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February 13, 2019

**Delivered by Email, RESS & Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Application under sections 78, 81, 86(1)(c) and 86(2)(b) of the Ontario Energy Board Act, 1998 for the relief necessary to effect North Bay (Espanola) Acquisition Inc.'s purchase and consolidation of Espanola Regional Hydro Holdings Corporation and Espanola Regional Hydro Distribution Corporation and other related approvals.  
Board File No. EB-2019-0085**

We are counsel to North Bay (Espanola) Acquisition Inc. ("NBEAI") in the above-captioned matter.

In the Ontario Energy Board's ("the OEB") letter dated February 8, 2019, the OEB requested that NBEAI file its Notice of Proposal under section 81 of the OEB Act, in relation to NBEAI interest in a qualifying generation facility and its acquisition ERHDC, separately from its MAADs Application. Please find attached NBEAI's Notice of Proposal. Paper copies of this letter and the accompanying Notice will be delivered to you by courier.

Should you have any questions or require further information in this regard, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by John A. D. Vellone*

John A.D. Vellone

cc: Melissa Casson, North Bay (Espanola) Acquisition Inc.  
Nancy Hembruff, Espanola Regional Hydro Distribution Corporation  
Domenic Damiani, Espanola Regional Hydro Distribution Corporation

**Ontario Energy Board**  
**Preliminary Filing Requirements**  
**For a Notice of Proposal under Sections 80 and 81**  
**Of the *Ontario Energy Board Act, 1998***

**INSTRUCTIONS:**

This form applies to all applicants who are providing a Notice of Proposal to the Ontario Energy Board (the "Board") under sections 80 and 81 of the *Ontario Energy Board Act, 1998* (the "Act"), including parties who are also, as part of the same transaction or project, applying for other orders of the Board such as orders under sections 86 and 92 of the Act.

The Board has established this form under section 13 of the Act. Please note that the Board may require information that is additional or supplementary to the information filed in this form and that the filing of the form does not preclude the applicant from filing additional or supplementary information.

**PART I: GENERAL MINIMUM FILING REQUIREMENTS**

All applicants must complete and file the information requested in Part I.

**1.1 Identification of the Parties**

**1.1.1 Applicant**

Name of Applicant <b>North Bay (Espanola) Acquisition Inc. ("NBEAI")</b>	File No: (Board Use Only)	
Address of Head Office <b>74 Commerce Crescent North Bay, ON P1A 0B4</b>	Telephone Number <b>705-474-8100</b>	
	Facsimile Number <b>705-474-8579</b>	
	E-mail Address <b>mcasson@northbayhydro.com</b>	
Name of Individual to Contact <b>Melissa Casson, CPA, CGA Vice President of Finance</b>	Telephone Number <b>705-474-8100 ext: 300</b>	
	Facsimile Number <b>705-474-8579</b>	
	E-mail Address <b>mcasson@northbayhydro.com</b>	

### 1.1.2 Other Parties to the Transaction or Project

*If more than one attach list*

Name of Other Party  <b>Espanola Regional Hydro Distribution Corporation ("ERHDC") Espanola Regional Hydro Holdings Corporation ("ERHHC")</b>	File No: (Board Use Only)	
Address of Head Office  <b>598 Second Street, Espanola, Ontario, P5E 1C4</b>	Telephone Number  <b>705-869-2771</b>	
	Facsimile Number  <b>705-759-6510</b>	
	E-mail Address  <b>customerservice@erhydro.com</b>	
Name of Individual to Contact  <b>Nancy Hembruff</b>	Telephone Number  <b>705-869-0378 ext. 210</b>	
	Facsimile Number  <b>705-869-2433</b>	
	E-mail Address  <b>nhembruff@erhydro.com</b>	

Name of Other Party  <b>The Corporation Of The Town Of Espanola ("Espanola")</b>	Board Use Only	
Address of Head Office  <b>100 Tudhope Street, Suite 2 Espanola, ON P5E 1S6</b>	Telephone Number  <b>705-869-1540</b>	
	Facsimile Number  <b>705-869-0083</b>	
	E-mail Address  <b>rpiche45@gmail.com</b>	
Name of Individual to Contact  <b>Ron Piche (Mayor)</b>	Telephone Number  <b>705-862-2772</b>	

	Facsimile Number <b>705-869-0083</b>	
	E-mail Address <b>rpiche45@gmail.com</b>	

Name of Other Party <b>The Corporation Of The Township Of Sables–Spanish Rivers (“Sables-Spanish”)</b>	Board Use Only	
Address of Head Office <b>11 Birch Lake Road Massey, Ontario P0P 1P0</b>	Telephone Number <b>705-865-2646</b>	
	Facsimile Number <b>705-865-2736</b>	
	E-mail Address <b>inquiries@sables-spanish.ca</b>	
Name of Individual to Contact <b>Les Gamble (Mayor)</b>	Telephone Number <b>705-865-2655</b>	
	Facsimile Number <b>705-865-2736</b>	
	E-mail Address <b>les.gamble49@gmail.com</b>	

## 1.2 Relationship between Parties to the Transaction or Project

1.2.1	<p>Attach a list of the officers, directors and shareholders of each of the parties to the proposed transaction or project.</p> <p><b><u>North Bay (Espanola) Acquisition Inc.</u></b></p> <p><b>Officers</b> Melissa Casson, Vice President of Finance Matt Payne, President and Chief Operating Officer</p> <p><b>Directors</b> John Krieg Richard Peters David Wolfe</p> <p><b>Shareholders</b> North Bay Hydro Holdings Ltd.</p>	
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**North Bay Hydro Holdings Ltd.****Officers**

Allan McDonald, Chairman  
Tanya Vrebosch, Vice-Chair  
David Euler, Chief Executive Officer  
Margaret Karpenko, Treasurer  
Peter E.G. Leckie, Secretary

**Directors**

Mike Anthony  
Mac Bain  
Chris Mayne  
Tanya Vrebosch  
John Krieg  
Allan McDonald  
David Hoover  
Mark King  
Bill Vrebosch  
Johanne Brosseau  
Scott Robertson  
Dave Mendicino  
Marcus Tignanelli

**Shareholder**

City of North Bay

**Espanola Regional Hydro Holdings Corporation****Officers**

Nancy Hembruff, Chief Financial Officer

**Directors**

Leslie Gamble  
Ron Piche  
Ted Petrus  
Doug Bois  
Ronald Duplessis

**Shareholders**

The Corporation Of The Town Of Espanola  
The Corporation Of The Township Of Sables–Spanish Rivers

**Espanola Regional Hydro Distribution Corporation****Officers**

Nancy Hembruff, Chief Financial Officer  
Kelly McLellan, Treasurer  
Robert Brewer, President

**Directors**

Ronald Duplessis  
Alex Poikkimaki  
Ted Petrus  
Ron Piche  
Doug Gervais  
Doug Bois

**Shareholder**

Espanola Regional Hydro Holdings Corporation

	<p><b><u>The Corporation Of The Town Of Espanola</u></b></p> <p><b>Council</b>  Ron Piche (Mayor)  Ray Dufour (Councillor)  Ken Duplessis (Councillor)  Ron Duplessis (Councillor)  Bill Foster (Deputy Mayor)  Heather Malott (Councillor)  Robert Yocom (Councillor)</p> <p><b>Staff</b>  Cynthia Townsend (Chief Administrative Officer / Treasurer)  Paula Roque (Clerk / Manager of Planning Services)  Cathy Tessier (Manager of Financial Services)  Joel Yusko (Manager of Leisure Services)  Joel Yusko (Manager of Public Works)  Dave Parker (Assistant Manager of Public Works)  Todd Zimmerman (Police Chief)  Mike Pichor (Fire Chief)  Dan Rivet (Chief Building Official)  Rosemary Rae (Chief Librarian)  Christine Desjardins (Manager of Court Administration)  Cheryl Kennelly (Economic Development Officer/Program Manager)</p> <p><b>Shareholders</b>  N/A</p> <p><b><u>The Corporation Of The Township Of Sables–Spanish Rivers</u></b></p> <p><b>Council</b>  Les Gamble (Mayor)  Kevin Burke (Councillor)  Patricia Hnatuik (Councillor)  Glenda Massicotte (Deputy Mayor)  Cheryl Phillips (Councillor)  Dale Rivers (Councillor)  Susan Sonnenburg (Councillor)</p> <p><b>Staff</b>  Kim Sloss (Clerk-Administrator)  Patricia Deline (Treasurer/Tax Collector)  Mike Campbell (Building Official)  Mark Van Breda (Director of Operations)  Kelli Hansson (Economic Development Officer)  Paul Panesar (Fire Chief)  Brady Ropp (Parks &amp; Recreation Coordinator)</p> <p><b>Shareholders</b>  N/A</p>	
1.2.2	<p>Attach a corporate chart describing the relationship between each of the parties to the proposed transaction or project and each of their respective affiliates.</p> <p><b>See attached Appendix A.</b></p>	

### 1.3 Description of the Businesses of Each of the Parties

1.3.1	<p>Attach a description of the business of each of the parties to the proposed transaction or project, including each of their affiliates licenced under the OEB Act to operate in Ontario for the generation, transmission, distribution, wholesaling or retailing of electricity or providing goods and services to companies licenced under the OEB Act in Ontario ("Electricity Sector Affiliates").</p> <p><b>See attached Appendix A and Appendix B.</b></p>	
1.3.2	<p>Attach a description of the geographic territory served by each of the parties to the proposed transaction or project, including each of their Electricity Sector Affiliates, if applicable, and the geographic location of all existing generation facilities.</p> <p><b>See attached Appendix B.</b></p>	
1.3.3	<p>Attach a breakdown of the annual sales (in C\$, and in MWh) as of the most recent fiscal year end of the existing generation output among the IESO Administered Markets ("IAM"), bilateral contracts, and local distribution companies.</p> <p><b>In 2017 fiscal year, the Applicant and its affiliates had total annual revenues from generation of \$936,181, which corresponds to the gross electricity generation of approximately 7,830 MWh. The generated electricity was supplied to Hydro One Networks Inc.</b></p>	
1.3.4	<p>Attach a list identifying all relevant Board licences and approvals held by the parties to the proposed transaction or project and each of their Electricity Sector Affiliates, and any applications currently before the Board, or forthcoming. Please include all Board file numbers.</p> <p><b>NBHDL</b></p> <ol style="list-style-type: none"> <li>1. Electricity Distribution Licence (ED-2003-0024)</li> <li>2. 2019 IRM Application (EB-2018-0057)</li> </ol> <p><b>North Bay Hydro Services Inc. ("NBHSI")</b></p> <ol style="list-style-type: none"> <li>1. Electricity Generation Licence (EG-2013-0253)</li> <li>2. NBHSI has filed an application for a retailer licence and a generation licence for its proposed Community Energy Park facility. (The application was submitted to the Board on Dec. 12, 2018; no file number has been issued to date)</li> </ol> <p><b>ERHDC</b></p> <ol style="list-style-type: none"> <li>1. Electricity Distribution Licence (ED-2002-0502)</li> <li>2. Rate Order (Nov 1, 2012) (EB-2011-0319)</li> <li>3. Order for Interim Rates (February 10, 2016) (EB-2015-0068)</li> </ol>	

#### 1.4 Current Competitive Characteristics of the Market

1.4.1	<p>Describe the generation capacity (in MW), within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, prior to the completion of the proposed transaction or project.</p> <p><b>Pursuant to Electricity Generation Licence EG-2013-0253, NBHSI owns and operates the Merrick Landfill Gas Project with an installed capacity of 1.6 MW located at Part of Annulled Lots 10, 11 and 12, Concessions IV and V and Part of Annulled Lots 10 and 11, Concession VI in the unorganized Township of Merrick, District of Nipissing.</b></p>	
1.4.2	<p>Describe the generation market share based on actual MWh production as a percent of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, prior to completion of the proposed transaction or project.</p> <p><b>According to the IESO, in 2017 the total annual Ontario energy demand was 132.1 TWh (or 132,100,000 MWh).</b></p> <p><b>The actual MWh production of the Merrick Landfill Gas Project in Ontario in 2017 was 7,830 MWh. This represents 0.0059% of the total annual Ontario energy demand.</b></p>	

#### 1.5 Description of the Proposed Transaction or Project and Impact on Competition - General

1.5.1	<p>Attach a detailed description of the proposed transaction or project, including geographic locations of proposed new transmission or distribution systems, or new generation facilities.</p> <p><b>See attached Appendix C.</b></p>	
1.5.2	<p>Describe the generation capacity (in MW), within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project.</p> <p><b>The generation capacity of NBHSI will remain unchanged after the completion of the proposed transaction (i.e. the capacity of the Merrick Landfill Gas Project will continue to be 1.6 MW).</b></p>	
1.5.3	<p>Describe the generation market share based on anticipated MWh production as a percentage of the Annual Primary Demand, within the Province of Ontario, of the parties to the proposed transaction or project, including each of their respective Electricity Sector Affiliates, after the completion of the proposed transaction or project.</p> <p><b>The generation market share will remain unchanged after the completion of the proposed transaction or project.</b></p>	



1.5.4	<p>Attach a short description of the impact, if any, of the proposed transaction or project on competition. If there will be no impact on competition, please state the reasons. Cite specifically the impacts of the proposal on customer choice regarding generation, energy wholesalers, and energy retailers.</p> <p><b>The proposed transaction will not impact competition. The proposed transaction will effect the eventual amalgamation (after phase 2) of two Northern Ontario distributors—NBHDL and ERHDC. The OEB has acknowledged that consolidation enables distributors to address challenges in an evolving electricity industry. The proposed acquisition and future amalgamation promotes the objectives of the OEB’s <i>Renewed Regulatory Framework for Electricity Distributors – A Performance Based Approach</i>. The proposed transaction impacts are anticipated to be positive or neutral.</b></p>	
1.5.5	<p>Provide confirmation that the proposed transaction or project will have no impact on open access to the transmission or distribution system of the parties or their affiliates. If open access will be affected explain how and why.</p> <p><b>The proposed transaction will have no impact on open access to the transmission or distribution system of the parties or their affiliates.</b></p>	

## 1.6 Other Information

1.6.1	<p>Attach confirmation that the parties to the proposed transaction or project are in compliance with all licence and code requirements, and will continue to be in compliance after completion of the proposed transaction or project.</p> <p><b>The parties to the proposed transaction are in compliance with all licence and code requirements, and will continue to be in compliance after completion of the proposed transaction or project.</b></p>	
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**PART II: SECTION 80 OF THE ACT—TRANSMITTERS AND DISTRIBUTORS ACQUIRING AN INTEREST IN GENERATORS OR CONSTRUCTING A GENERATION FACILITY**

All applicants filing a Notice of Proposal under section 80 of the Act must complete and file the information requested in Part II.

