



## EXHIBIT 5 – COST OF CAPITAL

2018 Cost of Service

Hydro Hawkesbury Inc.  
EB-2017-0048

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## 5.2 CAPITAL STRUCTURE

In this Exhibit, HHI presents evidence regarding its capital structure, its debt financing and the calculation of its return on equity for the 2018 Test Year.

HHI seeks to recover a weighted average cost of capital of 5.59% through rates in the 2018 Test Year. HHI has followed the Report of the Board on Cost of Capital for Ontario's Regulated Utilities, December 11, 2009, as well as the Review of the Existing Methodology of the Cost of Capital for Ontario's Regulated Utilities, January 14, 2016, in determining the applicable cost of capital.<sup>1</sup>

In calculating the applicable cost of capital, HHI 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 27, 2016, for the allowed return on equity ("ROE"). HHI is not seeking any changes in its Capital Structure from its 2014 Board Approved Structure.<sup>2</sup>

HHI understands that the OEB will most likely update the ROE for 2018 at a later date, and therefore commits to updating its Application to reflect the OEB's updated Cost of Capital Parameters for January 1, 2018 applications and as new information is issued, to the extent that updated information is applicable to the Application.

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<sup>1</sup> MFR – Statement that LDC adopts OEB's guidelines for cost of capital and confirms that updates will be done. Alternatively - utility specific cost of capital with supporting evidence

<sup>2</sup> MFR – Explanation for any changes in capital structure

1 HHI's cost of capital for 2018 has been calculated as 5.59% as shown in the table below:

2 **Table 1 - Overview of Capital Structure<sup>3</sup>**

<i><b>Particulars</b></i>	<i><b>Cost Rate</b></i>
	(%)
<i>Debt</i>	
<i>Long-term Debt</i>	3.59%
<i>Short-term Debt</i>	1.76%
<i>Total Debt</i>	3.47%
<i>Equity</i>	
<i>Common Equity</i>	8.78%
<i>Preferred Shares</i>	
<i>Total Equity</i>	8.78%
<i>WACC</i>	5.59%

3 The short-term debt rate (1.76%) and equity rate (8.78%) are consistent with the letter issued by  
4 the OEB on October 27, 2016. For rate-making purposes, the utility used a weighted debt rate of  
5 3.59% as a long-term debt rate. <sup>4</sup>

6 **Retirements of debt or preference shares and buy-back of common shares;** and Short-Term  
7 Debt, Long-Term Debt, preference shares as well as common share offerings do not apply to  
8 HHI as the HHI does not issue any preference shares and common equity shares.

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<sup>3</sup> MFR – Calculation of cost for each capital component

<sup>4</sup> MFR - If proposing any rate that is different from the OEB guidelines, a justification of the proposed rate(s), including key assumptions<sup>5</sup> MFR – Completed Appendix 2-OA for last OEB approved and test year

### 5.3 OEB APPENDIX 2-OA CAPITAL STRUCTURE / COST OF CAPITAL

Appendix 2-OA below presents the capital structure for the last Board Approved and Test year.<sup>5</sup>

**Table 2 - OEB Appendix 2-OA Capital Structure/Cost of Capital**

Year: <b>2018</b>					
Particulars	Capitalization Ratio		Cost Rate	Return	
	(%)	(\$)	(%)		(\$)
<b>Debt</b>					
Long-term Debt	56.00%	\$4,824,416	3.59%		\$173,259
Short-term Debt	4.00%	\$344,601	1.76%		\$6,065
<b>Total Debt</b>	60.0%	\$5,169,017	3.47%		\$179,324
<b>Equity</b>					
Common Equity	40.00%	\$3,446,011	8.78%		\$302,560
Preferred Shares		\$ -			\$ -
<b>Total Equity</b>	40.0%	\$3,446,011	8.78%		\$302,560
<b>Total</b>	100.0%	\$8,615,028	5.59%		\$481,883

Year: <b>2017</b>					
Particulars	Capitalization Ratio		Cost Rate	Return	
	(%)	(\$)	(%)		(\$)
<b>Debt</b>					
Long-term Debt	56.00%	\$5,415,948	3.94%		\$213,388
Short-term Debt	4.00%	\$386,853	2.11%		\$8,163
<b>Total Debt</b>	60.0%	\$5,802,802	3.82%		\$221,551
<b>Equity</b>					
Common Equity	40.00%	\$3,868,534	9.36%		\$362,095
Preferred Shares		\$ -			\$ -

<sup>5</sup> MFR – Completed Appendix 2-OA for last OEB approved and test year

<b>Total Equity</b>	40.0%	\$3,868,534	9.36%	\$362,095
<b>Total</b>	100.0%	\$9,671,336	6.03%	\$583,646

Year: **2016**

	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$4,087,555	3.94%	\$161,050
Short-term Debt	4.00%	\$291,968	2.11%	\$6,161
<b>Total Debt</b>	60.0%	\$4,379,524	3.82%	\$167,210
<b>Equity</b>				
Common Equity	40.00%	\$2,919,682	9.36%	\$273,282
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	40.0%	\$2,919,682	9.36%	\$273,282
<b>Total</b>	100.0%	\$7,299,206	6.03%	\$440,492

Year: **2015**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$3,627,393	3.94%	\$142,919
Short-term Debt	4.00%	\$259,100	2.11%	\$5,467
<b>Total Debt</b>	60.0%	\$3,886,493	3.82%	\$148,386
<b>Equity</b>				
Common Equity	40.00%	\$2,590,995	9.36%	\$242,517
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	40.0%	\$2,590,995	9.36%	\$242,517
<b>Total</b>	100.0%	\$6,477,488	6.03%	\$390,903

Year: **2014**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$3,166,640	3.94%	\$124,766
Short-term Debt	4.00%	(1) \$226,189	2.11%	\$4,773
<b>Total Debt</b>	60.0%	\$3,392,828	3.82%	\$129,538
<b>Equity</b>				
Common Equity	40.00%	\$2,261,886	9.36%	\$211,712
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	40.0%	\$2,261,886	9.36%	\$211,712
<b>Total</b>	100.0%	\$5,654,714	6.03%	\$341,251

Year: **2014**

**Board  
Approved**

Particulars	Capitalization Ratio		Cost Rate	Return
	(%)	(\$)	(%)	(\$)
<b>Debt</b>				
Long-term Debt	56.00%	\$3,576,272	3.94%	\$140,905
Short-term Debt	4.00%	(1) \$255,448	2.11%	\$5,390
<b>Total Debt</b>	60.0%	\$3,831,720	3.82%	\$146,295
<b>Equity</b>				
Common Equity	40.00%	\$2,554,480	9.36%	\$239,099
Preferred Shares		\$ -		\$ -
<b>Total Equity</b>	40.0%	\$2,554,480	9.36%	\$239,099
<b>Total</b>	100.0%	\$6,386,201	6.03%	\$385,394



## 5.4 OEB APPENDIX 2-OB COST OF DEBT INSTRUMENTS

OEB Appendix 2-OB below presents a capital structure for all required historic years, the bridge year and the Test year.<sup>6</sup>

**Table 3 - OEB Appendix 2-OB Cost of Debt Instruments**

Year **2018** **Long Term**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	\$619,432	0.0394	\$24,405.62
Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	\$1,480,000	0.0352	\$52,096.00
Term facility - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	January 1, 2018	25	\$1,550,000	0.0352	\$54,560.00
								\$-
						\$3,649,432	0.035912882	\$131,061.62

Year **2018** **Short Term**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Capital expenditures 2014-2015	Infrastructure Ontario	Third-Party	Fixed Rate	July 1, 2017	5	\$450,000	0.0199	\$8,955.00
								\$-
						\$450,000	0.0199	\$8,955.00

<sup>6</sup> MFR – Completed Appendix 2-OB for historical, bridge and test years

Year 2017

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	\$641,755	0.0394	\$25,285.14
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	November 6, 2013		\$723,795	0.0162	\$11,725.48
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	August 2, 2016		\$708,738	0.0162	\$11,481.56
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	July 1, 2017		\$47,467	0.0162	\$384.48
Capital expenditures 2014-2015	Infrastructure Ontario	Third-Party	Fixed Rate	July 1, 2017	5	\$450,000	0.0199	\$4,477.50
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	July 1, 2017		\$1,550,000	0.0162	\$12,555.00
								\$-
						\$4,121,755	0.015990557	\$65,909.16

Year 2016

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	\$663,217	0.0394	\$26,130.73
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	November 6, 2013		\$723,795	0.015633861	\$11,315.71
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	August 2, 2016		\$708,738	0.015633861	\$11,080.31
								\$-
						\$2,095,750	0.023154843	\$48,526.75

Year 2015

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	\$683,850	0.0394	\$26,943.71
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	November 6, 2013		\$723,795	0.016373395	\$11,850.98
								\$-
						\$1,407,645	0.027559987	\$38,794.69

Year **2014**

Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (years)	Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)
Term facility - SUB 44KV Loan	Infrastructure Ontario	Third-Party	Fixed Rate	July 16, 2012	25	\$703,688	0.0394	\$27,725.32
Temporary construction loan - SUB 110KV Loan	Infrastructure Ontario	Third-Party	Variable Rate	November 6, 2013		\$723,795	0.018075	\$13,082.59
								\$-
						\$1,427,483	0.028587316	\$40,807.92

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## 5.5 COST OF CAPITAL

This evidence summarizes the capital structure, method, and cost of financing HHI's capital requirements for 2018.

### 5.5.1 CAPITAL STRUCTURE

The proposed rates for the cost of capital in 2018 are presented in Section 5.4 – Table 2. The rates shown for short-term debt and return on equity are those set out in the Board's letter of October 27, 2016, Cost of Capital Parameter Updates for 2018 Cost of Service Applications.

The explanation for the use of the long-term debt rate of 3.59% is set out in Section 5.5.4 to this schedule.

### 5.5.2 RETURN ON EQUITY

HHI has used a ROE of 8.78% for 2018 as established by the Board for Cost of Service applications with a January 1/May 1, 2018 implementation date. HHI recognizes that the ROE will be updated by Board guidelines and as such commits to updating the cost capital parameters as new information is made available.

### 5.5.3 WEIGHTED AVERAGE COST OF DEBT

HHI proposes a weighted average cost of debt of 2.82% which is based on the calculations as set out in the table below.

**Table 4 - Derivation of WACC**

<b>Particulars</b>	<b>Cost Rate</b>
	(%)
<i>Debt</i>	
<i>Long-term Debt</i>	3.59%
<i>Short-term Debt</i>	1.76%
<i>Total Debt</i>	3.47%
<i>Equity</i>	
<i>Common Equity</i>	8.78%
<i>Preferred Shares</i>	
<i>Total Equity</i>	8.78%
<b>Total WACC</b>	<b>5.59%</b>

#### 5.5.4 LONG-TERM DEBT

In 2018 HHI will have three Long Term Debt instruments. The first loan with Infrastructure Ontario in the amount of \$2,300,000 was issued in July of 2012 and its purpose was to cover the cost of the 44KV substation and 110KV substation. Between 2014-2017, Infrastructure Ontario issued partial installment loans towards the agreed upon full amount for the 110KV substation. On January 2018, the utility will have in place its full loans in the amount of \$1,480,000 and \$1,550,000. HHI has used a weighted average rate of 3.59% as a long-term debt rate by the 2009 Board Report which states that *"New third-party debt will be accepted at the negotiated market rate."*<sup>7</sup> Details are presented in the Promissory Note at Appendix A of this Exhibit.<sup>8</sup>

HHI is not forecasting any new long-term debt in the bridge and test year other than the debt explained above.<sup>9</sup>

#### 5.5.5 SHORT-TERM DEBT

HHI's only short-term debt is to assist with covering the costs of capital projects in 2014-2015. The principle amount of \$450,000 holds an actual rate of 1.90% which is higher than the OEB's prescribed rate; therefore, HHI has used a short-term debt rate of 1.76% for 2018 as established by the Board for 2017 Cost of Service applications.

HHI recognizes that the short-term debt rate will be updated at a later date consistent with the OEB's guidelines.

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

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<sup>7</sup> MFR – Explanation of debt rate for each existing debt instrument

<sup>8</sup> MFR - Copies of promissory notes or other debt arrangements with affiliates

<sup>9</sup> MFR – Forecast of new debt in bridge and test year - details including estimate of rate

## Not-For-Profit

HHL is a for profit entity corporation and as such all requirements related to a not-for-profit organization do not apply.<sup>10</sup>

### 5.5.6 NOTIONAL DEBT

The OEB clarified the treatment of “notional” debt (that portion of deemed debt exceeding a utility’s actual debt), where notional debt is used as the “plug” to true up actual debt to the allowed debt thickness for rate-setting purposes. The table below shows that the utility is making no profit or loss on its capital structure. Notional debt can be either positive (i.e. deemed debt is greater than actual debt) or negative (where deemed debt is less than actual debt). The marginal profit on debt is calculated to be \$39,542 is detailed at Table below.<sup>11</sup>

**Table 5 – Notional Debt<sup>12</sup>**

Actual Debt				Notional Debt			
Capitalization Ratio		Cost Rate	Return	Capitalization Ratio		Cost Rate	Return
(%)	(\$)	(%)	(\$)	(%)	(\$)	(%)	(\$)
56.00%	\$3,649,432	3.59%	\$131,015	56.00%	1,174,984	2.90%	\$42,244
4.00%	\$450,000	1.99%	\$8,955	4.00%	105,339	1.76%	(\$2,890)
60.0%	\$4,099,432	3.51%	\$139,970	40.0%	\$1,062,672	3.51%	\$39,354

<sup>10</sup> MFR – Not for profit evidence N/A

<sup>11</sup> MFR - Profit or loss on redemption of debt

<sup>12</sup> MFR - Notional Debt - difference between actual debt thickness and deemed debt thickness attracts the weighted average cost of actual long-term debt rate (unless 100% equity financed)

1 **APPENDICES**

2

Appendix A	Promissory Note

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## **Appendix A – Promissory Note**



**Infrastructure Ontario**

777 Bay Street, 9<sup>th</sup> Floor  
Toronto, Ontario M5G 2C8  
Tel.: 416 212-7289  
Fax: (416) 263-5900

**Infrastructure Ontario**

777, rue Bay, 9<sup>e</sup> étage  
Toronto, Ontario M5G 2C8  
Tél. : 416 212-7289  
Télééc. : (416) 263-5900



June 21, 2017

VIA EMAIL

**HYDRO HAWKESBURY INC.**

Dear Michel Poulin:

**Re: Infrastructure Ontario Promissory Note Terms**

Further to the conversion notice, long term officer's certificate and schedule A received by our office on June 20, 2017, please find attached a Promissory Note outlining the term, interest rate and amount of the aforementioned Promissory Note as well as a Repayment Schedule as noted on Schedule A. As indicated in the attached documents, the Promissory Note will carry an interest rate of 3.29% p.a. compounded monthly, as shown in the attached payment schedule, principal amount of \$1,550,000.00 over a 25 year amortizing term and a closing date of June 28, 2017.

Please sign and affix your corporate seal to the attached OILC Promissory Note, email to the attention of Cynthia Kwan, Senior Loan Officer [Cynthia.kwan@infrastructureontario.ca](mailto:Cynthia.kwan@infrastructureontario.ca).

The original signed and sealed Promissory Note must be received by OILC on or before June 28, 2017.

The Borrower acknowledges and confirms that it will not change any of the final terms of the Term Loan, including a change of the date of the Term Loan Advance and that any such changes may result in costs incurred to the Borrower's account as a result of any losses incurred by the Lender, which costs may be withdrawn by the Lender from the Borrower's account in accordance with the Pre-Authorized Debit procedure established under the Financing Agreement.

OILC will review all original term loan documents and, provided that all documentation is in order, OILC will process the long term financing on June 28, 2017. OILC must also receive any final documentation outstanding prior to 10 a.m. on the closing day. Should any documentation fail to be delivered, OILC will rely on the remedies for default and termination in the Financing Agreement.

It is our pleasure to work with you on this infrastructure loan program. If you have any questions or concerns, please do not hesitate to contact Cynthia Kwan at (416) 212-3451.

Sincerely,



Komathie Padayachee  
Chief Accounting Officer  
Ontario Infrastructure and Lands Corporation

## **PROMISSORY NOTE**

**\$1,550,000.00**

**June 28, 2017**

For value received, **Hydro Hawkesbury Inc.** (the “**Borrower**”) hereby acknowledges itself indebted to **ONTARIO INFRASTRUCTURE AND LANDS CORPORATION** (the “**Holder**”) and promises to pay to, or to the order of, the Holder in accordance with the terms set out in the Financing Agreement dated February 15, 2012 an amending agreement dated April 28, 2016 and an amending agreement no. 2 dated March 27, 2017 (collectively the “**Financing Agreement**”), between the Borrower and the Holder, the principal amount of **\$1,550,000.00** on the dates and in the amounts set forth on the attached as Schedule A in lawful money of Canada together with interest thereon as hereinafter provided.

