STIKEMAN ELLIOTT

Stikeman Elliott LLP Barristers & Solicitors

5300 Commerce Court West, 199 Bay Street, Toronto, Canada M5L 1B9
Tel: (416) 869-5500 Fax: (416) 947-0866 www.stikeman.com

Direct: (416) 869-5688
Fax: (416) 947-0866
E-mail: gzacher@stikeman.com

June 16, 2014
File No.: 136468.1001

Kirsten Walli
Board Secretary
Ontario Energy Board
Yonge-Eglinton Centre
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0217 — Cambridge and North Dumfries Hydro Inc.'s ("CND") Section 86 MADD Application to Purchase Brant Country Power Inc. ("BCP") and Related Relief

I enclose two copies of CND's Section 86 Application in regards to CND's proposed purchase of BCP. An electronic version of the Application is being filed through the Board's RESS portal.

I also enclose a letter of support from Mark Rodger, counsel to the County of Brant, which is BCP's sole shareholder.

Yours truly,

Glenn Zacher

Glenn Zacher

GZ/sc
Encl.

cc: Ian Miles, President & CEO
Mark Rodger, Borden Ladner Gervais LLP

J. Mark Rodger
T (416) 367-6190
F (416) 361-7088
mrodger@blg.com

Borden Ladner Gervais LLP
Scotia Plaza, 40 King St W
Toronto, ON, Canada M5H 3Y4
T 416.367.6000
F 416.367.6749
blg.com

Borden Ladner Gervais

June 16, 2014

Delivered by Courier and RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Sale of Brant County Power Inc. to Cambridge and North Dumfries Hydro Inc. ("CND")

Application under Section 86 of the Ontario Energy Board Act, 1998

We are counsel to Brant County Power Inc. and its sole shareholder, the County of Brant. In October, 2013 our clients initiated a competitive Requests for Proposals process in connection with the potential sale of Brant County Power. On May 20, 2014 the County of Brant entered into a binding share purchase agreement to sell Brant County Power Inc. to CND.

We attach the required Application seeking Board approval for this transaction.

Yours very truly

BORDEN LADNER GERVAIS LLP

J. Mark Rodger
Incorporated Partner*

*Mark Rodger Professional Corporation

Copy: Mayor Ron Eddy, County of Brant
Ed Glasbergen, CEO, Brant County Power Inc.
Paul Emerson, County of Brant
Michael Bradley, County of Brant
Ian Miles, President & CEO, CND.
Glenn Zacher, counsel to CND

TOR01: 5628273: v1

EB-2014-0217

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 86(2)(a), 74 and 77(5) of the *Ontario Energy Board Act, 1998;*

AND IN THE MATTER OF an Application by Cambridge and North Dumfries Hydro Inc. to purchase all of the issued and outstanding shares of Brant County Power Inc. and to amend its electricity distribution license;

AND IN THE MATTER OF Application by Brant County Power Inc. to cancel its electricity distribution license.

APPLICATION

June 16, 2014

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Glenn Zacher LSUC#: 43625P
Tel: (416) 869-5688
Fax: (416) 947-0866

Counsel for Applicant, Cambridge and North Dumfries Hydro Inc.

BORDEN LADNER GERVAIS LLP
Barristers & Solicitors
Scotia Plaza
40 King St W
Toronto, Ontario M5H 3Y4

J. Mark Rodger
Tel: (416) 367-6190
Fax: (416) 361.7088

Counsel for Applicant, Brant County Power Inc.

ONTARIO ENERGY BOARD

IN THE MATTER OF sections 86(2)(a), 74 and 77(5) of the *Ontario Energy Board Act, 1998;*

AND IN THE MATTER OF an Application by Cambridge and North Dumfries Hydro Inc. to purchase all of the issued and outstanding shares of Brant County Power Inc. and to amend its electricity distribution license;

AND IN THE MATTER OF Application by Brant County Power Inc. to cancel its electricity distribution license.

APPLICATION

1. The applicant, Cambridge and North Dumfries Hydro Inc. ("**CND**"), is a licensed electricity distributor responsible for distributing electricity to approximately 52,000 residential, commercial, industrial and institutional customers within the City of Cambridge and the Township of North Dumfries. CND maintains its primary operations and administration centre at 1500 Bishop Street, Cambridge, Ontario.

2. CND is incorporated under the *Ontario Business Corporations Act* and is wholly owned by Cambridge and North Dumfries Energy Plus ("**Energy Plus**"). Energy Plus is a holding company that is owned 92.1% by The Corporation of the City of Cambridge ("**City of Cambridge**") and 7.9% by The Corporation of the Township of North Dumfries ("**Township of North Dumfries**").

3. The applicant and other party to the transaction, Brant County Power Inc. ("**BCP**"), is a licensed electricity distributor responsible for distributing electricity to approximately 10,000 residential, commercial, industrial and institutional customers within the County of Brant. BCP maintains an operations and administration centre at 65 Dundas Street East in Paris, Ontario.

4. BCP is incorporated under the *Ontario Business Corporations Act* and is wholly owned by the Corporation of the County of Brant ("**County of Brant**").

1.0 OVERVIEW OF APPLICATION

5. In October 2013, the County of Brant initiated a competitive request for proposal process to solicit proposals for the possible sale of BCP. CND participated in this process and ultimately was selected as the successful proponent by the County of Brant.

6. On May 20, 2014, CND and the County of Brant entered into a purchase and sale agreement (the "**Agreement**"), whereby the County of Brant agreed to sell and CND agreed to purchase all of the issued and outstanding shares (the "**Shares**") of BCP. The purchase price for the Shares is $40,197,750, which includes the assumption of BCP's long term debt of $8 million. The Agreement contemplates the transaction closing 30 days following the parties' receiving the required approvals, including the Ontario Energy Board's (the "**Board**" or "**OEB**") approval of this application under section 86(2)(a) of the *Ontario Energy Board Act,* 1998 ("***OEB Act***").

7. The Agreement (see Exhibit B, Tab 3, Schedule 1) further provides that:

   (a) The purchase price is subject to adjustment within 90 days following closing for matters including Working Capital, Net Fixed Assets, and Long Term Debt, as defined in the Agreement;

   (b) CND shall not make any incentive regulation mechanism ("**IRM**") or cost of service ("**COS**") applications to the OEB in respect of distribution rates of BCP's service territory for calendar years 2015, 2016, 2017 or 2018 that would result in increased distribution rates for BCP customers;

   (c) CND will use commercially reasonable efforts to harmonize rates for the customers of CND and BCP in 2019 at the time of CND's next scheduled cost of service application. At the time of rate harmonization, CND commits to establishing 2019 rates that are at least equivalent to, if not less than, rates that would otherwise have been established for BCP customers in the absence of the proposed transaction;

(d) CND agrees that for a period of at least three years following the closing date, it will, subject to its rights to dismiss for just cause, guarantee the continued employment with CND or an affiliate of CND, of each employee who is an employee of BCP on the closing date, subject to the terms set out in the Agreement; and

(e) CND and the County of Brant shall establish an ongoing ("**Advisory Committee**") municipal advisory committee as soon as practicable after the closing date to provide a forum for communication and continuing dialogue between CND and the County of Brant. In establishing the Advisory Committee, the County of Brant has the right to appoint up to three representatives to the Advisory Committee and CND has the right to appoint up to three senior officials as its representatives.

2.0 OEB APPROVALS REQUESTED

8. CND is applying pursuant to section 86(2)(a) of the *OEB Act*, to purchase all of the issued and outstanding shares of BCP.

9. CND is requesting, pursuant to the *Report of the Board: Rate-making Associated with Distributor Consolidation*, July 23, 2007, approval to defer the rate rebasing for up to five years from the closing of the proposed transaction.

10. CND, and BCP, are further requesting pursuant to sections 74 and 77(5) of the *OEB Act* that upon approval of the proposed transaction, CND's electricity distribution license be amended to include BCP's service area and BCP's electricity distribution license be cancelled.

11. CND is also, contemporaneous with the filing of this Application, filing a Notice of Proposal under section 80 of the *OEB Act*.

3.0 CONSUMER PROTECTION

12. The *OEB Act* requires that the Board, in carrying out its responsibilities, be guided by the Board's objectives under section 1 of the OEB Act, among others, to protect the interest of consumers with respect to prices and the adequacy, reliability and quality of electricity service, as well as the promotion of economic efficiency and cost effectiveness. These principles and the Board's "no harm" test govern applications under section 86 of the *OEB Act*: RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257 and EB-2013-0196/EB-2013-0187/EB-2013-0198 (January 24, 2014 decision).

3.1. Price of Electricity and Economic Efficiency

13. CND projects net annual savings from the transaction of approximately $1.2 million to $1.5 million, including reductions in operations, maintenance and administrative ("**OM&A**") costs of $1 to $1.2 million per year; and (ii) reductions in capital expenditures of $0.2 to $0.3 million per year. More specifically, CND estimates that these savings will be realized through cost synergies in the following areas:

- reduction in back-office staff, including accounting, administration, and customer service;
- reduction in advanced apprenticeship hires for trade positions;
- reduction in BCP's third party engineering costs, as CND has a full-time engineering department able to provide such required services to BCP;
- reduction in corporate governance costs, with the consolidation of two boards of directors into a single board of directors;
- reduction in information technology ("**IT**") costs, such as hardware and software maintenance fees as a result of combining key information systems and reducing third party support costs currently outsourced by BCP;

- reduction in future regulatory costs associated with fulfilling regulatory requirements, including the preparation and filing of regulatory applications, including IRM and COS applications;
- reduction in BCP's third party distribution system monitoring costs, as CND has a fully-staffed control room able to provide such required services to BCP; and
- reduction in insurance costs.

14. Customers of BCP and CND will benefit in the near-term and in the longer-term from the cost synergies that will be realized through the proposed transaction.

15. In the near-term, BCP's customers will benefit from CND's commitment to not make any IRM or COS applications to the OEB for the years 2015 to 2018 that would result in increased distribution rates for BCP's customers. As shown in the table below, this commitment will result in BCP's customers avoiding rate increases they would otherwise incur.

Year	Proposed Rate Increase	Rate Adjustment Mechanism	Foregone Rate Increase	Foregone IRM/COS Rate Increase (Cumulative)
2015	0%	IRM/Annual IR	1.10%	1.10%
2016	0%	COS	5.20%	6.36%
2017	0%	IRM/Annual IR	1.10%	7.53%
2018	0%	IRM/Annual IR	1.10%	8.71%

Assumptions:
(1) BCP Cost of Service Application assumed in 2016, based on last filing in 2011
(2) Annual Incentive Rate increase based on 2014 factors issued by the Board and approved for BCP's 2014 Rates.

16. CND's customers will also be held harmless from the transaction. CND's 2014 COS distribution rate application is currently pending before the Board and does not include any costs related to this transaction.

17. In the longer-term, both CND's and BCP's customers are expected to benefit from economies of scale delivered by the transaction and thereby pay lower distribution rates than they would in the absence of the proposed transaction. CND intends to use commercially reasonable efforts to harmonize rates for customers of CND and BCP in 2019 and CND has specifically committed to establishing 2019 rates that are at least equivalent to, if not less than, the rates that would be set for BCP's customers in the absence of the proposed transaction.

18. CND estimates that virtually all of CND's/BCP's combined customers will realize lower distribution rates in 2019 than they would be subject to in the absence of the proposed transaction. The following indicative rate estimate table shows the projected 2019 rate savings:

	Customers, As at December 31, 2013						Variance: 2019 Harmonized Rates vs. 2019 Stand Alone Rates			
	CND		BCP		Total		CND		BCP	
Rate Class	#	%	#	%	#	%	$	%	$	%
Residential	46,744	89.53%	8,486	85.73%	55,230	88.92%	$ (0.52)	-1.7%	$ (1.69)	-5.2%
GS < 50 kW	4,702	9.01%	1,298	13.11%	6,000	9.66%	$ (3.61)	-6.7%	$ (7.32)	-12.7%
GS > 50 kW (See Note 4)										
GS 50-999 kW	739	1.42%	110	1.11%	849	1.37%	$ (10.59)	-2.3%	$ 159.86	54.8%
GS 1000-4999 kW	24	0.05%	5	0.05%	29	0.05%	$ (3.23)	0.0%	NA	NA
Large Use	3	0.01%	0	0.00%	3	0.00%	$ (6,295.39)	-7.2%	NA	NA
Total	52,212	100.00%	9,899	100.00%	62,111	100.00%				

19. The foregoing rate comparison table for 2019 is an indicative estimate based on certain assumptions, including cost allocation and rate design models and assumptions underlying CND's 2014 COS Application. It shows that, with the exception of the GS > 50 kW customer class in the BCP service territory, BCP's existing customers are expected to realize lower distribution rates in 2019 than would otherwise be expected in the absence of the proposed transaction, as well as 100% of CND's existing customers. At the time of rate harmonization, CND will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure that rates are just and reasonable for all customers and customers classes, including BCP's current GS > 50 kW customer class, in accordance with the terms of Agreement.

20. Further, neither CND's or BCP's customers will bear any of the incremental transaction and integration costs (e.g., due diligence, negotiation, regulatory approvals, IT integration, etc.). These costs will be financed through productivity gains associated with the transaction and will not be included in CND's revenue requirement and therefore will not be funded by ratepayers.

21. Lastly, the proposed transaction will not adversely impact CND's financial liability. CND's actual debt/equity ratio is 34%/66% as of December 31, 2013. Following the proposed transaction, CND's debt/equity ratio is anticipated to be 55%/45%, well within the Board's deemed debt/equity ratio of 60%/40%.

3.2. Adequacy, Reliability and Quality of Electricity Service

22. The proposed transaction will not negatively affect and will, in certain respects, enhance the adequacy, reliability and quality of electricity service for CND's and BCP's customers.

23. In the near-term, CND and BCP will facilitate the transition of BCP's customers by establishing an Advisory Committee, composed of both BCP and CND representatives, to provide a forum for communication and on-going dialogue. Further, CND has

committed to maintaining a local presence through the maintenance of BCP's Paris, Ontario operations and administration centre for at least five years following the transaction closing date; and, it has guaranteed, for a period of three years, the employment of BCP's staff to ensure that during the transition, BCP's customers continue to be serviced by staff who are knowledgeable and experienced with regards to BCP's customers and service area.

24. CND has also committed to meeting or exceeding current service levels and service quality for 2014 to 2019 by reference to agreed upon service metrics.

25. Over the longer-term, CND will maintain its commitment to customer service excellence and a high level of customer service performance:

- CND considers the OEB's customer service quality standards as minimum requirements and it has incorporated system reliability metrics and the OEB's Service Quality Indicators into CND's corporate objectives;

- CND's five-year historical performance and statistics demonstrate its commitment to customer service. CND has exceeded the OEB's Service Quality Indicators in each of the past five years;

- CND regularly engages the service of an independent consultant to conduct market research to gauge satisfaction levels of residential and small commercial customers and in 2012, it received an overall customer satisfaction rating of A, which exceeded the Ontario LDC average of B+. CND will incorporate BCP's customers into its customer engagement initiatives, including conducting customer satisfaction surveys;

- as part of CND's/BCP's integration, CND intends to create a new full-time position which will be devoted to supporting economic development and customer relations with new and existing commercial and industrial customers of BCP and CND;

- BCP customers will further benefit from CND's 24/7 control room, outage management process (see below) and customer connect software products, which include Home Connect, Time of Use Dashboard and Bill Connect. Home Connect provides on-line access for customers to view their account, access time of use data and access a library of information about smart meters, time of use billing and energy conservation. Bill Connect is a paperless billing solution launched by CND in March 2014.

26. Reliability of electricity service will be maintained and enhanced by the proposed transaction through, among other things:

- CND intends to incorporate long-term capital planning for BCP into a consolidated long-term distribution system capital plan ("**DSCP**"). CND will leverage the information contained in BCP's existing asset management plan and five years strategic technical plan. CND is specifically committed to a capital expenditure budget based on BCP's existing asset management plan and estimated customer growth that will maintain or improve BCP's reliability performance;

- In 2013, CND launched an outage management solution ("**OMS**") project and CND intends to purchase and implement an OMS solution in 2014/2015. This is expected to improve reliability and operational efficiency and enhance customer communications and the meeting of customer expectations. BCP's customers will benefit from this initiative;

- CND also intends to implement a distribution management system ("**DMS**") following the implementation of its OMS solution. This is expected to result in improved reliability and quality of service by reducing outages, minimizing outage time and maintaining acceptable frequency voltage levels. BCP's customers will also benefit from this initiative.

3.3. The "No Harm" Test

27. For the reasons stated herein, CND and BCP submit that the proposed transaction satisfies the Board's "no harm" test and will, in fact, further protect the interest of customers with respect to prices and the adequacy, reliability and quality of electricity service and promote economic efficiency and cost effectiveness.

4.0 COMPLIANCE MATTERS

28. CND and BCP confirm that they are materially in compliance with all applicable legislation, regulations, license requirements and codes.

29. It is anticipated that following the Board's approval and the completion of the proposed transaction, CND will continue to be materially compliant with all applicable legislation, regulations, license requirements and codes.

5.0 SUMMARY

30. CND requests a written hearing and submits that the evidence warrants approval of the application for the following reasons:

- the proposed transaction will not have an adverse impact, and indeed is expected to have a positive impact, on the price, adequacy, reliability and quality of electricity service for CND's and BCP's customers;

- the proposed transaction resulted from a competitive process and was negotiated between a willing seller and a willing buyer;

- the proposed transaction incorporates the benefits to be realized through voluntary consolidation; it will deliver cost synergies and economy of scale benefits contemplated by the Ontario Distribution Sector Review Panel and will promote the objectives contained in the Board's Renewed Regulatory Framework for Electricity Distributors.

31. CND and BCP request that copies of all documents filed with the Board in this proceeding be served on CND and BCP and their respective counsel, as follows:

(a)	CND	Ian Miles President and CEO
	Address for service:	1500 Bishop Street P.O. Box 1060 Cambridge, Ontario N1R 5X6
	Telephone: Fax: E-mail:	(519) 621-8405, Ext. 2355 (519) 621-0383 imiles@camhydro.com
(b)	CND's counsel:	Glenn Zacher Stikeman Elliott LLP
	Address for service:	5300 Commerce Court West 199 Bay Street Toronto, Ontario M5L 1B9
	Telephone: Fax: E-mail:	(416) 869-5688 (416) 947-0866 gzacher@stikeman.com
(c)	BCP	Ed Glasbergen, CEO
	Address for service:	65 Dundas Street East Paris, Ontario N3L 3H1
	Telephone: Fax: E-mail:	(905) 442-2215 (905) 442-3701 eglasbergen@brantcountypower.com

(d)	BCP's Counsel	J. Mark Rodger Borden Ladner Gervais LLP
	Address for service:	Scotia Plaza 40 King St W Toronto, Ontario M5H 3Y4
	Telephone: Fax: E-mail:	(416) 367-6190 (416) 361.7088 mrodger@blg.com

Dated at Toronto, Ontario, this 16th day of June, 2014.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Glenn Zacher

By its counsel in this proceeding
Glenn Zacher

BRANT COUNTY POWER INC.

Mark Rodger

By its counsel in this proceeding
Mark Rodger

Ontario Energy Board

Application form for Applications under Section 86 of the *Ontario Energy Board Act, 1998*

Application Instructions

1. Purpose of this Form

This form is to be used by parties applying under section 86 of the *Ontario Energy Board Act, 1998* (the "Act"). Please note that the Board may require information that is additional or supplementary to the information filed in this form and that the filing of the form does not preclude the applicant from filing additional or supplementary information.

For applications made under section 86(1)(b) of the Act that involve the sale of assets between licensed distributors or transmitters, the applicant must use the application form for Applications Under Section 86(1)(b) of the *Ontario Energy Board Act, 1998*. For transactions involving a non-licensed entity, please contact Market Operations at IndustryRelations@ontarioenergyboard.ca for further guidance.

Persons required to provide a Notice of Proposal under section 80 or 81 of the Act must also complete the “Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the *Ontario Energy Board Act, 1998*" form in addition to this form.

Depending on the nature of the proposed transaction, the parties to the proposed transaction may be required to apply for the cancellation of an existing licence, an amendment to an existing licence, the issuance of a new licence or any combination thereof. Such applications are to be made under separate cover; however, parties may apply for the cancellation of an existing licence, an amendment to an existing licence, the issuance of a new licence or any combination thereof at the same time the parties apply for approval of the proposed transaction

2. Completion Instructions

The applicant must:

(a) provide responses to all questions; and

(b) print and sign two copies of the form.

Please send both copies of the completed form and two copies of the responses and attachments to:

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

If you have any questions regarding the completion of this application, please contact the Market Operations Hotline by telephone at 416-440-7604 or 1-888-632-6273 or e-mail at IndustryRelations@ontarioenergyboard.ca. The Board's "Performance Standards for Processing Applications" are indicated on the "Corporate Information and Reports" section of the Board's website atwww.ontarioenergyboard.ca. Applicants are encouraged to consider the timelines required to process applications to avoid submitting applications too late. If the submitted application is incomplete, it may be returned by the Board or there may be a delay in processing the application.

PART I: GENERAL INFORMATION

1.1 Nature of Application

1.1.1 Application Type

- ☐ For leave for a transmitter or distributor to sell, lease or otherwise dispose of its transmission or distribution system as an entirety or substantially as an entirety (section 86(1)(a))
- ☐ For leave for a transmitter or distributor to sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public (section 86(1)(b))
- ☐ For leave for a transmitter or distributor to amalgamate with any other corporation (section 86(1)(c))
- ☒ For leave for a person to acquire voting securities that will exceed 20% of a distributor or transmitter (section 86(2)(a))
- ☐ For leave for a person to acquire control of a company that holds more than 20% of the voting securities of a transmitter or distributor if such voting securities constitute a significant asset of the corporation (section 86(2)(b))

1.1.2 Notice under section 80 or 81 of the Act

Is a notice of proposal required under section 80 or 81 of the Act?

- ☒ Yes
- ☐ No

If yes, the applicant must also file a completed "Preliminary Filing Requirements for a Notice of Proposal Under Sections 80 and 81 of the *Ontario Energy Board Act, 1998*" with the Board.

1.2 Identification of the Parties

1.2.1 Name of Applicant

Legal name of the applicant: Cambridge and North Dumfries Hydro Inc.

Name of Primary Contact:

Mr. ☒ Mrs. ☐ Miss ☐ Ms. ☐ Other ☐	
Last Name	Miles
First Name	Ian
Initial	
Title/Position	President and CEO

Address of Head Office: 1500 Bishop Street, P.O. Box 1060

City	Province/State	Country	Postal/Zip Code
Cambridge	Ontario	Canada	N1R 5X6

Phone Number	Fax Number	E-mail Address
(519) 621-8405, Ext. 2355	(519) 621-0383	imiles@camhydro.com

Legal Counsel to Cambridge North Dumfries Hydro Inc.: Stikeman Elliott LLP

Mr. ☒ Mrs. ☐ Miss ☐ Ms. ☐ Other ☐	
Last Name	Zacher
First Name	Glenn
Initial	
Title/Position	Partner, Stikeman Elliot LLP

Address of Head Office: 5300 – 199 Bay Street

City	Province/State	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5L 1B9

Phone Number	Fax Number	E-mail Address
(416) 869-5688	(416) 947-0866	gzacher@stikeman.com

<u>Other Party to the Transaction</u> (if more than one attach a list)
Name of the other party: Brant County Power Inc.

Name of Primary Contact:

Mr. ☒ Miss ☐ Other ☐	Mrs. ☐ Ms. ☐	Last Name: Glasbergen	First Name: Ed	Initial:
		Title/Position: CEO		

Address of Head Office: Brant County Power Inc., 65 Dundas Street East

City	Province/State	Country	Postal/Zip Code
Paris	Ontario	Canada	N3L 3H1

Phone Number	Fax Number	E-mail Address
(519) 442-2215	(519) 442-3701	eglasbergen@brantcountypower.com

Legal Counsel to Brant County Power Inc.: Borden Ladner Gervais LLP

Mr. ☒ Miss ☐ Other ☐	Mrs. ☐ Ms. ☐	Last Name: Rodger	First Name: Mark	Initial:
		Title/Position: Partner, Borden Ladner Gervais LLP		

Address of Head Office Scotia Plaza, 40 King St. W, Toronto, ON

City	Province/State	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5H 3Y4

Phone Number	Fax Number	E-mail Address
(416) 367-6190	(416) 361-7088	mrodger@blg.com

1.3 Description of the Business of Each of the Parties

1.3.1 Please provide a description of the business of each of the parties to the proposed transaction, including each of their affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity ("Electricity Sector Affiliates").

The Corporation of the County of Brant and Brant County Power Inc.

The County of Brant ("**Brant County**" or "**the County**") (2011 population 35,638) is a single tier municipality. Brant County has service offices in Burford, Paris and St. George and is a predominately rural single-tier municipality. It is bordered by the Region of Waterloo, the City of Hamilton, Haldimand County, Norfolk County, and Oxford County and abuts the Greenbelt. Geographically, the City of Brantford is surrounded by Brant County. The Brant census division, which includes Brantford, Brant County and the Six Nations and New Credit reserves, had a population of 136,035 in the 2011 census.

The primary centres in Brant County are Paris, St. George and Burford. Smaller communities in the municipality include Bishopsgate, Burtch, Cainsville, Cathcart, East Oakland, Etonia, Fairfield, Falkland, Glen Morris, Gobles, Harley, Harrisburg, Hatchley, Langford, Lockie, Maple Grove, Middleport, Mount Pleasant, Mount Vernon, New Durham, Newport, Northfield, Northfield Centre, Oakland, Onondaga, Osborne Corners, and Scotland.

In 1999, the county was reorganized and all its individual municipalities, except Brantford, were amalgamated into a single-tier municipality with city status. As of December 31, 1998, all of the original townships were still intact, except for the incorporation of the Town of Paris.

Brant County Power Inc. ("**BCP**") was established on January 1, 1999 as a consequence of municipal restructuring through the amalgamation of the former public utilities commission of the former Town of Paris and the hydro-electric commissions for the former Township of Brantford, the former Township of Burford, and the former Township of South Dumfries. BCP is wholly owned by the County.

BCP is a licensed LDC responsible for distributing electricity to approximately 10,000 business and residential customers within the County of Brant. BCP maintains an operations and administrations centre at 65 Dundas Street East in Paris, ON.

Cambridge and North Dumfries Hydro Inc.

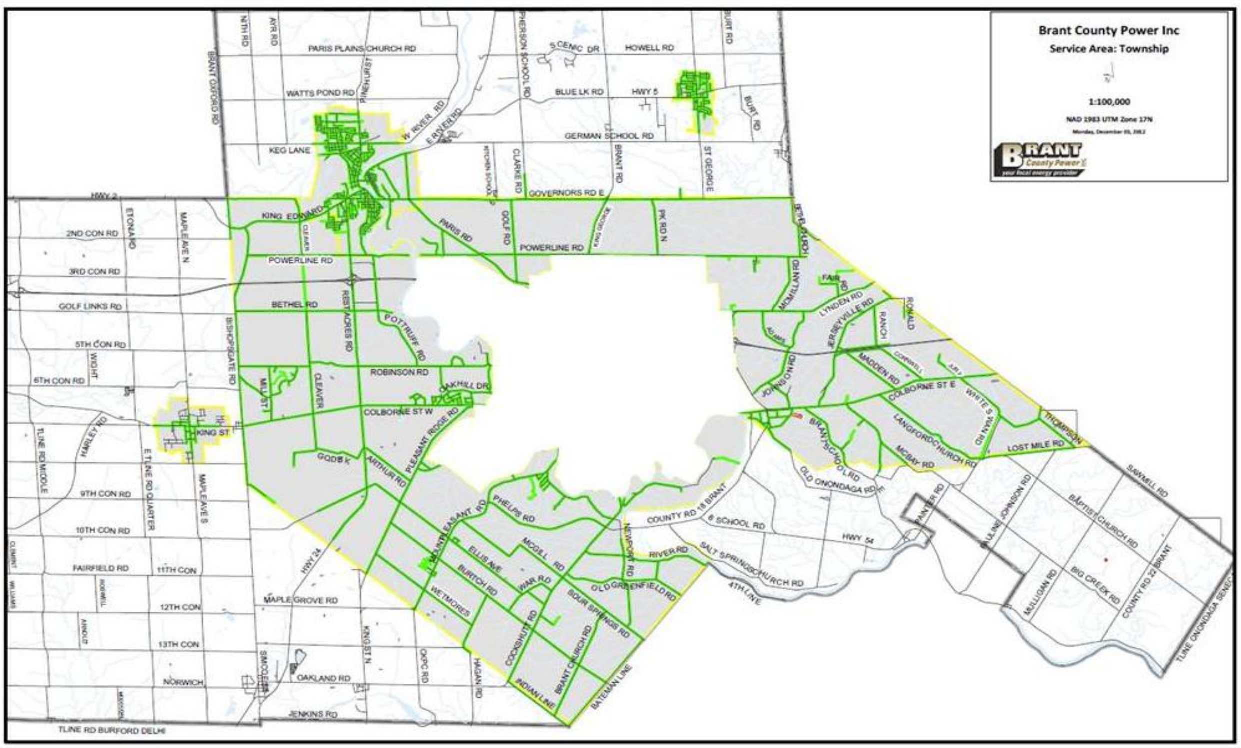
Cambridge and North Dumfries Hydro Inc. ("**CND**" or the "**Purchaser**") is a licensed LDC responsible for distributing electricity to approximately 52,000 residential, commercial, industrial and institutional customers within the City of Cambridge and the Township of North Dumfries.

CND was incorporated under the Ontario Business Corporations Act on January 1, 2000. Prior to this date, CND operated as Cambridge and North Dumfries Hydro-Electric Commission. CND is wholly owned by Cambridge and North Dumfries Energy Plus Inc. ("**Energy Plus**"). Energy Plus is a holding company that is owned 92.1% by The Corporation of the City of Cambridge ("**City of Cambridge**") and 7.9% by The Corporation of the Township of North Dumfries ("**Township of North Dumfries**").

1.3.2 Please provide a description of the geographic territory served by each of the parties to the proposed transaction, including each of their Electricity Sector Affiliates, if applicable.

Brant County Power Inc.

Brant County is serviced by two electricity distributors – BCP and Hydro One Networks Inc. ("**HONI"**). BCP services part of the County, including the Town of Paris, the Village of St. George, the former Brantford Township and a portion of the Village of Burford. HONI services the remainder of the County. The territory serviced by BCP is outlined in the map below (in the green/yellow highlighted areas).



BCP delivers electricity to a diverse customer base through an extensive network of overhead and underground power lines of more than 284 kilometres in length. This network is fully operated and maintained by BCP.

BCP currently generates electricity through OPA MicroFIT contracts with total installed capacity of approximately 40 kW. BCP bills customers for water and waste water usage on behalf of the County, but it is not responsible for providing water or sewer services. These services are owned, operated and maintained by the County.

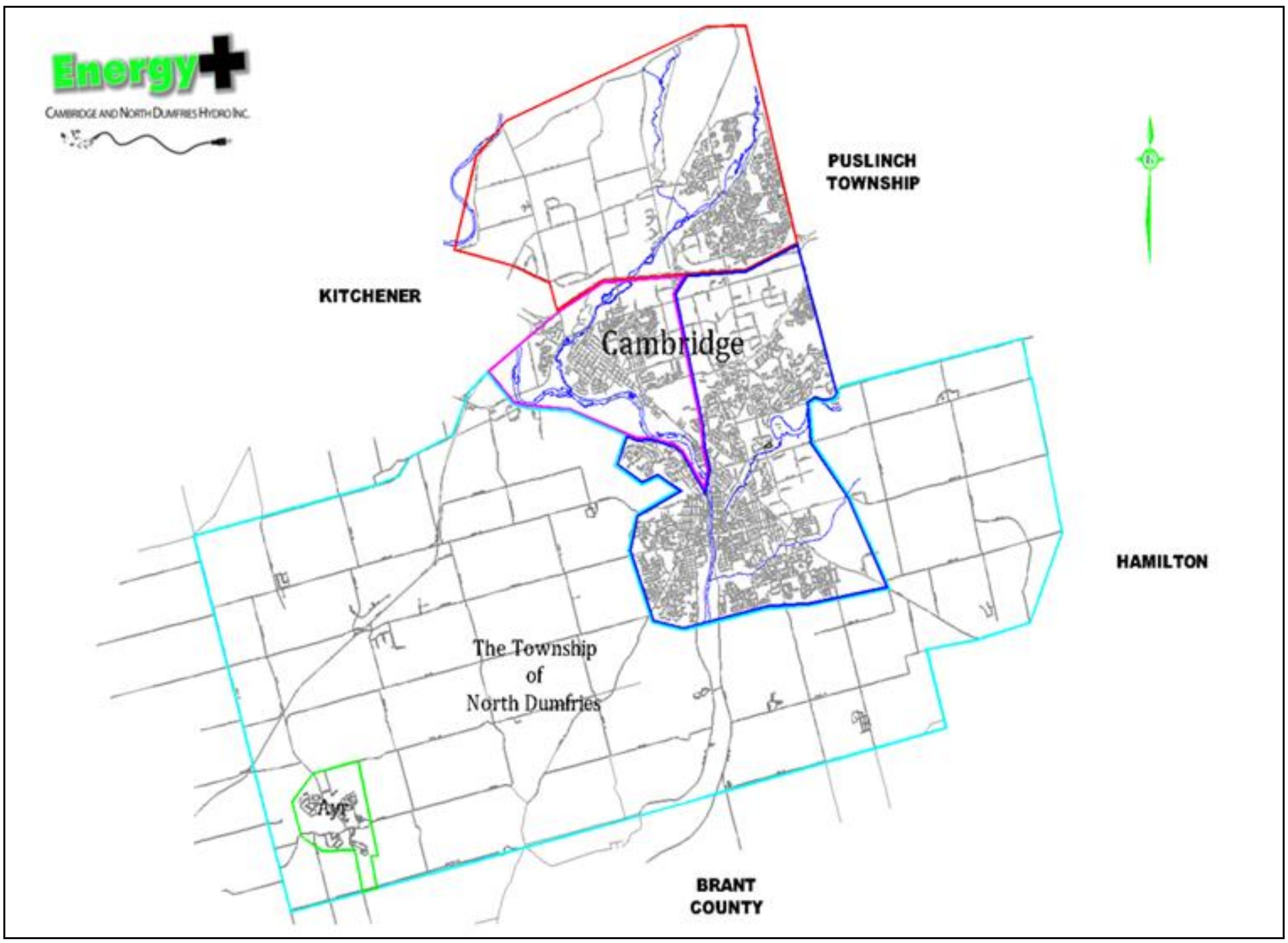
Cambridge and North Dumfries Hydro Inc.

CND serves all customers within the City of Cambridge and the Township of North Dumfries, with the exception of one large steel processor that is located in the City of Cambridge but is directly fed from the transmission grid. The service area population is approximately 142,000.

The City of Cambridge is located west of Toronto on the 401 Highway and is south east of both Kitchener Wilmot Hydro and Waterloo North Hydro. The Township of North Dumfries is predominantly South-West of the City of Cambridge. CND's service area is approximately 306 square kilometers, including 216 rural square kilometers, including distribution power lines measuring 1,135 circuit kilometers in length.

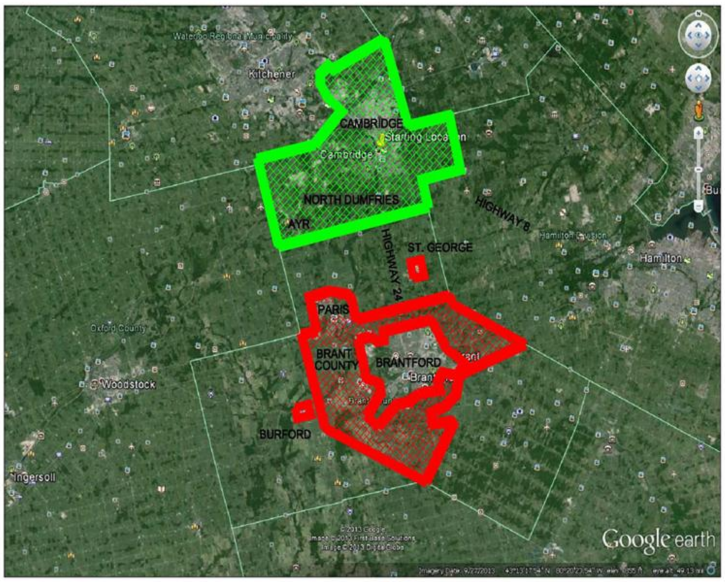
CND currently does not generate electricity (other than through OPA FIT and MicroFIT Contracts with total installed capacity of 5,443 kW).