## Not Applicable

### 2.1 Effect on Competition

2.1.2	Describe whether the proposed generation output will be primarily offered into the IAM, sold via bilateral contracts, or for own use.	
2.1.3	Provide a description of the generation including fuel source, technology used, maximum capacity output, typical number of hours of operation in a year, and peaking versus base-load character.	
2.1.4	Provide details on whether the generation facility is expected to sign a “must run” contract with the IESO.	
2.1.5	Provide details of whether the generation facility is expected to serve a “load pocket”, or is likely to be “constrained on” due to transmission constraints.	

### 2.2 System Reliability

Section 2.2 must be completed by applicants who are claiming that the proposed transaction or project is required for system reliability under section 82(2)(b) of the Act.

2.2.1	Provide reasons why the proposal is required to maintain the reliability of the transmission or distribution system. Provide supporting studies.	
2.2.2	Discuss the effect of the proposal on the adequacy (ability of supply to meet demand) of supply in the relevant control area or distribution region, citing effects on capacity plus reserve levels in comparison to load forecasts.	
2.2.3	Discuss the effect of the proposal on the security (ability of supply to respond to system contingencies) of supply.	
2.2.4	Provide a copy of the IESO Preliminary System Impact Assessment Report, if completed, and the IESO Final System Impact Assessment Report, if completed. If the IESO is not conducting a System Impact Assessment Report, please explain.	

**PART III: SECTION 81 OF THE ACT—GENERATORS ACQUIRING AN INTEREST IN OR CONSTRUCTING A TRANSMISSION OR DISTRIBUTION SYSTEM**

All applicants filing a Notice of Proposal under section 81 of the Act must complete and file the information requested in Part III.

**3.1 Effect on Competition**

3.1.1	<p>Provide a description of the transmission or distribution system being acquired or constructed.</p> <p><b>The ERHDC distribution system is being acquired. ERHDC is a licensed electricity distributor that owns and operates the electricity distribution system that serves approximately 3,288 electricity customers in the Town of Espanola and the Township of Sables-Spanish Rivers. ERHDC is embedded within Hydro One. ERHDC does not host any utilities within its service area.</b></p> <p><b>ERHDC Service Area:</b></p> <table><tr><td>Community served:</td><td>The Town of Espanola and the Township of Sables-Spanish Rivers</td></tr><tr><td>Total service area:</td><td>102 sq. km</td></tr><tr><td>Rural service area:</td><td>76 sq. km</td></tr><tr><td>Distribution type:</td><td>Electricity distribution</td></tr><tr><td>Residential Customers Served:</td><td>2885</td></tr><tr><td>Municipal population:</td><td>8236</td></tr></table>	Community served:	The Town of Espanola and the Township of Sables-Spanish Rivers	Total service area:	102 sq. km	Rural service area:	76 sq. km	Distribution type:	Electricity distribution	Residential Customers Served:	2885	Municipal population:	8236	
Community served:	The Town of Espanola and the Township of Sables-Spanish Rivers													
Total service area:	102 sq. km													
Rural service area:	76 sq. km													
Distribution type:	Electricity distribution													
Residential Customers Served:	2885													
Municipal population:	8236													
3.1.2	<p>Provide details on whether the generation facilities owned by the acquiring company are or will be directly connected to the transmission or distribution system being acquired or constructed.</p> <p><b>The generation facility owned by NBHSI will not be directly connected to the ERHDC distribution system, which is being acquired NBEAL.</b></p>													
3.1.3	<p>Provide details of whether the generation facility is expected to serve a “load pocket”, or is likely to be “constrained on” due to transmission constraints.</p> <p><b>The generation facility is <u>not</u> expected to serve a “load pocket”, and is <u>not</u> likely to be “constrained on” due to transmission constraints.</b></p>													
3.1.4	<p>Provide details on whether the generation facilities are expected to sign a “must run” contract with the IESO.</p> <p><b>The generation facility has <u>not</u>, and is <u>not</u> expected to, sign a “must run” contract with the IESO.</b></p>													

**How to Contact the Ontario Energy Board**

The Ontario Energy Board is located at:

P.O. Box 2319  
2300 Yonge Street, Suite 2701  
Toronto, Ontario  
M4P 1E4

Telephone:	416-481-1967
Toll Free Number:	1-888-632-6273
Fax:	416-440-7656
Website:	<a href="http://www.oeb.gov.on.ca">http://www.oeb.gov.on.ca</a>
Board Secretary's e-mail address:	<a href="mailto:boardsec@oeb.gov.on.ca">boardsec@oeb.gov.on.ca</a>

## Appendix A

### Details regarding the corporate structures of the parties, the proposed transaction, and applicable governing laws

North Bay (Espanola) Acquisition Inc. (“**NBEAI**”) is a corporation incorporated under the laws of the Province of Ontario. NBEAI is a special purpose acquisition vehicle, and a wholly owned subsidiary of North Bay Hydro Holdings Ltd. (“**NBHHL**”). NBHHL is a corporation incorporated under the laws of the Province of Ontario that is wholly owned by The Corporation of the City of North Bay. NBHHL is also the sole owner of North Bay Hydro Services Inc. (“**NBHSI**”), North Bay Hydro Distribution Ltd. (“**NBHDL**”), and North Bay Hydro Generations Ltd. (“**NBHGL**”). NBHGL is inactive.

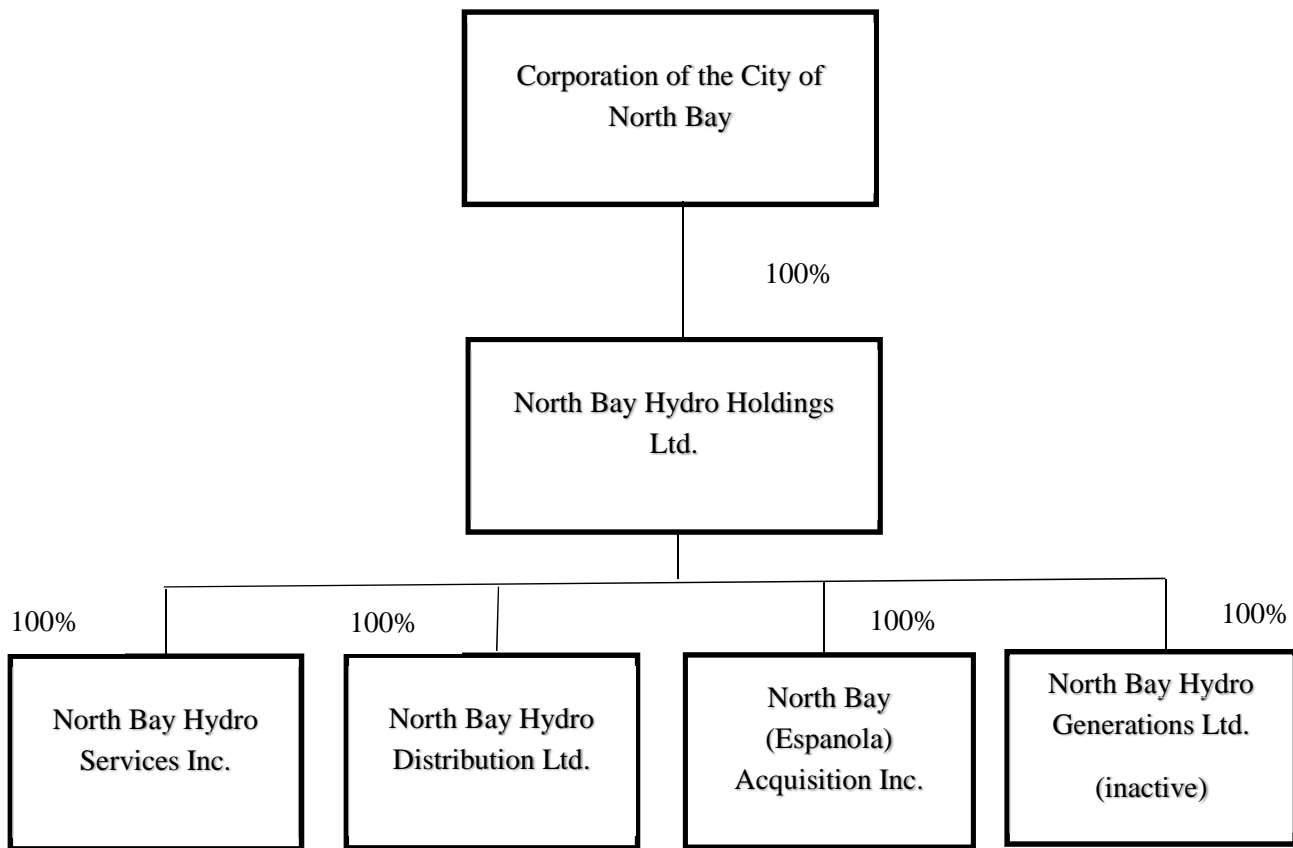
Espanola Regional Hydro Holdings Corporation (“**ERHHC**”) is a corporation incorporated under the laws of the Province of Ontario and is the legal and beneficial owner of all the issued and outstanding common shares in the capital of: (i) Espanola Regional Hydro Distribution Corporation (“**ERHDC**”), a corporation incorporated under the *Business Corporations Act* (Ontario), and (ii) Espanola Regional Hydro Services Corporation (“**ERHSC**”), a corporation incorporated under the *Business Corporations Act* (Ontario).

The Corporation of the Town of Espanola (“**Espanola**”) is a municipal corporation governed by the laws of Ontario. The Corporation of the Township of Sables-Spanish Rivers (“**Sables-Spanish**”) is a municipal corporation governed by the laws of Ontario. Espanola and Sables-Spanish are collectively the legal and beneficial owners and control all of the issued and outstanding common shares in the capital of ERHHC, as well as all the special shares in ERHDC.

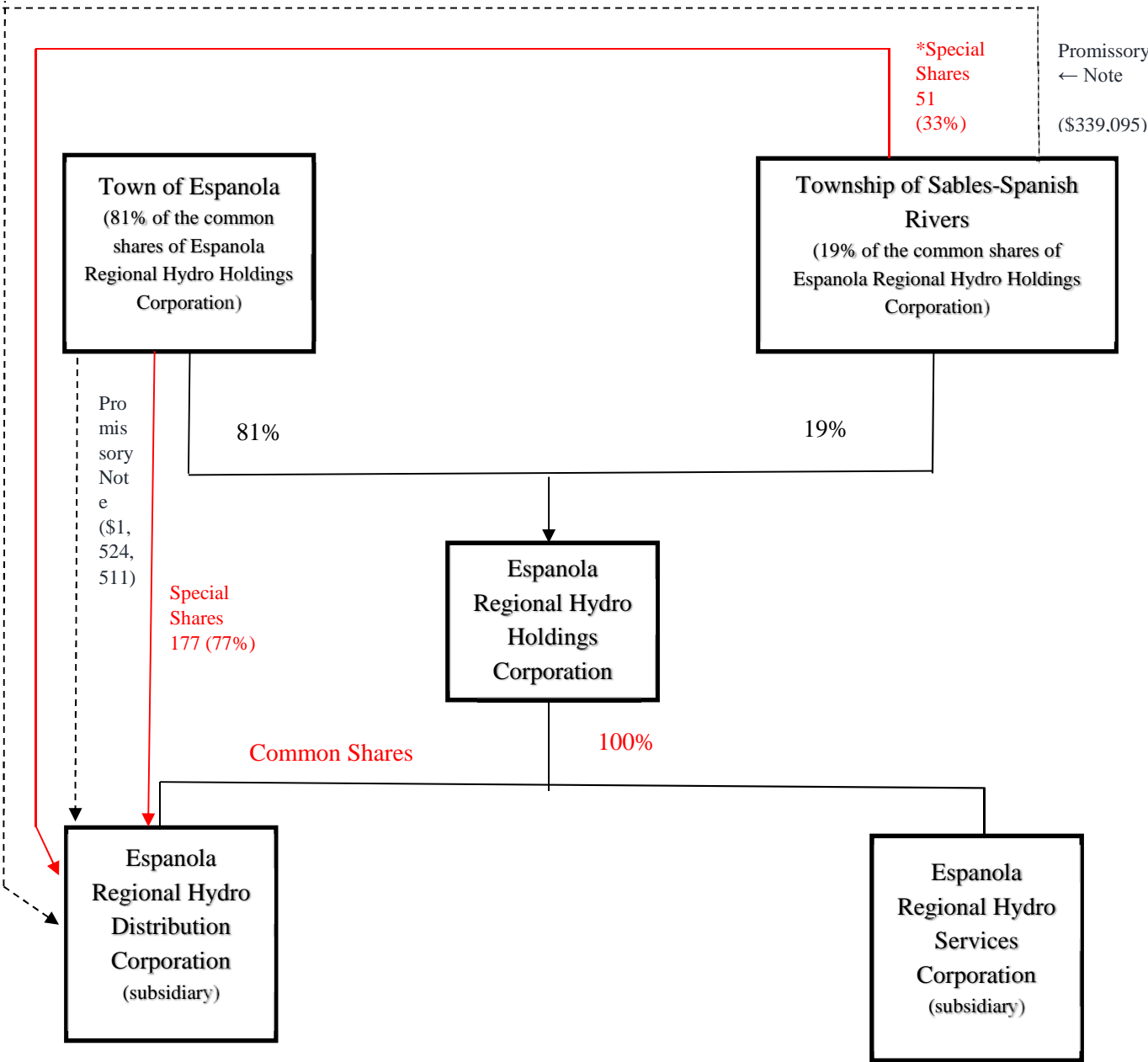
Pursuant to the Securities Purchase Agreement dated October 12, 2018 between NBHHL and NBEAI, (attached as Appendix E), subject to the parties obtaining the required approvals, Espanola and Sables-Spanish have agreed to sell, and NBEAI has agreed to purchase, the following: (i) the Holdings Common Shares, (ii) the ERHDC Special Shares, and (iii) the Shareholder Notes. Once NBEAI has acquired all of the shares of ERHHC and ERHDC, NBEAI will assume 100% ownership and control of ERHHC and ERHDC. On the closing date of the proposed transaction, ERHHC, ERHDC, and NBEAI, will amalgamate to form new ERHDC, which will continue under the name “Espanola Regional Hydro Distribution Corporation”. Following the closing date, ERHSC (which is inactive) will be dissolved pursuant to the provisions of *the Business Corporations Act* (Ontario).

The diagrams below illustrate the Existing North Bay Ownership Structure, the proposed transaction, the Phase 1 Transaction structure, and the Phase 2 Transaction structure.