Interest shall be payable on the principal amount of this Promissory Note outstanding from time to time (including any overdue interest), both before and after maturity, default and judgment until paid, at a rate per annum equal to the rate set forth on Schedule A. Interest shall accrue daily and compound monthly in arrears. For the purposes of this Promissory Note, whenever any interest is calculated on the basis of a period of time other than a calendar year, the annual rate of interest to which each rate of interest determined pursuant to such calculation is equivalent for the purposes of the Interest Act (Canada) is such rate as so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days used in the basis of such determination. The rates of interest under this Promissory Note are nominal rates, and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under this Promissory Note.

The Borrower hereby appoints Holder as its duly authorized agent to record on the schedule attached hereto or in another manner as agreed to between the parties under the Financing Agreement all payments made by the Borrower on account of the amounts outstanding under this Promissory Note, and to adjust the balance of amounts owing under this Promissory Note by the Borrower to Holder from time to time to reflect amounts owing under the Financing Agreement.

The amounts outstanding from time to time under this Promissory Note as evidenced on the schedule attached hereto as Schedule A shall, in the absence of manifest error, be conclusive and binding on the Borrower; provided that notwithstanding the state of the schedule attached hereto, the failure of Holder to record any amounts owing hereunder on the schedule attached hereto shall not affect the obligation of the Borrower to pay to Holder the amounts due and payable by the Borrower.

Reference is hereby expressly made to the Financing Agreement and all instruments supplemental thereto for a statement and description of, among other things, the terms and conditions which govern the amounts outstanding under this Promissory Note, and the rights and remedies of the Holder and of the Borrower in respect thereof, all to the same effect as if all of the provisions of the Financing Agreement were herein set out.

All principal and interest payable on this Promissory Note shall be payable by pre-authorized debit in accordance with the terms of the Financing Agreement at the office of the

Holder located at 1 Dundas Street, 20<sup>th</sup> Floor, Suite 2000, Toronto, Ontario, M5G 2L5 or as may be otherwise directed in writing by the Holder.

The Borrower shall not have any right to pre-pay the whole or any part of the principal amount and interest payable on this Promissory Note without the Holder's written consent in its sole discretion.

The unpaid principal amount of this Promissory Note, together with all accrued and unpaid interest thereon, shall be payable in the amounts and on the dates set out in the attached Schedule A to this Promissory Note with the balance payable in full on **June 28, 2042**, subject to acceleration in accordance with the terms of the Financing Agreement.

This Promissory Note is issued pursuant to and is subject to the laws of the Province of Ontario and shall be construed, performed and enforced in accordance therewith.

The Borrower hereby waives presentment for payment, notice of non-payment, protest and notice of protest and waives any defences based upon any and all indulgences and forbearances which may be granted by the Holder to the Borrower at any time.

Notwithstanding Sections 4 and 15 of the *Limitations Act, 2002*, a claim may be brought on this Promissory Note at any time within five years from the date on which demand for payment of the principal amount hereof is made in accordance with the provisions hereof.

DATED: **June 28, 2017**

**HYDRO HAWKESBURY INC.**

By

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Name: Michel Poulin  
Title: Manager-CEO

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Name: Jacinthe Chabot  
Title: Accountant-CFO

## Schedule A

### LOAN AMORTIZATION SCHEDULE

Loan.....: 1769  
 Name.....: Hydro Hawkesbury Inc.  
 Principal: 1,550,000.00  
 Rate.....: 03.2900  
 Term.....: 300  
 Paid.....: Monthly  
 Remaining: 0.00  
 Matures...: 06/28/2042

Pay #	Date	Amount Due	Principal Due	Interest Due	Rem. Principal
<hr/>					
1	07/28/2017	7,586.19	3,336.61	4,249.58	1,546,663.39
2	08/28/2017	7,586.19	3,345.75	4,240.44	1,543,317.64
3	09/28/2017	7,586.19	3,354.93	4,231.26	1,539,962.71
4	10/28/2017	7,586.19	3,364.13	4,222.06	1,536,598.58
5	11/28/2017	7,586.19	3,373.35	4,212.84	1,533,225.23
6	12/28/2017	7,586.19	3,382.60	4,203.59	1,529,842.63
7	01/28/2018	7,586.19	3,391.87	4,194.32	1,526,450.76
8	02/28/2018	7,586.19	3,401.17	4,185.02	1,523,049.59
9	03/28/2018	7,586.19	3,410.50	4,175.69	1,519,639.09
10	04/28/2018	7,586.19	3,419.85	4,166.34	1,516,219.24
11	05/28/2018	7,586.19	3,429.22	4,156.97	1,512,790.02
12	06/28/2018	7,586.19	3,438.62	4,147.57	1,509,351.40
13	07/28/2018	7,586.19	3,448.05	4,138.14	1,505,903.35
14	08/28/2018	7,586.19	3,457.50	4,128.69	1,502,445.85
15	09/28/2018	7,586.19	3,466.98	4,119.21	1,498,978.87
16	10/28/2018	7,586.19	3,476.49	4,109.70	1,495,502.38
17	11/28/2018	7,586.19	3,486.02	4,100.17	1,492,016.36
18	12/28/2018	7,586.19	3,495.58	4,090.61	1,488,520.78
19	01/28/2019	7,586.19	3,505.16	4,081.03	1,485,015.62
20	02/28/2019	7,586.19	3,514.77	4,071.42	1,481,500.85
21	03/28/2019	7,586.19	3,524.41	4,061.78	1,477,976.44
22	04/28/2019	7,586.19	3,534.07	4,052.12	1,474,442.37
23	05/28/2019	7,586.19	3,543.76	4,042.43	1,470,898.61
24	06/28/2019	7,586.19	3,553.48	4,032.71	1,467,345.13
25	07/28/2019	7,586.19	3,563.22	4,022.97	1,463,781.91
26	08/28/2019	7,586.19	3,572.99	4,013.20	1,460,208.92
27	09/28/2019	7,586.19	3,582.78	4,003.41	1,456,626.14
28	10/28/2019	7,586.19	3,592.61	3,993.58	1,453,033.53
29	11/28/2019	7,586.19	3,602.46	3,983.73	1,449,431.07
30	12/28/2019	7,586.19	3,612.33	3,973.86	1,445,818.74
31	01/28/2020	7,586.19	3,622.24	3,963.95	1,442,196.50
32	02/28/2020	7,586.19	3,632.17	3,954.02	1,438,564.33
33	03/28/2020	7,586.19	3,642.13	3,944.06	1,434,922.20

34	04/28/2020	7,586.19	3,652.11	3,934.08	1,431,270.09
35	05/28/2020	7,586.19	3,662.12	3,924.07	1,427,607.97
36	06/28/2020	7,586.19	3,672.16	3,914.03	1,423,935.81
37	07/28/2020	7,586.19	3,682.23	3,903.96	1,420,253.58
38	08/28/2020	7,586.19	3,692.33	3,893.86	1,416,561.25
39	09/28/2020	7,586.19	3,702.45	3,883.74	1,412,858.80
40	10/28/2020	7,586.19	3,712.60	3,873.59	1,409,146.20
41	11/28/2020	7,586.19	3,722.78	3,863.41	1,405,423.42
42	12/28/2020	7,586.19	3,732.99	3,853.20	1,401,690.43
43	01/28/2021	7,586.19	3,743.22	3,842.97	1,397,947.21
44	02/28/2021	7,586.19	3,753.48	3,832.71	1,394,193.73
45	03/28/2021	7,586.19	3,763.78	3,822.41	1,390,429.95
46	04/28/2021	7,586.19	3,774.09	3,812.10	1,386,655.86
47	05/28/2021	7,586.19	3,784.44	3,801.75	1,382,871.42
48	06/28/2021	7,586.19	3,794.82	3,791.37	1,379,076.60
49	07/28/2021	7,586.19	3,805.22	3,780.97	1,375,271.38
50	08/28/2021	7,586.19	3,815.65	3,770.54	1,371,455.73
51	09/28/2021	7,586.19	3,826.12	3,760.07	1,367,629.61
52	10/28/2021	7,586.19	3,836.61	3,749.58	1,363,793.00
53	11/28/2021	7,586.19	3,847.12	3,739.07	1,359,945.88
54	12/28/2021	7,586.19	3,857.67	3,728.52	1,356,088.21
55	01/28/2022	7,586.19	3,868.25	3,717.94	1,352,219.96
56	02/28/2022	7,586.19	3,878.85	3,707.34	1,348,341.11
57	03/28/2022	7,586.19	3,889.49	3,696.70	1,344,451.62
58	04/28/2022	7,586.19	3,900.15	3,686.04	1,340,551.47
59	05/28/2022	7,586.19	3,910.84	3,675.35	1,336,640.63
60	06/28/2022	7,586.19	3,921.57	3,664.62	1,332,719.06
61	07/28/2022	7,586.19	3,932.32	3,653.87	1,328,786.74
62	08/28/2022	7,586.19	3,943.10	3,643.09	1,324,843.64
63	09/28/2022	7,586.19	3,953.91	3,632.28	1,320,889.73
64	10/28/2022	7,586.19	3,964.75	3,621.44	1,316,924.98
65	11/28/2022	7,586.19	3,975.62	3,610.57	1,312,949.36
66	12/28/2022	7,586.19	3,986.52	3,599.67	1,308,962.84
67	01/28/2023	7,586.19	3,997.45	3,588.74	1,304,965.39
68	02/28/2023	7,586.19	4,008.41	3,577.78	1,300,956.98
69	03/28/2023	7,586.19	4,019.40	3,566.79	1,296,937.58
70	04/28/2023	7,586.19	4,030.42	3,555.77	1,292,907.16
71	05/28/2023	7,586.19	4,041.47	3,544.72	1,288,865.69
72	06/28/2023	7,586.19	4,052.55	3,533.64	1,284,813.14
73	07/28/2023	7,586.19	4,063.66	3,522.53	1,280,749.48
74	08/28/2023	7,586.19	4,074.80	3,511.39	1,276,674.68
75	09/28/2023	7,586.19	4,085.97	3,500.22	1,272,588.71
76	10/28/2023	7,586.19	4,097.18	3,489.01	1,268,491.53
77	11/28/2023	7,586.19	4,108.41	3,477.78	1,264,383.12
78	12/28/2023	7,586.19	4,119.67	3,466.52	1,260,263.45
79	01/28/2024	7,586.19	4,130.97	3,455.22	1,256,132.48
80	02/28/2024	7,586.19	4,142.29	3,443.90	1,251,990.19
81	03/28/2024	7,586.19	4,153.65	3,432.54	1,247,836.54

82 04/28/2024	7,586.19	4,165.04	3,421.15	1,243,671.50
83 05/28/2024	7,586.19	4,176.46	3,409.73	1,239,495.04
84 06/28/2024	7,586.19	4,187.91	3,398.28	1,235,307.13
85 07/28/2024	7,586.19	4,199.39	3,386.80	1,231,107.74
86 08/28/2024	7,586.19	4,210.90	3,375.29	1,226,896.84
87 09/28/2024	7,586.19	4,222.45	3,363.74	1,222,674.39
88 10/28/2024	7,586.19	4,234.02	3,352.17	1,218,440.37
89 11/28/2024	7,586.19	4,245.63	3,340.56	1,214,194.74
90 12/28/2024	7,586.19	4,257.27	3,328.92	1,209,937.47
91 01/28/2025	7,586.19	4,268.94	3,317.25	1,205,668.53
92 02/28/2025	7,586.19	4,280.65	3,305.54	1,201,387.88
93 03/28/2025	7,586.19	4,292.38	3,293.81	1,197,095.50
94 04/28/2025	7,586.19	4,304.15	3,282.04	1,192,791.35
95 05/28/2025	7,586.19	4,315.95	3,270.24	1,188,475.40
96 06/28/2025	7,586.19	4,327.79	3,258.40	1,184,147.61
97 07/28/2025	7,586.19	4,339.65	3,246.54	1,179,807.96
98 08/28/2025	7,586.19	4,351.55	3,234.64	1,175,456.41
99 09/28/2025	7,586.19	4,363.48	3,222.71	1,171,092.93
100 10/28/2025	7,586.19	4,375.44	3,210.75	1,166,717.49
101 11/28/2025	7,586.19	4,387.44	3,198.75	1,162,330.05
102 12/28/2025	7,586.19	4,399.47	3,186.72	1,157,930.58
103 01/28/2026	7,586.19	4,411.53	3,174.66	1,153,519.05
104 02/28/2026	7,586.19	4,423.63	3,162.56	1,149,095.42
105 03/28/2026	7,586.19	4,435.75	3,150.44	1,144,659.67
106 04/28/2026	7,586.19	4,447.91	3,138.28	1,140,211.76
107 05/28/2026	7,586.19	4,460.11	3,126.08	1,135,751.65
108 06/28/2026	7,586.19	4,472.34	3,113.85	1,131,279.31
109 07/28/2026	7,586.19	4,484.60	3,101.59	1,126,794.71
110 08/28/2026	7,586.19	4,496.89	3,089.30	1,122,297.82
111 09/28/2026	7,586.19	4,509.22	3,076.97	1,117,788.60
112 10/28/2026	7,586.19	4,521.59	3,064.60	1,113,267.01
113 11/28/2026	7,586.19	4,533.98	3,052.21	1,108,733.03
114 12/28/2026	7,586.19	4,546.41	3,039.78	1,104,186.62
115 01/28/2027	7,586.19	4,558.88	3,027.31	1,099,627.74
116 02/28/2027	7,586.19	4,571.38	3,014.81	1,095,056.36
117 03/28/2027	7,586.19	4,583.91	3,002.28	1,090,472.45
118 04/28/2027	7,586.19	4,596.48	2,989.71	1,085,875.97
119 05/28/2027	7,586.19	4,609.08	2,977.11	1,081,266.89
120 06/28/2027	7,586.19	4,621.72	2,964.47	1,076,645.17
121 07/28/2027	7,586.19	4,634.39	2,951.80	1,072,010.78
122 08/28/2027	7,586.19	4,647.09	2,939.10	1,067,363.69
123 09/28/2027	7,586.19	4,659.83	2,926.36	1,062,703.86
124 10/28/2027	7,586.19	4,672.61	2,913.58	1,058,031.25
125 11/28/2027	7,586.19	4,685.42	2,900.77	1,053,345.83
126 12/28/2027	7,586.19	4,698.27	2,887.92	1,048,647.56
127 01/28/2028	7,586.19	4,711.15	2,875.04	1,043,936.41
128 02/28/2028	7,586.19	4,724.06	2,862.13	1,039,212.35
129 03/28/2028	7,586.19	4,737.02	2,849.17	1,034,475.33

130	04/28/2028	7,586.19	4,750.00	2,836.19	1,029,725.33
131	05/28/2028	7,586.19	4,763.03	2,823.16	1,024,962.30
132	06/28/2028	7,586.19	4,776.08	2,810.11	1,020,186.22
133	07/28/2028	7,586.19	4,789.18	2,797.01	1,015,397.04
134	08/28/2028	7,586.19	4,802.31	2,783.88	1,010,594.73
135	09/28/2028	7,586.19	4,815.48	2,770.71	1,005,779.25
136	10/28/2028	7,586.19	4,828.68	2,757.51	1,000,950.57
137	11/28/2028	7,586.19	4,841.92	2,744.27	996,108.65
138	12/28/2028	7,586.19	4,855.19	2,731.00	991,253.46
139	01/28/2029	7,586.19	4,868.50	2,717.69	986,384.96
140	02/28/2029	7,586.19	4,881.85	2,704.34	981,503.11
141	03/28/2029	7,586.19	4,895.24	2,690.95	976,607.87
142	04/28/2029	7,586.19	4,908.66	2,677.53	971,699.21
143	05/28/2029	7,586.19	4,922.11	2,664.08	966,777.10
144	06/28/2029	7,586.19	4,935.61	2,650.58	961,841.49
145	07/28/2029	7,586.19	4,949.14	2,637.05	956,892.35
146	08/28/2029	7,586.19	4,962.71	2,623.48	951,929.64
147	09/28/2029	7,586.19	4,976.32	2,609.87	946,953.32
148	10/28/2029	7,586.19	4,989.96	2,596.23	941,963.36
149	11/28/2029	7,586.19	5,003.64	2,582.55	936,959.72
150	12/28/2029	7,586.19	5,017.36	2,568.83	931,942.36
151	01/28/2030	7,586.19	5,031.11	2,555.08	926,911.25
152	02/28/2030	7,586.19	5,044.91	2,541.28	921,866.34
153	03/28/2030	7,586.19	5,058.74	2,527.45	916,807.60
154	04/28/2030	7,586.19	5,072.61	2,513.58	911,734.99
155	05/28/2030	7,586.19	5,086.52	2,499.67	906,648.47
156	06/28/2030	7,586.19	5,100.46	2,485.73	901,548.01
157	07/28/2030	7,586.19	5,114.45	2,471.74	896,433.56
158	08/28/2030	7,586.19	5,128.47	2,457.72	891,305.09
159	09/28/2030	7,586.19	5,142.53	2,443.66	886,162.56
160	10/28/2030	7,586.19	5,156.63	2,429.56	881,005.93
161	11/28/2030	7,586.19	5,170.77	2,415.42	875,835.16
162	12/28/2030	7,586.19	5,184.94	2,401.25	870,650.22
163	01/28/2031	7,586.19	5,199.16	2,387.03	865,451.06
164	02/28/2031	7,586.19	5,213.41	2,372.78	860,237.65
165	03/28/2031	7,586.19	5,227.71	2,358.48	855,009.94
166	04/28/2031	7,586.19	5,242.04	2,344.15	849,767.90
167	05/28/2031	7,586.19	5,256.41	2,329.78	844,511.49
168	06/28/2031	7,586.19	5,270.82	2,315.37	839,240.67
169	07/28/2031	7,586.19	5,285.27	2,300.92	833,955.40
170	08/28/2031	7,586.19	5,299.76	2,286.43	828,655.64
171	09/28/2031	7,586.19	5,314.29	2,271.90	823,341.35
172	10/28/2031	7,586.19	5,328.86	2,257.33	818,012.49
173	11/28/2031	7,586.19	5,343.47	2,242.72	812,669.02
174	12/28/2031	7,586.19	5,358.12	2,228.07	807,310.90
175	01/28/2032	7,586.19	5,372.81	2,213.38	801,938.09
176	02/28/2032	7,586.19	5,387.54	2,198.65	796,550.55
177	03/28/2032	7,586.19	5,402.31	2,183.88	791,148.24



