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Northern Ontario Wires Inc.  
Filed: 26 August, 2016  
EB-2016-0096  
Exhibit 5

## **Exhibit 5:**

# **COST OF CAPITAL AND CAPITAL STRUCTURE**



Northern Ontario Wires Inc.  
Filed: 26 August, 2016  
EB-2016-0096  
Exhibit 5  
Tab 1

Exhibit 5: Cost Of Capital And Capital Structure

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**Tab 1 (of 2): Cost of Capital and Capital Structure**



# 1                   **COST OF CAPITAL AND CAPITAL STRUCTURE**

## 2                   **OVERVIEW**

3       NOW Inc. has followed the *Report of the Board on the Cost of Capital for Ontario's*  
4       *Regulated Utilities* dated December 11, 2009, to determine its capital structure and  
5       relied on the Board's October 15, 2015 *Cost of Capital Parameter Updates for 2016*  
6       *Applications* letter for the cost of capital parameters. NOW Inc. will update the cost of  
7       capital parameters when new parameters are made available and prior to the Board's  
8       decision on NOW Inc.'s 2017 distribution rates. NOW Inc. is not proposing any deviation  
9       from the Board's cost of capital methodology.

10  
11      Overall, NOW Inc. is requesting a deemed interest expense of \$183,080 and a deemed  
12      return on equity of \$285,489 for a total regulated return on capital of \$468,569 for the  
13      2017TY. The return on capital of \$468,569 is \$48,562 higher than the 2013 Board  
14      Approved amount. The derivation of the 2017TY regulated return on capital is provided  
15      in E5/T1/S1/Att1, which is OEB Chapter 2 Appendix 2-OA.

## 16 17                   **CAPITAL STRUCTURE**

18      For the purpose of setting distribution rates for the 2017TY, NOW Inc. adheres to Board  
19      policy where it has been determined that a split of 60% debt and 40% equity is  
20      appropriate for electricity distributors. Debt is comprised of 56% long-term debt and 4%  
21      short-term debt.

22  
23      Board Appendices 2-OA and 2-OB provide further details on NOW Inc.'s capital  
24      structure and debt instruments and these are provided in E5/T1/S1/Att1 and  
25      E5/T1/S1/Att2, respectively.

26  
27      The average rate base in the 2017 TY is \$7,766,288. The portion to be financed by long  
28      term debt is \$4,349,121 (56%), the portion financed by short term debt is \$310,652 (4%)  
29      and the portion financed through equity is \$3,106,515 (40%),  
30



1 **RETURN ON EQUITY**

2 ***Common Equity***

3 NOW Inc. adheres to the Board's Cost of Capital policy. For rate making purposes,  
4 NOW Inc. proposes to recover an amount of \$285,489 for the Return on Equity through  
5 distribution rates in the 2017TY. This amount is determined based on the Board's  
6 specified of return on equity of 9.19% multiplied by 40% of the average rate base in the  
7 2017TY. The return on equity will be updated to reflect the current rate when the draft  
8 rate order for this proceeding is prepared.

9  
10 **DEBT**

11 ***Long-Term Debt***

12 For the 2017TY, NOW Inc. has followed the Board's cost of capital direction and has  
13 calculated the cost of debt using actual and expected rates from third-party debt.

14  
15 For the 2017TY, the long-term debt amount is 56% of the calculated average Rate Base  
16 to which the average long-term debt rate of 4.09% is applied. Based on this approach,  
17 NOW Inc. proposes recovering interest costs of \$177,954 (E5/T1/S1/Att1), for the long-  
18 term debt component for the 2017TY.

19  
20 NOW Inc. has outstanding third party debt with Caisse Populaire. This debt consists of  
21 three specific loans. Relevant section from these loan agreements are provided in  
22 E5/T1/S1/Att3. Two of the loans are at a rate of 3.75% and one is at a rate of 3.42%.

23  
24 The largest loan (\$3,680,980 at 3.75%) is scheduled to be renewed on July 31, 2017.  
25 For purposes of this application, NOW Inc. has assumed the approved loan interest rate  
26 of 3.75% will apply until the end of the term (July 30, 2017) and that the loan will then be  
27 renewed at an assumed of 4.54% reflecting the current OEB deemed long-term debt  
28 rate. This rate will be updated to reflect the OEB's most current long-term debt rate  
29 available at the time of preparing the draft rate order for this proceeding.

30  
31



1 **Short-Term Debt**

2 For rate making purposes, NOW Inc. proposes to recover \$5,126 (E5/T1/S1/Att1)  
3 through distribution rates in the 2017TY for deemed short-term debt. The short-term debt  
4 amount is derived by applying the Board's cost of capital direction in which short-term  
5 debt represents 4% of the capital structure at a rate of 1.65%. To determine the short-  
6 term debt cost, 4% of the average rate base for the 2017TY is multiplied by the short-  
7 term debt rate of 1.65%. The short-term debt will be updated to reflect the OEB's most  
8 current rate when the draft rate order for this proceeding is prepared.

9  
10 **Changes in Debt Since 2013:**

11  
12 In 2013 there was one long term loan outstanding with a 20 year maturity date and a 5  
13 year renewable term. In 2014 an additional loan in the amount of \$404,741 was  
14 arranged with Caisse Populaire at a rate of 3.75% for a 5 year term. In 2014, further  
15 funding was required and another loan from Caisse Populaire was arranged in the  
16 amount of \$229,049 at a rate of 3.42% for a 5 year term. In 2017, in addition to  
17 renewing the initial loan from Caisse Populaire, NOW Inc. will also secure financing in  
18 the amount of \$381,705 at an assumed interest rate of 4.54%, in order to have a  
19 deemed debt rate of 56%.