The following map illustrates CND's Distribution Service Territory:



CND's service territory is in very close proximity to BCP's service territory. The distance between CND's Southern boundary (Lockie Road) and BCP's primary northern service territory boundary (Governors Road) is 10.2km. The distance to the Village of St. George is slightly less.

The following Service Territory Map depicts both BCP's and CND's Service Territories.



Cambridge and North Dumfries Energy Solutions Inc.

CND is an affiliate of Cambridge and North Dumfries Energy Solutions Inc. ("**Energy Solutions**"). Energy Solutions is 100% owned by Energy Plus and provides streetlight maintenance services to the City of Cambridge and the Region of Waterloo.

1.3.3 Please provide a description of the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.

BCP

BCP's distribution system serves approximately 10,000 Residential and General Service customers in the BCP Service Territory – this includes approximately 8,500 Residential customers; 1,400 General Service < 50 kW customers; and 100 General Service > 50 kW customers. BCP also serves street lighting and small loads such as traffic control signals and crosswalks, telephone booths, cable T.V. amplifiers, billboards and similar small loads. These small loads are billed as General Service < 50 kW customers.

The following table provides a summary of the number of customers and connections by customer class for 2013:

Customer Class	Number of Customers	Number of Connections
Residential	8,486	
GS <50	1,298	
GS > 50 kW	115	
GS 1,000 to 4,999	24	
Large User	-	
Embedded Distributors	2	
Streetlight		2,640
Unmetered Scattered Load		49
MicroFIT	80	
FIT	4	

CND

CND's distribution system serves approximately 52,000 residential, commercial, industrial and institutional customers within the City of Cambridge and the Township of North Dumfries.

The following table provides a summary of the number of customers and connections by customer class for 2013:

Customer Class	Number of Customers	Number of Connections
Residential	46,744	
GS <50	4,702	
GS > 50 kW to 999	739	
GS 1,000 to 4,999	24	
Large User	3	
Embedded Distributors	2	
Streetlight	8	12,838
Unmetered Scattered Load	57	484
MicroFIT	178	
FIT	22	

1.3.4 Please provide a description of the proposed geographic service area of each of the parties after completion of the proposed transaction.

Upon the completion of the proposed transaction, CND's service area will include the BCP service area. The parties request that, should the OEB approve the proposed transaction, CND's electricity distributor licence be amended to include the BCP service area and BCP's electricity distributor licence be cancelled.

1.3.5 Please attach a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.

> Please refer to Attachments 1.3.5A and 1.3.5B for corporate charts of the Applicant and of the County (including BCP), respectively.

1.4 Description of the Proposed Transaction

1.4.1 Please provide a detailed description of the proposed transaction.

> On May 20, 2014, the County (as Vendor) and CND (as Purchaser) entered into a purchase and sale agreement (the "**Agreement"**), whereby the County agreed to sell, and the Purchaser agreed to purchase, all of the issued and outstanding shares of BCP (the "**Shares**"). The purchase price for the shares is forty million, one hundred and ninety-seven thousand, seven hundred and fifty dollars ($40,197,750), which includes assumption of BCP's long term debt of eight million dollars ($8,000,000). The Agreement contemplates the transaction closing thirty (30) days following the Parties' receiving the Board's approval of this application under section 86(2) of the *Ontario Energy Board Act, 1998*.
>
> A copy of the Agreement is attached hereto as Attachment 1.4.1.
>
> The Agreement contemplates the following items in addition to the sale of the Shares:
>
> (a) The purchase price is subject to adjustment within 90 days following closing, for matters including Working Capital, Net Fixed Assets, and Long Term Debt, as defined in the Agreement.
>
> (b) The Purchaser has agreed that it shall not make any incentive regulation mechanism ("**IRM**") or cost of service ("**COS**") applications to the OEB in respect of distribution rates of BCP's service territory for calendar years 2015, 2016, 2017, or 2018 that would result in increased distribution rates for BCP customers. The Purchaser will use commercially reasonable efforts to harmonize rates for the customers of the Purchaser and BCP in 2019 at the time of the Purchaser's next scheduled COS application. At the time of rate harmonization, the Purchaser commits to establishing 2019 rates that are at least equivalent to, if not less than, rates that would otherwise have been established for BCP customers in the absence of this transaction;
>
> (c) the Purchaser agrees that for a period of at least three years following the closing date, it will, subject to its rights to dismiss for just cause, guarantee the continued employment with the Purchaser or an affiliate of the Purchaser, of each employee who is an employee of BCP on the closing date, subject to the terms set out in the Agreement; and
>
> (d) the Purchaser and County shall establish an ongoing municipal advisory committee (the "**Advisory** Committee") as soon as practicable after the closing date to provide a forum for communication and continuing dialogue between the Purchaser and the County. In establishing the Advisory Committee, the County has the right to appoint up to three (3) representatives to the Advisory Committee. The Purchaser has the right to appoint up to three (3) senior officials as its representatives.

1.4.2 Please provide the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.

As described in section 1.4.1, the total purchase price for the Shares is forty million, one hundred and ninety-seven thousand, seven hundred and fifty dollars ($40,197,750), which includes assumption of BCP's long term debt of eight million dollars ($8,000,000). The purchase price is subject to adjustment within 90 days following closing, for matters including Working Capital, Net Fixed Assets, and Long Term Debt, as defined in the Agreement.

1.4.3 Please attach the financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.

Please refer to Attachment 1.4.3A and 1.4.3B for a copy of the financial statements for the past two (2) most recent years for BCP and the Purchaser, respectively.

1.4.4 Please attach the pro forma financial statements for each of the parties (or if amalgamation, the one party) for the first full year following the completion of the proposed transaction.

Please refer to Attachment 1.4.4A for a copy of the pro forma financial statements for CND, on a consolidated basis, following the completion of the proposed transaction.

1.5 Documentation

1.5.1 Please provide copies of all annual reports, proxy circulars, prospectuses or other information filed with securities commissions or similar authorities or sent to shareholders for each of the parties to the proposed transaction and their affiliates within the past 2 years.

Neither party to the proposed transaction has filed annual reports, proxy circulars, prospectuses or other information with security commissions or other similar authorities.

1.5.2 Please list all legal documents (including those currently in draft form if not yet executed) to be used to implement the proposed transaction.

A copy of the Agreement is provided at Attachment 1.4.1.

1.5.3 Please list all Board issued licences held by the parties and confirm that the parties will be in compliance with all licence, code and rule requirements both before and after the proposed transaction. If any of the parties will not be in compliance with all applicable licences, codes and rules after completion of the proposed transaction, please explain the reasons for such non-compliance. (Note:

any application for an exemption from a provision of a rule or code is subject to a separate application process.)

BCP has an electricity distribution licence valid until March 31, 2023 (ED-2002-0522). CND also has an electricity distribution licence valid until March 31, 2023 (ED-2002-0574).

To the best of their knowledge, all parties are currently in compliance with all licence and code requirements. It is expected that following the approval and completion of this transaction, the parties will continue to be fully compliant with all applicable licences and codes.

1.6 Consumer Protection

1.6.1 Please explain whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.

As mentioned above, BCP is wholly owned by the County. The purchase of the Shares by CND from the County (as described in section 1.4.1 and the Agreement) will therefore result in a change of control of BCP.

1.6.2 Please indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.

CND's Vision, Mission and Strategic Plan

CND's Vision, Mission, and Strategic Imperatives will continue to guide CND in ensuring that consumers will benefit with respect to prices and the adequacy, reliability and quality of electricity service.

CND's Vision "Be the energy company most admired for its innovative people, reliable service and outstanding performance" is about continuous improvement and striving for excellence. It aligns with outcomes based performance that strives for operational effectiveness and strong financial performance in order to be achieved. CND's Mission "A team dedicated to providing ideas, solutions and value added services that benefit our customers, stakeholders and communities" is customer-focused. It speaks to creativity and the delivery of solutions and value-added services in alignment with customers, stakeholders and communities' needs and wants.

CND's Strategic Plan incorporates the following Strategic Imperatives that are used to guide CND's business conduct and decision making process:

People: Develop and support our dedicated, talented team who embrace best practices, innovative solutions and new technologies to deliver present and future energy needs of our communities.

Safety: Always pursue excellence in safety and wellness.

Customers: Anticipate and exceed customer expectations regarding efficiency and reliable delivery of electricity.

Environmental Stewardship: Respect the environment in everything we do.

Community: Demonstrate our dedication to the well-being of our communities.

Value: Invest in quality energy infrastructure while delivering optimal financial returns to shareholders.

Projected Net Savings

The projected net savings of the proposed transaction are expected to be in the range of $1.2MM to $1.5MM per year broken down as follows:

- Operations, Maintenance, and Administrative Expenditures ("**OM&A**") $1.0MM to $1.2MM; and
- Capital Expenditures $0.2MM to $0.3MM.

In addition to the projected net savings identified, the proposed transaction is also expected to contribute to reducing the upward pressure on electricity distribution rates in the long-term for customers across the CND and BCP service areas. Customers of BCP will benefit in the long term from the economies of scale that CND can realize due to its larger size. The addition of approximately 10,000 customers to CND's customer base will improve scale economies by allocating fixed costs such as regulatory, accounting, billing, system control operators, and IT over a larger customer base.

Incremental costs associated with the transaction are estimated to be in the amount of $0.6MM to $0.8MM. Incremental costs include: (i) third party advisory costs associated with the transaction including legal and financial advisory services; and (ii) integration costs associated with the transfer of customers to the Customer Information System, systems integration efforts related to the work management, purchasing, payroll, and financial systems to CND's ERP solution, and information systems infrastructure.

Rates

As discussed in section 1.4.1, as a result of the proposed transaction, CND has agreed that it shall not make any IRM or COS applications to the OEB in respect of distribution rates of BCP customers for calendar years 2015, 2016, 2017, or 2018 that would result in increased distribution rates for BCP customers. CND may, during the 2015 to 2018 IRM period, apply to clear any deferral or variance accounts relating to BCP's former customers.

CND will use commercially reasonable efforts to harmonize rates for the customers of CND and BCP in 2019 at the time of CND's next scheduled COS application. At the time of rate harmonization, CND commits to establishing 2019 rates that are at least equivalent to, if not less than, rates that would otherwise have been established for BCP customers in the absence of this transaction.

The existing customers of CND will also be held harmless from this transaction. CND's 2014 COS distribution rate application is currently pending before the Board and does not include any matters related to this transaction.

The following is a summary of the expected distribution rate impacts to BCP customers for the period 2015 through 2018, based upon existing rates as at May 1, 2014:

Year	Proposed Rate Increase	Rate Adjustment Mechanism	Foregone Rate Increase	Foregone IRM/COS Rate Increase (Cumulative)
2015	0%	IRM/Annual IR	1.10%	1.10%
2016	0%	COS	5.20%	6.36%
2017	0%	IRM/Annual IR	1.10%	7.53%
2018	0%	IRM/Annual IR	1.10%	8.71%

Assumptions:
(1) BCP Cost of Service Application assumed in 2016, based on last filing in 2011
(2) Annual Incentive Rate increase based on 2014 factors issued by the Board and approved for BCP's 2014 Rates.

The harmonization of rates in 2019, as outlined in Section 1.6.5, is anticipated to have the following indicative estimated distribution rate impacts for BCP and CND customers:

	Customers, As at December 31, 2013						Variance: 2019 Harmonized Rates vs. 2019 Stand Alone Rates			
	CND		BCP		Total		CND		BCP	
Rate Class	#	%	#	%	#	%	$	%	$	%
Residential	46,744	89.53%	8,486	85.73%	55,230	88.92%	$ (0.52)	-1.7%	$ (1.69)	-5.2%
GS < 50 kW	4,702	9.01%	1,298	13.11%	6,000	9.66%	$ (3.61)	-6.7%	$ (7.32)	-12.7%
GS > 50 kW (See Note 4)										
GS 50-999 kW	739	1.42%	110	1.11%	849	1.37%	$ (10.59)	-2.3%	$ 159.86	54.8%
GS 1000-4999 kW	24	0.05%	5	0.05%	29	0.05%	$ (3.23)	0.0%	NA	NA
Large Use	3	0.01%	0	0.00%	3	0.00%	$(6,295.39)	-7.2%	NA	NA
Total	52,212	100.00%	9,899	100.00%	62,111	100.00%				

The distribution rate comparison for 2019 is an indicative estimate based on the following assumptions:

- Combined BCP/CND harmonized rates are based on the estimated revenue requirement of the combined entity in 2019, using the cost allocation and rate design models and assumptions underlying CND's 2014 COS Application. The revenue requirement for 2019 incorporates realized savings in OM&A as a result of the proposed transaction;

- BCP's 2019 stand-alone rates assume that BCP would have undertaken a 2016 COS Application and increased rates annually under 4th Generation IRM thereafter; and
- CND's 2019 stand-alone rates assume a 2019 COS Application for CND.

Based on this indicative estimate, approximately 98.6% of the combined CND/BCP customer base will realize lower distribution rates in 2019 than would otherwise be expected in the absence of the proposed transaction. With the exception of the GS > 50 kW customer class in the BCP service territory, 98.8% of BCP's existing customers are expected to realize lower distribution rates in 2019 than would otherwise be expected in the absence of the proposed transaction, as well as 100% of CND's existing customers. At the time of rate harmonization, CND will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure that rates are just and reasonable for all customers and customers classes, including BCP's current GS > 50 kW customer class, in accordance with the terms of the Agreement.

CND's 2019 distribution rate commitment to BCP's customers and projection for longer-term rate mitigation is based on projected savings in OM&A and capital expenditures, which are anticipated to be derived from:

- Reduction in back-office staff over a period of time, including accounting, administration, and customer service;
- Reduction in the number of advanced apprenticeship hires with respect to trade positions;
- Reduction in BCP's third party engineering costs as CND has a full-time engineering department to support the design of the combined distribution system;
- Reduction in corporate governance costs (one board of directors vs. two) will result in a reduction in annual fees, as well as administrative hours required to support the preparation of materials);
- Reduction in IT costs (e.g. hardware/software maintenance fees as a result of combining key information systems, third party support costs that are currently contracted by BCP);
- Reduction in future regulatory costs (internal and external costs) associated with the preparation of various applications including IRM and COS Applications;
- Reduction in BCP's third party monitoring costs as CND has a fully staffed control room; and
- Reduction in insurance costs.

Adequacy, reliability, and quality of electricity service

Customer Service Quality and Customer Satisfaction

CND demonstrates a strong commitment to customer service excellence and takes pride in its service levels and quality standards.

The OEB has developed a set of customer service quality standards to ensure a consistent standard response time to be delivered by LDCs across Ontario. CND considers the response requirements set by the OEB to be a minimum standard. System Reliability Metrics and OEB Service Quality Indicators are incorporated into CND's annual Corporate Objectives.

CND's five year historical performance and statistics clearly demonstrate CND's commitment to Customer Service. Based upon a comparison of BCP's and CND's Service Quality Metrics and Service Reliability Indices, summarized in Attachment 1.6.2, CND's commitment to customer service excellence is consistent with that of BCP. CND has exceeded the OEB's Service Quality Indicators every year. CND will provide BCP customers with the same excellence in service standards that it provides to its existing customer base.

CND engages the services of an independent professional to conduct market research to gauge satisfaction levels of the residential and small commercial customers, with respect to performance and the delivery of services to customers. In 2012, CND received an overall Customer Satisfaction rating of A, based on a survey of its residential and small commercial customers, which exceeded the Ontario LDC average of B+. In 2013, based on a survey of CND's large institutional customers, overall satisfaction was rated 7.9 out of 10. CND will incorporate BCP customers into its customer engagement initiatives, including the conducting of customer satisfaction surveys. BCP has not historically completed customer satisfaction surveys.

CND is committed to economic development in its communities. As part of the integration strategy between CND and BCP, CND proposes to create a new full-time position whose primary responsibilities would be to support economic development and customer relations with new and existing commercial and industrial customers across the combined service territory of BCP and CND, including: (i) Liaising with the Economic Development and Strategic Investments Team as part of the "Prosper in Brant" initiative, as well as the City of Cambridge's Economic Development Department; (ii) Acting as an account representative for larger commercial and industrial customers; and (iii) Building and managing relationships with builders and developers within the communities.

CND and BCP will establish the Advisory Committee as soon as practicable after the closing date to provide a forum for communication and continuing dialogue between the Purchaser and the County. In establishing the Advisory Committee, the County has the right to appoint up to three (3) representatives to the Advisory Committee. The Purchaser has the right to appoint up to three (3) senior officials as its representatives. In addition, for a period of at least three years, the employees of BCP will be guaranteed employment with CND, which will ensure that during the initial transitional period customers are continued to be serviced with knowledgeable and experienced staff in the BCP service area.

BCP customers will further benefit from CND's 24/7 control room, Outage Management System (discussed further under Reliability), and the Customer Connect software suite of products, which includes Home Connect, Time of Use Dashboard, and Bill Connect. Home Connect provides on-line access for customers to view their accounts, access time of use data, and access to a library of information about Smart Meters, time of use billing, and energy conservation information; Bill Connect is a paperless billing solution launched by CND in March 2014.

Reliability

CND has a structured asset management and capital investment planning process. The assets of BCP will be fully integrated, maintained, and operated by CND in the same fashion and to the same standards as CND's current assets.

As discussed in Schedule 6.6 to the Agreement, CND proposes to incorporate the long-term capital planning of BCP into a consolidated long-term Distribution System Capital Plan ("**DSCP**"). CND recently prepared a five-year DSCP, which was approved as part of its 2014 COS Application. CND will leverage the information contained in BCP's existing Asset Management Plan, developed in 2009/2010, and the five year Strategic Technical Plan, which covers the period 2011 through 2015.

In consolidating the long-term DSCP, capital expenditures will be planned on a non-discriminatory basis and decisions on capital programs will be made locally. CND has committed to a capital expenditure budget and forecast in the Agreement based on BCP's existing Asset Management Plan and estimated customer growth that will maintain or improve reliability from the existing performance of BCP.

Electric utility service to customers currently served by BCP will remain subject to OEB rules and regulations governing all Ontario distributors. Reliability will be maintained from the use of existing and required resources and as a result response times are not expected to be affected. A summary of CND's Service Reliability Indices, including a comparison to BCP, is provided in Attachment 1.6.2.

CND is committed to meeting and/or exceeding current service levels and service quality for BCP customers. Any challenges in meeting such service level or service quality may be referred to the Advisory Committee for discussion and consultation on appropriate courses of action.

In 2013, CND launched an Outage Management Solution ("**OMS**") Project. CND intends to purchase and implement an OMS solution in 2014/2015, which is expected to: (i) improve reliability; (ii) address operational efficiency; (iii) enhance customer communications and meet customer expectations. The OMS will meet customer expectations by allowing CND to deliver timely information concerning the extent of the outage, the expected restoration time, and other pertinent information. This information will be communicated to customers and the media via CND's web site, via email, via IVR, and through social media. The OMS will provide a consolidated list of all outages, providing a coordinated, prioritized methodology to ensure that power is restored to customers as quickly as possible. BCP's customers will benefit from this initiative.

CND further intends to implement a Distribution Management System ("**DMS**") following the implementation of the OMS. The implementation of the DMS is expected to result in improved reliability and quality of service to CND's customers in terms of reducing outages, minimizing outage time, and maintaining acceptable frequency and voltage levels. BCP's customers will also benefit from this initiative.

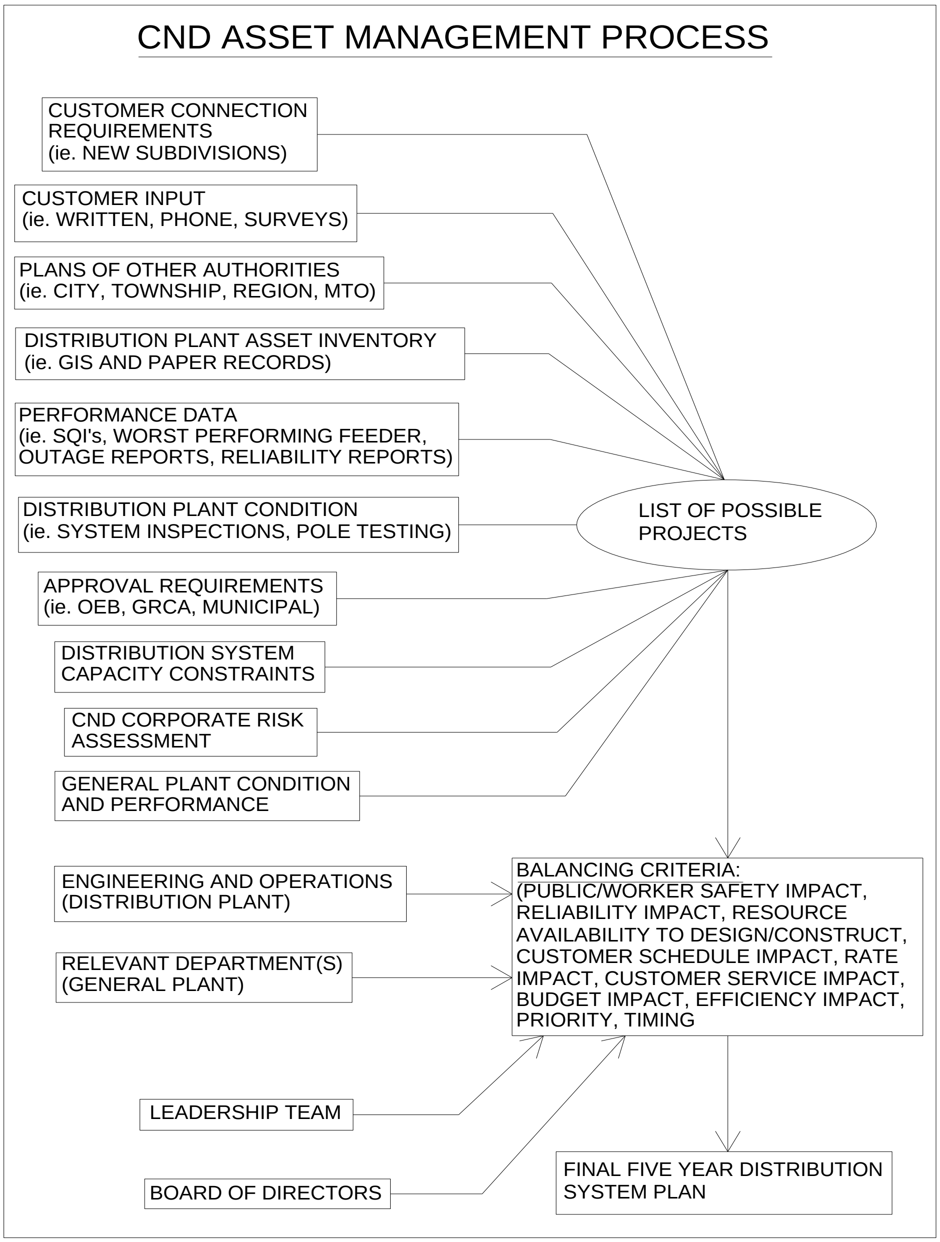
Following the OEB's approval of this Application, the OMS would be implemented to incorporate the consolidated service territories of BCP and CND. The operating costs related to the OMS and DMS would be spread out over a higher customer base.

1.6.3 Please describe the steps, including details of any capital expenditure plans that will be taken to ensure that operational safety and system integrity are maintained after completion of the proposed transaction.

As summarized in Section 1.6.2, the assets of BCP will be fully integrated, maintained, and operated by CND in the same fashion and to the same standards as CND's current assets. The acquisition will not adversely affect operational safety or system integrity.

As addressed in Schedule 6.6 to the Agreement, the Purchaser proposes to incorporate the long-term capital planning of the Corporation into a consolidated long-term DSCP.

CND's DSCP, which was filed and approved as part of its 2014 COS Application, is a comprehensive plan designed to achieve CND's main objective with respect to managing its distribution system assets, which continues to be to optimize performance of the assets at a reasonable cost with due regard for system reliability, public and worker safety, and customer service requirements. The following chart summarizes CND's Asset Management Process:



Based upon BCP's Asset Management Plan, the Purchaser anticipates a base capital expenditure level of approximately $1.8MM to $2.0MM per year, plus incremental capital expenditures to support customer growth.

1.6.4 Please provide details, including any capital expenditure plans, of how quality and reliability of service will be maintained after completion of the proposed transaction. Indicate where service centres will be located and expected response times.

Electric utility service to customers currently served by BCP will remain subject to OEB rules and regulations governing all Ontario distributors.

Reliability will be maintained from the use of existing and required resources and as a result response times are not expected to be affected. The Agreement provides that:

- CND will maintain BCP's service centre in Paris, Ontario for a minimum period of five years (5) following the closing date; and
- For a minimum period of three (3) years following the closing date, operations and maintenance employees shall have the right to be located at BCP's service centre in Paris, Ontario, subject to the Purchaser's rights to dismiss for just cause.

Please refer to Sections 1.6.2 and 1.6.3 with respect to capital expenditure plans and other reliability and customer service initiatives.

1.6.5 Please indicate whether the parties to the proposed transaction intend to undertake a rate harmonization process after the proposed transaction is completed. If yes, please provide a description of the plan.

As discussed in Section 1.6.2 above, CND will use commercially reasonable efforts to harmonize rates for the customers of CND and BCP in 2019 at the time of CND's next scheduled COS application. Until such time, CND proposes to retain two separate distribution rate schedules for customers in each of the service territories – i.e. those currently served by CND and those currently served by BCP.

At the time of rate harmonization, CND commits to establishing 2019 rates that are at least equivalent to, if not less than, rates that would otherwise have been established for BCP customers in the absence of this transaction. The parties acknowledge that any future proposed rate applications will be subject to OEB approval and will have to satisfy the Board's "Filing Requirements for Electricity Distribution Rate Applications".

The harmonization of rates in 2019 is anticipated to result in the following estimated indicative distribution rate impacts for BCP and CND customers compared to the rates that are otherwise anticipated in the absence of the proposed transaction:

Rate Class	Change in CND Base Distribution Rates (%)	Change in CND Total Bill (%)	Change in BCP Base Distribution Rates (%)	Change in BCP Total Bill (%)
Residential	-1.7%	-0.4%	-5.2%	-1.4%
General Service less than 50 kW	-6.7%	-1.2%	-12.7%	-2.5%
General Service 50-999 kW	-2.3%	-0.4%	54.8%	6.2%
General Service 1000-4999 kW	0.0%	0.0%	Not Applicable	Not Applicable
Large User	-7.2%	-0.4%	Not Applicable	Not Applicable

Note: BCP currently does not have a GS 1,000 - 4,999 or Large User Rate Class.

As noted in Section 1.6.2, CND estimates that approximately 98.6% of the combined CND/BCP customer base will realize lower distribution rates in 2019 than would otherwise be expected in the absence of the proposed transaction. Further, as noted in Section 1.6.2, at the time of rate harmonization, CND will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure that rates are just and reasonable for all customers and customers classes, including BCP's current GS > 50 kW customer class, in accordance with the terms of the Agreement.

1.6.6 If the application is for an amalgamation, please provide a proposal for the time of rebasing the consolidated entity in accordance with the five-year limit set by the Board.

The proposed transaction does not contemplate an amalgamation.

1.6.7 Please identify all incremental costs that the parties to the proposed transaction expect to incur. These may include incremental transaction costs, (i.e., legal), incremental merged costs (i.e., employee severances), and incremental ongoing costs (i.e., purchase and maintenance of new IT systems). Please explain how the new utility plans to finance these costs.

Incremental costs associated with the transaction include costs incurred for due diligence, to negotiate and complete the transaction, and costs associated with all necessary regulatory approvals.

In addition, CND anticipates integration costs associated with: (i) the transfer of customers to the Customer Information System; (ii) integration of the work management, purchasing, payroll, and financial systems to CND's ERP solution; (iii) IT infrastructure; and (iv) others as required.

CND does not anticipate any significant costs associated with employee severances. BCP employees will be guaranteed employment for a period of 3 years following the proposed transaction and will be eligible to apply for any open positions within CND. Future savings are expected to be realized through attrition, including retirements, reduction in future hiring requirements for succession planning, and vacant positions.

The transaction and integration costs will be financed through productivity gains associated with the transaction and will not be included in CND's revenue requirement and thus will not be funded by ratepayers**.**

1.6.8 Please describe the changes, if any, in distribution or transmission rate levels (as applicable) and the impact on the total bill that may result from the proposed transaction.

Please refer to Section 1.6.2**.**

1.6.9 Please provide details of the costs and benefits of the proposed transaction to the customers of the parties to the proposed transaction.

BCP's distribution customers will experience no harm from this transaction. There will be no additional costs to the customers of the parties to the proposed transaction.

To the contrary, and as stated in Section 1.6.2, CND will not make any IRM or COS applications to the Board in respect of distribution rates of BCP customers for calendar years 2015, 2016, 2017, or 2018 that would result in increased distribution rates for BCP customers.

Please refer to Sections 1.6.2 and 1.6.5 for an analysis of the anticipated benefits for both BCP and CND customers as a result of the proposed transaction.

1.7 <u>Economic Efficiency</u>

1.7.1 Please indicate the impact the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity). Details on the impacts of the proposed transaction on economic efficiency and cost effectiveness should include, but are not limited to, impacts on administration support functions such as IT, accounting, and customer service.

The Parties anticipate that the transaction, if approved by the Board, will improve the efficiency and cost-effectiveness of distribution service in the BCP and CND service areas. This is particularly important as Ontario electricity distributors face continued cost pressures over the 4th Generation IRM due to, among other things, increasing labour costs, materials, regulation, and the impacts of government policy.

The addition of approximately 10,000 customers to CND's customer base improves scale economies by allocating fixed costs such as regulatory, accounting, billing, system control operators, and IT over a larger customer base.

As described more fully in Section 1.6.2, improvement in cost-effectiveness and efficiency will be derived from specific cost reductions, economies of scale, and future cost avoidance. Specific cost reductions include: corporate governance costs; information systems technology; back office support functions; and reduction in third party contractor costs. Economies of scale and future cost avoidance will be realized in areas such as: hiring for succession planning; regulatory costs associated with preparation of applications; information systems technology and infrastructure; implementation of a 24/7 control room; and implementation of the OMS.

Resulting savings will put downward pressure on total bill impacts for customers within the BCP and CND service areas. These synergies would not be possible without the proposed transaction.

The increased customer base and value of a combined corporation may enhance CND's ability to raise lower cost of capital as required going forward.

1.8 Financial Viability

1.8.1 Please provide a valuation of any assets or shares that will be transferred in the proposed transaction. Provide details on how this value was determined, including any assumptions made about future rate levels.

CND and the County have entered into an Agreement whereby CND will be purchasing all of the shares of BCP. The County is satisfied that the price to be received is fair and reasonable, based on staff advice and the recommendations of the BCP board of directors. The County also retained the services of Borden Ladner Gervais LLP to advise and assist in conducting a competitive request for proposal process which has resulted in the sale of the shares of BCP.

As the purchaser, CND used the commercial value of underlying assets in determining the value of BCP. CND considered other components of the financial statements as well as cash flow projections, an assessment of asset condition, one-time costs of integration and potential efficiency gains in assessing the value of the business.

Please refer to Section 1.6.2 for discussion regarding future rate levels.

1.8.2 If the price paid as part of the proposed transaction is significantly more than the book value of the assets of the selling utility, please provide details as to why this price will not have an adverse effect on the economic viability of the acquiring utility.

The price paid by CND as part of the proposed transaction results in a premium over the book value of BCP's assets. The premium paid will not be included in CND's distribution revenue requirement and thus will not be funded by ratepayers.

CND's actual debt to equity ratio is 34%/66% as at December 31, 2013. The Board's deemed capital structure for electricity distributors is 60%/40% equity. Immediately following the proposed transaction, CND's capital structure of debt to equity is anticipated to be 55%/45%, which remains well within the Board's deemed capital structure.

Please refer to Section 1.4.4 with respect to pro-forma financial statements subsequent to the proposed transaction, including key financial metrics, that support CND's continued financial viability subsequent to the proposed transaction.

1.8.3 Please provide details of the financing of the proposed transaction.

CND will finance the acquisition of BCP using the following financing methodology:

- At the closing date, the acquisition will be financed initially through a one year-term loan from Sun Life Assurance Company of Canada ("**Sun Life**") and CND's existing cash and cash equivalents. CND also has available to it an additional $8,000,000 line of credit from the Royal Bank of Canada;
- Subsequent to the closing date, CND intends to replace the one-year term loan above and enter into a long-term financing agreement, which will incorporate the financing for this transaction, as well as additional financing to fund the long-term capital programs of CND and BCP. CND contemplates that such financing may be in the form of a long-term debenture or promissory note.

1.8.4 If the proposed transaction involves a leasing arrangement, please identify separately any assets in the service area that are owned, from those assets that are encumbered by any means, e.g., subject to a lease or debt covenant.

As per Section 13.8 of the Agreement, CND will be granted the right to the use of three named properties that will be owned by the County of Brant following the transaction.

1.8.5 Please outline the capital (debt/equity) structure, on an actual basis, of the parties to the proposed transaction prior to the transaction and on a pro forma basis after completion of the proposed transaction. In order to allow the Board to assess any potential impacts on the utility's financial viability, please include the terms associated with the debt structure of the utility as well as the utility's dividend policy after the completion of the proposed transaction. Please ensure that any debt covenants associated with the debt issue are also disclosed.

CND's actual debt to equity ratio is 34%/66% as at December 31, 2013 per their audited financial statements. BCP's actual debt to equity ratio is 32%/68% as at December 31, 2013 per their audited financial statements.

Following the proposed transaction, CND's capital structure of debt to equity is anticipated to be 55% debt/45% equity.

BCP has third party debt of $8,000,000 with the TD Bank, which will be assumed by CND as part of the proposed transaction. CND has long-term debt of $38,019,708, consisting of a $35,000,000 unsecured promissory note with Sun Life Assurance Company of Canada maturing November 2020, and a $3,019,708 unsecured demand promissory note with the Corporation of the Township of North Dumfries. CND also has available to it an $8,000,000 line of credit, that is undrawn as at May 31, 2014.

The Sun Life promissory note requires a Total Debt to Total Capitalization ratio of not more than 0.75:1. The TD Bank loan requires a Debt Service Coverage Ratio of not less than 120% to be maintained at all times. CND will meet these ratios following the proposed transaction.

CND's dividend guideline provides for the payment of an annual dividend equivalent to 50% of audited net income.

1.8.6 Please provide details of any potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters. These may be matters that have been identified in the audited financial statements or they may be matters that the parties have become aware of since the release of the most recently audited financial statements. If there are any pre-existing potential liabilities regarding public health and safety matters or environmental matters for any party to the proposed transaction, provide details on how the parties propose to deal with those potential liabilities after the transaction is completed. Specify who will have on-going liability for the pre-existing potential liabilities.

There are no known potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters.

Article XII Indemnifications of the Agreement sets out the indemnification provisions with respect to the proposed transaction. Section 12.9 of the Agreement sets out the indemnification provisions with respect to any environmental claims, including all environmental remediation costs incurred, relating to or arising out of environmental laws with respect to certain Real Property.

CND manages a distribution business in the City of Cambridge and the Township of North Dumfries with similar assets and has programs in place to deal with any relevant safety and environmental matters.

Both CND and BCP are parties to a Commercial General Liability Insurance Policy through the MEARIE Group, which provides for insurance coverage with respect to bodily injury, personal injury, Occupational Health and Safety expenses, and environmental impairment liability.