178 04/28/2032	7,586.19	5,417.13	2,169.06	785,731.11
179 05/28/2032	7,586.19	5,431.98	2,154.21	780,299.13
180 06/28/2032	7,586.19	5,446.87	2,139.32	774,852.26
181 07/28/2032	7,586.19	5,461.80	2,124.39	769,390.46
182 08/28/2032	7,586.19	5,476.78	2,109.41	763,913.68
183 09/28/2032	7,586.19	5,491.79	2,094.40	758,421.89
184 10/28/2032	7,586.19	5,506.85	2,079.34	752,915.04
185 11/28/2032	7,586.19	5,521.95	2,064.24	747,393.09
186 12/28/2032	7,586.19	5,537.09	2,049.10	741,856.00
187 01/28/2033	7,586.19	5,552.27	2,033.92	736,303.73
188 02/28/2033	7,586.19	5,567.49	2,018.70	730,736.24
189 03/28/2033	7,586.19	5,582.75	2,003.44	725,153.49
190 04/28/2033	7,586.19	5,598.06	1,988.13	719,555.43
191 05/28/2033	7,586.19	5,613.41	1,972.78	713,942.02
192 06/28/2033	7,586.19	5,628.80	1,957.39	708,313.22
193 07/28/2033	7,586.19	5,644.23	1,941.96	702,668.99
194 08/28/2033	7,586.19	5,659.71	1,926.48	697,009.28
195 09/28/2033	7,586.19	5,675.22	1,910.97	691,334.06
196 10/28/2033	7,586.19	5,690.78	1,895.41	685,643.28
197 11/28/2033	7,586.19	5,706.38	1,879.81	679,936.90
198 12/28/2033	7,586.19	5,722.03	1,864.16	674,214.87
199 01/28/2034	7,586.19	5,737.72	1,848.47	668,477.15
200 02/28/2034	7,586.19	5,753.45	1,832.74	662,723.70
201 03/28/2034	7,586.19	5,769.22	1,816.97	656,954.48
202 04/28/2034	7,586.19	5,785.04	1,801.15	651,169.44
203 05/28/2034	7,586.19	5,800.90	1,785.29	645,368.54
204 06/28/2034	7,586.19	5,816.80	1,769.39	639,551.74
205 07/28/2034	7,586.19	5,832.75	1,753.44	633,718.99
206 08/28/2034	7,586.19	5,848.74	1,737.45	627,870.25
207 09/28/2034	7,586.19	5,864.78	1,721.41	622,005.47
208 10/28/2034	7,586.19	5,880.86	1,705.33	616,124.61
209 11/28/2034	7,586.19	5,896.98	1,689.21	610,227.63
210 12/28/2034	7,586.19	5,913.15	1,673.04	604,314.48
211 01/28/2035	7,586.19	5,929.36	1,656.83	598,385.12
212 02/28/2035	7,586.19	5,945.62	1,640.57	592,439.50
213 03/28/2035	7,586.19	5,961.92	1,624.27	586,477.58
214 04/28/2035	7,586.19	5,978.26	1,607.93	580,499.32
215 05/28/2035	7,586.19	5,994.65	1,591.54	574,504.67
216 06/28/2035	7,586.19	6,011.09	1,575.10	568,493.58
217 07/28/2035	7,586.19	6,027.57	1,558.62	562,466.01
218 08/28/2035	7,586.19	6,044.10	1,542.09	556,421.91
219 09/28/2035	7,586.19	6,060.67	1,525.52	550,361.24
220 10/28/2035	7,586.19	6,077.28	1,508.91	544,283.96
221 11/28/2035	7,586.19	6,093.94	1,492.25	538,190.02
222 12/28/2035	7,586.19	6,110.65	1,475.54	532,079.37
223 01/28/2036	7,586.19	6,127.41	1,458.78	525,951.96
224 02/28/2036	7,586.19	6,144.21	1,441.98	519,807.75
225 03/28/2036	7,586.19	6,161.05	1,425.14	513,646.70

226 04/28/2036	7,586.19	6,177.94	1,408.25	507,468.76
227 05/28/2036	7,586.19	6,194.88	1,391.31	501,273.88
228 06/28/2036	7,586.19	6,211.86	1,374.33	495,062.02
229 07/28/2036	7,586.19	6,228.89	1,357.30	488,833.13
230 08/28/2036	7,586.19	6,245.97	1,340.22	482,587.16
231 09/28/2036	7,586.19	6,263.10	1,323.09	476,324.06
232 10/28/2036	7,586.19	6,280.27	1,305.92	470,043.79
233 11/28/2036	7,586.19	6,297.49	1,288.70	463,746.30
234 12/28/2036	7,586.19	6,314.75	1,271.44	457,431.55
235 01/28/2037	7,586.19	6,332.07	1,254.12	451,099.48
236 02/28/2037	7,586.19	6,349.43	1,236.76	444,750.05
237 03/28/2037	7,586.19	6,366.83	1,219.36	438,383.22
238 04/28/2037	7,586.19	6,384.29	1,201.90	431,998.93
239 05/28/2037	7,586.19	6,401.79	1,184.40	425,597.14
240 06/28/2037	7,586.19	6,419.34	1,166.85	419,177.80
241 07/28/2037	7,586.19	6,436.94	1,149.25	412,740.86
242 08/28/2037	7,586.19	6,454.59	1,131.60	406,286.27
243 09/28/2037	7,586.19	6,472.29	1,113.90	399,813.98
244 10/28/2037	7,586.19	6,490.03	1,096.16	393,323.95
245 11/28/2037	7,586.19	6,507.83	1,078.36	386,816.12
246 12/28/2037	7,586.19	6,525.67	1,060.52	380,290.45
247 01/28/2038	7,586.19	6,543.56	1,042.63	373,746.89
248 02/28/2038	7,586.19	6,561.50	1,024.69	367,185.39
249 03/28/2038	7,586.19	6,579.49	1,006.70	360,605.90
250 04/28/2038	7,586.19	6,597.53	988.66	354,008.37
251 05/28/2038	7,586.19	6,615.62	970.57	347,392.75
252 06/28/2038	7,586.19	6,633.75	952.44	340,759.00
253 07/28/2038	7,586.19	6,651.94	934.25	334,107.06
254 08/28/2038	7,586.19	6,670.18	916.01	327,436.88
255 09/28/2038	7,586.19	6,688.47	897.72	320,748.41
256 10/28/2038	7,586.19	6,706.80	879.39	314,041.61
257 11/28/2038	7,586.19	6,725.19	861.00	307,316.42
258 12/28/2038	7,586.19	6,743.63	842.56	300,572.79
259 01/28/2039	7,586.19	6,762.12	824.07	293,810.67
260 02/28/2039	7,586.19	6,780.66	805.53	287,030.01
261 03/28/2039	7,586.19	6,799.25	786.94	280,230.76
262 04/28/2039	7,586.19	6,817.89	768.30	273,412.87
263 05/28/2039	7,586.19	6,836.58	749.61	266,576.29
264 06/28/2039	7,586.19	6,855.33	730.86	259,720.96
265 07/28/2039	7,586.19	6,874.12	712.07	252,846.84
266 08/28/2039	7,586.19	6,892.97	693.22	245,953.87
267 09/28/2039	7,586.19	6,911.87	674.32	239,042.00
268 10/28/2039	7,586.19	6,930.82	655.37	232,111.18
269 11/28/2039	7,586.19	6,949.82	636.37	225,161.36
270 12/28/2039	7,586.19	6,968.87	617.32	218,192.49
271 01/28/2040	7,586.19	6,987.98	598.21	211,204.51
272 02/28/2040	7,586.19	7,007.14	579.05	204,197.37
273 03/28/2040	7,586.19	7,026.35	559.84	197,171.02

274 04/28/2040	7,586.19	7,045.61	540.58	190,125.41
275 05/28/2040	7,586.19	7,064.93	521.26	183,060.48
276 06/28/2040	7,586.19	7,084.30	501.89	175,976.18
277 07/28/2040	7,586.19	7,103.72	482.47	168,872.46
278 08/28/2040	7,586.19	7,123.20	462.99	161,749.26
279 09/28/2040	7,586.19	7,142.73	443.46	154,606.53
280 10/28/2040	7,586.19	7,162.31	423.88	147,444.22
281 11/28/2040	7,586.19	7,181.95	404.24	140,262.27
282 12/28/2040	7,586.19	7,201.64	384.55	133,060.63
283 01/28/2041	7,586.19	7,221.38	364.81	125,839.25
284 02/28/2041	7,586.19	7,241.18	345.01	118,598.07
285 03/28/2041	7,586.19	7,261.03	325.16	111,337.04
286 04/28/2041	7,586.19	7,280.94	305.25	104,056.10
287 05/28/2041	7,586.19	7,300.90	285.29	96,755.20
288 06/28/2041	7,586.19	7,320.92	265.27	89,434.28
289 07/28/2041	7,586.19	7,340.99	245.20	82,093.29
290 08/28/2041	7,586.19	7,361.12	225.07	74,732.17
291 09/28/2041	7,586.19	7,381.30	204.89	67,350.87
292 10/28/2041	7,586.19	7,401.54	184.65	59,949.33
293 11/28/2041	7,586.19	7,421.83	164.36	52,527.50
294 12/28/2041	7,586.19	7,442.18	144.01	45,085.32
295 01/28/2042	7,586.19	7,462.58	123.61	37,622.74
296 02/28/2042	7,586.19	7,483.04	103.15	30,139.70
297 03/28/2042	7,586.19	7,503.56	82.63	22,636.14
298 04/28/2042	7,586.19	7,524.13	62.06	15,112.01
299 05/28/2042	7,586.19	7,544.76	41.43	7,567.25
300 06/28/2042	7,588.00	7,567.25	20.75	0.00

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2,275,858.81   1,550,000.00   725,858.81

May 16, 2016

Hydro Hawkesbury Inc./Hawkesbury Hydro Inc.  
850 Tupper Street  
Hawkesbury, ON K6A 3S7

Dear Sirs/Madams,

We are pleased to offer Hydro Hawkesbury Inc./Hawkesbury Hydro Inc. (the "**Borrower**") the following credit facilities, subject to Ontario Infrastructure and Lands Corporation's (the "**Lender**") provisions set out below, standard terms and conditions (the "**Standard Terms**"), and any schedules and appendices attached hereto (collectively, the "**Agreement**"). This Agreement is effective as of the date first above. Unless stated otherwise, all dollar amounts are in Canadian currency. All capitalized terms not defined herein shall have the meaning attributed thereto in the Standard Terms.

1. Borrower:	Hydro Hawkesbury Inc./Hawkesbury Hydro Inc. (the " <b>Borrower</b> ")
2. Lender:	Ontario Infrastructure and Lands Corporation (the " <b>Lender</b> " or " <b>IO</b> " or " <b>OILC</b> ")
3. Loan Amount:	\$1,930,000.00 (the " <b>Committed Amount</b> ")
4. Credit Facilities:	<p>a) <u>Construction Loan</u>: Non-revolving floating rate construction loan up to the aggregate maximum principal amount of \$1,480,000.00 (the "<b>Construction Loan</b>").</p> <p>b) <u>Term Loans</u>:</p> <p>(i) Non-revolving fixed rate term loan up to the maximum principal amount of \$1,480,000.00 (the "<b>Term Loan #1</b>");</p> <p>(ii) Non-revolving fixed rate term loan up to the maximum principal amount of \$450,000.00 (the "<b>Term Loan #2</b>")</p> <p>For clarity, the definition of Term Loan #1 and Term Loan #2 may collectively or jointly be referred to as "<b>Term Loans</b>" throughout this Agreement.</p>
5. Purpose:	<p>To support the Borrower in the following Projects:</p> <p>a) <u>Construction Loan</u>: To finance the completion of construction of the 110KV substation (the "<b>Project</b>").</p> <p>b) <u>Term Loans</u>:</p> <p>(i) Term Loan #1: To provide long term financing in repayment of the Construction Loan.</p>

	(ii) <b>Term Loan #2:</b> To provide long term financing for the reimbursement of the Borrower's advances on capital expenditures from 2014 to 2015.
6. Maturity Dates:	<p>c) <u>Construction Loan:</u> Up to 1 year after the initial drawdown date, subject to acceleration by the Lender in accordance with the Standard Terms (the "<b>Construction Loan Maturity Date</b>"). Conversion of the Construction Loan to the Term Loan, if applicable, must occur on or prior to the Construction Loan Maturity Date.</p> <p>d) <u>Term Loans:</u></p> <p>(iii) <b>Term Loan #1:</b> Up to twenty-five (25) years for a term as mutually agreed by the parties after the conversion of the Construction Loan, subject to acceleration by the Lender in accordance with the Standard Terms (the "<b>Term Loan #1 Maturity Date</b>"). Any and all amounts owing under the Term Loan #1 must be repaid in full no later than the Term Loan #1 Maturity Date.</p> <p>(iv) <b>Term Loan #2:</b> Up to five (5) years for a term as mutually agreed by the parties, subject to acceleration by the Lender in accordance with the Standard Terms (the "<b>Term Loan #2 Maturity Date</b>"). Any and all amounts owing under the Term Loan #2 must be repaid in full no later than the Term Loan #2 Maturity Date.</p> <p><u>No Prepayment:</u> The Borrower shall not be entitled to repay all or any portion of the principal amount of the Term Loan #1 and Term Loan #2 prior to the Term Loan #1 Maturity Date and Term Loan #2 Maturity Date, respectively, except in accordance with any agreed amortization schedule or with the prior written consent of the Lender which consent may be withheld or conditioned at the sole discretion of the Lender.</p>
7. Interest Rates & Repayment:	<p>a) <u>Construction Loan:</u> Floating interest rate as posted on the Lender's website (<a href="http://www.infrastructureontario.ca">www.infrastructureontario.ca</a>) with interest rates subject to change without notice.</p> <p>i. Interest only monthly payment;</p> <p>ii. The Construction Loan is a non-revolving facility and no amounts repaid under the Construction Loan may be re-borrowed.</p> <p>b) <u>Term Loan:</u> Fixed interest rate as confirmed by the Lender to the Borrower under the Term Loan Advance and/or at the time of conversion of the Construction Loan to the Term Loan #1. Such interest rate shall be based on the Lender's cost of funds plus the Lender's prevailing spread assigned to the Borrower's sector for program delivery costs and risks.</p> <p>i. Blended payments of principal and interest to be paid monthly up to a 25-year amortization with a 25-year term under Term Loan #1;</p> <p>ii. Blended payments of principal and interest to be paid monthly up to a 5 year amortization with a 5-year term under Term Loan #2;</p> <p>iii. The Term Loans are non-revolving facilities and no amounts repaid under the Term Loans may be re-borrowed.</p>
8. Drawdown Procedure:	a) <u>Construction Loan #1:</u> Lender advances shall be made either on the 1 <sup>st</sup> or 15 <sup>th</sup> day of the month and shall be based on a work in place and cost to complete