20  
21 In 2016, short term funding was obtained from the Town of Cochrane at a rate of 2.0%  
22 for a one year term and this is scheduled to be paid back in mid-2017. In 2017, NOW  
23 Inc. is requesting short debt funding at the OEB prescribed rate of 1.65%.

24  
25



## Notional Debt

Notional debt of \$310,652 is calculated as the difference between the deemed short and long-term debt rate of 60% and NOW Inc.'s 2017 debt which is shown in **Table 1** as follows:

**Table 1: Notional Debt**

Rate Base	Deemed Debt Rate	Deemed Debt	Actual Long-term Debt 2017	Notional Debt
\$ 7,766,288	60%	\$ 4,659,773	\$ 4,349,121	\$ 310,652

Actual 2017 Long-Term Debt is detailed in E5/T1/S1/Att2 page 5.

## Appendix 2-OA Capital Structure and Cost of Capital

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

Year: 2013

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$4,072,939	3.75%	\$152,735
2	Short-term Debt	4.00% (1)	\$290,924	2.07%	\$6,022
3	<b>Total Debt</b>	60.0%	\$4,363,864	3.64%	\$158,757
	<b>Equity</b>				
4	Common Equity	40.00%	\$2,909,242	8.98%	\$261,250
5	Preferred Shares		\$ -		\$ -
6	<b>Total Equity</b>	40.0%	\$2,909,242	8.98%	\$261,250
7	<b>Total</b>	100.0%	\$7,273,106	5.77%	\$420,007

### Notes

(1)

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



## Appendix 2-OA Capital Structure and Cost of Capital

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

Year: 2017

Line No.	Particulars	Capitalization Ratio		Cost Rate	Return
		(%)	(\$)	(%)	(\$)
	<b>Debt</b>				
1	Long-term Debt	56.00%	\$4,349,121	4.09%	\$177,954
2	Short-term Debt	4.00% (1)	\$310,652	1.65%	\$5,126
3	<b>Total Debt</b>	60.0%	\$4,659,773	3.93%	\$183,080
	<b>Equity</b>				
4	Common Equity	40.00%	\$3,106,515	9.19%	\$285,489
5	Preferred Shares		\$ -		\$ -
6	<b>Total Equity</b>	40.0%	\$3,106,515	9.19%	\$285,489
7	<b>Total</b>	100.0%	\$7,766,288	6.03%	\$468,569

**Notes**  
(1)

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

**File Number:** EB-2016-0096  
**Exhibit:** 5  
**Tab:** 1  
**Schedule:** 1  
**Attachment:** 2  
**Page:** 1 of 5  
**Date:** 26-Aug-16

## Appendix 2-OB Debt Instruments

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

**Year** 2013

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Loan 8	Caisse Populaire	Third-Party	Fixed Rate	27-Jul-12	20	\$ 4,324,895	3.75%	\$ 162,183.56	
2	Loan 1	Caisse Populaire	Third-Party	Fixed Rate	19-Sep-13	5	\$ 424,082	3.75%	\$ 4,487.72	Interest for partial year (103/365)
3									\$ -	
Total							\$ 4,748,977	3.51%	\$ 166,671.28	

### Notes

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or with any subsequent update issued by the Board.
- 3 Add more lines above row 12 if necessary.

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## Appendix 2-OB Debt Instruments

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

Year 2014

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Loan 8	Caisse Populaire	Third-Party	Fixed Rate	27-Jul-12	20	\$ 4,172,370	3.75%	\$ 156,463.88	
2	Loan 1	Caisse Populaire	Third-Party	Fixed Rate	19-Sep-13	5	\$ 404,741	3.75%	\$ 15,177.77	
3	Loan 4	Caisse Populaire	Third-Party	Fixed Rate	28-Apr-14	5	\$ 261,375	3.42%	\$ 6,049.15	Interest for partial year (247/365)
4									\$ -	
Total							\$ 4,838,486	3.67%	\$ 177,690.80	

### Notes

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or
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## Appendix 2-OB Debt Instruments

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

Year 2015

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Loan 8	Caisse Populaire	Third-Party	Fixed Rate	27-Jul-12	20	\$ 4,014,026	3.75%	\$ 150,525.98	
2	Loan 1	Caisse Populaire	Third-Party	Fixed Rate	19-Sep-13	5	\$ 325,404	3.75%	\$ 12,202.65	
3	Loan 4	Caisse Populaire	Third-Party	Fixed Rate	28-Apr-14	5	\$ 229,049	3.42%	\$ 7,833.48	
4									\$ -	
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 4,568,479	3.73%	\$ 170,562.10	

### Notes

- <sup>1</sup> If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- <sup>2</sup> Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or
- <sup>3</sup> Add more lines above row 12 if necessary.

