

EXHIBIT 5 – COST OF CAPITAL AND CAPITAL STRUCTURE

EB-2016-0089

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Cost of Capital and Rate of Return

Ex.5/Tab1/Sch.1 - Capital Structure

LUI seeks to recover a weighted average cost of capital of 6.28% through rates in the 2017 Test Year. LUI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009 in determining the cost of capital.

In calculating the cost of capital, LUI has used the OEB's deemed capital structure of 56% long-term debt, 4% short-term debt, and 40% equity, and the Cost of Capital parameters in the OEB's letter of October 15, 2015, for the allowed return on equity ("ROE").

LUI understands that the OEB will most likely update the ROE for 2017 at a later date, and therefore commits to updating its Application to reflect the OEB's updated Cost of Capital Parameters for January 1, 2017 applications and as new information is issued.

LUI's cost of capital for 2017 has been calculated as 6.28%, as shown in the table below.

Table 5.0: Overview of Capital Structure

Particulars	Cost Rate
	%
Debt	
Long-term Debt	4.54
Short-term Debt	1.65
Total Debt	4.35
Equity	
Common Equity	9.19
Preferred Shares	0
Total Equity	9.19
Total	6.28

The Cost of Capital parameters are consistent with the letter issued by the OEB on October 15, 2015 which sets the values as indicated below:

Cost of Capital Parameter	Value for Applications for rate changes in 2016
ROE	9.19%
Deemed LT Debt rate	4.54%
Deemed ST Debt rate	1.65%

Retirements of debt or preference shares and buy-back of common shares; and Short-Term Debt, Long-Term Debt, preference shares as well as common share offerings do not apply to LUI as LUI does not issue any preference shares and/or common equity shares.

Ex.5/Tab1/Sch.2 – OEB Appendix 2-OA Capital Structure/Cost of Capital

Lakefront Utilities Inc. is requesting a deemed interest expense of \$515,652 and a deemed return on equity of \$726,705 for a total regulated return on capital of \$1,242,357 for its 2017 Test Year.

Appendix 2-OA below presents the capital structure for the 2012 Board Approved and 2017 Test year.

Appendix 2-OA: Cost of Capital and Debt Structure

Year: **2017**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$11,070,584	4.54%	\$502,605
2	Short-term Debt	4.00%	\$790,756	1.65%	\$13,047
3	Total Debt	60.0%	\$11,861,340	4.35%	\$515,652
	Equity				
4	Common Equity	40.00%	\$7,907,560	9.19%	\$726,705
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$7,907,560	9.19%	\$726,705
7	Total	100.0%	\$19,768,900	6.28%	\$1,242,357

Board Approved **2012**

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	Debt				
1	Long-term Debt	56.00%	\$9,889,611	4.33%	\$428,220
2	Short-term Debt	4.00%	\$706,401	2.08%	\$14,693
3	Total Debt	60.0%	\$10,596,012	4.18%	\$442,913
	Equity				
4	Common Equity	40.00%	\$7,064,008	9.12%	\$644,238
5	Preferred Shares		\$ -		\$ -
6	Total Equity	40.0%	\$7,064,008	9.12%	\$644,238
7	Total	100.0%	\$17,660,020	6.16%	\$1,087,151

Ex.5/Tab1/Sch.3 – OEB Appendix 2-OB Cost of Debt Instruments

Appendix 2-OB below presents capital structure for all required historical years, the bridge year and the test year.

Appendix 2-OB: Debt Instruments

Year 2017										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,225,224	3.38%	\$ 41,412.57	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	9/03/13	15	\$ 1,457,461	4.03%	\$ 58,735.66	
Total							\$ 9,682,685	6.28%	\$ 607,648.23	

Year 2016										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	No specified terms of repayment
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,326,649	3.38%	\$ 44,840.73	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	9/03/13	15	\$ 1,560,923	4.03%	\$ 62,905.22	
Total							\$ 9,887,572	6.22%	\$ 615,245.94	

Year 2015										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	No specified terms of repayment
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,424,730	3.38%	\$ 48,155.88	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	9/03/13	15	\$ 1,660,339	4.03%	\$ 66,911.68	
Total							\$ 10,085,070	6.17%	\$ 622,567.56	

Year 2014										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	No specified terms of repayment
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,519,579	3.38%	\$ 51,361.77	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	9/03/13	15	\$ 1,755,686	4.03%	\$ 70,754.15	
Total							\$ 10,275,265	6.13%	\$ 629,615.91	

Year 2013										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	No specified terms of repayment
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,703,023	3.38%	\$ 57,562.18	
3	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	9/03/13	15	\$ 1,939,268	4.03%	\$ 78,152.50	
Total							\$ 10,642,291	6.04%	\$ 643,214.68	

Year 2012										
Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments, if any
1	Note Payable	Town of Cobourg	Affiliated	Fixed Rate	9/12/06	N/A	\$ 7,000,000	7.25%	\$ 507,500.00	No specified terms of repayment
2	Loan	Infrastructure Ontario	Third-Party	Fixed Rate	10/01/12	15	\$ 1,788,699	3.38%	\$ 60,458.03	
3	Loan	Infrastructure Ontario	Third-Party	Variable Rate	8/26/09	N/A	\$ 1,847,658	1.75%	\$ 32,334.02	
Total							\$ 10,636,357	5.64%	\$ 600,292.04	

Ex.5/Tab 1/Sch.4 – Cost of Capital

The evidence summarizes the capital structure, method and cost of financing of LUI's capital requirements for the 2017 Test Year.

Capital Structure

The proposed cost rates for cost of capital in 2017 are presented at Ex.5/Tab 1/Sch.1. The rates shown for short-term debt and return on equity are those set out in the Board's letter of October 15, 2015, Cost of Capital Parameter Updates for 2016 Cost of Service Applications.

LUI is requesting a return on long term debt for the 2017 Test Year of 4.54%.

LUI's current OEB-approved capital structure for rate-making purposes is 60% debt and 40% equity. LUI intends to maintain the same capital structure in the 2017 Test Year. This capital structure was confirmed by the OEB in the Report of the Board on Cost of Capital for Ontario's Regulated Utilities dated December 11, 2009 (The "Board Report"). The 60% debt component is comprised of 4.0% deemed short-term debt and 56.0% deemed long-term debt.

