.

- (11) Personal Property Leases. The applicable Lakeland Subsidiary is entitled to all rights and benefits as lessee under the Lakeland Equipment Leases, and has not sublet, assigned, licensed or otherwise conveyed any rights in those Lakeland Equipment Leases or in the property leased thereunder to any other Person. All payments and other obligations required to be paid and performed by the applicable Lakeland Subsidiary under Lakeland Equipment Leases have been duly paid and performed. The applicable Lakeland Subsidiary is not in Material default of any of its obligations under the Lakeland Equipment Leases; and, none of the lessors of the Lakeland Equipment Leases is in Material default of any of its obligations thereunder.
- (12) Accounts Receivable. All Accounts Receivable of each Lakeland Subsidiary are *bona fide* and good and have been incurred in the Ordinary Course and subject to an allowance for doubtful accounts that has been reflected on its books in accordance with GAAP, all Accounts Receivable are collectible in the Ordinary Course.
- (13) Intellectual Property.
- (a) To the Knowledge of Lakeland HoldCo, the applicable Lakeland Subsidiary either owns the right, title and interest in, to and under, or has acquired a licence to use in respect of the Lakeland Business, any and all Intellectual Property that is used in the conduct of the Lakeland Business in the manner that the Lakeland Business has heretofore been conducted.
- (b) To the Knowledge of Lakeland HoldCo, there is no infringement or breach of any industrial or intellectual property rights of any other Person by any Lakeland Subsidiary, and the applicable Lakeland Subsidiary has not received any notice that the conduct of the Lakeland Business, including the use of the Intellectual Property, infringes on or breaches any industrial or intellectual property rights of any other Person and Lakeland HoldCo does not have any Knowledge of any infringement or violation of any of their rights or the rights of any Lakeland Subsidiary in the Intellectual Property. To the Knowledge of Lakeland HoldCo, the conduct of the Lakeland Business does not, in any Material respect, infringe on the patents, trademarks, licences, trade names, business names, copyright or other industrial or intellectual property rights, domestic or foreign, of any other Person.
- (c) To the Knowledge of Lakeland HoldCo, no Lakeland Subsidiary has received any notice of any adverse claim, litigation or assertion of infringement, invalidity or unenforceability in respect of the Intellectual Property that is used in the conduct of the Lakeland Business and is not a party to any litigation alleging that the conduct of the Lakeland Business, as now carried on by Lakeland WiresCo, infringes upon or breaches the rights of any other Person in Intellectual Property which would reasonably be expected to have a Materially Adverse Effect.
- (14) Insurance. The assets of all of Lakeland Subsidiaries are covered by fire and other insurance with responsible insurers against such risks and in such amounts as are

reasonable for prudent owners of comparable assets. All material insurance policies maintained by the Lakeland Subsidiary (the "**Lakeland Insurance Policies**"), specifying in each case, the name of the insurer, the risks insured against, the amount of the coverage, the policy number and any pending Claims thereunder, have been disclosed to Parry Sound HoldCo. No other insurance is necessary to the conduct of the Lakeland Business or would be considered to be desirable by a prudent Person operating a business similar to the Lakeland Business. No Lakeland Subsidiary is in default, whether as to the payment of premiums or with respect to any other provision contained in any Lakeland Insurance Policy and has not failed to give any notice or present any Claim under any Lakeland Insurance Policy in a due and timely fashion.

- (15) Expropriation and Public Improvements. To the Knowledge of Lakeland HoldCo, none of the real property owned, or other realty rights leased, used or occupied, by any Lakeland Subsidiary in connection with the Lakeland Business is subject to any pending suit for expropriation, condemnation or other taking by any Governmental Authority, and no such expropriation, condemnation or other taking has been threatened. To the Knowledge of Lakeland HoldCo, no public improvements with respect to any real property owned, or other realty rights leased, used or occupied, by any Lakeland Subsidiary in connection with the Lakeland Business have been ordered to be made by any Governmental Authority which have not been completed, assessed and paid for in all Material respects.

- (16) Material Contracts and Other Contracts.

Except as set out in Schedule 5.2(16):

- (a) Each Material Contract:
- (i) constitutes a legal, valid, binding and enforceable obligation of the applicable Lakeland Subsidiary and, to the Knowledge of Lakeland HoldCo, of the other parties thereto, in accordance with its terms; and
  - (ii) is in full force and effect, unamended.
- (b) To the Knowledge of Lakeland HoldCo, there is not, under any of the Material Contracts, any default or event which, with notice or lapse of time or both, would constitute a default on the part of any Lakeland Subsidiary, or, to the Knowledge of Lakeland HoldCo, any of the other parties thereto, or permit the other parties thereto to terminate, cancel or accelerate such Material Contract, whether on notice or otherwise except such events of default and other events:
- (i) as to which requisite waivers or consents have been obtained; or
  - (ii) which would not individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.



- (c) True and complete copies of all of the Material Contracts have been made available to Parry Sound HoldCo.
- (17) Government Filings. To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has filed or caused to be filed with all Governmental Authorities all forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by it with respect to the Lakeland Business under Applicable Law (collectively, the "**Government Filings**") except where the failure to do so would not be reasonably expected to have a Material Adverse Effect. All of the Government Filings of Lakeland WiresCo complied in all Material respects with all Applicable Laws in effect on the date each Government Filings was filed, and there are no material misstatements or omissions relating to the Lakeland Business in the Government Filings of Lakeland WiresCo.
- (18) Permits.
- To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has all Permits (collectively, the "**Lakeland Permits**"), that are required by Applicable Law in connection with the Lakeland Business, except for those Lakeland Permits, the failure of which to obtain would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has not received any written notification that it is in violation of any such Lakeland Permits, or any Applicable Law, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary is in compliance with all Lakeland Permits and Applicable Law in respect of the Lakeland Business, except for violations which would not, individually or in the aggregate, result in a Material Adverse Effect.
- (19) Financial Statements. The financial statements for each Lakeland Subsidiary have been prepared in accordance with GAAP consistently applied throughout the periods indicated and fairly, completely and in all Material respects present the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of each Lakeland Subsidiary as at the respective dates indicated and the sales, earnings and results of operations of each Lakeland Subsidiary throughout the periods indicated.
- (20) Books and Records. The Books and Records of each Lakeland Subsidiary fairly present and disclose its financial position as at the date of this Agreement and all of its financial transactions have in all Material respects been accurately recorded in the Books and Records. The system of internal accounting controls is sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets.
- (21) Corporate Records. The minute books of each Lakeland Subsidiary contain, in all Material respects, true, accurate and complete records of all of its Constatng Documents

and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee of either of them. No meeting of shareholders, the board of directors or any committee of either of them has been held for which minutes have not been prepared and are not contained in those minute books. The share certificate book, register of shareholders, register of directors and officers, securities register and register of transfers of each Lakeland Subsidiary are true, accurate and complete in all Material respects.

- (22) Undisclosed Liabilities. Each Lakeland Subsidiary has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person, that are not disclosed in its financial statements or disclosed in the Schedules to this Agreement, other than liabilities, obligations, indebtedness and commitments in respect of trade or business obligations incurred after the date of the financial statements in the Ordinary Course, that in the aggregate and would not reasonably be expected to have a Materially Adverse Effect on the Lakeland Subsidiaries.
- (23) No Debentures.
- (a) None of the Lakeland Subsidiaries have any obligation relating to a regional or municipal debenture issued by or for the benefit of the Lakeland Business.
- (b) None of the Lakeland Subsidiaries have any debentures, issued and outstanding.
- (24) Absence of Changes. Except as disclosed in the 2012 audited financial statements of each Lakeland Subsidiary, since December 31, 2012, to the Knowledge of Lakeland HoldCo there has not been any:
- (a) change in the financial affairs, business, assets, liabilities, financial condition, operations or prospects of any Lakeland Subsidiary or in the condition of the Lakeland Business which would constitute a Material Adverse Effect; or
- (b) damage, destruction or casualty loss, investigation by a Governmental Authority, or any other event, development or condition of any character, whether or not covered by insurance, in respect of any Lakeland Subsidiary or the Lakeland Business, which individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.
- (25) Absence of Unusual Transactions. Except as described in Schedule 5.2(25), since December 6, 2013, each Lakeland Subsidiary has not:
- (a) transferred, assigned, sold or otherwise disposed of any of its assets or cancelled any debts or entitlements except, in each case, in the Ordinary Course of the Lakeland Business;

- (b) incurred or assumed any obligation or liability (fixed or contingent), except unsecured current obligations and liabilities incurred in the Ordinary Course of Lakeland Business;
  - (c) suffered an operating loss or any extraordinary loss, waived or omitted to take any action in respect of any rights, or entered into any commitment or transaction, except in the Ordinary Course of the Lakeland Business;
  - (d) granted any bonuses, whether monetary or otherwise, or made any general wage or salary or perquisites increases in respect of its officers, directors or Lakeland Employees, or changed the terms of employment for any officer or Lakeland WiresCo Employee, except in the Ordinary Course of the Lakeland Business and consistent with past practice; or
  - (e) Encumbered any of its assets or property whether tangible or intangible except in the Ordinary Course of the Lakeland Business or pursuant to Permitted Encumbrances.
- (26) Taxes.
- (a) Each of Lakeland HoldCo and each Lakeland Subsidiary is exempt from tax under the Tax Act and the *Corporations Tax Act* (Ontario). At least 90% of the income of each of Lakeland HoldCo and each Lakeland Subsidiary for each fiscal year is from activities carried on within the geographic boundaries of the Lakeland Shareholders.
  - (b) Each Lakeland Subsidiary has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions 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. Each Lakeland Subsidiary has never been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Each Lakeland Subsidiary has paid all Taxes and all instalments of Taxes due on or before the Closing Date.
  - (c) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Lakeland HoldCo, threatened against any Lakeland Subsidiary, 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. Lakeland HoldCo is not aware of any contingent liability of any Lakeland Subsidiary for Taxes or any grounds that could prompt an assessment or reassessment for Taxes other than an assessment in respect of current Tax Returns for which no assessment has been received as at the date of this Agreement, and no Lakeland Subsidiary has received any indication from any Governmental Authority that any assessment or reassessment is proposed.

- (d) Each Lakeland Subsidiary has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom it was not dealing with at arm's length (within the meaning of the Tax Act). Each Lakeland Subsidiary has not acquired property from any Person in circumstances where it did or could have become liable for any Taxes payable by that Person.
  - (e) There are no 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 Lakeland Subsidiary. No Lakeland Subsidiary is party to any agreements or undertakings with respect to Taxes.
  - (f) Each Lakeland Subsidiary has withheld from each payment made or amount credited to any Person (including any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the Tax Act) all amounts required by Applicable Law to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Authority. Each Lakeland Subsidiary has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health Taxes and other Taxes payable by it in respect of Lakeland Employees and has remitted such amounts to the proper Governmental Authority within the time required under Applicable Law.
  - (g) Each Lakeland Subsidiary has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply, transfer or delivery whatsoever, made by it. For greater certainty, each Lakeland Subsidiary has, in the manner and within the time prescribed by the Electricity Act, notified the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act and has ensured the payment of any Transfer Tax exigible in respect of such transfer.
  - (h) None of sections 80 to 80.04, both inclusive, of the Tax Act have applied or will apply to Lakeland Subsidiary at any time up to and including the Closing Date. Each Lakeland Subsidiary does not have any unpaid amounts that may be required to be included in income under Section 78 of the Tax Act.
  - (i) To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has computed its liability for PILs, Transfer Tax or other special payments under Part VI of the Electricity Act in accordance with the Electricity Act and the regulations thereunder and has made on a timely basis all payments required to be made thereunder.
- (27) Litigation. Except as described in Schedule 5.2(27), there are no Claims pending or, to the Knowledge of Lakeland HoldCo, threatened against or affecting, each Lakeland Subsidiary or its assets. To the Knowledge of Lakeland HoldCo there is not any factual

or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.