	<p>basis. The Borrower shall deliver a Drawdown Notice, in form and in substance satisfactory to the Lender, no later than 20 days prior to the requested advance date.</p> <p>b) <u>Term Loan #1:</u></p> <p>Conversions of Construction Loan Advances shall be made either on the 1st or 15th day of the month. The Borrower shall deliver a Conversion Notice, in form and in substance satisfactory to the Lender, requesting a conversion of a Construction Loan advance to a Term Loan #1 advance no later than 60 days prior to the Conversion Date.</p> <p>c) <u>Term Loan #2:</u></p> <p>Term Loan #2 advances shall be made either on the 1st or 15th day of the month. The Borrower shall deliver a long term officer certificate, in form and in substance satisfactory to the Lender, no later than 20 days prior to the requested advance date and an executed promissory note to the Lender's satisfaction.</p> <p>d) <u>Term Loans:</u></p> <p>If the Borrower chooses to draw only Term Loans, then the Term Loan Advance shall be made either on the 1st or 15th day of the month. The Borrower shall deliver a Drawdown Notice, in form and in substance satisfactory to the Lender, no later than 20 days prior to the requested advance date and an executed promissory note to the Lender's satisfaction.</p>
9. Security:	<p>The following security shall be provided to support all present and future indebtedness and liability of the Borrower, and shall be registered in first position unless otherwise noted below, and shall be on the Lender's standard form, supported by resolutions and legal opinions, all acceptable to the Lender:</p> <p>a) <b>1st Position General Security Agreement</b> registered over all of the Borrower's assets under the Personal Property Security Act (the "PPSA") for the term of the Agreement covering all existing and future IO debts plus the Committed Amount;</p> <p>b) <b>Subordination and Postponement Agreement</b> in which The Corporation of the Town of Hawkesbury agrees to subordinate and postpone their security interest for any existing or future promissory notes.</p> <p>c) <b>Certificate of Insurance</b> for the general assets of the Borrower with Lender to be added as loss payee;</p> <p>d) <b>Solicitor's Report</b> and all necessary legal documentation and relevant legal opinions customary for this type of transaction shall have been executed and registered; and</p> <p>e) all other security documentation as may be required from time to time in the sole discretion of the Lender to protect the interests of the Lender.</p> <p>All of the above security shall be referred to collectively as the "<b>Lender Security</b>".</p>
10. Additional Conditions Precedent – Advances	<p>The Borrower shall provide to the Lender's satisfaction prior to any drawdown under the Construction Loan (each a "<b>Construction Loan Advance</b>"), in addition to the conditions precedent within the Standard Terms and sections 13 and 14</p>

under Construction Loan	<p>herein, the following conditions precedent with all costs paid from the account of the Borrower:</p> <ul style="list-style-type: none"> <li>a) All drawdowns shall be subject to the Lender's review of all terms and conditions in the Agreement, including financial covenants to ensure compliance.</li> <li>b) Prior to the first Construction Loan Advance, the Borrower shall provide the following to the Lender's satisfaction : <ul style="list-style-type: none"> <li>- A Capital Expenditure Plan with budget prepared by the Borrower and detailed in a 5 year plan with one year increments;</li> <li>- The Approval of Ministry of Environment (MOE) on the oil containment system to be installed;</li> <li>- The Approval of Hydro One Networks Inc. on final stamped drawings and specifications of the project.</li> </ul> </li> <li>c) For each Construction Loan Advance, a detailed listing of assets being financed and their respective life spans to be provided.</li> <li>d) Lender shall ensure the tenor of each Construction Loan Advance does not exceed the life span of the capital assets being financed.</li> <li>e) The Borrower shall execute an amending agreement to render its financing agreement with the Lender identified as financing agreement 11Hyd9310411050FA consistent with the terms and conditions of the Agreement for the credit facilities outlined herein.</li> </ul>
11. Construction Reporting Requirements: Project Manager	<p>Project Manager: The Borrower shall:</p> <ul style="list-style-type: none"> <li>a) have a qualified Project Manager in place for the Project, reporting to the Borrower and the Independent Engineer, subject to the Lender's prior approval;</li> <li>b) comply with and shall ensure that its Project Manager complies with the Lender's project management requirements for the Project; and</li> <li>c) ensure that its Project Manager prepares and submits the project manager reports (the "<b>Project Manager Reports</b>") required by the Lender, all in form and in substance satisfactory to the Lender, and delivered to the Lender and the Independent Engineer as a condition precedent to any Construction Loan Advance or Term Loan Advance. Such Project Management Reports include: <ul style="list-style-type: none"> <li>i) Project Implementation Plan Report;</li> <li>ii) Monthly Project Status Report.</li> </ul> </li> </ul> <p>The Project Implementation Plan Report approved by the Borrower's Board of Directors shall demonstrate the Borrower's intent with regards to execution of the Project including clearly defined project management roles, responsibilities and authorities, protocols for approval of change orders, scope changes, contingency expenditure and other similar items.</p>

	<p>The Monthly Project Status Report shall be submitted, in the template form provided to the Borrower, by the Borrower's Project Manager on a monthly basis and where necessary prior to any Construction Loan Advance or Term Advance.</p>
<p>12. Construction Reporting Requirements: Project Monitor</p>	<p>The Borrower shall:</p> <ul style="list-style-type: none"> <li>i) have a qualified Independent Engineer in place for the Project subject to the Lender's prior approval;</li> <li>ii) ensure that the Project Manager provides all necessary information to facilitate the Independent Engineer's preparation and submission of various Independent Engineer reports (the "<b>Independent Engineer Reports</b>") requested by the Lender, all in form and in substance satisfactory to the Lender, and delivered to the Lender as a condition precedent to any Construction Loan Advance or conversion to Term Loan #1. Such Independent Engineer Reports include: <ul style="list-style-type: none"> <li>a) Initial Project Review Report;</li> <li>b) Project Review and Draw Certification Report;</li> <li>c) Project Completion Review Report.</li> </ul> </li> <li>iii) The terms and conditions specified in section 12.ii) will also be applicable to the unadvanced portion of loan #11050 of \$826,205.</li> </ul> <p>The Initial Project Review Report from the Independent Engineer shall confirm that the:</p> <ul style="list-style-type: none"> <li>i. <b>Project Implementation Plan Report</b> (approved by the Borrower's Board of Directors) demonstrates the Borrower's intent with regards to the execution of the projects including clearly defined project management roles, responsibilities and authorities; protocols for the approval of change orders, scope changes, contingency expenditure and other similar items;</li> <li>ii. Project Plans and Specifications are generally compliant with the proposed development and have been prepared and stamped by the appropriate professionals;</li> <li>iii. Building and Zoning of the Property is compliant with the Project as designed and engineered;</li> <li>iv. Existing Reports including Project Management, Soil Tests, Geotechnical, Environmental Assessment, Hazardous Materials, and Due Diligence reports, do not raise any issues of concern and document any rectification measures taken to address any such issues;</li> <li>v. Construction Budget is inclusive of all aspects of development to fully complete the Project and is consistent with and not greater than the total Project cost allocated in Appendix A, attached hereto;</li> <li>vi. The appropriate construction Contract is compliant in all respects with the scope and design of the Project and has been converted to a stipulated price contract for the budgeted hard construction costs not to exceed \$2,300,012;</li> </ul>



	<p>vii. Performance, Labour and Material Bonding in support of the construction Contract includes a provision that the general contractor provide and maintain in good standing performance, labour and material bonds satisfactory to the Lender for a value of not less than 50% of the amount of the construction Contract with a dual obligee rider in favour of the Lender. The Independent Engineer shall review and confirm adequate coverage;</p> <p>viii. Construction Time Schedule and Projected Cash Flow are consistent with the scope of the Project as defined in this Agreement, together with the Project Plans and Specifications;</p> <p>ix. Total Project Costs are feasible and competitive with the market values of construction projects of similar scope and design;</p> <p>x. Property Taxes and Development Charges are paid to current and/or are budgeted for on an ongoing basis for the Property;</p> <p>xi. All Builders Construction Risk Policy is adequate for the Project scope and design;</p> <p>xii. Building Permit and Site Plan Development Agreements are to be confirmed to complete the Project as authorized;</p> <p>xiii. HST number is registered for the Project by the Borrower to obtain effective rebates to be reinvested back into the Project;</p> <p>xiv. Any other conditions precedent as determined by the Lender in its sole discretion.</p> <p><b>The Project Review and Draw Certification Report</b> shall be submitted by the Independent Engineer prior to the first and all subsequent advance of funds and shall confirm:</p> <p>a. Any material changes that have occurred to any of the fundamental aspects of the project as reported in the Initial Project Review Report;</p> <p>b. Construction budget continues to be inclusive of all aspects of hard costs to fully complete the Project and remains consistent with and not greater than the total hard costs set out in Appendix A, attached hereto;</p> <p>c. Total Project Budget continues to be inclusive of all aspects of the development (hard and soft costs) and remains consistent and not greater than the Total Project Cost set out in Appendix A. The update should include:</p> <ul style="list-style-type: none"> <li>• Cost to date, cost to complete and variances</li> <li>• Lists of approved and contemplated change orders</li> </ul>
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	<ul style="list-style-type: none"> <li>• Forecast cost to complete and variance from baseline budget analysis</li> <li>• Holdbacks and Lien notifications</li> </ul> <p>d. Construction time schedule and projected cash flow remain consistent with the scope of the Project;</p> <p>e. Total Project Cost remains feasible and competitive with the market values of construction projects of similar scope and design;</p> <p>f. Change Orders greater than \$ 25k in a single occurrence and \$110k in aggregate has been reviewed and validated and the Borrower has obtained the Lender's prior written approval for the use project contingency or other funds to finance the change orders;</p> <p>g. All Builders Construction Risk Policy remains up to date and adequate for the Project scope and design;</p> <p>h. Certificate for payment shows the Project remains within budget when compared against the accepted original stipulated price contract; and also confirms that the project is being constructed in accordance the relevant codes, permission and approvals granted;</p> <p>i. Independent Engineer Certificate confirms the Borrower's Advance request, costs of work-to-date and work-to-completed and adequacy of remaining contingency;</p> <p>j. WSIB clearance certificate confirms that the Project's general contractor and subcontractors have no outstanding payment obligations under the <i>Workplace Safety and Insurance Act, 1997</i> ("WSIA") and are in compliance with the WSIA;</p> <p>k. Construction lien holdback and the appropriate allocation for the construction lien holdback under the <i>Construction Lien Act, 1990</i> is being monitored and recommended to the Lender;</p> <p>l. Project Costs summary summarizing the Project costs that are then (or within sixty (60) days will be) due and payable and form the basis of such drawdown request, on an itemized basis together with confirmation that all such Project costs constitute costs contemplated by the construction budget and a summary of the funds available as of such date to pay such Project costs, on an itemized basis including the advance requested and any capital contributions; and</p> <p>m. Project Approvals - confirmation that all Project approvals are in full force and effect, except for those which are not yet required (having regard to the status of the Project);</p> <p>The Lender reserves the right to impose additional Project approval requirements should, in the opinion of the Independent Engineer, any issues arise with respect</p>
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	<p>to the continued ability of the Borrower to complete the Project within the current approved budget and on or before the Construction Loan Maturity Date.</p> <p>The <b>Project Completion Review Report</b> shall be submitted by the Independent Engineer prior to conversion to the Term Loan #1 and shall confirm;</p> <p>i. The Project has achieved Substantial Completion and has been completed within the Total Project Budget as set out in Appendix A and in accordance with approved plans, specification, permits and approvals;</p> <p>ii. Operational permits have been obtained and the construction lien period has expired</p> <p>iii. The project was completed on time and on budget.</p>
13. Additional Conditions Precedent - First Advance:	<p>The Borrower shall provide to the Lender's satisfaction prior to the first Construction Loan Advance, in addition to the conditions precedent contained within the Standard Terms, the following conditions precedent with all costs paid from the account of the Borrower:</p> <p>a) The Independent Engineer Initial Project Review Report, Project Review and Draw Certification Review Report and the Project Manager's Project Implementation Plan Report and Monthly Project Status Report and any other Project Manager Reports or Independent Engineer Reports required by the Lender, all in form and in substance satisfactory to the Lender; and</p> <p>b) Any other conditions precedent as determined by the Lender in its discretion.</p>
14. Additional Conditions Precedent - Subsequent Advances:	<p>The Borrower shall provide to the Lender's satisfaction prior to any drawdown subsequent to the first Construction Loan Advance, in addition to the conditions precedent contained within the Standard Terms, the following conditions precedent with all costs paid from the account of the Borrower:</p> <p>a) Project Manager's Monthly Project Status Report and the Independent Engineer Project Review and Draw Certification Report any other Project Manager Reports or Independent Engineer Reports required by the Lender, all in form and in substance satisfactory to the Lender; and</p> <p>b) Any other conditions precedent as determined by the Lender in its reasonable discretion.</p>
15. Additional Conditions Precedent - Advances under Term Loan:	<p>The Borrower shall provide to the Lender's satisfaction prior to any drawdown under the Term Loans (each a "<b>Term Loan Advance</b>"), in addition to the conditions precedent within the Standard Terms, the following conditions precedent with all costs paid from the account of the Borrower:</p> <p>a) All drawdowns shall be subject to the Lender's review of all terms and conditions in the Agreement, including financial covenants to ensure compliance.</p> <p>b) If not provided previously, Capital Expenditure Plan with budget prepared by the Borrower and detailed in 5 year plan with 1 year increments.</p>

	<p>c) Lender shall ensure the tenor of each Term Loan Advance does not exceed the life span of the capital assets being financed.</p> <p>d) Conversion of the Construction Loan #1 and/or drawdown of Term Loans is subject to Lender term loan reviews and the Borrower's compliance with all terms and conditions of the Agreement as determined by the Lender.</p> <p>e) The Borrower shall execute an amending agreement to render its financing agreement with the Lender identified as financing agreement 11Hyd9310411050FA consistent with the terms and conditions of the Agreement for the credit facilities outlined herein.</p>
16. Evidence of Indebtedness:	The Lender shall record the principal amount of the Advances, the payment of principal and interest on account of the Advances, and all other amounts becoming due to the Lender under this Agreement. The Lender's accounts and records shall constitute, in the absence of manifest error, <i>prima facie</i> evidence of the indebtedness of the Borrower under the credit facilities. For each Term Loan Advance, the Borrower shall provide a promissory note in favour of the Lender which shall include the scheduled dates for payments of principal and interest.
17. Representations and Warranties:	The Borrower shall and is deemed to make the representations and warranties as set out in the Standard Terms.
18. Holdbacks:	The Lender shall be entitled to deduct from the Construction Loan Advances all Holdback Amounts in accordance with the <i>Construction Lien Act</i> (Ontario) to the extent not already held back by the Lender, and to hold the Holdback Amounts so deducted until such time as the Lender is satisfied that all applicable construction lien periods have expired and that no claim for lien has been made or filed with respect to work or material for the Project.
19. Events of Default:	<p>The Lender may accelerate the payment of principal and interest under any committed credit facility hereunder and/or terminate any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Lender's standard Events of Default contained within the Standard Terms and the following event of default:</p> <p>a) If the Borrower has or may become involved in financial difficulties such that default and unusual difficulty in meeting debts and obligations or in providing adequate funds to meet current expenditures may ensue.</p>
20. Additional Positive Covenants:	<p>The Borrower shall observe, and shall ensure that its subsidiaries observe, the following positive covenants, in addition to those set out in the Standard Terms:</p> <p>a) maintain insurance on its properties and assets and for the operation of its business in such amounts and against such risks as described in the Standard Terms;</p> <p>b) carry on its operations under applicable laws, regulations, directives and market rules as established by the Independent Electricity System Operator ("IESO"), the Ontario Energy Board ("OEB") and/or any other regulatory body at all times;</p> <p>c) Borrower shall postpone and subordinate all related party debt to the Lender. Any repayment of related party debt shall be subject to Lender's approval;</p> <p>d) Interest payments on existing related party debt is allowed provided terms of Lender financing and covenants are met;</p>