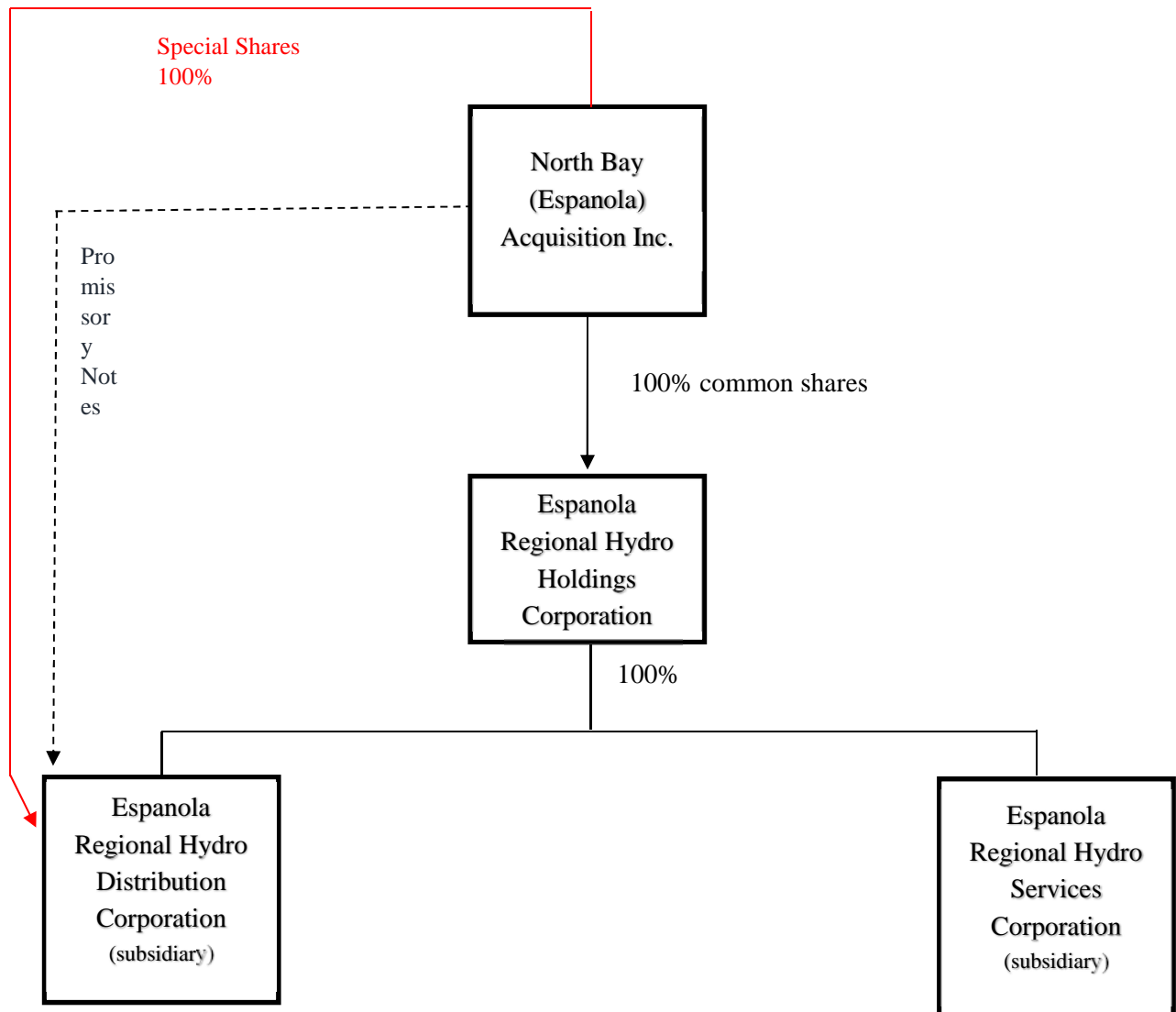
## Existing North Bay Ownership Structure



Existing Espanola Group Ownership Structure

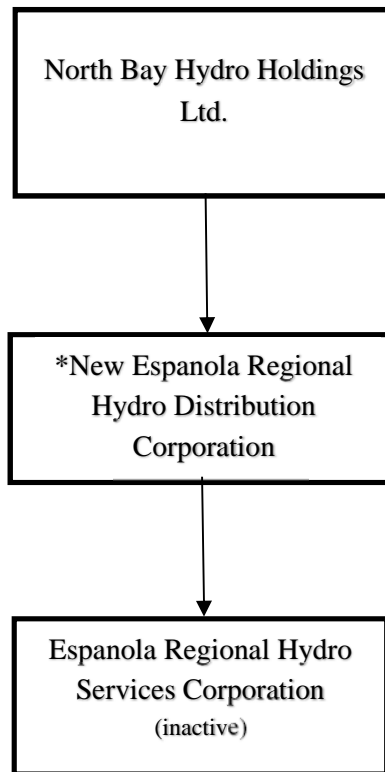


## The Phase 1 Transaction Closing Date Acquisition





## The Phase 1 Transaction Closing Date Amalgamation



- 2 \* Amalgamation of Espanola Regional Hydro Holdings Corporation, Espanola Regional Hydro Distribution Corporation  
3 and North Bay (Espanola) Acquisition Inc. to form New Espanola Regional Hydro Distribution Corporation. Espanola  
4 Regional Hydro Services Corporation will be dissolved separately.

## Appendix B

### Description of the Business of the Parties to the Transaction

#### North Bay Hydro Distribution Ltd. ("NBHDL")

North Bay Hydro Holdings Ltd. ("NBHHL") is the sole owner of North Bay (Espanola) Acquisition Inc. ("NBEAI"), North Bay Hydro Services Inc. ("NBHSI"), North Bay Hydro Distribution Ltd., and North Bay Hydro Generations Ltd. ("NBHGL"), as further described in Appendix A.

NBHDL is a licensed electricity distributor (ED-2003-0024) that owns and operates the electricity distribution system that provides service to approximately 24,117 mostly residential and commercial electricity customers in the City of North Bay. NBHDL is a corporation incorporated pursuant to the *Business Corporations Act* (Ontario) with its head office in the City of North Bay.

NBHDL is embedded in Hydro One's 44 kV sub transmission system at the City of North Bay's water treatment plant located at 248 Lakeside Dr. and at substation #17, which is located in North Bay's rural area at 20 Peninsula Road. Hydro One is embedded in NBHDL's 44kV sub transmission system at Bond St., also known as Wood's junction. Hydro One is also embedded in NBHDL's 12 kV distribution system at the northern city limits of North Bay on Highway 11 North.

NBHDL does not have any transmission or high voltage assets (>50kV) deemed previously by the Board as distribution assets.

#### Espanola Regional Hydro Distribution Corporation ("ERHDC")

ERHDC is a licensed electricity distributor that owns and operates the electricity distribution system that serves approximately 3,288 electricity customers in the Town of Espanola and the Township of Sables-Spanish Rivers. ERHDC's office is located in the Town of Espanola.

ERHDC is embedded within Hydro One. ERHDC does not host any utilities within its service area.

Further details regarding the business, and corporate charts illustrating the business structures and affiliate relationships, of the parties to the proposed transaction are included in Appendix A.

#### Geographic territory served by each of the parties to the proposed transaction

##### NBHDL Service Area:

Community served:	City of North Bay
Total service area:	319.05 sq. km
Rural service area:	270 sq. km
Distribution type:	Electricity distribution
Service area population:	approx. 53,651
Municipal population:	approx. 53,651

**ERHDC Service Area:**

Community served: Town of Espanola and Township of Sables-Spanish Rivers  
Total service area: 102 sq. km  
Rural service area: 76 sq. km  
Distribution type: Electricity distribution  
Residential Customers Served: 2,885  
Municipal population: 8,236

Both NBHDL and ERHDC are bounded by Hydro One Networks Inc. on all service territory boundaries.

Hydro One Networks Inc.  
483 Bay St.  
Toronto, ON M5G 1P5  
Direct Line: 416-345-5000  
Website: [www.HydroOne.com](http://www.HydroOne.com)

The service area boundaries of NBHDL and ERHDC are not contiguous and are approximately 175 km apart.

Though Espanola is two (2) hours from the City of North Bay, the two utilities operate in very similar geographic territories within Northern Ontario, and many of the service area characteristics are also comparable.

For example, the rural service territory in both communities exceeds 75% of overall territory; 75% of ERHDC's territory and 85% of NBHDL's territory; and both utilities operate a primarily overhead system; 92% for ERHDC and 86% for NBHDL.

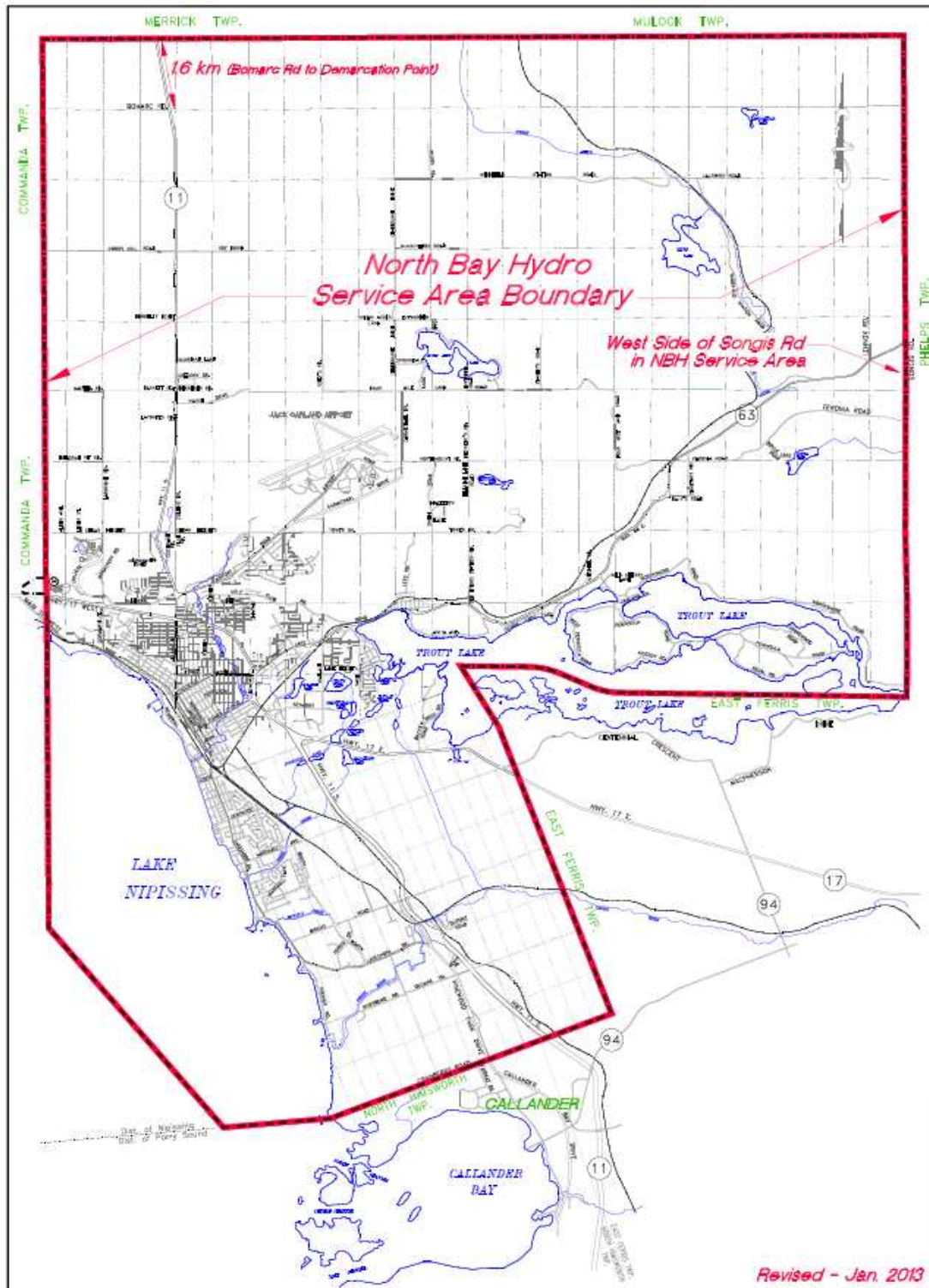
Table 6-1 below provides a summary of the service territory characteristics between ERHDC and NBHDL showing the number of square kilometres for rural and urban service areas as well as kilometres of line that are overhead and underground.

**Table 6-1: Service Territory Characteristics**

Characteristics	ERHDC		NBHDL	
Rural Service Area (sq km)	76	75%	279	85%
Urban Service Area (sq km)	26	25%	51	15%
Total Service Area (sq km)	102		330	
# of Customers / sq km	32.2		73.1	
Overhead Circuit km of Line	130	92%	495	86%
Underground Circuit km of Line	11	8%	79	14%
Total Circuit km of Line	141		574	
# of Customers / km of Line	23.3		42.0	

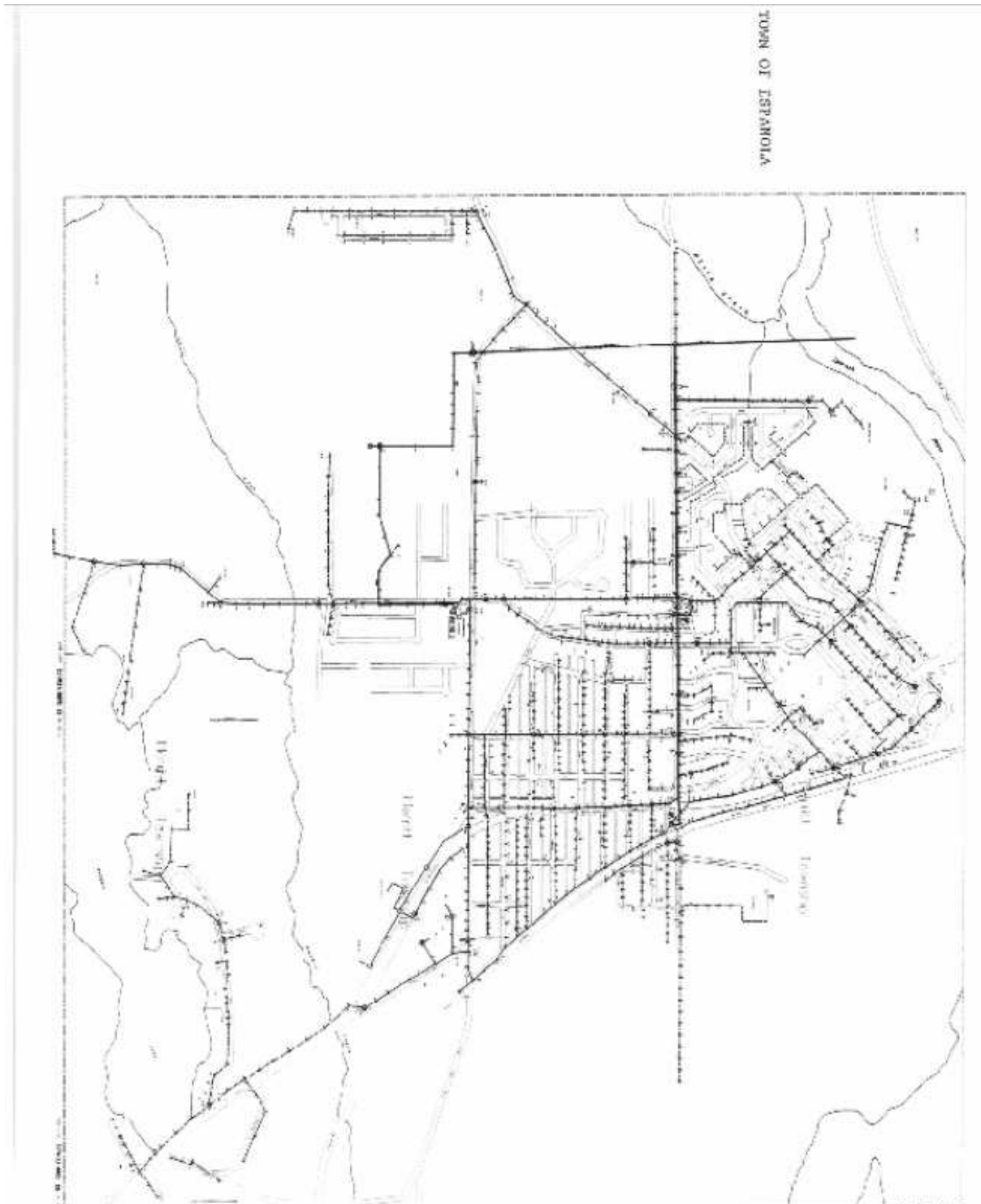
The following are maps of the NBHDL and ERHDC service areas, and the relative distance between the two.