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**Schedule:** 1  
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**Date:** 26-Aug-16

## Appendix 2-OB Debt Instruments

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

Year 2016

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Loan 8	Caisse Populaire	Third-Party	Fixed Rate	27-Jul-12	20	\$ 3,849,642	3.75%	\$ 144,361.58	
2	Loan 1	Caisse Populaire	Third-Party	Fixed Rate	19-Sep-13	5	\$ 243,043	3.75%	\$ 9,114.11	
3	Loan 4	Caisse Populaire	Third-Party	Fixed Rate	28-Apr-14	5	\$ 179,159	3.42%	\$ 6,127.24	
4	Short Term Deb	Town of Cochrane	Affiliated	Fixed Rate	17-Feb-16	1	\$ 546,000	2.00%	\$ 9,487.87	Interest for partial year (318/366)
5									\$ -	
6									\$ -	
7									\$ -	
8									\$ -	
9									\$ -	
10									\$ -	
11									\$ -	
12									\$ -	
Total							\$ 4,817,844	3.51%	\$ 169,090.80	

### Notes

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or
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## Appendix 2-OB Debt Instruments

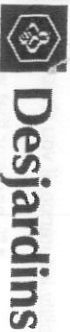
This table must be completed for all required historical years, the bridge year and the test year.

Year 2017

Row	Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) <sup>2</sup>	Interest (\$) <sup>1</sup>	Additional Comments, if any
1	Loan 8	Caisse Populaire	Third-Party	Fixed Rate	27-Jul-12	20	\$ 3,680,980	3.75%	\$ 79,796.59	Due in 2017, interest pro-rated (211/365)
2	Loan 1	Caisse Populaire	Third-Party	Fixed Rate	19-Sep-13	5	\$ 158,459	3.75%	\$ 5,942.21	
3	Loan 4	Caisse Populaire	Third-Party	Fixed Rate	28-Apr-14	5	\$ 127,978	3.42%	\$ 4,376.85	
4	Loan 8-B	Caisse Populaire	Third-Party	Fixed Rate	31-Jul-17	20	\$ 3,680,980	4.54%	\$ 70,509.42	Renewed in 2017, interest pro-rated (154/365)
5		Caisse Populaire	Third-Party	Fixed Rate	1-Jan-17	5	\$ 381,705	4.54%	\$ 17,329.41	
6									\$ -	
Total							\$ 8,030,102	2.22%	\$ 177,954.48	

### Notes

- 1 If financing is in place only part of the year, separately calculate the pro-rated interest in the year and input in the cell.
- 2 Input actual or deemed long-term debt rate in accordance with the guidelines in *The Report of the Board on the Cost of Capital for Ontario's Regulated Utilities*, issued December 11, 2009, or
- 3 Add more lines above row 12 if necessary.



USE OF REVOLVING LINE OF CREDIT AGREEMENT

(Sole proprietorship, partnership, legal person)

Transit No.	Folio	Filed: 26 August, 2016
00211	9860	Loan No. EB-2016-0096
Exhibit 5		

Tab 1

Schedule 1

Attachment 3

Page 1 of 11

CAISSE POPULAIRE DE COCHRANE LIMITÉE

Name and address of the Caisse  
187 5TH AVENUE, P.O. BOX 1868, COCHRANE ONTARIO, P0L 1C0

SEP 26 2013

Hereinafter referred to as "THE CAISSE"

AND: NORTHERN ONTARIO WIRES INC.  
Name and address of the Member(s)  
153 6TH AVENUE, P.O. BOX 640, COCHRANE ONTARIO, P0L 1C0

(If a Legal Person, herein represented by **DOUG THEOBALD, CEO & MONIKA MALHERBE, CHAIR OF THE BOARD**, who declare[s] himself or herself [themselves] to be duly authorized for the purpose hereof by a resolution dated \_\_\_\_\_, or by virtue of the law, the unanimous agreement of shareholders or otherwise)

Hereinafter referred to as "THE MEMBER"

THE PARTIES DECLARE AND AGREE AS FOLLOWS:

1. IDENTIFICATION OF THE REVOLVING LINE OF CREDIT CONTRACT: The Caisse and the Member, on **JULY 27TH 2012**, signed a revolving line of credit contract for \$ **500 000**.

2. ALLOCATION OF AN ADVANCE: Under this revolving line of credit, the Caisse agrees to advance to the Member the amount of \$ **424 082** (hereinafter referred to as "THE ADVANCE").

The Advance is to be used solely for the purposes stated by the Member and is subject to the terms and conditions of the revolving line of credit contract regarding loan payouts. It shall be treated separately from sums already advanced, since they involved a separate loan, identified by number **1** in folio **9860**. In spite of the foregoing, there shall be only one credit line totalling the balance of the different advances.

If the Advance is paid out progressively, the Caisse may at any time demand that accrued interest be paid in full at regular intervals. Interest accrued on each payout may be deducted by the Caisse from the following payout. If the full Advance has not been paid out within **-** days following the date of this agreement, the Caisse may refuse to make any further payout, retaining all of its rights on the sums already disbursed.

3. INTEREST: The Advance shall bear interest calculated monthly before and after maturity:

☒ (a) fixed-rate: at a rate of **THREE POINT SEVENTY-FIVE** percent ( **3.75** %) per year.

☐ (b) variable rate: at Caisse centrale Desjardins' prime rate plus \_\_\_\_\_ % per year. The rate of interest applicable to the Advance shall vary to each change in Caisse centrale Desjardins' prime rate.

The Caisse centrale Desjardins' prime rate is the interest rate it sets from time to time as its prime rate; on the date of this agreement, this rate is \_\_\_\_\_ % per annum. The Member may, at any time, find out the Caisse centrale Desjardins' prime rate in force by visiting the Desjardins Group Web site or inquiring at any Desjardins Caisse.