Return on Equity

LUI has used a ROE of 9.19% in the 2017 Test Year as established by the Board for cost of service applications with a January 1, 2017 implementation date. LUI recognizes that the ROE will be updated in accordance with Board guidelines and as such commits to updating the cost of capital parameters as new information is made available.

Long Term Debt

LUI's long term debt instruments are as follows:

- A \$7,000,000 Promissory note with the Town of Cobourg, signed May 1, 2000, no specific terms of repayment, payable on demand, at an interest rate of 7.25%, paid monthly (see Attachment A). The interest rate of 7.25% per annum was based on debt rate per annum established by the Ontario Energy Board as set out in Chapter 3 of the Ontario Energy Board's electricity Distribution Rate Handbook issued March 9, 2000.
- In 2012 and 2013, Lakefront Utilities entered into financing agreements with Ontario Infrastructure and Lands Corporation, formerly Ontario Infrastructure Projects Corporation ("Infrastructure Ontario") for the purpose of funding the smart meter capital project. Infrastructure Ontario's lending rates are posted online and are updated frequently in line with Infrastructure Ontario's cost of borrowing in the capital markets. Rates on long-term debentures/promissory notes are fixed for the entire life of the loan with terms from 5 to 30 years. LUI's loans with Infrastructure Ontario are as follows:

- Loan of \$1,700,000 (\$1,424,730 at December 31, 2015) signed October 1, 2012, interest at 3.38% with semi-annual principal payments (see Attachment B);
- Loan of \$1,847,658 (\$1,660,339 at December 31, 2015) signed September 13, 2013, interest at 4.03% with semi-annual principal payments (see Attachment C).

The interest rate of 3.38% and 4.03% respectively, per annum was established by Infrastructure Ontario based on their lending requirements and both rates are lower than the OEB deemed rate. There is no profit nor loss on the redemption of debt.

Short Term Debt

For the purposes of preparing this application, LUI used the cost of capital parameters issued by the Board on October 15, 2015 for 2017 Cost of Service Rate Applications which reflect a deemed short-term debt rate of 1.65%. LUI will update the deemed short-term debt rate to reflect future Board issued cost of capital parameters for rates with effective dates in 2017 prior to issuance of the Board's decision for LUI's application.

LUI has a stand-by letter of guarantee from a Canadian bank in the amount of \$1,500,000 that has been issued in favour of the IESO. This letter of guarantee financially secures the organization's electricity purchases from the IESO, who has not drawn on this credit instrument. LUI is aware that the IESO may review its prudential requirements and LUI commits to updating this evidence at a later date (if needed) for any changes in these requirements authorized by the IESO.

LUI also has a line of credit from a Canadian bank in the amount of \$1,000,000. The operating line bears interest at prime rate plus 0.5% per year and is secured by a General Security Agreement covering substantially all of the Company's assets.

LUI does not forecast that it will redeem any debt and has not issued any preference shares; hence LUI does not record either a profit or a loss on redemption of debt and/or preference shares. LUI is not forecasting any new debt in the bridge and test years.

OEB Appendix 2-OB Cost of Debt Instruments presented at Ex.5/Tab 1/Sch.3 of this Exhibit details LUI's long-term debt.

Notional Debt

LUI has three debt instruments – one resides with LUI's shareholder (affiliate) and is higher than LUI's approved debt rate. The remaining two debt instruments reside with Infrastructure Ontario (third party) and are less than the approved debt rate.

LUI is applying for a notional debt rate of 4.54% for this application. Furthermore, LUI's amount of actual long term debt of \$9,682,685 is less than the deemed long term debt amount of \$11,070,584.

Table 5.1 below details the calculation of Lakefront's Notional Debt.

Table 5.1: Calculation of Notional Debt

Prescribed Cost of Capital			Actual Cost of Capital			Notional Debt		
Particulars	Capitalization Ratio		Particulars	Capitalization Ratio		Particulars	Capitalization Ratio	
	(%)	(\$)		(%)	(\$)		(%)	(\$)
Debt			Debt			Debt		
Long-term Debt	56.00%	11,070,584	Long-term Debt	48.98%	9,682,685	Long-term Debt	-7.02%	(1,387,899)
Short-term Debt	4.00%	790,756	Short-term Debt	0.00%	0	Short-term Debt	-4.00%	(790,756)
Total Debt	60.0%	11,861,340	Total Debt	48.98%	9,682,685	Total Debt	-11.02%	(2,178,655)
Equity			Equity			Equity		
Common Equity	40.00%	7,907,560	Common Equity	51.02%	10,086,215	Common Equity	11.02%	2,178,655
Preferred Shares			Preferred Shares	0.00%	0	Preferred Shares	0.00%	0
Total Equity	40.0%	7,907,560	Total Equity			Total Equity		
Total	100.0%	19,768,900	Total	100.00%	19,768,900	Total	100.00%	(0)

Non-For Profit

The utility is not a cooperative and as such, all requirements related to a not-for-profit organization do not apply.

Attachments

[illegible]

1 Attachment A - Long Term Note Payable to Town of Cobourg

COPY

RECEIPT

TO: LAKEFRONT UTILITIES INC. (the "Corporation")

RE: Promissory Note for \$7,000,000 (the "New Note") dated September 12th, 2006 and effective May 1, 2000 issued by the Corporation to the Corporation of the Town of Cobourg (the "Town"), pursuant to the Town's By-Law No. 31-00, as amended, and issued in replacement of a previously issued promissory note in the amount of \$4,000,000 dated May 1, 2000;

The Town hereby acknowledges receipt from the Corporation of the New Note.

DATED the 30th day of Nov., 2006.

THE CORPORATION OF THE
TOWN OF COBOURG

by Peter Delanty
Peter Delanty
Mayor

by Richard Stinson
Richard Stinson
Municipal Clerk

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COPY

PROMISSORY NOTE

Effective: May 1, 2000

Principal Sum: \$7,000,000.00

FOR VALUE RECEIVED, Lakefront Utilities Inc. (the "Borrower") promises to pay on demand to or to the order of The Corporation of the Town of Cobourg (the "Lender") its successors and assigns the principal sum of SEVEN MILLION DOLLARS (\$7,000,000) in lawful money of Canada at the Lender's office at 207 Division Street, P.O. Box 577, Cobourg, Ontario K9A 4L3, or at such other place as the Lender may designate by notice in writing to the Borrower and to pay interest on the said principal sum from the date hereof at the below indicated rate in like money at the same place, calculated and payable monthly on the last day of each calendar month commencing with the month of May, 2000 and continuing until the said principal sum and all interest thereon is fully paid and satisfied; and, should the Borrower at any time make default in the payment of any principal or interest, to pay interest on the amount in default at the same rate in like money at the same place and monthly on the same date both before and after default as well as before and after judgment until payment in full.