1 NBHDL map of distribution service territory and distribution system

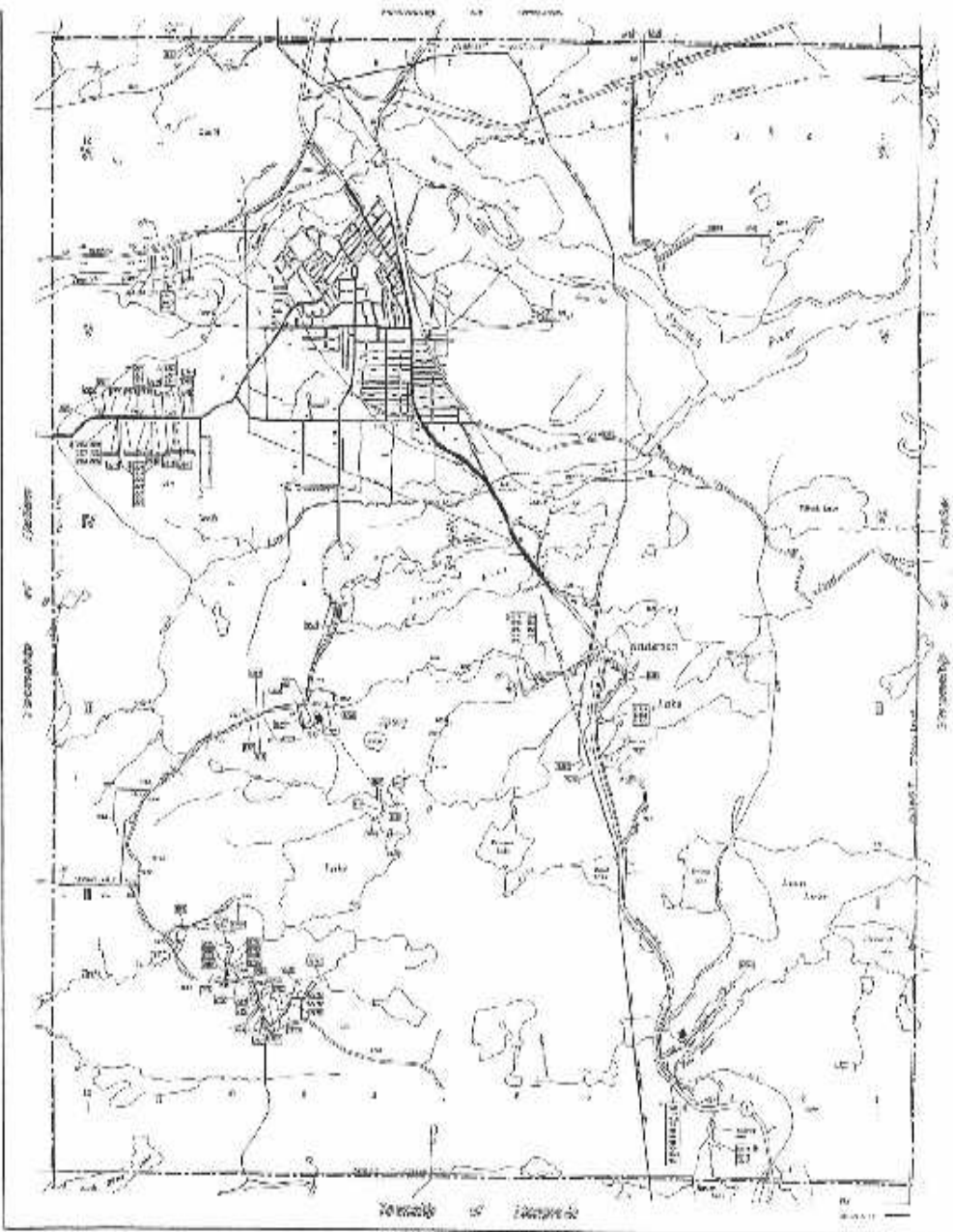


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1      **ERHDC map of distribution service territory and distribution system**

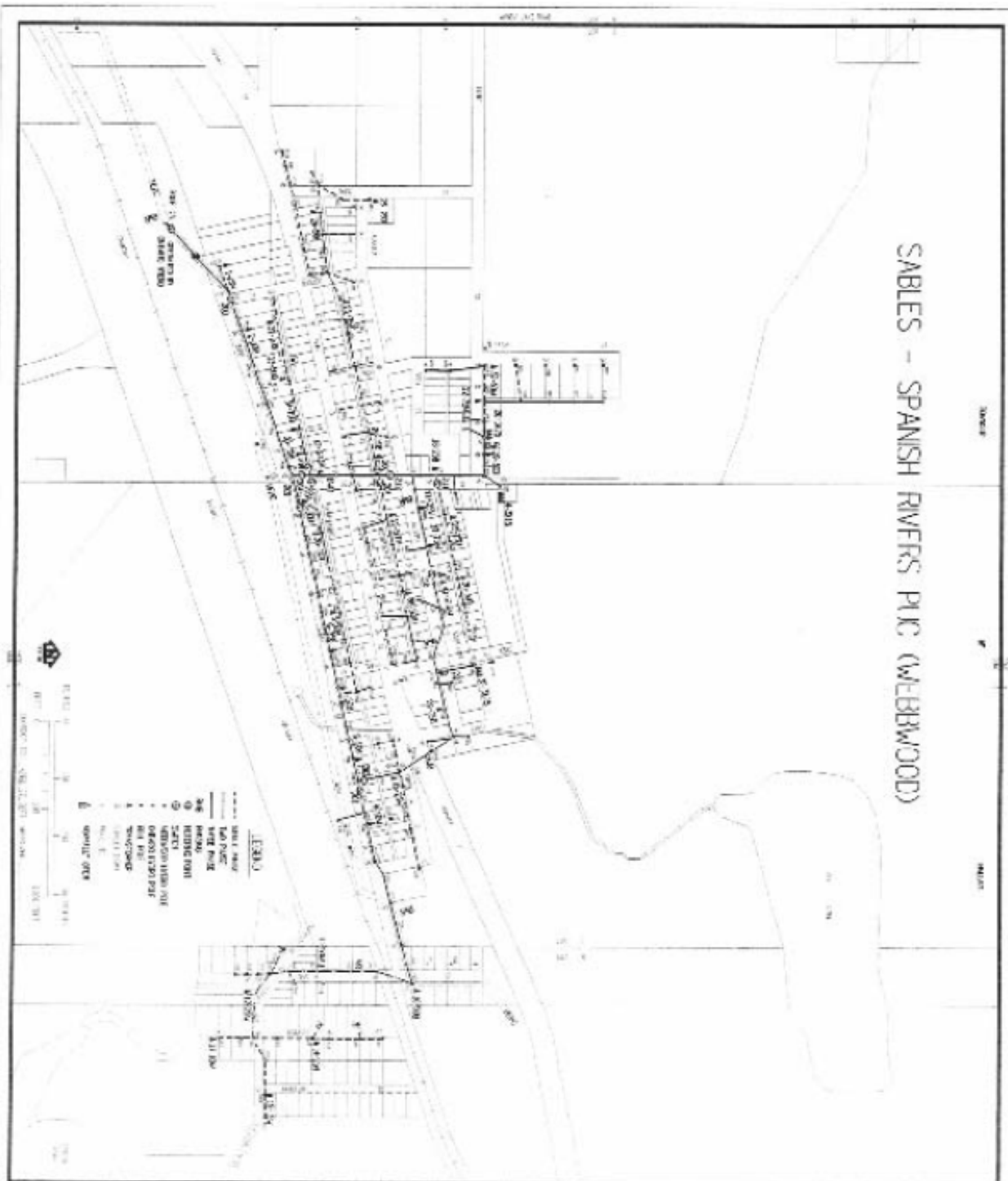


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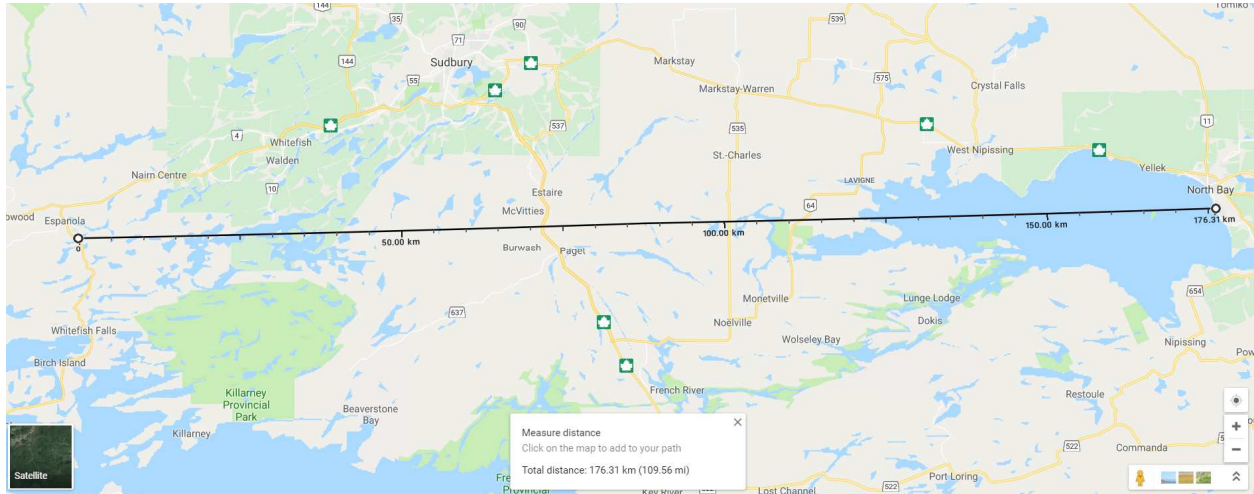
# SABLES - SPANISH RIVERS, PLC (WEBBWOOD)







**Map showing the relative distance between the service territories of NBHDL and ERHDC**



**Proposed geographic service area after completion of the proposed transaction**

There will be no change to the respective geographic service areas after the completion of the Phase 1 Transaction.

Upon completion of the Phase 2 Transaction (which will be subject to a separate MAADs application), the service areas of ERHDC and NBHDL will be combined to be served by a single merged utility.

## Appendix C

### Detailed Description of the Proposed Transaction

North Bay (Espanola) Acquisition Inc. (“**NBEAI**” or the “**Applicant**”) filed an application on January 16, 2019 (EB-2019-0015) (the “**MAADs Application**”) to seek the approval of the Ontario Energy Board (the “**OEB**” or the “**Board**”) to purchase Espanola Regional Hydro Holdings Corporation (“**ERHHC**”) from The Corporation of the Town of Espanola and The Corporation of the Township of Sables-Spanish Rivers (the “**Sellers**”) pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998* (the “**OEB Act**”), and to subsequently amalgamate NBEAI, ERHHC, and Espanola Regional Hydro Distribution Corporation (“**ERHDC**”), with the amalgamated entity continuing under the name ERHDC pursuant to section 86(1)(c) of the OEB Act.

NBEAI is also applying for approval of a proposed rate framework (the “**Proposed Rate Framework**”) under section 78 of the OEB Act, as further described below.

NBEAI also submits a Notice of Proposal pursuant to section 81 of the OEB Act to acquire ERHDC. As more fully detailed below, an affiliate of NBEAI owns an interest in a generation facility in Ontario.

Since the amalgamated company will continue under the name Espanola Regional Hydro Distribution Corporation, NBEAI does not require a transfer of the ERHDC distribution license or rate order as part of the MAADs Application.

The above approvals are required to complete the first phase (“**Phase 1**”) of a two-phase transaction which will ultimately result in the amalgamation of North Bay Hydro Distribution Ltd. (“**NBHDL**”) and ERHDC.

Appendix A provides a detailed description of each party’s business structure both before and after Phase 1 of the proposed transactions and identifies the applicable governing law for each legal entity.

#### **Background**

ERHDC is, in part, a virtual utility.

ERHDC has 7 employees, who are actively involved in the day to day operation of the company.

In addition, ERHDC is party to a Services Agreement with PUC Services Inc. (“**PUC**”) effective June 1, 2016, as amended (the “**PUC Services Agreement**”) pursuant to which PUC provides a comprehensive suite of management services, customer services and IT services to support the day-to-day operations of ERHDC.

A copy of the PUC Services Agreement is attached as Appendix D. The term of the PUC Services Agreement continues until February 28, 2022. It includes a transition period to allow for the orderly and timely transition of services from PUC back to ERHDC (or NBHDL).

PUC has been advised of this proposed transaction and continues to perform its obligations pursuant to the PUC Services Agreement.

1 ERHDC has been operating under interim rates since May 1, 2016. ERHDC has not performed well financially over the  
2 last few years and this trend is projected to continue if the Board does not approve the MAADs Application. In 2016,  
3 ERHDC's achieved ROE was 6.29%. In 2017, its achieved regulatory ROE was 2.45%, well below the Board's deemed  
4 ROE dead-band of 300 basis points.

5 For these reasons and as more fully detailed below, the 10-year deferred rebasing period set out in the Board's  
6 *Handbook to Electricity Distributor and Transmitter Consolidations* (the "**Handbook**") following Phase 1 would not be in  
7 the public interest. Rather, NBEAI is seeking approval of the Proposed Rate Framework as described below.

8 These transactions, if approved by the Board, will restore the economic footing and financial viability of ERHDC going  
9 forward and will facilitate bringing ERHDC into compliance with a number of regulatory requirements.

### 10 **The Phase 1 Transaction**

11 The MAADs Application to the OEB is limited to the approvals required to affect the purchase by NBEAI of ERHHC and  
12 the subsequent amalgamation of NBEAI, ERHHC and ERHDC (the "**Phase 1 Transaction**").