If the Advance's term and amortization period exceed five years, the Caisse may, after the fifth anniversary of the date of signature of this agreement, modify by means of a written 30-day advance notice the above-mentioned markup percentage over the Caisse centrale Desjardins' prime rate. If the markup percentage is increased, the Member may prepay the Advance without penalty within 30 days of receipt of the advance notice.

If, due to a variation in the interest rate, the amount of a payment in principal and interest is lower than the accrued interest, the unpaid interest shall be capitalized and bear interest at the rate then in force for the Advance.

Any interest unpaid at maturity shall itself bear interest at the rate applicable to this advance. It may be capitalized, but remains payable at all times.

4. REPAYMENT: The Member hereby agrees to repay the Advance:

☒ (a) in equal and consecutive **MONTHLY** payments of \$ **7 762,37** each **OCTOBER 20TH 2013** of capital only ☒ of capital and interest, the first payment to be made on **OCTOBER 20TH 2013** and the others consecutively;

☒ until the Advance is repaid in full; ☐ until \_\_\_\_\_ inclusively, at which date any balance remaining on the Advance in capital, interest, costs and accessories shall become due and payable.

If interest is not included in the payment amount, it shall be paid ☐ on the same dates as the capital ☐ on the \_\_\_\_\_ of each \_\_\_\_\_ beginning on \_\_\_\_\_.

The above repayment terms and conditions are based on an amortization period of **60 MONTHS**.

**Automatic renewal of the Advance:** If the interest rate is variable, the date on which the balance of the Advance will be payable shall be deferred automatically by one year unless, by no later than the 10th day following that date: (a) one party advises the other party in writing that it does not wish the deferment to take place; (b) one party offers to, or asks, the other party, in writing, to renew the Advance with different terms, or both parties agree in writing to such a renewal; (c) the Caisse asks the Member, in writing, to pay the balance of the Advance or (d) the Member pays off the balance of the Advance. These provisions shall apply again, year after year, unless one of the circumstances described in points (a) through (d) above becomes applicable.

☐ (b) in payments ☐ of capital only ☐ of capital and interest, and the number, amounts and dates are listed below:

Number	Amount (\$) / Frequency*	On or starting on	Number	Amount (\$) / Frequency*	On or starting on

\* If applicable

If interest is not included in the payment amount, it shall be paid ☐ on the same dates as the capital ☐ on the \_\_\_\_\_ of each \_\_\_\_\_ beginning on \_\_\_\_\_.

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<p>The interest rate and payment amounts mentioned above do not include the cost of <input type="checkbox"/> life insurance <input type="checkbox"/> life and disability insurance, if you choose to subscribe to one or both. If applicable, the cost of this coverage will correspond to a supplementary rate of _____ % per year that will be withdrawn at the same time as the payments, the whole subject to the provisions of the insurance policy in force at the Caisse. If the payments include principal and interest, the capital and interest payment amount including the cost of life and disability insurance if you have subscribed to it, will be \$ - _____ per - _____ starting on - _____. Should the Advance be renewed on the date on which the balance of the Advance becomes payable, the additional rate indicated above shall be revised as per the insurance policy, and the payment amount shall be adjusted accordingly.</p>	
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**FOR A "CONSUMER" HYPOTHECARY LOAN OTHER THAN FIRST RANK**

By including the cost of life and disability insurance if you subscribe to this coverage, the credit rate and credit charges for the Advance, if repaid as provided, will be:

Credit rate: \_\_\_\_\_ % per year      Credit charges: Interest \$ - \_\_\_\_\_ Insurance \$ - \_\_\_\_\_ Total \$ - \_\_\_\_\_

If the interest rate is fixed, the credit charges shall be valid for the whole duration of the Contract (term). If the interest rate is variable, the above credit rate shall be the initial credit rate, and the credit charges that are valid for the entire duration of the Contract (term), based on the initial credit, are provided for information purposes and may vary according to changes in this rate.

5. **FEES - FAILED WITHDRAWAL ATTEMPTS:** In the event sufficient funds are unavailable in the account from which the payments for the advance are to be withdrawn, when such payment is due, the Caisse may, subject to its rights and remedies, request that the Member pay the applicable fees in order to compensate the Caisse for reasonable expenses it incurred in attempting to withdraw said payment. The Member may at any time inquire at the Caisse to ascertain the applicable fees. The Member hereby authorizes the Caisse to debit its account accordingly.

6. **PREPAYMENT:**

☐ (a) **Fixed rate:** If the interest rate of the Advance is fixed, the Member may, at any time, prepay the Advance in full or in part on payment to the Caisse of a penalty equal to the higher of the following amounts:

- an amount equal to three months' interest on the prepaid amount, at the interest rate than applicable on the Advance; or
- an amount equal to the interest calculated on the prepaid amount, up to the expiry date of the term of the Advance, at a rate of interest that corresponds to the difference between: (i) the interest rate then applicable on the Advance, and (ii) the Canadian government fixed-term bond yield rate for a one-year term if, at the time of payment, there remain fewer than 24 months before expiry of the term of the Advance, for a two-year term if there remain between 24 and 36 months, for a three-year term if there remain between 36 and 48 months, for a four-year term if there remain between 48 and 60 months, and for a five-year term if there remain 60 months or more. The yield rates of the said bonds shall be those set at the time of the prepayment by the Bloomberg rating system or, otherwise, by another system or entity chosen by the Fédération des caisses Desjardins du Québec. These are quoted on the Web site of Desjardins Group.

However, if the payment is made less than 3 months before expiry of the term of the Advance, the penalty shall not exceed the interest at the rate then applicable on the Advance, calculated on the prepaid amount, starting from the date of prepayment up to the expiry of the term of the Advance.