INTEREST RATE: 7.25% per annum, being the debt cost rate per annum established by the Ontario Energy Board as applicable to the Borrower as set out in Chapter 3 of the Ontario Energy Board's electricity Distribution Rate Handbook (the "PBR Handbook") issued March 9, 2000.

The Borrower hereby waives presentment, notice of dishonour, protest and notice of protest.

DATED at Cobourg, Ontario, the 12th day of September, 2006 effective the 1st day of May, 2000.

LAKEFRONT UTILITIES INC.

per: 

President

per: 

Treasurer

2

AGREEMENT

RE: Values of the WiresCo Assets and the Promissory Note issued to The Corporation of the Town of Cobourg (the "Town") pursuant to the Town's Amended By-Law No. 31-00 dated November 7, 2000 (the "Transfer By-Law").

RECITALS:

1. Pursuant to resolutions of the directors of Lakefront Utilities Inc. ("WiresCo") dated May 1, 2000 (the "Resolutions"), the directors approved and authorized, as at May 1, 2000, the issuance of 9,999,999 Common shares for a consideration of \$8,380,000 and a promissory note in the principal amount of \$4,000,000 (the "\$4,000,000 Note") in payment of the consideration for the WiresCo Assets (defined in the Resolutions as the "Cobourg Assets") (the "WiresCo Assets") transferred and assigned by the Town to WiresCo pursuant to the Transfer By-Law;

2. Pursuant to the pre-incorporation agreement (the "Agreement") dated as at May 1, 2000 between the Town and The Corporation of the Village of Colborne, as amended, and pursuant to the Transfer By-Law, the purchase price for the WiresCo Assets is the fair market value of the WiresCo Assets on May 1, 2000 (the "Effective Date") and such fair market value is deemed to be the net book value of the WiresCo Assets on the Effective Date subject to adjustment as a result of any audit or valuation conducted after the Effective Date pursuant to the Agreement;

3. AND WHEREAS since the execution of the Resolutions the parties have determined that the aggregate consideration for the WiresCo Assets should have been \$15,380,000 as reflected in the audited financial statements for the period ended April 30, 2000 of the Cobourg Public Utilities Commission and, further, that the amount of the promissory note issued in partial payment of the consideration for the WiresCo Assets should have been issued in the principal amount of \$7,000,000;

NOW THEREFORE, pursuant to the Transfer By-Law and the Agreement, the Town and HoldCo and the President of HoldCo agree:

1. The consideration to be paid for the WiresCo Assets on the Effective Date is \$15,380,000.

2. A promissory note in the amount of \$7,000,000 (the "New Note") shall be issued, effective as of the Effective Date, by WiresCo to the Town in partial payment of the consideration for the WiresCo Assets, being the balance remaining after the assumption by the Corporation of the WiresCo Liabilities (as defined in the Transfer By-Law) and the issuance to the Town of 9,999,999 Common shares of the Corporation for the consideration of \$8,380,000.

4. The delivery to WiresCo of a copy of this Agreement shall be full and sufficient authority and instructions for WiresCo to issue and deliver to the Town the New Note, subject to the return to WiresCo, for cancellation, of the \$4,000,000 Note.

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DATED as of the 30th day of NOV., 2006.

THE CORPORATION OF THE
TOWN OF COBOURG

by Peter Delanty
Mayor PETER DELANTY

by [Signature]
Municipal Clerk
RICHARD STINEWELL

TOWN OF COBOURG HOLDINGS
INC.

per: [Signature]
Director JOHN E. CHALOVICH

per: [Signature]
Director ADRIAN LANGHERNE

[Signature]
President of Town of Cobourg
Holdings Inc.
BRUCE R. CRAIG

Attachment B - Infrastructure Ontario – 3.38%

DEBENTURE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS DEBENTURE MUST NOT TRADE THE DEBENTURE BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) OCTOBER 1, 2012 AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

LAKEFRONT UTILITIES INC.

SECURED DEBENTURE DUE OCTOBER 1, 2027

No. 001
Cdn.\$1,700,000.00

Lakefront Utilities Inc. (hereinafter referred to in such capacity as the "Borrower"), for value received, hereby acknowledges itself liable and indebted and promises to pay to ONTARIO INFRASTRUCTURE AND LANDS CORPORATION or its registered assigns by October 1, 2027 the principal sum of ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS in lawful money of Canada (\$1,700,000.00) by semi-annual payments on the 1st day of April and the 1st day of October in each of the years 2013 to 2027, both inclusive, in the amounts set forth in the attached Schedule A which forms part of this Debenture (the "Payment Schedule") and to pay interest on the said principal sum from time to time outstanding from the date hereof, or from the last interest payment date to which interest shall have been paid or made available for payment on this Debenture, whichever is later, at a rate of interest set forth in the Payment Schedule in arrears on the 1st day of April and the 1st day of October in each of the years 2013 to 2027 (each a "Payment Date") with the first payment due on April 1, 2013. In case an Event of Default (as defined in the financing agreement defined below) shall occur and be continuing, OILC shall assess any losses that it may incur in accordance with the terms of the financing agreement and the attached Schedule B. The applicable rate of interest, the payment of principal and interest and the principal balance outstanding under this Debenture in each year are shown in the Payment Schedule.

This Debenture is one of the Borrower's Secured Debentures originally authorized in the aggregate principal amount of Cdn.\$1,700,000.00 pursuant to the financing agreement (the "Financing Agreement") dated as of August 26, 2009 and made between the Borrower and Ontario Infrastructure Projects Corporation (now Ontario Infrastructure and Lands Corporation) (herein called "OILC"). Capitalized terms not defined herein shall have the meanings assigned to them in the Financing Agreement.

For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable in respect of the principal for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period

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Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the liability of the Borrower for payment of the Debenture, the terms, conditions, covenants and warranties upon which the Debenture is issued and held, and the rights and remedies of the holder of the Debenture issued thereunder and of the Borrower in respect thereof, all to the same effect as if the provisions of the Financing Agreement were herein set out, to all of which provisions the holder hereof by acceptance hereof assents.