13 Pursuant to the Securities Purchase Agreement dated October 12, 2018 between the Sellers, North Bay Hydro Holdings  
14 Ltd. ("**NBHHL**") and NBEAI (the "**Securities Purchase Agreement**"), attached hereto as Appendix E, subject to the  
15 parties obtaining the required approvals, the Sellers have agreed to sell, and NBEAI has agreed to purchase:

16 all of the issued and outstanding common shares of ERHHC (the "**Holdings Common Shares**"),

17 all of the issued and outstanding special shares in the capital of ERHDC ("**ERHDC Special Shares**"),

18 the promissory notes issued by ERHDC in favour of the Sellers (the "**Shareholder Notes**")

19 (collectively, Holdings Common Shares, ERHDC Special Shares and Shareholder Notes are referred to as the  
20 "**Purchased Securities**").

21 The purchase price for NBEAI to acquire the Purchased Securities is \$7,989,530 (the "**Purchase Price**").

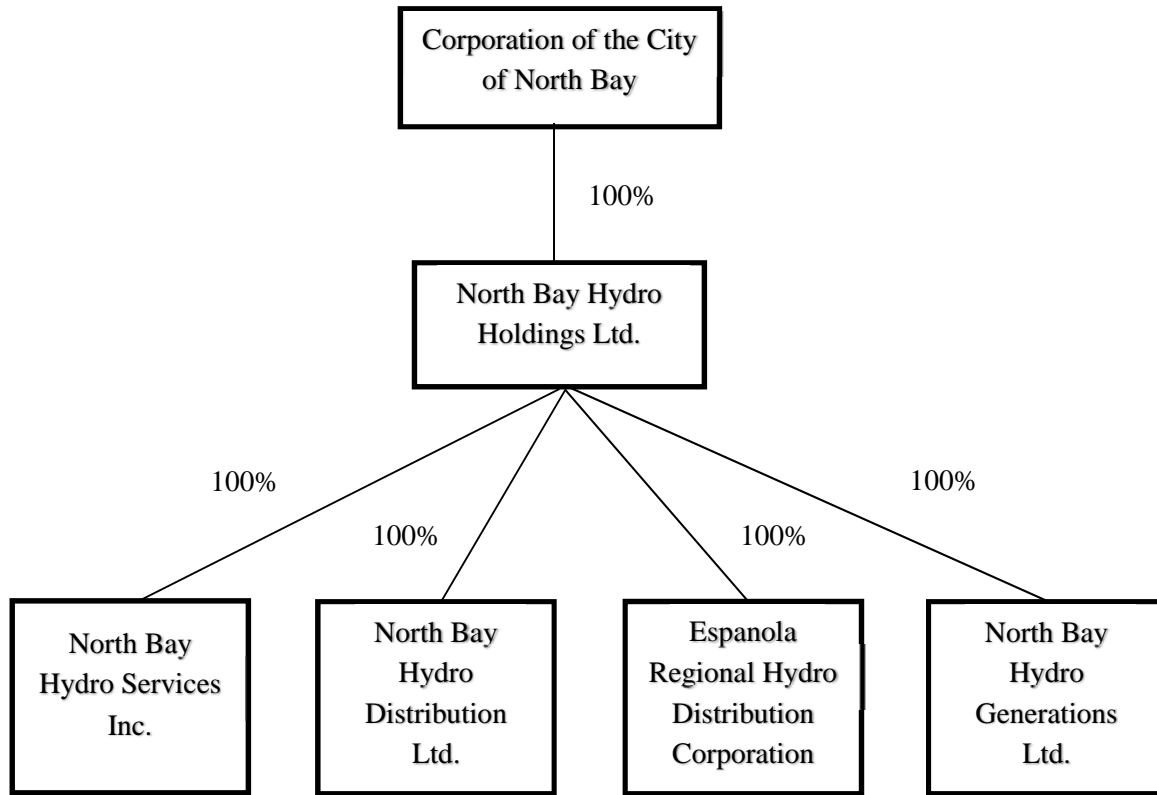
22 The Purchase Price is subject to adjustment following the closing date in accordance with section 3.4 of the Securities  
23 Purchase Agreement on the basis of any changes between the shareholders' equity of ERHDC as at December 31,  
24 2016 and the shareholders' equity of ERHDC on the closing date (based on updated financial information and  
25 documentation).

26 The closing of the acquisition of the Purchased Securities is conditional upon the receipt of all required approvals and  
27 third-party consents, including the OEB's approval of the MAADs Application.

28 The Securities Purchase Agreement also provides for certain covenants from NBEAI in favour of the Sellers, such as a  
29 two-year guarantee on employment for employees of ERHDC following the closing date, participation in community  
30 events and programs and the establishment of an advisory committee that will provide a forum for communication and  
31 continuing dialogue between NBEAI and the Sellers.

- 1     Once NBEAI has acquired all of the shares of ERHHC and the special shares of ERHDC, NBEAI will assume 100%
- 2     ownership and control of ERHHC and ERHDC.
- 3     On the closing date of the Phase 1 Transaction, ERHHC, ERHDC, and NBEAI, will amalgamate to form a new
- 4     corporation, which will continue under the name Espanola Regional Hydro Distribution Corporation.
- 5     The following Figure 1-1 illustrates the corporate ownership structure upon the closing date of the Phase 1 Transaction:

**Figure 1-1: Phase 1 - Corporate Ownership Structure**



### **The Proposed Rate Framework**

To encourage consolidations, the OEB has introduced policies that provide consolidating distributors with an opportunity to offset transaction costs with any achieved savings, by deferring rebasing by up-to 10 years.

However, this is not a typical consolidation transaction.

NBEAI is proposing the following Proposed Rate Framework for approval by the Board.

ERHDC has not been before the Board for a cost of service rebasing application in more than seven (7) years (EB-2011-0139), has been operating under interim rates since May 1, 2016 (EB-2015-0068), has not had the benefit of even inflationary rate adjustments in more than three (3) years, and has not made any adjustments towards fully fixed distribution rates for residential customers.

In this context, NBEAI submits that it would not be in the public interest to defer the rebasing of ERHDC rates by another 10 years following the Phase 1 Transaction, even though this would be permitted in the Handbook.

1 Rather, NBEAI proposes that following the Phase 1 Transaction, NBHDL and ERHDC be permitted to continue to  
2 operate as independent utilities until 2022 (i.e. after the PUC Services Agreement expires). During this time, PUC would  
3 continue to provide services to ERHDC pursuant to the PUC Services Agreement and NBHDL would continue to operate  
4 independently as a separate utility.

5 In this context, NBHDL is due to file its cost of service rebasing application for rates effective May 1, 2020. NBHDL  
6 intends to file such an application prior to the Phase 2 Transaction (as defined in Section 1.5, below) (the “**NBH**  
7 **Rebasing Application**”). The Phase 1 Transaction would have no impact on the NBH Rebasing Application, because  
8 sustainable operational efficiencies are impossible to achieve while the PUC Services Agreement is in place.

9 If the Board approves the Phase 1 Transaction, NBEAI would also ensure ERHDC files a cost of service rebasing  
10 application for rates effective May 1, 2021 (the “**Espanola Rebasing Application**”).

11 The Espanola Rebasing Application is required to maintain the ongoing financial viability of ERHDC, which earned an  
12 actual regulatory ROE of 6.29% in 2016, 2.45% in 2017, and is forecasted to earn a similarly low ROE in 2018.

13 It will also address a number of regulatory issues including:

- 14 • Bringing ERHDC back into compliance with OEB regulatory requirements by allowing ERHDC to begin the  
15 transition of residential consumers towards fully-fixed rates.
- 16 • Ending the ICM rate rider, and rolling the substation properly into rates, which will help reduce rates to the  
17 benefit of customers (the actual costs of the substation were less than what was previously forecasted).
- 18 • Filing a comprehensive five-year consolidated distribution system plan (DSP) in accordance with the OEB's  
19 requirement.
- 20 • Disposing of Group 1 DVAs, which were last disposed of for December 31, 2013 balances, and LRAMVA  
21 which was last approved for 2014 rates for pre-2012 programs in 2011 until April 2012.
- 22 • Updating ERHDC's load forecast, cost allocation and rate design to reflect more current information.

23 A fundamental component of the Proposed Rate Framework is that the NBH Rebasing Application and the ERHDC  
24 Rebasing Applications will be heard independently. No synergies are possible until the PUC Services Agreement  
25 expires.

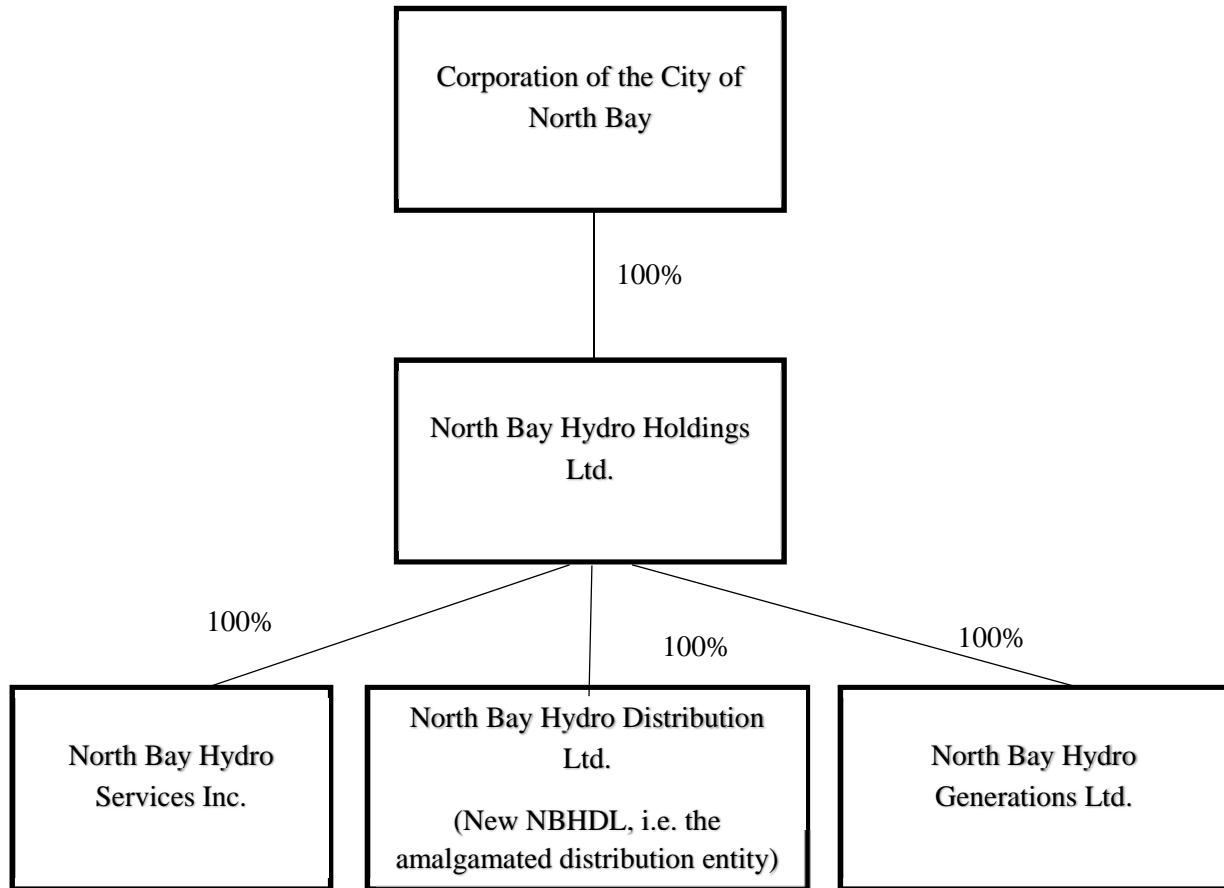
## 26 **The Phase 2 Transaction**

27 Upon completion of the Espanola Rebasing Application, the NBH Rebasing Application, the transition of services from  
28 PUC to NBHDL, and the expiry of the PUC Services Agreement, NBHDL will bring a second application to the Board to

1 approve the second phase (“**Phase 2**”) of the transaction to allow for the amalgamation of NBHDL and ERHDC under  
2 section 86(1)(c) of the *Ontario Energy Board Act, 1998* (the “**Phase 2 Transaction**”).

3 Approval for the Phase 2 Transaction will be sought from the Board following the expiration of the PUC Services  
4 Agreement. The following Figure 1-2 illustrates the proposed corporate ownership structure upon the completion of the  
5 Phase 2 Transaction:

6 **Figure 1-2: Phase 2 - Corporate Ownership Structure**



7  
8 The ultimate amalgamated entity will operate under the name North Bay Hydro Distribution Ltd. (“**New NBHDL**”).

9 Following completion of the Phase 2 Transaction, the final component of the Proposed Rate Framework would be that  
10 NBHDL would commit to only defer rebasing and rate harmonization of the consolidated utility for five (5) years.

11 This would ensure that ratepayers would see the benefits of the amalgamation of NBHDL and ERHDC by 2026, a full  
12 two (2) years earlier than if the 10-year deferred rebasing period was applied following the completion of the Phase 1  
13 Transaction.

## **Appendix D**

### **PUC Services Agreement**



## **SERVICES AGREEMENT FIRST AMENDING AGREEMENT**

This **SERVICES AGREEMENT FIRST AMENDING AGREEMENT** (the "**Agreement**") dated December 21, 2018, between PUC SERVICES INC. ("**ServiceCo**") and ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION (the "**Client**").

**WHEREAS**, ServiceCo and Client entered into a Services Agreement executed by ServiceCo on July 11, 2016 and by Client on June 21, 2016 (the "**Services Agreement**");

**AND WHEREAS**, each of Espanola Regional Hydro Holdings Corporation, The Corporation of the Town of Espanola ("**Espanola**") and The Corporation of the Township of Sables-Spanish Rivers ("**SSR**") are the owners of all of the issued and outstanding shares of the Client;

**AND WHEREAS**, Espanola, SSR, North Bay Acquisition (Espanola) Inc. (the "**Buyer**") and North Bay Hydro Holdings Inc. entered into a Securities Purchase Agreement dated October 12, 2018 (the "**SPA**"), wherein among other things, the Buyer agreed to purchase all of the issued and outstanding shares of Espanola Regional Hydro Holdings Corporation and the Client (the "**Proposed Transaction**");

**AND WHEREAS**, in connection with the Proposed Transaction contemplated pursuant to the SPA, ServiceCo and the Client (collectively, the "**Parties**") have agreed to enter into this Agreement to confirm and amend various provisions of the Services Agreement;

**NOW THEREFORE** for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

### **1 TERM**

ServiceCo and the Client acknowledge that section 3 of the Services Agreement contained a typographical error requiring correction and ServiceCo and the Client wish to record and give effect to the original intention of ServiceCo and the Client hereby by deleting the reference to "May 31, 2020" and replacing it with "May 31, 2021".