	<p>e) Duly pay all required taxes including income and property taxes, statutory dues and levies and all other applicable fees. The Borrower shall notify the Lender immediately of any failure to make such payments when due;</p> <p>f) Lender and its agents shall have access to the property.</p>
21. Additional Negative Covenants:	<p>The Borrower shall observe, and shall ensure that its subsidiaries observe, the following negative covenants, in addition to those set out in the Standard Terms:</p> <p>a) <b>Cross defaults</b> – The Borrower shall not permit any cross default provisions to be included with any other loan documentation other than that provided in this Agreement;</p> <p>b) <b>Withdrawal of Equity</b> – Withdrawal of equity and/or profit in any form, including dividends and/or fees in any form, is not permitted without the Lender’s prior consent;</p> <p>c) <b>Payments</b> – The Borrower shall not make any payment to any guarantor and/or creditor that may have any past, present or future financial claims, except for payments incurred in the ordinary course of business, provided that no payments made by the Borrower shall cause a breach of financial covenants.</p> <p>d) <b>Borrower additional indebtedness</b> – The Borrower shall not, without the prior written consent of the Lender, incur any additional indebtedness or act as surety or agree to indemnify the debts of any other Person, except for indebtedness resulting from Permitted Liens and expenses incurred in the ordinary course of business (provided that no additional indebtedness incurred by the Borrower shall reduce the Borrower’s ability to achieve its financial covenants);</p> <p>e) <b>Advance of monies</b> – Borrower shall not advance monies or make any investments in any entities without IO consent except trade related receivables;</p> <p>f) <b>Pledge of assets</b> – The Borrower shall not pledge any assets to any creditor or parties except for Permitted Liens and security arrangements as agreed to by the Lender in the executed Financing Agreement;</p> <p>g) <b>Sale in bulk</b> – The Borrower shall not sell assets in bulk out of the usual course of business or trade of the Borrower;</p>
22. Financial Covenants:	<p>The Borrower shall observe, and shall ensure that its subsidiaries observe, the following financial covenants:</p> <p>a) <b><u>Debt Service Coverage Ratio</u></b> – The Borrower agrees to maintain a minimum annual Debt Service Coverage of 1.30x at all times;</p> <p>b) <b><u>Debt to Total Assets Ratio</u></b> – The Borrower shall maintain a maximum Debt to Total Assets Ratio at 60% or lower at all times:  “Debt Service Coverage” means earnings before interest, taxes, depreciation and amortization (EBITDA) divided by the sum of principal and interest payments made on all interest-bearing debts.  “Debt to Total Assets Ratio” means Debt divided by Total Assets. Debt includes all interest-bearing debts. Total Assets means the amount of total assets on the Borrower’s balance sheet.</p> <p>c) The Borrower shall not increase the limit on its revolving line of credit with the National Bank of Canada in the principal amount of \$1,000,000.00.</p>


	d) The Borrower shall not increase the limit on its letter of guarantee in the principal amount of \$399,528.00 save and except for if the increase is required by the IESO and the increase is pursuant to the normal course of business.
23. Reporting:	The Borrower agrees to provide the Lender with the following within 120 days of the Borrower's fiscal year end in order to complete the Lender's annual review: a) <b>Audited financial statements</b> of the Borrower; b) <b>3 year capital expenditure budget</b> ; c) <b>Confirmation of property taxes paid and current</b> d) Furnish the Lender as soon as practicable with any other reporting information that the Lender may require.
24. Permitted Liens:	Permitted Liens are listed in the Standard Terms and also include any Liens in connection with: (1) existing credit facilities provided by the National Bank of Canada to the Borrower in the principal amount of \$1,000,000.00; (2) a letter of guarantee issued to the IESO and endorsed by The Corporation of the Town of Hawkesbury in the amount of \$399,528.00.
25. Standard Terms:	The Standard Terms attached hereto, including the defined terms set out therein, form part of this Agreement, unless the provisions herein specially state that one or more provisions of the Standard Terms do not apply or are modified.

We trust you will find these credit facilities helpful in meeting your ongoing financial requirements. We ask that if you wish to accept this Agreement, please do so by signing the signature page below and returning the attached duplicate copy of the signature page to the undersigned. This offer will expire if not accepted in writing and received by the Lender on or before May 31, 2016.

Yours Truly,

**ONTARIO INFRASTRUCTURE AND  
LANDS CORPORATION**

by:   
 Name: Krishnan Iyer  
 Title: Executive Vice-President and Chief  
 Financial Officer


by:   
 Name: Steve Rohacek  
 Title: Senior Vice President, Municipal


## Business Development and Lending

TO: ONTARIO INFRASTRUCTURE AND LANDS CORPORATION

Hydro Hawkesbury Inc./Hawkesbury Hydro Inc. hereby accepts the foregoing Agreement No. 982  
this 16 day of May, 2016.

**HYDRO HAWKESBURY INC./  
HAWKESBURY HYDRO INC.**

by:   
Name: Michel Foulon  
Title: C.F.O.

  
Name: Jacarthe Chabot  
Title: C.F.O.

I/We have authority to bind the Corporation.



## STANDARD TERMS AND CONDITIONS

### 1. INTEREST CALCULATION AND PAYMENT

#### (a) Construction Loan

- (i) Each Construction Loan Advance shall bear interest at a floating rate per annum as determined by the Lender based on the Lender's cost of funds plus the Lender's prevailing spread assigned to the borrower sector for program delivery costs and risks (the "**Advance Interest Rate**"). The Advance Interest Rate for a Construction Loan Advance for the initial Interest Period shall be set by the Lender and will be effective on the date of the Construction Loan Advance. The Advance Interest Rate for each subsequent Interest Period shall be reset on the first Business Day of each calendar month (each such Business Day, a "**Reset Date**") for the following Interest Period as determined by the Lender based on the Lender's cost of funds plus the Lender's prevailing spread assigned to the borrower sector for program delivery costs and risks and will be effective on the Reset Date, which Advance Interest Rate as so reset shall apply to the Construction Loan Advance for such Interest Period until reset again.
- (ii) Interest accrued during an Interest Period on the principal balance of a Construction Loan Advance outstanding during such Interest Period shall be payable in arrears on the first Business Day of the calendar month following the Interest Period in an amount equal to the product of the Advance Interest Rate in effect during such Interest Period and the principal balance of the Construction Loan Advance outstanding as at the Reset Date for such Interest Period, or in the case of an initial Interest Period the principal balance outstanding on the date of the Construction Loan Advance, in each case multiplied by a fraction, the numerator of which is the number of days in the Interest Period and the denominator of which is 365.
- (iii) For 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 amount of any Advance 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.
- (iv) Payments of interest shall be made by pre-authorized debit from an account of the Borrower maintained with a deposit-taking institution, such account to be designated by notice in writing to the Lender by the execution and delivery of a pre-authorized debit agreement in the Lender's form, together with such other authorizations, voided cheques and other documentation as the deposit-taking institution and the rules of the Canadian Payments Association may require for such pre-authorized debit, and the Borrower undertakes to notify the Lender immediately in writing of any changes in its designated account for the purposes of pre-authorized debits.
- (v) The Borrower shall pay interest to the Lender on any overdue amount of principal or interest in respect of any Advance, both before and after demand, default, maturity and judgment, at a rate per annum equal to the 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 Lender any and all costs and losses incurred by the Lender as a result of the payment having been overdue.

- (vi) The principal amount outstanding under the Construction Loan, together with all interest, fees and other amounts payable under this Agreement in connection with the Construction Loan, shall be due and payable to the Lender on the earlier to occur of:
  - (A) demand by the Lender following the occurrence of an Event of Default which is continuing; and
  - (B) the Construction Loan Maturity Date subject to the Lender's right to extend the Construction Loan Maturity Date in its sole discretion.

(b) Conversion to Term Loan #1 and Advances under Term Loans

- (i) Subject to the satisfaction of the conditions precedent hereinafter set forth in paragraph 4(b) and in compliance with the terms of this Agreement, all or any portion of the Construction Loan may, at the option of the Borrower, be converted to the Term Loan #1 at any time during the Construction Period upon at least sixty (60) days prior written notice by the Borrower to the Lender. In the event that the Construction Loan has not been converted to the Term Loan #1 in accordance with the foregoing provisions during the Construction Period, the Construction Loan may, at the sole option of the Lender and in its absolute discretion, be converted to the Term Loan #1 on the Construction Loan Maturity Date. Any conversion to the Term Loan #1 as aforesaid shall be deemed to be a Term Loan Advance and shall not affect the Borrower's obligations hereunder in respect of interest, fees or other amounts owing hereunder prior to conversion other than the principal.
- (ii) The interest rate for each advance made or deemed to be made under the Term Loan #1 shall be fixed by the Lender at the time of such advance or conversion from a Construction Loan based on the Lender's cost of funds plus the Lender's prevailing spread assigned to the borrower sector for program delivery costs and risks. A rate confirmation letter will be sent to the Borrower by the Lender confirming the interest rate for such advance under the Term Loan #1.
- (iii) Payments of principal and interest due on each advance under the Term Loan #1, and any other payments due under this Agreement, shall be made by pre-authorized debit from an account of the Borrower maintained with a deposit-taking institution, such account to be designated by notice in writing to the Lender by the execution and delivery of a pre-authorized debit agreement in the Lender's form, together with such authorizations, voided cheques and other documentation as the deposit-taking institution and the rules of the Canadian Payments Association may require for such pre-authorized debit, and the Borrower undertakes to notify the Lender immediately in writing of any changes in its designated account for the purposes of pre-authorized debits.

(c) Repayment of the Term Loan #1

The principal amount of the Term Loan #1, together with all interest, fees and other amounts payable under this Agreement in connection with the Term Loan#1, shall be due and payable on the earlier of:

- (A) demand by the Lender following the occurrence of an Event of Default which is continuing; and
  - (B) the Term Loan #1 Maturity Date.
- (d) Repayment of the Term Loan #2

The principal amount of the Term Loan #2, together with all interest, fees and other amounts payable under this Agreement in connection with the Term Loan#2, shall be due and payable on the earlier of:

  - (A) demand by the Lender following the occurrence of an Event of Default which is continuing; and
  - (B) the Term Loan #2 Maturity Date.

## 2. DRAWDOWN PROVISIONS

- (a) The Borrower may request a Construction Loan Advance or a Term Loan Advance to be made on either the 1st or the 15th day of any calendar month or the first Business Day following such date if such date is not a Business Day (either of which is defined as the "**Advance Date**"). For each Construction Loan, the Borrower shall deliver a Drawdown Notice no later than 20 days prior to the requested Advance Date. The Borrower shall deliver a Conversion Notice for a conversion of Construction Loan Advances to a Term Loan Advance no later than 60 days prior to the requested Conversion Date.
- (b) The principal amount of all Advances will be tendered to the Borrower by electronic transfer of funds to an account of the Borrower maintained with a deposit-taking institution, such account to be designated by notice in writing to the Lender by the execution and delivery of a pre-authorized debit agreement in the Lender's form, and the Borrower undertakes to notify the Lender immediately in writing of any changes in its designated account for the purposes of such deposit.
- (c) The Borrower must provide written notice to the Lender of any change to the terms of Term Loans at least five (5) Business Days prior to the date the Lender is scheduled to set the interest rate for a Term Loans. Failure to provide the required notice may result in costs incurred to the Borrower's account as a result of any losses incurred by the Lender, which costs may be withdrawn by the Lender from the Borrower's account in accordance with the pre-authorized debit procedure established under this Financing Agreement.

## 3. RIGHT OF DEDUCTION AND SECURITY

- (a) If the Borrower fails to meet its obligations to the Lender under the Agreement, and as security for the satisfaction by the Borrower of the Obligations, the Borrower hereby agrees, pursuant to subsections 25(1), 25(2) and 25(3) of the *Ontario Infrastructure and Lands Corporation Act, 2011* (Ontario), as amended from time to time hereafter, that the Minister of Finance is entitled to deduct from money appropriated by the Legislative Assembly of Ontario for payment to the Borrower, or from money appropriated by such Assembly for payment to the Borrower in respect of such matters as may be specified, amounts not exceeding the amounts that the Borrower fails to pay to the Lender

pursuant to this Agreement and to pay such amounts to the Lender from the Consolidated Revenue Fund.

- (b) As continuing collateral security for the payment by the Borrower to the Lender under the terms of this Agreement and for performance by the Borrower of its obligations hereunder, the Borrower acknowledges and agrees that the Lender shall have the benefit of the Lender Security.

#### 4. DISBURSEMENT CONDITIONS

- (a) Construction Loan. Unless waived by the Lender or previously delivered or satisfied to the Lender's sole discretion, the following are the conditions precedent to the Lender's obligation to make any Construction Loan Advances:
  - (i) Prior Liens: The Borrower shall have paid in full<sup>1</sup> and discharged all principal balances and all other sums due and owing pursuant to any liens (including any liens arising under the CLA), charges, assessments, levies or other encumbrances of any nature affecting the Property except for Permitted Liens, and, without limiting the foregoing, all liens registered under the CLA have been discharged or vacated as provided under Applicable Law;
  - (ii) Audit: At the Lender's discretion, if any issues were raised in any audit conducted under paragraph 18(a), such issues have been resolved to the Lender's satisfaction and/or the Lender has neither required an audit under paragraph 18(a) nor is such an audit ongoing;
  - (iii) Survey: The Borrower shall have provided to the Lender an up to date plan of survey of the Property in form and content acceptable to the Lender prepared by a licensed land surveyor, including evidence in a form reasonably satisfactory to the Lender of the size of the site (acres), the total area of the building(s), and the unit sizes of the units(s);
  - (iv) Environmental Assessment: The Borrower shall have delivered a written Phase I Environmental Assessment Report and reliance letter in form and substance satisfactory to the Lender addressed to the Lender prepared at Borrower's expense by a fully qualified engineer;
  - (v) Building and Zoning By-laws: Borrower shall have provided to the Lender evidence in form reasonably satisfactory to the Lender that the Property comply and will comply in all respects with all municipal and provincial by-laws, statutes and regulations and are not in contravention of any such by-laws, statutes and regulations. The Borrower shall have provided evidence to the Lender that all appropriate environmental approvals and permits, including construction permits and building permits, related to the Project have been received and are in full force and effect. The Borrower shall have provided evidence to the Lender that all appropriate regulatory approvals, permits, insurance certificates, warranties related to the Project have been received and are in full force and effect;
  - (vi) Taxes: Borrower shall have provided to the Lender, in a form satisfactory to the Lender with evidence that all realty taxes, local improvement rates and other taxes which may give rise to lien against the Property have been paid in full. The Borrower shall have provided evidence to the Lender that all Taxes and development charges related to the Property have

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<sup>1</sup> If applicable to the terms of the financing, add provision for proceeds of the first Construction Loan Advance to pay in full outstanding liens.

been paid in full and such funds have been budgeted into the overall construction budget for the Property and will be paid on closing;

- (vii) Insurance: Borrower shall have provided to the Lender and/or its insurance consultants with evidence satisfactory to the Lender that all insurance required to be placed pursuant to the terms of this Agreement is in place. The Lender shall have received an acceptable insurance binder or certificate of insurance, to be followed, within sixty (60) days of the issuance of the binder or certificate, with a certified copy of the Borrower's policy or policies of insurance, as well as a report from the Insurance Consultant certifying that the Borrower's insurance is satisfactory and complies with this Agreement;
- (viii) Security: Borrower shall have executed and delivered or caused to be executed and delivered in favour of the Lender the Lender Security, all in form and substance satisfactory to the Lender, in its sole discretion;
- (ix) Status: The Lender shall be satisfied in its sole discretion that no event or circumstances has occurred or is likely to occur which may affect the basis upon which the Committed Amount was approved or which results or would result in a Material Adverse Change in the Borrower's financial condition since the date of this Agreement or ownership of the Property;
- (x) Committed Amount Ceiling: The amount of the requested Advance when added to the aggregate amount of Advances then outstanding in respect of the Property does not exceed the Committed Amount;
- (xi) Officer's Certificate: The Borrower shall provide to the Lender with an Officer's Certificate dated as of the date of each Advance, certifying:
  - (A) the matters set forth in paragraphs 4(a)(xii) and 4(a)(xiii);
  - (B) that all covenants and conditions in this Agreement to be observed or performed by the Borrower have been complied with;
  - (C) that all conditions precedent to the Construction Loan Advance have been satisfied;
  - (D) that all Project Approvals for the Project are in full force and effect, except for those which are not yet required having regard to the status of the Project and which are reasonably expected to be obtained in the ordinary course when required;
  - (E) that no Material Adverse Change has occurred since the closing date; and
  - (F) as to such other matters as the Lender may require;

together with the following documents, which shall be delivered prior to the first Advance only, a certified copy of the Borrower's constating documents; borrowing by-laws; resolutions authorizing the borrowing under the Construction Loan and the Term Loans, the granting of security and all of the Financing Documents; incumbency and signing authority of officers; and a certificate of status, good standing or equivalent certificate in respect of the Borrower;