The undersigned authorizes the registered holder of this Debenture to record on the reverse of this Debenture or on any attachment to this Debenture all repayments of principal and interest and the unpaid balance of principal from time to time. The undersigned agrees that in the absence of manifest error the record kept by the registered holder on this Debenture or any attachment shall be conclusive evidence of the matters recorded, provided that the failure of the registered holder to record or correctly record any amount or date shall not affect the obligation of the undersigned to pay the outstanding principal amount and interest.

In case an Event of Default (as defined in the Financing Agreement) shall occur and be continuing, the full unpaid principal amount of this Debenture, together with interest accrued thereon, may become or be declared due before stated maturity by the registered holder of this Debenture in its sole discretion.

This Debenture is also subject to the conditions set forth in the attached Schedule B.

This Debenture shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language.

Les parties aux présentes ont déclaré qu'elles ont exigé que le présent certificat, de même que tous les documents s'y rapportant, soient rédigés en anglais.

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IN WITNESS HEREOF the Borrower has caused this Debenture to be executed and delivered as of the 1st day of October, 2012.

LAKEFRONT UTILITIES INC.

by

Name: _____
Title:

by

Name: _____
Title:

We have the authority to bind the Corporation.

[Affix Corporate Seal]

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SCHEDULE A
[PAYMENT SCHEDULE]

2

Amortizing Debenture Schedule



Organization Name Lakefront Utilities Inc.
Principal Amount \$1,700,000.00
Annual Interest Rate 3.3800%
Loan Term (Year) 15
Debenture Date (m/d/yyyy) 10/1/2012
Maturity Date (m/d/yyyy) 10/1/2027
Payment Frequency Semi Annual
Loan Type Amortizing

Payment Date	Total Payment	Principal Amount	Interest Amount	Principal Balance
4/1/2013	\$72,707.82	\$43,977.82	\$28,730.00	\$1,656,022.18
10/1/2013	\$72,707.82	\$44,721.05	\$27,986.77	\$1,611,301.13
4/1/2014	\$72,707.82	\$45,476.83	\$27,230.99	\$1,565,824.30
10/1/2014	\$72,707.82	\$46,245.39	\$26,462.43	\$1,519,578.91
4/1/2015	\$72,707.82	\$47,026.94	\$25,680.88	\$1,472,551.97
10/1/2015	\$72,707.82	\$47,821.69	\$24,886.13	\$1,424,730.28
4/1/2016	\$72,707.82	\$48,629.88	\$24,077.94	\$1,376,100.40
10/3/2016	\$72,707.82	\$49,451.72	\$23,256.10	\$1,326,648.68
4/3/2017	\$72,707.82	\$50,287.46	\$22,420.36	\$1,276,361.22
10/2/2017	\$72,707.82	\$51,137.32	\$21,570.50	\$1,225,223.90
4/2/2018	\$72,707.82	\$52,001.54	\$20,706.28	\$1,173,222.36
10/1/2018	\$72,707.82	\$52,880.36	\$19,827.46	\$1,120,342.00
4/1/2019	\$72,707.82	\$53,774.04	\$18,933.78	\$1,066,567.96
10/1/2019	\$72,707.82	\$54,682.82	\$18,025.00	\$1,011,885.14
4/1/2020	\$72,707.82	\$55,606.96	\$17,100.86	\$956,278.18
10/1/2020	\$72,707.82	\$56,546.72	\$16,161.10	\$899,731.46
4/1/2021	\$72,707.82	\$57,502.36	\$15,205.46	\$842,229.10
10/1/2021	\$72,707.82	\$58,474.15	\$14,233.67	\$783,754.95
4/1/2022	\$72,707.82	\$59,462.36	\$13,245.46	\$724,292.59
10/3/2022	\$72,707.82	\$60,467.28	\$12,240.54	\$663,825.31
4/3/2023	\$72,707.82	\$61,489.17	\$11,218.65	\$602,336.14

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2
3

Payment Date	Total Payment	Principal Amount	Interest Amount	Principal Balance
10/2/2023	\$72,707.82	\$62,528.34	\$10,179.48	\$539,807.80
4/1/2024	\$72,707.82	\$63,585.07	\$9,122.75	\$476,222.73
10/1/2024	\$72,707.82	\$64,659.66	\$8,048.16	\$411,563.07
4/1/2025	\$72,707.82	\$65,752.40	\$6,955.42	\$345,810.67
10/1/2025	\$72,707.82	\$66,863.62	\$5,844.20	\$278,947.05
4/1/2026	\$72,707.82	\$67,993.61	\$4,714.21	\$210,953.44
10/1/2026	\$72,707.82	\$69,142.71	\$3,565.11	\$141,810.73
4/1/2027	\$72,707.82	\$70,311.22	\$2,396.60	\$71,499.51
10/1/2027	\$72,707.85	\$71,499.51	\$1,208.34	\$0.00
Total	\$2,181,234.63	\$1,700,000.00	\$481,234.63	

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CONDITIONS AND DEFINITIONS

Schedule B to the Secured Debenture dated as of October 1, 2012 issued by the Borrower in favour of Ontario Infrastructure and Lands Corporation

1. Definitions

“**Prime Rate**” means, on any day, the annual rate of interest which is the arithmetic mean of the prime rates announced from time to time by the five major Canadian Schedule I banks, as of the issue date of this Debenture, Royal Bank of Canada, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Bank of Montreal and The Toronto-Dominion Bank (the “Reference Banks”) as their reference rates in effect on such day for Canadian dollar commercial loans made in Canada. If fewer than five of the Reference Banks quote a prime rate on such days, the “Prime Rate” shall be the arithmetic mean of the rates quoted by the remaining Reference Banks.

2. Form and Registration of the Debenture

(a) The Debenture is a direct and secured obligation of the Borrower and shall have priority over all unsecured senior debt obligations of the Borrower.

(b) The Borrower shall maintain at its designated office a register in respect of the Debenture in which shall be recorded the names and addresses of the registered holders and in which particulars of the cancellation, exchanges, substitutions and transfers of the Debenture, may be recorded and the Borrower is authorized to use electronic, magnetic or other media for records of or related to the Debenture or for copies of them.