☐ (b) **Variable rate:** If the interest rate of the Advance is variable, the Member may, at any time, prepay the Advance in full or in part on payment to the Caisse of a penalty equal to three months' interest on the amount paid at the interest rate then applicable to this advance.

However, if the payment is made less than 3 months before expiry of the term of the Advance, the penalty shall not exceed the interest at the rate then applicable on the Advance, calculated on the prepaid amount, starting from the date of prepayment up to the expiry of the term of the Advance.

☒ (c) **"Open-ended Advance":** The Member may, at any time, prepay the Advance in part or in full without penalty.

A prepayment shall not release the Member from the obligation to continue making the payments specified in this agreement.

7. **OTHER APPLICABLE CLAUSES:** All clauses in the revolving line of credit contract mentioned in Section 1 apply to this Advance as if they were reproduced here in full. Furthermore, all hypotheses and other securities that guarantee the credit line, if any, also generally apply to the Advance and guarantee repayment to the Caisse of all sums in capital, interest, costs or accessories due or coming due under this agreement.

8. **APPROPRIATION OF PAYMENTS:** All payments received by the Caisse in reimbursement of the Advance shall be applied first to the oldest interest as well as to the cost of life and disability insurance, if applicable, and then against the principle. If a payment is not sufficient to cover the repayable sums due on the different payouts of the Advance, the Caisse shall appropriate the payment at its discretion. The same shall apply for any other amount from, particularly, the realization of securities guaranteeing the line of credit or the payouts, if applicable.

9. **CONSOLIDATION AND ABSENCE OF NOVATION:** If this Advance is used in full or in part to pay for other or another payout(s), none of the terms and conditions in this agreement shall be interpreted as constituting novation, and the securities or sureties guaranteeing the Advance or consolidated payouts, as the case may be, shall remain in force and continue to guarantee them prorated to the balance then due on it (them) relative to the overall balance then due on the consolidated amounts. If, in order to effect such a consolidation, the Caisse closes one or more of the existing loans in its computer system and opens a new one, the Member acknowledges that the account statement(s) to be issued subsequently showing a zero balance shall not be interpreted as discharge from payouts consolidated under this agreement.



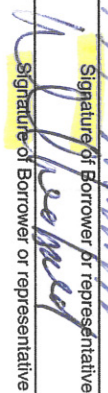
10. **AMENDMENT OR RENEWAL OF THE ADVANCE:** If the parties later agree to amend the terms and conditions of this Advance or renew it at maturity of the term provided in this agreement, if applicable, the amendment or renewal agreement may refer to this Advance as a term loan and refer to this agreement for the use of a revolving line of credit agreement as if it were a term loan contract.



11. OTHER MENTIONS:

12. **LANGUAGE:** The parties hereto confirm that it is their wish that this agreement as well as all other documents relating hereto, including notices, have been and shall be drawn up in English only. Les parties aux présentes confirment leur volonté que cette convention de même que tous les documents, y compris tout avis, s'y rattachant, soient rédigés en anglais seulement.

Signed at COCHRANE, ONTARIO on this SEPTEMBER 19TH 2013

<u></u> Signature of the Caisse's representative	<u></u> Signature of Borrower or representative
	<u> CEO</u> Signature of Borrower or representative

**SURETYSHIP**

And to this agreement intervened \_\_\_\_\_ Name and address \_\_\_\_\_  
who acknowledge(s) having read this agreement and to be bound as solidary surety(ies) for the obligations of the Member under this agreement and in the revolving line of credit contract, and acknowledge(s) having received a copy of it. If the parties agree to consolidate this Advance with one or other payouts, or with the balance of the line of credit, the suretyship shall remain in force and decrease proportionally with the balance then due on the Advance named in this agreement relative to the overall balance due on the consolidated sums.

This suretyship is additional to all other suretyships signed by the surety(ies) in favour of the Caisse.





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LOAN AGREEMENT (SOLE PROPRIETORSHIP,  
PARTNERSHIP, CORPORATION)

LOAN NO. 4

Folio	0009860
Loan No.	4

BETWEEN: CAISSE POPULAIRE DE COCHRANE LIMITEE  
187, 5 IEME AVENUE, C.P. 1868 COCHRANE, ON POL 1C0

hereinafter referred to as "THE FINANCIAL INSTITUTION"

AND: NORTHERN ONTARIO WIRES INC.

153 6E AVENUE C.P. 640, COCHRANE, ON POL 1C0

hereinafter referred to as "THE BORROWER"

THE PARTIES HERETO AGREE AS FOLLOWS:

1. LOAN

The Financial Institution hereby agrees to extend to the Borrower a loan in the amount of \$ 261,375.00 (hereinafter referred to as "the loan" or "the financing"). Such loan shall be used solely for THE PURCHASE OF A 2014 FREIGHTLINER M2-106 AND A 2013 TEREX C4047 PG AS PER INVOICE NO. U55500.

2. INTEREST

**Fixed rate:** The loan shall bear interest, before as well as after maturity, default or judgment at the rate of 3.420 % per annum calculated **monthly** and not in advance.

All of the interest accrued on the thirtieth day before the first payment must be paid on that date. If the payment frequency is weekly, the interest accrued must be paid on the seventh day before the first payment.

Any interest unpaid at maturity shall itself bear interest at the rate applicable to the loan. It may be compounded but remains payable at any time.