### **2 TRANSITION PERIOD UPON CHANGE OF CONTROL**

The Parties agree to automatically extend the term of the Services Agreement and continue the performance of the Services (as such term is defined in the Services Agreement) upon the completion of the Proposed Transaction (a "**Change of Control**") for a period of time commencing upon the completion of the term (as set forth in Section 1 above) and ending nine months thereafter (the "**Transition Period**") subject to the same terms and conditions (including pricing, subject to an escalation factor) set forth in the Services Agreement, as amended by this Agreement. For certainty and notwithstanding

section 3 of the Services Agreement, no further automatic renewal of the term of the Services Agreement will occur after the expiration of the Transition Period.

Following completion of the Proposed Transaction the Parties shall work together in good faith to develop a detailed transition plan setting out each of the Parties' respective roles and responsibilities during the Transition Period. The objective of the transition plan shall be the implementation of a seamless transition of the performance of Services from ServiceCo to the Client or such other service provider as the Client may direct in order to minimize operational impacts to the Client. The Client shall pay the additional costs and expenses incurred by ServiceCo in connection with such transition activities; provided, however that ServiceCo receives the prior written consent of the Client (acting reasonably) to incur such additional costs and expenses in connection with such transition activities. Without limiting the generality of the foregoing, during the Transition Period ServiceCo shall provide all assistance reasonably requested by Client, including the following:

- (a) transfer of all Client-owned tangible and intangible assets to Client;
- (b) transfer of all Client related data and information to Client, including data conversion assistance, as applicable;
- (c) knowledge transfer for the ongoing conduct of the Services, including all applicable procedures, standards and operating schedules applied by ServiceCo in the provision of the Services;
- (d) reasonable access to the applicable data used by the ServiceCo to provide the Services; and
- (e) such consents and assistance to transfer third party contracts used by ServiceCo in the provision of the Services and requested by Client for assignment.

### **3 CONFIRMATION**

ServiceCo acknowledges and confirms that the Change of Control contemplated pursuant to the SPA is not subject to the provisions of Section 16.4 of the Services Agreement.

### **4 PROPOSED TRANSACTION NOT COMPLETED**

The Client shall deliver a written notice to ServiceCo if the Proposed Transaction is not completed or terminated in accordance with the SPA no later than November 30, 2020 and, in such event, the provisions of Section 2 of this Agreement shall be inoperative and of no further force and effect.

### **5 GOVERNING LAW**

This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

## **6 BENEFIT OF THE AGREEMENT**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

## **7 FURTHER ASSURANCES**

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to effect the matters contemplated by this Agreement.

## **8 SEVERABILITY**

If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. To the extent permitted by applicable law, the parties hereby waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.


## **9 EXECUTION AND DELIVERY**

This Agreement may be executed by the parties in counterparts and may be executed and delivered by email and all such counterparts or emails together constitute one and the same agreement.

*[Remainder of page left intentionally blank. Execution page follows.]*

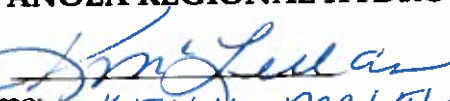
Each of the Parties has executed and delivered this Amending Agreement as of the date noted at the beginning of this Amending Agreement.

**PUC SERVICES INC.**

By:   
Name: Robert Brewer  
Title: President & CEO

By: \_\_\_\_\_  
Name:  
Title:

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

By:   
Name: KELLY MCCLELLAN  
Title: TREASURER, ERHDC

By: \_\_\_\_\_  
Name:  
Title:

## Services Agreement

THIS AGREEMENT IS BETWEEN:

**PUC SERVICES INC.**

(Hereinafter referred to as "ServiceCo")

- And -

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

(Hereinafter referred to as the "Client")

In consideration of the mutual covenants contained in this Agreement and the sum of ten dollars now paid by each party to the other, receipt of which is hereby acknowledged, the parties agree as follows:

### ARTICLE 1 - Definitions and Interpretation

1. In this Agreement, unless otherwise expressly defined or the context otherwise requires:
  - 1.1. "Agreement" means this Services Agreement and the Schedule 'A'-Services, Schedule 'B'-Fees and Schedule 'C' - Proposal.
  - 1.2. "Confidential Information" means any oral, written or electronic data and information now or hereafter existing during the currency of this Agreement, relating to the business and management of either party which is treated by such party as confidential, to which access is granted or obtained by the other party, but does not include any data or information which was known to the recipient prior to the disclosure to it by the other party; or (ii) was independently developed by the recipient as evidenced by records; or (iii) is subsequently lawfully obtained by the recipient from a third party, without breach of this Agreement by the recipient; or (iv) becomes publicly available other than through a breach of this Agreement; or (v) is disclosed where the other party has provided its prior written consent to such disclosure by the recipient; or (vi) is disclosed by legal requirement.
  - 1.3. "Data" means all information in hard copy or in electronic form, which is used in the performance of Services under this Agreement.
  - 1.4. "Due Date" means thirty days after the date of the invoice.
  - 1.5. "Service" means a service as specified in the Services Schedule, which ServiceCo provides to Client under this Agreement.
  - 1.6. "Service Level" means a service level agreed in writing by the parties as applicable to a particular measurable component of a Service.
  - 1.7. "Services Schedule" the Schedule 'A'- Services, attached hereto which describes the Services to be provided by ServiceCo to Client and any additional terms and conditions relating specifically to such Services.
  - 1.8. "Services Agreement" means this agreement between ServiceCo and Client as may be amended from time to time as provided in this Agreement.
  - 1.9. "Software" means computer programs, regardless of format or medium, their documentation and specifications.

### ARTICLE 2 - Interpretation

2. In this Agreement, unless otherwise expressly provided or as the context otherwise requires:

- 2.1. headings are solely for convenience of reference and are not intended to be complete or accurate descriptions of content or to be guides to interpretation of this Agreement or any part of it;
- 2.2. an accounting term not otherwise defined in this Agreement has the meaning assigned to it, and every calculation to be made under this Agreement is to be made, in accordance with accounting principles generally accepted in Canada applied on a consistent basis;
- 2.3. reference to currency means Canadian currency;
- 2.4. a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and every statute or regulation that supplements or supersedes such statute or regulations;
- 2.5. a reference to an entity includes any successor to that entity;
- 2.6. a word importing the masculine gender includes the feminine and neuter, a word in the singular includes the plural, a word importing a corporate entity includes an individual, and vice versa;
- 2.7. a reference to "approval", "authorization" or "consent" means written approval, authorization or consent;
- 2.8. if there is any conflict or inconsistency between the terms of this Services Agreement and the Services Schedule, the terms of the Services Schedule will prevail;
- 2.9. the word "including", when following a general statement or term, is not to be construed as limiting the general statement or term to any specific item or matter set forth or to similar items or matters, but rather as permitting the general statement or term to refer also to all other items or matters that could reasonably fall within its broadest possible scope; and
- 2.10. a reference to a Part or Article is to a Part or Article of this Agreement.

### **ARTICLE 3 - Term**

- 3. This Agreement shall remain in full force and effect for a period of five years commencing on June 1, 2016 to May 31, 2020 subject to early termination as hereinafter provided. The Agreement includes for an option to extend it for an additional five year term, subject to negotiation between the parties and mutually agreeable terms and conditions. The term will automatically renew for one year extensions unless written notification is received by either party 90 days prior to the expiration date of the current term.

### **ARTICLE 4 - ServiceCo Responsibilities**

- 4. In the performance of Services, ServiceCo agrees to:
  - 4.1. perform the Services as described in the Services Schedule and otherwise in accordance with the terms of this Agreement and the policies and procedures in place by Client;
  - 4.2. ensure that experienced and properly qualified personnel perform the Services by ServiceCo;
  - 4.3. liaise with Client through Client's Board of Directors Chair or designate on matters of a material nature related to the Services Schedule and through the Financial Officer or designate on other Services and operations of Client;
  - 4.4. notify Client, whenever practicable, if expenses beyond the charges set forth within the Services Schedule may be incurred together with any explanation therefor;
  - 4.5. invoice Client according to the terms of the Services Schedule for the Services performed;
  - 4.6. notify Client, as appropriate, of any planned or anticipated material changes to ServiceCo procedures in the provision of Services;
  - 4.7. work cooperatively with Client and its customers as may be reasonable to facilitate the efficient provision of the Services;
  - 4.8. perform the Services contemplated herein on terms not less favourable than those provided to its own customers;
  - 4.9. observe and comply with any and all applicable government laws and regulations now or hereafter in force or effect;

- 4.10. observe Client's reasonable policies and procedures in relation to the performance of the Services such that Client's customers will not encounter any noticeable difference in the services formerly provided by Client and the Services now provided by ServiceCo in accordance with this Agreement; and
- 4.11. maintain adequate comprehensive general liability insurance showing Client as an additional insured.

## **ARTICLE 5 - Client's Responsibilities**

- 5. Client agrees to:
  - 5.1. provide all necessary Data or other required materials to ServiceCo on schedule or in a timely fashion to enable ServiceCo to provide the Services;
  - 5.2. liaise with ServiceCo through Client's Financial Officer or designate for normal operations and/or the Board of Directors Chair or designate to make material decisions on behalf of Client in relation to the implementation of this Agreement and the Services and any changes thereto;
  - 5.3. reasonably provide advance consent or direction for the release of Client's reports and other information by ServiceCo to any third party, as required in the performance of the Service;
  - 5.4. restrict Client's employees and agents from interfering with, and from any unauthorized use of equipment which is owned by ServiceCo, in ServiceCo's possession, or under ServiceCo's control;
  - 5.5. ensure the accuracy, legibility, and completeness of all Data supplied to ServiceCo and be responsible for the results obtained from Client's use of any of the Services;
  - 5.6. provide information in addition to that specified in the Services Schedule as ServiceCo may reasonably require from time to time to perform the Service;
  - 5.7. allow ServiceCo the sole responsibility and authority to make any and all decisions with respect to the day-to-day operations of Client as outlined in the Services Schedule;
  - 5.8. authorize ServiceCo to make expenditures and enter into contracts for items as approved in the annual budget subject to agreed upon expenditure limits;
  - 5.9. within a reasonable time period provide a decision on the acceptance or rejection of recommendations from ServiceCo pertaining to the operation of Client;
  - 5.10. provide reasonable access to Client's computer hardware and software strictly for the purposes of correcting and repairing any problems with the equipment, hardware and/or software as they relate to this Agreement;
  - 5.11. provide adequate office space, furnishings, computer, office equipment, supplies, and communication devices for ServiceCo to perform its obligations under the Agreement; and
  - 5.12. perform any other activities as defined in the Services Schedule.

## **ARTICLE 6 - Data**

- 6.1 All Data supplied by Client related to the performance of a Service remains Client's exclusive property. All supplied Data must be on media compatible with ServiceCo processing equipment and, where applicable, in the format which ServiceCo, acting reasonably, prescribes.
- 6.2 Client will arrange transportation of Data and reports between Client's location and ServiceCo's processing centre at its expense. Client may specify in writing an agent for the collection of Data and reports from ServiceCo's location and ServiceCo will use such service on Client's behalf. All risk of loss or damage during transportation (save and except for situations where ServiceCo is negligent or willfully reckless) will remain Client's responsibility.
- 6.3 If Client provides Software for use by ServiceCo in the provision of Services, Client warrants that:

- 6.3.1 Client has obtained any necessary permission, right and licence to enable the Software to be copied, modified and run by ServiceCo on equipment under ServiceCo's control without infringing any third party right;
  - 6.3.2 in using the Software to furnish the Services, ServiceCo will not be infringing the rights of any third parties; and
  - 6.3.3 the disclosure to ServiceCo or the use by ServiceCo of the Software will not involve a breach of any confidential or contractual relationship.
- 6.4 Client agrees to defend, indemnify and hold harmless ServiceCo against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim arising from any breach of the warranties stated under Article 6.3 above.
- 6.5 All Data, Software, methodology, know-how, ideas, techniques, concepts, information and processes supplied or developed by ServiceCo in the performance of a service remains ServiceCo's exclusive property.

## **ARTICLE 7 - Software**

- 7.1. In the performance of Services, either party may provide Software to the other. Both parties agree to the following with respect to the handling of the other's Software:
- 7.1.1. not to modify the Software, except as permitted under the terms of this Agreement;
  - 7.1.2. to copy the Software only as required for use on a processor under the control of either party;
  - 7.1.3. to use the Software only as required for the applicable Service;
  - 7.1.4. to confine the use of the Software to the employees or agents of either party who require it for the Services;
  - 7.1.5. to maintain and disallow the removal of any proprietary or copyright notices; and
  - 7.1.6. to return the Software to the other party promptly on the termination of the applicable Service Schedule and warrant in writing that all copies have been returned and removed from all computers on which they were installed and that no further use will be made of them.
- 7.2. ServiceCo may inspect any of Client's Software required in the performance of this Agreement and which requires access to system control program instructions, system libraries or other secure data. If reasonably required by Client from time to time, Client may inspect any of ServiceCo's Software used in relation to the performance of this Agreement.

## **ARTICLE 8 - Confidentiality**

- 8.1 Each of the parties agrees:
- 8.1.1 to keep all Confidential Information of the other party to which access is or has been granted to or obtained in strictest confidence and not to disclose or permit disclosure of all or any portion of such Confidential Information to any person, firm, corporation, business or other entity, except as otherwise expressly permitted by this Agreement or with the prior written consent of the other party which consent may be unreasonably withheld;
  - 8.1.2 to exercise a degree of care in protecting the confidentiality of the Confidential Information of the other party which is at least equivalent to that which the party uses to protect its own Confidential Information;
  - 8.1.3 not to use all or any portion of the Confidential Information of the other party in any way which may be reasonably considered detrimental to the business operations of the other party;
  - 8.1.4 not to reproduce any Confidential Information of the other party without the prior written consent of such party, which consent may be unreasonably withheld, except to make available the Confidential Information to such of its directors, officers, employees, agents and subcontractors



- who need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Article; and
- 8.1.5 to provide access to the Confidential Information of the other party only to such of its directors, officers, agents and subcontractors with a need to use the Confidential Information in the performance of Services and who have agreed to be bound by the terms of this Article.
- 8.2 Notwithstanding anything to the contrary in this Agreement, ServiceCo will not be required to keep confidential, and may use or license without restriction, any ideas, concepts, know-how or techniques related to information processing which are developed by ServiceCo in the performance of services.

## **ARTICLE 9 - Patents and Copyrights**

- 9.1 If a third party claims that any Software or a Service provided by either party (the "Providing Party") infringes a patent, copyright, trade secret or other intellectual property right, the Providing Party will defend, indemnify and hold harmless the other party (the "Indemnified Party") against all losses, damages, costs, expenses and liabilities, including reasonable legal expenses, incurred in relation to such claim. The Indemnified Party will promptly notify the Providing Party of any such claims and the Providing Party will have the right, in consultation with the Indemnified Party, to defend or settle such claim. The Indemnified Party may not settle or compromise any claim, action or proceeding in respect of which it may seek indemnification without the prior written consent of the Providing Party.
- 9.2 If such claim is made, the Providing Party may modify the Service delivered by it or the payments made by it as it determines necessary or advisable to address the claim, provided that any such modification will not result in a material deterioration in Services or security standards.