- (28) Non-Arm's Length Transactions. Except as described in Schedule 5.2(28), no Lakeland Subsidiary has made any payment or loan to, or borrowed any moneys from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person not dealing at arm's length with it (within the meaning of the Tax Act), except as disclosed in its financial statements and except for usual employee reimbursements and compensation paid in the Ordinary Course. Except for Contracts of employment or as customers of Lakeland WiresCo, no Lakeland Subsidiary is a party to any Contract with any officer, director, employee, shareholder or any other Person not dealing at arm's length with it (within the meaning of the Tax Act). No officer, director or shareholder of Lakeland WiresCo and no entity that is an Affiliate or Associate of one or more of those Persons:
- (a) owns, directly or indirectly, any interest in Lakeland WiresCo, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor of the Lakeland Business or Lakeland WiresCo or a lessor, lessee, supplier, distributor, sales agent or customer of the Lakeland Business or Lakeland WiresCo;
  - (b) owns, directly or indirectly, in whole or in part, any property that any Lakeland Subsidiary uses in the operation of the Lakeland Business; or
  - (c) has any cause of action or other Claim whatsoever against, or owes any amount to, any Lakeland Subsidiary in connection with the Lakeland Business, except for any liabilities reflected in the its financial statements and Claims in the Ordinary Course, such as for accrued vacation pay and accrued benefits under the Lakeland Employee Plans.
- (29) Environmental.
- (a) Each Lakeland Subsidiary has, in all Material respects, been and is in compliance with all Environmental Law.
  - (b) To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary has obtained all Material Environmental Permits required for the operation of the Business (the "**Lakeland Environmental Permits**"). To the Knowledge of Lakeland HoldCo, each Lakeland Subsidiary Environmental Permit is valid, subsisting and in good standing and no Lakeland Subsidiary is in default or breach of any Lakeland WiresCo Environmental Permit which default or breach would reasonably be expected to have a Material Adverse Effect and no proceeding is pending or threatened, to revoke or limit any Lakeland Subsidiary Environmental Permit.
  - (c) Each Lakeland Subsidiary has not caused or permitted, and Lakeland HoldCo does not have any Knowledge of, the Release, in any manner whatsoever, of any

Hazardous Substance on or from any of its assets or any property or facility that it previously owned or leased, except in accordance with Environmental Law, or any such Release on or from a facility owned or operated by third parties but with respect to which a Lakeland Subsidiary is or may reasonably be alleged to have liability except in accordance with Environmental Law. All Hazardous Substances and all other wastes and other materials and substances used in whole or in part by a Lakeland Subsidiary or resulting from the Lakeland Business have, in all Material respects, been disposed of, treated and stored in compliance with all Environmental Law.

- (d) No Lakeland Subsidiary has received any notice that it is potentially responsible for any clean-up or corrective action under any Environmental Law at any site. No Lakeland Subsidiary has received any request for information in connection with any federal, provincial, municipal or local inquiries as to disposal sites.
  - (e) True, accurate and complete copies of all documents, including Environmental Permits, copies of all environmental audits, evaluations, assessments, studies or tests relating to any facility or property which any Lakeland Subsidiary has at any time owned, occupied, leased, managed or controlled or in which it has at any time had a legal or beneficial interest, that were commissioned by or for it in the previous five (5) years and any certificates or reports, issued, filed or registered, pursuant to Environmental Law with respect to the Lakeland Business or the assets of any Lakeland Subsidiary in the previous five (5) years has been made available to Parry Sound HoldCo.
- (30) Employee Plans.
- (a) True, accurate and complete copies of each non-salary plan, program or arrangement including deferred compensation, bonus compensation, incentive or other compensation, share option or purchase, severance, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, mortgage assistance, pension or supplemental pension, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, and any other similar plan, program or arrangement, whether funded or unfunded, formal or informal, including OMERS, that is maintained, contributed to, or required to be maintained or contributed to, by any Lakeland Subsidiary, or to which it is a party, or bound by, or under which any Lakeland Subsidiary has any liability or contingent liability for the benefit of directors, officers, shareholders, consultants, independent contractors and employees or former employees it and their dependents (the "**Lakeland Employee Plans**") have been made available to Parry Sound HoldCo together with true, accurate and complete copies of all Material documents relating to each Lakeland Employee Plan.

- (b) OMERS is the only registered pension plan under which the Lakeland Employees, or any of them, accrue pension benefits, or under which former Lakeland Employees (or any spouse, dependent or beneficiary of any such Lakeland Employees or former Lakeland Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
- (c) To the Knowledge of Lakeland HoldCo, all Material obligations due under the Lakeland Employee Plans (whether pursuant to the terms thereof or any Applicable Law) have been satisfied, and there are no outstanding defaults or violations thereunder by Lakeland WiresCo nor does Lakeland HoldCo have any Knowledge of any default or violation by any other Person in respect of the Lakeland Employee Plans.
- (d) There are no improvements, increases or changes to the benefits provided under the Lakeland Employee Plans nor is there any pattern of *ad hoc* benefit increases and the Lakeland Employee Plans do not provide for benefit increases or the acceleration of funding obligations that are contingent or will be triggered by the entering into of this Agreement or the completion of the Amalgamation.
- (e) All employer and employee payments, contributions and premiums required to be remitted or paid to or in respect of the Lakeland Employee Plans, including OMERS, have been remitted or paid, in a timely fashion to or in respect of the Lakeland Employee Plans in accordance with the terms thereof and all Applicable Laws, and no Taxes, non-Tax related interest, penalties or fees are owing or exigible under any of the Lakeland Employee Plans.
- (f) OMERS is the only registered pension plan under which the Lakeland Employees, or any of them, accrue pension benefits, or under which former Lakeland Employees (or any spouse, dependent or beneficiary of any such Lakeland Employees or former Lakeland Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
- (g) To the Knowledge of Lakeland HoldCo, any Lakeland Subsidiary has provided to the OMERS Board, on a timely basis, all information known to it and requested from time to time by the OMERS Board in respect of the Lakeland Employees, former Lakeland Employees and their spouses and former spouses and which is necessary in order to enable the OMERS Board to properly administer OMERS in respect of them.

(31) Employment Matters.

- (a) Except for the collective agreements between Lakeland WiresCo and Lakeland GenCO and CUPE Local 1813, and as otherwise disclosed in writing to Parry Sound HoldCo, there are no Contracts in respect of the Lakeland Subsidiaries for the employment or retainer of any Lakeland Employee, including, for greater certainty, Contracts with directors, officers, employees, independent contractors or agents providing personal services, other than oral Contracts of indefinite hire terminable by Lakeland WiresCo without cause on reasonable notice.
- (b) Except as disclosed in writing to Parry Sound HoldCo, Lakeland WiresCo is not a party to nor is it bound by any Contract in respect of any Lakeland WiresCo Employee providing for severance, termination or any other payments in connection with the Amalgamation.
- (c) Except as disclosed in writing to Parry Sound HoldCo, no Lakeland Employees are claiming or receiving long-term disability benefits; no Lakeland Employees actively employed have filed claims under the *Workplace Safety and Insurance Act* (Ontario); no Lakeland Employees are on maternity leave; and, no Lakeland Employees are on, or are claiming, extended sick leave.
- (d) Lakeland WiresCo has provided Parry Sound HoldCo with the total number of full and part-time employees of Lakeland WiresCo and the number of employees represented by CUPE as well as the years of service and salary information of all Lakeland Employees.

(32) Labour Matters. In connection with labour matters relating to the Lakeland Subsidiaries:

- (a) The Lakeland Subsidiaries are in Material compliance with all Employment Law applicable to Lakeland WiresCo;
- (b) No Lakeland Subsidiary has received notice of any unfair labour practice complaint or any other Employment Law complaint which is current or pending before any labour relations or similar board or any other body or tribunal in connection with the Lakeland Business;
- (c) There is no labour strike, slowdown or stoppage actually pending or, to the Knowledge of Lakeland HoldCo, threatened by any authorized representative of any union or other representative of employees affecting the Lakeland Business;
- (d) Lakeland HoldCo has not received notice that any application for certification or de-certification respecting the Lakeland Employees has been filed with any labour relations or similar board.

(33) Personal Information Laws. To the Knowledge of Lakeland HoldCo, Lakeland WiresCo is in Material compliance with the requirements of all Applicable Laws relating to its collection, use and disclosure of Personal Information, including the establishment and



observance of written policies and practices. No complaint relating to Lakeland WiresCo's alleged non-compliance with any such Applicable Law has been found by any Governmental Authority to be well-founded, no order or judgment has been made against Lakeland WiresCo by any Governmental Authority based on any finding of non-compliance with any such Applicable Law, and no unresolved complaint or other proceeding relating to any such alleged non-compliance is now pending by or before any Governmental Authority.

- (34) Competition Act. For the purposes of and in accordance with the requirements of section 110 of the Competition Act, as at the Closing Date:
- (a) the aggregate value of the assets in Canada, determined as of such time and in such manner as are prescribed by section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, in respect of Lakeland WiresCo has been disclosed in writing to Parry Sound HoldCo; and
  - (b) the gross revenues from sales in or from Canada, determined for such annual period and in such manner as are prescribed by section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, generated from the assets referred to in item (a) above, have been disclosed in writing to Parry Sound HoldCo.
- (35) No Joint Venture Interests, etc. Except as set out in Schedule 5.2(37), each Lakeland Subsidiary is not a partner, beneficiary, trustee, co-tenant, joint-venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking.
- (36) Condition of Assets. To the Knowledge of Lakeland HoldCo, except as would not result in a Material Adverse Effect, the Fixtures situated on the Lakeland Real Property or used in connection with the Lakeland Business are in good condition, repair and proper working order, having regard to their use and age and such assets have been properly and regularly maintained in accordance with Good Utility Practices.
- (37) Third Party Consents. Except as described in Schedule 5.2(37) (the "**Lakeland Third Party Consents**"), there are no Third Party Consents required to be obtained by the Lakeland Shareholders, Lakeland HoldCo or any Lakeland Subsidiary in order to complete the Amalgamation as contemplated by this Agreement.
- (38) Residence. Each Lakeland Subsidiary is not a non-resident of Canada for purposes of the Tax Act.
- (39) Full Disclosure. Neither this Agreement or any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by Lakeland HoldCo nor any certificate, report, statement or other document furnished by Lakeland HoldCo in connection with the negotiation of this Agreement contains or will contain any untrue statement of a Material fact or omits or

will omit to state a Material fact necessary to make the statements contained herein or therein not misleading. To the Knowledge of Lakeland HoldCo, there has been no event, transaction or information that has come to the attention of Lakeland HoldCo that has not been disclosed to Parry Sound HoldCo in writing that could reasonably be expected to have a Material Adverse Effect.

### **5.3 Representations and Warranties Relating to Parry Sound HoldCo**

Parry Sound HoldCo represents and warrants to Lakeland HoldCo as to itself as follows and acknowledges that Lakeland HoldCo is relying on these representations and warranties in connection with this Agreement and the Amalgamation:

- (1) Organization and Status. Parry Sound HoldCo is a corporation duly incorporated and organized, and is validly subsisting under, the laws of Ontario.
- (2) Corporate Power. It has all necessary corporate power and authority to own or lease or dispose of its undertakings, property and assets, to enter into this Agreement, the Amalgamation Agreement and the Merged HoldCo Shareholders Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) Authorization. All necessary corporate action has been taken by it or on its part to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar 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. The Amalgamation Agreement, Merged HoldCo Shareholders Agreement and each of the contracts, agreements and instruments required by this Agreement to be delivered by it will at the Closing Time have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against it in accordance with its terms, except as that 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.
- (5) Bankruptcy. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of

its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.