3. DISBURSEMENT

The loan shall be disbursed in a single disbursement to be made by 2014-08-31 at the latest, failing which the Financial Institution may refuse to make any other disbursement.

4. REPAYMENT

The Borrower undertakes to repay the loan as follows:

Periodic equal payments: by means of 60 equal and consecutive **monthly** payments of \$ 3,503.33 each of **principal and interest**, with the first payment to be made on MAY 25TH 2014 and the other payments to be made successively until APRIL 25TH 2019 inclusively, at which date any balance of principal, interest, costs and accessories due shall become payable.

These repayment terms and conditions are determined on the basis of an amortization period of 84 month(s).

5. APPROPRIATION OF PAYMENTS

All payments received by the Financial Institution shall be applied first to the accrued interest as well as to the cost of life insurance and disability insurance at the aforementioned additional rate, if applicable, and then to the repayment of the principal. The payments shall be applied to the principal only when all interest and insurance expenses will have been paid in full, starting with the oldest.

6. CONDITIONS

**Generic conditions**

• The Borrower agrees to maintain its main business banking account(s) at the Financial Institution and to carry out its current transactions through this account.

**Conditions applicable to financing of assets**

• The amount of financing shall be limited:

• To 100.000 % of the lesser of the cost of acquisition and the fair market value of the equipment

• **FINANCING DOES NOT INCLUDE SALES TAXES.**

• The disbursements shall be issued upon presentation of the related bills and related proof of payment.

• The disbursement cut-off date is 2014-08-31.

• The maximum amortization for the financing shall be 84 month(s).

• **A COPY OF THE INSURANCE POLICY, INCLUDING THE CAISSE AS LIENHOLDER OF THE FINANCED VEHICLE, MUST BE PROVIDED TO THE CAISSE ON AN ANNUAL BASIS.**

7. FINANCIAL INSTITUTION'S PRIOR AUTHORIZATION

• If the Borrower is a partnership or corporation, any operation that results in a change in the person(s) controlling the Borrower must be communicated to the Financial Institution in writing. Should such transaction occur, the Financial Institution may require the immediate repayment of the financing.

If the Borrower is a partnership or corporation, any operation that results in a change in the person(s) controlling the Borrower must be approved by the Financial Institution in writing beforehand. Should such transaction occur, the Financial Institution may require the immediate repayment of the financing.

• Control is currently in the hands of **THE CORPORATION OF THE TOWN OF COCHRANE**.

8. PERIODIC REVIEW AND RENEWAL

So that the Financial Institution can proceed with the periodic review or renewal of the financing, the Borrower must provide the Financial Institution with the following document(s) before 2014-06-30:

• Its budgeted financial statements (balance sheet and income statement)

• **A COPY OF THE GENERAL INSURANCE POLICY MUST BE PROVIDED TO THE CAISSE ON AN ANNUAL BASIS.**

Regardless of the format of documents or the means to transmit them, including email and facsimile, the Borrower agrees that these documents are corporate documents, that they were created in the normal course of business of the Borrower's enterprise and that they will be admissible as proof for any legal proceedings. Furthermore, if the Borrower, or a representative or employee of the Borrower, remits or transmits documents to the Financial Institution, any information contained therein will be considered to have been verified and validated by the Borrower and to be accurate and complete, the Borrower assuming responsibility with its representatives or employees at fault, as the case may be, for any deficiencies, errors, missing information or inaccuracies contained therein. In addition, the Borrower acknowledges that the Financial Institution may require the loan amounts to be repaid immediately.

9. OTHER CONDITIONS

(a) **Disbursement**

The disbursement shall be conditional on the charges and security required by the Financial Institution being in effect to its satisfaction, that the secured assets are insured pursuant to the security contracts, that the supporting documentation required by the Financial Institution has been provided and that the pre-conditions stipulated herein have been duly met.

(b) **Debit authorization**

Any amount payable by the Borrower may be debited from one of its accounts with the Financial Institution, or from its variable or revolving credit, if applicable.

(c) **Prepayment of the loan**

• **Open loan**

The Borrower may at any time prepay the loan in part or in full, without penalty.

A prepayment shall not release the Borrower from its obligation to continue making the payments herein specified.



(d) **Accounting terms**

Unless otherwise specified, the accounting terms used herein, if applicable, have the meaning given to them under Canadian generally accepted accounting principles by the Canadian Institute of Chartered Accounts.

(e) **Assigns, Joint and Several Liability**

The Financial Institution's indebtedness is indivisible and may be claimed in full against each of the Borrower's heirs, estate trustees and successors and any guarantor, if applicable.

If the term "Borrower" designates more than one person, each person shall be jointly and severally liable for the performance of the obligations stipulated herein, in any document pertaining hereto and any amendment or renewal agreement for the financing granted herein.

If the financing is guaranteed, the obligations of the guarantor(s) are joint and several.

(f) **Applicable laws**

This loan and any document pertaining thereto are governed by the laws in force in the Province of Ontario; any dispute regarding their interpretation or execution may only be brought before the courts of Ontario.

(g) **Charges**

The Borrower shall pay the Financial Institution the charges related to the analysis of the credit application and opening of the file and to draft the security documents payable to the Financial Institution, if applicable, as well as the charges for monthly management, monthly or annual follow-up and periodic review. The Borrower will also pay the fees for credit availability, increased control, late document submission, notification, extension, renewal, third-party assumption in case of disposal of the secured property, release and discharge, if applicable, when the financing stipulated hereunder has been completely repaid.