3. Title

The Borrower shall not be bound to see to the execution of any trust affecting the ownership of this Debenture or be affected by notice of any equity that may be subsisting in respect thereof. The Borrower shall deem and treat the registered holder of this Debenture as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or to the order of the registered holder shall be valid and effectual to discharge the liability of the Borrower on the Debenture to the extent of the sum or sums so paid. Where a Debenture is registered in more than one name, the principal of and interest from time to time payable on such Debenture shall be paid to or to the order of all the joint registered holders thereof, failing written instructions to the contrary from all such joint registered holders, and such payment shall constitute a valid discharge to the Borrower. In the case of the death of one or more joint registered holders, despite the foregoing provisions of this section, the principal of and interest on the Debenture registered in their names may be paid to the survivor or survivors of such holders and such payment shall constitute a valid discharge to the Borrower.

4. Payments of Principal and Interest

(a) The record date for purposes of payment of principal of and interest on the Debenture is as of 5:00 p.m. on the sixteenth calendar day preceding any Payment Date including a maturity date. Principal of and interest on the Debenture are payable by the Borrower to the persons registered as holders in the register on the relevant record date. The

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Borrower shall not be required to register any transfer, exchange or substitution of the Debenture during the period from any record date to the corresponding Payment Date.

(b) The Borrower shall make all payments in respect of semi-annual combined principal and interest on the Debenture on each Payment Date commencing on April 1, 2013 (other than in respect of the final payment of principal and outstanding interest which the Borrower shall pay on the final maturity date upon presentation and surrender of this Debenture) in lawful money of Canada by pre-authorized debit in respect of such interest and principal to the credit of the registered holder on such terms as to which the registered holder and the Borrower may agree.

(c) The Borrower shall pay to the registered holder interest on any overdue amount of principal or interest in respect of any Debenture, both before and after default and judgment, at a rate per annum equal to the greater of the rate specified on the Payment Schedule for such amount plus 200 basis points or Prime Rate plus 200 basis points, calculated on a daily basis from the date such amount becomes overdue for so long as such amount remains overdue and the Borrower shall pay to the registered holder any and all costs incurred by the registered holder as a result of the overdue payment.

(d) Whenever it is necessary to compute any amount of interest in respect of the Debenture for a period of less than one full year, other than with respect to regular semi-annual interest payments, such interest shall be calculated on the basis of the actual number of days in the period and a year of 365 days.

(e) Delivery of payments in respect of principal of and interest on the Debenture as provided on the Payment Schedule shall be made only on a day on which banking institutions in Toronto, Ontario, are not authorized or obligated by law or executive order to be closed (a "Toronto Business Day"), and if any date for delivery of payment is not a Toronto Business Day, payment as specified on the Payment Schedule shall be made on the next following Toronto Business Day.

(f) The Debenture is transferable or exchangeable at the office of the Treasurer of the Borrower upon presentation for such purpose accompanied by an instrument of transfer or exchange in a form approved by the Borrower and which form is in accordance with the prevailing Canadian transfer legislation and practices, executed by the registered holder thereof or such holder's duly authorized attorney or legal personal representative, whereupon and upon registration of such transfer or exchange and cancellation of the Debentures presented, new Debentures of an equal aggregate principal amount in any authorized denomination or denominations will be delivered as directed by the transferee, in the case of a transfer or as directed by the registered holder in the case of an exchange.

(g) The Borrower shall issue and deliver a new Debenture in exchange or substitution for the Debenture outstanding on the register with the same maturity and of like form which has become lost, stolen, mutilated, defaced or destroyed, provided that the applicant therefor shall have: (i) paid such costs as may have been incurred in connection therewith; (ii) (in the case of a lost, stolen or destroyed Debenture) furnished the Borrower with such evidence (including evidence as to the certificate number of the Debenture in question) and indemnity in respect

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thereof satisfactory to the Borrower in its discretion; and (iii) surrendered to the Borrower any mutilated or defaced Debenture in respect of which the new Debenture is to be issued in substitution.

(h) The Debenture(s) issued upon any registration of transfer or exchange or in substitution for the Debenture(s) or part thereof shall carry all the rights to interest if any, accrued and unpaid which were carried by such Debenture(s) or part thereof and shall be so dated and shall bear the same maturity date and shall be subject to the same terms and conditions as the Debenture(s) in respect of which the transfer, exchange or substitution is effected.

(i) The cost of all transfers and exchanges, including the printing of authorized denominations of the new Debenture(s), shall be borne by the Borrower. When the Debenture is surrendered for transfer or exchange the Treasurer of the Borrower shall: (i) in the case of an exchange, cancel and destroy the Debenture surrendered for exchange; (ii) in the case of an exchange, certify the cancellation and destruction in the register; and (iii) enter in the register particulars of the new Debentures issued in exchange.

(j) Reasonable fees for the substitution of a new Debentures for the Debenture that is lost, stolen, mutilated, defaced or destroyed may be imposed by the Borrower. Where new Debentures are issued in substitution in these circumstances the Borrower shall: (i) treat as cancelled and destroyed the Debentures in respect of which new Debentures will be issued in substitution; (ii) certify the deemed cancellation and destruction in the register; (iii) enter in the register particulars of the new Debentures issued in substitution; and (iv) make a notation of any indemnities provided.

5. Notices

Except as otherwise expressly provided herein, any notice required to be given to a registered holder of the Debenture will be sufficiently given if a copy of such notice is mailed or otherwise delivered to the registered address of such registered holder. If the Borrower or any registered holder is required to give any notice in connection with the Debenture on or before any day and that day is not a Toronto Business Day then such notice may be given on the next following Toronto Business Day.

6. Time

Unless otherwise expressly provided herein, any reference herein to a time shall be considered to be a reference to Toronto time.

7. Assignment and Benefit of Debenture

The Borrower may not assign its rights or transfer its obligations under this Debenture without the prior written consent of the registered holder of the Debenture. The registered holder of this Debenture may assign or transfer its rights under this Debenture without the prior written consent of the Borrower by giving thirty (30) days notice of such assignment or transfer to the Borrower. This Debenture enures to the benefit of and binds the Borrower and the registered holder of the Debenture and their respective successors and permitted assigns.

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8. Amendment

Any amendment to this Debenture shall be in writing signed by each of the Borrower and the registered holder of the Debenture except that any waiver of any provision of this Debenture or consent to any departure by the Borrower herefrom, shall be effective if the same is in writing and signed by the registered holder of the Debenture.