- (6) Absence of Conflict. The execution, delivery and performance by it of this Agreement, the Amalgamation Agreement and the Merged HoldCo Shareholders Agreement and the completion of the Amalgamation will not (whether after the passage of time or notice or both), result in:
- (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
    - (i) any Contract to which it is a party or by which any of its undertakings, property or assets is bound or affected;
    - (ii) any provision of its Constatting Documents or resolutions of its board of directors (or any committee thereof) or shareholder;
    - (iii) to the Knowledge of Parry Sound HoldCo, any resolution of Parry Sound municipal council; or
    - (iv) any Applicable Law;
  - (b) the requirement of any Third Party Consents from any of its creditors.
- (7) Litigation. There are no Claims (whether or not purportedly on its behalf) pending or outstanding or, to its Knowledge, threatened against it which could affect its ability to perform its obligations under this Agreement. To the Knowledge of Parry Sound HoldCo there is not any factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.
- (8) Residence. It is not a non-resident of Canada for purposes of the Tax Act.

#### **5.4 Representations and Warranties of Parry Sound HoldCo Relating to Parry Sound Subsidiaries**

Parry Sound HoldCo represents and warrants to Lakeland HoldCo as follows and acknowledges that Lakeland HoldCo is relying on these representations and warranties in connection with this Agreement and the Amalgamation:

- (1) Organization and Status. Each Parry Sound Subsidiary is duly incorporated and organized, and is validly subsisting, under the laws of Ontario.
- (2) Corporate Power. Each Parry Sound Subsidiary has all necessary corporate power and authority to own or lease its assets and to carry on the Parry Sound Business as now being conducted by it.

- (3) Authorized and Issued Capital. The authorized capital of each Parry Sound Subsidiary is set out in Schedule 5.4(3) and all shares described therein are duly issued and outstanding as fully paid and non-assessable. Parry Sound HoldCo is the registered and beneficial owner of all of the issued and outstanding shares of each of Parry Sound Subsidiaries with good and marketable title thereto, free and clear of all Encumbrances. Without limiting the generality of the foregoing, none of the common shares of any Parry Sound Subsidiary is subject to any voting trust, shareholder agreement or voting agreement other than the Parry Sound Shareholders Agreement.
- (4) No Options. Except as set out in Schedule 5.4(4), no Person has any agreement, option, understanding or commitment, or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an agreement, option or commitment, including convertible securities, warranties or convertible obligations of any nature, for:
- (a) the purchase, subscription, allotment or issuance of, or conversion into, any of the unissued shares in the capital of any Parry Sound Subsidiary;
  - (b) the purchase, transfer or assignment of the shares of each Parry Sound Subsidiary owned by Parry Sound HoldCo;
  - (c) the purchase or other acquisition from any Parry Sound Subsidiary of any of its undertaking, property or assets or related to or used in connection with the Parry Sound Business, other than in the Ordinary Course of the Parry Sound Business.
- (5) Subsidiaries. No Parry Sound Subsidiary owns or has any agreements of any nature to acquire, directly or indirectly, any shares in the capital of or other equity or proprietary interests in any Person, and no Parry Sound Subsidiary has any agreements to acquire or lease any other business operations.
- (6) Absence of Conflict. The execution, delivery and performance of this Agreement, the Merged HoldCo Shareholders Agreement and the Amalgamation Agreement by each Parry Sound Subsidiary and the completion of the Amalgamations will not (whether after the passage of time or notice or both), result in:
- (a) the Material breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
    - (i) any Contract to which any Parry Sound Subsidiary is a party or by which the Parry Sound Business or any assets of any Parry Sound Subsidiary is bound or affected;
    - (ii) any provision of the Constating Documents or resolutions of the board of directors (or any committee thereof) or shareholder of any Parry Sound Subsidiary;
    - (iii) any judgement, decree, order or award of any Governmental Authority having jurisdiction over any Parry Sound Subsidiary;

- (iv) any Third Party Consents issued to or held by, any Parry Sound Subsidiary or held for the benefit of or necessary to the operation of, any Parry Sound Subsidiary or the Parry Sound Business; or
    - (v) any Applicable Law.
  - (b) the creation or imposition of any Encumbrance over any of the assets of any Parry Sound Subsidiary; or
  - (c) the requirement of any Third Party Consents.
- (7) Conduct of Business. To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary has in all Material respects complied with, and has conducted and is conducting the Parry Sound Business in compliance with, all Applicable Laws. The Parry Sound Business is the only business operation carried on by the Parry Sound Subsidiaries and the assets of the Parry Sound Subsidiary are sufficient to permit the continued operation of the Parry Sound Business in substantially the same manner as conducted in the one year preceding the date of this Agreement. During the two year period preceding the date of this Agreement, there has not been any Material interruption of operations (being an interruption of more than one day) of the Parry Sound Business due to inadequate maintenance of any of the assets of the Parry Sound Subsidiaries.
- (8) Bankruptcy. No Parry Sound Subsidiary is an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. No Parry Sound Subsidiary has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of any Parry Sound Subsidiary or any of the assets of any Parry Sound Subsidiary and no execution or distress has been levied on any of the assets of any Parry Sound Subsidiary, nor have proceedings been commenced in connection with any of the foregoing.
- (9) Title to Parry Sound Real Property and Leased Property Matters. The applicable Parry Sound Subsidiary has the exclusive right to possess, use and occupy, and has good and marketable title in fee simple to all the Parry Sound Real Property, free and clear of all Encumbrances or other restrictions of any kind other than the Permitted Encumbrances. The applicable Parry Sound Subsidiary occupies the Parry Sound Leased Property and has the exclusive right to use and occupy the Parry Sound Leased Property. To the Knowledge of Parry Sound HoldCo, all Fixtures situated on the Parry Sound Real Property or the Parry Sound Leased Property are, in all Material respects in good operating condition and in a state of good maintenance and repair, are adequate and suitable for the purposes for which they are currently being used and Parry Sound WiresCo has adequate rights of ingress and egress for the operation of the Parry Sound Business in the Ordinary Course in all Material respects. To the Knowledge of Parry Sound HoldCo, none of those Fixtures (or any equipment therein), nor the operation or

maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law, or encroaches on any property owned by others in such a manner as would reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing:

- (a) to the Knowledge of Parry Sound HoldCo, the Parry Sound Real Property, the Parry Sound Leased Property, the current uses of and the conduct of the Parry Sound Business on those properties comply in all Material respects with all Applicable Laws including those dealing with zoning, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety and Environmental Law;
- (b) to the Knowledge of Parry Sound HoldCo, other than in the Ordinary Course no alteration, repair, improvement or other work has been ordered, directed or requested in writing to be done or performed to or in respect of the Parry Sound Real Property, the Parry Sound Leased Property or to any of the plumbing, heating, elevating, water, drainage or electrical systems, fixtures or works by any Governmental Authority, which alteration, repair, improvement or other work has not been completed in all Material respects, and to the Knowledge of Parry Sound HoldCo, no written notification has been given to any Parry Sound Subsidiary of any such outstanding work being ordered, directed or requested, other than those that have been complied with in all Material respects;
- (c) to the Knowledge of Parry Sound HoldCo, all accounts for work and services performed and materials placed or furnished on or in respect of the Parry Sound Real Property or the Parry Sound Leased Property at the request of any Parry Sound Subsidiary have been fully paid and satisfied in all Material respects, and no Person is entitled to claim a lien against the Parry Sound Real Property, the Parry Sound Leased Property or any part thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (d) to the Knowledge of Parry Sound HoldCo, there are no amounts owing in respect of the Parry Sound Real Property or the Parry Sound Leased Property by any Parry Sound Subsidiary to any municipal corporation or to any other corporation or commission owning or operating a utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (e) to the Knowledge of Parry Sound HoldCo, no part of the Parry Sound Real Property or the Parry Sound Leased Property has been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced;
- (f) to the Knowledge of Parry Sound HoldCo, except for the Encumbrances listed in Part 1 of Schedule 5.2(9)(f) (the "**Parry Sound Encumbrances**") there are no

Encumbrances with a principal amount of \$250,000 or more affecting the Parry Sound Real Property or the Parry Sound Leased Property;

- (g) to the Knowledge of Parry Sound HoldCo, each of the Parry Sound Real Property and the Parry Sound Leased Property (including all Fixtures) is free of Material defects (patent or latent) and is fit for its present use, and there are no material or structural repairs or replacements that are necessary or advisable and, without limiting the foregoing, there are no repairs to, or replacements of, the roof or the mechanical, electrical, heating, ventilating, air-conditioning, plumbing or drainage equipment or systems that are necessary or advisable, and none of the Parry Sound Real Property or the Parry Sound Leased Property is currently undergoing any Material alteration or renovation nor is any such alteration or renovation contemplated; and
  - (h) to the Knowledge of Parry Sound HoldCo, each of the Parry Sound Real Property and Parry Sound Leased Property is fully serviced and has suitable access to public roads, and there are no outstanding levies, charges or fees assessed against the Parry Sound Real Property or the Parry Sound Leased Property by any public authority (including development or improvement levies, charges or fees).
- (10) Personal Property. To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary either owns or has rights to use, all of the personal property currently used in the Parry Sound Business, free and clear of all Encumbrances, other than Permitted Encumbrances and the Encumbrances listed in Part 2 of Schedule Schedule 5.2(9)(f) which are all of the Encumbrances that effect the personal property of any Parry Sound Subsidiary.
- (11) Personal Property Leases. The applicable Parry Sound Subsidiary is entitled to all rights and benefits as lessee under the Parry Sound Equipment Leases, and has not sublet, assigned, licensed or otherwise conveyed any rights in those Parry Sound Equipment Leases or in the property leased thereunder to any other Person. All payments and other obligations required to be paid and performed by the applicable Parry Sound Subsidiary under Parry Sound Equipment Leases have been duly paid and performed. The applicable Parry Sound Subsidiary is not in Material default of any of its obligations under the Parry Sound Equipment Leases; and, none of the lessors of the Parry Sound Equipment Leases is in Material default of any of its obligations thereunder.
- (12) Accounts Receivable. All Accounts Receivable of each Parry Sound Subsidiary are *bona fide* and good and have been incurred in the Ordinary Course and subject to an allowance for doubtful accounts that has been reflected on its books in accordance with GAAP, all Accounts Receivable are collectible in the Ordinary Course.
- (13) Intellectual Property.
- (a) To the Knowledge of Parry Sound HoldCo, the applicable Parry Sound Subsidiary either owns the right, title and interest in, to and under, or has acquired a licence

to use in respect of the Parry Sound Business, any and all Intellectual Property that is used in the conduct of the Parry Sound Business in the manner that the Parry Sound Business has heretofore been conducted.