In the event sufficient funds are unavailable in the account from which the loan(s) payments are to be withdrawn, when such payment is due, the Financial Institution may, subject to its rights and remedies, request that the Borrower pay the applicable fees in order to compensate the Financial Institution for reasonable expenses it incurred in attempting to withdraw the said payment. The Borrower may at any time inquire of the Financial Institution to ascertain the applicable fees.

The Borrower acknowledges that it has been informed of these fees and that they may be modified from time to time by the Financial Institution, as can the charges mentioned elsewhere herein, if applicable. The Borrower shall also pay other charges that could become applicable to the financing, pursuant to the fee policy then in effect at the Financial Institution. The Borrower authorizes the Financial Institution to debit its account(s) for the amount of the charges stipulated herein.

(h) **Other documents**

The Borrower and any guarantor must sign any other document the Financial Institution may require to give full effect to the obligations stipulated herein.

(i) **Business day**

The expression "business day" means any day, except for Saturday, Sunday and any other statutory holiday or day on which banking institutions are closed across Canada.

**10. DEFAULT**

The Borrower shall be in default in any of the following cases:

- (i) It fails to respect any of the obligations provided for herein, under any offer to finance having resulted in this agreement, in any security agreement, in any other related document, and any other credit or security agreement signed with the Financial Institution;
- (ii) If a statement, representation or guarantee made in relation with this loan is false or misleading;
- (iii) If the Borrower or any person standing as guarantor on the loan or having granted any security interest goes bankrupt or is insolvent or files a proposal that is rejected or annulled, or if the property provided as security is seized by a creditor, trustee, liquidator or other party, is the subject of a notice of exercise of default or enforcement remedies, a notice of withdrawal of authorization to collect debts or rent, of a seizure or other remedy by another creditor, if the Borrower is subject to garnishment or a similar proceeding and the Financial Institution is subject to or affected by such seizure, or the Borrower stops operating its enterprise.

If the Borrower is in default, the Financial Institution may, subject to its other rights and remedies, demand full and immediate repayment of the amounts loaned, interest accrued and any other amount payable by the Borrower hereunder and by virtue of any credit contract signed with the Financial Institution. Failure by the Financial Institution to avail itself of any of these rights in case of default will not be interpreted as a waiver of such rights.

The Financial Institution may also, at its sole discretion, grant extensions, waive guarantees, make compromises or arrangements and, in general, deal with the Borrower without affecting its rights and remedies against sureties, if applicable.

Signed at **COCHRANE, ON**, on **2014-04-24**.

CAISSE POPULAIRE DE COCHRANE LIMITEE		NORTHERN ONTARIO WIRES INC.	
Name of the Financial Institution		Name of the Borrower	
Signature of the Financial Institution's representative		Signature of the Borrower or its representative	
Signature of co-borrower		Signature of the Borrower or its representative	
Signature of the witness		Signature of the witness	



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File Object: Savings and Credit Financial Services  
and Complementary Services

**AMENDMENT AGREEMENT**  
(LOAN OR LINE OF CREDIT, SOLE  
PROPRIETORSHIP, PARTNERSHIP, CORPORATION)

Folio	Loan No.
0009860	4

BETWEEN: CAISSE POPULAIRE DE COCHRANE LIMITEE

187, 5 IEMIE AVENUE, C.P. 1868 COCHRANE, ON P0L 1C0

hereinafter referred to as "THE FINANCIAL INSTITUTION"

AND: NORTHERN ONTARIO WIRES INC

153 6TH AVENUE P.O. BOX 640, COCHRANE P0L 1C0

hereinafter referred to as "THE MEMBER"

**FOR VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:**

1. The Financial Institution has granted the Member a loan in the amount of **\$261 375,00** pursuant to a loan agreement entered into on **2014-04-24**, whose balance owed to this date is in the amount of **\$0,00** in principal and interest.

2. The parties wish to amend the aforementioned agreement in order to

- ☐ modify the interest rate;  
☐ modify the disbursement terms and conditions;  
☒ modify the term, periodicity or the amount of the payments;  
☐ modify or add other mentions.

3. The parties agree that the terms and conditions of the agreement will be as follows:

(a) Interest rate

(b) Disbursement terms and conditions

(c) Repayment terms and conditions

- Increase the monthly payments from 3 503,33\$ to 4 745,51\$ in order to accelerate the amortization from 84 months to 60 months. The date of amortization will still reflect the 84 months in order to allow for future modifications to the loan.

(d) Other mentions

4. The above terms and conditions shall take effect on **2014-04-24**.
5. **PAYMENT AUTHORIZATION AND FAILED WITHDRAWAL ATTEMPTS:** The Member hereby expressly authorizes the Financial Institution to withdraw the loan payments directly from the Member's chequing account (PCA).
- In the event sufficient funds are unavailable in the account from which the loan payments are to be withdrawn, when such payment is due, the Financial Institution may, subject to its rights and remedies, request that the Member pay the applicable fees in order to compensate the Financial Institution for reasonable expenses it incurred in attempting to withdraw said payment. The Member may at any time inquire at the Financial Institution to ascertain the applicable fees.
6. **CHANGE IN CONTROL OF A PARTNERSHIP OR CORPORATION:** If the Member is a partnership or a corporation, it must notify the Financial Institution in writing of any transaction resulting in changing the individual(s) controlling it. Should such transaction occur, the Financial Institution may demand the immediate repayment of the loan.

Signed in duplicate at COCHRANE, ONTARIO this twenty-fourth day of April 2014.