- (xii) Accuracy of Representations: All representations and warranties of the Borrower contained in this Agreement and all representations of the Borrower and each Obligor contained in any other Financing Document shall be true and correct in all material respects on and as of the date of the requested Construction Loan Advance as though made on and as of such date, and the Lender shall have received a certificate of a senior officer of each such certifying the same with respect to such Person;
- (xiii) No Default: No Default or Event of Default shall have occurred and be continuing, and the Lender shall have received an officer's certificate of the Borrower so certifying;
- (xiv) Lien Searches: The Lender shall have received Land Title Office, Personal Property Registry and such other searches as the Lender considers appropriate, acting reasonably, in respect of the Property, the collateral and the Borrower as of a time and date satisfactory to the Lender confirming (i) registration of the security documents or financing statements or other appropriate filings or notices in respect thereof, and (ii) that no liens (other than Permitted Liens) are registered against or charge the Borrower, the Property or any of the collateral (including, without limitation, all construction liens in respect of the Property have been discharged, vacated or removed as provided under the CLA);
- (xv) Opinion of Borrower's Counsel: The Borrower shall deliver to the Lender an opinion of Borrower's external counsel dated as of the date of the first Advance under the Construction Loan and addressed to the Lender, in form and substance acceptable to the Lender;
- (xvi) Project Management: The Borrower shall have provided to the Lender sufficient detail in respect of the project management roles and responsibilities as approved by the Borrower's Board of Directors;
- (xvii) Certification: The Borrower's architect or engineer shall have provided the Lender with a certification of the work performed to date and that the work is in compliance with approved plans and specifications;
- (xviii) Performance Bonds: The general contractor shall have obtained and maintained in good standing performance and labour and material bonds satisfactory to the Lender for a value of at least 50% of the amount of the contract price with a dual obligee rider in favour of the Lender. The Borrower shall have provided the Lender with copies of any powers of attorney which accompany any surety bonds issued to it as evidence of authorization from the surety company; and
- (xix) Construction Report: The Borrower shall have provided the Lender an updated construction timeline and status report in a form and content acceptable to the Lender.
- (b) Term Loans. Unless waived by the Lender or previously delivered or satisfied to the Lender's sole discretion, the following are the conditions precedent to the obligation of the Lender to make any Term Loan Advances:
  - (i) Prior Liens: The Borrower shall have paid in full and discharged all principal balances and all other sums due and owing pursuant to any liens (including any liens arising under the CLA), charges, assessments, levies or other encumbrances of any nature affecting the Property except for Permitted Liens;

- (ii) Taxes: Borrower shall have provided to the Lender, in a form satisfactory to the Lender with evidence that all realty taxes, local improvement rates and other taxes which may give rise to lien against the Property have been paid in full;
- (iii) Audit: At the Lender's discretion, if any issues were raised in any audit conducted under paragraph 18(a), such issues have been resolved to the Lender's satisfaction and/or the Lender has neither required an audit under paragraph 18(a) nor is such an audit ongoing;
- (iv) Building and Zoning By-laws: Borrower shall have provided to the Lender evidence in form reasonably satisfactory to the Lender that the Property comply and will comply in all respects with all municipal and provincial by-laws, statutes and regulations and are not in contravention of any such by-laws, statutes and regulations. The Borrower shall have provided evidence to the Lender that all appropriate environmental approvals and permits, including construction permits and building permits, related to the Project have been received and are in full force and effect. The Borrower shall have provided evidence to the Lender that all appropriate regulatory approvals, permits, insurance certificates, warranties related to the Project have been received and are in full force and effect;
- (v) Insurance: Borrower shall have provided to the Lender and/or its insurance consultants with evidence satisfactory to the Lender that all insurance required to be placed pursuant to the terms of this Agreement is in place. The Lender shall have received an acceptable insurance binder or certificate of insurance, to be followed, within sixty (60) days of the issuance of the binder or certificate, with a certified copy of the Borrower's policy or policies of insurance, as well as a report from the Insurance Consultant certifying that the Borrower's insurance is satisfactory and complies with this Agreement;
- (vi) Security: Borrower shall have executed and delivered or caused to be executed and delivered in favour of the Lender the Lender Security, all in form and substance satisfactory to the Lender, in its sole discretion;
- (vii) Status: The Lender shall be satisfied in its sole discretion that no event or circumstances has occurred or is likely to occur which may affect the basis upon which the Committed Amount was approved or which results or would result in a Material Adverse Change in the Borrower's financial condition since the date of this Agreement or ownership of the Property;
- (viii) Committed Amount Ceiling: The amount of the requested Advance when added to the aggregate amount of Advances then outstanding in respect of the Property does not exceed the Committed Amount;
- (ix) Officer's Certificate: The Borrower shall provide to the Lender an Officer's Certificate dated as of the date of each Term Loan Advance, certifying:
  - (A) the matters set forth in paragraphs 4(b)(x) and 4(b)(xi);
  - (B) that all covenants and conditions in this Agreement to be observed or performed by the Borrower have been complied with;
  - (C) that all conditions precedent to the Term Loan Advance have been satisfied;
  - (D) that all Project Approvals for the Project are in full force and effect;

- (E) that no Material Adverse Change has occurred since the closing date; and
- (F) as to such other matters as the Lender may reasonably require.
- (x) Accuracy of Representations: All representations and warranties of the Borrower contained in this Agreement and all representations of the Borrower and each Obligor contained in any other Financing Document shall be true and correct in all material respects on and as of the date of the requested Construction Loan Advance as though made on and as of such date, and the Lender shall have received a certificate of a senior officer of each such certifying the same with respect to such Person;
- (xi) No Default: No Default or Event of Default shall have occurred and be continuing, and the Lender shall have received an officer's certificate of the Borrower so certifying;
- (xii) Lien Searches: The Lender shall have received Land Title Office, Personal Property Registry and such other searches as the Lender considers appropriate, acting reasonably, in respect of the Property, the collateral and the Borrower as of a time and date satisfactory to the Lender confirming (i) registration of the security documents or financing statements or other appropriate filings or notices in respect thereof, and (ii) that no liens (other than Permitted Liens) are registered against or charge the Borrower, the Property or any of the collateral (including, without limitation, all construction liens in respect of the Property have been discharged, vacated or removed as provided under the CLA;
- (xiii) Opinion of Borrower's Counsel: The Borrower shall deliver to the Lender an opinion of Borrower's external counsel dated as of the date of the Term Loan Advance and addressed to the Lender, in form and substance acceptable to the Lender.

## 5. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

- (a) the information contained in the Application, to the extent that it relates to the Borrower or the Project, is true and correct in all material respects as of the date of this Agreement;
- (b) the Borrower has been duly incorporated pursuant to section 142 of the *Electricity Act, 1998* (Ontario) as amended, all of the shares of the Borrower are held by one or more municipal corporations and the Borrower is in the business of producing, distributing and generating electricity and the Borrower has the corporate power and capacity to:
  - (i) own, lease and operate its properties and assets and to carry on its activities as presently carried on;
  - (ii) to borrow money and grant security on its properties and assets;
  - (iii) to enter into and complete the Project; and
  - (iv) to execute and deliver the Financing Documents and to perform its obligations hereunder and thereunder;
- (c) the Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of the Financing Documents;



- (d) each of the Financing Documents has been duly authorized, executed and delivered by the Borrower and constitutes a valid and legally binding obligation, enforceable against the Borrower in accordance with its respective terms, subject to applicable bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally;
- (e) the execution and delivery by the Borrower of the Financing Documents and the performance by the Borrower of its obligations thereunder do not violate, result in a breach of, or constitute a default under:
  - (i) any of the terms, conditions or provisions of its constating documents or by laws of the Borrower;
  - (ii) any resolution of the board of directors or any financial plan, budget, borrowing strategy or investment strategy of the Borrower; or
  - (iii) any statute, regulation or other law applicable to the Borrower;
- (f) the Borrower is not currently in default under: (a) any Indebtedness; (b) any loan documentation related to the Project; and (c) any material agreements related to the Project and the Borrower undertakes to immediately inform the Lender if it is in default under any of these instruments or agreements at any time;
- (g) all Project agreements and ancillary loan documentation have been executed and are in full force and effect and are in form and on terms acceptable to the Lender;
- (h) subject only to minor title defects not individually or in the aggregate material nor materially and adversely affecting the use thereof and subject to any security granted to the Lender pursuant to the provisions hereof, the Borrower has good and marketable title to its real and personal properties free and clear of any encumbrances or security interests other than Permitted Liens;
- (i) since the date of incorporation of the Borrower, there has been no development materially adversely affecting the business or financial condition or position of the Borrower or its ability to carry on business as presently conducted or as contemplated hereunder to be conducted; and
- (j) there is no litigation or judicial or administrative proceeding of any kind now existing, pending or threatened that in any way seeks to restrain, enjoin, delay or otherwise adversely affect the commencement or completion of the Project or that would substantially impair the Borrower's ability to meet its debt obligations as they generally come due or that in any manner questions the proceedings and authority of the Borrower under with the Project or the borrowings applied for in the Application have been or will be authorized or the security granted under the Financing Documents.

## 6. ADDITIONAL POSITIVE COVENANTS

The Borrower covenants and agrees with the Lender that:

- (a) the proceeds of all Advances provided by the Lender to the Borrower shall be applied only to capital expenditures in respect of hard and soft capital costs actually incurred or to be incurred by the Borrower and which costs and expenditures are directly related to the Project and not for any other purpose;

- (b) the Borrower shall duly and punctually pay or cause to be paid when due and payable the principal of and interest on all Advances and all other amounts owing in respect of all Advances, in conformity with the terms of this Agreement, and it shall faithfully observe and perform all the conditions, covenants and requirements of this Agreement;
- (c) the Borrower shall as soon as practicable following the approval thereof by the Borrower and, in any event, within one-hundred and twenty (120) days after the end of each Fiscal Year of the Borrower, furnish the Lender with such number of copies as the Lender may reasonably request of an annual balance sheet, statement of revenue and expense, statement of changes in net assets, statement of cash flows, prepared in accordance with GAAP as applied to the presentation of financial information of the Borrower and reported on by an independent accountant and independent auditor;
- (d) the Borrower shall furnish the Lender as soon as practicable with any other financial reporting information that the Lender may require in its discretion and at any time prepared in accordance with GAAP;
- (e) the Borrower shall at all times maintain its existence as a body corporate with all necessary approvals to carry on its operations as at such time are being carried on under Applicable Law and conduct its operations in a proper and efficient manner, and shall keep or cause to be kept proper books of account and will take all necessary steps to ensure that its Material Related Entities conduct their operations in a proper and efficient manner and keep or cause to be kept proper books of account;
- (f) the Borrower shall maintain insurance on its properties and assets and for the operation of its business whereby each such insurance policy shall (i) be written by insurers approved by the Lender, acting reasonably, and (ii) provide for thirty (30) days written notice to the Lender of a proposed cancellation or non-renewal from the insurer of any such policy or deletion or material change of any coverage thereunder or of any property covered thereby. The Lender shall be entitled to retain an Insurance Consultant to review the existing insurance coverage to ascertain whether such insurance is adequate under the circumstances and the Borrower shall pay all amounts incurred by the Lender for such review. The Borrower agrees to make such changes to their insurance policies as such Insurance Consultant may reasonably require and to the extent changes can reasonably be effected in accordance with market standards; the Borrower shall pay all amounts incurred by the Lender to review the adequacy of the construction and operating insurance, and obtain all adequate insurance policies during the construction and operating phases;
- (g) the Borrower shall permit a Lender representative or any other individual authorized by the Lender to access the Project site for the purposes of conducting an environmental assessment;
- (h) the Borrower shall notify the Lender as soon as practicable after becoming aware of the occurrence of any Event of Default or of the occurrence of any event or circumstance which, after notice or lapse of time, could become an Event of Default; and
- (i) the Borrower shall at all times comply with Applicable Law in the construction of the Project.

## 7. NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will not and will ensure that each Material Related

Entity does not, without the prior written consent of the Lender (which consent may be withheld in its sole unfettered discretion):

- (a) create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its assets or undertakings, now owned or hereafter acquired, except for Permitted Liens;
- (b) create, incur, assume or suffer to exist any other Indebtedness (except for Permitted Indebtedness, if any) or guarantee or act as surety or agree to indemnify the debts of any other Person; the Borrower shall not incur any Indebtedness subsequent to the date of this Agreement or register any subsequent liens or encumbrances without the Lender's written consent, such consent not to be unreasonably withheld;
- (c) voluntarily make any prepayment or accelerate any payment or repayment to any creditor in respect of Indebtedness;
- (d) make payments or arrangements in respect of Indebtedness if, as a result thereof, the Borrower would not reasonably be expected to achieve its minimum annual pro forma Debt Service Coverage or would otherwise result in a breach by the Borrower of its financial covenants);
- (e) terminate or enter into a surrender of any lease of any property mortgaged under the Lender Security;
- (f) cease to carry on the business currently being carried on by the Borrower and its subsidiaries at the date hereof;
- (g) permit any change of ownership of the Borrower or change in the Borrower's capital structure;
- (h) amalgamate, merge, consolidate or otherwise combine pursuant to statute or by private agreement with any other Person;
- (i) directly or indirectly sell, lease, transfer, assign, convey or otherwise dispose of all or substantially all of its assets, rights and properties, whether in a single transaction or a series of related transactions, to any other Person or sell, lease, transfer, assign, convey or otherwise dispose of its interest in the Project;
- (j) acquire all or substantially all of the shares, assets or business of any other Person; or
- (k) amend, modify, restate, supplement or otherwise modify, waive or release, cancel or terminate, other than immaterial amendments which would not reasonably be expected to have a material adverse effect, any construction agreement or other material agreement relating to the Project.

8. ENVIRONMENTAL

- (a) The Borrower shall at all times comply with all applicable Environmental Laws and occupational health and safety laws, regulations and orders which affect the Borrower or any of its assets.
- (b) The Borrower shall inform the Lender in writing of each:

- (i) environmental condition, release of Hazardous Material or violation of or non-compliance with environmental law, in each case which could reasonably be expected to materially adversely affect the Borrower, the Property or the Project or any other assets of the Borrower upon becoming aware of such matter; and
  - (ii) legal action or proceeding commenced against the Borrower with respect to any environmental matter which may materially adversely affect the Borrower, the Property or the Project or any other assets of the Borrower, promptly upon the Borrower becoming aware of the commencement of such action or other proceeding.
- (c) The Borrower shall specifically establish and maintain procedures for monitoring its continued compliance with applicable Environmental Laws, which procedures shall include periodic reviews of such compliance.
- (d) If the Borrower (i) receives written notice that any material violation of any Environmental Law may have been committed or is about to be committed by it in respect of the Property and/or the Project, (ii) receives written notice that any administrative or judicial complaint or order has been filed or is about to be filed against it alleging material violations of any Environmental Laws or requiring it to take any action of a material nature in connection with the release of Hazardous Materials into the environment, or (iii) receives any written notice from a governmental authority or other Person alleging that it may be liable or responsible for costs in a material amount associated with a response to or clean-up of a release of a Hazardous Material into the environment or any damages caused thereby, then the Borrower shall provide to the Lender with a copy of such notice within 10 Business Days of the Borrower's receipt thereof. The Borrower shall also provide to the Lender, as soon as practicable after it becomes available, a copy of an environmental site assessment or audit report, if any, required to be submitted to any governmental authority. If any such assessment or report estimates the cost of any clean-up or remedial action required by such governmental authority, the Borrower shall provide evidence satisfactory to the Lender of disbursements made from time to time to effect such clean-up or remedial action within such time as may be prescribed by such governmental authority.
- (e) The Borrower shall indemnify the Lender and its respective officers, directors, employees, agents, representatives, assignees, and the officers, directors, employees of each of them (each, an "**Indemnified Person**") and shall hold each of them harmless from and against any and all losses, liabilities, damage, costs, expenses and claims (including legal fees on a solicitor and client basis) relating to this Agreement or any other document delivered in connection with this Agreement and/or arising in respect of (i) any violation of an Environmental Law by it or any of its subsidiaries including the assertion of any Lien thereunder, (ii) the presence of any Hazardous Material affecting any real or personal property owned by it resulting in any way from the Borrower's use of such property, or (iii) the release by it or its subsidiaries of any Hazardous Material into the environment; provided that the Borrower shall not be obliged to indemnify any Indemnified person for any losses, liabilities, damages, costs, expenses and claims which have arisen as a result of gross negligence or wilful misconduct of such Indemnified Person. The Borrower's obligations and indemnification under this section shall survive the payment and satisfaction of all obligations hereunder and the termination of this Agreement. The Lender shall hold the benefit of this indemnity in trust for those other Indemnified Persons who are not parties to this Agreement.

## 9. TERM, TERMINATION AND DEFAULT

- (a) This Agreement shall terminate ten (10) Business Days following the date on which the last Obligations outstanding hereunder are paid in full unless earlier terminated in accordance with

paragraphs (b) or (c) below; provided that the indemnities of the Borrower in favour of the Lender and the provisions of paragraphs 16(c) and 18(a) shall continue for the benefit of the Lender following such termination.