- (b) To the Knowledge of Parry Sound HoldCo, there is no infringement or breach of any industrial or intellectual property rights of any other Person by any Parry Sound Subsidiary, and the applicable Parry Sound Subsidiary has not received any notice that the conduct of the Parry Sound Business, including the use of the Intellectual Property, infringes on or breaches any industrial or intellectual property rights of any other Person and Parry Sound HoldCo does not have any Knowledge of any infringement or violation of any of their rights or the rights of any Parry Sound Subsidiary in the Intellectual Property. To the Knowledge of Parry Sound HoldCo, the conduct of the Parry Sound Business does not, in any Material respect, infringe on the patents, trademarks, licences, trade names, business names, copyright or other industrial or intellectual property rights, domestic or foreign, of any other Person.
  - (c) To the Knowledge of Parry Sound HoldCo, no Parry Sound Subsidiary has received any notice of any adverse claim, litigation or assertion of infringement, invalidity or unenforceability in respect of the Intellectual Property that is used in the conduct of the Parry Sound Business and is not a party to any litigation alleging that the conduct of the Parry Sound Business, as now carried on by Parry Sound WiresCo, infringes upon or breaches the rights of any other Person in Intellectual Property which would reasonably be expected to have a Materially Adverse Effect.
- (14) Insurance. The assets of all of Parry Sound Subsidiaries are covered by fire and other insurance with responsible insurers against such risks and in such amounts as are reasonable for prudent owners of comparable assets. All material insurance policies maintained by the Parry Sound Subsidiary (the "**Parry Sound Insurance Policies**"), specifying in each case, the name of the insurer, the risks insured against, the amount of the coverage, the policy number and any pending Claims thereunder, have been disclosed to Lakeland. No other insurance is necessary to the conduct of the Parry Sound Business or would be considered to be desirable by a prudent Person operating a business similar to the Parry Sound Business. No Parry Sound Subsidiary is in default, whether as to the payment of premiums or with respect to any other provision contained in any Parry Sound Insurance Policy and has not failed to give any notice or present any Claim under any Parry Sound Insurance Policy in a due and timely fashion.
- (15) Expropriation and Public Improvements. To the Knowledge of Parry Sound HoldCo, none of the real property owned, or other realty rights leased, used or occupied, by any Parry Sound Subsidiary in connection with the Parry Sound Business is subject to any pending suit for expropriation, condemnation or other taking by any Governmental Authority, and no such expropriation, condemnation or other taking has been threatened. To the Knowledge of Parry Sound HoldCo, no public improvements with respect to any real property owned, or other realty rights leased, used or occupied, by any Parry Sound



Subsidiary in connection with the Parry Sound Business have been ordered to be made by any Governmental Authority which have not been completed, assessed and paid for in all Material respects.

(16) Material Contracts and Other Contracts.

Except as set out in Schedule 5.4(16):

(a) Each Material Contract:

(i) constitutes a legal, valid, binding and enforceable obligation of the applicable Parry Sound Subsidiary and, to the Knowledge of Parry Sound HoldCo, of the other parties thereto, in accordance with its terms; and

(ii) is in full force and effect, unamended.

(b) To the Knowledge of Parry Sound HoldCo, there is not, under any of the Material Contracts, any default or event which, with notice or lapse of time or both, would constitute a default on the part of any Parry Sound Subsidiary, or, to the Knowledge of Parry Sound HoldCo, any of the other parties thereto, or permit the other parties thereto to terminate, cancel or accelerate such Material Contract, whether on notice or otherwise except such events of default and other events:

(i) as to which requisite waivers or consents have been obtained; or

(ii) which would not individually or in the aggregate, be reasonably expected to have a Material Adverse Effect.

(c) True and complete copies of all of the Material Contracts have been made available to Lakeland HoldCo.

(17) Government Filings. To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary has filed or caused to be filed with all Governmental Authorities all forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by it with respect to the Parry Sound Business under Applicable Law (collectively, the "**Government Filings**") except where the failure to do so would not be reasonably expected to have a Material Adverse Effect. All of the Government Filings of Parry Sound WiresCo complied in all Material respects with all Applicable Laws in effect on the date each Government Filings was filed, and there are no material misstatements or omissions relating to the Parry Sound Business in the Government Filings of Parry Sound WiresCo.

(18) Permits. To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary has all Permits (collectively, the "**Parry Sound Permits**"), that are required by Applicable Law in connection with the Parry Sound Business, except for those Parry Sound Permits, the failure of which to obtain would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Parry Sound HoldCo, each Parry Sound

Subsidiary has not received any written notification that it is in violation of any Parry Sound Permits, or any Applicable Law, except for notifications of violations which would not, individually or in the aggregate, have a Material Adverse Effect. To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary is in compliance with all Parry Sound Permits and Applicable Law in respect of the Parry Sound Business, except for violations which would not, individually or in the aggregate, result in a Material Adverse Effect.

- (19) Financial Statements. The financial statements for each Parry Sound Subsidiary have been prepared in accordance with GAAP consistently applied throughout the periods indicated and fairly, completely and in all Material respects present the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of each Parry Sound Subsidiary as at the respective dates indicated and the sales, earnings and results of operations of each Parry Sound Subsidiary throughout the periods indicated.
- (20) Books and Records. The Books and Records of each Parry Sound Subsidiary fairly present and disclose its financial position as at the date of this Agreement and all of its financial transactions have in all Material respects been accurately recorded in the Books and Records. The system of internal accounting controls is sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets.
- (21) Corporate Records. The minute books of each Parry Sound Subsidiary contain, in all Material respects, true, accurate and complete records of all of its Constatting Documents and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee of either of them. No meeting of shareholders, the board of directors or any committee of either of them has been held for which minutes have not been prepared and are not contained in those minute books. The share certificate book, register of shareholders, register of directors and officers, securities register and register of transfers of each Parry Sound Subsidiary are true, accurate and complete in all Material respects.
- (22) Undisclosed Liabilities. Each Parry Sound Subsidiary has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person, that are not disclosed in its financial statements or disclosed in the Schedules to this Agreement, other than liabilities, obligations, indebtedness and commitments in respect of trade or business obligations incurred after the date of the financial statements in the Ordinary Course, that in the aggregate and would not reasonably be expected to have a Materially Adverse Effect on the Parry Sound Subsidiaries.

- (23) No Debentures.
- (a) None of the Parry Sound Subsidiaries have any obligation relating to a regional or municipal debenture issued by or for the benefit of the Parry Sound Business.
  - (b) None of the Parry Sound Subsidiaries have any debentures, issued and outstanding.
- (24) Absence of Changes. Except as disclosed in the 2012 audited financial statements of each Parry Sound Subsidiary, since December 31, 2012, to the Knowledge of Parry Sound HoldCo there has not been any:
- (a) change in the financial affairs, business, assets, liabilities, financial condition, operations or prospects of any Parry Sound Subsidiary or in the condition of the Parry Sound Business which would constitute a Material Adverse Effect; or
  - (b) damage, destruction or casualty loss, investigation by a Governmental Authority, or any other event, development or condition of any character, whether or not covered by insurance, in respect of any Parry Sound Subsidiary or the Parry Sound Business, which individually or in the aggregate, has or would reasonably be expected to have a Material Adverse Effect.
- (25) Absence of Unusual Transactions. Except as described in Schedule 5.4(25), since December 6, 2013, each Parry Sound Subsidiary has not:
- (a) transferred, assigned, sold or otherwise disposed of any of its assets or cancelled any debts or entitlements except, in each case, in the Ordinary Course of the Parry Sound Business;
  - (b) incurred or assumed any obligation or liability (fixed or contingent), except unsecured current obligations and liabilities incurred in the Ordinary Course of Parry Sound Business;
  - (c) suffered an operating loss or any extraordinary loss, waived or omitted to take any action in respect of any rights, or entered into any commitment or transaction, except in the Ordinary Course of the Parry Sound Business;
  - (d) granted any bonuses, whether monetary or otherwise, or made any general wage or salary or perquisites increases in respect of its officers, directors or Parry Sound Employees, or changed the terms of employment for any officer or Parry Sound WiresCo Employee, except in the Ordinary Course of the Parry Sound Business and consistent with past practice; or
  - (e) Encumbered any of its assets or property whether tangible or intangible except in the Ordinary Course of the Parry Sound Business or pursuant to Permitted Encumbrances.

(26) Taxes.

- (a) Each of Parry Sound HoldCo and each Parry Sound Subsidiary is exempt from tax under the Tax Act and the *Corporations Tax Act* (Ontario). At least 90% of the income of each of Parry Sound HoldCo and each Parry Sound Subsidiary for each fiscal year is from activities carried on within the geographic boundaries of the Parry Sound Shareholders.
- (b) Each Parry Sound Subsidiary has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions 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. Each Parry Sound Subsidiary has never been required to file any Tax Returns with, and has never been liable to pay or remit Taxes to, any Governmental Authority outside Canada. Each Parry Sound Subsidiary has paid all Taxes and all instalments of Taxes due on or before the Closing Date.
- (c) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of Parry Sound HoldCo, threatened against any Parry Sound Subsidiary, 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. Parry Sound HoldCo is not aware of any contingent liability of any Parry Sound Subsidiary for Taxes or any grounds that could prompt an assessment or reassessment for Taxes other than an assessment in respect of current Tax Returns for which no assessment has been received as at the date of this Agreement, and no Parry Sound Subsidiary has received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (d) Each Parry Sound Subsidiary has not entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with whom it was not dealing with at arm's length (within the meaning of the Tax Act). Each Parry Sound Subsidiary has not acquired property from any Person in circumstances where it did or could have become liable for any Taxes payable by that Person.
- (e) There are no 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 Parry Sound Subsidiary. No Parry Sound Subsidiary is party to any agreements or undertakings with respect to Taxes.
- (f) Each Parry Sound Subsidiary has withheld from each payment made or amount credited to any Person (including any of its present or former employees, officers and directors, and to all Persons who are non-residents of Canada for the purposes of the Tax Act) all amounts required by Applicable Law to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to

the appropriate Governmental Authority. Each Parry Sound Subsidiary has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health Taxes and other Taxes payable by it in respect of Parry Sound Employees and has remitted such amounts to the proper Governmental Authority within the time required under Applicable Law.

- (g) Each Parry Sound Subsidiary has charged, collected and remitted on a timely basis all Taxes as required under Applicable Law on any sale, supply, transfer or delivery whatsoever, made by it. For greater certainty, each Parry Sound Subsidiary has, in the manner and within the time prescribed by the Electricity Act, notified the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act and has ensured the payment of any Transfer Tax exigible in respect of such transfer.
  - (h) None of sections 80 to 80.04, both inclusive, of the Tax Act have applied or will apply to Parry Sound Subsidiary at any time up to and including the Closing Date. Each Parry Sound Subsidiary does not have any unpaid amounts that may be required to be included in income under Section 78 of the Tax Act.
  - (i) To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary has computed its liability for PILs, Transfer Tax or other special payments under Part VI of the Electricity Act in accordance with the Electricity Act and the regulations thereunder and has made on a timely basis all payments required to be made thereunder.
- (27) Litigation. Except as described in Schedule 5.4(27), there are no Claims pending or, to the Knowledge of Parry Sound HoldCo, threatened against or affecting, each Parry Sound Subsidiary or its assets. To the Knowledge of Parry Sound HoldCo there is not any factual or legal basis on which any such Claim might be commenced with any reasonable likelihood of success.
- (28) Non-Arm's Length Transactions. Except as described in Schedule 5.4(28), no Parry Sound Subsidiary has made any payment or loan to, or borrowed any moneys from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person not dealing at arm's length with it (within the meaning of the Tax Act), except as disclosed in its financial statements and except for usual employee reimbursements and compensation paid in the Ordinary Course. Except for Contracts of employment or as customers of Parry Sound WiresCo, no Parry Sound Subsidiary is a party to any Contract with any officer, director, employee, shareholder or any other Person not dealing at arm's length with it (within the meaning of the Tax Act). No officer, director or shareholder of Parry Sound WiresCo and no entity that is an Affiliate or Associate of one or more of those Persons:
- (a) owns, directly or indirectly, any interest in Parry Sound WiresCo, or is an officer, director, employee or consultant of, any Person which is, or is engaged in business as, a competitor of the Parry Sound Business or Parry Sound WiresCo or

a lessor, lessee, supplier, distributor, sales agent or customer of the Parry Sound Business or Parry Sound WiresCo;

- (b) owns, directly or indirectly, in whole or in part, any property that any Parry Sound Subsidiary uses in the operation of the Parry Sound Business; or
- (c) has any cause of action or other Claim whatsoever against, or owes any amount to, any Parry Sound Subsidiary in connection with the Parry Sound Business, except for any liabilities reflected in the its financial statements and Claims in the Ordinary Course, such as for accrued vacation pay and accrued benefits under the Parry Sound Employee Plans.