## **ARTICLE 10 – Fees and Charges**

- 10.1 Fees and charges for ServiceCo's services will be specified in the Schedule 'A'-Services and Schedule 'B'-Fees. ServiceCo will, increase the charges specified in the Schedule 'B'-Fees table effective the first day of each contract year during the Term.
- 10.2 The services to be provided and the fees quoted reflect the applicable current legislated, regulatory requirements and guidelines specified by the Municipality, Federal and Ontario Provincial Government, by the Ontario Energy Board, and the Independent Electricity System Operator. If there should be a material change in the legislation, regulations or guidelines that affects the nature of the services provided, the fees shall be adjusted accordingly after agreement with Client.
- 10.3 Client will also be responsible to ServiceCo for its reasonable expenses associated with any additional services or incremental costs incurred by ServiceCo in providing the services caused by Client's failure to perform any of its obligations under this Agreement, where Client has been advised in writing of its failure to perform its obligations under this Agreement and has been given a reasonable opportunity to correct any deficiency.

## **ARTICLE 11 - Invoicing and Payment**

- 11.1 Unless otherwise stated within the Service Schedule, ServiceCo will invoice Client in advance thirty days prior to the beginning of each month for charges for the Services to be provided in that forthcoming month. Payment of invoiced amounts will be due on the Due Date. Amounts remaining unpaid will bear interest from the Due Date at an annual rate that is the lesser of:
- 11.1.1 the rate of interest set forth on the applicable invoice; and

- 11.1.2 the rate that is five percentage points above the prime commercial annual lending rate of interest designated by the Royal Bank of Canada in effect in Canada from time to time for its most creditworthy commercial Clients on Canadian dollar loans.
- 11.1.3 Any other amount payable under this Agreement will bear interest at the rate set out above.

## **ARTICLE 12 - Taxes**

- 12.1 Client will make timely payment of any taxes, duties or government levies related to this Agreement.

## **ARTICLE 13 - Warranty**

- 13.1 ServiceCo represents and warrants that the service level provided by it under this agreement shall be as good as, or superior to those service levels generally enjoyed by ServiceCo's own customers and other utilities of a similar size within the Province of Ontario.
- 13.2 Except as expressly stated in this Article, ServiceCo makes no warranty, representation, condition or covenant of any kind, express or implied, oral or written, statutory or otherwise, including but not limited to, the implied warranties, representations, conditions or covenants of merchantable quality or fitness for a particular purpose or warranties arising from a course of dealing or usage of trade.
- 13.3 ServiceCo warrants that it will use reasonable skill and care in providing any Customer Services and that it will, at its expense:
- 13.3.1 make commercially reasonable attempts to correct any errors for which ServiceCo is directly and solely responsible by rerunning the Service, provided that the Data necessary to correct such errors is available to ServiceCo;
- 13.3.2 or at ServiceCo's option, provide a credit to Client equivalent to the charge that would have been applicable for correcting that portion of the Service that is in error, such credit will be only for errors due solely to malfunction of a system or Software provided by ServiceCo or any error made by ServiceCo's personnel in the performance of the Service; and
- 13.3.3 if ServiceCo provides hardware, Software or firmware as part of the Services, it will make commercially reasonable efforts to obtain assurances from the vendors of such hardware and Software that such hardware and Software is capable of processing data sensitive information.
- 13.4 To obtain the rerun Service or the credit, Client must notify ServiceCo in writing of such errors within thirty days of receipt of the Data or reports believed to contain the errors.

## **ARTICLE 14 - Indemnity**

- 14.1 Client will indemnify and hold ServiceCo harmless, to the extent that Client is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action taken or permitted to be taken by ServiceCo in good faith in reliance on instructions or orders received from Client arising in connection with ServiceCo's performance of its obligations under this Agreement. ServiceCo will be without liability to Client with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and with reasonable skill and care and without willful or wanton misconduct on ServiceCo's part.
- 14.2 Subject to Article 14, ServiceCo will indemnify and hold Client, its officers, directors, employees and servants harmless, to the extent that ServiceCo is responsible, against any losses, claims, damages, judgments, liabilities or expenses (including reasonable legal fees and expenses) resulting from action

taken or permitted to be taken by Client in good faith in reliance on instructions or orders received from ServiceCo arising in connection with Client's performance of its obligations under this Agreement. Client will be without liability to ServiceCo with respect to anything done or omitted to be done, in accordance with the terms of this Agreement or instructions properly received pursuant to this Agreement, if done in good faith and without negligence or willful or wanton misconduct on Client's part.

- 14.3 ServiceCo agrees to indemnify and save Client, its officers, directors, employees and servants, harmless from all damages, expenses or losses on account of the misuse, loss, theft or forgery of any documents or other Confidential Information.

## ARTICLE 15 - Notices

- 15.1 Any notice or demand to be given by either party to the other under this Agreement will be in writing and may be delivered personally, by facsimile, e-mail or by first class prepaid mail to the following addresses:

If to ServiceCo:

PUC SERVICES INC.  
500 Second Line East  
P.O. Box 9000  
Sault Ste. Marie, Ontario  
P6A 6P2  
Attention: Vice-President, Customer Engagement & Business Development

If to Client:

ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION  
598 Second Avenue  
Espanola, Ontario  
P5E 1C4  
Attention: Chair, Board of Directors

- 15.2 Notices delivered in person, by e-mail or by facsimile will be effective on the date of such delivery. Notices issued by mail will be effective on the third business day following the date that the envelope containing the notice is post-marked unless between the time of mailing and the time the notice is deemed effective there is an interruption in postal service, in which case, the notice will not be effective until actually received. In the event of a postal strike or lockout, notices or demands under this Agreement must be delivered personally, by e-mail or by facsimile.

## ARTICLE 16 - Termination

- 16.1 In the event of a material breach, as defined herein, of the Agreement by a party (the "Defaulting Party"), the other party (the "Non-Defaulting Party") will have the right to give written notice to the Defaulting Party to remedy the breach within thirty days after the date of such notice (the "Notice"). The Defaulting Party will make all reasonable efforts to rectify the breach to the satisfaction of the Non-Defaulting Party at the earliest possible time. If the Defaulting Party fails to remedy the breach specified in the Notice to the satisfaction of the Non-Defaulting Party within thirty days after the date of the Notice, then the Non-Defaulting Party will have the right to terminate the Agreement on giving 30 days' notice to the Defaulting Party. If the Defaulting Party corrects the breach to the satisfaction of the Non-Defaulting Party within the time prescribed in the Notice, the notice of termination of the Agreement will be void.
- 16.2 In the event that the Agreement is terminated in accordance with 16.1 or 16.4, then:

- 16.2.1 ServiceCo. will cooperate fully with Client and act in good faith toward Client and its customers in order to allow for the smooth and orderly transition of the Services to Client or its nominee. In addition, ServiceCo will make reasonable efforts to continue the Services to the extent mutually agreed to by the parties at mutually agreed to prices; and
- 16.2.2 ServiceCo will return to Client, Client's Data and supplies.
- 16.3 For the purposes of this agreement material breach shall include without limitation failure by ServiceCo to perform any of its obligations stated in Article 4 of this Agreement to the standards contained herein.
- 16.4 If Client determines to sell its business and the purchaser is not prepared to accept an assignment of this Agreement or in the event of regulatory change which results in the frustration of this Agreement, Client shall have the option to terminate this Agreement at any time after one year on 60 days prior written notice to ServiceCo and upon payment of the following amounts as liquidated damages:
  - 16.4.1 During years 2 and 3; 50% of the estimated annual cost set forth in the Services Schedule.
  - 16.4.2 During years 4 and 5; 25% of the estimated annual cost set forth in the Services Schedule.

## **ARTICLE 17 - Mediation**

- 17. In the event a dispute arises out of or in connection with this Agreement, including a dispute as to what constitutes a material breach for the purposes of Article 18 or in respect of any defined legal relationship associated with or derived from this Agreement, the parties will follow the step-by-step correction and resolution procedure set out below:

Step 1. The non-breaching party will advise the other party in writing of the alleged breach.

Step 2. The party allegedly in breach will investigate the allegation and provide a written report to the other party within five business days of receiving the notice alleging breach given under Step 1 to the effect that

- (a) the investigation reveals that the alleged breach was not committed;
- (b) the breach has been cured; or
- (c) the breach remains uncured.

Step 3. If the party alleging the breach

- (a) is not satisfied that the other party is not, or is no longer in breach; or
- (b) wishes to pursue the dispute, then the party will immediately notify the other party in writing that it wishes to escalate the dispute to Step 4.

Step 4. Each party, will within two business days after receipt of the notice in Step 3, submit to the following people, or their delegates, a written report on the facts of the dispute, any relevant provisions of this Agreement and any other relevant information:

ServiceCo - Vice-President, Customer Engagement & Business Development

Client: - Chair, Board of Directors

Step 5. If the parties referred to in Step 4 cannot resolve the dispute through mediation, the dispute may be referred to arbitration in accordance with the arbitration provisions of this Agreement.

## **ARTICLE 18 - Arbitration**

- 18. Except for applications for injunctions or restraining orders, any disputes arising out of or in connection with this Agreement or in respect of any defined legal relationship associated therewith or derived therefrom, including any failure of the parties to reach agreement will be referred to and finally resolved or

determined by arbitration under the Arbitrations Act (Ontario). In the event that this Agreement has been terminated in accordance with Article 14 above and an arbitrator under this article determines that a material breach did not exist, the arbitrator's jurisdiction shall be limited to the extent of awarding compensation for damages resulting from the failure to give proper notice of termination.

## ARTICLE 19 - General

- 19.1 Neither party will be responsible for any failure to fulfill its respective obligations under this Agreement due to causes beyond its reasonable ability to control provided that the party affected by such cause has used and continues to use all reasonable efforts to perform its obligations and makes reasonable attempts to notify the other party in writing within five business days of its inability to fulfill its obligations under this Agreement. Regardless of the foregoing, ServiceCo will continue to provide all Services deemed by Client to be critical to its business, notwithstanding any strike by or labour dispute with ServiceCo's personnel.
- 19.2 Client and ServiceCo agree not to assign or transfer this Agreement or any of their respective rights or obligations under this Agreement, without the prior written consent of the other party, which such consent shall not be unreasonably or arbitrarily withheld, notwithstanding the foregoing in the event of a sale of its business Client shall have the right to assign this Agreement without the consent of ServiceCo provided that the Purchaser agrees to assume Client's obligations under this Agreement.
- 19.3 If either party becomes insolvent or bankrupt within the meaning of the *Bankruptcy and Insolvency Act* (Canada), the other party may, with notice in writing, immediately terminate this Agreement.
- 19.4 No changes to the terms and conditions of this Agreement will be effective unless specified in an amendment to the Agreement signed by both parties.
- 19.5 If any portion of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion will be severed from this Agreement and will not affect the validity, legality or enforceability of the remaining provisions of this Agreement and the remainder of the Agreement will continue in full force and effect.
- 19.6 Nothing contained herein and no actions taken in accordance with this Agreement shall constitute ServiceCo, or any of its officers, directors, employees, or servants as employees of Client and the parties agree that the nature of ServiceCo's relationship with Client is that of independent contractor.
- 19.7 Any waiver by either party of any obligation under this Agreement must be in writing and will not be deemed or constitute a waiver of that or any other provision (whether or not similar) nor will such waiver constitute a continuous waiver unless otherwise expressly provided.
- 19.8 On termination of this Agreement, all accrued obligations or liabilities and the provisions that by their nature are intended to endure beyond such termination will remain in effect including without limitation, obligations of confidentiality.
- 19.9 This Agreement will be binding on and inure to the benefit of both parties and their respective successors and permitted assigns.
- 19.10 This Agreement will be governed by the laws of the Province of Ontario and in the event that the parties are required to make application to court, the parties agree to be subject to the jurisdiction of the courts of the Province of Ontario.
- 19.11 Each party will execute and deliver such further and other agreements, documents and instruments and do such further acts and things as are within its power and as may be necessary or desirable to fully implement and carry out the intent of this Agreement.

## ARTICLE 20 - Acceptance

20. Both parties, by authorized signatures below, agree that this Agreement is the complete agreement between the parties and replaces all prior communications, agreements and understandings related to the subject matter of this Agreement. There are no warranties, representations, conditions, covenants or other agreements between the parties in connection with the subject matter of this Agreement except those specifically set out herein. The execution of this Agreement has not been induced by, nor do either of the parties rely on or regard as material, any representations not included in this Agreement. No supplement, modification or waiver of this Agreement will be binding unless executed by the parties.

PUC SERVICES INC.

Per:   
Name: D. Parrella  
Position: President & C.E.O.

Per:   
Name: K. D. Bell  
Position: Vice President, Customer Engagement & Business Development

Date: 2016-07-11

We have the authority to bind the Corporation.

ESPANOLA REGIONAL HYDRO  
DISTRIBUTION CORPORATION

Per:   
Name:  
Position:

Per:   
Name:  
Position:

Date: June 21, 2016

I/ We have the authority to bind the Corporation.

## **SCHEDULE 'A' - SERVICES**

The intent of this agreement is to have ServiceCo undertake the oversight, management and control of the business for Client as well as providing identified regular ongoing utility functions, with the aim of providing a stable and reliable electricity distribution service to its customers at a reasonable cost through the provision of the services described below.

### **DESCRIPTION OF MANAGEMENT SERVICES**

The following summary description is intended to set forth the various activities to be undertaken by ServiceCo on behalf of Client under provision of Management Services:

1. Board attendance in person on a quarterly basis or by conference call/video for those meetings not attended to in person.
2. Provision of management oversight and direction to Client's Supervisor, Line Operations.
3. Provision of human resource functions including the evaluation of staff performance, hiring, discharge, promotion, remuneration and planning for training.
4. Oversight, awareness and monitoring for the following requirements:
  - Ongoing operation of the utility including work planning,
  - Regulatory and legislative requirements,
  - Contract administration including labour negotiations and collective agreement as well as third party contracts,
  - Purchasing of capital and operational items,
  - Financial requirements including the review of monthly and annual financial statements, cash flow, regulatory reporting and statistical reporting.
5. Preparation of annual capital and OM&A budgets including a 5 year forecast.
6. Recommending policy to the Board and ensuring that approved policy is carried out.
7. Provision of monthly management reports.