- (b) The Lender may terminate its obligations under this Agreement on thirty (30) days prior notice in writing to the Borrower if in the reasonable opinion of the Lender the Borrower is in material default under this Agreement, other than for any cause enumerated in (c) below.
- (c) The Lender may terminate any or all of its obligations under this Agreement immediately, subject to paragraph 9(d) below, upon the occurrence of any of the following (each, an "**Event of Default**");
  - (i) if the Borrower fails to make one or more payments of principal or interest in respect of any Construction Loan Advance or Term Loan Advance within five (5) Business Days after the same becomes due and payable;
  - (ii) if the Borrower reaches or exceeds its updated debt and financial obligation limit imposed by its by-laws or any resolution of its Board of Directors;
  - (iii) if the Borrower has failed to pay any amount of principal, interest, fees or other amounts owing when due under any Indebtedness other than the Construction Loan Advances or Term Loan Advances and such default continues for five (5) Business Days, unless such failure to pay has been remedied within the applicable cure period under such loan, credit or other agreement or waived by the applicable creditor thereunder;
  - (iv) if the Borrower has failed to meet and pay any of its liabilities and obligations other than Indebtedness when due and default in payment is occasioned from financial difficulties affecting the Borrower;
  - (v) if the Borrower uses any Advance for any purpose other than that stipulated in this agreement;
  - (vi) if the Borrower takes any action to authorize the termination of the existence of the Borrower or a resolution is passed authorizing the dissolution, winding up or termination of the existence of the Borrower, unless such action or resolution is being pursued by the Borrower on the basis that it has made provision for payment of all of its Indebtedness and other obligations, including all of the Advances under this Agreement, that no court proceedings are pending against it and that it has obtained the approval of its creditors to a plan for the rateable distribution of all of its property;
  - (vii) if the Borrower shall admit in writing its inability to pay its debts generally as they become due or shall make a general assignment for the benefit of creditors or if the Borrower is subject to any proceeding whereby such proceeding shall be instituted against the Borrower or applying to a substantial part of its property or assets seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or any substantial part of its property or debt under any law relating to bankruptcy, insolvency or reorganization or relief of debts, or seeking an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and such proceeding shall have continued undismissed or unstayed for 60 days, or a creditor or creditors of the Borrower shall privately appoint a receiver, trustee or similar official for the Property or any

substantial part of the property or assets of the Borrower and, if the Borrower shall be contesting such appointment in good faith, such appointment shall continue for 90 days; or any such action or proceeding shall have been consented to or not expeditiously opposed by the Borrower;

- (viii) if the Borrower shall fail to observe or perform any covenant or condition contained herein (other than a covenant or condition whose breach or default in performance is elsewhere in this paragraph 9(c) specifically dealt with) and the Borrower shall not make good such default within a period of thirty (30) days after written notice has been given to the Borrower by the Lender;
- (ix) if the representations and warranties made by the Borrower in this Agreement or the Application, or in any certificate or other document delivered hereunder shall be incorrect in any material respect when made and, if such incorrect representation or warranty is curable, the Borrower shall fail to make good such default within a period of thirty (30) days after notice in writing has been given to the Borrower by the Lender;
- (x) if issues raised in an audit required under paragraph 18(a) have not been resolved to the Lender's satisfaction within a reasonable time after the Borrower has been notified of such issues;
- (xi) if the report of the auditors on any annual financial statements delivered pursuant to paragraph 6(d) or any other financial information requested by the Lender delivered pursuant to paragraph 6(e) hereof shall be qualified in any way which the Lender acting reasonably deems to be materially adverse or if the Borrower should fail to supply any documents requested pursuant to paragraphs 6(d) and 6(e);
- (xii) if (A) any judgment or order or series of judgments or orders (whether or not related) for the payment of money in an aggregate amount in excess of \$5 million shall be rendered against the Borrower and such judgment or order or series of judgments and/or orders are final with no further right of appeal and such judgments or order or series of judgments and/or orders would reasonably be expected to materially adversely affect the ability of the Borrower to satisfy its obligations to the Lender under the Financing Documents; or (B) any judgment or order or series of judgments or orders (whether or not related) for the payment of money shall be rendered against the Borrower and enforcement proceedings shall have been commenced by any creditor upon such judgment or order or series of judgments and/or orders, as the case may be, which affect, or could reasonably be expected to affect, any of the Properties or the Project have not been stayed or there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order or series of judgments and/or orders, as the case may be, by reason of a pending appeal or otherwise, which affect, or could reasonably be expected to affect, any of the Properties or the Project shall not be in effect;
- (xiii) if the Borrower ceases to be an Eligible Borrower;
- (xiv) if the Borrower shall permit any encumbrance or lien to exist against any of the Property other than a Permitted Lien, and such encumbrance or lien is not discharged within ten (10) days of notice thereof by the Lender to the Borrower;

- (xv) if at any time any licence or approvals required by the Borrower under any Applicable Law or from any Public Authority to carry on its business has been assigned, cancelled or suspended;
  - (xvi) if the Borrower shall enter into any Indebtedness other than Permitted Indebtedness;
  - (xvii) if the Borrower shall fail to observe or perform any financial or project management covenant or condition contained herein; or
  - (xviii) if there is a change of control of the Borrower.
- (d) If the Lender elects to terminate its obligations under this Agreement pursuant to paragraph 9(c) hereof, it shall give notice in writing of such termination to the Borrower, specifying the reason for such termination. Upon delivery of such notice the Lender shall have no further obligation to make any Advances hereunder. In such notice the Lender may also declare all Obligations outstanding hereunder to be immediately due and payable, whereupon such Obligations shall become immediately due and payable; and the Lender may exercise any rights or remedies it may have at law or in equity to enforce such Obligations.
- (e) No delay on the part of the Lender in exercising any remedy and no waiver by the Lender of any of its rights against the Borrower shall operate as a waiver of any other rights nor shall any single or partial exercise of any remedy against the Borrower restrict other or further exercises of such remedy, all remedies being cumulative and not exclusive.
- (f) If the Lender elects to terminate its obligations under this Agreement in accordance with paragraphs 9(b) or 9(c) above, the Borrower shall pay to the Lender the Make-Whole Amount on account of the losses that it will incur as a result of the full repayment or early termination.
- (g) The Borrower shall not have any right to pre-pay its Obligations without the Lender's written consent, which may be subject to conditions as determined by the Lender in its sole discretion.

#### 10. NON-WAIVER

Any failure of the Lender to object to or take action with respect to a breach of this Agreement or any the Lender Security or upon the occurrence of an Event of Default shall not constitute a waiver of the Lender's right to take action at a later date with respect to such breach. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Lender Security and the Lender's rights thereunder.

#### 11. EVIDENCE OF INDEBTEDNESS

The Lender shall open and maintain in accordance with its usual practice books of account evidencing all Advances and all other amounts owing by the Borrower to the Lender. The Lender shall enter in the foregoing accounts details of each Advance and of all amounts from time to time owing or paid by the Borrower to the Lender hereunder, the amounts of principal, interest and fees payable from time to time hereunder. The information entered in the foregoing accounts shall constitute, in the absence of manifest error, prima facie evidence of the obligations of the Borrower to the Lender hereunder, the date the Lender made each Advance available to the Borrower and the amounts the Borrower has paid from time to time on account of the principal of, interest on and fees related to the Advances. For each Term Loan Advance, the Borrower shall provide a promissory note in favour of the Lender which shall include the scheduled dates for principal repayment and interest payments.

## 12. ENTIRE AGREEMENT

This Agreement, including the Standard Terms and together with the Schedules, the Appendices, the Drawdown Certificate, the Officer's Certificate(s) delivered hereunder, the mortgage/charge and the general security agreement, any other Lender Security and their respective terms and conditions delivered hereunder constitute the entire agreement between the parties with respect to the subject matter referenced in those documents and supersedes all prior agreements, negotiations, discussions, undertakings, representations, warranties and understandings, whether written or oral.

## 13. ASSIGNMENT

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

## 14. INDEMNITY

- (a) To the fullest extent permitted by law, the Borrower shall indemnify and hold harmless the Lender, its officers, directors, employees and agents (the "**Indemnified Parties**") from and against all (i) claims and causes of action, pending or threatened, of any kind (whether based in contract, tort or otherwise) by third parties or by whomever made related to or arising out of or in any way related to the Reports, this Agreement, any of the Financing Documents, the advance of loans hereunder or the Project and (ii) liabilities, losses, damages, costs and expenses (including, without limitation, legal fees and disbursements) suffered or incurred by any of the Indemnified Parties in connection with any claims or causes of action described in clause (i) of this paragraph. The obligations contained in this paragraph shall survive the termination or expiry of this Agreement.
- (b) Reports submitted by the Borrower to the Lender are for the Lender's reference only and in no way shall the Lender, its officers, directors, agents, subcontractors, or employees be held responsible or liable at law for: (i) any claim, demand or action brought forward by any party, including third parties, against the Lender; and (ii) direct or indirect consequential damages, including bodily injury, death or property damages, arising out of or in any way related to the Reports, this Agreement or the Project.

## 15. COMMUNICATIONS REQUIREMENTS

- (a) The Lender and the Borrower will work together to ensure that the Lender financing of the Project receives recognition and prominence through agreed upon communications activities. An additional example of such communication activity could include signage at the Project site signifying Government of Ontario project financing.
- (b) The Lender reserves the right to undertake its own communications activities in relation to the Lender financing of the Project at any time in its sole discretion and at its expense. This may include, but is not limited to, disclosure of the Borrower and the loan amount hereunder to a third party.
- (c) All joint communications activities between the Borrower and the Lender must comply with the Government of Ontario's Visual Identity Directive and guidelines.



16. CONFIDENTIALITY AND RELEASE OF INFORMATION

- (a) The Borrower agrees that the Lender may provide any assignee with any information concerning the financial condition of the Borrower.
- (b) Subject to paragraph 16(c) below, the Lender acknowledges the confidential nature of the financial, operational and other information and data provided and to be provided to it by the Borrower pursuant to this Agreement (the "**Information**") and agrees to use all reasonable efforts to prevent its disclosure provided, however, that:
  - (i) it may disclose all or any part of the Information if, in its opinion, such disclosure is required in connection with any actual or threatened judicial, administrative or governmental proceeding; and
  - (ii) it shall incur no liability in respect of any disclosure of Information to any, or pursuant to the requirements of any, judicial authority, law enforcement agency or taxation authority.
- (c) The Borrower acknowledges that the Lender is an institution to which the *Freedom of Information and Protection of Privacy Act (Ontario)* ("**FIPPA**") applies and in the event of an access request under FIPPA for records in the control of the Lender that may be in the possession of the Borrower, the Borrower will co-operate in identifying, copying and returning such records to the Lender. The Borrower agrees that if it collects or receives Personal Information (as such term is defined in FIPPA) it will only do so, and it will only use, disclose or destroy such information, in accordance with the provisions of FIPPA relating to Personal Information in the custody or control of the Lender to which FIPPA applies.

17. FURTHER ASSURANCES

The Borrower shall from time to time and at all times hereafter, upon every reasonable request of the Lender, make, do, execute, and deliver or cause to be made, done, executed and delivered all such further acts, deeds, assurances and things as may be necessary in the opinion of the Lender acting reasonably for more effectually implementing and carrying out the true intent and meaning of this Agreement.

18. MISCELLANEOUS

- (a) The Lender reserves the right to audit compliance with this Agreement at any time and from time to time for a period of seven (7) years following termination of this Agreement. Such right will survive any termination of this Agreement. The cost of any such audit will be at the Lender's or the Borrower's expense at the Lender's discretion. The Borrower is required to keep any supporting documents required for any such audit for a minimum of seven (7) years.
- (b) No amendment, supplement, restatement or termination of any provision of this Agreement is binding unless it is in writing and signed by each party.
- (c) This Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (d) This Agreement and any amendment, supplement, restatement or termination of any provision of this Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

- (e) Either party may deliver an executed copy of this Agreement by fax or e-mail but that party shall immediately deliver to the other party an original executed copy of this Agreement.
- (f) Unless otherwise specified, each notice to a party must be given in writing and delivered personally or by courier, sent by prepaid registered mail or transmitted by fax or e-mail to the address, fax number or e-mail address set out below:

- (i) Ontario Infrastructure and Lands Corporation  
777 Bay Street, 9th Floor  
Toronto, Ontario M5G 2C8

Attn: Vice President, Loans Operations and Customer Relations  
Tel.: 416-326-1149  
Fax: 416-212-6452  
e-mail: [Jennifer.Hutcheon@infrastructureontario.ca](mailto:Jennifer.Hutcheon@infrastructureontario.ca)

with a copy to:

Attn: Vice President, Legal Services, Corporate  
Tel: 416-314-0057  
e-mail: [Navin.Katyal@infrastructureontario.ca](mailto:Navin.Katyal@infrastructureontario.ca)

Hydro Hawkesbury Inc./Hawkesbury Hydro Inc.  
850 Tupper Street  
Hawkesbury, ON K6A 3S7  
Attn: Michel Poulin, Manager  
Tel.: 613-632-6689  
Fax: 613-632-8603  
e-mail: [michelpoulin@hydrohawkesbury.ca](mailto:michelpoulin@hydrohawkesbury.ca)

Any notice so mailed shall be deemed to have been received on the fifth Business Day next following the registered mailing of such notice, provided that postal service is in normal operation during such time. Any notice delivered by courier, e-mail or personal delivery shall be deemed to have been received on the Business Day that it was delivered. Any facsimile notice shall be deemed to have been received on transmission (and receipt of confirmation of transmission) if sent by any party to this Agreement before 4:00 p.m. Toronto time on a Business Day and, if not, on the next Business Day following transmission.

- (g) If any provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect:
  - (i) the legality, validity or enforceability of the remaining provisions of this Agreement; or
  - (ii) the legality, validity or enforceability of that provision in any other jurisdiction.
- (h) All covenants, agreements, representations and warranties made herein or in any document delivered pursuant to the provisions hereof are material, shall be deemed to have been relied upon by each party hereto and, notwithstanding any investigation heretofore or hereafter made by such

party shall survive the execution and delivery of this Agreement until all amounts owing pursuant to the provisions hereof have been paid in full.

- (i) Words importing the singular include the plural and vice versa.
- (j) In the event of any conflict, ambiguity or inconsistency between the provisions of this Agreement and the provisions of any other Financing Document, the provisions that use more stringent standards will prevail or if such standards cannot be determined, the provisions of this Agreement shall prevail to the extent of the conflict, ambiguity or inconsistency.

## 19. DEFINITIONS

Capitalized terms used in this Agreement shall have the following meanings:

**"Acquired Assets"** means any assets, rights or properties, of any nature or kind, acquired, constructed or improved by the Borrower or any Related Entity after the date of this Agreement and, for greater certainty, shall include any buildings or other fixtures, acquired, constructed or improved by the Borrower after the date of this Agreement.

**"Act"** means the *Corporations Act* (Ontario), as amended, supplemented or replaced from time to time.

**"Advance"** means a Construction Loan Advance or a Term Loan Advance, as applicable.

**"Advance Date"** has the meaning given to it in paragraph 2(a) of the Standard Terms.

**"Advance Interest Rate"** has the meaning given to it in paragraph 1(a) of the Standard Terms.

**"Agreement"** means the agreement constituted by this agreement including all attached schedules and referenced security documents including, but not limited to, the general security agreement, charge/mortgage, assignment of rents and leases, guarantee, assignment of construction rights agreement, assignment of accounts, direct agreements, and the respective terms and conditions thereunder, as the same may be amended, restated, modified or replaced from time to time. Terms such as "hereof", "herein" and "hereto" refer to this Agreement.

**"Applicable Law"** means, in respect of any Person, property, transaction or event, all present or future Applicable Laws, statutes, regulations, treaties, judgments and decrees and all present or future applicable published directives, rules, policy statements, construction building codes, instruments and orders of any Public Authority and all applicable orders and decrees of courts and arbitrators of like application.

**"Application"** means the Lender loan application numbers 14008 and 15100.

**"Authorized Officer"** means with respect to the Borrower, the Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer, Secretary-Treasurer, Chairperson, Vice-Chairperson or any other officer or Person designated from time to time by a resolution of the Board of Directors of the Borrower.

**"Business Day"** means a day on which banking institutions in Toronto, Ontario, Canada are not authorized or obligated by law or executive order to be closed, other than Saturday or Sunday.

**"Capital Lease Obligations"** of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases

on a balance sheet of such Person under GAAP and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"**CLA**" means the *Construction Lien Act*, R.S.O. 1990, c.30, as amended, supplemented or replaced from time to time.

"**Committed Amount**" means the aggregate principal amount of \$1,930,000.00 committed by the Lender to be made available to the Borrower subject to the terms and conditions of the Agreement.

"**Construction Loan**" means, at any time, the aggregate of all Advances made, or deemed to be made, by or on behalf of the Lender to or on behalf of the Borrower under the credit facility established pursuant to paragraph 1(a) of these Standard Terms which remains unpaid or outstanding at such time.

"**Construction Loan Advance**" means a short-term loan under the Construction Loan made by the Lender to the Borrower in Canadian dollars pursuant to the terms and conditions of this Agreement.

"**Construction Loan Maturity Date**" is defined in Section 6, Credit Facility Maturity Dates, of this Agreement, subject to acceleration by the Lender pursuant to the terms hereof.