(29) Environmental.

- (a) Each Parry Sound Subsidiary has, in all Material respects, been and is in compliance with all Environmental Law.
- (b) To the Knowledge of Parry Sound HoldCo, each Parry Sound Subsidiary has obtained all material Environmental Permits required for the operation of the Business (the "**Parry Sound Environmental Permits**"). To the Knowledge of Parry Sound HoldCo, each Parry Sound Environmental Permit is valid, subsisting and in good standing and no Parry Sound Subsidiary is in default or breach of any Parry Sound Environmental Permit which default or breach would reasonably be expected to have a Material Adverse Effect and no proceeding is pending or threatened, to revoke or limit any Parry Sound Environmental Permit.
- (c) Each Parry Sound Subsidiary has not caused or permitted, and Parry Sound HoldCo does not have any Knowledge of, the Release, in any manner whatsoever, of any Hazardous Substance on or from any of its assets or any property or facility that it previously owned or leased, except in accordance with Environmental Law, or any such Release on or from a facility owned or operated by third parties but with respect to which a Parry Sound Subsidiary is or may reasonably be alleged to have liability except in accordance with Environmental Law. All Hazardous Substances and all other wastes and other materials and substances used in whole or in part by a Parry Sound Subsidiary or resulting from the Parry Sound Business have, in all Material respects, been disposed of, treated and stored in compliance with all Environmental Law.
- (d) No Parry Sound Subsidiary has received any notice that it is potentially responsible for any clean-up or corrective action under any Environmental Law at any site. No Parry Sound Subsidiary has received any request for information in connection with any federal, provincial, municipal or local inquiries as to disposal sites.
- (e) True, accurate and complete copies of all documents, including Environmental Permits, copies of all environmental audits, evaluations, assessments, studies or

tests relating to any facility or property which any Parry Sound Subsidiary has at any time owned, occupied, leased, managed or controlled or in which it has at any time had a legal or beneficial interest, that were commissioned by or for it in the previous five (5) years and any certificates or reports, issued, filed or registered, pursuant to Environmental Law with respect to the Parry Sound Business or the assets of any Parry Sound Subsidiary in the previous five (5) years has been made available to Parry Sound HoldCo.

(30) Employee Plans.

- (a) True, accurate and complete copies of each non-salary plan, program or arrangement including deferred compensation, bonus compensation, incentive or other compensation, share option or purchase, severance, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, mortgage assistance, pension or supplemental pension, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, and any other similar plan, program or arrangement, whether funded or unfunded, formal or informal, including OMERS, that is maintained, contributed to, or required to be maintained or contributed to, by any Parry Sound Subsidiary, or to which it is a party, or bound by, or under which Parry Sound WiresCo has any liability or contingent liability for the benefit of directors, officers, shareholders, consultants, independent contractors and employees or former employees it and their dependents (the "**Parry Sound Employee Plans**") have been made available to Lakeland HoldCo together with true, accurate and complete copies of all Material documents relating to each Parry Sound Employee Plan.
- (b) OMERS is the only registered pension plan under which the Parry Sound Employees, or any of them, accrue pension benefits, or under which former Parry Sound Employees (or any spouse, dependent or beneficiary of any such Parry Sound Employees or former Parry Sound Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
- (c) To the Knowledge of Parry Sound HoldCo, all Material obligations due under the Parry Sound Employee Plans (whether pursuant to the terms thereof or any Applicable Law) have been satisfied, and there are no outstanding defaults or violations thereunder by Parry Sound WiresCo nor does Parry Sound HoldCo have any Knowledge of any default or violation by any other Person in respect of the Employee Plans.
- (d) There are no improvements, increases or changes to the benefits provided under the Parry Sound Employee Plans nor is there any pattern of *ad hoc* benefit

increases and the Parry Sound Employee Plans do not provide for benefit increases or the acceleration of funding obligations that are contingent or will be triggered by the entering into of this Agreement or the completion of the Amalgamation.

- (e) All employer and employee payments, contributions and premiums required to be remitted or paid to or in respect of the Parry Sound Employee Plans, including OMERS, have been remitted or paid, in a timely fashion to or in respect of the Parry Sound Employee Plans in accordance with the terms thereof and all Applicable Laws, and no Taxes, non-Tax related interest, penalties or fees are owing or exigible under any of the Parry Sound Employee Plans.
- (f) OMERS is the only registered pension plan under which the Parry Sound Employees, or any of them, accrue pension benefits, or under which former Parry Sound Employees (or any spouse, dependent or beneficiary of any such Parry Sound Employees or former Parry Sound Employees) are entitled to payment of any pension benefits, and has been accepted for registration under the Tax Act and has been registered with the Superintendent of Financial Institutions under the *Pension Benefits Standards Act* (Canada).
- (g) To the Knowledge of Parry Sound HoldCo, any Parry Sound Subsidiary has provided to the OMERS Board, on a timely basis, all information known to it and requested from time to time by the OMERS Board in respect of the Parry Sound Employees, former Parry Sound Employees and their spouses and former spouses and which is necessary in order to enable the OMERS Board to properly administer OMERS in respect of them.

(31) Employment Matters.

- (a) Except for the collective agreement between Parry Sound WiresCo and CUPE Local 1704, and as otherwise disclosed in writing to Parry Sound HoldCo, there are no Contracts in respect of the Parry Sound Subsidiaries for the employment or retainer of any Parry Sound Employee, including, for greater certainty, Contracts with directors, officers, employees, independent contractors or agents providing personal services, other than oral Contracts of indefinite hire terminable by Parry Sound WiresCo without cause on reasonable notice.
- (b) Except as disclosed in writing to Parry Sound HoldCo, Parry Sound WiresCo is not a party to nor is it bound by any Contract in respect of any Parry Sound Employee providing for severance, termination or any other payments in connection with the Amalgamation.
- (c) Except as disclosed in writing to Parry Sound HoldCo, no Parry Sound Employees are claiming or receiving long-term disability benefits; no Parry Sound Employees actively employed have filed claims under the *Workplace Safety and Insurance Act* (Ontario); no Parry Sound Employees are on maternity



leave; and, no Parry Sound Employees are on, or are claiming, extended sick leave.

- (d) Parry Sound WiresCo has provided Parry Sound HoldCo with the total number of full and part-time employees of Parry Sound WiresCo and the number of employees represented by CUPE as well as the years of service and salary information of all Parry Sound Employees.
- (32) Labour Matters. In connection with labour matters relating to the Parry Sound Subsidiaries:
- (a) The Parry Sound Subsidiaries are in Material compliance with all Employment Law applicable to Parry Sound WiresCo;
  - (b) No Parry Sound Subsidiary has received notice of any unfair labour practice complaint or any other Employment Law complaint which is current or pending before any labour relations or similar board or any other body or tribunal in connection with the Parry Sound Business;
  - (c) there is no labour strike, slowdown or stoppage actually pending or, to the Knowledge of Parry Sound HoldCo, threatened by any authorized representative of any union or other representative of employees affecting the Parry Sound Business;
  - (d) Parry Sound HoldCo has not received notice that any application for certification or de-certification respecting the Parry Sound Employees has been filed with any labour relations or similar board.
- (33) Personal Information Laws. To the Knowledge of Parry Sound HoldCo, Parry Sound WiresCo is in Material compliance with the requirements of all Applicable Laws relating to its collection, use and disclosure of Personal Information, including the establishment and observance of written policies and practices. No complaint relating to Parry Sound WiresCo's alleged non-compliance with any such Applicable Law has been found by any Governmental Authority to be well-founded, no order or judgment has been made against Parry Sound WiresCo by any Governmental Authority based on any finding of non-compliance with any such Applicable Law, and no unresolved complaint or other proceeding relating to any such alleged non-compliance is now pending by or before any Governmental Authority.
- (34) Competition Act. For the purposes of and in accordance with the requirements of section 110 of the Competition Act, as at the Closing Date:
- (a) the aggregate value of the assets in Canada, determined as of such time and in such manner as are prescribed by section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, in respect of Parry Sound WiresCo has been disclosed in writing to Parry Sound HoldCo; and

- (b) the gross revenues from sales in or from Canada, determined for such annual period and in such manner as are prescribed by section 110 of the Competition Act and the *Notifiable Transactions Regulations* under the Competition Act, generated from the assets referred to in item (a) above, have been disclosed in writing to Parry Sound HoldCo.
- (35) No Joint Venture Interests, etc. Except as set out in Schedule 5.4(37), each Parry Sound Subsidiary is not a partner, beneficiary, trustee, co-tenant, joint-venturer or otherwise a participant in any partnership, trust, joint venture, co-tenancy or similar jointly owned business undertaking.
- (36) Condition of Assets. To the Knowledge of Parry Sound HoldCo, except as would not result in a Material Adverse Effect, the Fixtures situated on the Parry Sound Real Property or used in connection with the Parry Sound Business are in good condition, repair and proper working order, having regard to their use and age and such assets have been properly and regularly maintained in accordance with Good Utility Practices.
- (37) Third Party Consents. Except as described in Schedule 5.4(37) (the "**Parry Sound Third Party Consents**"), there are no Third Party Consents required to be obtained by Parry Sound, Parry Sound HoldCo or any Parry Sound Subsidiary in order to complete the Amalgamation as contemplated by this Agreement.
- (38) Residence. Each Parry Sound Subsidiary is not a non-resident of Canada for purposes of the Tax Act.
- (39) Full Disclosure. Neither this Agreement or any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by Parry Sound HoldCo nor any certificate, report, statement or other document furnished by Parry Sound HoldCo in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. To the Knowledge of Parry Sound HoldCo, there has been no event, transaction or information that has come to the attention of Parry Sound HoldCo that has not been disclosed to Parry Sound HoldCo in writing that could reasonably be expected to have a Material Adverse Effect.