9. No Waiver

No failure on the part of the registered holder to exercise, and no delay in exercising, any right under the Debenture shall operate as a waiver thereof, nor shall any single or partial exercise of any right under the Debenture preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. Waiver of Protest

The Borrower waives diligence, demand, presentment, protest and notice of any kind and agrees that it will not be necessary for the registered holder to first initiate suit in order to enforce payment of this Debenture pursuant to the terms and conditions of this Debenture.

11. Termination of Financing Agreement

If OILC elects to terminate its obligations under the financing agreement entered into between the parties, OILC, at its discretion, shall assess any losses that it may incur as a result of the termination as follows: if on the date of termination the outstanding principal balance on the Debenture is less than the net present value of the Debenture, the Borrower shall pay the difference between these two amounts to OILC.

1 Attachment C - Infrastructure Ontario – 4.03%

DEBENTURE

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS DEBENTURE MUST NOT TRADE THE DEBENTURE BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) SEPTEMBER 3, 2013, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

LAKEFRONT UTILITIES INC.

SECURED DEBENTURE DUE SEPTEMBER 5, 2028

No. 001

Cdn.\$1,847,658.00

LAKEFRONT UTILITIES INC. (hereinafter referred to in such capacity as the "Borrower"), for value received, hereby acknowledges itself liable and indebted and promises to pay to ONTARIO INFRASTRUCTURE AND LANDS CORPORATION or its registered assigns by September 5, 2028 the principal sum of ONE MILLION EIGHT HUNDRED FORTY-SEVEN THOUSAND SIX HUNDRED FIFTY-EIGHT DOLLARS (\$1,847,658.00) in lawful money of Canada by semi-annual payments on the 3rd day of March and the 3rd day of September in each of the years 2014 to 2028, both inclusive, in the amounts set forth in the attached Schedule A which forms part of this Debenture (the "Payment Schedule") and to pay interest on the said principal sum from time to time outstanding from the date hereof, or from the last interest payment date to which interest shall have been paid or made available for payment on this Debenture, whichever is later, at a rate of interest set forth in the Payment Schedule in arrears on the 3rd day of March and the 3rd day of September in each of the years 2014 to 2028 (each a "Payment Date") with the first payment due on March 3, 2014. Upon default interest shall be paid at the rate specified in the attached Schedule B which forms part of this Debenture. The applicable rate of interest, the payment of principal and interest and the principal balance outstanding under this Debenture in each year are shown in the Payment Schedule.

This Debenture is one of the Borrower's Secured Debentures originally authorized in the aggregate principal amount of Cdn \$3,800,000.00 pursuant to the Financing Agreement dated as of August 26, 2009 and made between the Borrower and Ontario Infrastructure Projects Corporation (now Ontario Infrastructure and Lands Corporation) (herein called "OILC"). Capitalized terms not defined herein shall have the meanings assigned to them in the Financing Agreement.

For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable in respect of the principal for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period

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Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the liability of the Borrower for payment of the Debenture, the terms, conditions, covenants and warranties upon which the Debenture is issued and held, and the rights and remedies of the holder of the Debenture issued thereunder and of the Borrower in respect thereof, all to the same effect as if the provisions of the Financing Agreement were herein set out, to all of which provisions the holder hereof by acceptance hereof assents.

The undersigned authorizes the registered holder of this Debenture to record on the reverse of this Debenture or on any attachment to this Debenture all repayments of principal and interest and the unpaid balance of principal from time to time. The undersigned agrees that in the absence of manifest error the record kept by the registered holder on this Debenture or any attachment shall be conclusive evidence of the matters recorded, provided that the failure of the registered holder to record or correctly record any amount or date shall not affect the obligation of the undersigned to pay the outstanding principal amount and interest.

In case an Event of Default (as defined in the Financing Agreement) shall occur and be continuing, the full unpaid principal amount of this Debenture, together with interest accrued thereon, may become or be declared due before stated maturity by the registered holder of this Debenture in its sole discretion.

This Debenture is also subject to the conditions set forth in the attached Schedule B.

This Debenture shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

The parties hereto have declared that they have required that these presents and all other documents related hereto be in the English language.

Les parties aux présentes ont déclaré qu'elles ont exigé que le présent certificat, de même que tous les documents s'y rapportant, soient rédigés en anglais.

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IN WITNESS HEREOF the Borrower has caused this Debenture to be executed and delivered as of the 3rd day of September, 2013.

LAKEFRONT UTILITIES INC.

By: 

Name: Dareck Paul

Title: President & CEO

By: 

Name: Gil Brocanier

Title: Director

**ONTARIO INFRASTRUCTURE AND
LANDS CORPORATION**

By: _____

Name: Dale Lawr

Title: Chief Administrative Officer

By: _____

Name: George Skariah

Title: Vice-President, Risk Management
and Internal Audit

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SCHEDULE A

Amortizing Debenture Schedule



Organization Name Lakefront Utilities Inc.
Principal Amount \$1,847,688.00
Annual Interest Rate 4.0300%
Loan Term (Year) 15
Debenture Date (m/d/yyyy) 9/3/2013
Maturity Date (m/d/yyyy) 9/5/2028
Payment Frequency Semi Annual
Loan Type Amortizing

Payment Date	Total Payment	Principal Amount	Interest Amount	Principal Balance
3/3/2014	\$82,668.04	\$45,437.73	\$37,230.31	\$1,802,220.27
9/3/2014	\$82,668.04	\$46,353.30	\$36,314.74	\$1,755,866.97
3/3/2015	\$82,668.04	\$47,287.32	\$35,380.72	\$1,708,579.65
9/3/2015	\$82,668.04	\$48,240.16	\$34,427.88	\$1,660,339.49
3/3/2016	\$82,668.04	\$49,212.20	\$33,455.84	\$1,611,127.29
9/6/2016	\$82,668.04	\$50,203.83	\$32,464.21	\$1,560,923.46
3/3/2017	\$82,668.04	\$51,215.43	\$31,452.61	\$1,509,708.03
9/5/2017	\$82,668.04	\$52,247.42	\$30,420.62	\$1,457,460.61
3/5/2018	\$82,668.04	\$53,300.21	\$29,367.83	\$1,404,160.40
9/4/2018	\$82,668.04	\$54,374.21	\$28,293.83	\$1,349,786.19
3/4/2019	\$82,668.04	\$55,469.85	\$27,198.19	\$1,294,316.34
9/3/2019	\$82,668.04	\$56,587.57	\$26,080.47	\$1,237,728.77
3/3/2020	\$82,668.04	\$57,727.81	\$24,940.23	\$1,180,000.96
9/3/2020	\$82,668.04	\$58,891.02	\$23,777.02	\$1,121,109.94
3/3/2021	\$82,668.04	\$60,077.67	\$22,590.37	\$1,061,032.27
9/3/2021	\$82,668.04	\$61,288.24	\$21,379.80	\$999,744.03
3/3/2022	\$82,668.04	\$62,523.20	\$20,144.84	\$937,220.83
9/6/2022	\$82,668.04	\$63,783.04	\$18,885.00	\$873,437.79
3/3/2023	\$82,668.04	\$65,068.27	\$17,599.77	\$808,369.52
9/5/2023	\$82,668.04	\$66,379.39	\$16,288.65	\$741,990.13
3/4/2024	\$82,668.04	\$67,716.94	\$14,951.10	\$674,273.19