"**Construction Period**" means the period commencing on the date of the Initial Drawdown and ending on the Construction Loan Maturity Date.

"**Construction Report**" has the meaning given to it in Section 11 of this Agreement.

"**Contaminants**" means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them resulting directly or indirectly from human activities that may cause: (i) impairment of the quality of the natural environment for any use that can be made of it, (ii) injury or damage to property or to plant or animal life, (iii) harm or material discomfort to any person, (iv) an adverse effect on the health or any person, (v) impairment of the safety of any person, (vi) the rendering of any property or plant or animal life unfit for use by individuals, (vii) loss of enjoyment of normal use of property, or (viii) interference with the normal conduct of business, and includes any noxious, toxic, dangerous or potentially dangerous substance and any biological, chemical or physical agent which is regulated, prohibited, restricted or controlled under Environmental Laws.

"**Conversion Date**" means the earlier of the Construction Loan Maturity Date, as such date may be extended by the Lender in its sole discretion, and the date the Borrower elects to convert the Construction Loan to the Term Loan in accordance with the provisions of paragraph 1(b) of these Standard Terms;

"**Conversion Notice**" means a notice in the Lender's form requesting a conversion of a Construction Loan Advance to a Term Loan Advance.

"**Debt Service Coverage Ratio**" or "**DSCR**" has the meaning given to it in Section 222 of this Agreement.

"**Default**" means an event, condition or circumstance, the occurrence or non-occurrence of which would, with the giving of a notice, lapse of time, the making of any determination, or any combination thereof, constitute an Event of Default unless remedied within the prescribed period.

"**Drawdown Certificate**" means a certificate substantially in the form as provided by the Lender to the Borrower.

"**Drawdown Notice**" means a notice substantially in the form as provided by the Lender to the Borrower.

**"Eligible Borrower"** means a public body that is eligible to borrow from the Lender pursuant to the *Ontario Infrastructure and Lands Corporation Act, 2011* (Ontario).

**"Environmental Laws"** means all applicable federal, provincial, local, municipal, governmental or quasi-governmental laws, rules, regulations, licenses, orders, permits, decisions, policies, guidelines or requirements concerning Contaminants, occupational or public health and safety or the environment and any other injunction, judgment, declaration, notice or demand issued thereunder.

**"ESA"** has the meaning given to it in paragraph **Error! Reference source not found.** of the Standard Terms.

**"Event of Default"** means any of the events described in Section 19 of this Agreement or paragraph 9(c) of the Standard Terms.

**"Financial Instrument Obligations"** means all obligations and liabilities of the Borrower or a Related Entity under or in respect of any interest or currency rate swap, forward agreement or other instrument which is a financial derivative.

**"Financing Documents"** means this Agreement and each of the security documents as contemplated in Section 9 of this Agreement.

**"FIPPA"** has the meaning given to it in paragraph 16(c) of the Standard Terms.

**"Fiscal Quarter"** means the fiscal quarter of the Borrower ending on March 31, June 30, September 30 and December 31, as applicable, in each calendar year.

**"Fiscal Year"** means the fiscal year of the Borrower ending on December 31<sup>st</sup> in each calendar year.

**"GAAP"** means those generally accepted accounting principles consistently applied in Canada and, following the adoption of IFRS by the Borrower, means IFRS.

**"Hazardous Materials"** means any substance, material or waste regulated, listed or prohibited by Environmental Laws including, without limitation: (i) any substance, material or waste that is (a) petroleum, (b) asbestos, (c) polychlorinated biphenyls, (d) flammable explosives or (e) radioactive materials.

**"Holdback Amount"** means an amount equal to the amount of the holdback or holdbacks required by the CLA (which is currently an amount equal to 10% of the price of all services or materials as they are actually supplied under the construction agreements under which a lien may arise) which the Borrower, at the time of determination:

- (i) was required under the CLA to have retained from previous payments made pursuant to any provisions of any construction agreement or other agreement pursuant to which a lien under the CLA could arise against the Property; and
- (ii) will be required under the CLA to retain from any payment currently due or about to become due pursuant to any construction agreement or other agreement whether or not such payment is made from funds loaned by the Lender to the Borrower;

**"IFRS"** means the International Financial Reporting Standards.

**"Indebtedness"** means, at any time and in respect of any Person, without duplication:

- (i) all obligations of such Person for money borrowed including:
  - (A) obligations with respect to bankers' acceptances;
  - (B) contingent reimbursement obligations with respect to letters of credit and other financial instruments; and
  - (C) all Purchase Money Obligations which would be indebtedness under GAAP but excluding, for greater certainty, trade indebtedness accounted for as accounts payable, accrued expenses and other similar current liabilities incurred in the ordinary course of operations determined in accordance with GAAP;
- (ii) any Financial Instrument Obligations;
- (iii) any Capital Lease Obligation of such Person; and
- (iv) all undertakings of such Person in respect of obligations of any Person of the type described in clause (i) or (ii) above which such Person has guaranteed, directly or indirectly, or the holder of which such Person has otherwise assured against loss thereon.

**"Indemnified Parties"** has the meaning given to it in paragraph 14(a) of the Standard Terms.

**"Indemnified Person"** has the meaning given to it in paragraph 8(e) of the Standard Terms.

**"Independent Insurance Consultant"** or **"Insurance Consultant"** means such insurance consultant appointed by the Lender.

**"Information"** has the meaning given to it in paragraph 16(b) of the Standard Terms.

**"Initial Drawdown"** means the initial drawdown of funds under the Construction Loan by the Lender to the Borrower made subject to and in accordance with the terms of this Agreement;

**"Interest Period"** for a Construction Loan Advance means: (i) initially, the period from and including the date of the Construction Loan Advance to but excluding the next following Reset Date; and (ii) subsequently, each period from and including a Reset Date to but excluding the next following Reset Date.

**"IO Yield"** on any date means the yield to maturity on such date, assuming semi-annual compounding, which a non-prepayable term loan made by the Lender would have if advanced on the date of prepayment of the Term Loan, assuming a maturity date which is the same as the Term Loan Maturity Date and assuming an interest rate equal to the sum of the Lender's interest rate for term loans of such tenor on the date of prepayment minus 100 basis points.

**"Lender Security"** has the meaning given to it in Section 9 of this Agreement.

**"Liens"** means mortgages, pledges, liens, hypothecs, charges, security agreements or other encumbrances or other arrangements that in substance secure payment or performance of an obligation, statutory and other non-consensual liens or encumbrances and includes the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

**"Limited Recourse Debt"** means Indebtedness, under which recourse in respect of a default in the repayment of such Indebtedness is limited to the asset or assets acquired with such Indebtedness by the Borrower or any Related Entity.

**"Make-Whole Amount"** means the amount, if any, by which (i) the amount calculated by the Lender, as of the date of prepayment, by which the present value of the remaining future payments until maturity of the Term Loan with respect to the principal amount repaid discounted at the IO Yield exceeds (ii) the principal amount being repaid; provided that the Make-Whole Amount shall never be less than zero.

**"Material Adverse Change"** means any event or occurrence of whatever nature that could reasonably be expected to result in a material adverse change in or effect on:

- (i) the ability of the Borrower to pay or perform or comply with any of its material obligations under the Financing Documents or under the material agreements relating to the Project;
- (ii) the validity, perfection or priority of the Liens in favour of the Lender under the Financing Documents, other than as a result of Permitted Liens that, pursuant to Applicable Law, are entitled to a higher priority than the Liens of the Lender;
- (iii) the validity or enforceability of any of the Financing Documents; or
- (iv) the business, condition (financial or otherwise), prospects or operations of the Borrower.

**"Material Related Entity"** means, at any relevant time, any Related Entity, the book value of whose assets, rights and properties constitutes in excess of 10% of the book value of the assets, rights and properties of the Borrower and all its Related Entities, considered as a whole.

**"Obligations"** means the amount of all Advances provided to the Borrower pursuant to this Agreement and any unpaid interest thereon.

**"Officer's Certificate"** means a certificate of the Borrower that has been signed by an Authorized Officer.

**"OILC Act"** means the *Ontario Infrastructure and Lands Corporation Act, 2011*.

**"Permitted Indebtedness"**

- (i) Indebtedness under this Agreement;
- (ii) Indebtedness to the Lender;
- (iii) Indebtedness in favour of the Material Related Party which is subordinated and postponed to the Indebtedness to the Lender in a manner satisfactory to the Lender; and
- (iv) Indebtedness consented to in writing by the Lender from time to time.

**"Permitted Liens"** means:

- (i) Liens to which any Acquired Assets are subject at the time such Acquired Assets are acquired by the Borrower or any Related Entity provided that such Lien is limited to the Acquired Assets and such Lien has not been created or incurred in anticipation of such acquisition;

- (ii) any Lien on or against cash or marketable debt securities to secure Financial Instrument Obligations incurred by the Borrower or any Related Entity in the course of its operations and not for speculative purposes;
- (iii) any Lien in respect of a Purchase Money Obligation, Capital Lease Obligation or Limited Recourse Debt incurred in connection with or within 180 days of the acquisition, construction or improvement of any Acquired Assets and which secures the purchase price of such asset or the cost of acquiring, constructing or improving such asset provided that the amount secured by such Lien does not exceed the purchase price or cost of acquiring, constructing or improving such asset (including any applicable interest and/or lease payments to be paid);
- (iv) any Liens to which assets acquired or which are deemed to have been acquired by the Borrower or any Related Entity pursuant to a merger, amalgamation or other combination with any other entity are subject at the time of such merger, amalgamation or other combination;
- (v) Liens for Taxes, utility charges, levies, assessments or governmental charges:
  - (A) not at such time past due; or
  - (B) the validity of which are being contested diligently in good faith and by appropriate proceedings and for which appropriate reserves have been established in connection therewith, in each case to the satisfaction of the Lender;
- (vi) the Lien of any judgment rendered, or claim filed, which is being contested diligently in good faith and by appropriate proceedings and for which appropriate reserves have been established in connection therewith and monies paid into court or held in escrow, in each case to the satisfaction of the Lender;
- (vii) provided that the Borrower has maintained all required Holdback Amounts in accordance with the CLA, undetermined or inchoate Liens and charges incidental to, purchases of goods, construction, maintenance or current operations which have not at such time been filed or registered pursuant to law, which relate to obligations which are at such time not past due or which, if filed or registered, are being diligently contested in good faith and by appropriate proceedings and for which appropriate reserves have been established in connection therewith, in each case to the satisfaction of the Lender;
- (viii) servicing agreements, development agreements, site plan agreements and other similar agreements with any municipality or governmental or other public authorities pertaining to the use or development of the Property;
- (ix) easements, rights-of-way, servitudes or other similar rights in property (including rights-of-way and servitudes for railways, sewers, drains, gas and oil pipe lines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) granted to or reserved or taken by other Persons provided that the foregoing, individually or in the aggregate, do not materially adversely affect the value or normal operations of the Project or the Property;



- (x) title defects or irregularities which are of a similar nature and which do not adversely affect the use of the Property or the construction, operation or use of the Project and which do not reduce the value of the Property or the Project;
- (xi) security given to a public utility or any municipality or governmental or other public authority when and to the extent required by such utility or municipality or other authority in the ordinary course of operations of the Borrower or any Related Entity and not in connection with the borrowing of money or obtaining of credit by the Borrower or any Related Entity;
- (xii) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit, or by any statutory provision, to terminate any such lease, license, franchise, grant or permit, or to require annual or other periodic payments as a condition of the continuance thereof;
- (xiii) the reservation in any original grant from the Crown of any land or interests therein and statutory exceptions to title;
- (xiv) Liens created or assumed by the Borrower or any Related Entity if an Authorized Officer has certified to the Lender that such Liens (A) secure amounts which are not material having regard to the then current market value of the assets, rights and properties of the Borrower and its Related Entities, considered as a whole, and (B) do not, individually or in the aggregate, adversely affect the use of the Property or the construction or operation of the Project and do not reduce the value of the Property or the Project;
- (xv) any renewal, replacement or temporal extension (or successive renewals, replacements or extensions) in whole or in part of any Permitted Lien so long as the principal amount secured by such Permitted Lien does not exceed the principal amount secured by the Permitted Lien immediately prior to such extension; and
- (xvi) any and all Liens, whether direct or indirect, contingent or otherwise, to which any of the assets, rights and properties of the Borrower and its Related Entities are subject on the date of this Agreement and which have been specifically approved by the Lender in writing.

**"Person"** means an individual, company, partnership (whether or not having separate legal personality), corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, income fund or other entity, or a government, state or political subdivision thereof or any agency of such government, state or political subdivision.

**"PPSA"** has the meaning given to it in Section 9 of this Agreement.

**"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 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.

**"Project"** has the meaning given to it in Section 5 of this Agreement.

**"Project Approvals"** means, collectively, all approvals, certificates of approval, authorizations, certificates of authorization, consents, permits, licences, orders, instructions, registrations, publications, declarations,

filings, notices and other actions to be taken in respect of any governmental authority or regulatory body with respect to or which are necessary for the design, siting, construction, operation, maintenance, use, occupancy and upkeep of the Project.

**"Project Manager"** means, an individual qualified with a project manager designation, or relevant qualification experience, and in place for the Project, reporting to the Borrower and Independent Engineer, subject to the Lender's prior approval.

**"Project Manager Reports"** has the meaning given to it in Section 11 of this Agreement.

**"Project Manager Summary"** has the meaning given to it in Section 11 of this Agreement.

**"Project Monitor"** means a Person who has been engaged by the Borrower, at Borrower's cost and expense, to provide independent project monitor reports with respect to the Project to the Lender on a timely basis and to confirm that the Project budget is sufficient to complete the Project; the Project Monitor shall be acceptable to the Lender and shall have one or more principals who are Professional Quantity Surveyors in good standing of the Canadian Institute of Quantity Surveyors.

**"Project Monitor Reports"** has the meaning given to it in Section 11 of this Agreement.

**"Property"** means the premises and property as further described in Appendix B;

**"Public Authority"** means any governmental, regional, municipal or local body having authority over either of the Lender or the Borrower.

**"Purchase Money Obligation"** means any unpaid part of, or indebtedness incurred or assumed for the purpose of acquiring, a particular asset, right or property, the repayment of which is secured by recourse against such asset, right or property.

**"Reference Banks"** means, collectively, The Toronto-Dominion Bank, Bank of Nova Scotia, Bank of Montreal, Royal Bank of Canada and Canadian Imperial Bank of Commerce.

**"Related Entity"** means any company, corporation, partnership or other entity which is controlled by the Borrower either through the ownership of voting securities, by contract or otherwise.

**"Reports"** means the project management reports and any other project monitoring reports provided by the Project Monitor for and on behalf of the Borrower pursuant to this Agreement.

**"Reset Date"** has the meaning given to it in paragraph 1(a) of the Standard Terms.

**"Taxes"** means any present or future income, excise, stamp, capital, goods and services, property or other taxes, levies or withholding imposed by any taxing authority.

**"Term Loan Advance"** means a long-term loan under the Term Loan made or deemed to be made by the Lender to the Borrower in Canadian dollars pursuant to the terms and conditions of this Agreement.

**"WSIA"** has the meaning given to it in Section 11 of this Agreement.

## APPENDIX A

<b>Hydro Hawkesbury</b> <b>110 KV Substation Project Budget</b>			
<b>Soft Cost</b>	Amount Already Spent	Amount to be Spent for Project Completion	Total Project Costs
Engineering Fees , Studies, Approvals	144,926.35	384,410.65	529,337.00
Construction Admin/ Management	38,983.00	26,017.00	65,000.00
Testing and Inspection of Pre-Purchased Equipment	-0	20,000.00	20,000.00
IE Review & Monitoring	-0	50,000.00	50,000.00
Soft Cost Contingency (10%)	-0	66,433.70	66,433.70
<b>Subtotal - Soft Cost</b>	<b>\$ 183,910</b>	<b>\$ 546,862</b>	<b>\$ 730,771</b>
<b>Hard Cost</b>			
All HC including Pre-Prechased Equipment	\$ 1,282,906	\$ 808,013.75	2,090,920.00
HC - Budget Contingency (10% )		\$ 209,092.30	209,092.00
<b>Subtotal - Hard Cost</b>	<b>\$ 1,282,906</b>	<b>\$ 1,017,106</b>	<b>\$ 2,300,012</b>
<b>Total Project Cost</b>	<b>\$ 1,466,816</b>	<b>\$ 1,563,968</b>	<b>\$ 3,030,783</b>

**APPENDIX B**  
**PROPERTY DESCRIPTION**

Municipal Address: 990 Main Street West, Hawkesbury, Ontario

Legal Description: PT LT 14 CON BROKEN FRONT WEST HAWKESBURY AS IN R106750;  
HAWKESBURY

PIN 54167-0899