## **ARTICLE 6 COVENANTS**

### **6.1 Covenants of Lakeland HoldCo**

Lakeland HoldCo covenants and agrees with Parry Sound HoldCo that Lakeland HoldCo will do or cause to be done the following:

- (1) Conduct Prior to Closing. Without in any way limiting any other obligations of Lakeland HoldCo, except as specifically provided in this Agreement or with the prior written consent of Parry Sound HoldCo during the Interim Period:

- (a) Lakeland HoldCo shall cause each Lakeland Subsidiary to conduct the Lakeland Business and its operations and affairs only in the Ordinary Course, and shall not, without the prior written consent of Parry Sound HoldCo, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of Lakeland HoldCo in this Agreement and, without limiting the generality of the foregoing, Lakeland HoldCo shall cause each Lakeland Subsidiary:
  - (i) not to amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares and assets of any Person, not to acquire or lease or agree to acquire or lease any business operations in any other Person;
  - (ii) not to enter into any compromise or settlement of any litigation, proceeding or government investigation relating to the Lakeland Business or any of its assets;
  - (iii) not to make any Material modification to its usual sales, human resource, accounting, software, or management practices, processes or systems; or
  - (iv) not to enter into any Material Contract.
- (b) Lakeland HoldCo shall cause each Lakeland Subsidiary:
  - (i) to continue to maintain in full force and effect all the Lakeland Insurance Policies or renewals thereof currently in effect;
  - (ii) to report all Claims with a value greater than \$100,000 or known circumstances or events which may give rise to a Claim with a value greater than \$100,000 to its insurers under the Lakeland Insurance Policies in a due and timely manner to the Closing Date and to provide copies of those reports to Parry Sound HoldCo;
- (c) Lakeland HoldCo shall use its commercially reasonable efforts to give or obtain the Lakeland Third Party Consents described in Schedule 5.4(37);
- (d) Lakeland HoldCo shall use its commercially reasonable efforts to preserve, and to preserve intact, the Lakeland Business, the assets, operations and affairs of each Lakeland Subsidiary and to carry on the Lakeland Business affairs of each Lakeland Subsidiary as currently conducted, and to promote and preserve the goodwill of suppliers, customers and others having business relations with each Lakeland Subsidiary;
- (e) Lakeland HoldCo shall cause each Lakeland Subsidiary to pay and discharge the liabilities of each Lakeland Subsidiary in the Ordinary Course in accordance and

consistent with its previous practices of Lakeland WiresCo, except those contested in good faith by each Lakeland Subsidiary;

- (f) Lakeland HoldCo shall use its commercially reasonable efforts to take and cause each Lakeland Subsidiary to take, all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the applicable Amalgamation and to cause all necessary meetings of directors and shareholders of Lakeland HoldCo and each Lakeland Subsidiary to be held for that purpose;
  - (g) Lakeland HoldCo shall use its commercially reasonable efforts to satisfy the conditions contained in Section 4.2.
- (2) Rights of Access. During the Interim Period, Lakeland HoldCo shall cause each Lakeland Subsidiary to provide:
- (a) during ordinary business hours and upon reasonable notice and subject to compliance with all Applicable Laws and confidentiality agreements, Parry Sound HoldCo and its Representatives, with reasonable access to its management, Books and Records, Contracts, Intellectual Property, insurance policies, premises, properties and other information relating to the Lakeland Business; and
  - (b) as Parry Sound HoldCo may reasonably request, such updated financial and operating data relating to each Lakeland Subsidiary as Lakeland WiresCo provides to Lakeland HoldCo.
- (3) Exclusive Dealings. During the Interim Period, Lakeland HoldCo shall not, and shall cause Lakeland WiresCo not to, take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, other than Parry Sound HoldCo and its designated and authorized Representatives, concerning any sale or merger of any Lakeland Subsidiary or any portion of the Lakeland Business or the assets of any Lakeland Subsidiary. Lakeland HoldCo shall notify Parry Sound HoldCo promptly if any such discussions or negotiations are sought or if any proposal for a sale, of any portion of the Lakeland Business or the assets of any Lakeland Subsidiary is received or being considered.
- (4) No Amendment to Articles. Each Lakeland Subsidiary shall not make any amendment to its articles of incorporation or by-laws, and Lakeland HoldCo shall not require or authorize the same.
- (5) Transition Arrangements. Lakeland HoldCo shall, and shall cause each Lakeland Subsidiary to, complete the transition arrangements provided in Section 2.5 and to cooperate in good faith with Parry Sound HoldCo to complete the transition arrangements in Section 2.5.

- (6) MOF Notification. Lakeland WiresCo shall, in the manner and within the time prescribed by the Electricity Act, notify the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act in connection with the Amalgamation.
- (7) Employees.
- (a) All of the Lakeland Employees shall become employees of the applicable Merged GenCo, Merged WiresCo and Lakeland ServicesCo effective as at the applicable Amalgamation Effective Time or effective time, as the case may be.
- (b) All of the Lakeland HoldCo Employees shall cease to be employees of Lakeland HoldCo and shall be hired as employees of Merged HoldCo effective as at the Amalgamation Effective Time.
- (8) Lakeland Subsidiary Dividends. Notwithstanding any provision of this Agreement to the contrary, during the Interim Period each Lakeland Subsidiary may declare its normal dividend.

## **6.2 Covenants of Parry Sound HoldCo**

Parry Sound HoldCo covenants and agrees with Lakeland HoldCo that Parry Sound HoldCo will do or cause to be done the following:

- (1) Conduct Prior to Closing. Without in any way limiting any other obligations of Parry Sound HoldCo and Parry Sound WiresCo hereunder, except as specifically provided in this Agreement or with the prior written consent of Lakeland HoldCo during the Interim Period:
- (a) Parry Sound HoldCo shall cause each Parry Sound Subsidiary to conduct the Parry Sound Business and the operations and affairs of each Parry Sound Subsidiary only in the Ordinary Course, and Parry Sound HoldCo and each Parry Sound Subsidiary shall not, without the prior written consent of Lakeland HoldCo, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of Parry Sound HoldCo in this Agreement and, without limiting the generality of the foregoing, Parry Sound HoldCo shall cause each Parry Sound Subsidiary:
- (i) not to amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares and assets of any Person, not to acquire or lease or agree to acquire or lease any business operations in any other Person;
- (ii) not to enter into any compromise or settlement of any litigation, proceeding or government investigation relating to Parry Sound Business or any of the assets of any Parry Sound Subsidiary;

- (iii) not to make any Material modification to its usual sales, human resource, accounting, software, or management practices, processes or systems; or
  - (iv) not to enter into any Material Contract;
- (b) Parry Sound HoldCo shall cause each Parry Sound Subsidiary:
- (i) to continue to maintain in full force and effect all the Parry Sound Insurance Policies or renewals thereof currently in effect;
  - (ii) to report all Claims with a value greater than \$100,000 or known circumstances or events which may give rise to a Claim with a value greater than \$100,000 to its insurers under the Parry Sound Insurance Policies in a due and timely manner to the Closing Date and to provide copies of those reports to Lakeland HoldCo;
- (c) Parry Sound HoldCo shall use its commercially reasonable efforts to give or obtain, the Parry Sound Third Party Consents described in Schedule 5.4(37);
- (d) Parry Sound HoldCo shall use its commercially reasonable efforts to preserve, and to preserve intact, the Parry Sound Business, the assets of each Parry Sound Subsidiary, and the operations and affairs of each Parry Sound Subsidiary and to carry on the Parry Sound Business and the affairs of each Parry Sound Subsidiary as currently conducted, and to promote and preserve the goodwill of suppliers, customers and others having business relations with it;
- (e) Parry Sound HoldCo shall cause each Parry Sound Subsidiary to pay and discharge its liabilities in the Ordinary Course in accordance and consistent with its previous practice of Parry Sound WiresCo, except those contested in good faith by the Parry Sound Subsidiary;
- (f) Parry Sound HoldCo shall use its commercially reasonable efforts to take and cause each Parry Sound Subsidiary to take, all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the Amalgamation and to cause all necessary meetings of directors and shareholders of each Parry Sound HoldCo and each Parry Sound Subsidiary to be held for that purpose;
- (g) Parry Sound HoldCo shall use its commercially reasonable efforts to satisfy the conditions contained in Section 4.1.
- (2) Rights of Access. During the Interim Period, Parry Sound HoldCo shall cause each Parry Sound Subsidiary to provide:
- (a) during ordinary business hours and upon reasonable notice and subject to compliance with all Applicable Laws and confidentiality agreements, Lakeland

HoldCo and its Representatives, with reasonable access to each Parry Sound Subsidiary management, Books and Records, Contracts, Intellectual Property, insurance policies, premises, properties and other information relating to each Parry Sound Subsidiary and the Parry Sound Business; and

- (b) as Lakeland HoldCo may reasonably request, such updated financial and operating data relating to each Parry Sound Subsidiary as its provides to Parry Sound HoldCo.
- (3) Exclusive Dealings. During the Interim Period, Parry Sound HoldCo shall not, and shall cause each Parry Sound Subsidiary not to, take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, any Person, other than Lakeland HoldCo and its designated and authorized Representatives, concerning any sale or merger of any Parry Sound Subsidiary or any portion of the Parry Sound Business or the assets of any Parry Sound Subsidiary. Parry Sound HoldCo shall notify Lakeland HoldCo promptly if any such discussions or negotiations are sought or if any proposal for a sale, of any portion of the Parry Sound WiresCo Business or the assets of any Parry Sound Subsidiary is received or being considered.
- (4) No Amendment to Articles. Each Parry Sound Subsidiary shall not make any amendment to its articles of incorporation or by-laws, and Parry Sound HoldCo shall not require or authorize the same.
- (5) Transition Arrangements. Parry Sound HoldCo shall, and shall cause each Parry Sound Subsidiary to, complete the transition arrangements provided in Section 2.5 and to co-operate in good faith with Lakeland HoldCo and each Lakeland Subsidiary to complete the transition arrangements in Section 2.5.
- (6) MOF Notification. Parry Sound Holdco shall, in the manner and within the time prescribed by the Electricity Act, notify the MOF of any transfer of "municipal electricity property" within the meaning of the Electricity Act in connection with the Amalgamation.
- (7) Employees.
  - (a) All of the Parry Sound Employees shall become employees of the applicable Merged GenCo and Merged WiresCo effective as at the applicable Amalgamation Effective Time.
  - (b) All of the Parry Sound HoldCo Employees shall cease to be employees of Parry Sound HoldCo and shall be hired as employees of Merged HoldCo effective as at the Amalgamation Effective Time.
- (8) Parry Sound Subsidiary Dividends. Notwithstanding any provision of this Agreement to the contrary, during the Interim Period each Parry Sound Subsidiary may declare its normal dividend/note payment.

### 6.3 **Mutual Covenants**

- (1) Co-operation and Compliance. Subject to the terms and conditions of this Agreement and Applicable Law, each of the Parties shall use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, as soon as reasonably practicable, the Amalgamation and other transactions contemplated hereby, including using commercially reasonable efforts to ensure satisfaction of the conditions precedent to each Party's obligations under this Agreement.
- (2) Amalgamation Agreement. On Closing, each applicable Lakeland Subsidiary and Parry Sound Subsidiary shall execute and deliver the applicable Amalgamation Agreement and the articles of amalgamation and related documentation required to be filed pursuant to the OBCA to give effect to the Amalgamations.
- (3) Merged HoldCo Shareholders Agreement. On Closing, each of Lakeland HoldCo and Parry Sound HoldCo shall cause Merged HoldCo to execute and deliver, and shall arrange for Bracebridge, Hunstville, Sundridge, Burk's Falls, Magnetawan and Parry Sound to execute and deliver the Merged HoldCo Shareholders Agreement.
- (4) Cooperation with OEB MAAD Application. Each of the Parties shall cooperate with one another to prepare and submit to the OEB as soon as possible following execution of this Agreement an application (the "**MAAD Application**") requesting approval of the Amalgamation and any corresponding amendment of the electricity distribution licences held by Lakeland WiresCo and Parry Sound WiresCo.
- (5) Confidentiality. The Parties shall treat as confidential this Agreement, the terms and conditions set out herein and all information provided to one another in accordance with this Agreement. All such information shall be kept in the strictest confidence and not divulged to any unrelated third party or used by Lakeland HoldCo or Parry Sound HoldCo except for purposes of the Amalgamation. The Parties acknowledge that Lakeland HoldCo and Parry Sound HoldCo executed the Confidentiality Agreement and that such confidentiality agreement continues in full force and effect for all purposes of this section.
- (6) Public Statements. Prior to Closing, no Party shall issue or make any public announcement or press release (a "**Public Announcement**") with respect to this Agreement or the Amalgamation or other transactions contemplated hereby without the prior written consent of both Lakeland HoldCo and Parry Sound HoldCo, which consent shall not be unreasonably withheld or delayed, except as may be required by Applicable Law or a Governmental Authority. If such disclosure is required by Applicable Law or a Governmental Authority, the Party required to make such disclosure shall, if practicable, provide prior notice to the other Parties of such requirement, the nature thereof, and the nature of the proposed disclosure, and shall limit the scope of such disclosure to the



extent necessary to comply with such requirement. Upon the completion of the Amalgamation, the Parties shall issue a mutually acceptable press release.