1.9 <u>Other Information</u>

1.9.1 If the proposed transaction requires the approval of a parent company, municipal council or any other entity please provide a copy of appropriate resolutions indicating that all such parties have approved the proposed transaction.

All necessary approvals have been obtained.

1.9.2 Please list all suits, actions, investigations, inquiries or proceedings by any government body, or other legal or administrative proceeding, except proceedings before the Board, that have been instituted or threatened against each of the parties to the proposed transaction or any of their respective affiliates.

There are none associated with the parties to this application.

1.9.3 Regarding net metering thresholds, the Board will, absent exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Please indicate the current net metering thresholds of the utilities involved in the proposed transaction. Please also indicate if there are any special circumstances that may warrant the Board using a different methodology to determine the net metering threshold for the new or remaining utility.

The net metering thresholds are as follows:

BCP – 588.17 kW (based on 1% of the three year average peak load for 2011-2013) CND – 2,986.5 kW (based on 1% of the three year average peak load for 2011-2013)

There are no special circumstances that warrant the Board using a different methodology to determine the net metering threshold for the consolidated utility. Therefore, CND and BCP submit that the Board should add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new consolidated utility.

1.9.4 Please provide the Board with any other information that is relevant to the application. When providing this additional information, please have due regard to the Board's objectives in relation to electricity.

The transaction was completed on a competitive commercial basis between a willing seller and willing buyer and is supportive of the Minister of Energy's response to the Ontario Distribution Sector Review Panel Report ("Panel's Report"). The Panel's Report, issued in December 2012, set out a vision for consolidation of the industry, which would result in less costly and more efficient delivery of electricity. In a letter dated March 19, 2013 to LDC executives, the Minister of Energy indicated a focus on "delivering ratepayer savings and on the need to "bend the cost curve" through more efficient service delivery. Part of the solution will be a successful voluntary consolidation on a commercial basis".

The completion of this transaction will result in cost synergies and economy of scale benefits that can be realized through distributor consolidation and which were identified by the Ontario Distribution Sector Review Panel. The proposed transaction is expected to enhance the adequacy, reliability and quality of electricity service across CND's and BCP's service areas, as well as create downward pressure on future electricity distribution rates. Customers of BCP and CND will benefit in the long term from the economies of scale that can be realized due to the larger size of the combined entity, synergies to be achieved through the elimination of duplication, and the ability to allocate fixed costs such as regulatory, accounting, billing, system control operators, and IT over a larger customer base.

This transaction also supports the Board's Renewed Regulatory Framework for Electricity Distributors, and the focus on performance-based outcomes. In particular, this transaction will promote the achievement of customer focus, operational effectiveness, public policy responsiveness, and financial performance. As well, it will promote a key element of the framework, which is the focus on continuous improvement and increased efficiency in the distribution sector

PART II: CERTIFICATION AND ACKNOWLEDGMENT

2.1 Certification and Acknowledgment

I certify that the information contained in this application and in documents provided are true and accurate.

Signature of Key Individual	Print Name of Key Individual Ian Miles	Title/Position President and CEO
Ian Miles	Date June 16/2014	Company Cambridge and North Dumfries Hydro Inc.

Signature of Key Individual	Print Name of Key Individual Ed Glasbergen	Title/Position CEO
	Date ______________	Company Brant County Power Inc.

(Must be signed by a key individual. A key individual is one that is responsible for executing the following functions for the applicant: matters related to regulatory requirements and conduct, financial matters and technical matters. These key individuals may include the Chief Executive Officer, the Chief Financial Officer, other officers, directors or proprietors.)

2.1 Certification and Acknowledgment

I certify that the information contained in this application and in documents provided are true and accurate.

Signature of Key Individual	Print Name of Key Individual Ian Miles	Title/Position President and CEO
	Date ____________	Company Cambridge and North Dumfries Hydro Inc.

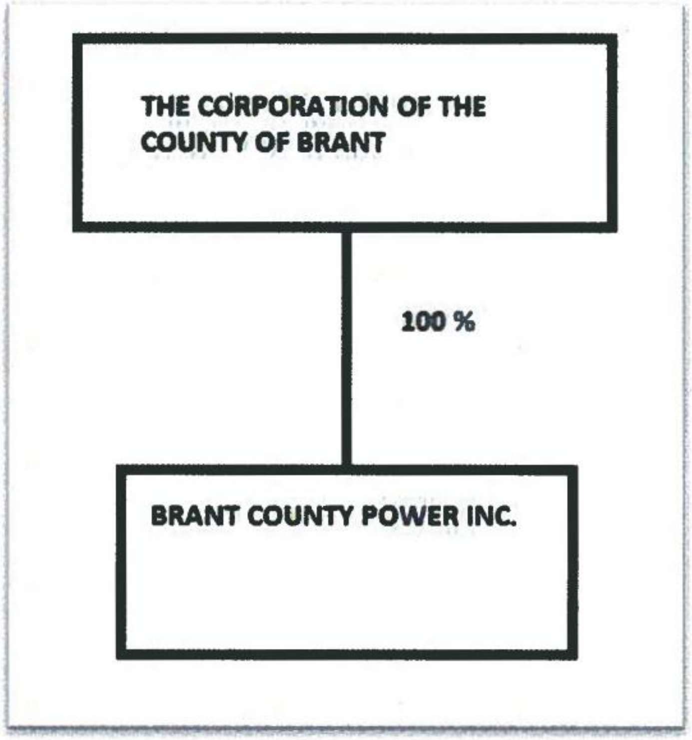
Signature of Key Individual	Print Name of Key Individual Ed Glasbergen	Title/Position CEO
	Date June 16/14	Company Brant County Power Inc.

(Must be signed by a key individual. A key individual is one that is responsible for executing the following functions for the applicant: matters related to regulatory requirements and conduct, financial matters and technical matters. These key individuals may include the Chief Executive Officer, the Chief Financial Officer, other officers, directors or proprietors.)

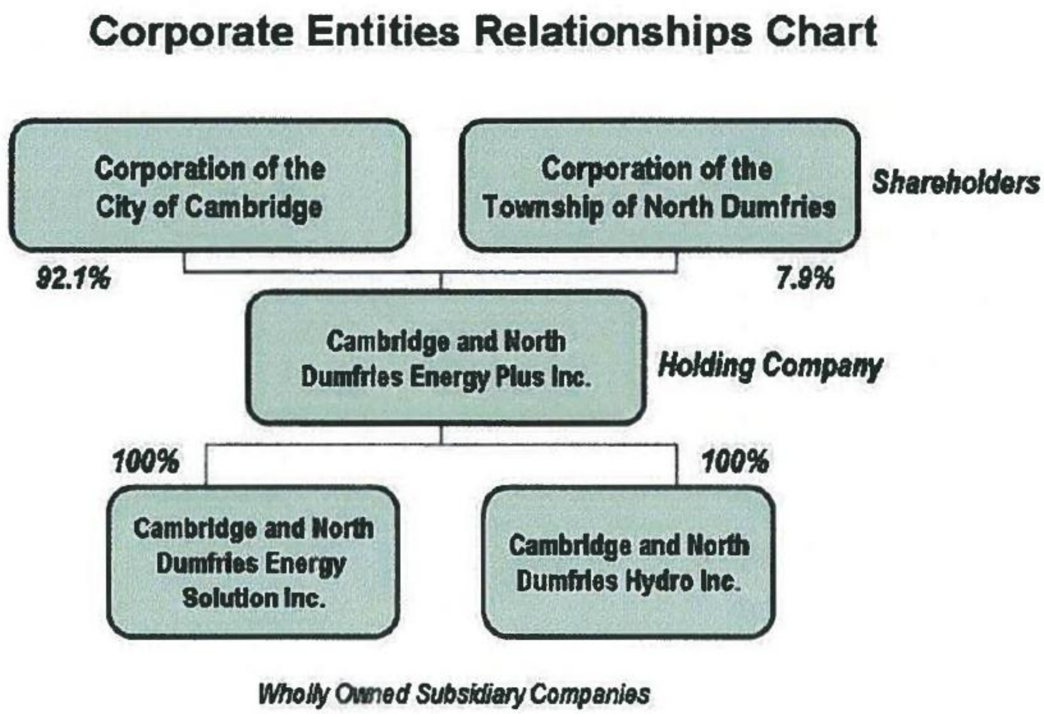
EXHIBIT LIST

Exhibit	Tab	Schedule	Description
A — ADMINISTRATION			
A	**1**	**1**	Application
A	**2**	**1**	Application Form for Applications under Section 86 of the *Ontario Energy Board Act*, 1998
A	**3**	**1**	Exhibit List
B — PRE-FILED EVIDENCE			
B	**1**	**1**	Corporate Chart of County Brant of (Attachment 1.3.5A)
B	**2**	**1**	Corporate Chart of CND (Attachment 1.3.5B)
B	**3**	**1**	May 20, 2014 Purchase and Sale Agreement is attached hereto as (Attachment 1.4.1)
B	**4**	**1**	2012 and 2013 Financial Statements for BCP (Attachment 1.4.3A)
B	**5**	**1**	2012 and 2013 Financial Statements for CND (Attachment 1.4.3B)
B	**6**	**1**	Pro Forma Financial Statements for CND on a consolidated basis following the completion of the proposed transaction (Attachment 1.4.4A)
B	**7**	**1**	Summary of CND and BCP Service Quality Metrics and Service Reliability Indices (Attachment 1.6.2)
B	**8**	**1**	Indicative 2019 Distribution Rates for CND and BCP customers (Attachment 1.6.5)

ATTACHMENT 1.3.5A – THE COUNTY CORPORATE CHART



ATTACHMENT 1.3.5B – CAMBRIDGE CORPORATE CHART



EXECUTION COPY

THE CORPORATION OF THE COUNTY OF BRANT

- and –

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

SHARE PURCHASE AGREEMENT

Dated the 20th day of May, 2014

TABLE OF CONTENTS

SHARE PURCHASE AGREEMENT

THIS AGREEMENT made the 20th day of May, 2014 (the "**Effective Date**").

B E T W E E N:

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

\- and -

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC., a corporation incorporated under the laws of Ontario, (the "**Purchaser**")

Recitals:

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

2. The Vendor is the beneficial and registered owner of all of the issued and outstanding shares of the Corporation;

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

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

ARTICLE I
INTERPRETATION

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

(a) "**Administrative Employees**" means the Employees with the following job titles, as set out in the "Employee List" document in the Data Room folder entitled "Management and Employees": Accounting Assistant, CDM Communications Coordinator, CFO & Director of Regulatory Affairs, Collections/Customer Service Associate, Customer Service Representative, Director, Customer Service, GIS Coordinator, Market Compliance & Settlement Specialist, Operations Support Coordinator/Customer Service Resource Associate, Process Mapping and Integration/Operations Resource Associate, Senior Accounting Assistant, Senior Billing Assistant, and Smart Meter Analyst/Billing.

(b) "**Advisory Committee**" has the meaning ascribed thereto in Section 6.3.

(c) "**Affiliate**" has the meaning ascribed thereto in the OBCA.

(d) "**Agreement**" means this share purchase agreement, including all schedules attached hereto, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.

(e) "**Applicable Law**" means any and all applicable laws, including Environmental Laws, common law, statutes, codes, licensing requirements, directives, rules, regulations, protocols, policies, by laws, guidelines, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any Governmental Authority, including without limitation, the OEB.

(f) "**Auditors**" means Millard, Rouse & Rosebrugh LLP, Chartered Accountants.

(g) "**Business**" means, the business carried on by the Corporation including the distribution of electricity, and the provision of other services in the County of Brant.

(h) "**Business Day**" means a day other than a Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.

(i) "**Claim**" means any demand, action, assessment, complaint, grievance, investigation, inquiry, suit, proceeding, claim, order, judgment, prosecution or settlement or compromise relating thereto.

(j) "**Closing**" means completion of the Transactions contemplated herein on the Closing Date and in accordance with the provisions of this Agreement.

(k) "**Closing Date**" means a date (which shall be a Business Day) not later than thirty (30) days following the date that the OEB Approval has been obtained or such earlier or later date as may be agreed to by the Parties in writing provided that in no event shall any such date be on or after December 31, 2015.

(l) "**Closing Date Financial Statements**" means audited financial statements for the Corporation for the fiscal period ended on the Closing Date, prepared in accordance with GAAP, on the same basis as the Financial Statements, consistently applied and consisting of a balance sheet as of such date and statements of operations, retained earnings, and cash flow for such period, together with notes thereto as at such date.

(m) "**Closing Date NFA**" means the amount of NFA stated on its Closing Date Financial Statements.

(n) "**Closing Date Working Capital**" shall have the meaning ascribed thereto in Section 2.4(a)(i)(A).

(o) "**Change in Law**" means:

(i) the enactment, introduction or tabling of any Canadian federal or provincial legislation (whether by statute, regulation, order in council, notice of ways and means motion or otherwise);

(ii) a ruling, order or decision of the OEB, including a ruling, order or decision of the OEB, relating to an electricity distribution utility other than the Corporation;

(iii) the issuance, modification or revision of the OEB's existing Electricity Distribution Rate Handbook, or the issuance of any rule, procedure, code, policy or directive by the OEB; and

(iv) a directive, guideline or policy statement of a Governmental Authority; taking effect after the Effective Date.

(p) "**Collective Agreement**" has the meaning ascribed thereto in Section 3.1(q)(i).

(q) "**Common Shares**" means the common shares in the share capital of the Corporation.

(r) "**Confidentiality Agreement**" means the confidentiality agreement between the Vendor, the Corporation and the Purchaser dated September 23, 2013.

(s) "**Confidential Disclosure Schedule**" means that confidential disclosure schedule dated as of the Effective Date which the Vendor delivered to the Purchaser at the time this Agreement was signed.

(t) "**Confidential Information**" has the meaning ascribed thereto in Subsection 6.10(b)(i).

(u) "**Corporation**" means Brant County Power Inc.

(v) "**Contract**" means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral.

(w) "**CTA**" means the *Corporations Tax Act* (Ontario) or the *Taxation Act, 2007* (Ontario) and any regulation made thereunder.

(x) "**Damages**" means any loss, liability, damage or expense (including reasonable legal fees, accountants', investigators', engineers' and consultants' fees and expenses, interest, penalties and amounts paid in settlements), whether resulting from any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, or any cause, matter, thing, act or omission or state of facts not involving a third party, but excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than damages of a third party in respect of a Third Party Claim.

(y) "**Data Room**" means the data site located at https://extranet.blg.com/clients/BrantCountyPower.

(z) "**Deductible**" has the meaning ascribed thereto in Section 12.7(a)(i).

(aa) "**Deposit**" has the meaning ascribed thereto in Section 2.3(a).

(bb) "**Direct Claim**" has the meaning ascribed thereto in Section 12.3.

(cc) "**Easements**" means the right to use, traverse, enjoy or have access to, over, in or under any real property.

(dd) "**EA**" means the *Electricity Act, 1998* (Ontario), as amended and as in effect on the date hereof.

(ee) "**Effective Date**" means the date of this Agreement as first stated above.

(ff) "**Employee Plans**" has the meaning ascribed thereto in Section 3.1(p)(i).

(gg) "**Employees**" has the meaning ascribed thereto in Section 3.1(r)(i).

(hh) "**Encumbrance**" means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any Contract to create any of the foregoing.

(ii) "**Environment**" means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub surface strata and sewer system.

(jj) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, registrations, directions, instructions, waste generation numbers or approvals required pursuant to Environmental Laws with respect to Real Property or the operation of the Corporation or the Business.

(kk) "**Environmental Laws**" means all Applicable Law relating in whole or in part to the protection of the Environment or to public health and safety, and includes those relating to the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances.

(ll) "**Escrow Agreement**" means the form of escrow agreement attached hereto as Schedule 2.3.

(mm) "**ETA**" means Part IX of the *Excise Tax Act* (Canada) and any regulation made thereunder.

(nn) "**Financial Statements**" means the audited financial statements of the Corporation as at December 31, 2012 prepared in accordance with GAAP, a copy of which is attached as Schedule 1.1(nn).

(oo) "**Fixed Assets**" means fixed assets, furniture, furnishings, parts, tools, personal property, fixtures, plants, land, buildings, structures, erections, improvements, appurtenances, machinery, equipment, rolling stock, computer hardware and software, substations, transformers, transformer stations, vaults, distribution lines, transmission lines, conduits, ducts, pipes, wires, meters rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings, solar assets and any other similar or related item of the Corporation's Business.

(pp) "**GAAP**" means the generally accepted accounting principles (including the methods of application of such principles) and, as applicable IFRS (International Financial Reporting Standards) accepted or recommended by the Canadian Institute of Chartered Accountants which are applicable in Canada as at the date on which any calculation made hereunder is to be effective.

(qq) "**Governmental Authority**" means any domestic government, whether federal, provincial, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government including the OEB.

(rr) "**Hazardous Substances**" means any hazardous substance or any pollutant or contaminant, toxic or dangerous waste, substance or material as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly chlorinated biphenyls.

(ss) "**HST**" means all taxes payable under Part IX of the ETA (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.

(tt) "**Indemnified Party**" has the meaning ascribed thereto in Section 12.3.

(uu) "**Indemnifying Party**" has the meaning ascribed thereto in Section 12.3.

(vv) "**Independent Auditor**" has the meaning ascribed thereto in Section 2.4(c).

(ww) "**Initial Long Term Debt**" means an amount of long term debt equal to Eight Million Dollars ($8,000,000) as at December 31, 2012.

(xx) "**Intellectual Property**" has the meaning ascribed thereto in Section 3.1(m).

(yy) "**ITC**" has the meaning ascribed thereto in Section 2.4(a)(i)(D).

(zz) "**Knowledge**" when used to refer to the knowledge of the Vendor means to the best of the knowledge, information and belief of the Vendor after making due inquiries regarding the relevant matter of all relevant Representatives of the Corporation.

(aaa) "**Leased Property**" has the meaning ascribed thereto in Subsection 3.1(l)(i).

(bbb) "**Licenses**" has the meaning ascribed thereto in Subsection 3.1(z).

(ccc) "**Long Term Debt**" means long term debt as defined in the Corporation's Closing Date Financial Statements prepared as at the Closing Date. For greater certainty, Long Term Debt excludes the current portion of long term debt and all customer deposits payable.

(ddd) "**Long Term Debt Calculation**" has the meaning ascribed thereto in Section 2.4(a)(i)(C).

(eee) "**Losses**" means any and all loss, liability, damage, cost, expense (including reasonable legal fees, accountants', investigators', engineers' and consultants' fees and expenses, interest, penalties and amounts paid in settlements), charge, fine, penalty or assessment, suffered or incurred by the Person seeking indemnification, directly resulting from or arising out of any Claim, including the costs and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, including without limitation a gross-up to account for any tax payable by the Purchaser as a result of an indemnification payment but: (i) excluding any contingent liability until it becomes actual; and (ii) excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than damages of a Third Party in respect of a Third Party Claim.

(fff) "**Material Adverse Effect**" means any change or effect that has a material adverse effect on the Property or obligations and liabilities of the Corporation or the operations or results of operations of the Business after taking into account any insurance which may be available with respect to such a change or effect. For greater clarity, a Material Adverse Effect shall not include a Change in Law.

(ggg) "**Material Contract**" means any Contract for the supply of goods or services which has a value exceeding Fifty Thousand Dollars ($50,000.00) in annual payments excluding any collective bargaining agreements or other employment related agreements.

(hhh) "**NFA**" means the aggregate value of the Corporation's property, plant and equipment, as provided in its Financial Statements.

(iii) "**NFA Calculation**" has the meaning ascribed thereto in Section 2.4(a)(i)(B).

(jjj) "**NFA Index**" shall be equal to 1.65.

(kkk) "**OBCA**" means the *Business Corporations Act* (Ontario), as amended and as in effect on the date hereof.

(lll) "**OEB**" means the Ontario Energy Board and its successors.

(mmm) "**OEB Act**" means the *Ontario Energy Board Act, 1998*, as amended and as in effect on the date hereof.

(nnn) "**OEB Approval**" means the approval of the OEB to the Transactions contemplated herein pursuant to the OEB Act.

(ooo) "**OMERS Plan**" means the Ontario Municipal Employees Retirement System Primary Pension Plan.

(ppp) "**Operations and Maintenance Employees**" means the Employees with the following job titles, as set out in the "Employee List" document in the Data Room folder entitled "Management and Employees": Apprentice Journeyman Lineman, Director of Operations, Journeyman Lineman, Journeyman Lineman/Lead Hand, Lead Hand Meter Technician, and Lines Superintendent.

(qqq) "**Party**" means a party to this Agreement, and "**Parties**" means both of them.

(rrr) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal Representative, regulatory body or agency, Governmental Authority or entity however designated or constituted.

(sss) "**PILs**" means payments in lieu of corporate taxes required to be made under Section 93 of the EA.

(ttt) "**Property**" means the property and assets used by the Corporation to conduct its Business, including without limitation, the Real Property, the Leased Property, the Easements, the Intellectual Property and Fixed Assets.

(uuu) "**Purchaser**" means Cambridge and North Dumfries Hydro Inc., a corporation incorporated under the laws of Ontario.

(vvv) "**Purchase Price**" has the meaning ascribed thereto in Section 2.2.

(www) "**Purchased Shares**" has the meaning ascribed thereto in Section 2.1.

(xxx) "**Purchaser's Objection**" has the meaning ascribed thereto in Section 2.4(b).

(yyy) "**Real Property**" has the meaning ascribed thereto in Subsection 3.1(l)(i).

(zzz) "**Release**" has the meaning ascribed thereto in any Environmental Law and includes, without limitation, any presence, release, spill, leak, pumping, pouring, addition, emission, emptying, discharge, injection, escape, leaching, disposal, dispersal, migration, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement.

(aaaa) "**Remedial Order**" means any complaint, direction, order or sanction issued, filed or imposed by any governmental authority pursuant to any Environmental Law and includes any order requiring any remediation or clean-up of any Hazardous Substance or requiring that any Release or any other activity be reduced, modified or eliminated.

(bbbb) "**Representative**" means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, employees, agents and other representatives and advisors.

(cccc) "**RFP**" means the Vendor's Request for Proposals and Confidential Information Memorandum for a Transaction involving the Corporation, dated October 18, 2013.

(dddd) "**RFP Offers**" means offers and related documents and information received from third parties, excluding the Purchaser, in response to the RFP.

(eeee) "**Statutory Plans**" means benefit plans that the Corporation is required by Applicable Law to participate in or contribute to in respect of an employee, director or officer of the Corporation or any beneficiary or dependent thereof, including the Canada Pension Plan, and plans administered pursuant to applicable health, Tax, workplace safety insurance, workers' compensation and employment insurance legislation.

(ffff) "**Shareholder Declaration**" means the shareholder direction and unanimous shareholder declaration of the Vendor establishing certain principles of governance relating to the Corporation dated February 6, 2007.

(gggg) "**Subsidiary**" has the meaning ascribed thereto in the OBCA.

(hhhh) "**Tax**" or "**Taxes**" means the PILs payable pursuant to Section 93 of the EA and all domestic and foreign federal, provincial, municipal, territorial or other taxes, imposts, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed against the Corporation including, without limitation, all income, capital gains, sales, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers' compensation premiums, Canada Pension Plan premiums, Employment Insurance premiums, and special payments pursuant to Part VI of the EA together with all interest, fines and penalties with respect thereto.

(iiii) "**Tax Return**" means all returns, declarations, designations, forms, schedules, reports and other documents of every nature whatsoever required to be filed with any Governmental Authority with respect to any Taxes, including those required pursuant to Part VI of the EA.

(jjjj) "**Tax Act**" means the *Income Tax Act* (Canada) and any regulations thereunder.

(kkkk) "**Third Party**" has the meaning ascribed thereto in Section 12.3.

(llll) "**Third Party Claim**" has the meaning ascribed thereto in Section 12.3.

(mmmm) "**Time of Closing**" means 10:00 am (Toronto time) on the Closing Date.

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

(oooo) "**Vendor**" means the Corporation of the County of Brant.

(pppp) "**Vendor's Counsel**" means Borden Ladner Gervais LLP.

(qqqq) "**Vendor's Transaction Costs**" means $197,750 inclusive of HST, paid by the Vendor to its advisors in respect of the Transaction.

(rrrr) "**Working Capital**" means the working capital of the Corporation, which is the amount by which the net book value of the current assets, including cash, of the Corporation exceeds the net book value of the current liabilities. The current assets of the Corporation are the sum of accounts receivable, unbilled revenue, income taxes recoverable, loans receivable, prepaid expenses/other current assets, net future income tax assets, and inventory. The current liabilities of the Corporation are the sum of the accounts payable and accrued liabilities, income taxes payable, deferred income, dividends payable, current portion of customer deposits, net future income tax liabilities, other regulatory liabilities/credits, demand loan, bank indebtedness, the current portion of long term debt, net regulatory liabilities, current and long term customer deposits, and employee future benefits payable. The calculation of the net book value of assets and liabilities shall be based upon GAAP.

(ssss) "**Working Capital Calculation**" has the meaning ascribed thereto in Section 2.4(a)(i)(A).

(tttt) "**Year End Working Capital**" has the meaning ascribed thereto in Section 2.4(a)(i)(A).

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

1.3 **Certain Rules of Interpretation.** In this Agreement:

(a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;

(b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and

(c) unless specified otherwise or the context otherwise requires:

  (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;

  (ii) "including" or "includes" means "including (or includes) but is not limited to" and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;

  (iii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of";

  (iv) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts as of the date of this Agreement;

  (v) references to any legislation, statutory instrument or regulation or a Section thereof are references to the legislation, statutory instrument, regulation or Section in force as of the date of this Agreement;

  (vi) words in the singular include the plural and vice versa and words in one gender include all genders.

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

(a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;

(b) all references to specific dates mean 11:59 p.m. on the dates;

(c) all references to specific times are references to Toronto time; and

(d) with respect to the calculation of any period of time, references to "from" mean "from and excluding" and references to "to" or "until" mean "to and including".

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

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

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

(a) references to dollar amounts or "$" are to Canadian dollars;

(b) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) that provides immediately available funds; and

(c) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available by 2:00 p.m. on the due date and any payment received and available after that time is deemed to have been made and received on the next succeeding Business Day.

1.8 **Schedules.** The following schedules are attached to and form part of this Agreement:

Schedule 1.1(nn)	-	Financial Statements
Schedule 2.3	-	Form of Escrow Agreement
Schedule 3.1(l)	-	Real Property, Leased Property and Easements
Schedule 3.1(m)	-	Intellectual Property
Schedule 3.1(n)	-	Contracts and Commitments
Schedule 3.1(o)	-	Material Contracts
Schedule 3.1(p)	-	Employee Plans
Schedule 3.1(q)	-	Collective Agreement
Schedule 3.1(s)	-	Insurance Policies
Schedule 3.1(u)	-	Vendor Litigation
Schedule 3.1(v)	-	Taxes
Schedule 3.1(x)	-	Permitted Encumbrances
Schedule 3.1(z)	-	Licences
Schedule 6.6	-	Capital Program
Schedule 6.8	-	Service Quality
Schedule 9.1(c)	-	Consents

ARTICLE II
PURCHASE AND SALE OF PURCHASED SHARES

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

Class of Shares	Issued	Shareholder
Common Shares	11,974,247	Vendor

2.2 **Purchase Price**. The purchase price payable by the Purchaser to the Vendor for the Purchased Shares (the "**Purchase Price**") shall, subject to any adjustment in accordance with Section 2.4, be equal to the difference between $40,197,750 and the amount of Initial Long Term Debt, which shall remain the indebtedness of the Corporation after Closing. For clarity, payment of the Purchase Price shall discharge the Purchaser's obligation as set out on page 8 of the RFP with respect to the Vendor's costs of the RFP and the Transaction.

2.3 **Payment of Purchase Price**

The Purchase Price shall be payable by the Purchaser as follows:

(a) concurrently with the execution and delivery of this Agreement, the sum of $1,609,888 representing five (5) percent (%) of the unadjusted Purchase Price, shall be delivered to the Vendor's Counsel, by certified cheque or in immediately available funds by wire transfer in trust to the Vendor's Counsel which shall hereinafter be referred to as the "**Deposit**", and such Deposit to be held by Vendor's Counsel in trust and released all in accordance with the terms and conditions of the Escrow Agreement; and

(b) at the Time of Closing, an amount equal to $40,197,750 less the Deposit and less the amount of Initial Long Term Debt, being $30,587,862 by wire transfer of immediately available funds to the Vendor; and

(c) if applicable, the amounts payable pursuant to Section 2.4(c) below.

2.4 **Adjustment to Purchase Price**.

(a) The following adjustments shall apply to the Purchase Price:

(i) Subject to Section 2.5, within ninety (90) days following the Closing Date, the Vendor shall cause the preparation and delivery of the Closing Date Financial Statements together with the Working Capital Calculation, the NFA Calculation, the Long Term Debt Calculation, and the ITC calculation to the Parties, all of which shall be audited by the Auditors. The Purchase Price contemplated in Section 2.2 shall be adjusted as follows:

(A) the Working Capital calculated based on the Financial Statements (the "**Year End Working Capital**"), as compared to the Working Capital calculated based on the Closing Financial Statements (the "**Closing Date Working Capital**") (such calculation to be referred to herein as the "**Working Capital Calculation**");

(B) the Closing Date NFA as compared to an amount equal to Nineteen Million Six Hundred and Ninety Two Thousand Nine Hundred and Sixty Seven Dollars ($19,692,967) (such calculation to be referred to herein as the "**NFA Calculation**");

(C) the Long Term Debt as compared to the Initial Long Term Debt (such calculation to be referred to herein as the "**Long Term Debt Calculation**"); and

(D) the amount of the entitlement (whether or not yet received) of the Vendor to an input tax credit with respect to the HST paid on the Vendor's Transaction Costs (the "**ITC**").

Subject to 2.4(b), the Purchaser shall pay the Vendor, as applicable, on a dollar for dollar basis: (A) the amount by which the Closing Date Working Capital exceeds the Year End Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA exceeds Nineteen Million Six Hundred and Ninety Two Thousand Nine Hundred and Sixty Seven Dollars ($19,692,967); and (C) the Initial Long Term Debt exceeds the Long Term Debt. The Vendor shall pay the Purchaser, as applicable, on a dollar for dollar basis, (A) the amount by which the Year End Working Capital exceeds the Closing Date Working Capital; (B) an amount equal to the amount obtained when the NFA Index is multiplied by the amount by which the Closing Date NFA is less than Nineteen Million Six Hundred and Ninety Two Thousand Nine Hundred and Sixty Seven Dollars ($19,692,967); (C) the amount by which the Long Term Debt exceeds the Initial Long Term Debt; and (D) an amount equal to the ITC.

(b) The Purchaser shall have the following dispute rights with respect to the calculations contained in Section 2.4(a):

(i) The Purchaser shall have a period of thirty (30) Business Days from the later of (i) the receipt of the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation; and (ii) the date on which the Purchaser is provided with access to the Auditor's working papers relating to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation, within which to notify the Vendor in writing that it disputes any amounts contained in the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and/or the Long Term Debt Calculation, (the

"**Purchaser's Objection**"), failing which the Purchaser shall be deemed to have accepted such amounts. The Purchaser's Objection shall set forth a specific description of the basis of the Purchaser's Objection and the adjustments to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and/or the Long Term Debt Calculation, which the Purchaser believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by the Purchaser.

(c) Payment of the adjustment to the Purchase Price pursuant to Section 2.4(a)(i) shall be made by the applicable Party within thirty (30) Business Days following the later of (i) the date that the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation, are received by the Purchaser; and (ii) the date on which the Purchaser is provided with access to the Auditor's working papers relating to the Closing Date Financial Statements, the Working Capital Calculation, the NFA Calculation, and the Long Term Debt Calculation.

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

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

ARTICLE III
REPRESENTATIONS AND WARRANTIES

3.1 **Representations and Warranties of the Vendor**. The Vendor represents and warrants to the Purchaser as follows and acknowledges that, except as otherwise expressly provided herein, the Purchaser is relying on such representations and warranties in connection with the Transactions contemplated herein.

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

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

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

(d) **Authorized and Issued Capital of the Corporation**. The authorized share capital of the Corporation consists of an unlimited number of Common Shares, of which only the Purchased Shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of the Corporation at the Time of Closing.

(e) **Ownership of Shares**. The Vendor is the sole beneficial and registered owner of the Purchased Shares, with good and marketable title thereto, free and clear of all Encumbrances (other than the rights of the Purchaser hereunder) and has the exclusive right to dispose of the Purchased Shares as herein provided. Without limiting the generality of the foregoing, except for the Shareholder Declaration, none of the Purchased Shares is subject to any voting trust, shareholder agreement or voting agreement.

(f) **Options**. No Person (other than the Purchaser under this Agreement) has the benefit of any Contract or any right or privilege (whether by Applicable Law, pre-emptive or contractual) binding upon or which may at any time in the future become binding upon the Vendor to acquire or obtain in any other way an interest in any of the Purchased Shares or the shares of the Corporation.

(g) **Subsidiaries**. The Corporation does not own nor has any interest in any shares of any other corporation.

(h) **No Violations**. Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:

  (i) any provision of the by-laws of the Vendor;

  (ii) any Contract to which the Vendor or the Corporation is a party or by which the Vendor, the Corporation or any of its Real Property or Leased Property is bound, which would have a Material Adverse Effect on the Vendor's ability to perform its obligations under this Agreement; or

  (iii) subject to the OEB Approval, to the Vendor's Knowledge, any Applicable Law or requirement of a Governmental Authority having jurisdiction over each of the Vendor and the Corporation, which would have a Material Adverse Effect on the Vendor's ability to perform its obligations under this Agreement.

(i) **Consents and Approvals**. Other than the OEB Approval, there is no requirement for the Vendor or the Corporation to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the Transaction.

(j) **Compliance with Applicable Law**. The Corporation has complied in all material respects with all Applicable Laws relating to its respective Business, the failure to comply with which would have a Material Adverse Effect. The Corporation is not in violation or default under, and to the Vendor's Knowledge, no event has occurred which, with the lapse of time or the giving of notice or both, would result in the violation of or default under, the terms of any judgment, decree, order injunction or writ of any court or other Governmental Authority with respect to the Business, which would have a Material Adverse Effect.

(k) **Corporate Records**. The corporate records and minute books of the Corporation produced by the Vendor are in all material respects a complete and accurate record of the material business transacted at meetings of, and contain all resolutions passed by, the directors and the sole shareholder of the Corporation held since the incorporation of the Corporation. To the Vendor's Knowledge, each and all such meetings were duly called and held and all such resolutions and by-laws were duly passed. The share certificate books, registers of shareholders, registers of transfers, registers of directors and other corporate registers of each are complete and accurate.

(l) **Real Property**.

(i) Schedule 3.1(l) sets forth a list of lands owned in fee simple (the "**Real Property**") and property leased (the "**Leased Property**") by the Corporation.

(ii) The Corporation does not own any real property or have rights under any leases, or has agreed to acquire or lease, any real property other than as listed in Part I of Schedule 3.1(l).

(iii) To the Vendor's Knowledge, the Vendor has not received any, nor are there any pending or threatened notices of violation or alleged violation of any Applicable Laws against or affecting any Real Property or Leased Property.

(iv) The Corporation has such rights of occupancy, possession, use, entry and exit, as applicable, to and from Real Property, Leased Property and Easements as are reasonably necessary to carry on the Business.

(v) Subject to Section 9.1(h), no Person has any right to purchase any of the Real Property and no Person other than the Corporation is using or has any right to use, is in possession or occupancy, of any part of the Real Property.

(vi) There exists no option, right of first refusal or other contractual rights with respect to any of the Real Property.

(vii) Neither the Vendor, nor the Corporation, has entered into any contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of the Corporation in and to Real Property, Leased Property, or the air, density and easement rights relating to such Real Property or Leased Property, as may be applicable.

(viii) Neither the Vendor, nor the Corporation, has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets on such Real Property, Leased Property, Easements or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by laws) with Applicable Law, including without limitation, building and zoning by laws and regulations, and to the Vendor's Knowledge, no by-law which would reasonably be expected to have a Material Adverse Effect on the Business is currently being contemplated by the Vendor.