CAISSE POPULAIRE DE COCHRANE LIMITEE

Name of Financial Institution

Per: Debra Deane

Signature of Financial Institution's representative

NORTHERN ONTARIO WIRES INC

Name of Member

Per: [Signature]

Member or guarantor

Member or guarantor





Folio	Loan No.
9860	8

**AMENDMENT AGREEMENT**  
(LOAN OR LINE OF CREDIT, SOLE  
PROPRIETORSHIP, PARTNERSHIP, CORPORATION)

BETWEEN: Name of the Financial Institution:

CAISSE POPULAIRE DE COCHRANE LIMITÉE

Address of the Financial Institution:

187 5TH AVENUE P.O. BOX 1868  
COCHRANE, ON P0L 1C0

hereinafter referred to as "THE FINANCIAL INSTITUTION"

AND:

Name of Member:

NORTHERN ONTARIO WIRES INC.

Address or head office of Member:

153 6TH AVENUE P.O. BOX 640  
COCHRANE ON P0L 1C0

hereinafter referred to as "THE MEMBER"

**FOR VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:**

1. The Financial Institution has granted the Member a loan in the amount of \$ 4 380 000,00 pursuant to a (Loan or line of credit)  
loan agreement entered into on 2012-07-27, whose balance owed to  
this date is in the amount of \$ 4 337 605,89. in principal and interest.

2. The parties wish to amend the aforementioned agreement in order to
- ☐ modify the interest rate;
- ☐ modify the disbursement terms and conditions;
- ☒ modify the term, periodicity or the amount of the payments;
- ☐ modify or add other mentions.

3. The parties agree that the terms and conditions of the agreement will be as follows:
- (a) Interest rate

(b) Disbursement terms and conditions

(c) Repayment terms and conditions

-Modify the monthly payment from 23 790,16\$ to 26 008,72\$ as a final disbursement of 229 500,00\$ of the loan has been  
disbursed. It is understood that the monthly payment will be adjusted as funds are advanced, always keeping 20 year  
amortization (2032-07-30).

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(d) Other mentions

4. The above terms and conditions shall take effect on 2012-12-30

5. **PAYMENT AUTHORIZATION AND FAILED WITHDRAWAL ATTEMPTS:** The Member hereby expressly authorizes the Financial Institution to withdraw the loan payments directly from the Member's chequing account (PCA).

In the event sufficient funds are unavailable in the account from which the loan payments are to be withdrawn, when such payment is due, the Financial Institution may, subject to its rights and remedies, request that the Member pay the applicable fees in order to compensate the Financial Institution for reasonable expenses it incurred in attempting to withdraw said payment. The Member may at any time inquire at the Financial Institution to ascertain the applicable fees.

6. **CHANGE IN CONTROL OF A PARTNERSHIP OR CORPORATION:** If the Member is a partnership or a corporation, it must notify the Financial Institution in writing of any transaction resulting in changing the individual(s) controlling it. Should such transaction occur, the Financial Institution may demand the immediate repayment of the loan.

Signed in duplicate at COCHRANE ON this 5TH day of DECEMBER, 2012

**CAISSE POPULAIRE DE COCHRANE LIMITÉE**  
Name of Financial Institution

Per: \_\_\_\_\_  
Signature of Financial Institution's representative

\_\_\_\_\_  
NORTHERN ONTARIO WIRES INC.

Name of Member

Per: \_\_\_\_\_

\_\_\_\_\_  
Member or guarantor

\_\_\_\_\_  
Member or guarantor





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# SIMULATION

CAISSE POPULAIRE  
DE COCHRANE LIMITEE  
187, 5 IEME AVENUE, C.P. 1868  
COCHRANE, ON  
POL 1C0  
Phone number: (705) 272 - 4258

## LOAN REPAYMENT as at 2012-12-05

### Financing scenario(s)

#### Scenario 1

Amount financed	\$4,337,349.79
Amortization	236 month(s)
Term	56 month(s)
Interest rate	3.750%
Capitalization	monthly
Frequency	monthly
Repayment terms	princ. and int. incl.
Payment	\$26,008.72
Last payment	\$26,008.72
Number of payments	56
Interest charges	\$695,583.69
Insurance charges	\$0.00
Total charges	\$695,583.69
Total commitment	\$5,032,933.48
Life insurance premium to be entered into SIC	\$0.0000
Disability insurance premium to be entered into SIC	\$0.0000
Insurance rate	0.000%
Contract rate	3.750%
Equivalent rate	3.750%

What would happen if you had an accident or an illness that prevented you from working? Events like these can have a devastating impact on you, and your loved ones and associates. With Loan Insurance-**Disability Coverage**, the insured portion of your payment would be paid for you, allowing you to maintain your standard of living in case the unexpected happens. And with Loan Insurance-**Life Coverage**, the insured balance of your loan would be completely paid off, leaving your estate clear and free of your debts.



Northern Ontario Wires Inc.  
Filed: 26 August, 2016  
EB-2016-0096  
Exhibit 5  
Tab 2

Exhibit 5: Cost Of Capital And Capital Structure

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## **Tab 2 (of 2): Not-for-Profit Corporations**



Northern Ontario Wires Inc.  
Filed: 26 August, 2016  
EB-2016-0096  
Exhibit 5  
Tab 2  
Schedule 1  
Page 1 of 1

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## **DECLARATION OF FOR-PROFIT STATUS**

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NOW Inc. is a for profit corporation. Accordingly, a reserve requirement is not applicable.

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