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Payment Date	Total Payment	Principal Amount	Interest Amount	Principal Balance
9/3/2024	\$82,668.04	\$69,081.44	\$13,586.60	\$605,191.75
3/3/2025	\$82,668.04	\$70,473.43	\$12,194.61	\$534,718.32
9/3/2025	\$82,668.04	\$71,893.47	\$10,774.57	\$462,824.85
3/3/2026	\$82,668.04	\$73,342.12	\$9,325.92	\$389,482.73
9/3/2026	\$82,668.04	\$74,819.96	\$7,848.08	\$314,662.77
3/3/2027	\$82,668.04	\$76,327.59	\$6,340.45	\$238,335.18
9/3/2027	\$82,668.04	\$77,865.59	\$4,802.45	\$160,469.59
3/3/2028	\$82,668.04	\$79,434.58	\$3,233.46	\$81,035.01
9/5/2028	\$82,667.87	\$81,035.01	\$1,632.86	\$0.00
Total	\$2,480,041.03	\$1,847,658.00	\$632,383.03	

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CONDITIONS AND DEFINITIONS

Schedule B to the Secured Debenture dated as of September 3, 2013 issued by the Borrower in favour of Ontario Infrastructure and Lands Corporation

1. **Definitions**

“**Prime Rate**” means, on any day, the annual rate of interest which is the arithmetic mean of the prime rates announced from time to time by the five major Canadian Schedule I banks, as of the issue date of this Debenture, Royal Bank of Canada, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Bank of Montreal and The Toronto-Dominion Bank (the “Reference Banks”) as their reference rates in effect on such day for Canadian dollar commercial loans made in Canada. If fewer than five of the Reference Banks quote a prime rate on such days, the “Prime Rate” shall be the arithmetic mean of the rates quoted by the remaining Reference Banks.

2. **Form and Registration of the Debenture**

(a) The Debenture is a direct and secured obligation of the Borrower and shall have priority over all unsecured senior debt obligations of the Borrower.

(b) The Borrower shall maintain at its designated office a register in respect of the Debenture in which shall be recorded the names and addresses of the registered holders and in which particulars of the cancellation, exchanges, substitutions and transfers of the Debenture, may be recorded and the Borrower is authorized to use electronic, magnetic or other media for records of or related to the Debenture or for copies of them.

3. **Title**

The Borrower shall not be bound to see to the execution of any trust affecting the ownership of this Debenture or be affected by notice of any equity that may be subsisting in respect thereof. The Borrower shall deem and treat the registered holder of this Debenture as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary and all payments to or to the order of the registered holder shall be valid and effectual to discharge the liability of the Borrower on the Debenture to the extent of the sum or sums so paid. Where a Debenture is registered in more than one name, the principal of and interest from time to time payable on such Debenture shall be paid to or to the order of all the joint registered holders thereof, failing written instructions to the contrary from all such joint registered holders, and such payment shall constitute a valid discharge to the Borrower. In the case of the death of one or more joint registered holders, despite the foregoing provisions of this section, the principal of and interest on the Debenture registered in their names may be paid to the survivor or survivors of such holders and such payment shall constitute a valid discharge to the Borrower.

4. **Payments of Principal and Interest**

(a) The record date for purposes of payment of principal of and interest on the Debenture is as of 5:00 p.m. on the sixteenth calendar day preceding any Payment Date including a maturity date. Principal of and interest on the Debenture are payable by the Borrower to the persons registered as holders in the register on the relevant record date. The Borrower shall not be

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required to register any transfer, exchange or substitution of the Debenture during the period from any record date to the corresponding Payment Date.

(b) The Borrower shall make all payments in respect of semi-annual combined principal and interest on the Debenture on each Payment Date commencing on March 3, 2014 (other than in respect of the final payment of principal and outstanding interest which the Borrower shall pay on the final maturity date upon presentation and surrender of this Debenture) in lawful money of Canada by pre-authorized debit in respect of such interest and principal to the credit of the registered holder on such terms as to which the registered holder and the Borrower may agree.

(c) Whenever it is necessary to compute any amount of interest in respect of the Debenture for a period of less than one full year, other than with respect to regular monthly interest payments, such interest shall be calculated on the basis of the actual number of days in the period and a year of 365 or 366 days, as applicable.

(d) Delivery of payments in respect of principal of and interest on the Debenture as provided on the Payment Schedule shall be made only on a day on which banking institutions in Toronto, Ontario, are not authorized or obligated by law or executive order to be closed (a "Toronto Business Day"), and if any date for delivery of payment is not a Toronto Business Day, payment as specified on the Payment Schedule shall be made on the next following Toronto Business Day.

(e) The Debenture is transferable or exchangeable at the office of the Treasurer of the Borrower upon presentation for such purpose accompanied by an instrument of transfer or exchange in a form approved by the Borrower and which form is in accordance with the prevailing Canadian transfer legislation and practices, executed by the registered holder thereof or such holder's duly authorized attorney or legal personal representative, whereupon and upon registration of such transfer or exchange and cancellation of the Debenture, a new Debenture will be delivered as directed by the transferee, in the case of a transfer or as directed by the registered holder in the case of an exchange.

(f) The Borrower shall issue and deliver a new Debenture in exchange or substitution for the Debenture outstanding on the register with the same maturity and of like form which has become lost, stolen, mutilated, defaced or destroyed, provided that the applicant therefor shall have: (i) paid such costs as may have been incurred in connection therewith; (ii) (in the case of a lost, stolen or destroyed Debenture) furnished the Borrower with such evidence (including evidence as to the certificate number of the Debenture in question) and indemnity in respect thereof satisfactory to the Borrower in its discretion; and (iii) surrendered to the Borrower any mutilated or defaced Debenture in respect of which the new Debenture is to be issued in substitution.