- (7) Third Party Consents. Each Party shall have the right to review in advance information which appears in any application, notice, petition or filing made seeking Third Party Consents required in connection with the Amalgamation and other transactions contemplated hereby.
- (8) Post Closing Tax Obligations. Lakeland HoldCo and Parry Sound HoldCo shall, on a timely basis, cause Merged HoldCo to: (i) prepare and file with the appropriate Governmental Authorities all Tax Returns required to be filed by each Lakeland Subsidiary and each Parry Sound Subsidiary for all periods prior to and ending on the day immediately preceding the Closing Date; and (ii) pay or remit all amounts in respect of Taxes required to be paid or remitted by each Lakeland Subsidiary and Parry Sound Subsidiary for all periods prior to and ending on the day immediately preceding the Closing Date.
- (9) Intercorporate Services Agreements. The Parties agree that all agreements with respect to the provision of services by Lakeland WiresCo and Parry Sound WiresCo to their respective Affiliates shall be transferred to and assumed by the Merged WiresCo unless specifically excluded pursuant to this Agreement and that the Merged WiresCo shall after Closing ensure that it operates in compliance with the Affiliates Relationship Code.

## **ARTICLE 7 INDEMNIFICATION**

### **7.1 Indemnification**

- (1) Subject to Sections 7.1(6), 7.1(8) and 7.1(9), and subject to the *Limitations Act, 2002* (Ontario), Lakeland HoldCo shall indemnify, defend and hold harmless, Parry Sound HoldCo and the Merged HoldCo, and each of their respective officers, directors, employees, shareholders and agents, (each, a "**Parry Sound Indemnitee**") from and against any and all claims, demands, suits, losses, liabilities, damages, obligations, assessments, reassessments, charges, payments, costs and expenses and accrued interest thereon (including the costs and expenses of, and accrued interest in respect of, any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable lawyers' and other professionals' and experts' fees and reasonable disbursements in connection therewith) (each, an "**Indemnifiable Loss**"), asserted against or suffered by any Parry Sound Indemnitee relating to, in connection with or resulting from or arising out of any Direct Claim or Third Party Claim in respect of:
  - (a) any breach by Lakeland HoldCo of any representation and warranty contained in this Agreement, or incorrectness in any certificate furnished by Lakeland HoldCo in accordance with this Agreement; or

- (b) any breach by Lakeland HoldCo of any covenants or agreements contained in this Agreement provided such breach was not caused by the breach by Parry Sound HoldCo of its covenants or agreements contained in this Agreement; or

provided that in the case of (a) or (b) the Claim is brought within the time limits set out in Section 8.3.

- (2) It is the intention of Lakeland HoldCo to constitute Parry Sound HoldCo as trustee for the Parry Sound Indemnitees that are not party to this Agreement of the covenants of Lakeland HoldCo in this Article 7 and Parry Sound HoldCo agrees to accept such trust and to hold and enforce such covenants on behalf of the Parry Sound Indemnitees.
- (3) Subject to Sections 7.1(7), 7.1(8) and 7.1(9), and subject to the *Limitations Act, 2002* (Ontario), Parry Sound HoldCo shall indemnify, defend and hold harmless Lakeland HoldCo and the Merged HoldCo, and each of their respective officers, directors, employees, shareholders, and agents (each, a "**Lakeland Indemnitee**") from and against any and all Indemnifiable Losses asserted against or suffered by any Lakeland Indemnitee relating to, in connection with, resulting from or arising out of any Direct Claim or Third Party Claim in respect of:
  - (a) any breach by Parry Sound HoldCo of any representations and warranties contained in this Agreement, or incorrectness in any certificate furnished by Parry Sound HoldCo in accordance with this Agreement; or
  - (b) any breach by Parry Sound HoldCo, of any covenants or agreements contained in this Agreement provided such breach was not caused by the breach by Lakeland HoldCo or its covenants or obligations contained in this Agreement;

provided that in the case of (a) or (b) the Claim is brought within the time limits set out in Section 8.3.

- (4) It is the intention of Parry Sound HoldCo to constitute Lakeland HoldCo as trustee for the Lakeland Indemnitees that are not party to this Agreement of the covenants of Parry Sound HoldCo in this Article 7 and Lakeland HoldCo agrees to accept such trust and to hold and enforce such covenants on behalf of the Lakeland Indemnitees.
- (5) The expiration or termination of any period of indemnification set out in Sections 7.1(1) and 7.1(3) shall not affect the Parties' obligations under this Article 7 if the Indemnitee provides to the Person required to provide indemnification under this Agreement (the "**Indemnifying Party**") with proper notice of the claim or event for which indemnification is sought prior to such expiration or termination.
- (6) Lakeland HoldCo's obligations under this Article 7 shall be limited as follows:
  - (a) no Parry Sound Indemnitee shall be entitled to claim in respect of an Indemnifiable Loss until the time that the aggregate amount of all Indemnifiable Losses of Parry Sound Indemnitees exceeds \$250,000 and once such threshold is

reached the Parry Sound Indemnites shall be entitled to claim for the full amount of Indemnifiable Losses: provided that there shall be no such threshold in respect of Indemnifiable Losses, involving fraud or fraudulent misrepresentation;

- (b) in no case shall Lakeland HoldCo's obligation to indemnify the Parry Sound Indemnites exceed the following:
  - (i) in respect of Claims relating to environmental matters, a maximum aggregate amount equal to the net equity value of Lakeland WiresCo as at the Closing Date; and
  - (ii) in respect of all Claims other than those described in Section 7.1(6)(b)(i), a maximum aggregate amount equal to \$20,000,000.
- (7) Parry Sound HoldCo's obligations under this Article 7 shall be limited as follows:
  - (a) no Lakeland Indemnitee shall be entitled to claim in respect of an Indemnifiable Loss until the time that the aggregate amount of all Indemnifiable Losses of Lakeland Indemnites exceeds \$250,000 and once such threshold is reached, the Lakeland Indemnites shall be entitled to claim for the full amount of Indemnifiable Losses; provided that there shall be no such threshold in respect of Indemnifiable Losses involving fraud or fraudulent misrepresentation;
  - (b) in no case shall Parry Sound HoldCo's obligations to indemnify the Lakeland Indemnites exceed the following:
    - (i) in respect of Claims relating to environmental matters, a maximum aggregate amount equal to the net equity value of Parry Sound WiresCo as at the Closing Date; and
    - (ii) in respect of all Claims other than those described in Section 7.1(6)(b)(i), a maximum aggregate amount equal to \$20,000,000.
- (8) For greater certainty, all Indemnifiable Losses will be calculated without duplication.
- (9) Notwithstanding anything to the contrary in this Agreement:
  - (a) no Party (including a non-Party Indemnitee) shall be entitled to recover hereunder any amount in excess of the actual compensatory damages, court costs and reasonable fees and other expenses of lawyers and other professionals and experts suffered by such Party; and
  - (b) each Party waives any right to recover punitive, special and consequential damages arising in connection with or with respect to this Agreement.

The provisions of this Section 7.1(9) shall not apply to indemnification for a Third Party Claim.

- (10) The Parties agree that, from and after Closing, this Article 7 sets out the sole and exclusive manner by which the Parties may seek compensation or other monetary relief hereunder for any breach of representation, warranty or covenant, and is in lieu of any and all other rights and remedies which any Party may have, for any matter in respect of which it may make a claim on account of an Indemnifiable Loss.

## 7.2 **Defence of Claim**

- (1) If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action or proceeding made or brought by any Person who is not an Indemnitee (a "**Third Party Claim**") with respect to which indemnification is to be sought from an Indemnifying Party, the Indemnitee shall give such Indemnifying Party reasonably prompt written notice thereof, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee's receipt of notice of such Third Party Claim. Such notice shall describe the nature of the Third Party Claim in reasonable detail and shall indicate the amount or, if the amount is not then determinable, an appropriate and reasonable estimate of the potential amount of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume the defence of any Third Party Claim at such Indemnifying Party's expense and by such Indemnifying Party's own counsel, provided, however, that:
- (a) counsel for the Indemnifying Party shall conduct the defence of such Third Party Claim in a manner reasonably satisfactory to the Indemnitee;
  - (b) if the defendants to the Third Party Claim include both the Indemnifying Party and the Indemnitee and the Indemnitee shall have reasonably concluded that there may be legal defences available to it which are different from, additional to or inconsistent with those available to the Indemnifying Party, the Indemnitee shall have the right to select separate counsel to participate in the defence of the Third Party Claim and the reasonable fees and disbursements of such counsel shall be considered Indemnifiable Losses for the purpose of this Agreement.

Notwithstanding the provisions of this Section 7.2(1), where a Third Party Claim relates to Taxes, the Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume jointly with the Indemnitee the defence of such a Third Party Claim relating to Taxes and both the Indemnifying Party and the Indemnitee shall act reasonably in connection with the conduct and management of such defence. The provisions of this Section 7.2(1) shall otherwise apply *mutatis mutandis*.

- (2) If the Indemnifying Party assumes the defence in accordance with this Section 7.2(2) the Indemnitee shall co-operate in good faith in such defence at such Indemnitee's own expense. If an Indemnifying Party elects not to assume control of the defence of any Third Party Claim, the Indemnitee shall be entitled to assume such control and may compromise or settle such Third Party Claim (in any manner that it determines appropriate, acting reasonably), over the objection of the Indemnifying Party, which

settlement or compromise shall conclusively establish the Indemnifying Party's liability pursuant to this Agreement and the Indemnifying Party shall be bound by the results obtained by the Indemnitee with respect to such Third Party Claim.

- (3) If, within twenty (20) calendar days after an Indemnitee provides written notice to the Indemnifying Party of any Third Party Claims, the Indemnitee receives written notice from the Indemnifying Party that such Indemnifying Party has elected to assume the defence of such Third Party Claim as provided in Section 7.2(1), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the defence thereof except as expressly provided in Section 7.2(1), provided, however, that if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within twenty (20) calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps, the Indemnitee may assume its own defence and the Indemnifying Party shall be liable for all reasonable expenses thereof.
- (4) Without the prior written consent of the Indemnitee, the Indemnifying Party shall not enter into any settlement of any Third Party Claim which would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification under this Agreement. The Indemnifying Party shall not settle any Third Party Claim or conduct any legal or administrative proceeding in a manner which would, in the opinion of the Indemnitee, acting reasonably, have a material adverse impact on the Indemnitee. If a final offer is made to settle a Third Party Claim and the offer creates no liability or financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification under this Agreement and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such final offer within twenty (20) calendar days after its receipt of such notice, the Indemnifying Party shall be relieved of its obligations to defend such Third Party Claim and the Indemnitee may contest or defend such Third Party Claim. In such event, the maximum liability of the Indemnifying Party as to such Third Party Claim will be the amount of such settlement offer plus reasonable costs and expenses paid or incurred by the Indemnitee up to the date of such notice.
- (5) If any Third Party Claim is of a nature such that the Indemnitee is required by Applicable Law to make a payment to any Person (a "**Third Party**") for the purposes of this Section 7.2(5) with respect to such Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnitee may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnitee, reimburse the Indemnitee for any such payment. If the amount of any liability under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Party to the Indemnitee, the Indemnitee shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnifying Party.