(ix) All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets constructed on Real Property, Leased Property or Easements have been fully paid and, to the Vendor's Knowledge, no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work.

(x) To the Vendor's Knowledge, there are no matters affecting the right, title and interest of the Corporation, as applicable, in and to the Real Property, Leased Property or Easements which would have Material and Adverse Effect on the ability of the Corporation to carry on its Business thereon.

(m) **Intellectual Property**. Schedule 3.1(m) sets forth and describes all trade secrets and any licensed property or technology used in whole or in part by the Business, and all material trademarks, trade names, service marks, brand names, patents, copyrights, industrial designs and other industrial property rights, and all applications therefor, in each case specifying whether the item is owned by the Corporation or is used by the Corporation under a licence agreement or arrangement from another Person.

(n) **Contracts and Commitments**. Except as set forth in Schedule 3.1(n), the Corporation is not a party to or bound by any of the following:

(i) any offer letter, employment or consulting Contract or any other written Contract with any officer, employee or consultant, including any agreements or arrangements relating to compensation, other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice;

(ii) any agreement, contract or commitment limiting the freedom of the Corporation to engage in any line of business or to compete with another Person;

(iii) any agreement obligating the Corporation to provide payment to any employee or other compensation or benefits upon or as a result of the consummation of the transactions contemplated by this Agreement; or

(iv) any Material Contract.

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

(p) **Employee Plans**.

(i) Except as set forth and described in Schedule 3.1(n) and Schedule 3.1(p), the Corporation is not a party to, bound by, subject to or has any liability relating to any employment agreement or any agreement or arrangement relating to information provided under Section 3.1(n)(i), deferred compensation, bonus, incentive or other compensation, commission, fee, profit-sharing, severance, termination pay, supplementary employment insurance, vacation entitlements, insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care, arrangements for personal use of any corporate assets based on past practice and other similar benefits, plans or arrangements (the "**Employee Plans**"), whether funded or unfunded, formal or informal, written or unwritten, that is maintained, contributed to, or required to be maintained or contributed to, by the Corporation, or to which the Corporation is a party, for the benefit of the Employees and its beneficiaries and dependents, other than Statutory Plans.

(ii) Other than the OMERS Plan, the Purchaser has been provided access to a true and complete copy of each Employee Plan (as amended to date) together with true and complete copies of all material documents relating to each such Employee Plan excluding OMERS, including, as applicable, all booklets, summaries, notices or manuals prepared for or circulated to Employees generally concerning each such Employee Plan excluding OMERS.

(iii) All obligations of the Corporation due prior to Closing under the Employee Plans and the Statutory Plans (whether pursuant to the terms thereof or any Applicable Law) have been or will be satisfied in all material respects.

(iv) Other than the OMERS Plan, with respect to which the Vendor makes no representation, and other than any grievance that has been resolved or settled, as applicable, all Employee Plans are, and have been, established, registered (where required), and administered, in material compliance with (i) the terms thereof; and (ii) all Applicable Law; and neither the Vendor, nor the Corporation has received, in the last four (4) years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor does the Vendor, have any Knowledge of any such notice from any Person questioning or challenging such compliance beyond the last four (4) years. Except as disclosed in Schedule 3.1(p), and other than the OMERS Plan or as set out in the Collective Agreement, there are no promised improvements, increases or changes to, the benefits provided under any Employee Plan, nor does any Employee Plan provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing.

(v) Except as disclosed in Schedule 3.1(p), no Employee Plan, other than the OMERS Plan, provides benefits beyond retirement or other termination of service to employees or former employees of the Corporation or to the beneficiaries or dependants of such employees or former employees. Other than the OMERS

Plan, with respect to which the Vendor makes no representation, no Employee Plan requires or permits a retroactive increase in premiums or payments.

(vi) All employee data necessary to administer the Corporation's participation in the Employee Plans is in the possession of the Corporation and is complete, correct and in a form which is sufficient for the proper administration of the Corporation's participation in the OMERS Plan and the other Employee Plans in accordance with the terms thereof and all Applicable Law.

(q) **Labour Matters**.

(i) Except as set forth in Schedule 3.1(q) (the "**Collective Agreement**") the Corporation is not a party to or bound by or subject to any agreement or arrangement with any labour union or employee association and has not made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement.

(ii) There are no pending or threatened representation or certification proceedings or petitions seeking a representation proceeding.

(iii) There are no organizing activities involving the Corporation pending with any labour organization or group of employees of the Corporation.

(iv) There is no strike or lockout occurring or affecting, or to the Vendor's Knowledge threatened against, the Corporation.

(r) **Employees**.

(i) The Purchaser has been provided with a complete and accurate confidential list of the names of all individuals who are employees (the "**Employees**") of the Corporation specifying title, age, compensation, years of service, material terms of their respective employment or other agreements (including salaries, benefits, vacation entitlement, bonus, options and all other material compensation), whether they are union or non-union, and the benefits under the Employee Plans to which they are entitled (the "**Confidential Disclosure Schedule**"). The Confidential Disclosure Schedule contains a list of all employment agreements between the Corporation and its respective Employees.

(ii) Except as disclosed in the Confidential Disclosure Schedule, no Employee is on long term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act* (Ontario).

(iii) The Corporation has been operated in material compliance with all Applicable Laws relating to Employees, including employment standards and all laws relating to full or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed in the Confidential Disclosure Schedule:

(A) there have been no Claims nor, to the best of the Vendor's Knowledge, are there any threatened Claims, under such laws against the Corporation;

(B) to the Vendor's Knowledge, nothing has occurred which might lead to a Claim against the Corporation, under any such laws; and

(C) there are no outstanding decisions or settlements or pending settlements which place any obligation upon the Corporation to do or refrain from doing any act with respect to its Employees.

(iv) All assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business of the Corporation have been paid or accrued and the Corporation is not subject to any special or penalty assessment under such legislation which has not been paid.

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

(t) **Environmental**.

To the Knowledge of the Vendor:

(i) Except as disclosed in the Confidential Disclosure Schedule, the Business conducted on or at the Real Property and Leased Property while occupied or used by the Corporation, has been and is now in compliance in all material respects with all applicable Environmental Laws. Any Release by the Corporation, of any Hazardous Substance into the Environment complied and complies in all material respects with all applicable Environmental Laws, and not in a manner that could reasonably be expected to have a Material Adverse Effect;

(ii) The Corporation has obtained all requisite Environmental Approvals, which Environmental Approvals are valid and in full force and effect, have been and are being complied with in all material respects and there have been and are no proceedings commenced or threatened to revoke or amend any Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect. The Confidential Disclosure Schedule sets forth all of the Environmental Approvals held by the Corporation;

(iii) The Corporation has not been and is not now the subject of any Remedial Order, any investigation or evaluation threatened or commenced as to whether any such Remedial Order is necessary;

(iv) The Corporation has never been prosecuted for or convicted of any offence under Environmental Laws which could reasonably be expected to have a Material Adverse Effect, nor has either been found liable in any proceeding to pay any damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Laws. No notice has been received by the Vendor or by the Corporation of any investigation or evaluation by any Governmental Authority or of any Claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence by any of the foregoing has occurred. There are no Claims that have been threatened or commenced against the Corporation as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws.

(u) **Litigation**. Except as set out in Schedule 3.1(u), there are no actions, suits or proceedings (whether or not purportedly on behalf of the Corporation) pending, in process, or to the Vendor's Knowledge, threatened against or affecting, the Corporation at law or in equity, or before or by any Governmental Authority, or by or before an arbitrator or arbitration board which, either individually or in the aggregate, would have a Material Adverse Effect or prevent the Vendor from fulfilling any of its obligations set out in, or arising in connection with, this Agreement.

(v) **Taxes**.

(i) The Corporation is exempt from Tax under the Tax Act and the CTA but is required to make PILS payments under the EA in an amount equal to the Tax that it would be liable to pay under the Tax Act and CTA if it were not exempt from Tax under those statutes.

(ii) The Corporation has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in the Province of Ontario with respect to taxation periods ended on or before the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. The Corporation 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. The Corporation has paid all Taxes and all instalments of Taxes due on or before the Closing Date. The Vendor has furnished to the Purchaser true, complete and accurate copies of all Tax Returns and any amendments thereto filed by the Corporation since December 31, 2008 and all notices of assessment and reassessment and all correspondence with Governmental Authorities relating thereto as well as true, complete and accurate copies of all tax returns and any amendments filed at any time with respect to a taxation year that is not statute barred, and all notices of assessment and reassessment and all correspondence with Governmental Authorities or tax advisors relating thereto.

(iii) Assessments under the EA have been issued to the Corporation covering all periods up to and including its fiscal year ended December 31, 2012.

(iv) There are no audits, assessments, reassessments or other Claims in progress or, to the Knowledge of the Vendor, threatened against the Corporation, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes except for those items listed in Schedule 3.1(v). The Vendor is not aware of any contingent liability of the Corporation for Taxes or any grounds that could prompt an assessment or reassessment for Taxes, and the Corporation has not received any indication from any Governmental Authority that any assessment or reassessment is proposed with respect to taxation periods ended on or before the Closing Date.

(v) The Corporation has not entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of the Corporation. The Corporation is not a party to any agreements or undertakings with respect to Taxes.

(vi) The Corporation is a registrant for purposes of the ETA, and the HST registration numbers is 891132011RT0001. All input tax credits claimed by the Corporation pursuant to the ETA have been proper, correctly calculated and documented. The Corporation has collected and remitted when due all Taxes, including GST/HST and RST, as required by tax legislation.

(w) **Withholding**. The Corporation has withheld from each payment made to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including without limitation, all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper tax or other receiving officers within the time required under any applicable legislation. The Corporation has remitted to the appropriate tax authority when required by law to do so all amounts collected by it on account of sales taxes including goods and services tax and harmonized sales tax.

(x) **Ownership of Property**. The Corporation is the sole legal and beneficial, and where its interests are registerable, the sole registered owner, of all of the Property used in connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of the Business with good and valid title thereto free and clear of all Permitted Encumbrances other than in respect of the Real Property, Leased Property or Easements, with good and marketable title to the Real Property in fee simple, which may be subject to minor easements for the supply of utilities, and those permitted Encumbrances listed in Schedule 3.1(x). As of the Effective Date, leases for the Leased Property disclosed to the Purchaser are in good standing and unamended. All of the Fixed Assets used in connection with or operation of the Business are in good working order, condition and repair, have been properly and regularly maintained subject to reasonable wear and tear and are in material compliance with all Applicable Laws except where any non-compliance could not reasonably be expected to have a Material Adverse Effect on the Corporation. To the Vendor's Knowledge there has been no assignment, subletting or granting of any licence (of occupation or otherwise) of or in respect of any such Property or any granting of any contract or right capable of becoming a Contract or option for the purchase of any of such Property other than pursuant to the provisions of, or as disclosed in, this Agreement.

(y) **Financial Statements**. The Financial Statements were prepared and the Closing Date Financial Statements will be prepared in accordance with GAAP applied on a basis consistent with that of the preceding period and present, or will present (in the case of the Closing Date Financial Statements), fairly:

(i) in the case of the Financial Statements, all of the assets, liabilities and financial position of the Corporation as at December 31, 2012, and the sales, earnings, results of operation and changes in financial position of the Corporation for the 12 month period then ended; and

(ii) in the case of the Closing Date Financial Statements, all of the assets, liabilities and financial position of the Corporation as at the Closing Date, and the sales, earnings, results of operation and changes in financial position of the Corporation for the 12 month period or stub period then ended.

(z) **Licenses**. Schedule 3.1(z) sets out a complete list of all licenses, permits, approvals, consents, certificates, registrations and authorizations ("**Licenses**") held by or granted to the Corporation, and there are no other licences, permits, approvals, consents, certificates, registrations or authorizations necessary to carry on the Business. Each Licence is valid, subsisting and in good standing and the Corporation is set in default or in breach of any Licence and, to the best of the Vendor's Knowledge, no proceeding is threatened or pending to revoke or limit any Licence. A copy of each License has been provided to the Purchaser by the Vendor.

(aa) **Bank Accounts**. The Confidential Disclosure Schedule sets forth a complete list of every financial institution in which the Corporation maintains any depository account, trust account or safety deposit box and the names of all Persons authorized to draw on or who have access to such accounts or safety deposit box.

(bb) **Absence of Guarantees**. The Corporation has not given, agreed to give or shall give, or is a party or bound by, any guarantee or indemnity in respect of indebtedness, or other obligations, of any Person, or any other commitment by which the Corporation is, or is contingently, responsible for such indebtedness or other obligations.

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

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

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

(a) **Organization**. The Purchaser is a corporation duly incorporated and validly subsisting corporation under the laws of Ontario and has the corporate power to own or lease its property and assets and to carry on the business presently carried on by it.

(b) **Corporate Power of the Purchaser and Due Authorization**. The Purchaser has all requisite corporate power, authority and capacity to enter into, and to perform its obligations under this Agreement. The Purchaser has duly taken, or has caused to be taken, all corporate action required to be taken by the Purchaser to authorize the execution and delivery of this Agreement by the Purchaser and the performance of its obligations hereunder and has the financial ability to complete the Purchase and pay the Purchase Price.

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

(d) **No Violations**. Neither the execution nor delivery of this Agreement nor the completion of the Transactions herein contemplated will result in the violation of:

(i) any provision of the constating documents, by laws or any unanimous shareholder agreement of the Purchaser;

(ii) any Contract to which the Purchaser is a party or by which the Purchaser or any of its property or assets is bound, which would have a material adverse effect on the Purchaser's ability to perform its obligations under this Agreement; or

(iii) subject to obtaining the regulatory approvals set forth in Article VII, any terms or provisions of any Applicable Law of any authority having jurisdiction over the Purchaser which would have a materially adverse effect on the Purchaser's ability to perform its obligations under this Agreement.

(e) **Investment Canada Act**. The Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada). The Purchaser is not a "non-resident" for tax purposes.

(f) **Financial Capability**. The Purchaser has sufficient funds in place to pay the Purchase Price on the Closing Date on the terms and conditions contained in this Agreement.

(g) **Consents and Approvals**. Except for the OEB Approval, there is no requirement for the Purchaser to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any governmental or regulatory authority as a condition to the lawful consummation of the Transactions contemplated by this Agreement.

(h) **Litigation**. There is no legal proceeding in progress, pending, threatened against or affecting the Purchaser and, to the best of the knowledge and belief of the Purchaser, there are no grounds on which any such legal proceeding might be commenced with any reasonable likelihood of success and no judgment, decree, injunction, ruling, order or award of any tribunal outstanding against or affecting the Purchaser which, in any such case, might adversely affect the ability of the Purchaser to enter into this Agreement or to perform its obligations hereunder.

(i) **Crown Corporation**. The Purchaser is not a crown corporation as described in paragraph 149(1)(d) or (d.2) of the Tax Act.

(j) **Limitation**. The Purchaser makes no representation or warranty to the Vendor except as specifically set forth in this Section 3.2 and this Agreement contains all representations and warranties of the Purchaser relating to Transactions.

(k) **Effect of Disclosure**. All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.2 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Purchaser shall have no liability to the Vendor with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.2 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

ARTICLE IV
SURVIVAL OF REPRESENTATIONS AND WARRANTIES

4.1 **Survival of Representation and Warranties and Covenants.**

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

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

ARTICLE V
COVENANTS OF THE VENDOR

5.1 **Access to the Corporation**. The Vendor shall forthwith make available to the Purchaser and its authorized Representatives in the Data Room copies of all title documents, Contracts, financial statements, policies, plans, reports, licences, orders, permits, books of account, accounting records and all other material documents, information and data, excluding the RFP Offers, relating to the Business in the possession of the Corporation. The Vendor shall afford the Purchaser and its authorized Representatives access to the Property of the Corporation upon written request and at least five (5) Business Days' prior written notice during the

Corporation's normal business hours and provided that the Purchaser and its Representatives shall not impede the day-to-day operation of the Business. The Purchaser shall not undertake any drilling or subsurface investigations under any of the Real Property except with the prior approval of the Vendor in the discretion of the Vendor. The Vendor and the Purchaser shall co-operate in good faith in arranging any confidential meetings as the Purchaser should reasonably request with senior executives of the Corporation employed in the Business.

5.2 **Conduct of Business Prior to Closing**. During the period from the date of the Financial Statements to the Closing Date, the Vendor has caused and shall cause the Business of the Corporation to be conducted in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement), and shall not permit or authorize the Corporation to sell or otherwise dispose of any of its Property, other than sales or dispositions of Property in the ordinary course not exceeding Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate. The Vendor shall obtain the Purchaser's prior written approval if the amount of such disposition or sale is greater than Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate. During such period there shall not be change in the Business, operation, affairs, personnel and/or financial condition of any of the Corporation, except for changes occurring in the ordinary course of business which in aggregate would not reasonably be expected to have a Material Adverse Effect. The Parties further expressly acknowledge that, notwithstanding anything herein contained, during the period from execution of this Agreement to the Closing Date, the Corporation shall be permitted to declare and pay dividends to the Vendor out of cash on hand, and to convey or transfer, whether by dividend in kind or otherwise, certain Real and personal property in accordance with the process set out in Section 9.1(h) of this Agreement.

5.3 **Delivery of Books and Records**.

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

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

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

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

Corporation as the holder of the Purchased Shares and to issue share certificates to the Purchaser representing the Purchased Shares.

ARTICLE VI
COVENANTS OF THE PURCHASER

6.1 **Employment and Location Guarantees**. The Purchaser hereby covenants and agrees that for a period of at least three (3) years following the Closing Date, it will, subject to its rights to dismiss for just cause, guarantee the continued employment with the Purchaser or an Affiliate of the Purchaser, of each Employee who is an Employee of the Corporation on the Closing Date at no less than the compensation, benefits, terms and conditions as outlined in the Confidential Disclosure Schedule, including the same or not less favourable: (i) benefits in the aggregate; (ii) compensation; and (iii) seniority. For a minimum period of three (3) years following the Closing Date, Operations and Maintenance Employees shall have the right to be located at the Paris, Ontario location, subject to the Purchaser's rights to dismiss for just cause. For a minimum period of eighteen (18) months following the Closing Date, Administrative Employees have the right to be located at the Paris, Ontario location, subject to the Purchaser's rights to dismiss for just cause. The foregoing shall apply only to Employees employed by the Corporation as at Closing. The foregoing shall not prohibit the relocation of Employees at any time with their prior consent, nor shall it prohibit a change in title of the position held by such Employee. From and after the Closing Date, Employees may apply for open positions within the Purchaser and its Affiliates and will be considered for such positions on a fair and equal basis with other employees of the Purchaser and its Affiliates, with credit for their seniority and service with the applicable Corporation. The Purchaser intends to honour the document entitled "Employment Offer" accepted by Ed Glasbergen on January 17, 2012, or to reach an arrangement mutually agreeable to the Purchaser and Ed Glasbergen.

6.2 **Participation in Community Events**. After Closing, the Purchaser or the Corporation shall provide community assistance to the Vendor as specified in the Purchaser's RFP Offer.

6.3 **Advisory Committee**. The Purchaser shall establish a municipal advisory committee (the "**Advisory Committee**") as soon as practicable after the Closing Date to provide a forum for communication and continuing dialogue between the Purchaser and the Vendor. In establishing the Advisory Committee, the Vendor has the right to appoint up to three (3) representatives to the Advisory Committee. The Purchaser has the right to appoint up to three (3) senior officials as its Representatives.

6.4 **Employee Related Matters**. The Purchaser acknowledges that from and after the Time of Closing, it shall be responsible for all obligations owing to present and former employees and beneficiaries of the Corporation and its predecessors and of the Business relating to such employment, including all obligations and liabilities relating to wages, severance pay, notice of termination of employment or pay in lieu of such notice, Damages for wrongful dismissal or other employee benefits or claims, including vacation pay, and Employee Plans regardless of whether these arose before or after Closing. From and after the Time of Closing the Purchaser shall indemnify and save harmless the Vendor from and against any and all losses, Damages, expenses, liabilities, claims and demands whatsoever made or brought against the Vendor by any person or Employee, association or trade union or by any Governmental Authority or any other Person or body which in any way pertains to or arises out of such liability including, without limiting the generality of the foregoing, any and all losses, Damages, expenses, liabilities, claims and demands whatsoever with respect to wages, severance pay, notice of termination of employment or pay in lieu of such notice, Damages for wrongful dismissal or other employee benefits or claims, including vacation pay, and Employee Plans and including any interest, award, judgment or penalty relating thereto and any costs or expenses incurred by the Vendor in defending any such claim or demand.

6.5 **Local Presence**. The Purchaser shall maintain a local presence through the maintenance of an office located at 65 Dundas Street East in Paris, Ontario for a minimum period of five (5) years following the Closing Date.

6.6 **Capital Program**. The proposed capital program for the Corporation is set out in Schedule 6.6. The Purchaser agrees to use commercially reasonable efforts to implement such capital program.

6.7 **Rate Harmonization**. Subject to Applicable Law, the Purchaser agrees and covenants that it shall not make any incentive regulation mechanism or cost of service applications to the OEB in respect of distribution rates of the Corporation for calendar years 2015, 2016, 2017, or 2018 that would result in increased distribution rates for customers of the Corporation. The Purchaser will use commercially reasonable efforts to harmonize rates for the customers of the Purchaser and the Corporation in 2019 at the time of the Purchaser's next scheduled cost of service application. At the time of rate harmonization, the Purchaser commits to establishing 2019 rates that are at least equivalent to, if not less than, rates that would otherwise have been established for the Corporation in the absence of this transaction.

6.8 **Service and Quality Levels.** The Purchaser shall meet and/or exceed current service levels and service quality for the period from 2014 to 2019 as determined by the metrics listed in Schedule 6.8, with an exception for force majeure events provided that enforcement and remedies will be available against the Purchaser under the Distribution System Code and further provided that the Vendor may refer any failure to meet such service level or service quality to the Advisory Committee for discussion and consultation on appropriate courses of action.

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

6.10 **Confidentiality**.

(a) Each Party hereby covenants and agrees that it shall keep confidential and not use or disclose except as required by Applicable Law, any and all information received by it from the other Party leading up to or in connection with the execution of this Agreement and completion of the Transactions contemplated hereby, whether or not received prior to or after the Effective Date, concerning the business and affairs of the other Party or its Affiliates.

(b) In the event that this Agreement is terminated in accordance with Section 9.2,

(i) the Purchaser hereby covenants and agrees that it, and its Affiliates, shall keep confidential, in accordance with the terms of the Confidentiality Agreement, any and all information and trade secrets received by the Purchaser from the Vendor, whether or not received prior to or after the date of this Agreement, concerning the business and affairs of the Vendor and/or the Corporation (the "**Confidential Information**").

(ii) the Purchaser shall:

(A) promptly return to the Vendor all documents, computer disks, other forms of electronic storage or other materials furnished by the Vendor, or the Corporation or by any of its respective Representatives to the Purchaser or its Representatives constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of the Purchaser or its Representatives and materials generated by the Purchaser or its Representatives that include or refer to any part of the Confidential Information, without retaining a copy of any such material; or

(B) alternatively, provided that the prior written consent of the Vendor has been obtained, promptly destroy all documents or other matters constituting Confidential Information in the possession or under the control of the Purchaser or its Representatives;

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

(iii) the Purchaser shall promptly destroy the portion of the Confidential Information which consist of analyses, compilations, forecasts, studies, other material or documents prepared by the Purchaser or its Representatives and shall confirm such destruction in writing and certified by two senior officers of the Purchaser;

(iv) any oral or visual Confidential Information will continue to be subject to the terms of the Confidentiality Agreement and the terms of this Section 6.10; and

(v) the Purchaser shall not, directly, use for its own purposes, any Confidential Information discovered or acquired by the Purchaser's Representatives as a result of the Vendor, or the Corporation making available to them any Confidential Information.

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

ARTICLE VII
OEB APPROVAL

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

7.2 **Ontario Minister of Finance Notice**. The Vendor shall as promptly as practicable after the execution of this Agreement (but in no event later than the day before the Closing Date), file or cause to be filed with the Ontario Minister of Finance the notification required under Subsection 4(2) of Ontario Regulation 124/99 made under the EA. If necessary, the Vendor will also file or cause to be filed with the Ontario Minister of Finance such notification as required by Section 7 of Ontario Regulation 124/99 within thirty (30) days after the Closing Date. The Purchaser shall be responsible for the costs incurred by it in connection with the Ontario Minister of Finance Notice.

ARTICLE VIII
TAX MATTERS

8.1 **Preparation and Filing of Tax Returns**. For the Corporation's 2014 Tax Returns:

(a) the Purchaser shall cause the Corporation to prepare and submit all Tax Returns of the Corporation that are not due for filing until after the Closing Date to the Vendor for approval at least thirty (30) Business Days before the filing due date thereof except for the debt retirement charge and sales tax returns, which shall be prepared and submitted to the Vendor for approval at least seven (7) Business Days before the filing due-date thereof; and

(b) the Purchaser shall provide the Vendor and its Representatives access to such Books and Records of the Corporation relating to the period preceding Closing as the Vendor reasonably request for purposes of approving those Tax Returns. After the Vendor has approved those Tax Returns, the Purchaser shall, on a timely basis, cause the Corporation to file the Tax Returns.

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

8.3 **Notification Requirements**. The Purchaser shall promptly forward to the Vendor all written notifications and other written communications from any Governmental Authority received by the Purchaser or the Corporation relating to Taxes of the Corporation for all periods preceding Closing, and shall promptly inform the Vendor of any audit proposed to be undertaken and any adjustment proposed in writing to be made by any Governmental Authority in respect of a Pre Closing Period. Notwithstanding the obligation of the Purchaser to give prompt notice as required above, the failure of the Purchaser to give that prompt notice shall not relieve the Vendor of its obligations under this Article VIII except to the extent (if any) that the Vendor shall have been prejudiced thereby.

8.4 **Vendor Indemnification**. From and after the Closing Date, the Vendor shall be responsible for and shall indemnify and save harmless the Purchaser for all Taxes payable by the Corporation for all periods preceding or ending as of Closing. All Tax refunds attributable to the Corporation's pre Closing Tax Returns shall be for the account of the Vendor, subject to any existing claim for indemnification arising from this Agreement, to the extent that such Tax refunds are not already accrued for in the Closing Date Financial Statements. Notwithstanding the foregoing, and notwithstanding Sections 4.1 and 12.7, within thirty days following the fourth anniversary of the Closing Date, the Purchaser shall submit a written statement to the Vendor listing both (i) the total amount of all Taxes that were payable by the Corporation, including re-assessments, for all periods up to and including the Closing Date and (ii) the total amount of all Tax refunds, including re-assessments, attributable to the period up to and including the Closing Date. To the extent that there is a difference in such amounts that has not already been accrued for in the Closing Date Financial Statements, if the Purchaser's written statement confirms that the total Tax refunds exceed the Taxes payable, within thirty days of the date of the written statement, the Corporation or the Purchaser shall pay to the Vendor an amount equal to the difference between such amounts. For greater clarity, if the Purchaser's written statement confirms that the total Taxes payable exceed the Tax refunds received by the Corporation, the Corporation shall be entitled to retain the full amount of such Tax refunds.

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

8.6 **Vendor's Contest Rights.**

(a) The Vendor, at its sole expense, may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding with respect to Taxes or Tax issues related to any matter in respect of which the Purchaser may have a right of indemnification pursuant to this Article VIII or Article XII, except that:

(i) the Vendor shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all Losses arising out of that audit, examination or other proceeding and that the Vendor shall be liable for the entire amount of those Losses;

(ii) the Vendor may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to any matter which may affect Tax liabilities of the Corporation or the Purchaser for a period following Closing; and

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

(b) If the consent of the Purchaser to a settlement or compromise arranged by the Vendor is not obtained for any reason, the indemnification liability of the Vendor shall be limited to the proposed settlement amount. The Purchaser and/or the Corporation, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendor to enable the Vendor to take any action it deems appropriate with respect to any proceedings in respect of which the Vendor has contest rights under this Agreement. In addition:

(i) the Vendor shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser or the Corporation; and

(ii) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.

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

ARTICLE IX
CONDITIONS OF CLOSING

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

(a) **Representations and Warranties**. The representations and warranties of the Vendor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at the Time of Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and certificates of the mayor or the chief administrative officer of the County of Brant and an officer or director of the Corporation dated the Closing Date to that effect shall have been delivered to the Purchaser.

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

(c) **Consents and OEB Approval**. There shall have been obtained, from all appropriate Persons such consents as listed in Schedule 9.1(c) hereof, as may be required in connection with the completion of the Transaction including without limitation, the OEB Approval.

(d) **No Action to Restrain**. No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit:

(i) the purchase and sale of the Purchased Shares; or

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

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

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

(g) **Affiliate's Loan Receivable**. An amount equal to the Corporation's loan receivable from Brant Municipal Enterprises Inc. Inc. shall have been paid to the Corporation. As at the Closing Date, there shall be no outstanding loan receivable owed to the Corporation by such Affiliate.

(h) **Dividend re Real Property and MicroFIT-Related Assets**. The Corporation shall have conveyed, whether as a dividend in kind or otherwise, to the Vendor all right, title and interest in and to the following:

(i) the Real Property, including the real property identified in Items A-2, 3, 4, 5, 6 and 7 of Schedule 3.1(l), other than:

(A) the Real Property located at 65 Dundas St. E. identified in Item A-1 of Schedule 3.1(l), all rights in which shall continue to be held by the Corporation; and

(B) the Corporation's 37.5% interest in the Real Property located at 707 Powerline Road identified in Item A-8 of Schedule 3.1(l), which 37.5% interest shall continue to be held by the Corporation; and

(ii) the microFIT contracts identified in Item B-1 and 5 of Schedule 3.1(n), as well as all generating equipment, including but not limited to solar panels and related equipment, related thereto, which is located on the Real Property identified in paragraph (i).

For greater clarity, any personal property (including but not limited to equipment, tools, and supplies) owned by the Corporation and situated on such Real Property as of the date hereof, and excluding the personal property described in paragraph (ii) above, shall remain the property of the Corporation after the Closing Date. All conveyances by the Corporation to the Vendor, as contemplated by this Section 9.1(h), shall be conducted in accordance with applicable Tax law, and reflect the fair market value of the assets being conveyed, and all applicable Taxes, including but not limited to PILs, capital gains taxes, EA transfer taxes, retail sales tax, HST and land transfer taxes, arising from such conveyances shall be accurately reflected in the Closing Date Financial Statements and related Tax Returns and shall remain the responsibility of the Vendor. Notwithstanding any other provision of this Agreement, but subject to Section 12.3, the Vendor shall indemnify and hold harmless the Corporation and the Purchaser from and against any Losses sustained or suffered by the Corporation and/or the Purchaser, as the case may be, to the extent caused by or arising from any and all Taxes levied, imposed or assessed on the Corporation and/or the Purchaser, as the case may be, and arising from, as a result of, or on account of, any transfer or conveyance contemplated in this Section 9.1(h). The indemnity herein shall survive and continue in full force and effect until the date that is 90 days after any relevant governmental authority is no longer entitled to assess or reassess the Corporation and/or the Purchaser, as the case may be, in respect of any Taxes.

(i) If any of the conditions contained in this Section 9.1 shall not be performed or fulfilled at or prior to the Time of Closing or any other timeframe specified above to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement and in such event the Purchaser shall be released from all obligations hereunder except those set forth in Section 6.1 and in the Confidentiality Agreement and the Vendor shall direct the Escrow Agent (as defined in the Escrow Agreement) to refund the Deposit, as the Purchaser's sole and exclusive remedy for all matters arising out of this Agreement and the Vendor shall be released from all obligations hereunder. Any such waiver by the Purchaser will serve only as a waiver of the specific closing condition and the Vendor will have no liability with respect to the specific waived condition.

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

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

(b) **Covenants**. All of the obligations, covenants, and agreements contained in this Agreement to be complied with or performed by the Purchaser at or prior to the Time of Closing shall have been complied with or performed, and a certificate of two (2) senior officers of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendor.

(c) **Consents and OEB Approval**. There shall have been obtained, from all appropriate Persons such consents, as may be required in connection with the completion of the Transaction as described in Schedule 9.1(c) including without limitation, the OEB Approval.

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

If any of the conditions in this Section 9.2 shall not be performed or fulfilled at or prior to the Time of Closing to the satisfaction of the Vendor, acting reasonably, the Vendor may, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, and in such event the Vendor shall be released from all obligations hereunder except those set forth in the Confidentiality Agreement and the Vendor shall be entitled to the Deposit only in circumstances resulting in termination for failure of performance or fulfillment by the Purchaser of the conditions listed in Section 9.2(a) and (b), as its sole and exclusive remedy for all matters arising out of this Agreement and Purchaser shall be released from all obligations hereunder. Any such waiver by the Vendor will serve only as a waiver of the specific closing condition and the Purchaser will have no liability with respect to the specific waived condition.

ARTICLE X
CLOSING ARRANGEMENTS

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

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

ARTICLE XI
ARBITRATION

11.1 **Arbitration.**

(a) Any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement, including the Confidentiality Agreement, or the performance, breach, termination or validity thereof, shall be finally settled by arbitration. Either Party may initiate arbitration within a reasonable time after any such dispute, controversy or claim has arisen, by delivering a written demand for arbitration upon the other Party. The arbitration shall be conducted in accordance with the Ontario *Arbitration Act*, S.O., 1991, c.17. The arbitration shall take place in Toronto, Ontario, and shall be conducted in English.

(b) The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the Parties. In the event the Parties are unable to agree on the appointment of the arbitrator within ten (10) days after notice of a demand for arbitration is given by either Party, then either Party shall be free to apply to the Superior Court of Ontario for an Order appointing the arbitrator. Absent agreement or an award in the arbitration to the contrary, the arbitration fees and expenses shall be paid by the Parties jointly.

(c) The arbitrator shall have the authority to award any remedy or relief that a court could order or grant in accordance with this Agreement, including, without limitation, specific performance of any obligation created under this Agreement, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.

(d) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the Parties with no rights of appeal. The award may include an award of costs, including reasonable legal fees and disbursements and fees and expenses of the arbitrator. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the relevant Party or its assets.

ARTICLE XII
INDEMNIFICATION

12.1 **Indemnification by the Vendor**. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties and covenants of the Parties and to Sections 12.3 and 12.7, the Vendor covenants and agrees to indemnify and save harmless the Purchaser and the Corporation effective as and from the Closing Time, from all Losses suffered by the Purchaser as a result of all Claims which may be made or brought against the Purchaser (or made or brought by the Purchaser against the Vendor pursuant to this Agreement) or the Corporation as a result of or arising directly or indirectly out of or in connection with:

(a) any breach by the Vendor of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto; and

(b) any breach or non-performance by the Vendor of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

12.2 **Indemnification by the Purchaser**. Subject to the limitations contained in Section 4.1 respecting survival of the representations and warranties and covenants of the Parties and to Sections 12.3 and 12.7, the Purchaser agrees to indemnify and save harmless the Vendor from all Losses suffered or incurred by the Vendor as a result of or arising directly or indirectly out of or in connection with any Claim relating to:

(a) any breach by the Purchaser of or any inaccuracy of any representation or warranty contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto;

(b) any breach or non-performance by the Purchaser of any covenant to be performed by it that is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and

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

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

(a) the factual basis for the Claim; and

(b) the amount of the Claim, if known.

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

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

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

12.6 **Settlement of Third Party Claims**. If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed.

12.7 **Limitation on Claims**.

(a) Notwithstanding Sections 12.1 and 12.2 or any other provision in this Agreement, other than Sections 2.3, 2.4, and 12.9, to which this Section 12.7 shall be subject:

(i) no Claim for indemnification hereunder may be made by the Purchaser against the Vendor, including for breach of covenant, until the aggregate amount of Claims in respect of which the Purchaser may so claim exceeds Ten Million Dollars ($10,000,000) (the "**Deductible**"), and then only for the amount of any Claims exceeding the Deductible brought forth within one (1) year from the Closing Date;

(ii) the maximum aggregate amount of indemnification exceeding the Deductible which may be payable by the Vendor under this Agreement for matters including breach of covenant, shall not exceed an aggregate of Three Million Dollars ($3,000,000); and

(iii) if any payment made pursuant to this Article XII is subject to HST (or other applicable Tax) or is deemed by Applicable Law to be inclusive of HST (or other applicable Tax), the Indemnifying Party shall pay to the Indemnified Party an amount equal to the HST in connection with the payment and any additional amount hereunder.