(g) The Debenture(s) issued upon any registration of transfer or exchange or in substitution for the Debenture(s) or part thereof shall carry all the rights to interest if any, accrued and unpaid which were carried by such Debenture(s) or part thereof and shall be so dated and shall bear the same maturity date and shall be subject to the same terms and conditions as the Debenture(s) in respect of which the transfer, exchange or substitution is effected.

(h) The cost of all transfers and exchanges, including the printing of authorized denominations of the new Debenture(s), shall be borne by the Borrower. When the Debenture is

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surrendered for transfer or exchange the Treasurer of the Borrower shall: (i) in the case of an exchange, cancel and destroy the Debenture surrendered for exchange; (ii) in the case of an exchange, certify the cancellation and destruction in the register; and (iii) enter in the register particulars of the new Debenture issued in exchange.

(i) Reasonable fees for the substitution of a new Debenture for the Debenture that is lost, stolen, mutilated, defaced or destroyed may be imposed by the Borrower. Where new Debentures are issued in substitution in these circumstances the Borrower shall: (i) treat as cancelled and destroyed the Debentures in respect of which new Debentures will be issued in substitution; (ii) certify the deemed cancellation and destruction in the register; (iii) enter in the register particulars of the new Debentures issued in substitution; and (iv) make a notation of any indemnities provided.

5. Notices

Except as otherwise expressly provided herein, any notice required to be given to a registered holder of the Debenture will be sufficiently given if a copy of such notice is mailed or otherwise delivered to the registered address of such registered holder. If the Borrower or any registered holder is required to give any notice in connection with the Debenture on or before any day and that day is not a Toronto Business Day then such notice may be given on the next following Toronto Business Day.

6. Time

Unless otherwise expressly provided herein, any reference herein to a time shall be considered to be a reference to Toronto time.

7. Assignment and Benefit of Debenture

The Borrower may not assign its rights or transfer its obligations under this Debenture without the prior written consent of the registered holder of the Debenture. The registered holder of this Debenture may assign or transfer its rights under this Debenture without the prior written consent of the Borrower by giving thirty (30) days notice of such assignment or transfer to the Borrower. This Debenture enures to the benefit of and binds the Borrower and the registered holder of the Debenture and their respective successors and permitted assigns.

8. Amendment

Any amendment to this Debenture shall be in writing signed by each of the Borrower and the registered holder of the Debenture except that any waiver of any provision of this Debenture or consent to any departure by the Borrower herefrom, shall be effective if the same is in writing and signed by the registered holder of the Debenture.

9. No Waiver

No failure on the part of the registered holder to exercise, and no delay in exercising, any right under the Debenture shall operate as a waiver thereof; nor shall any single or partial exercise of any right under the Debenture preclude any other or further exercise thereof or the exercise of any other

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right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

10. Waiver of Protest

The Borrower waives diligence, demand, presentment, protest and notice of any kind and agrees that it will not be necessary for the registered holder to first initiate suit in order to enforce payment of this Debenture pursuant to the terms and conditions of this Debenture.

11. Termination of Financing Agreement

If OILC elects to terminate its obligations under the Financing Agreement entered into between the parties, OILC, at its discretion, shall assess any losses that it may incur as a result of the termination as follows: if on the date of termination the outstanding principal balance on the Debenture is less than the net present value of the Debenture, the Borrower shall pay the difference between these two amounts to OILC.

1 Attachment D - TD Bank – Facilities Agreement



South-East Ontario Commercial Banking Centre
360 George St N, Unit 63
Peterborough, ON
K9H 7E7
Telephone No.: (705) 745-5722
Fax No.: (705) 745 5339

September 27, 2013

LAKEFRONT UTILITIES INC
PO BOX 577 STN MAIN
207 Division St.
Cobourg, ON
K9A 4L3

Attention: Mr. Dereck Chander-Paul

Dear Mr. Chander-Paul,

The following amending agreement (the "Amending Agreement") amends the terms and conditions of the credit facilities (the "Facilities") provided to the Borrower pursuant to the Agreement dated October 27, 2010:

BORROWER

LAKEFRONT UTILITIES INC (the "Borrower")

LENDER

The Toronto-Dominion Bank (the "Bank"), through its South East Ontario branch, in Peterborough, ON.

CREDIT LIMIT

- 1) CAD\$1,000,000 (this has increased from CAD\$500,000)
- 2) CAD\$1,500,000 (this has increased from CAD\$1,222,663)

**FINANCIAL
COVENANTS**

The following Financial Covenant has been amended has follows:

The Borrower agrees at all times to:

- a) Maintain an Interest Coverage ratio of not less than 1.50:1. Interest Coverage ratio is defined as follows:

EBITDA - Cash Taxes - **40% Unfinanced Capital Expenditures** (net of contributed capital) / Total Cash Interest Expense (Net of accrual of any shareholder debt interest)

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

**AVAILABILITY OF
OPERATING LOAN**

The Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

**SCHEDULE "A" -
STANDARD TERMS
AND CONDITIONS**

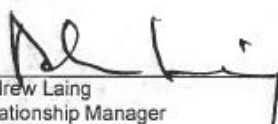
Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

Unless otherwise stated, the amendments outlined above are in addition to the Terms and Conditions of the existing Agreement. All other terms and conditions remain unchanged.

We ask that the Borrower acknowledges agreement to these amendments by signing and returning the attached duplicate copy of this Amending Agreement to the undersigned on or before **October 31, 2013**.

Yours truly,

THE TORONTO-DOMINION BANK


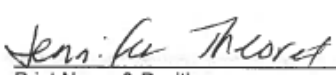

Andrew Laing
Relationship Manager


Anthony Kellner
Manager, Commercial Services

Borrower Acknowledgement Section.

TO THE TORONTO-DOMINION BANK:

LAKEFRONT UTILITIES INC hereby accepts the foregoing offer this _____ day of _____, 2____.
The Borrower confirms that, except as may be set out above, the credit facilities detailed herein shall not be used by or on behalf of any third party.

 _____ Signature	 _____ Signature
 _____ Print Name & Position PRESIDENT	 _____ Print Name & Position Director of Finance.