- (6) Except in the circumstances contemplated by Section 7.2(2) or as expressly provided in Section 7.2(5), and whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnitee shall not negotiate, settle, compromise or pay any Third Party Claim except with the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld).
- (7) The Indemnitee shall not permit any right of appeal in respect of any Third Party Claim to terminate without giving the Indemnifying Party notice thereof and an opportunity to contest such Third Party Claim.
- (8) The Parties shall co-operate fully with each other with respect to Third Party Claims, shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available) and shall each designate a senior officer who will keep himself informed about and be prepared to discuss the Third Party Claim with his counterparts and with counsel at all reasonable times.
- (9) Any claim by an Indemnitee on account of an Indemnifiable Loss which does not result from a Third Party Claim (a "**Direct Claim**") shall be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, stating the nature and factual basis of the Claim in reasonable detail and indicating the amount, or if the amount is not then determinable, an approximate and reasonable estimate of the potential amount of the Direct Claim, but in any event such notice shall not be given later than twenty (20) calendar days after the Indemnitee becomes aware of such Direct Claim, and the Indemnifying Party shall have a period of twenty (20) calendar days within which to investigate and respond to such Direct Claim. For the purpose of such investigation, the Indemnitee shall make available to the Indemnifying Party the information relied upon by the Indemnitee to substantiate the Direct Claim. If the Indemnitee and the Indemnifying Party agree, at or prior to the expiration of such twenty (20) calendar day period, to the validity and amount of the Direct Claim, the Indemnifying Party shall immediately pay to the Indemnitee the full agreed upon amount of the Direct Claim. If the Indemnifying Party does not respond within such twenty (20) calendar day period, the Indemnifying Party shall be deemed to have accepted the Direct Claim. If the Indemnifying Party rejects such Direct Claim, the Indemnitee will be free to seek enforcement of its right to indemnification under this Agreement and shall be entitled to submit the Dispute to the Dispute arbitration procedure referred to in Section 8.2.
- (10) If the amount of any Indemnifiable Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by, from or against any other entity (including, without limitation, relating to any increase in distribution rates specifically to allow such recovery or from a reduction in taxes), the amount of such reduction, together with any interest earned on such amount, if applicable, less any deductibles, costs or expenses incurred in connection therewith, shall promptly be repaid by the Indemnitee to the Indemnifying Party.

- (11) A failure to give timely notice as provided in this Section 7.2 shall not affect the rights or obligations of any Party under this Agreement except if, and only to the extent that, as a result of such failure, the party which was entitled to receive such notice was actually prejudiced.

## **ARTICLE 8 GENERAL PROVISIONS**

### **8.1 Notices**

Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as provided below. Any such notice or other communication, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand, shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this Section 8.1. Notices and other communications shall be addressed as follows:

Chris Litschko, CEO  
Lakeland Holding Ltd.  
cjlitschko@lakelandholding.com  
1-888-282-7711 ext. 224

Miles Thompson, Vice-President  
Parry Sound Hydro Corporation  
mthompson@pspower.ca  
1-705-746-5866

Notwithstanding the foregoing, any notice or other communication required or permitted to be given by any party pursuant to or in connection with any arbitration procedures contained in this Agreement or in any Schedule to this Agreement may only be delivered by hand. The failure to send or deliver a copy of a notice to counsel shall not invalidate any notice given under this Section 8.1.

### **8.2 Arbitration Procedures**

- (f) **Disputes:** Each Party shall appoint one or more representatives who shall be responsible for administering this Agreement on its behalf and for representing its respective interests in disputes relating to this Agreement ("**Disputes**"). Any Dispute between the Parties relating to this Agreement that is not resolved between such representatives within ten (10) Business Days of the date that one Party notifies the other Party or Parties of such dispute shall be referred by the Parties' representatives in writing to the senior

management of each Party for resolution. Such senior management shall use good faith efforts to resolve the Dispute for a period of up to ten (10) Business Days.

- (g) **Arbitration:** Any Dispute that is not resolved by the procedure set forth in Section (f) above may be referred to and resolved by arbitration by a single arbitrator in accordance with the provisions of the *Arbitration Act, 1991* (Ontario), subject to the following modifications and additions:
- (i) The arbitration shall take place in Ontario, and shall be conducted in English;
  - (ii) The arbitration shall be conducted by a single arbitrator having no financial, business 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 a Party, then the arbitrator shall be selected pursuant to the provisions of the *Arbitration Act, 1991* (Ontario);
  - (iii) 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, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process; and
  - (iv) 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.

### 8.3 **Survival of Representations and Warranties, Covenants and Obligations**

Subject to the *Limitations Act, 2002* (Ontario):

- (a) the representations and warranties given or made by any Party in this Agreement or in any certificate or other writing furnished in connection with this Agreement shall survive the Closing for a period of twenty-four (24) months after the Closing Date and shall thereafter terminate and be of no further force or effect, except that (i) any Claim based on fraud or fraudulent misrepresentation, may be brought at any time; and (ii) any representation and warranty as to which a Claim (including a contingent Claim) shall have been asserted during the survival period shall continue in effect with respect to such Claim until such Claim shall have been finally resolved or settled. Each Party shall be entitled to rely upon the representations and warranties of the other Parties set forth in this Agreement, notwithstanding any investigation or audit conducted before or after the Closing Date or the decision of any party to complete the Closing;
- (b) the covenants and obligations of the Parties set forth in this Agreement, including the indemnification obligations of Lakeland HoldCo and Parry Sound HoldCo under Article 7, shall survive the Closing indefinitely, unless such covenants and obligations by their terms expire on or before the Closing, and each Party shall be



entitled to the full performance thereof by the other Parties without limitation as to time or amount (except as otherwise specifically set forth in this Agreement); and

- (c) subject to Sections 8.3(a) and (b), all of the provisions upon which a claim is made under this Agreement shall survive until such claim has been disposed of in accordance with this Agreement.

#### **8.4 No Personal Liability Re: Certificates**

All certificates delivered by a corporate officer or director of Lakeland HoldCo or Parry Sound HoldCo in accordance with this Agreement, shall be delivered in such official capacity without personal liability to any such individual.

#### **8.5 Entire Agreement**

This Agreement and the Confidentiality Agreement constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the Parties, written or oral, in respect thereof, including the MOU.

#### **8.6 Further Assurances**

Each Party hereby covenants and agrees that at any time and from time to time after the Closing Date it will, upon the request of the other Parties, or any one of them, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, assignments, transfers, conveyances and assurances as may be required for the better carrying out and performance of all the terms of this Agreement.

#### **8.7 Remedies Cumulative**

The rights and remedies of the parties under this Agreement are cumulative and in addition to and not in substitution for any rights or remedies provided by law. Any single or partial exercise by any Party hereto of any right or remedy for default or breach of any term, covenant or condition of this Agreement does not waive, alter, affect or prejudice any other right or remedy to which such Party may be lawfully entitled for the same default or breach.

#### **8.8 Waiver, Amendment**

- (1) No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by each of the Parties. No waiver of any provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, no such waiver shall constitute a waiver of any other provision of this Agreement nor constitute a continuing waiver, or operate as a waiver of, or estoppel with respect to, any subsequent failure to comply.

- (2) Each of the Lakeland Shareholders and Parry Sound shall be promptly notified of each proposed modification of or amendment to this Agreement. Notwithstanding the provisions of Section 8.8(1), any modification of or amendment that would result in a material change to this Agreement, shall not be effective or binding unless approved in writing by each of the Lakeland Shareholders and Parry Sound.

#### **8.9 Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same agreement.

#### **8.10 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable therein. The Parties agree that the courts of Ontario shall have exclusive jurisdiction to determine all disputes and claims arising under or pursuant to this Agreement.

#### **8.11 Commercially Reasonable Efforts**

The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any party to use 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 otherwise due and payable to such person, payments for incidental expenses incurred by such person and payments required by any applicable law or regulation.

#### **8.12 Time of Essence**

Time shall be of the essence hereof.

#### **8.13 Severability**

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

#### **8.14 No Partnership**

Nothing contained in this Agreement nor any acts of the Parties hereunder shall be deemed to constitute any Party as a partner of any other Party.

**8.15 Assignment**

The rights of the Parties hereunder shall not be assignable.

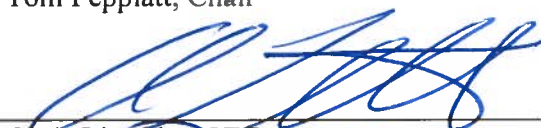
**8.16 Successors and Assigns**

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors. Nothing herein, express or implied, is intended to confer upon any person, other than the Parties hereto and their respective successors, any rights remedies, obligations or liabilities under or by reason of this Agreement.

**IN WITNESS WHEREOF** the parties hereto have duly authorized and executed this Agreement as of the day and year first above written.

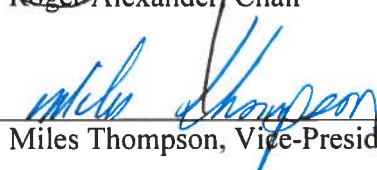
**LAKELAND HOLDING LTD.**

By:   
Tom Peppiatt, Chair

By:   
Chris Litschko, CEO

**PARRY SOUND HYDRO CORPORATION**

By:   
Roger Alexander, Chair

By:   
Miles Thompson, Vice-President

**SCHEDULE 1.1  
MERGED HOLDCO SHAREHOLDERS AGREEMENT**

**SCHEDULE 5.1(7)  
LAKELAND LITIGATION**

Statement of Claim between George Perez, Mirna Perez, Fernando Perez and Pablo Perez (Plaintiffs) and The Corporation of the Town of Bracebridge, Lakeland Holding Ltd., Bracebridge Generating Ltd., Her Majesty the Queen in Right of Ontario, represented by the Minister of Natural Resources, Trout Unlimited Canada and Bracebridge Hydro Electric Commission (Defendants), date of issue, August 5, 2010.

**SCHEDULE 5.2(3)  
LAKELAND AUTHORIZED AND ISSUED CAPITAL**

**SCHEDULE 5.2(4)  
LAKELAND - OPTIONS**

NIL.

**SCHEDULE 5.2(9)(f)  
LAKELAND – ENCUMBRANCES**

NIL.



**SCHEDULE 5.2(16)  
LAKELAND – MATERIAL CONTRACTS**

**SCHEDULE 5.2(25)  
LAKELAND – UNUSUAL TRANSACTIONS**

NIL.

**SCHEDULE 5.2(27)  
LAKELAND - LITIGATION**

Statement of Claim between George Perez, Mirna Perez, Fernando Perez and Pablo Perez (Plaintiffs) and The Corporation of the Town of Bracebridge, Lakeland Holding Ltd., Bracebridge Generating Ltd., Her Majesty the Queen in Right of Ontario, represented by the Minister of Natural Resources, Trout Unlimited Canada and Bracebridge Hydro Electric Commission (Defendants), date of issue, August 5, 2010.

**SCHEDULE 5.2(28)  
LAKELAND – NON ARM’S LENGTH TRANSACTIONS**

NIL.

**SCHEDULE 5.2(37)  
LAKELAND – THIRD PARTY CONSENTS**

NIL.

**SCHEDULE 5.4(3)  
PARRY SOUND AUTHORIZED AND ISSUED CAPITAL**

**SCHEDULE 5.4(4)  
PARRY SOUND - OPTIONS**

NIL.

**SCHEDULE 5.4(9)(f)  
PARRY SOUND - ENCUMBRANCES**

NIL.



**SCHEDULE 5.4(16)  
PARRY SOUND – MATERIAL CONTRACTS**

NIL.

**SCHEDULE 5.4(25)  
PARRY SOUND – UNUSUAL TRANSACTIONS**

NIL.

**SCHEDULE 5.4(27)  
PARRY SOUND - LITIGATION**

NIL.

**SCHEDULE 5.4(28)  
PARRY SOUND – NON ARM'S LENGTH TRANSACTIONS**

NIL.

**SCHEDULE 5.4(37)  
PARRY SOUND – THIRD PARTY CONSENTS**

NIL.