(b) Neither Party shall be required to indemnify or save harmless the other Party in respect of any breach or inaccuracy of any representation or warranty made under Article III unless notice is provided by the Indemnified Party to the Indemnifying Party in accordance with Section 12.1 or 12.2 on or prior to the expiration of the applicable time period related to such representation and warranty as set out in Article XII.

(c) The Indemnifying Party shall only be liable for Losses suffered by the Indemnified Party in respect of a Claim.

12.8 **Exclusivity**. The provisions of this Article XII shall apply to any Claim for or in respect of any breach of any covenant, representation, warranty, indemnity or other provision of this Agreement or any agreement, certificate or other document delivered pursuant to this Agreement (other than a claim for specific performance or injunctive relief) with the intent that all such Claims shall be subject to the limitations and other provisions contained in this Article XI.

12.9 **Environmental Claims.**

(a) Notwithstanding any other provision of this Agreement other than Section 12.3, to which this Section 12.9 shall be subject, the Vendor agrees to indemnify and save harmless the Purchaser and the Corporation from and to pay to the Purchaser 50% of the dollar amount of all Losses suffered or costs incurred by the Purchaser and/or the Corporation as a result of or arising directly or indirectly out of or in connection with any Claim relating to or arising out of Environmental Laws and their application to the Real Property owned, in whole or in part, by the Corporation, including, without limitation, all environmental remediation costs incurred by the Purchaser to remediate the Real Property to the applicable standard in order to use and develop the property for commercial or residential purposes, as applicable, in accordance with all applicable Environmental Laws ("**Environmental Losses**") provided that:

(i) such dollar amount does not exceed one million dollars ($1,000,000); and

(ii) the amount of such Losses has been determined by such studies and investigations, including Phase I and, if necessary Phase II studies, completed within one year of the date of Closing.

For clarity, Environmental Losses in excess of one million dollars ($1,000,000) relating to the Real Property owned, in whole or in part, by the Corporation as of Closing shall be for the sole account of the Purchaser.

(b) Notwithstanding any other provision of this Agreement other than Section 12.3, to which this Section 12.9 shall be subject, the Vendor agrees to indemnify and save harmless the Purchaser and the Corporation from any and all Losses suffered or costs incurred by the Purchaser and/or the Corporation as a result of or arising directly or indirectly out of or in connection with any Claim relating to or arising out of Environmental Laws and their application to the Real Property identified in Items A-2, 3, 4, 5, 6 and 7.

ARTICLE XIII MISCELLANEOUS

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

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

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

13.4 **Notices.**

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

(i) if to the Vendor:

The Corporation of the County of Brant
P.O. Box 160
Burford, Ontario
N0E 1A0
Fax: 519-449-2454
Attention: Michael Bradley, General Manager of Corporate Services

(ii) if to the Purchaser:

Cambridge and North Dumfries Hydro Inc.
1500 Bishop St.
Cambridge, ON N1R 5X6
Fax: 519-621-0383
Attention: Ian Miles, President and Chief Executive Officer

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

(c) Either Party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 13.4.

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

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

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

13.8 **Leases**. The Purchaser and the Vendor shall prior to Closing enter into leases pursuant to which:

(a) the Purchaser shall be granted rights to the use and enjoyment of the real property identified in Items A-2, 4 and 5 of Schedule 3.1(l) until such time as such real property is no longer required by the Corporation, as determined by the Corporation in its sole and absolute discretion;

(b) the Purchaser shall not be required to pay rent but shall be responsible for the payment of operating costs during the term of any such lease;

(c) the Purchaser shall be obligated to remove any electricity distribution assets located on the applicable real property at the end of the lease term;

(d) each Party shall indemnify and save harmless the other Party from all Losses suffered as a result of any breach or non-performance of any of the covenants to be performed by it pursuant to the terms of such lease;

(e) the Vendor shall indemnify and save harmless the Purchaser and the Corporation from all Environmental Losses suffered by the Purchaser and/or the Corporation in respect of the Real Property covered by the leases, as listed in Section 13.8(a), arising from the period prior to the Closing Date or the period following the end the applicable lease term, as contemplated by Section 12.9(b) of this Agreement; and

(f) the leases shall otherwise be on commercially reasonable terms for a lease of such property.

[SIGNATURES ON FOLLOWING PAGE]

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

THE CORPORATION OF THE COUNTY OF BRANT

By:____
Name: R.E.F. (Ron) Eddy, Mayor

By: Heather Boyd
Name: Heather Boyd, Clerk

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

By:____
Name: Ian Miles
Title: President and Chief Executive Officer

By:____
Name: Sarah Hughes
Title: Chief Financial Officer

SCHEDULE 1.1(nn) – FINANCIAL STATEMENTS

EXECUTION COPY

BRANT COUNTY POWER INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2012

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

EXECUTION COPY

BRANT COUNTY POWER INC.

For the year ended December 31, 2012

INDEX

EXECUTION COPY

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Brant County Power Inc.

We have audited the accompanying financial statements of Brant County Power Inc., which comprise the statement of financial position as at December 31, 2012, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Brant County Power Inc. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

April 10, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

BRANT COUNTY POWER INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	2012	2011
ASSETS		
Current Assets		
Accounts receivable (Note 5)	3,767,679	3,679,269
Unbilled revenue	3,122,746	3,171,042
Payment in lieu of income taxes recoverable	202,663	-
Inventory	280,240	284,119
Other current assets	177,131	273,210
Current portion of loan receivable	85,287	81,182
	7,635,746	7,488,822
Regulatory Assets (Note 8)	-	1,209,958
Loan Receivable (Note 6)	301,119	386,406
Property, Plant and Equipment (Note 7)	19,692,967	17,486,334
Utility Plant Acquisition Adjustment	3,588,000	3,588,000
Future Income Tax Asset	446,308	79,750
	31,664,140	30,239,270
LIABILITIES		
Current Liabilities		
Bank indebtedness	422,129	39,846
Accounts payable and accrued liabilities	3,462,173	4,211,164
Dividends payable	430,000	455,000
Payment in lieu of corporate income taxes payable	-	256,671
Other regulatory liabilities/credits	10,332	10,332
Current portion of long term liabilities	44,400	44,400
	4,369,034	5,017,413
Regulatory Liabilities (Note 8)	2,029,499	-
Long Term Liabilities (Note 9)	8,084,274	7,133,672
Employee Future Benefits Payable (Note 10)	728,233	696,080
	15,211,040	12,847,165
SHAREHOLDER'S EQUITY		
Capital Stock (Note 11)	9,512,193	9,512,193
Miscellaneous Paid in Capital	2,738,065	2,738,065
Retained Earnings	4,202,842	5,141,847
	16,453,100	17,392,105
	31,664,140	30,239,270

Approved on behalf of the Board of Directors:

....

See accompanying notes

BRANT COUNTY POWER INC.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2012	2011
Retained Earnings - Beginning of Year	5,141,847	4,687,186
Net Income (Loss)	(509,005)	909,661
Dividends	(430,000)	(455,000)
Retained Earnings - End of Year	4,202,842	5,141,847

See accompanying notes

BRANT COUNTY POWER INC.

STATEMENT OF INCOME

For the year ended December 31	2012	2011
Revenue		
Distribution (Note 12)	5,821,327	5,550,822
Power, connection and transmission	25,764,330	18,988,310
	31,585,657	24,539,132
Less: Cost of Power supply	25,764,330	18,988,310
Gross Margin	5,821,327	5,550,822
Other Operating Revenue (Note 13)	550,591	968,991
	6,371,918	6,519,813
Distribution Operating and Maintenance Expense (Note 14)	1,532,363	1,115,950
Indirect Expenses		
Amortization	1,189,320	1,085,039
Billing and collecting	756,773	994,101
Brant renewable energy	282,762	203,786
Community relations and sales expense	55,663	188,076
General administration expense	1,449,035	1,297,780
Interest expense	25,072	4,266
Interest on long term liabilities	415,038	382,937
	4,173,663	4,155,985
Income Before Undernoted Items	665,892	1,247,878
Gain on disposal of equipment	79,014	22,328
Employee future benefits	(32,153)	(29,304)
Income Before Income Taxes and Regulatory Adjustment	712,753	1,240,902
Income taxes - current (Note 15)	118,440	312,200
- future	22,959	19,041
	141,399	331,241
Income Before Regulatory Adjustment	571,354	909,661
Regulatory adjustment - payment in lieu of taxes	1,469,876	-
- future tax impact of adjustment	389,517	-
Net regulatory adjustment	1,080,359	-
Net Income (Loss)	(509,005)	909,661

See accompanying notes

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANT COUNTY POWER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31	2012	2011
Cash Flows From Operating Activities		
Net Income (Loss)	(509,005)	909,661
Charges (credits) to income not involving cash:		
Amortization	1,481,078	1,402,896
Amortization of contributed capital	(74,469)	(73,309)
Gain on disposal of equipment	(79,014)	(22,328)
Future income taxes	(366,558)	19,041
	452,032	2,235,961
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(88,410)	(455,559)
Unbilled revenue	48,296	(13,058)
Inventory	3,879	(7,085)
Other current assets	96,079	(80,291)
Accounts payable, accrued liabilities and dividends payable	(773,991)	(372,780)
Income taxes payable/recoverable	(459,334)	337,016
Employee future benefits payable	32,153	29,304
	(689,296)	1,673,508
Cash Flows From Financing Activities		
Long term liabilities	950,602	(22,043)
Capital contributions received	49,480	8,494
Dividends	(430,000)	(455,000)
	570,082	(468,549)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,688,588)	(2,819,212)
Regulatory assets/liabilities	3,239,457	(17,918)
Proceeds on disposal of property, plant and equipment	104,880	27,236
Loan receivable	81,182	77,423
	(263,069)	(2,732,471)
Net Decrease in Cash and Cash Equivalents	(382,283)	(1,527,512)
Opening Cash and Cash Equivalents	(39,846)	1,487,666
Closing Cash and Cash Equivalents	(422,129)	(39,846)

See accompanying notes

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. NATURE OF ACTIVITIES

Brant County Power Inc. ("the Company") provides electricity distribution services to residents of The Corporation of the County of Brant. The Company is incorporated under the Ontario Business Corporations Act and is regulated by the Ontario Energy Board ("OEB") and the Ministry of Energy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Measurement
Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgment.

(b) Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(c) Revenue Recognition
Distribution revenue is based on OEB approved distribution rates and is recognized as electricity is delivered to customers and collection is reasonably assured. Distribution revenue includes an estimate of revenue based on electricity delivered but not yet invoiced to customers from the last meter reading date to the year end.

(d) Property, Plant and Equipment and Amortization
Property, plant and equipment are recorded at cost. Amortization is provided for in the accounts as follows:

Buildings	30-50	years straight line
Distribution lines - overhead	25	years straight line
Transformer station	40	years straight line
Distribution transformers	25	years straight line
Distribution meters	25	years straight line
Distribution services	25	years straight line
Rolling stock	4-8	years straight line
Computer systems	5	years straight line
Other equipment	5-25	years straight line

The Company acquired various property, plant and equipment from its shareholder when the former Commission was dissolved. Since these assets were already in service, the Company has continued to amortize the assets over their respective remaining estimated service lives.

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(e) **Utility Plant Acquisition Adjustment**
Utility plant acquisition adjustment represents the cost of acquired local distribution assets from the County of Brant in excess of the book value of net identifiable assets purchased.

(f) **Payments in Lieu of Corporate Income Taxes (PILs)**
Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(g) **Contributed Capital**
Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(h) **Financial Instruments**
Financial instruments are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument. The Company has adopted a policy to classify all financial instruments as follows:

1. Cash and bank are classified as Held for Trading and measured at fair value.
2. Accounts receivable and unbilled revenue are classified as Loans and Receivables and measured at amortized cost using the effective interest rate method.
3. Accounts payable, amounts due from affiliates and long term liabilities are classified as Other Liabilities and measured at amortized cost.
4. Purchases and sales of financial instruments are accounted for at the trade date.
5. Transaction costs on financial assets and liabilities are expensed as incurred.

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Regulatory Policies
The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by January 1, 2011. The Public Sector Accounting Board released a decision summary confirming that government organizations following commercial practices adhere to standards for publicly accountable entities after January 1, 2011. In 2010, the AcSB granted a one year deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2012. In March 2013, The AcSB granted an optional two year deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2015.

The Company has taken the additional deferrals of its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2012.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact on the Company's reporting under IFRS.

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

4. RATE SETTING

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 8.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective May 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity. These rates are adjusted in May of each year through the OEB's Incentive Rate Mechanism ("IRM") process.

5. ACCOUNTS RECEIVABLE

	2012	2011
Electrical energy	3,724,939	2,927,385
Sundry	207,740	964,884
	3,932,679	3,892,269
Allowance for doubtful accounts	(165,000)	(213,000)
	3,767,679	3,679,269

6. LOAN RECEIVABLE

	2012	2011
Loans to Brant County Power Services Inc. ("BCPSI") with an effective interest rate of Prime +1.75%. Regular monthly payments of $8,470 including principal and interest per month	386,406	467,588
Less: Current portion	85,287	81,182
	301,119	386,406

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

7. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2012	2011
Land	182,715	-	182,715	181,214
Buildings	1,306,088	370,937	935,151	962,989
Transformer station	2,510,109	441,368	2,068,741	2,131,939
Distribution lines - overhead	12,235,559	4,132,672	8,102,887	7,246,741
Distribution lines - underground	2,985,044	1,458,933	1,526,111	1,562,768
Distribution transformers	5,148,983	2,173,358	2,975,625	2,934,869
Distribution meters	2,653,794	702,126	1,951,668	843,010
Distribution services	2,724,357	1,357,808	1,366,549	1,393,747
Rolling stock	1,199,559	540,138	659,421	791,257
Computer systems	1,417,422	1,004,459	412,963	248,445
Other equipment	1,175,955	481,249	694,706	397,918
Contributed capital	(1,886,453)	(702,883)	(1,183,570)	(1,208,563)
	31,653,132	11,960,165	19,692,967	17,486,334

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

8. REGULATORY ASSETS/LIABILITIES	2012	2011
Retail settlement variance accounts	(1,529,849)	(934,814)
Deferred payments in lieu of taxes	-	1,164,912
Recovery of regulatory asset balances	(499,650)	(651,507)
Special purpose charge	-	13,565
Smart meters	-	1,617,802
	(2,029,499)	1,209,958

The retail settlement variance accounts represent differences between charges billed to customers using the OEB Board approved fixed reference price and the actual costs billed to the Company by the IESO.

Deferred payments in lieu of taxes represents the accumulated difference in the approved estimate of taxes to be paid and the actual taxes paid.

Other regulatory assets represents costs passed on to the Company from the OEB and Hydro One in accordance with decisions made by the OEB.

In April 2011, the OEB announced its decision regarding the Company's Cost of Service rate application. As part of the rate application, the OEB allowed for a recovery (refund) of various regulatory assets (liabilities). These amounts are reported as the Recovery of regulatory asset balances account ("RAR"). The RAR is to be recovered over a one year period, ending April 2012. The RAR consists of various OEB approved regulatory asset (liability) account balances as at December 31, 2010. A further adjustment to the RAR occurred during the IRM process (described in Note 4) and this adjustment is to be recovered over a one year period, ending April 2013.

In 2012, the OEB settled the deferred payments-in-lieu of taxes regulatory accounts. The OEB adjusted this balance to a liability of $304,964 including interest (see note 16). The balance owing to customers as at December 31, 2012 is $259,325. This amount is included in the recovery of regulatory asset balances noted above.

The smart meters regulatory asset account relates to the Province of Ontario's decision to install smart meters throughout Ontario. As at December 31, 2012, the Company has installed smart meters and received OEB approval for the disposition of and recovery of costs related to smart meters.

The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

9. LONG TERM LIABILITIES	2012	2011
Committed revolving facility payable to The Toronto-Dominion Bank, interest only payable monthly, with the option to pay the differential interest, with principal due in 2023	8,000,000	7,000,000
Customer deposits	128,674	178,072
	8,128,674	7,178,072
Less: Current portion (customer deposits)	44,400	44,400
	8,084,274	7,133,672

As security for the TD loan, the Company has provided a general security agreement, an assignment of fire insurance, evidence of adequate liability insurance, and indemnity agreement and an International Swap Dealer Agreement. Effective December 31, 2008, the Company entered into a swap agreement regarding the interest on the loan in exchange for a bankers' acceptance agreement.

10. EMPLOYEE FUTURE BENEFITS PAYABLE

The Company provides certain non-pension post-retirement medical benefits to employees. An actuarial valuation of future liabilities was completed as at January 1, 2010 and forms the basis for the estimated liability reported in these financial statements. The effective date of the next required actuarial valuation is January 1, 2013. The significant assumptions adopted in estimating the Company's accrued benefit obligation for employee future benefits are as follows:

Discount rate	5.0%
Average compensation increase	3.3%

Healthcare cost increases	Health	Dental	Vision	Orthodontics
Initial rate	8%	5%	2%	2%
Ultimate rate	5%	5%	2%	2%
Grading period (years)	6	6	6	6

	2012	2011
Accrued benefit obligation - as at January 1	696,080	666,776
Current period benefit cost	24,873	23,689
Interest cost on accrued benefit obligations	33,417	31,890
Benefit payments	(26,137)	(26,275)
Accrued benefit obligation as at December 31	728,233	696,080

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

11. CAPITAL STOCK	2012	2011
Authorized		
unlimited number of common shares		
Issued		
9,512,193 common shares	9,512,193	9,512,193

12. DISTRIBUTION REVENUE	2012	2011
Residential	3,265,390	2,943,344
General	2,274,705	2,398,601
Streetlighting	263,100	193,344
Sentinel lighting	18,132	15,533
	5,821,327	5,550,822

13. OTHER OPERATING REVENUE	2012	2011
Late payment charges	50,420	55,014
Renewable energy generation	22,641	15,214
Brant Renewable Energy	(1,763)	236,791
Interest earned	8,053	61,253
Pole rentals	27,152	27,752
Collection/reconnection charges	128,930	141,594
Miscellaneous revenue	105,703	267,921
Water and sewer billing fees	209,455	163,452
	550,591	968,991

14. DISTRIBUTION OPERATION AND MAINTENANCE	2012	2011
Overhead distribution lines and feeders	447,217	487,047
Underground distribution lines and feeders	137,219	134,609
Distribution transformers	26,482	28,380
Distribution meters	564,901	43,320
General operations	356,544	422,594
	1,532,363	1,115,950

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

15. PROVISION FOR PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES	2012	2011
The income tax provision was calculated based on taxable income.		
Taxable income is calculated as follows:		
Income before income taxes	712,753	1,240,902
Less regulatory adjustment	(1,469,876)	-
Amortization in excess of Capital Cost Allowance	(293,632)	(372,412)
Net change in regulatory assets/liabilities	1,638,191	(17,918)
Regulatory assets capitalized for tax purposes	-	364,481
Loss (gain) on disposal of assets	(79,014)	(22,328)
Taxable capital gain	9,653	-
Change in tax reserves	32,153	29,304
Taxable income	550,228	1,222,029
Tax at 26.50% (2011 - 28.25%)	145,810	346,353
Small business deduction	(35,675)	(36,240)
Additional tax on inactive income (taxable capital gain)	-	-
Under-provision of prior year taxes	8,305	2,087
Current tax	118,440	312,200

16. OEB DECISION ON CERTAIN REGULATORY ASSETS

The OEB issued its decision and order regarding the disposition of account 1562, Deferred Payments in Lieu of Taxes, on August 30, 2012. The decision set the account balance at a liability of $304,964, including principal and interest. The required adjustment of $1,469,876 has been recorded in the Statement of Income after income from operations.

17. PRUDENTIAL SUPPORT

The company is required, through the IESO, to provide security to mitigate the Company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2012 the Company provided prudential support in the form of letters of credit in the amount of $1,219,927 (2011 - $1,219,927).

BRANT COUNTY POWER INC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2012

18. RELATED PARTY TRANSACTIONS

The Company is wholly owned by The Corporation of the County of Brant ("Brant County"). Brant County also wholly owns BCPSI. Transactions between BCPSI and the Company occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

During the year, the Company provided various services to BCPSI, including meter reading, billing and collecting of rental units and water and sewer billings and collections. In addition, the Company holds a long-term loan to BCPSI. Further information regarding the loan is provided in Note 6.

	2012	2011
Services provided to related parties	300,400	222,622
Interest on loan to related party	20,458	24,217

Accounts receivable include $1,291,871 (2011 - $1,261,046) due from related parties and accounts payable include $1,295,926 (2011 - $1,281,188) due to related parties.

19. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Fair Value
The fair value of financial instruments such as cash and bank, accounts receivable, unbilled revenue and account payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk
The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB. The Company held security deposits of $173,074 at year end (2011 - $222,472) in order to mitigate credit risk.

Interest Rate Risk
The Company's exposure to interest rate risk relates to the terms of its long term liabilities as disclosed in Note 9.

SCHEDULE 2.3 – FORM OF ESCROW AGREEMENT

EXECUTION COPY

ESCROW AGREEMENT

THIS AGREEMENT dated this 20th day of May, 2014 (the "**Effective Date**").

BETWEEN:

THE CORPORATION OF THE COUNTY OF BRANT

As Vendor

- and -

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

As Purchaser

- and -

BORDEN LADNER GERVAIS LLP

As Escrow Agent

RECITALS:

A. The Vendor and the Purchaser entered into a purchase agreement (the "**Purchase Agreement**") dated May 20th, 2014 providing for the purchase and sale of all of the issued and outstanding shares of Brant County Power Inc. (the "**Corporation**").

B. Pursuant to Section 2.3(a) of the Purchase Agreement, concurrently with the execution and delivery of the Purchase Agreement, the Purchaser shall deliver the Deposit to the Escrow Agent in trust and in accordance with the terms of this Agreement.

C. The preceding recitals and statements of fact are made by the Vendor and the Purchaser and not by the Escrow Agent.

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

ARTICLE 1
INTERPRETATION

1.1 **Definitions**. In this Agreement, including the Recitals to this Agreement, capitalized terms not otherwise defined herein shall have the meaning ascribed thereto under the Purchase Agreement:

(1) "**Agreement**" means this escrow agreement as amended, supplemented, restated and replaced from time to time in accordance with its provisions.

(2) "**Escrow Agent**" means Borden Ladner Gervais LLP, a limited liability partnership duly constituted under the laws of the Province of Ontario.

(3) "**Parties**" means collectively the Vendor, the Purchaser and the Escrow Agent, and "Party" means any of them.

(4) "**Purchaser**" means Cambridge and North Dumfries Hydro Inc., a corporation incorporated under the laws of Ontario.

(5) "**Purchase Agreement**" has the meaning ascribed thereto in the Recitals.

(6) "**Vendor**" means The Corporation of the County of Brant, a municipal corporation under the laws of Ontario, a municipal corporation incorporated under the laws of Ontario.

1.2 **Certain Rules of Interpretation**. In this Agreement:

(a) the division into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;

(b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and

(c) unless specified otherwise or the context otherwise requires:

(i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement; and

(ii) words in the singular include the plural and vice-versa and words in one gender include all genders.

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

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

ARTICLE 2
ESCROW

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

2.2 **Delivery of Deposit into Escrow**. The Purchaser shall deliver the Deposit to the Escrow Agent on the date of this Agreement. The Escrow Agent shall hold and dispose of the Deposit in accordance with, and subject to the terms and conditions, of this Agreement.

2.3 **Interest on Deposit**. The Escrow Agent shall invest and retain the Deposit in its name, in a daily interest bearing account with any Canadian chartered bank listed on Schedule 1 of the *Bank Act* (Canada). At the Time of Closing, the Deposit and any and all interest accrued thereon (the "**Interest**") shall be paid by the Escrow Agent to the applicable party in accordance with Sections 2.4 and 2.5 of this Agreement.

2.4 **Release of Escrow Property and Interest**. The Escrow Agent shall retain the Deposit and Interest until the Time of Closing and upon the occurrence of this event, the Escrow Agent shall release the Deposit and Interest only in accordance with the following:

(1) the joint written direction of the Purchaser and the Vendor to the Escrow Agent, and the Escrow Agent shall be entitled to act on such joint written direction; or

(2) if the parties are unable to provide such joint written direction, in accordance with Sections 3.5 and 3.6 of this Agreement.

2.5 **Joint Written Direction re Interest Payment**. For purposes of the joint written direction in Section 2.4(1), the Vendor and Purchaser shall determine and specify in the joint written direction the party that is entitled to the Deposit and/or Interest as of the Time of Closing, as follows:

(1) if the conditions set forth in Article X of the Purchase Agreement have been satisfied or complied with by each of the Vendor and Purchase, as applicable, or the Vendor or the Purchaser, as applicable, waives compliance therewith in whole or in part on such terms as may be agreed in writing, the Escrow Agent shall pay: (a) the Deposit to the Vendor; and (b) the Interest to the Purchaser; or

(2) if the conditions set forth in Section 9.1 of the Purchase Agreement have not been satisfied or complied with and the Purchaser does not waive compliance therewith in whole or in part on such terms as may be agreed in writing, the Deposit, together with any Interest earned thereon, but less any fees or costs payable by the Purchaser pursuant to Section 13.6 of the Purchase Agreement not yet then paid by the Purchaser, shall be refunded to the Purchaser; or

(3) if the Transactions contemplated in the Purchase Agreement are not completed by the Closing Date and the conditions set forth in Section 9.2 therein have been satisfied, complied with or waived, the Deposit, together with any Interest earned thereon, shall be retained by the Vendor and applied by the Vendor against Losses suffered by the Vendor without limiting the Vendor's right to recover the balance of such Losses, if any.

2.6 **Termination of Escrow**. Upon the release and disbursement by the Escrow Agent of the all of the Deposit and Interest in accordance with the terms of this Agreement, this Agreement will terminate and be of no further force and effect, except to the extent necessary in order for Sections 3.3, 3.5, 3.6, and 3.7 to continue to be of full force and effect, and the Escrow Agent will be automatically released from all of its duties and liabilities under this Agreement.

ARTICLE 3
CONCERNING THE ESCROW AGENT

3.1 **Duties and Liability of Escrow Agent.**

(1) The Escrow Agent has no duties other than those duties expressly set forth in this Agreement. The Escrow Agent will not refer to, and is not bound by, the provisions of any agreement other than the terms of this Agreement and no implied duties or obligations of the Escrow Agent may be read into this Agreement.

(2) Notwithstanding anything contained in this Agreement or in the Purchase Agreement to the contrary, the Escrow Agent has no duty to determine the performance or non-performance of any term or provision of the Purchase Agreement, has no obligation or responsibility to determine any dispute or evaluate any equities between the parties regardless of any knowledge or any fact that the Escrow Agent may have or receive, and has no obligations, responsibilities or liability arising under any other agreement to which the Escrow Agent is not a party, even though reference to such other agreement may be made in this Agreement or the Purchase Agreement.

(3) Nothing in this Agreement is to be construed as creating a relationship of trust between the Escrow Agent and the Vendor and Purchaser or either of them. The Vendor and the Purchaser understand and agree that the duties of the Escrow Agent under this Agreement are purely ministerial in nature and that the Escrow Agent is not liable for any error, judgement, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own fraud, gross negligence or wilful misconduct.

(4) The Escrow Agent is not under any duty to give the Deposit held by it under this Agreement any greater degree of care than it gives its own similar property. The Escrow Agent's duties with respect to delivery of the Deposit under this Agreement will be fully performed by delivering the Deposit and any Interest accrued thereon in accordance with Section 2.4.

(5) The appointment of the Escrow Agent is a personal one and the duty of the Escrow Agent is only to the other Parties, their successors and assigns, and to no other Person whomsoever.

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

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

3.4 **Reliance.**

(1) The Escrow Agent may:

(a) act in reliance on any writing or instrument or signature which it, in good faith, believes to be genuine;

(b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and

(c) assume that any Person purporting to give any written notice, advice or instructions on behalf of any of the other Parties in connection with the provisions of this Agreement has been duly authorized to do so.

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

(2) Nothing in this Agreement makes the Escrow Agent responsible, or liable in any manner for the sufficiency, correctness, genuineness or validity of any document forming part of the Deposit.

(3) The Escrow Agent is not required to make any determination or decision with respect to the validity of any claim made by any Party, or of any denial thereof but is entitled to rely conclusively on the terms of this Agreement and the documents tendered to it in accordance with the terms of this Agreement.

3.5 **Disputes**. If there is any dispute as to whether the Escrow Agent is obligated to deliver the Deposit and Interest, the Escrow Agent shall hold such Deposit and Interest until receipt of an authorization in writing executed by each of the Vendor and the Purchaser directing the delivery thereof, or in the absence of such authorization, the Escrow Agent may hold the Deposit and Interest until the final determination of the rights of the Parties in an appropriate court proceeding. If such written authorization is not given, or proceedings for such determination have not begun and been diligently continued, the Escrow Agent may bring, but is not required to bring, an appropriate action or proceeding pursuant to Section 3.6 for leave to deposit the Deposit and Interest in court, pending such determination. If a judicial proceeding is instituted by the Escrow Agent, the Escrow Agent will be entitled to reasonable solicitor's fees.

3.6 **Interpleader**. Without limiting Section 3.5, if:

(a) any action is threatened or instituted against the Escrow Agent;

(b) any dispute arises, or any action is threatened or instituted, concerning the entitlement of a Party to the Deposit and/or Interest; or

(c) if at any time the Escrow Agent is uncertain as to its obligations under this Agreement,

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

3.7 **Court Orders**.

(1) The Escrow Agent is hereby authorized, in its sole discretion, to comply with all writs, orders or decrees entered or issued, whether with or without jurisdiction, which purport to:

(a) attach, garnish or be levied on any part of the Deposit and Interest;

(b) stay or enjoin the disbursement, payment or delivery of any part of the Deposit and Interest; or

(c) affect any part of the Deposit and Interest in any way.

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

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

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

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

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

ARTICLE 4
General

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

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

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

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

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

4.6 **Entire Agreement**. This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. There are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or which induced any Party to enter into this Agreement. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement by any Party to this Agreement to any other Party, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement and none of the Parties has been induced to enter into this Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.

4.7 **Notices.**

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

(a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below;

(b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; or

(c) sent by facsimile transmission, with confirmation of transmission by the transmitting equipment (a "Transmission");

(i) if to the Vendor:

The Corporation of the County of Brant
P.O. Box 160
Burford, Ontario
N0E 1A0
Attention: Michael Bradley, General Manager of Corporate Services
Fax: 519-449-2454

(ii) if to the Purchaser:

Cambridge and North Dumfries Hydro Inc.
1500 Bishop St.
Cambridge, ON N1R 5X6
Attention: Ian Miles, President and Chief Executive Officer
Fax: 519-621-0383

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

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

Attention: J. Mark Rodger, Partner
Fax: 416-361-7088

(2) Any notice sent in accordance with this Section 4.7 shall be deemed to have been received:

(a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;

(b) if sent by mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of such disruption;

(c) if sent by facsimile during normal business hours on a Business Day in the place where the transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or

(d) if sent in any other manner, on the date of actual receipt;

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

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

4.8 **Assignment**. No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Parties except for the Escrow Agent's right to resign pursuant to Section 3.9.

4.9 **Further Assurances**. Each Party shall, at the expense of another Party, promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that such other Party may reasonably require, for the purposes of giving effect to this Agreement.

4.10 **Successors and Assigns**. This Agreement is binding on, and enures to the benefit of, the Parties and their respective heirs, administrators, executors, successors and permitted assigns.

4.11 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which is deemed to be an original and all of which taken together constitutes one agreement. To evidence the fact that it has executed this Agreement, a Party may send a copy of its executed counterpart to all other Parties by Transmission and the signature transmitted by Transmission is deemed to be its original signature for all purposes.

[SIGNATURES ON FOLLOWING PAGE]

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

BORDEN LADNER GERVAIS LLP

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

THE CORPORATION OF THE COUNTY OF BRANT

By:__________________________________
Name: R.E.F. (Ron) Eddy, Mayor

By:__________________________________
Name: Heather Boyd, Clerk

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

By:__________________________________
Name:
Title:

By:__________________________________
Name:
Title:

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

	Description	Year
A.	**Real Property**	
1.	65 Dundas Street East - CON 1 PT Misc Gore Fronting, Lots 27 and 28 RP 2R1741 PT - PIN: 32050-0309	-
2.	923 Colborne St. W - PLAN 1029 PT Lot 4 PT Lot 11 RP 2R289 Part 1 - PIN: 32070-0018	-
3.	802 Powerline Rd. - CON 2 PT Lot 17 IRREG - PIN: 32222-0023	-
4.	391 Powerline Rd. - CON 1 PT Lot 33 REG - PIN: 32223-0086	-
5.	277 Pleasant Ridge Rd. - RANGE 2 WMP PT Lot 7 IRREG - PIN: 32058-0100	-
6.	16 Shaver St. - RANGE 1 SHR PT Lot 13 REG - PIN: 32230-0090	-
7.	708 Rest Acres Road - CON 4 PT Lot 10 - PIN: 32056-0160	
8.	707 Powerline Rd. (37.5% interest) - Part of Lot 20, Concession 1, Township of Brantford, County of Brant. - PIN: 32222-0078 (LT)	

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B.	**Real Property Leases**	
1.	Nil.	
C.	**Easements in favour of the Corporation**	
1.	Colborne St West from house 984 to 1012	**Brantford Township**
2.	Louis Ave. House 2 to 20 and 1 to 21	**Brantford Township**
3.	Madeleine Rd. House 4 to 26	**Brantford Township**
4.	McGregor Ave. House 32 and 36	**Brantford Township**
5.	Oakhill Drive House 229 to 219	**Brantford Township**
6.	Cleaver Rd.	**Brantford Township**
7.	Bateman line 436 to 291 and 261 to 291	**Brantford Township**
8.	Kirby Crescent House 21 to 53	**Brantford Township**
9.	Fawcett Rd.	**Brantford Township**
10.	Tutela Hts. 53 to 129, and 171 to 201	**Brantford Township**
11.	Newport Rd. House 136 (2 poles), and 178 and also feeds 153 Old Greenfield Rd.	**Brantford Township**
12.	Oxbow Rd.	**Brantford Township**
13.	174 Phelps Rd.	**Brantford Township**
14.	42 Dekeer Rd.	**Brantford Township**
15.	Highway 24 to Godby rd. (5 Poles)	**Brantford Township**

16.	36 to 85 Godby rd.	**Brantford Township**
17.	Fair Rd.	**Brantford Township**
18.	Misner Rd. (5 poles)	**Brantford Township**
19.	83 Shaver Rd.	**Brantford Township**
20.	Jerseyville Rd. to Smith Rd.	**Brantford Township**
21.	55 and 43 Adams Rd.	**Brantford Township**
22.	Powerline Rd. 22, 16, 14	**Brantford Township**
23.	Burcth Rd. 11 to 65	**Brantford Township**
24.	457 Bateman Line	**Brantford Township**
25.	Bethel Church Rd. 108, 118, 122, 130, 132	**Brantford Township**
26.	East Harris rd. from McBay to 68 East Harris	**Brantford Township**
27.	Barton	**Brantford Township**
28.	Governors Rd. West	**Brantford Township**
29.	York Rd.	**Brantford Township**
30.	Holditch Rd. from White Swan to Thompson Rd.	**Brantford Township**
31.	Pinehill Rd. 32, 36, 40 (changed from Harold)	**Brantford Township**
32.	50 and 52 Windsor Drive	**St. George**

33.	St. George Water Tower	**St. George**
34.	Gilston Parkway 23 and 25	**Paris**
35.	Hillside Ave. 116 and 118	**Paris**
36.	Curtis Ave South 77 to 151 59 and 61	**Paris**
37.	192 Scott Ave.	**Paris**
38.	50 Whitlaw Way	**Paris**
39.	40 Whitlaw Way	**Paris**
40.	From 541 Powerline Rd. to River Crossing	**Paris**
41.	From Brant T.S. along railway tracks to Dundas East	**Paris**
42.	445 Paris Rd. pole Line from Powerline T.S.	**Paris**
43.	Between 42 Cobblestone and 82 Savannah Ridge	**Paris**
44.	45 Irongate	**Paris**
45.	Temp Feed off of Rest Acres Rd. to Grandville subdivision	**Paris**
46.	Temp Feed off of King Edward (King) to Grandville Circle	**Paris**
47.	South east corner of Crawford and Savannah Ridge	**Paris**
48.	Grandville Circle two locations near Sacred Heart School	**Paris**
49.	102 King St.	**Burford**
50.	24 Park Ave.	**Burford**
51.	6 Park Ave.	**Burford**

SCHEDULE 3.1(m) – INTELLECTUAL PROPERTY

	Description	Year
A.	**General**	
1.	Trade-mark Sublicense Agreement between Brant County Power Inc. and the Ontario Power Authority	May 1, 2007

SCHEDULE 3.1(n) - CONTRACTS AND COMMITMENTS

	Description	Year
A.	**General**	
1.	Advanced Metering Infrastructure Sale and Services Agreement between Brant County Power Inc. and Sensus Metering Systems Inc.	2009
2.	Asset Purchase Agreement Brant County Power Inc. and Brant County Power Services Inc.	September 5, 2012
3.	Brant County Power Computer Loans (Account #1190.67)	Balance as at September 13, 2013
4.	Master Communications Agreement (Tariffed – Retail) between Brant County Power and Bell Canada	December 22, 2009
5.	County of Brant Twin Pad Complex – Change Orders and Notices	2009/2010
6.	Canpar WEB Based Shipping Solutions Users Manual for BPS Users	July 2010
7.	Norfolk Maintenance Tender Form re cleaning and janitorial services to Brant County Power Inc.	December 17, 2012
8.	Invoice from Nova Cleaning Supplies addressed to Brant County Power	October 10, 2012
9.	Ruggz Building Cleaning Tender Form re cleaning and janitorial services to Brant County Power Inc.	May 5, 2009
10.	Co-ownership Agreement between Brantford Power Inc. and Brant County Power Inc.	December 6, 2004
11.	LDC Embedded Generation Facility Connection Cost Agreement between Brant County Power Inc. and Hydro One Networks Inc.	June 5, 2013
12.	Letter from Daffron to Brant County Power re Ontario strategy package	April 17, 2013
13.	Invoices and Correspondence from ERTH Business Technologies Inc. and The SPI Group to Brant County Power Inc.	2010/2011
14.	Amending Agreement between Brantford Power Inc., Brant County Power Inc. and Kitchener-Wilmot Hydro Inc. re Powerline MTS Station Control and Monitoring Service Agreement	January 1, 2013
15.	Communications Agreement between Brant County Power Inc. and Extend Communications Inc.	June 6, 2011 and April 4, 2012
16.	Letter from IBM to Brant County Power re Software and Services	September 16, 2011

	Description	Year
A.	General	
	Tool	
17.	Metering Service Provider Agreement between Brant County Power and CRU Solutions Inc.	January 1, 2009
18.	NEPA AMI Governance Model prepared by Util-Assist and signed by Brant County Power Inc.	November 6, 2012
19.	Network Telecom Warranty / Support Contracts	February 2011, December 2011 and January 2013
20.	Service Agreement between Brant County Power Inc. and Ontario One Call	November 16, 2012
21.	OrgPlus Order Form signed by Brant County Power	February 9, 2012
22.	Radio Tower Agreement between Oxford Communications Ltd. and Brant County Power Inc.	March 11, 2013
23.	Lease and Service Agreement between Pitney Bowes and Brant County Power and Extension	November 17, 2006 and November 15, 2012
24.	Ricoh Lease Agreement	October 13, 2011
25.	Letter of Agreement between Brant County Power Inc. and PowerStream Inc.	January 23, 2013
26.	Amending Agreement between Brantford Power Inc., Brant County Power Inc. and Kitchener-Wilmot Hydro Inc. re Powerline MTS Station Control and Monitoring Service Agreement	January 1, 2013
27.	Powerline MTS Station Control and Monitoring Service Agreement between Kitchener-Wilmot Hydro Inc., Brantford Power Inc. and Brant County Power Inc.	December 16, 2005
28.	Contract Extension (2013-2014) between Brant County Power Inc. and RDS Utility Services re Meter Reading and Related Services	November 8, 2012
29.	Agreement for Licensed Attachment to Brant County Power by Rogers Communications Inc.	September 26, 2005
30.	Annual Maintenance Agreement between Resource Software International Ltd. and Brant County Power	May 16, 2013
31.	Letter from Sensus to Brant County Power Inc. re SLA performance requirements and letter from PRP International, Inc. (Fairness Advisory Services) to Brant County Power Inc. re Confirmation of the Fairness Commissioner	November 29, 2011 and June 30, 2009

	Description	Year
A.	**General**	
32.	Service Level Agreement between the County of Brant (Information Technology Services Division) and Brant County Power Inc.	December 8, 2010
33.	Services Agreement between The Corporation of the County of Brant and Brant County Power Inc.	February 8, 2012
34.	Services Agreement between Kelly Services (Canada) Ltd. and Brant County Power	April 25, 2011
35.	Services Agreement between Levack Management Consulting Inc. and Brant County Power	March 6, 2012
36.	Directory Advertising Purchase Order between Yellow Pages Group Co. and Brant County Power Services Inc.	June 13, 2011
37.	Shared Services Agreement between Brant County Power Inc. and Norfolk Power Distribution Inc.	April 18, 2002
38.	Equipment and Services Agreement between Olameter Inc. and Brant County Power Inc.	Signed September 1, 2009 and October 15, 2009
39.	Account Viewer Usage Agreement between The SPI Group Inc. and Brant County Power Inc.	Signed May 1, 2010 and June 2, 2010
40.	EBT Hub Connector License Agreement between The SPI Group Inc. and Brant County Power Inc.	May 1, 2010
41.	EBT Hub Connector Support Service Agreement between The SPI Group and Brant County Power Inc.	May 1, 2011
42.	EBT Hub Service Agreement between The SPI Group and Brant County Power Inc.	May 1, 2011
43.	Exception Viewer Usage Agreement between The SPI Group and Brant County Power Inc.	Signed May 1, 2010 and June 2, 2010
44.	Schedule Service Agreement between Super-Shred Mobile Record Destruction Inc. and Brant County Power Inc.	August 11, 2010
45.	Support Structure Agreement between Bell Canada and Brant County Power Inc.	November 22, 2012
46.	Third Party Access and Operation Agreement between Hydro One Networks Inc. and Brant County Power Inc.	June 25, 2013
47.	Transmission Connection Agreement Amendment Agreement between Hydro One Networks Inc. and Brant County Power Inc.	July 29, 2010

	Description	Year
A.	**General**	
48.	Application to lease a transponder by Brant County Power Inc.	February 2, 2011
49.	Consulting Agreement between Util-Assist Inc. and Brant County Power Inc.	March 1, 2010
50.	Customer Agreement between Utilismart Corporation and Brant County Power Inc.	December 11, 2008
51.	Customer Service Agreement between Waste Services Inc. and Brant County Power	October 23, 2007
52.	Util-Assist Strategic Operational Assistance Review	August 9, 2012
53.	Small Utility Enterprise License Agreement between the Environmental Systems Research Institute (ESRI), Inc. and Brant County Power Inc.	May 22, 2013
54.	Quote from ESRI to Brant County Power Inc. re Small Utility Enterprise License Agreement	April 30, 2013
55.	Brant County Power – Computer Equipment Depreciation Schedule and Computer Software Depreciation Schedule	November 14, 2013
56.	Invoice and Addendum for Products and Services Support between Brant County Power & Daffron & Associates, Inc.	October 14, 2013
57.	Small Utility Enterprise License Agreement between Brant County Power Inc., the Environmental Systems Research Institute, Inc. (ESRI) and ESRI Canada Limited	August 4, 2010
58.	Microsoft Select Plus Affiliate Agreement between Brant County Power Inc. and Microsoft Licensing, GP and other licensing information	October 1, 2010
59.	License Notification between Brant County Power and Harris Computer Systems	June 9, 2010
60.	Util-assist Operations Review for Brant County Power Inc.	April 9, 2012
61.	Pitney Bowes Equipment Lease Agreement and Extension	November 15, 2012
B.	**microFIT**	
1.	microFIT Contract # FIT-MQRQ9ZC (391 Powerline Rd, Brant, ON)	July 9, 2013 to July 9, 2033
2.	microFIT Contract # FIT-MHZ4K2P (65 Dundas St. East, Paris, ON)	November 2, 2010 to November 2, 2030

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	Description	Year
A.	**General**	
3.	microFIT Contract # FIT-MAXMHTZ (65 Dundas St. East, Paris, ON)	December 8, 2010 to December 8, 2030
4.	microFIT Contract # FIT-MYGA2BX (707 Powerline Rd, Brant, ON)	April 16, 2013 to April 16, 2033
5.	microFIT Contract # FIT-MY6EN4B (708 Rest Acres Rd, Brant, ON)	August 15, 2011 to August 15, 2031
C.	**Service Agreements**	
1.	Service Agreement between Active Energy Inc. and Brant County Power Inc.	June 19, 2011
2.	Service Agreement between Aegent Energy Advisors Inc. and Brant County Power	March 24, 2010
3.	Retailer Service Agreement between Ag Energy Co-operative Ltd. and Brant County Power Inc.	March 10, 2009
4.	Service Agreement between Bruce Power Inc. and Brant County Power Inc.	August 18, 2011
5.	Service Agreement between Canadian Hydro Ltd. and Brant County Power Inc.	December 28, 2005
6.	Service Agreement between Constellation NewEnergy and Brant County Power Inc.	September 30, 2003
7.	Service Agreement between Coral Energy Canada Inc. and Brant County Power Inc.	June 30, 2003
8.	Service Agreement between Direct Energy Marketing Limited and Brant County Power Inc.	February 28, 2002
9.	Service Agreement between ECNG Limited Partnership and Brant County Power Inc.	September 26, 2005
10.	Service Agreement between First Source and Brant County Power Inc.	March 28, 2002
11.	Service Agreement between Hudson Energy Canada Corp. and Brant County Power Inc.	June 21, 2012
12.	Service Agreement between Ontario Energy Savings Corporation and Brant County Power Inc.	February 15, 2002
13.	Service Agreement between Just Energy Ontario L.P. and Brant County Power	March 17, 2010

	Description	Year
A.	General	
14.	Service Agreement between Local Authority Services Limited and Brant County Power	January 26, 2010
15.	Service Agreement between Ontario Hydro Energy Inc. and Brant County Power Inc.	February 15, 2002
16.	Service Agreement between Ontario Power Generation Inc. and Brant County Power Inc.	February 15, 2002
17.	Service Agreement between Planet Energy (Ontario) Corp. and Brant County Power	June 6, 2008
18.	Service Agreement between SemCanada Energy Company and Brant County Power	May 29, 2007
19.	Service Agreement between The SPI Group Inc. and Brant County Power Inc.	May 17, 2005
20.	Service Agreement between Summit Energy LP and Brant County Power Inc.	February 28, 2008
21.	Service Agreement between Sunwave Gas & Power Inc. and Brant County Power	October 18, 2012
22.	Service Agreement between Superior Energy Management Electricity LP and Brant County Power	August 21, 2008
23.	Service Agreement between Universal Energy Corporation and Brant County Power	November 18, 2005
24.	Service Agreement between Wholesale Energy Group Ltd. and Brant County Power	May 29, 2007
25.	TD Bank Credit Facilities dated November 23, 2011 and Amending Agreement dated February 12, 2013	2013
26.	TD Bank General Security Agreement and ISDA Master Agreement dated February 12, 2003	2003

SCHEDULE 3.1(o) – MATERIAL CONTRACTS

	Description	Year
A.	**General**	
1.	Daffron License Agreement – invoice dated October 14, 2013	October 14, 2013
2.	RDS Utility Services Agreement	January 1, 2013
3.	TD Bank Credit Facilities dated November 23, 2011 and Amending Agreement dated February 12, 2013	2013
4.	TD Bank General Security Agreement dated February 12, 2003	2003

SCHEDULE 3.1(p) – EMPLOYEE PLANS

	Description	Year
A.	**General**	
1.	Employee Short Term Disability Adjudication Agreement between Brant County Power Inc. and RWAM Disability Management	January 16, 2012
2.	Application for Amendment re Brant County Power Inc. and RWAM Disability Management	June 1, 2012
3.	The MEARIE Group Employee Benefit Program for Brant County Power	N/A
4.	Benefit Booklet of Brant County Power Inc.	N/A
5.	Brant County Power Inc. Human Resources Personnel Policy	N/A

SCHEDULE 3.1(q) – COLLECTIVE AGREEMENT

	Description	Year
A.	General	
1.	Collective Agreement between Brant County Power Incorporated and Power Workers Union (CUPE Local 1000)	Effective April 1, 2012 to March 31, 2015

SCHEDULE 3.1(s) – INSURANCE POLICIES

	Description	Year
A.	**General**	
1.	Letter from The MEARIE Group to Brant County Power Inc. re 2013 MEARIE Energy Insurance Program Renewals	January 31, 2014
2.	MEARIE Comprehensive Liability Insurance Policy (Policy # L2013BRAT1 – Limit $24,000,000 per occurrence)	January 1, 2014
3.	MEARIE Property Program Policy (Policy # P2013BRAT1 – Policy limit of liability $5,683,324)	January 1, 2014
4.	MEARIE Vehicle Insurance Policy (Policy # V2013BRAT1 – Limit $1,000 for private passenger and light trucks, $2,500 for heavy trucks)	January 1, 2014
5.	Workplace Safety & Insurance Board Accident Cost Statement	February 5, 2014
6.	Insurance Certificate and Lease Agreement re Pitney Bowes	2006/2007
7.	Pitney Bowes Order Form and Insurance Coverage re letter opener	August 13, 2009
8.	The MEARIE Group – Counterpart of the Amended and Restated Municipal Electric Association Reciprocal Insurance Exchange Agreement signed by Brant County Power Inc.	April 28, 2010
9.	Amended and Restated Municipal Electric Association Reciprocal Insurance Exchange (MEARIE) Agreement signed by various parties	March 29, 2010

SCHEDULE 3.1(U) - VENDOR LITIGATION

NIL

SCHEDULE 3.1(v) - TAXES

	Description	Year
1.	2009 T2 Tax Return	2009
2.	2010 T2 Tax Return	2010
3.	2011 T2 Tax Return	2011
4.	2012 T2 Tax Return	2012
5.	Debt Retirement Charge audit letter for period of April 1, 2007 to March 31, 2011	March 31, 2011
6.	GST/HST audit letter for the period January 1, 2009 to May 31, 2012 from Canada Revenue Agency	May 31, 2012
7.	Brant County Power Inc. Tax Working Paper 2010	2010
8.	Brant County Power Inc. Tax Working Paper 2011	2011
9.	Brant County Power Inc. Tax Working Paper 2012	2012
10.	Ontario Ministry of Revenue Notice of Assessment 2009	2009
11.	Ontario Ministry of Revenue Notice of Assessment 2010	2010
12.	Ontario Ministry of Revenue Notice of Assessment 2011	2011
13.	Ontario Ministry of Revenue Notice of Assessment 2012	2012
14.	Ontario Ministry of Revenue Notice of Assessment 2013	2013
15.	Ontario Ministry of Revenue Notice of Re-Assessment 2011	2011
16.	Ontario Ministry of Revenue Notice of Re-Assessment 2012	2012
17.	Ontario Ministry of Revenue Notice of Re-Assessment 2013	2013
18.	Ontario Ministry of Revenue Debt Retirement Charge and HST evidence of payment 2013	2013
19.	Scientific Research and Experimental Development (SR&ED) Expenditures Claim 2011	2011

	Description	Year
20.	Scientific Research and Experimental Development (SR&ED) Expenditures Claim 2012	2012
21.	Ontario Ministry of Revenue Notice of Assessment – Debt Retirement Charge 2013	2013

SCHEDULE 3.1(x) – PERMITTED ENCUMBRANCES

	Description	Year
1.	TD Bank Credit Facilities dated November 23, 2011 and Amending Agreement dated February 12, 2013	2013
2.	TD Bank General Security Agreement and ISDA Master Agreement dated February 12, 2003	2003

SCHEDULE 3.1(z) – LICENCES

	Description	Year
A.	**General**	
1.	Electricity Distribution Licence of Brant County Power Inc. (valid until March 31, 2023)	Issued June 6, 2003 and amended December 15, 2004, January 13, 2010 and November 12, 2010
B.	**IESO**	
1.	IESO Participation Agreement dated January 15, 2002	January 15, 2002
2.	Letter from IESO re Assigning a Metering Service Provider and a Distributor for an Energy Market Delivery Point	-
3.	Smart Metering Memorandum of Understanding with IESO	July 21, 2011
C.	**Technology**	
1.	Daffron License Agreement – invoice dated October 14, 2013	October 14, 2013
2.	Harris Computer Systems License Notification	June 9, 2010
3.	Microsoft Office Services License Information	-
4.	ESRI – Small Utility Enterprise License Agreement	August 4, 2010

SCHEDULE 6.6 – CAPITAL PROGRAM

The Purchaser's main objective with respect to managing its distribution system assets continues to be the optimization of the performance of the assets at a reasonable cost with due regards for system reliability, public and worker safety, and customer service requirements.

The Purchaser proposes to incorporate the long-term capital planning of the Corporation into a consolidated long-term Distribution System Capital Plan ("**DSCP**"). The Purchaser recently prepared a Five Year DSCP as part of its 2014 Cost of Service Application. The Purchaser will leverage the information contained in the Corporation's existing Asset Management Plan, developed in 2009/2010, and the Five Year Strategic Technical Plan, which covers the period 2011 through 2015.

In consolidating the long-term DSCP, capital expenditures will be planned on a non-discriminatory basis and decisions on capital programs will be made locally. Capital expenditures required to support growth and ensure that new customers are connected to the distribution system will receive priority.

Based upon the Corporation's Asset Management Plan, the Purchaser anticipates a base capital expenditure level of approximately $1.8MM to $2.0MM per year, plus incremental capital expenditures to support customer growth.

Connection of new customers in the service territory is a requirement of an LDC's license. The Purchaser is committed to ensure that all new customers are connected on a timely basis.

SCHEDULE 6.8 – SERVICE QUALITY

Customer Service Standards

* OEB Metrics (including high volume customer transactions)

1. Low Voltage Connections (time to connect)

2. Telephone Accessibility (% of calls answered expediently)

3. Appointments Met (meeting customers commitments)

Reliability

* OEB Metrics

1. System Average Interruption Duration Index (SAIDI)

2. System Average Interruption Frequency Index (SAIFI)

3. Customer Average Interruption Duration Index (CAIDI)

SCHEDULE 9.1(c) – CONSENTS

	Description	**Year**
A.	**General**	
1.	Prior written consent must be obtained from TD Bank pursuant to the TD Bank Credit Facilities Agreement dated November 23, 2011 and Amending Agreement dated February 12, 2013. TD Commercial Banking Centre 40 King Street St. Catherines, Ontario L2R 3H4	2013
2.	OEB has not issued a notice of review under Section 80(a) of the OEB Act or shall have provided the Purchaser with its approval under Section 80(b) and Section 82 of the OEB Act.	

BRANT COUNTY POWER INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2012

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANT COUNTY POWER INC.

For the year ended December 31, 2012

INDEX

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

P.O. Box 367, 96 Nelson Street
Brantford, Ontario N3T 5N3
Telephone: (519) 759-3511
Facsimile: (519) 759-7961

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Brant County Power Inc.

We have audited the accompanying financial statements of Brant County Power Inc., which comprise the statement of financial position as at December 31, 2012, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Brant County Power Inc. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Millard, Rouse & Rosebrugh LLP

April 10, 2013

CHARTERED ACCOUNTANTS
Licensed Public Accountants

BRANT COUNTY POWER INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	2012	2011
ASSETS		
Current Assets		
Accounts receivable (Note 5)	3,767,679	3,679,269
Unbilled revenue	3,122,746	3,171,042
Payment in lieu of income taxes recoverable	202,663	-
Inventory	280,240	284,119
Other current assets	177,131	273,210
Current portion of loan receivable	85,287	81,182
	7,635,746	7,488,822
Regulatory Assets (Note 8)	-	1,209,958
Loan Receivable (Note 6)	301,119	386,406
Property, Plant and Equipment (Note 7)	19,692,967	17,486,334
Utility Plant Acquisition Adjustment	3,588,000	3,588,000
Future Income Tax Asset	446,308	79,750
	31,664,140	30,239,270
LIABILITIES		
Current Liabilities		
Bank indebtedness	422,129	39,846
Accounts payable and accrued liabilities	3,462,173	4,211,164
Dividends payable	430,000	455,000
Payment in lieu of corporate income taxes payable	-	256,671
Other regulatory liabilities/credits	10,332	10,332
Current portion of long term liabilities	44,400	44,400
	4,369,034	5,017,413
Regulatory Liabilities (Note 8)	2,029,499	-
Long Term Liabilities (Note 9)	8,084,274	7,133,672
Employee Future Benefits Payable (Note 10)	728,233	696,080
	15,211,040	12,847,165
SHAREHOLDER'S EQUITY		
Capital Stock (Note 11)	9,512,193	9,512,193
Miscellaneous Paid in Capital	2,738,065	2,738,065
Retained Earnings	4,202,842	5,141,847
	16,453,100	17,392,105
	31,664,140	30,239,270

Approved on behalf of the Board of Directors:

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See accompanying notes

Millard, Rouse & Rosebrugh LLP
Chartered Accountants

BRANT COUNTY POWER INC.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2012	2011
Retained Earnings - Beginning of Year	5,141,847	4,687,186
Net Income (Loss)	(509,005)	909,661
Dividends	(430,000)	(455,000)
Retained Earnings - End of Year	4,202,842	5,141,847

See accompanying notes

BRANT COUNTY POWER INC.

STATEMENT OF INCOME

For the year ended December 31	2012	2011
Revenue		
Distribution (Note 12)	5,821,327	5,550,822
Power, connection and transmission	25,764,330	18,988,310
	31,585,657	24,539,132
Less: Cost of Power supply	25,764,330	18,988,310
Gross Margin	5,821,327	5,550,822
Other Operating Revenue (Note 13)	550,591	968,991
	6,371,918	6,519,813
Distribution Operating and Maintenance Expense (Note 14)	1,532,363	1,115,950
Indirect Expenses		
Amortization	1,189,320	1,085,039
Billing and collecting	756,773	994,101
Brant renewable energy	282,762	203,786
Community relations and sales expense	55,663	188,076
General administration expense	1,449,035	1,297,780
Interest expense	25,072	4,266
Interest on long term liabilities	415,038	382,937
	4,173,663	4,155,985
Income Before Undernoted Items	665,892	1,247,878
Gain on disposal of equipment	79,014	22,328
Employee future benefits	(32,153)	(29,304)
Income Before Income Taxes and Regulatory Adjustment	712,753	1,240,902
Income taxes - current (Note 15)	118,440	312,200
- future	22,959	19,041
	141,399	331,241
Income Before Regulatory Adjustment	571,354	909,661
Regulatory adjustment - payment in lieu of taxes	1,469,876	-
- future tax impact of adjustment	389,517	-
Net regulatory adjustment	1,080,359	-
Net Income (Loss)	(509,005)	909,661

See accompanying notes

BRANT COUNTY POWER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31	2012	2011
Cash Flows From Operating Activities		
Net Income (Loss)	(509,005)	909,661
Charges (credits) to income not involving cash:		
Amortization	1,481,078	1,402,896
Amortization of contributed capital	(74,469)	(73,309)
Gain on disposal of equipment	(79,014)	(22,328)
Future income taxes	(366,558)	19,041
	452,032	2,235,961
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(88,410)	(455,559)
Unbilled revenue	48,296	(13,058)
Inventory	3,879	(7,085)
Other current assets	96,079	(80,291)
Accounts payable, accrued liabilities and dividends payable	(773,991)	(372,780)
Income taxes payable/recoverable	(459,334)	337,016
Employee future benefits payable	32,153	29,304
	(689,296)	1,673,508
Cash Flows From Financing Activities		
Long term liabilities	950,602	(22,043)
Capital contributions received	49,480	8,494
Dividends	(430,000)	(455,000)
	570,082	(468,549)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(3,688,588)	(2,819,212)
Regulatory assets/liabilities	3,239,457	(17,918)
Proceeds on disposal of property, plant and equipment	104,880	27,236
Loan receivable	81,182	77,423
	(263,069)	(2,732,471)
Net Decrease in Cash and Cash Equivalents	(382,283)	(1,527,512)
Opening Cash and Cash Equivalents	(39,846)	1,487,666
Closing Cash and Cash Equivalents	(422,129)	(39,846)

See accompanying notes

1. NATURE OF ACTIVITIES

Brant County Power Inc. ("the Company") provides electricity distribution services to residents of The Corporation of the County of Brant. The Company is incorporated under the Ontario Business Corporations Act and is regulated by the Ontario Energy Board ("OEB") and the Ministry of Energy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Measurement

Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgment.

(b) Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(c) Revenue Recognition

Distribution revenue is based on OEB approved distribution rates and is recognized as electricity is delivered to customers and collection is reasonably assured. Distribution revenue includes an estimate of revenue based on electricity delivered but not yet invoiced to customers from the last meter reading date to the year end.

(d) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost. Amortization is provided for in the accounts as follows:

Buildings	30-50	years straight line
Distribution lines - overhead	25	years straight line
Transformer station	40	years straight line
Distribution transformers	25	years straight line
Distribution meters	25	years straight line
Distribution services	25	years straight line
Rolling stock	4-8	years straight line
Computer systems	5	years straight line
Other equipment	5-25	years straight line

The Company acquired various property, plant and equipment from its shareholder when the former Commission was dissolved. Since these assets were already in service, the Company has continued to amortize the assets over their respective remaining estimated service lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Utility Plant Acquisition Adjustment

Utility plant acquisition adjustment represents the cost of acquired local distribution assets from the County of Brant in excess of the book value of net identifiable assets purchased.

(f) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(g) Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(h) Financial Instruments

Financial instruments are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument. The Company has adopted a policy to classify all financial instruments as follows:

1. Cash and bank are classified as Held for Trading and measured at fair value.
2. Accounts receivable and unbilled revenue are classified as Loans and Receivables and measured at amortized cost using the effective interest rate method.
3. Accounts payable, amounts due from affiliates and long term liabilities are classified as Other Liabilities and measured at amortized cost.
4. Purchases and sales of financial instruments are accounted for at the trade date.
5. Transaction costs on financial assets and liabilities are expensed as incurred.

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS") by January 1, 2011. The Public Sector Accounting Board released a decision summary confirming that government organizations following commercial practices adhere to standards for publicly accountable entities after January 1, 2011. In 2010, the AcSB granted a one year deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2012. In March 2013, The AcSB granted an optional two year deferral of the adoption of IFRS for rate-regulated entities and such IFRS may be adopted for financial statements ending December 31, 2015.

The Company has taken the additional deferrals of its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2012.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact on the Company's reporting under IFRS.

4. RATE SETTING

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 8.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective May 1, 2012, were calculated on a 2010 rate base and includes a rate of return on equity. These rates are adjusted in May of each year through the OEB's Incentive Rate Mechanism ("IRM") process.

5. ACCOUNTS RECEIVABLE

	2012	2011
Electrical energy	3,724,939	2,927,385
Sundry	207,740	964,884
	3,932,679	3,892,269
Allowance for doubtful accounts	(165,000)	(213,000)
	3,767,679	3,679,269

6. LOAN RECEIVABLE

	2012	2011
Loans to Brant County Power Services Inc. ("BCPSI") with an effective interest rate of Prime +1.75%. Regular monthly payments of $8,470 including principal and interest per month	386,406	467,588
Less: Current portion	85,287	81,182
	301,119	386,406

7. PROPERTY, PLANT AND EQUIPMENT	Cost	Accumulated Amortization	2012	2011
Land	182,715	-	182,715	181,214
Buildings	1,306,088	370,937	935,151	962,989
Transformer station	2,510,109	441,368	2,068,741	2,131,939
Distribution lines - overhead	12,235,559	4,132,672	8,102,887	7,246,741
Distribution lines - underground	2,985,044	1,458,933	1,526,111	1,562,768
Distribution transformers	5,148,983	2,173,358	2,975,625	2,934,869
Distribution meters	2,653,794	702,126	1,951,668	843,010
Distribution services	2,724,357	1,357,808	1,366,549	1,393,747
Rolling stock	1,199,559	540,138	659,421	791,257
Computer systems	1,417,422	1,004,459	412,963	248,445
Other equipment	1,175,955	481,249	694,706	397,918
Contributed capital	(1,886,453)	(702,883)	(1,183,570)	(1,208,563)
	31,653,132	11,960,165	19,692,967	17,486,334

8. REGULATORY ASSETS/LIABILITIES

	2012	2011
Retail settlement variance accounts	(1,529,849)	(934,814)
Deferred payments in lieu of taxes	-	1,164,912
Recovery of regulatory asset balances	(499,650)	(651,507)
Special purpose charge	-	13,565
Smart meters	-	1,617,802
	(2,029,499)	1,209,958

The retail settlement variance accounts represent differences between charges billed to customers using the OEB Board approved fixed reference price and the actual costs billed to the Company by the IESO.

Deferred payments in lieu of taxes represents the accumulated difference in the approved estimate of taxes to be paid and the actual taxes paid.

Other regulatory assets represents costs passed on to the Company from the OEB and Hydro One in accordance with decisions made by the OEB.

In April 2011, the OEB announced its decision regarding the Company's Cost of Service rate application. As part of the rate application, the OEB allowed for a recovery (refund) of various regulatory assets (liabilities). These amounts are reported as the Recovery of regulatory asset balances account ("RAR"). The RAR is to be recovered over a one year period, ending April 2012. The RAR consists of various OEB approved regulatory asset (liability) account balances as at December 31, 2010. A further adjustment to the RAR occurred during the IRM process (described in Note 4) and this adjustment is to be recovered over a one year period, ending April 2013.

In 2012, the OEB settled the deferred payments-in-lieu of taxes regulatory accounts. The OEB adjusted this balance to a liability of $304,964 including interest (see note 16). The balance owing to customers as at December 31, 2012 is $259,325. This amount is included in the recovery of regulatory asset balances noted above.

The smart meters regulatory asset account relates to the Province of Ontario's decision to install smart meters throughout Ontario. As at December 31, 2012, the Company has installed smart meters and received OEB approval for the disposition of and recovery of costs related to smart meters.

The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

9. LONG TERM LIABILITIES

	2012	2011
Committed revolving facility payable to The Toronto-Dominion Bank, interest only payable monthly, with the option to pay the differential interest, with principal due in 2023	8,000,000	7,000,000
Customer deposits	128,674	178,072
	8,128,674	7,178,072
Less: Current portion (customer deposits)	44,400	44,400
	8,084,274	7,133,672

As security for the TD loan, the Company has provided a general security agreement, an assignment of fire insurance, evidence of adequate liability insurance, and indemnity agreement and an International Swap Dealer Agreement. Effective December 31, 2008, the Company entered into a swap agreement regarding the interest on the loan in exchange for a bankers' acceptance agreement.

10. EMPLOYEE FUTURE BENEFITS PAYABLE

The Company provides certain non-pension post-retirement medical benefits to employees. An actuarial valuation of future liabilities was completed as at January 1, 2010 and forms the basis for the estimated liability reported in these financial statements. The effective date of the next required actuarial valuation is January 1, 2013. The significant assumptions adopted in estimating the Company's accrued benefit obligation for employee future benefits are as follows:

Discount rate	5.0%
Average compensation increase	3.3%

Healthcare cost increases	Health	Dental	Vision	Orthodontics
Initial rate	8%	5%	2%	2%
Ultimate rate	5%	5%	2%	2%
Grading period (years)	6	6	6	6

	2012	2011
Accrued benefit obligation - as at January 1	696,080	666,776
Current period benefit cost	24,873	23,689
Interest cost on accrued benefit obligations	33,417	31,890
Benefit payments	(26,137)	(26,275)
Accrued benefit obligation as at December 31	728,233	696,080

11. CAPITAL STOCK	2012	2011
Authorized		
unlimited number of common shares		
Issued		
9,512,193 common shares	9,512,193	9,512,193

12. DISTRIBUTION REVENUE	2012	2011
Residential	3,265,390	2,943,344
General	2,274,705	2,398,601
Streetlighting	263,100	193,344
Sentinel lighting	18,132	15,533
	5,821,327	5,550,822

13. OTHER OPERATING REVENUE	2012	2011
Late payment charges	50,420	55,014
Renewable energy generation	22,641	15,214
Brant Renewable Energy	(1,763)	236,791
Interest earned	8,053	61,253
Pole rentals	27,152	27,752
Collection/reconnection charges	128,930	141,594
Miscellaneous revenue	105,703	267,921
Water and sewer billing fees	209,455	163,452
	550,591	968,991

14. DISTRIBUTION OPERATION AND MAINTENANCE	2012	2011
Overhead distribution lines and feeders	447,217	487,047
Underground distribution lines and feeders	137,219	134,609
Distribution transformers	26,482	28,380
Distribution meters	564,901	43,320
General operations	356,544	422,594
	1,532,363	1,115,950

15. PROVISION FOR PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

	2012	2011
The income tax provision was calculated based on taxable income.		
Taxable income is calculated as follows:		
Income before income taxes	712,753	1,240,902
Less regulatory adjustment	(1,469,876)	-
Amortization in excess of Capital Cost Allowance	(293,632)	(372,412)
Net change in regulatory assets/liabilities	1,638,191	(17,918)
Regulatory assets capitalized for tax purposes	-	364,481
Loss (gain) on disposal of assets	(79,014)	(22,328)
Taxable capital gain	9,653	-
Change in tax reserves	32,153	29,304
Taxable income	550,228	1,222,029
Tax at 26.50% (2011 - 28.25%)	145,810	346,353
Small business deduction	(35,675)	(36,240)
Additional tax on inactive income (taxable capital gain)	-	-
Under-provision of prior year taxes	8,305	2,087
Current tax	118,440	312,200

16. OEB DECISION ON CERTAIN REGULATORY ASSETS

The OEB issued its decision and order regarding the disposition of account 1562, Deferred Payments in Lieu of Taxes, on August 30, 2012. The decision set the account balance at a liability of $304,964, including principal and interest. The required adjustment of $1,469,876 has been recorded in the Statement of Income after income from operations.

17. PRUDENTIAL SUPPORT

The company is required, through the IESO, to provide security to mitigate the Company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2012 the Company provided prudential support in the form of letters of credit in the amount of $1,219,927 (2011 - $1,219,927).

18. RELATED PARTY TRANSACTIONS

The Company is wholly owned by The Corporation of the County of Brant ("Brant County"). Brant County also wholly owns BCPSI. Transactions between BCPSI and the Company occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

During the year, the Company provided various services to BCPSI, including meter reading, billing and collecting of rental units and water and sewer billings and collections. In addition, the Company holds a long-term loan to BCPSI. Further information regarding the loan is provided in Note 6.

	2012	**2011**
Services provided to related parties	300,400	222,622
Interest on loan to related party	20,458	24,217

Accounts receivable include $1,291,871 (2011 - $1,261,046) due from related parties and accounts payable include $1,295,926 (2011 - $1,281,188) due to related parties.

19. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Fair Value
The fair value of financial instruments such as cash and bank, accounts receivable, unbilled revenue and account payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk
The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB. The Company held security deposits of $173,074 at year end (2011 - $222,472) in order to mitigate credit risk.

Interest Rate Risk
The Company's exposure to interest rate risk relates to the terms of its long term liabilities as disclosed in Note 9.

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial stability such that it can continue to provide returns for the shareholder and benefits for other stakeholders. The Company meets its objectives for managing capital by management oversight and Board monitoring of total capital.

The Company's total capital as at December 31, consists of:

	2012	2011
Total long term liabilities	8,128,674	7,178,072
Less: cash and bank	(422,129)	(39,846)
Net long term liabilities	8,550,803	7,217,918
Total shareholder's equity	16,453,100	17,392,105
Total capital	25,003,903	24,610,023

BRANT COUNTY POWER INC.

FINANCIAL STATEMENTS

For the year ended December 31, 2013

BRANT COUNTY POWER INC.

For the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Brant County Power Inc.

We have audited the accompanying financial statements of Brant County Power Inc., which comprise the statement of financial position as at December 31, 2013, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Brant County Power Inc. as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Upon Approval

CHARTERED ACCOUNTANTS
Licensed Public Accountants

BRANT COUNTY POWER INC.

STATEMENT OF FINANCIAL POSITION

As at December 31	2013	2012
ASSETS		
Current Assets		
Cash and bank	168,100	-
Accounts receivable (Note 6)	3,409,407	3,767,679
Unbilled revenue	4,105,910	3,122,746
Payment in lieu of income taxes recoverable	43,876	202,663
Inventory	272,452	280,240
Other current assets	315,282	177,131
Current portion of loan receivable	66,065	85,287
	8,381,092	7,635,746
Loan Receivable (Note 7)	256,878	301,119
Property, Plant and Equipment (Note 8)	20,078,241	19,692,967
Utility Plant Acquisition Adjustment	3,588,000	3,588,000
Future Income Tax Asset	276,454	446,308
	32,580,665	31,664,140
LIABILITIES		
Current Liabilities		
Bank indebtedness	-	422,129
Accounts payable and accrued liabilities	4,146,274	3,462,173
Dividends payable	621,000	430,000
Other regulatory liabilities/credits	10,332	10,332
Current portion of long term liabilities	44,400	44,400
	4,822,006	4,369,034
Regulatory Liabilities (Note 9)	1,876,869	2,029,499
Long Term Liabilities (Note 10)	8,052,997	8,084,274
Employee Future Benefits Payable (Note 11)	755,889	728,233
	15,507,761	15,211,040
SHAREHOLDER'S EQUITY		
Capital Stock (Note 12)	9,512,193	9,512,193
Miscellaneous Paid in Capital	2,738,065	2,738,065
Retained Earnings	4,822,646	4,202,842
	17,072,904	16,453,100
	32,580,665	31,664,140

Approved on behalf of the Board of Directors:

....

BRANT COUNTY POWER INC.

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2013	2012
Retained Earnings - Beginning of Year	4,202,842	5,141,847
Net Income (Loss)	1,240,804	(509,005)
Dividends	(621,000)	(430,000)
Retained Earnings - End of Year	4,822,646	4,202,842

BRANT COUNTY POWER INC.

STATEMENT OF INCOME

For the year ended December 31	2013	2012
Revenue		
Distribution (Note 13)	6,013,637	5,821,327
Power, connection and transmission	30,046,453	25,764,330
	36,060,090	31,585,657
Less: Cost of Power supply	30,046,453	25,764,330
Gross Margin	6,013,637	5,821,327
Other Operating Revenue (Note 14)	659,833	550,591
	6,673,470	6,371,918
Distribution Operating and Maintenance Expense (Note 15)	1,883,939	1,532,363
Indirect Expenses		
Amortization	948,966	1,189,320
Billing and collecting	813,207	756,773
Brant renewable energy	-	282,762
Community relations and sales expense	131,927	55,663
General administration expense	1,342,375	1,449,035
Interest expense	41,562	25,072
Interest on long term liabilities	252,112	415,038
	3,530,149	4,173,663
Income Before Undernoted Items	1,259,382	665,892
Gain on disposal of equipment	3,113	79,014
Employee future benefits	(27,656)	(32,153)
SR&ED credits	226,283	-
Income Before Income Taxes and Regulatory Adjustment	1,461,122	712,753
Income taxes - current (Note 16)	50,464	118,440
- future	169,854	22,959
	220,318	141,399
Income Before Regulatory Adjustment	1,240,804	571,354
Regulatory adjustment - payment in lieu of taxes	-	1,469,876
- future tax impact of adjustment	-	389,517
Net regulatory adjustment	-	1,080,359
Net Income (Loss)	1,240,804	(509,005)

See accompanying notes

BRANT COUNTY POWER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31	2013	2012
Cash Flows From Operating Activities		
Net Income (Loss)	1,240,804	(509,005)
Charges (credits) to income not involving cash:		
Amortization	1,259,684	1,481,078
Amortization of contributed capital	(76,650)	(74,469)
Gain on disposal of equipment	(3,113)	(79,014)
Future income taxes	169,854	(366,558)
	2,590,579	452,032
Net change in non-cash working capital balances related to operations:		
Accounts receivable	358,272	(88,410)
Unbilled revenue	(983,164)	48,296
Inventory	7,788	3,879
Other current assets	(138,151)	96,079
Accounts payable, accrued liabilities and dividends payable	875,101	(773,991)
Payment in lieu of income taxes payable/recoverable	158,787	(459,334)
Employee future benefits payable	27,656	32,153
	2,896,868	(689,296)
Cash Flows From Financing Activities		
Long term liabilities	(31,277)	950,602
Capital contributions received	59,601	49,480
Dividends	(621,000)	(430,000)
	(592,676)	570,082
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(1,656,013)	(3,688,588)
Regulatory assets/liabilities	(152,630)	3,239,457
Proceeds on disposal of property, plant and equipment	31,217	104,880
Loan receivable	63,463	81,182
	(1,713,963)	(263,069)
Net Increase (Decrease) in Cash and Cash Equivalents	590,229	(382,283)
Opening Cash and Cash Equivalents (Bank Indebtedness)	(422,129)	(39,846)
Closing Cash and Cash Equivalents (Bank Indebtedness)	168,100	(422,129)

See accompanying notes

1. NATURE OF ACTIVITIES

Brant County Power Inc. ("the Company") provides electricity distribution services to residents of The Corporation of the County of Brant. The Company is incorporated under the Ontario Business Corporations Act and is regulated by the Ontario Energy Board ("OEB") and the Ministry of Energy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles for electrical utilities in Ontario as required by the OEB under the authority of Section 70(2) of the OEB Act, 1998, of The Energy Competition Act, 1998, and reflect the following policies as set forth in the OEB Accounting Procedures Handbook. All principles employed are in accordance with Canadian generally accepted accounting principles ("GAAP").

(a) Measurement
Financial statements are based on representations that may require estimates to be made in anticipation of future transactions and events and include measurement that may, by their nature, be approximations. These have been made using careful judgment.

(b) Inventory
Inventory is stated at the lower of cost or net realizable value. Cost is determined by using the first-in first-out method.

(c) Revenue Recognition
Distribution revenue is based on OEB approved distribution rates and is recognized as electricity is delivered to customers and collection is reasonably assured. Distribution revenue includes an estimate of revenue based on electricity delivered but not yet invoiced to customers from the last meter reading date to the year end.

(d) Property, Plant and Equipment and Amortization
Property, plant and equipment are recorded at cost. Amortization is provided for in the accounts as follows:

Buildings	30-50	years straight line
Distribution lines - overhead	35-55	years straight line
Distribution lines - underground	46-60	years straight line
Transformer station	45	years straight line
Distribution transformers	40	years straight line
Distribution meters	10	years straight line
Distribution services	40-55	years straight line
Rolling stock	10	years straight line
Computer systems	4-5	years straight line
Other equipment	5-20	years straight line

The Company acquired various property, plant and equipment from its shareholder when the former Commission was dissolved. Since these assets were already in service, the Company has continued to amortize the assets over their respective remaining estimated service lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Utility Plant Acquisition Adjustment

Utility plant acquisition adjustment represents the cost of acquired local distribution assets from the County of Brant in excess of the book value of net identifiable assets purchased.

(f) Payments in Lieu of Corporate Income Taxes (PILs)

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

The Company accounts for payments in lieu of corporate taxes using the liability method. Under the liability method, future income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

(g) Contributed Capital

Contributed capital is capitalized and amortized to income at a rate consistent with the corresponding asset that the funds were used to acquire.

(h) Financial Instruments

Financial instruments are initially recognized at fair value. Subsequent measurement is based on the classification of the financial instrument. The Company has adopted a policy to classify all financial instruments as follows:

1. Cash and bank are classified as Held for Trading and measured at fair value.
2. Accounts receivable and unbilled revenue are classified as Loans and Receivables and measured at amortized cost using the effective interest rate method.
3. Accounts payable, amounts due from affiliates and long term liabilities are classified as Other Liabilities and measured at amortized cost.
4. Purchases and sales of financial instruments are accounted for at the trade date.
5. Transaction costs on financial assets and liabilities are expensed as incurred.

The Company has adopted the disclosure and presentation requirements of Canadian Institute of Chartered Accountants Handbook Section 3861 rather than Handbook Sections 3862 and 3863.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Regulatory Policies

The Company has adopted the following policies, as prescribed by the OEB for rate-regulated enterprises. The policies have resulted in accounting treatments differing from Canadian GAAP for enterprises operating in a non-rate-regulated environment:

1. Various regulatory costs have been deferred in accordance with criteria set out in the OEB's Accounting Procedures Handbook. In the absence of such regulation, these costs would have been expensed when incurred under Canadian GAAP.
2. The Company has deferred certain retail settlement variance amounts under the provisions of Article 490 in the OEB's Accounting Procedures Handbook.

3. ADOPTION OF OEB POLICIES

During the year, the Company adopted certain of the OEB policies related to the OEB's plan to move all electricity distribution companies to a Modified International Financial Reporting Standard. The Company changed its accounting policy regarding the life of certain assets. The policy was applied on a prospective basis.

4. EMERGING ACCOUNTING CHANGES

The Accounting Standards Board ("AcSB") confirmed that rate-regulated enterprises will be required to adopt International Financial Reporting Standards ("IFRS"). The Accounting Standards board has deferred the adoption of IFRS for rate-regulated entities until December 31, 2015.

The Company has elected to defer its adoption of IFRS. Accordingly, the Company has prepared its financial statements in accordance with Part V of the CICA Handbook "Pre-Changeover Accounting Standards" for 2013.

The Company continues to assess the impact of conversion to IFRS on its results of operations. The Company will continue to monitor accounting developments with respect to the adoption of IFRS and how any changes will impact on the Company's reporting under IFRS.

5. RATE SETTING

The rates of the Company's electricity distribution business are subject to regulation by the OEB.

With the commencement of the open market, the Company purchases electricity from the Independent Electricity System Operator ("IESO"), at spot market rates and charges its customers unbundled rates. The unbundled rates include the actual cost of generation and transmission of electricity and an approved rate for electricity distribution. The cost of generation, transmission and connection charges and debt retirement payments are collected by the Company and remitted to the IESO and the OEFC respectively. The Company retains the distribution charge on the customer hydro invoices.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated Company. Such change in timing gives rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent certain amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities which represent amounts for expenses incurred in different periods than would be the case had the Company been unregulated. Specific regulatory assets and liabilities are disclosed in Note 9.

The Company's approved rate for distribution includes components for the recovery (refund) of regulatory assets (liabilities). The approved rates, effective May 1, 2013, were calculated on a 2010 rate base and includes a rate of return on equity. These rates are adjusted in May of each year through the OEB's Incentive Rate Mechanism ("IRM") process.

6. ACCOUNTS RECEIVABLE

	2013	2012
Electrical energy	3,287,826	3,724,939
Sundry	160,581	207,740
	3,448,407	3,932,679
Allowance for doubtful accounts	(39,000)	(165,000)
	3,409,407	3,767,679

7. LOAN RECEIVABLE	**2013**	**2012**
Loans to Brant Municipal Enterprises ("BME") with an effective interest rate of Prime +1.75%. Regular monthly payments of $8,470 including principal and interest per month	322,943	386,406
Less: Current portion	66,065	85,287
	256,878	301,119

During the year, a six month deferral was given to Brant Municipal Enterprises on the principal portion of the loan only. Principal payments will resume in April 2014.

8. PROPERTY, PLANT AND EQUIPMENT	**Cost**	**Accumulated Amortization**	**2013**	**2012**
Land	182,715	-	182,715	182,715
Buildings	1,334,586	401,130	933,456	935,151
Transformer station	2,510,109	495,809	2,014,300	2,068,741
Distribution lines - overhead	13,028,136	4,421,167	8,606,969	8,102,887
Distribution lines - underground	3,153,390	1,506,376	1,647,014	1,526,111
Distribution transformers	5,497,859	2,292,166	3,205,693	2,975,625
Distribution meters	2,702,136	910,136	1,792,000	1,951,668
Distribution services	2,786,110	1,406,142	1,379,968	1,366,549
Rolling stock	1,200,283	659,868	540,415	659,421
Computer systems	1,494,590	1,167,830	326,760	412,963
Other equipment	1,270,650	655,178	615,472	694,706
Contributed capital	(1,946,054)	(779,533)	(1,166,521)	(1,183,570)
	33,214,510	13,136,269	20,078,241	19,692,967

9. REGULATORY ASSETS/LIABILITIES

	2013	2012
Retail settlement variance accounts	(1,225,429)	(1,529,849)
MIFRS transition	104,155	-
Recovery of regulatory asset balances	(755,595)	(499,650)
	(1,876,869)	(2,029,499)

The retail settlement variance accounts represent differences between charges billed to customers using the OEB Board approved fixed reference price and the actual costs billed to the Company by the IESO.

In April 2011, the OEB announced its decision regarding the Company's Cost of Service rate application. As part of the rate application, the OEB allowed for a recovery (refund) of various regulatory assets (liabilities). These amounts are reported as the Recovery of regulatory asset balances account ("RAR"). The RAR is to be recovered over a one year period, ending April 2012. The RAR consists of various OEB approved regulatory asset (liability) account balances as at December 31, 2010. A further adjustment to the RAR occurred during the IRM process (described in Note 4) and this adjustment is to be recovered over a one year period, ending April 2013.

In 2013, the OEB mandated that distributors make accounting changes to depreciation and capitalization policies permitted by the OEB under Canadian GAAP (see also Note 3). The policy consisted of change in useful lives of some assets. This resulted in a regulatory asset of $104,155.

The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be reflected in results of operations in the period that the assessment is made.

10. LONG TERM LIABILITIES

	2013	2012
Committed revolving facility payable to The Toronto-Dominion Bank, interest only payable monthly, with the option to pay the differential interest, with principal due in 2023	8,000,000	8,000,000
Customer deposits	97,397	128,674
	8,097,397	8,128,674
Less: Current portion (customer deposits)	44,400	44,400
	8,052,997	8,084,274

As security for the TD loan, the Company has provided a general security agreement, an assignment of fire insurance, evidence of adequate liability insurance, and indemnity agreement and an International Swap Dealer Agreement. Effective December 31, 2008, the Company entered into a swap agreement regarding the interest on the loan in exchange for a bankers' acceptance agreement.

11. EMPLOYEE FUTURE BENEFITS PAYABLE

The Company provides certain non-pension post-retirement medical benefits to employees. An actuarial valuation of future liabilities was completed as at January 1, 2013 and forms the basis for the estimated liability reported in these financial statements. The effective date of the next required actuarial valuation is January 1, 2015. The significant assumptions adopted in estimating the Company's accrued benefit obligation for employee future benefits are as follows:

Discount rate			3.90%
Average compensation increase			3.00%
Healthcare cost increases	Health	Dental	Orthodontics
Initial rate	6.88%	5.00%	2.00%
Ultimate rate	7.00%	4.60%	2.00%

	2013	2012
Accrued benefit obligation - as at January 1	728,233	696,080
Current period benefit cost	24,699	24,873
Interest cost on accrued benefit obligations	30,476	33,417
Benefit payments	(27,519)	(26,137)
Accrued benefit obligation as at December 31	755,889	728,233

12. CAPITAL STOCK

	2013	2012
Authorized		
unlimited number of common shares		
Issued		
9,512,193 common shares	9,512,193	9,512,193

13. DISTRIBUTION REVENUE

	2013	2012
Residential	3,223,976	3,265,390
General	2,511,557	2,274,705
Streetlighting	260,593	263,100
Sentinel lighting	17,511	18,132
	6,013,637	5,821,327

14. OTHER OPERATING REVENUE

	2013	2012
Late payment charges	43,547	50,420
Renewable energy generation	25,256	22,641
Interest earned	48,109	8,053
Pole rentals	45,921	27,152
Collection/reconnection charges	62,162	128,930
Miscellaneous revenue	224,948	103,940
Water and sewer billing fees	209,890	209,455
	659,833	550,591

15. DISTRIBUTION OPERATION AND MAINTENANCE

	2013	2012
Overhead distribution lines and feeders	1,184,300	447,217
Underground distribution lines and feeders	155,154	137,219
Distribution transformers	19,029	26,482
Distribution meters	215,337	564,901
General operations	310,119	356,544
	1,883,939	1,532,363

16. PROVISION FOR PAYMENT-IN-LIEU OF CORPORATE INCOME TAXES

	2013	2012
The income tax provision was calculated based on taxable income.		
Taxable income is calculated as follows:		
Income before income taxes	1,461,122	712,753
SR&ED credits	(226,283)	-
Less regulatory adjustment	-	(1,469,876)
Amortization in excess of Capital Cost Allowance	(523,283)	(293,632)
Net change in regulatory assets/liabilities	(152,630)	1,638,191
Loss (gain) on disposal of assets	(3,113)	(79,014)
Change in tax reserves	27,656	9,653
Prior year losses applied to reduce taxable income	-	32,153
Other additions and deductions	55,130	-
Taxable income	638,599	550,228
Tax at 26.50% (2012 - 26.50%)	169,229	145,810
Small business deduction	(35,000)	(35,675)
Under (over) - provision of prior year taxes	(83,765)	8,305
Current tax	50,464	118,440

17. PRUDENTIAL SUPPORT

The company is required, through the IESO, to provide security to mitigate the Company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2013 the Company provided prudential support in the form of letters of credit in the amount of $1,219,297 (2012 - $1,219,927).

18. RELATED PARTY TRANSACTIONS

The Company is wholly owned by The Corporation of the County of Brant ("Brant County"). Brant County also wholly owns Brant County Power Services Inc. ("BCPSI") and Brant Municipal Enterprises Inc. ("BME"). On September 1, 2013, the operations of BCPSI were transferred to BME. Transactions for the year between BCPSI, BME and the Company occur in the normal course of operations and consideration paid is on similar terms as those to unrelated parties.

During the year, the Company provided various services to BCPSI/BME, including meter reading, billing and collecting of rental units and water and sewer billings and collections. In addition, the Company holds a long-term loan to BME. Further information regarding the loan is provided in Note 6.

	2013	2012
Services provided to related parties	237,490	300,400
Interest on loan to related party	16,603	20,458

Accounts receivable include $527,119 (2012 - $1,291,871) due from related parties and accounts payable include $660,862 (2012 - $1,295,926) due to related parties.

19. FINANCIAL INSTRUMENTS

The Company's management and the Board of Directors monitor and respond as necessary to any risks arising from financial instruments.

Fair Value
The fair value of financial instruments such as cash and bank, accounts receivable, unbilled revenue and account payables and accrued liabilities are determined to approximate their recorded value due to their short term maturity.

Credit Risk
The Company's exposure to credit risk relates to its accounts receivable and unbilled revenue. The Company collects security deposits from customers in accordance with direction provided by the OEB. The Company held security deposits of $97,397 at year end (2012 - $128,674) in order to mitigate credit risk.

Interest Rate Risk
The Company's exposure to interest rate risk relates to the terms of its long term liabilities as disclosed in Note 10.

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial stability such that it can continue to provide returns for the shareholder and benefits for other stakeholders. The Company meets its objectives for managing capital by management oversight and Board monitoring of total capital.

The Company's total capital as at December 31, consists of:

	2013	2012
Total long term liabilities	8,097,397	8,128,674
Less: cash and bank	168,100	(422,129)
Net long term liabilities	7,929,297	8,550,803
Total shareholder's equity	17,072,904	16,453,100
Total capital	25,002,201	25,003,903

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements

Year Ended December 31, 2012

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements
Year Ended December 31, 2012

Contents

KPMG LLP
Chartered Accountants
115 King Street South, 2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Cambridge and North Dumfries Hydro Inc.

We have audited the accompanying financial statements of Cambridge and North Dumfries Hydro Inc., which comprise the balance sheet as at December 31, 2012, the statements of operations, retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cambridge and North Dumfries Hydro Inc. as at December 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

April 18, 2013
Waterloo, Canada

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet
Year Ended December 31, 2012

	2012 $'000	2011 $'000
Assets		
Current assets		
Cash and cash equivalents	$ 14,607	$ 12,183
Accounts receivable	13,984	14,290
Unbilled revenue	12,911	10,016
Inventories (note 3)	2,405	1,435
Prepaid expense	389	258
Payments in lieu of corporate income taxes recoverable	893	-
Regulatory assets (note 4)	4,437	307
	49,626	38,489
Capital assets (note 2)	96,084	85,390
Other assets		
Future tax assets (note 5)	2,843	3,426
Regulatory assets (note 4)	30,612	16,685
	33,455	20,111
	$ 179,165	$ 143,990

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet (continued)
Year Ended December 31, 2012

	2012 $'000	2011 $'000
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 15,425	$ 16,086
Customer deposits	9,917	6,801
Intercompany debt (note 8)	6,740	6,689
Payments in lieu of corporate income taxes payable	-	296
Regulatory liabilities (note 4)	1,945	380
	34,027	30,252
Long-term liabilities		
Long-term debt (note 6)	35,000	35,000
Customer deposits	2,394	2,439
Post-employment benefits (note 7)	2,135	2,037
Regulatory liabilities (note 4)	35,353	6,301
	74,882	45,777
Shareholder's equity		
Capital stock (note 9)	38,224	38,224
Retained earnings	32,032	29,737
	70,256	67,961
	$ 179,165	$ 143,990

See accompanying notes to financial statements.

On behalf of the Board

Director

Director

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Income and Comprehensive Income
Year Ended December 31, 2012

	2012 $'000	2011 $'000
Revenue		
Energy sales	$ 166,496	$ 131,568
Distribution revenue	25,027	23,655
Other revenue	1,265	2,129
	192,788	157,352
Operating expense		
Energy purchases	166,496	131,568
Operations and maintenance	5,352	4,161
Administration	8,486	6,816
Amortization of capital assets	4,774	6,148
	185,108	148,693
Operating income	7,680	8,659
Interest revenue (expense)		
Interest income	494	412
Interest expense	(2,528)	(2,113)
	(2,034)	(1,701)
Non-operating revenue		
Payments in lieu of income taxes recoveries (note 13)	-	1,400
	-	1,400
Income before payments in lieu of corporate income taxes	5,646	8,358
Payments in lieu of corporate income taxes (note 5)	(403)	(1,458)
Net income	$ 5,243	$ 6,900

See accompanying notes to financial statements.

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Retained Earnings
Year Ended December 31, 2012

	2012 $'000	2011 $'000
Retained earnings, beginning of year	$ 29,737	$ 25,400
Net income	5,243	6,900
Dividends paid (note 10)	(2,948)	(2,563)
Retained earnings, end of year	$ 32,032	$ 29,737

See accompanying notes to financial statements.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Cash Flows
Year Ended December 31, 2012

	2012 $'000	2011 $'000
Cash provided by (used in):		
Operating activities		
Net income	$ 5,243	$ 6,900
Items not affecting cash:		
Amortization of capital assets	4,919	6,433
(Gain) on disposal of capital assets	(36)	(35)
Decrease in non-current customer deposits	(45)	(185)
Post-employment benefits	98	28
	10,179	13,141
Net change in non-cash operating working capital (note 11)	(4,989)	(7,759)
	5,190	5,382
Financing activities		
Dividends paid (note 10)	(2,948)	(2,563)
Increase in contributed capital	368	1,343
	(2,580)	(1,220)
Investing activities		
Additions to capital assets	(8,302)	(9,828)
Proceeds on disposal of capital assets	47	57
Intercompany loan	51	(27)
Net change in long-term regulatory assets and liabilities	8,018	(4,751)
	(186)	(14,549)
Increase (decrease) in cash and cash equivalents	2,424	(10,387)
Cash and cash equivalents, beginning of year	12,183	22,570
Cash and cash equivalents, end of year	$ 14,607	$ 12,183

See accompanying notes to financial statements.

Cambridge and North Dumfries Hydro Inc. [the "Company"] is the electric distribution utility for residents of the City of Cambridge and the Township of North Dumfries. The Company is a regulated electricity distribution company incorporated by Certificate of Incorporation under the laws of the Province of Ontario on January 1, 2000. The Company is a wholly-owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ["Energy Plus"], whose shareholders are the City of Cambridge [the "City] and the Township of North Dumfries [the "Township"].

1. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"], as described in Part V of the CICA Handbook, for rate regulated entities.

(b) Regulation

The Energy Competition Act, 1998 ["Act"] provides the Ontario Energy Board ["OEB"] with increased powers and responsibilities for regulatory oversight of electricity matters in the Province of Ontario. The Act sets out the OEB's powers to prescribe license requirements and conditions of compliance including, among other things, specified accounting records, regulatory accounting principles; and filing and process requirements for rate setting purposes.

The Company is regulated by the OEB under the authority granted by the Ontario Energy Board Act, 1998. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

1. Significant accounting policies (continued)

(b) Regulation (continued)

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from GAAP for enterprises operating in a non-rate regulated environment. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. Regulatory assets represent future rate adjustments associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in rates associated with amounts that are expected to be refunded to customers as a result of the rate setting process.

(c) Change in estimates

Effective January 1, 2012, the Company revised its estimates of useful lives of certain items of property, plant and equipment and as a result changed its amortization rates. A comparative table of amortization rates is provided in Note 1(h). The impact of the change in 2012 was a reduction of amortization expense of approximately $1,500. Furthermore, in accordance with OEB accounting requirements, an offsetting reduction of $1,500 has been recorded against distribution revenue and an increase to regulatory liabilities. As a result, the impact on net income before payments in lieu of income taxes ["PILs"] is nil.

(d) Financial instruments

The Company follows the provisions of CICA Handbook Section 3855 for the recognition and measurement of financial assets and liabilities. At inception, all financial instruments are measured at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company.

The Company has elected the following with respect to its financial assets and liabilities:

Cash is classified as "assets held-for-trading" and is measured at fair value.

1. Significant accounting policies (continued)

(d) Financial instruments (continued)

Cash equivalents, comprising short-term investments, are classified as "Held-to-maturity investments" and are measured at amortized cost, which upon initial recognition is considered equivalent to fair value.

Accounts receivable are classified as "Loans and receivables", and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and long-term debts are classified as "Other financial liabilities" and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(e) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivables, and the Company believes that its credit risk exposure is limited. The Company routinely assess the financial strength of its customers in accordance with OEB regulations and requires collateral to support customer accounts receivable on specific accounts to mitigate losses.

The Company has a revolving demand credit facility available in the amount of $8,000 with a Canadian chartered bank. Borrowings under the credit facility may be in the form prime rate loans; current account overdrafts; or Bankers' Acceptances. As December 31, 2012, the Company had drawn $nil (2011 - $nil) on the credit facility.

1. Significant accounting policies (continued)

(f) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Accounts receivable is reported based on amounts expected to be recovered less an appropriate allowance for unrecoverable amounts based on prior experience. Unbilled revenue and regulatory assets are reported based on amounts expected to be recovered. Inventory is recorded net of a provision for obsolescence. Amounts recorded for amortization of capital assets are based on estimates of useful life.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy ["MEI"].

(g) Inventory

Inventory, which consists of parts and supplies acquired for internal construction or consumption for the maintenance of capital assets, is valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(h) Capital assets

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, and overheads. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions be offset against the related asset cost.

Spare transformers and meters are treated as capital assets, as these items are held for back up of plant-in-service equipment or the substitution of original distribution plant equipment when these original plant assets are being repaired.

(In thousands of dollars)

1. Significant accounting policies (continued)

(h) Capital assets (continued)

The utility plant assets are amortized at the following rates on a straight-line basis over their expected useful life:

	New Estimated Service Life	Previous Estimated Service Life
Buildings	5 – 80 years	50 years
Transformer station equipment	15 – 60 years	40 years
Distribution transformers	20 – 80 years	25 years
Distribution system	15 – 99 years	25 years
Meters	15 – 45 years	15-25 years
System supervisory equipment	15 years	15 years
Other capital assets	3 – 10 years	3-10 years

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

(i) Customer deposits

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.

(j) Pension and other post-employment benefits

The Company provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ["OMERS"]. Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings. The Company recognizes the expense related to this plan as contributions are made.

1. Significant accounting policies (continued)

(j) Pension and other post-employment benefits (continued)

The Company pays certain post-employment benefits on behalf of its retired employees.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The estimated post-employment costs are recognized in the period in which the employees render the services. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

The Company recognizes actuarial gains and losses over the time period between actuarial valuations, which in most cases, is 3 years.

(k) Revenue recognition

Distribution revenue attributable to the delivery of electricity is based upon OEB approved distribution tariff rates and is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue, which represents electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.

(l) Payments in lieu of corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporation income taxes ["PILs"] to Ontario Energy Financial Corporation ["OEFC"]. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario), as modified by the Electricity Act, 1998, and related regulations.

(In thousands of dollars)

1. Significant accounting policies (continued)

(l) Payments in lieu of corporate income taxes (continued)

The amount of PILs will be approximately equivalent to the taxes that would have to be paid if the Company was a taxable entity under Income Tax Act (Canada). PILs are recoverable and included in approved rates charged to customers.

The Company accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available, if any, to be carried forward to future years for tax purposes that are likely to be realized.

2. Capital assets

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Land	$ 467	$ -	$ 467	$ 214
Buildings	6,378	3,803	2,575	3,677
Transformer station equipment	10,015	-	10,015	7,391
Distribution transformers	44,015	22,320	21,695	21,295
Distribution system	127,479	65,700	61,779	60,418
Meters	9,515	1,771	7,744	938
System supervisory equipment	714	714	-	-
Other capital assets	11,348	7,067	4,281	3,892
	209,931	101,375	108,556	97,825
Contributed capital	(17,260)	(4,788)	(12,472)	(12,435)
	$ 192,671	$ 96,587	$ 96,084	$ 85,390

(In thousands of dollars)

3. Inventories

		2012		2011
Stores	$	2,277	$	1,353
Reel		84		51
Fuel		37		24
Street lights		7		7
	$	2,405	$	1,435

4. Regulatory assets and liabilities

Regulatory assets and liabilities can arise as a result of the rate-making process [note 1(b)].

Net regulatory assets (liabilities):

		2012		2011
Total regulatory assets	$	35,049	$	16,992
Total regulatory liabilities		(37,298)		(6,681)
	$	(2,249)	$	10,311

(a) Regulatory assets consist of the following:

	2012		2011	
	Current	Long-term	Current	Long-term
Retail settlement variances	$ 4,351	$ 27,286	$ -	$ 6,434
Smart meters	-	2,766	-	9,978
Deferral and variance accounts	86	168	-	-
Lost revenue adjustment mechanism	-	108	-	-
Other deferred credits	-	118	-	99
Other regulatory assets	-	75	-	158
PILs variance	-	-	307	-
Retailer service cost variances	-	44	-	16
Smart grid	-	47	-	-
	$ 4,437	$ 30,612	$ 307	$ 16,685

(In thousands of dollars)

4. Regulatory assets and liabilities (continued)

(b) Regulatory liabilities consist of the following:

	2012		2011	
	Current	Long-term	Current	Long-term
Retail settlement variances	$ 1,945	$ 31,010	$ -	$ 2,875
Future tax assets – regulatory liability	-	2,843	-	3,426
Accounting changes under GAAP	-	1,500	-	-
Deferral and variance accounts	-	-	300	-
Special purpose charge assessment	-	-	80	-
	$ 1,945	$ 35,353	$ 380	$ 6,301

(c) Pro-forma effect on income before payments in lieu of corporate income taxes:

	2012	2011
Income before PILs of corporate income taxes	$ 5,646	$ 8,358
Incremental effect on income		
Smart meters	7,212	596
Retail settlement variances	4,876	335
Accounting changes under GAAP	1,500	-
Deferral and variance accounts	(554)	(7,195)
Lost revenue adjustment mechanism	(108)	-
Other deferred credits	(19)	(157)
Other regulatory assets	83	(40)
PILs variance	307	(1,398)
Retailer service cost variances	(28)	(14)
Smart Grid	(47)	-
Special purpose charge assessment	(80)	261
	$ 13,142	$ (7,612)
Income before PILs of corporate income taxes without recognition of regulatory assets and liabilities	$ 18,788	$ 746

Notes to Financial Statements (continued)
(In thousands of dollars)
Year Ended December 31, 2012

5. Payments in lieu of corporate income taxes

(a) Statement of Operations

	2012	2011
Income from continuing operations before income taxes	$ 5,646	$ 8,358
Statutory Canadian Federal and Provincial income tax rate	26.5%	28.3%
Expected taxes on income	1,496	2,365
Other permanent differences	37	3
Increase (decrease) in income taxes resulting from:		
Adjustment of prior years' taxes	-	(273)
Other current year timing differences not benefited	(1,051)	(637)
Other adjustments	(79)	-
Income tax expense	$ 403	$ 1,458
Effective tax rate	7.1%	17.4%
Components of income tax expense:		
Current tax expense	$ 403	$ 1,458
	$ 403	$ 1,458

(b) Balance Sheet

As at December 31, 2012, future income tax assets of $2,843 (2011 – $3,426) have been recorded in the accounts using blended income tax rates expected at the time of reversal. As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to timing differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.

(In thousands of dollars)

6. Long-term debt

	2012	2011
Sun Life Assurance Company of Canada 4.993% unsecured promissory note, interest payable quarterly and maturing November 2020	$ 35,000	$ 35,000

Interest expense for the year on the promissory note was $1,737 (2011 - $1,737).

7. Pension and other post-employment benefits

(a) Pensions

During 2012, the Company made pension contributions of $711 (2011 – $588).

(b) Other post-retirement benefits

The Company pays certain health, dental and life insurance benefits on behalf of its retired employees.

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2012	2011
Discount rate	3.75%	4.75%
Future general salary and wage levels increase	3.30%	3.30%
Future general inflation increase (CPI)	2.00%	2.00%

(In thousands of dollars)

7. Pension and other post-employment benefits (continued)

(b) Other post-retirement benefits (continued)

	2012	2011
Dental costs increase	CPI rate plus a further 3% increase in 2012 through to 2019 and thereafter	CPI rate plus a further 3% increase in 2011 through to 2019 and thereafter
Medical costs increase	CPI rate plus a further 5.63% increase in 2012; graded down to 3% in 2019 and thereafter	CPI rate plus a further 6.0% increase in 2011; graded down to 3% in 2019 and thereafter

The amounts presented are based upon an extrapolation performed as at December 31, 2012 on January 11, 2013. The next valuation is expected to be performed for the year ending December 31, 2014.

Continuity of employees' future benefit liability:

	2012	2011
Balance, beginning of year	$ 2,071	$ 1,986
Current service cost	49	47
Interest cost	99	98
Actuarial loss (gain)	28	83
Benefits paid	(139)	(143)
	$ 2,108	$ 2,071

(In thousands of dollars)

7. Pension and other post-employment benefits (continued)

(b) Other post-retirement benefits (continued)

Reconciliation of accrued benefit obligation:

	2012	2011
Accrued benefit obligation (ABO)	$ 2,319	$ 2,092
Unfunded ABO	(2,319)	(2,092)
Unrecognized loss	184	55
Accrued benefit liability	$ (2,135)	$ (2,037)

8. Related party transactions

(a) Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of $51 (2011 - $61) was paid to Energy Plus.

	2012	2011
Principal	$ 3,665	$ 3,665
Interest payable	55	4
	$ 3,720	$ 3,669

The Company provided the following services to Energy Plus during the year:

	2012	2011
Management fees	$ 11	$ 11
Accounting and administration fees	$ 6	$ 6

(In thousands of dollars)

8. Related party transactions (Continued)

(b) Township of North Dumfries

During the year, interest of $151 (2011 - $151) was paid to the Township of North Dumfries.

		2012		2011
Township of North Dumfries				
4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice	$	3,020	$	3,020

(c) The Company provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly-owned subsidiary company of Energy Plus:

		2012		2011
Maintenance of street lights	$	353	$	308
Management fees	$	11	$	11
Accounting and administration fees	$	12	$	12

9. Capital stock

		2012		2011
Authorized				
Unlimited common shares				
Issued				
1,001 common shares	$	38,224	$	38,224

10. Dividends

In 2012, the Company declared and paid a dividend to its shareholders in the amount of $2,948 (2011 – $2,563).

(In thousands of dollars)

11. Net change in non-cash operating working capital

	2012	2011
Accounts receivable	$ 306	$ (6,122)
Unbilled revenue	(2,895)	1,707
Inventories	(970)	(69)
Prepaid expense	(131)	159
Payments in lieu of corporate income taxes	(1,189)	504
Regulatory assets	(4,130)	5,996
Accounts payable and accrued liabilities	(661)	(903)
Customer deposits	3,116	279
Regulatory liabilities	1,565	(9,310)
	$ (4,989)	$ (7,759)

12. Energy purchases

As a participant in the competitive electricity market, all electricity purchases for standard supply customers are subject to pricing calculated by the Ontario's Independent Electricity System Operator ["IESO"], a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2012 is $9,220 (2011 – $10,561) owed in respect of electricity purchases through the IESO.

13. Payments in lieu of income taxes recoveries

On March 22, 2012, the OEB approved the disposition of a PILs Variance account for the period October 1, 2001 to April 30, 2006, which provided for a total recovery of $1,400. The recovery was recorded as a subsequent event in 2011, and included in non-operating revenue.

(In thousands of dollars)

14. Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.

15. Commitments

Letter of Credit

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Company failed to make payment required by a default notice issued by the IESO. The Company has posted a letter of credit as security in the amount of $20,378 (2011 – $20,378).

Operating Lease

The Company has entered into an operating lease for office space which expires in 2017. The minimum annual lease payments required under the lease agreement are as follows:

2013	$	51
2014		51
2015		51
2016		51
Thereafter		9
	$	213

16. Emerging Accounting Changes

Publicly accountable enterprises in Canada were required to adopt International Financial Reporting Standards ["IFRS"] in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2011.

16. Emerging accounting changes (continued)

The Accounting Standards Board has provided entities subject to rate regulation an optional deferral up to January 1, 2015 for the implementation of IFRS. The Company has elected to defer its adoption of IFRS and continues to prepare its financial statements in accordance with Part V of the CICA Handbook.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Corporate Directory
Year Ended December 31, 2012

Directors

Charles Cipolla, Chair	Doug Craig
Thomas LeBrun, Vice Chair	Martyn Champ
Anita Davis	Robert Deutschmann
Derek Hamilton	John Keating
Steven McCartney	Ian Miles
Dr. John Tibbits	

Management

Ian Miles	President and CEO
Jeffery Brown, P.Eng	Vice President, Operations
Jane Hale-McDonald, CHRP, ARD	Vice President, Human Resources
Sarah Hughes, CA	Chief Financial Officer
Michael Knox	Vice President, Energy Measurement and Conservation
Paul Martinello	Vice President, Information Technology Services
Barbara Shortreed, B.Econ	Vice President, Customer Care and Communications
Ron Sinclair, P.Eng	Vice President, Engineering

Bank

Royal Bank of Canada
15 Sheldon Drive
Cambridge, Ontario

Lawyers

Matlow, Miller, Harris, Thrasher LLP
39 Dickson Street
Cambridge, Ontario

Auditors

KPMG LLP
115 King Street South, 2nd Floor
Waterloo, Ontario

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements

Year Ended December 31, 2013

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Financial Statements
Year Ended December 31, 2013

Contents

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Cambridge and North Dumfries Hydro Inc.

We have audited the accompanying financial statements of Cambridge and North Dumfries Hydro Inc., which comprise the balance sheet as at December 31, 2013, the statements of operations, retained earnings and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cambridge and North Dumfries Hydro Inc. as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 22, 2014
Waterloo, Canada

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet
Year Ended December 31, 2013

		2013 $'000		2012 $'000
Assets				
Current assets				
Cash and cash equivalents	$	12,635	$	14,607
Accounts receivable		13,988		13,984
Unbilled revenue		18,443		12,911
Inventories (note 3)		2,052		2,405
Prepaid expense		653		389
Payments in lieu of corporate income taxes recoverable		276		893
Regulatory assets (note 4)		3,449		4,437
		51,496		49,626
Capital assets (note 2)		104,384		96,084
Other assets				
Future tax assets (note 5)		1,160		2,843
Regulatory assets (note 4)		1,876		3,140
		3,036		5,983
	$	158,916	$	151,693

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Balance Sheet (continued)
Year Ended December 31, 2013

	2013 $'000	2012 $'000
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 20,096	$ 15,425
Customer deposits	8,882	9,917
Intercompany debt (note 8)	6,687	6,740
Regulatory liabilities (note 4)	6,174	1,945
	41,839	34,027
Long-term liabilities		
Long-term debt (note 6)	35,000	35,000
Customer deposits	2,624	2,394
Post-employment benefits (note 7)	2,126	2,135
Regulatory liabilities (note 4)	4,633	7,881
	44,383	47,410
Shareholder's equity		
Capital stock (note 9)	38,224	38,224
Retained earnings	34,470	32,032
	72,694	70,256
	$ 158,916	$ 151,693

See accompanying notes to financial statements.

On behalf of the Board

Director

Director

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Income and Comprehensive Income
Year Ended December 31, 2013

	2013 $'000	2012 $'000
Revenue		
Energy sales	$ 172,055	$ 166,496
Distribution revenue	24,629	25,027
Other revenue	1,293	1,265
	197,977	192,788
Operating expense		
Energy purchases	172,055	166,496
Operations and maintenance	3,978	5,352
Administration	10,365	8,486
Amortization of capital assets	4,610	4,774
	191,008	185,108
Operating income	6,969	7,680
Interest revenue (expense)		
Interest income	212	494
Interest expense	(2,137)	(2,528)
	(1,925)	(2,034)
Income before payments in lieu of corporate income taxes	5,044	5,646
Payments in lieu of corporate income taxes recovery (expense)(note 5)	15	(403)
Net income	$ 5,059	$ 5,243

See accompanying notes to financial statements.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Retained Earnings
Year Ended December 31, 2013

	2013 $'000	2012 $'000
Retained earnings, beginning of year	$ 32,032	$ 29,737
Net income	5,059	5,243
Dividends paid (note 10)	(2,621)	(2,948)
Retained earnings, end of year	$ 34,470	$ 32,032

See accompanying notes to financial statements.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Statement of Cash Flows
Year Ended December 31, 2013

		2013 $'000		2012 $'000
Cash provided by (used in):				
Operating activities				
Net income	$	5,059	$	5,243
Items not affecting cash:				
Amortization of capital assets		4,152		4,919
(Gain) on disposal of capital assets		(3)		(36)
Increase (decrease) in non-current customer deposits		230		(45)
Post-employment benefits		(9)		98
		9,429		10,179
Net change in non-cash operating working capital (note 11)		4,023		(4,989)
		13,452		5,190
Financing activities				
Dividends paid (note 10)		(2,621)		(2,948)
Increase in contributed capital		2,879		368
		258		(2,580)
Investing activities				
Additions to capital assets		(15,331)		(8,302)
Proceeds on disposal of capital assets		3		47
Intercompany loan		(53)		51
Net change in long-term regulatory assets and liabilities		(301)		8,018
		(15,682)		(186)
(Decrease) increase in cash and cash equivalents		(1,972)		2,424
Cash and cash equivalents, beginning of year		14,607		12,183
Cash and cash equivalents, end of year	$	12,635	$	14,607

See accompanying notes to financial statements.

Cambridge and North Dumfries Hydro Inc. [the "Company"] is the electric distribution utility for residents of the City of Cambridge and the Township of North Dumfries. The Company is a regulated electricity distribution company incorporated by Certificate of Incorporation under the laws of the Province of Ontario on January 1, 2000. The Company is a wholly-owned subsidiary of Cambridge and North Dumfries Energy Plus Inc. ["Energy Plus"], whose shareholders are the City of Cambridge [the "City] and the Township of North Dumfries [the "Township"].

1. Significant accounting policies

(a) Basis of accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ["GAAP"] for rate regulated entities.

(b) Regulation

The Energy Competition Act, 1998 ["Act"] provides the Ontario Energy Board ["OEB"] with increased powers and responsibilities for regulatory oversight of electricity matters in the Province of Ontario. The Act sets out the OEB's powers to prescribe license requirements and conditions of compliance including, among other things, specified accounting records, regulatory accounting principles; and filing and process requirements for rate setting purposes.

The Company is regulated by the OEB under the authority granted by the Ontario Energy Board Act, 1998. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

1. Significant accounting policies (continued)

(b) Regulation (continued)

In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from GAAP for enterprises operating in a non-rate regulated environment. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. Regulatory assets represent future rate adjustments associated with certain costs incurred in the current period or in prior periods that are expected to be recovered from customers in future periods through the rate setting process. Regulatory liabilities represent future reductions or limitations of increases in rates associated with amounts that are expected to be refunded to customers as a result of the rate setting process.

(c) Financial instruments

The Company follows the provisions of CPA Handbook Section 3855 for the recognition and measurement of financial assets and liabilities. At inception, all financial instruments are measured at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses would be reported in either net income or other comprehensive income. Subsequent measurement of each financial instrument will depend on the balance sheet classification elected by the Company.

The Company has elected the following with respect to its financial assets and liabilities:

Cash is classified as "assets held-for-trading" and is measured at fair value.

Cash equivalents, comprising short-term investments, are classified as "Held-to-maturity investments" and are measured at amortized cost, which upon initial recognition is considered equivalent to fair value.

Accounts receivable are classified as "Loans and receivables", and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

1. Significant accounting policies (continued)

(c) Financial instruments (continued)

Accounts payable and long-term debts are classified as "Other financial liabilities" and are initially measured at amortized cost, which upon initial recognition is fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(d) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivables, and the Company believes that its credit risk exposure is limited. The Company routinely assess the financial strength of its customers in accordance with OEB regulations and requires collateral to support customer accounts receivable on specific accounts to mitigate losses.

The Company has a revolving demand credit facility available in the amount of $8,000 with a Canadian chartered bank. Borrowings under the credit facility may be in the form prime rate loans; current account overdrafts; or Bankers' Acceptances. As December 31, 2013, the Company had drawn $nil (2012 - $nil) on the credit facility.

(e) Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Accounts receivable is reported based on amounts expected to be recovered less an appropriate allowance for unrecoverable amounts based on prior experience. Unbilled revenue and regulatory assets are reported based on amounts expected to be recovered. Inventory is recorded net of a provision for obsolescence. Amounts recorded for amortization of capital assets are based on estimates of useful life.

Due to the inherent uncertainty involved in making such estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by the OEB or the Minister of Energy ["MEI"].

(In thousands of dollars)

1. Significant accounting policies (continued)

(f) Inventory

Inventory, which consists of parts and supplies acquired for internal construction or consumption for the maintenance of capital assets, is valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(g) Capital assets

Capital assets are recorded at cost and include contracted services, materials, labour, engineering costs, and directly attributable overheads. Certain assets may be acquired or constructed with financial assistance in the form of contributions from developers or customers. The OEB requires that such contributions be offset against the related asset cost.

Costs incurred to remove an existing asset from service that are not directly attributable to site preparation for the construction of new assets are expensed.

Spare transformers and meters are treated as capital assets, as these items are held for back up of plant-in-service equipment or the substitution of original distribution plant equipment when these original plant assets are being repaired.

The utility plant assets are amortized at the following rates on a straight-line basis over their expected useful life:

	New Estimated Service Life
Buildings	5 – 80 years
Transformer Station Equipment	15 – 60 years
Distribution Transformers	20 – 80 years
Distribution System	15 – 99 years
Meters	15 – 45 years
System Supervisory Equipment	15 years
Other Capital Assets	3 – 10 years

Amortization is recorded at one-half the usual annual rate for assets placed into service in the current fiscal period.

Construction in progress comprises capital assets under construction, assets not yet placed into service and pre-construction activities related to specific projects expected to be constructed.

1. Significant accounting policies (continued)

(h) Customer deposits

Customers may be required to post security to obtain electricity or other services. These amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest is paid in accordance with the OEB regulations with interest rates based on a variable rate of prime less 2.0%, updated quarterly.

(i) Pension and other post-employment benefits

The Company provides a pension plan for its full-time employees through the Ontario Municipal Employees Retirement System ["OMERS"]. Participation in OMERS requires employers and employees to make contributions based on participating employee's contributory earnings. The Company recognizes the expense related to this plan as contributions are made.

The Company pays certain post-employment benefits on behalf of its retired employees.

Employee future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimates. The estimated post-employment costs are recognized in the period in which the employees render the services. The amount of the obligation is determined from actuarial valuations performed every three years. In the years between valuations, an extrapolation is used.

The Company recognizes actuarial gains and losses over the time period between actuarial valuations, which in most cases, is three years.

(j) Revenue recognition

Distribution revenue attributable to the delivery of electricity is based upon OEB approved distribution tariff rates and is recognized as electricity is delivered to customers, which includes an estimate of unbilled revenue, which represents electricity consumed by customers since the date of each customer's last meter reading. Actual electricity usage could differ from estimates.

1. Significant accounting policies (continued)

(k) Payment in lieu of corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporation income taxes ["PILs"} to Ontario Energy Financial Corporation ["OEFC"]. These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario), as modified by the Electricity Act, 1998, and related regulations.

The amount of PILs will be approximately equivalent to the taxes that would have to be paid if the Company was a taxable entity under Income Tax Act (Canada). PILs are recoverable and included in approved rates charged to customers.

The Company accounts for income taxes using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available, if any, to be carried forward to future years for tax purposes that are likely to be realized.

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Notes to Financial Statements (continued)
(In thousands of dollars)
Year Ended December 31, 2013

2. Capital assets

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	$ 467	$ -	$ 467	$ 467
Buildings	6,766	3,973	2,793	2,575
Transformer station equipment	10,054	3,118	6,936	7,264
Distribution transformers	46,239	22,915	23,324	21,695
Distribution system	138,076	64,538	73,538	64,530
Meters	10,165	2,434	7,731	7,744
System supervisory equipment	714	714	-	-
Other capital assets	12,626	8,027	4,599	4,281
	225,107	105,719	119,388	108,556
Contributed capital	(20,139)	(5,135)	(15,004)	(12,472)
	$ 204,968	$ 100,584	104,384	$ 96,084

3. Inventories

	2013	2012
Stores	$ 1,922	$ 2,277
Reel	77	84
Fuel	46	37
Street lights	7	7
	$ 2,052	$ 2,405

(In thousands of dollars)

4. Regulatory assets and liabilities

Regulatory assets and liabilities can arise as a result of the rate-making process [note 1(b)].

Net regulatory assets (liabilities):

	2013	2012
Total regulatory assets	$ 5,325	$ 7,577
Total regulatory liabilities	(10,807)	(9,826)
	$ (5,482)	$ (2,249)

(a) Regulatory assets consist of the following:

	2013		2012	
	Current	Long-term	Current	Long-term
Retail settlement variances	$ 305	$ 48	$ 4,351	$ (185)
Smart Meters	1,631	1,135	-	2,766
Accounting changes under GAAP	1,513	693	86	559
	$ 3,449	$ 1,876	$ 4,437	$ 3,140

(b) Regulatory liabilities consist of the following:

	2013		2012	
	Current	Long-term	Current	Long-term
Retail settlement variances	$ 3,653	$ 2,212	$ 1,945	$ 3,538
Future tax assets – regulatory liability	-	1,160	-	2,843
Accounting changes under GAAP	2,298	1,149	-	1,500
Other	223	112	-	-
	$ 6,174	$ 4,633	$ 1,945	$ 7,881

(In thousands of dollars)

4. Regulatory assets and liabilities (continued)

(c) Pro-forma effect on income before payments in lieu of corporate income taxes:

	2013	2012
Income before PILs of corporate income taxes	$ 5,045	$ 5,646
Incremental effect on income:		
Smart meters	-	7,212
Retail settlement variances	4,158	4,848
Accounting changes under GAAP	1,947	1,500
Deferral and variance accounts	(1,086)	(554)
Extraordinary event	(479)	-
Lost revenue adjustment mechanism	(73)	(108)
Other	(1,232)	(338)
	$ 3,235	$ 12,559
Income before PILs of corporate income taxes without recognition of regulatory assets and liabilities	$ 8,280	$ 18,205

(In thousands of dollars)

5. Payments in lieu of corporate income taxes

(a) Statement of Operations

		2013		2012
Income from continuing operations before income taxes	$	5,045	$	5,646
Statutory Canadian Federal and Provincial income tax rate		26.5%		26.5%
Expected taxes on income		1,337		1,496
Other permanent differences		28		37
Increase (decrease) in income taxes resulting from:				
Adjustment of prior years' taxes		(75)		-
Other current year timing differences not benefited		(1,229)		(1,051)
Other adjustments		(76)		(79)
Income tax (recovery) expense		(15)	$	403
Effective tax rate		0.3%		7.1%
Components of income tax (recovery) expense:				
Current tax (recovery) expense	$	(15)	$	403
	$	(15)	$	403

(b) Balance Sheet

As at December 31, 2013, future income tax assets of $1,160 (2012 – $2,843) have been recorded in the accounts using blended income tax rates expected at the time of reversal. As prescribed by regulatory rate orders, income tax expense is recovered from customers through the rate-making process based on the taxes payable method. Therefore, rates do not include the recovery of future income taxes related to timing differences between the tax basis of assets and liabilities, and their carrying amounts for accounting purposes.

(In thousands of dollars)

6. Long-term debt

	2013	2012
Sun Life Assurance Company of Canada 4.993% unsecured promissory note, interest payable quarterly and maturing November 2020	$ 35,000	$ 35,000

Interest expense for the year:

	2013	2012
Sun Life Assurance Company of Canada	$ 1,737	$ 1,737

7. Pension and other post-employment benefits

(a) Pensions

During 2013, the Company made pension contributions of $857 (2012 – $711).

(b) Other post-retirement benefits

The Company pays certain health, dental and life insurance benefits on behalf of its retired employees.

(In thousands of dollars)

7. Pension and other post-employment benefits (continued)

The significant actuarial assumptions adopted in measuring the accrued benefit obligations are as follows:

	2013	2012
Discount rate	4.40%	3.75%
Future general salary and wage levels increase	3.30%	3.30%
Future general inflation increase (CPI)	2.00%	2.00%
Dental costs increase	CPI rate plus a further 3% increase in 2013 through to 2019 and thereafter	
Medical costs increase	CPI rate plus a further 5.63% increase in 2013; graded down to 3% in 2019 and thereafter	

The amounts presented are based upon an extrapolation performed as at December 31, 2013 on January 11, 2014. The next valuation is expected to be performed for the year ending December 31, 2014.

Continuity of employees' future benefit liability:

	2013	2012
Balance, beginning of year	$ 2,135	$ 2,037
Current service cost	75	40
Interest cost	87	99
Actuarial (gain) loss	(42)	98
Benefits paid	(129)	(139)
	$ 2,126	$ 2,135

(In thousands of dollars)

7. Pension and other post-employment benefits (continued)

(b) Other post-retirement benefits

Reconciliation of accrued benefit obligation:

	2013	2012
Accrued benefit obligation (ABO)	$ 1,917	$ 2,319
Unfunded ABO	(1,917)	(2,319)
Unrecognized (gain) loss	(209)	184
Accrued benefit liability	$ (2,126)	$ (2,135)

8. Related party transactions

Intercompany debt comprises:

	2013	2012
Township of North Dumfries 4.993% unsecured promissory note, interest payable quarterly, principal due on two months demand notice and payable to related party	$ 3,020	$ 3,020
Energy Plus intercompany loan	3,667	$ 3,720
	$ 6,687	$ 6,740

(a) Township of North Dumfries

During the year, interest of $151 (2012 - $151) was paid to Township of North Dumfries.

(In thousands of dollars)

8. Related party transactions (Continued)

(b) Cambridge and North Dumfries Energy Plus Inc.

During the year, interest of $152 (2012 - $51) was paid to Energy Plus on the intercompany loan.

The Company provided the following services to Energy Plus during the year:

	2013	2012
Management fees	$ 11	$ 11
Accounting and administration fees	$ 6	$ 6

(c) The Company provided the following goods and services to Cambridge and North Dumfries Energy Solutions Inc., an unregulated wholly-owned subsidiary company of Energy Plus:

	2013	2012
Maintenance of street lights	$ 276	$ 353
Management fees	$ 11	$ 11
Accounting and administration fees	$ 12	$ 12

9. Capital stock

	2013	2012
Authorized		
Unlimited common shares		
Issued		
1,001 common shares	$ 38,224	$ 38,224

10. Dividends

In 2013, the Company declared and paid a dividend to its shareholders in the amount of $2,621 (2012 – $2,948).

(In thousands of dollars)

11. Net change in non-cash operating working capital

	2013	2012
Accounts receivable	$ (4)	$ 306
Unbilled revenue	(5,532)	(2,895)
Inventories	353	(970)
Prepaid expense	(264)	(131)
Payment in lieu of corporate income taxes	617	(1,189)
Regulatory assets	988	(4,130)
Accounts payable and accrued liabilities	4,671	(661)
Customer deposits	(1,035)	3,116
Regulatory liabilities	4,229	1,565
	$ 4,023	$ (4,989)

12. Energy purchases

As a participant in the competitive electricity market, all electricity purchases for standard supply customers are subject to pricing calculated by the Ontario's Independent Electricity System Operator ["IESO"], a provincial government body.

Included in accounts payable and accrued liabilities as at December 31, 2013 is $11,493 (2012 – $9,220) owed in respect of electricity purchases through the IESO.

13. Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, cash and cash equivalents held for consumer deposits, accounts payable and accrued liabilities, advance payments and amounts due to and from related parties approximate fair values because of the short maturity of these instruments.

(In thousands of dollars)

14. Commitments

Letter of Credit

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default on their expected activity in the market. The IESO could draw on this security if the Company failed to make payment required by a default notice issued by the IESO. The Company has posted a letter of credit as security in the amount of $20,378 (2012 – $20,378).

Operating Lease

The Company has entered into an operating lease for office space which expires in 2017. The minimum annual lease payments required under the lease agreement are as follows:

2014	$	51
2015		51
2016		51
Thereafter		9
	$	162

15. Emerging Accounting Changes

(a) International Financial Reporting Standards

Publicly accountable enterprises in Canada were required to adopt International Financial Reporting Standards ["IFRS"] in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2011.

The Accounting Standards Board has provided entities subject to rate regulation an optional deferral up to January 1, 2015 for the implementation of IFRS. The Company has elected to defer its adoption of IFRS and continues to prepare its financial statements in accordance with Part V of the CPA Handbook re: Accounting for rate regulated activities under IFRS (provided).

15. Emerging Accounting Changes (Continued)

(b) Accounting for rate regulated activities under IFRS

The International Accounting Standards Board ("IASB") has approved IFRS 14 *Regulatory Deferral Accounts* in January 2014. This standard provides specific guidance on accounting for the effects of rate regulation and permits first-time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. Adoption of this standard is optional for entities eligible to use it. Deferral account balances and movements in the balances will be required to be presented as separate line items on the face of the financial statements distinguished from assets, liabilities, income and expenses that are recognised in accordance with other IFRSs. Extensive disclosures will be required to enable users of the financial statements to understand the features and nature of and risks associated with rate regulation and the effect of rate regulation on the entity's financial position, performance and cash flows.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

Energy+

CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

Corporate Directory
Year Ended December 31, 2013

Directors

Charles Cipolla, Chair
Steven McCartney, Vice Chair
Ian Miles
Dr. John Tibbits
Derek Hamilton
Doug Craig
Martyn Champ
Robert Deutschmann
Steven McCartney

Management

Ian Miles	President and CEO
Jeffery Brown, P.Eng	Vice President, Operations
Jane Hale-McDonald, CHRP, ARD	Vice President, Human Resources
Sarah Hughes, CPA, CA	Chief Financial Officer
Michael Knox	Vice President, Customer Information Services and Conservation
Paul Martinello	Vice President, Information Technology Services
Barbara Shortreed, B.Econ	Vice President, Customer Care and Communications
Ron Sinclair, P.Eng	Vice President, Engineering

Bank

Royal Bank of Canada
15 Sheldon Drive
Cambridge, Ontario

Lawyers

Matlow, Miller, Harris, Thrasher LLP
39 Dickson Street
Cambridge, Ontario

Auditors

KPMG LLP
115 King Street South, 2nd Floor
Waterloo, Ontario

Summary of Projected Financial Results
CND and BCPI Combined (Assumes January 1, 2015)
For the Fiscal Years Ended December 31
$000's

Attachment 1.4.4A

Projected Income Statement		2015	2016	2017	2018	2019
Revenue						
Distribution revenue	$	35,103	35,971	37,035	37,953	39,173
Power, connection, transmission		229,419	240,374	251,863	263,912	276,449
Other operating revenue		1,962	1,976	1,990	2,004	2,028
Revenue		266,484	278,320	290,888	303,868	317,649
Cost of power		229,419	240,374	251,863	263,912	276,449
Net operating revenue		37,064	37,947	39,025	39,956	41,200
Administrative expenses						
Operation and maintenance expenses		6,871	6,529	6,466	6,401	6,515
Administrative expenses		12,106	12,076	12,321	12,571	12,773
Total OM&A costs		18,977	18,605	18,786	18,972	19,288
EBITDA		**18,088**	**19,341**	**20,238**	**20,984**	**21,913**
Amortization		6,218	6,578	7,018	7,656	8,131
Operating income		**11,869**	**12,763**	**13,220**	**13,328**	**13,782**
Interest costs		4,626	4,625	4,728	5,369	5,369
Earnings before PILs		**7,243**	**8,138**	**8,492**	**7,958**	**8,412**
Payments-in-lieu-of-taxes		859	1,042	1,086	1,029	909
Net Income	$	**6,384**	**7,095**	**7,406**	**6,929**	**7,503**

Attachment 1.4.4A

Summary of Projected Financial Results
CND and BCPI Combined (Assumes January 1, 2015)
For the Fiscal Years Ended December 31
$000's

Projected Balance Sheet		2015	2016	2017	2018	2019
Assets						
Cash and equivalents	$	-	402	1,108	3,280	1,776
Accounts receivable		20,144	20,991	21,898	22,825	23,582
Accounts receivable - unbilled revenues		23,463	24,502	25,608	26,747	27,937
Inventories		2,275	2,303	2,329	2,357	2,384
Other current assets		504	511	518	525	532
Total current assets		46,387	48,708	51,460	55,734	56,212
Regulatory assets		-	-	-	-	-
Property, plant and equipment		151,891	156,383	160,349	179,501	183,698
Goodwill		20,404	20,404	20,404	20,404	20,404
Deferred PILs asset		127	-	-	-	-
Total assets	$	218,809	225,496	232,214	255,640	260,314
Liabilities						
Bank indebtedness	$	998	-	-	-	-
Accounts payable & accruals		26,690	27,063	27,440	28,278	29,136
Payment in lieu of income taxes payable		694	828	888	907	613
Intercompany		3,678	3,678	3,678	3,678	3,678
Current portion of customer deposits		772	780	790	799	807
Total current liabilities		32,832	32,349	32,797	33,661	34,234
Regulatory liabilities		6,380	8,040	8,476	8,922	6,838
Long-term debt		95,361	95,361	95,361	112,361	112,361
Employee future benefits - long-term		2,954	3,005	3,058	3,112	3,166
Customer deposits - long-term		2,647	2,677	2,707	2,739	2,764
Deferred PILs liability		235	1,482	2,887	4,188	5,758
Total liabilities		140,408	142,914	145,287	164,982	165,121
Shareholder's Equity						
Share capital		38,224	38,224	38,224	38,224	38,224
Retained earnings		40,177	44,358	48,703	52,433	56,969
Total shareholder's equity		78,401	82,582	86,927	90,657	95,193
Total liabilities & equity	$	218,809	225,496	232,214	255,640	260,314

Summary of Projected Financial Results
CND and BCPI Combined (Assumes January 1, 2015)
For the Fiscal Years Ended December 31
$000's

Attachment 1.4.4A

Projected Cash Flow Statement		2015	2016	2017	2018	2019
Cash from operating activities						
Net income	$	6,384	7,095	7,406	6,929	7,503
Changes not affecting cash:						
Depreciation		6,218	6,578	7,018	7,656	8,131
Future income tax		231	251	232	212	242
Net decrease (increase) in non-cash WC		(4,463)	1,020	(181)	105	(34)
Increase in employee future benefits		30	30	31	32	32
Increase (decrease) in customer deposits		29	6	7	7	0
Cash provided by operating activities		**8,431**	**14,981**	**14,514**	**14,941**	**15,875**
Cash from investing activities						
Purchase of capital assets		(49,741)	(11,070)	(10,984)	(26,808)	(12,327)
Increase (decrease) in net regulatory assets		(259)	402	237	237	(2,084)
Cash provided by investing activities		**(50,000)**	**(10,667)**	**(10,746)**	**(26,571)**	**(14,411)**
Cash from financing activities						
Payment of dividends		(2,976)	(2,914)	(3,061)	(3,199)	(2,967)
Issuance (repayment) of long-term debt		49,341	-	-	17,000	-
Cash provided by financing activities		**46,365**	**(2,914)**	**(3,061)**	**13,801**	**(2,967)**
Increase (decrease) in cash		3,976	1,400	706	2,171	(1,503)
Opening cash balance		(4,974)	(998)	402	1,108	3,280
Closing cash balance	$	**(998)**	**402**	**1,108**	**3,280**	**1,776**

Key Ratios	2015	2016	2017	2018	2019
Debt to capital ratio - Long Term Debt Only (OEB < 60%)	54.9%	53.6%	52.3%	55.3%	54.1%
Debt to asset ratio, excluding goodwill	0.71X	0.70X	0.69X	0.70X	0.69X
Debt to asset ratio, including goodwill	0.64X	0.63X	0.63X	0.65X	0.63X
Earnings per share	6.38	7.09	7.40	6.92	7.50
Interest coverage ratio	2.57X	2.76X	2.80X	2.48X	2.57X
Return on book equity	8.1%	8.6%	8.5%	7.6%	7.9%
Number of customers	63,863	64,679	65,507	66,350	67,110
Controllable costs (OM&A) per customer	$ 297.15	$ 287.66	$ 286.78	$ 285.95	$ 287.40

Cambridge and North Dumfries Hydro Inc. /Brant County Power inc.
Service Quality Metrics and Service Reliability Indices
Attachment 1.6.2

	CND						BCP					
	2013	2012	2011	2010	2009	2008	2013	2012	2011	2010	2009	2008
Service Quality Requirements												
Low Voltage Connections (OEB Min. Standard: 90%)	99.30	99.20	99.40	98.50	99.20	95.50	100.00	100.00	100.00	99.00	100.00	100.00
High Voltage Connections (OEB Min. Standard: 90%)	NA	NA	NA	NA	NA	NA	N/A	N/A	N/A	N/A	N/A	N/A
Telephone Accessibility (OEB Min. Standard: 65%)	87.30	88.10	66.20	74.30	77.40	84.90	96.40	96.10	90.30	93.80	91.80	89.70
Appointments Met (OEB Min. Standard: 90%)	99.50	98.70	99.90	99.90	100.00	100.00	100.00	99.90	100.00	100.00	100.00	99.90
Written Response to Enquiries (OEB Min. Standard: 80%)	100.00	100.00	99.40	99.30	99.20	100.00	100.00	100.00	99.80	99.80	100.00	100.00
Emergency Urban Response (OEB Min. Standard: 80%)	100.00	100.00	100.00	98.30	98.00	97.10	100.00	N/A	100.00	100.00	N/A	100.00
Emergency Rural Response (OEB Min. Standard: 80%)	100.00	100.00	100.00	93.00	92.50	94.00	100.00	100.00	N/A	100.00	100.00	100.00
Telephone Call Abandon Rate (OEB Standard: not exceed 10%)	3.60	2.80	9.10	8.20	8.10		3.60	3.10	1.60	2.30	NA	
Appointments Scheduling (OEB Min. Standard: 90%)	100.00	100.00	100.00	100.00	100.00		100.00	99.90	100.00	100.00	100.00	
Rescheduling a Missed Appointment (OEB Standard: 100%)	NA	NA	100.00	100.00	NA		N/A	100.00	NA	NA	NA	
Reconnection Performance Standard (OEB Min. Standard: 85%)	100.00	100.00	100.00				100.00	100.00	100.00			
Service Reliability Indices												
SAIDI-Annual	3.66	1.05	0.74	0.97	0.52	0.70	9.57	1.48	2.19	2.89	1.42	1.81
SAIFI-Annual	3.41	1.49	1.41	0.85	0.98	1.08	1.37	1.27	1.53	2.59	1.15	1.34
CAIDI-Annual	1.07	0.70	0.52	1.14	0.53	0.65	6.95	1.16	1.43	1.11	1.24	1.35
Loss of Supply Adjusted Service Reliability Indices												
SAIDI-Annual	2.67	1.00	0.70	0.97			3.04	0.41	1.91	0.48		
SAIFI-Annual	2.35	1.43	1.30	0.85			0.81	0.64	1.16	0.59		
CAIDI-Annual	1.14	0.70	0.53	1.14			3.77	0.64	1.65	0.80		

ATTACHMENT 1.6.5 – 2019 DISTRIBUTION RATE ANALYSIS

	Customers, As at December 31, 2013											Variance: 2019 Harmonized Rates vs. 2019 Stand Alone Rates			
	CND		BCP		Total				Estimated 2019 Rates			CND		BCP	
Rate Class	#	%	#	%	#	%	Unit	Avg. Consumption	CND Stand Alone 2019	BCP Stand Alone 2019	CND/BCP Harmonized	$	%	$	%
Residential	46,744	89.53%	8,486	85.73%	55,230	88.92%	kWh	800	$ 31.18	$ 32.35	$ 30.66	$ (0.52)	-1.7%	$ (1.69)	-5.2%
GS < 50 kW	4,702	9.01%	1,298	13.11%	6,000	9.66%	kWh	2000	$ 54.12	$ 57.83	$ 50.51	$ (3.61)	-6.7%	$ (7.32)	-12.7%
GS > 50 kW (See Note 4)															
GS 50-999 kW	739	1.42%	110	1.11%	849	1.37%	kW	60	$ 462.24	$ 291.79	$ 451.65	$ (10.59)	-2.3%	$ 159.86	54.8%
GS 1000-4999 kW	24	0.05%	5	0.05%	29	0.05%	kW	3000	$14,150.05	NA	$ 14,146.82	$ (3.23)	0.0%	NA	NA
Large Use	3	0.01%	0	0.00%	3	0.00%	kW	25000	$86,961.51	NA	$ 80,666.12	$(6,295.39)	-7.2%	NA	NA
Total	52,212	100.00%	9,899	100.00%	62,111	100.00%									

Assumptions/Notes:

(1) BCP Stand Alone 2019 Rates assumes that BCP undertakes a Cost of Service Application in 2016 and has Annual IR Adjustment of 1.10% to 2019.
Rates per customer class are based on BCP's Cost Allocation and Revenue to Cost Ratio models as per 2011 Cost of Service Application.

(2) CND Stand Alone 2019 Rates based on CND's Cost Allocation Model and Revenue to Cost Ratios as per 2014 Cost of Service Application

(3) CND/BCP Harmonized 2019 Rates based on CND's Cost Allocation Model and Revenue to Cost Ratios.
The Cost Allocation Model and Revenue to Cost Ratios will need to be evaluated as part of 2019 Rate Application process.

(4) In 2013, BCP does not have a GS 50-999 kW customer class or a Large Use class. Rate analysis assumes that customers will be migrated to CND's customer classes in 2019.
BCP Stand Alone 2019 Rate for GS 50-999 kW and GS 1,000-4,999 based on BCP's GS>50 kW rates for comparative purposes.