### **DESCRIPTION OF CUSTOMER SERVICES**

The following summary description is intended to set forth the various activities to be undertaken by ServiceCo on behalf of Client under provision of Customer Services:

1. Customer invoice preparation and mailing for both electricity and water consumption. This will include inputting consumption reads provided to ServiceCo by Client, data validation, invoice generation, reporting of hi/low readings, and billing adjustments. This does not include requirements which are the result of the provincial government smart meter initiative, integration with the IESO's MDM/R and implementation and MDMR administration of time-of-use billing.
2. Scheduling and arranging for hydro meter readings having regard to the current time or times that same are scheduled by Client.
3. Cash processing including inputting and processing payments to customer accounts.
4. Collections including monitoring account activity, notifying customers of past due accounts and advising Client of past due accounts as specified by Client policies.
5. Customer service activities including handling customer calls with respect to service, rates, consumption and billing, and issuing customer notifications as required by regulation. Calls not related to services covered by this Agreement will be redirected to Client.
6. Procedures and applications required to support billing requirements as of the date of this Agreement stipulated in the Standard Service Supply and Retail Settlement codes. This will include Electronic Business Transactions, Retail Settlement and MDMA – MV90 services.
7. Billing for unmetered electricity customers including sentinel lights and street lighting.
8. The cost per meter per month rate is to provide the above services for up to 3,700 meters for residential and general service customers.

9. Hosting of the Harris Customer Information System (CIS) and eCare software. This includes administration of software updates and program fixes as covered under the Harris Software Maintenance Agreement. Enhancements for requirements specific to Client and those that are the result of new legislative requirements will be billed at cost plus 10%. Direct software licence and maintenance fees payable by Client are subject to change in accordance with the price schedule from Harris.
10. Costs payable for Electronic Business Transaction (EBT) hub services for retail electricity customers is premised on fees payable to our EBT Service Provider. Current fees are \$0.25 per customer and are subject to a minimum monthly charge of \$150.00. Invoices will be billed at cost plus 15%. Fees payable by Client are subject to change in accordance with the price schedule from the EBT Service Provider.

#### **CLIENT RESPONSIBILITIES**

Client's permanent staff that is in place at the start of the Agreement will continue to perform their current duties. Any changes to Client's staffing levels will be agreed to by ServiceCo and Client.

1. Maintenance on software other than as provided in the Service Schedule.
2. Customization of any software to meet requirements specific to Client.
3. Setup, operations and any charges for communications service between Sault Ste. Marie and Espanola.
4. Any additional licensing fees (Unix, Terminal Server, GUI, etc.) Client will maintain an adequate service level with respect to the number of users.
5. Purchase of additional software that may be required to meet legislative and regulatory requirements.
6. Staff input to annual capital and OM&A budget.

#### **ADDITIONAL SERVICES**

The costs of the following services are not included in the estimated cost of services noted above:

- Cost-of-service study
- Rate applications
- Application of legislation, regulations and code changes
- Ongoing costs related to Smart Meter initiative and the IESO Smart Metering Entity (SME) contract requirements including AMI Network operations
- Engineering services including distribution system design
- Client obligations for IESO FIT Program
- Ontario Regulation 22/04 requirements and compliance
- Accounting services including payroll, account payable, inventory, miscellaneous billing
- Purchasing
- Training required to satisfy legislation and due diligence
- Implementation of International Financial Reporting Standards (IFRS)
- Conservation and Demand Management (CDM) Code requirements and compliance inclusive of the development of a CDM Strategy and achievement of OEB energy conservation targets.

These services will be performed as approved by Client as part of the budget process. The services may be performed by ServiceCo or a third party as approved by Client subject to clause 5.8 above or as otherwise approved by Client. ServiceCo agrees to cooperate and work with such third parties for the purposes of its performance under this agreement.



## SCHEDULE 'B' – FEES

### Price Table

Price (*)	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Management Services</b>	\$156,141.32	\$160,044.86	\$164,045.98	\$167,326.90	\$170,673.44
<b>Customer Services</b>	\$5.26/ meter/month	\$5.39/ meter/month	\$5.53/ meter/month	\$5.64/ meter/month	\$5.75/ meter/month
<b>IT Server Hosting Services</b>	\$7,500.00	\$7,687.50	\$7,879.69	\$8,037.28	\$8,198.03

Please Note: (\*) Applicable taxes not included.

	June 1 2016: 2.75%	June 1 2017: 2.50%	June 1 2018: 2.50%	June 1 2019: 2.0%	June 1 2020: 2.0%
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## **Appendix E**

**Securities Purchase Agreement dated October 12, 2018 between the Sellers,  
NBHHL and NBEAI**

**THE CORPORATION OF THE TOWN OF ESPANOLA**

**- AND -**

**THE CORPORATION OF THE TOWNSHIP OF SABLES - SPANISH RIVERS**

**- AND -**

**NORTH BAY HYDRO HOLDINGS LTD.**

**- AND -**

**NORTH BAY (ESPANOLA) ACQUISITION INC.**

**SECURITIES PURCHASE AGREEMENT**

**October 12, 2018**

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This **SECURITIES PURCHASE AGREEMENT** is made October 12, 2018 (the *Effective Date*)

BETWEEN:

**THE CORPORATION OF THE TOWN OF ESPANOLA**  
a municipal corporation governed by the laws of Ontario

(*Espanola*)

AND

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**  
a municipal corporation governed by the laws of Ontario

(*Sables-Spanish*)

AND

**NORTH BAY HYDRO HOLDINGS LTD.**  
a corporation governed by the laws of Ontario

(the *Guarantor*)

AND

**NORTH BAY (ESPANOLA) ACQUISITION INC.**  
a corporation governed by the laws of Ontario

(the *Purchaser*)

**RECITALS:**

- A. Espanola and Sables-Spanish are hereinafter collectively referred to as the *Vendors*.
- B. The Vendors are the legal and beneficial owners and control all of the issued and outstanding shares in the capital of Espanola Regional Hydro Holdings Corporation (the *Company*), a corporation incorporated under the *Business Corporations Act* (Ontario), as more particularly set forth in Section 2.1.1(a).
- C. The Company is the legal and beneficial owner of all the issued and outstanding common shares in the capital of: (i) Espanola Regional Hydro Distribution Corporation (*ERHDC*), a corporation incorporated under the *Business Corporations Act* (Ontario), and (ii) Espanola Regional Hydro Services Corporation (*ERHSC*), a corporation incorporated under the *Business Corporations Act* (Ontario).

*Act* (Ontario) (ERHDC and ERHSC are collectively referred to as the *Subsidiaries* and individually, a *Subsidiary*).

- D. The Vendors are the legal and beneficial owners and control all of the issued and outstanding special shares in the capital of ERHDC, as more particularly set forth in Section 2.1.1(a).
- E. The Vendors are the legal and beneficial owners and control the Shareholder Notes, as more particularly set forth in Section 2.1.1(b).
- F. The Vendors have agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Vendors all of the Purchased Securities, on the terms and conditions of this Agreement.

THEREFORE, the Parties agree as follows:

## 1 **DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this Agreement will have the meanings given to them in Schedule A.

## 2 **PURCHASE AND SALE**

### 2.1 **ACTION BY VENDORS AND PURCHASER**

Subject to the provisions of this Agreement, at the Closing Time:

#### 2.1.1 **Purchase and Sale of Purchased Securities.**

- (a) The Vendors shall sell, and the Purchaser shall buy, the Purchased Shares, as set forth below:

<u>Class of Shares</u>	<u>Issued</u>	<u>Entity</u>	<u>Shareholder</u>
Special	177	ERHDC	Espanola
Common	810	Company	Espanola
Special	51	ERHDC	Sables-Spanish
Common	190	Company	Sables-Spanish



- (b) The Vendors currently hold promissory notes issued by ERHDC in the following principal amounts (each, a *Shareholder Note*):

<u>Principal Amount</u>	<u>Shareholder</u>	<u>Debtor</u>
\$1,185,416	Espanola	ERHDC
\$339,095	Sables-Spanish	ERHDC

Each Vendor and ERHDC shall: (i) amend and restate each Shareholder Note in its entirety on the Closing Date on the same terms and conditions applicable to such Shareholder Note on the Effective Date, subject in each case to a reduction of the principal amount of such Shareholder Note to the aggregate amount of the indebtedness outstanding on the Closing Date under such Shareholder Note (the *Amended and Restated Shareholder Notes*), and (ii) cancel, without interest or penalty, each existing Shareholder Note.

#### **2.1.2 Payment of Purchase Price.**

The Purchaser shall pay the Purchase Price to the Vendors as provided in Section 3.1.

#### **2.1.3 Transfer and Delivery of the Purchased Securities.**

On Closing, the Vendors shall transfer and deliver to the Purchaser: (i) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record, and (ii) the Amended and Restated Shareholder Notes, together with a duly executed assignment in favour of the Purchaser in respect of such Amended and Restated Shareholder Notes.

#### **2.1.4 Other Documents.**

The Vendors shall deliver all such other deeds, conveyances, assurances, transfers and assignments and any other instruments necessary or reasonably required to transfer the Purchased Securities to the Buyer with good title, free and clear of all Encumbrances.

### **2.2 ELECTRONIC CLOSING AND USB FORMAT RECORD BOOKS**

The Closing will take place on the Closing Date by means of an electronic closing in which the closing documentation will either be: (i) delivered by electronic mail, or (ii) uploaded to an electronic data site, and all signature pages in pdf or functionally equivalent electronic format will be exchanged between the Parties by e-mail or uploaded to such electronic data site, as applicable, which delivery will be effective without any further physical exchange of the originals or copies of the originals, subject

to prior delivery of the original Purchased Securities and minute books of the Company, ERHDC and ERHSC to the offices of the Purchaser's solicitors, Borden Ladner Gervais LLP located at East Tower, Bay Adelaide Centre, 22 Adelaide St. W., Suite 3400, Toronto, Ontario, M5H 4E3, to be held in escrow by the Purchaser's solicitors until Closing. After the Closing, the Purchaser's solicitors will deliver three (3) USB format "memory" sticks containing complete electronic copies of the closing documentation to the Vendors' solicitor, Damiani Law, 1-225 Edgeley Blvd, Concord, Ontario L4K-3Y7.

## 2.3 TENDER

Any tender of documents under this Agreement shall be made upon the Parties or their respective counsel. Any tender of money under this Agreement shall be made by wire transfer to an account designated in writing by the Party entitled to receive the payment.

## 3 PURCHASE PRICE

### 3.1 PURCHASE PRICE

The aggregate amount payable by the Purchaser for the Purchased Securities shall be **SEVEN MILLION NINE HUNDRED AND EIGHTY-NINE THOUSAND FIVE HUNDRED AND THIRTY (\$7,989,530.00) DOLLARS**, as adjusted in accordance with the procedures set forth in Section 3.4 for any increase or decrease, as the case may be, for any changes between the Initial Shareholders' Equity and the Closing Date Shareholders' Equity, which change represents the cumulative comprehensive net income or loss of ERHDC from December 31, 2016 to the Closing Date, less any cumulative dividends paid between December 31, 2016 and the Closing Date.

### 3.2 DEPOSIT

3.2.1 Concurrently with the execution of this Agreement, the Purchaser will pay to the Purchaser's solicitors in trust, the sum of \$200,000 as a deposit (the *Deposit*). The Deposit shall be held by the Purchaser's solicitors pending Closing in an interest-bearing account under the terms of the Escrow Agreement and will be dealt with in accordance with the following provisions:

- (a) If the Closing does not occur by reason of the failure of the Purchaser to satisfy its obligations set out in Section 8.2, the full amount of the Deposit will be released from trust and forfeited and become the property of and be retained by the Vendors and the Parties will issue a joint instruction in accordance with the terms of the Escrow Agreement to that effect, unless the Purchaser disputes that the Deposit should be forfeited. The entitlement of the Vendors to retain the Deposit in such circumstances shall not limit the Vendors' rights to exercise any

other remedies which the Vendors may have against the Purchaser in respect of the non-completion of the transactions contemplated by this Agreement.

- (b) If the Closing does not occur for any reason other than as set forth in Section 3.2.1(a), the Deposit will be released from trust (together with any interest thereon) and returned to the Purchaser, and the Parties will issue a joint instruction in accordance with the terms of the Escrow Agreement to that effect.

### 3.3 PAYMENT OF PURCHASE PRICE

Subject to adjustment in accordance with Section 3.1 and Section 3.4, the Purchase Price for the Purchased Securities shall be paid to the Vendors on the Closing Date as follows:

- 3.3.1 at the Closing Time by release of the Deposit to the Vendors; and
- 3.3.2 as to the balance of the Purchase Price, by wire transfer from the Purchaser to the Vendors' solicitor, in trust.

### 3.4 PURCHASE PRICE ADJUSTMENT

- 3.4.1 Within ninety (90) days after Closing, the Vendors will cause to be prepared and delivered to the Purchaser:
  - (a) audited non-consolidated financial statements of the Company and its Subsidiaries for the fiscal period ended on the day immediately prior to the Closing Date, prepared in accordance with IFRS, consistently applied and on the same basis as the Financial Statements, consisting of a balance sheet as of such date and statements of operation, retained earnings and cash flow for such period, together with notes thereto as of such date (the *Closing Date Financial Statements*); and
  - (b) a statement that calculates the change between the Initial Shareholders' Equity and the Closing Date Shareholders' Equity prepared in accordance with Schedule B (the *Purchase Price Adjustment Statement*).
- 3.4.2 The Purchaser will have fifteen (15) days following delivery to review the Purchase Price Adjustment Statement. The Purchaser will be deemed to have accepted and agreed to the Purchase Price Adjustment Statement unless the Purchaser delivers a written notice to the Vendors setting forth the specific items disputed by the Purchaser on or prior to the fifteenth (15<sup>th</sup>) day following the delivery of the Purchase Price Adjustment Statement (the *Purchaser's Objection*). If the Purchaser delivers a Purchaser's Objection, the Vendors and the Purchaser will, within fifteen (15) days following the delivery of the Purchaser's Objection to the Vendors (the *Purchase Price Adjustment Statement Resolution Period*), attempt to resolve the matters set forth in the Purchaser's Objection.

3.4.3 If the Purchaser and the Vendors do not resolve all disputed items in the Purchaser's Objection by the end of the Purchase Price Adjustment Statement Resolution Period, within fifteen (15) days after the expiration of the Purchase Price Adjustment Statement Resolution Period, all items remaining in dispute shall be submitted by the Parties to a senior partner of a Neutral Auditor. Each Party will deliver to the Neutral Auditor a written statement concerning the disputed items setting out, with particularity, the Party's position with respect to such disputed items and the material facts that such Party is relying upon in connection therewith. The Neutral Auditor shall act as an arbitrator to resolve those items in dispute. All fees and expenses relating to the work, if any, to be performed by the Neutral Auditor will be borne equally by the Parties. The Neutral Auditor will deliver to the Purchaser and the Vendors a written determination (such determination will include a work sheet setting forth all material calculations used in arriving at such determination and to be based solely on information provided to the Neutral Auditor by the Purchaser and the Vendors within ten (10) days of the items in dispute having been submitted to the Neutral Auditor) of the disputed items within fifteen (15) days of receipt of the disputed items, which determination will be final, binding and conclusive on the Parties. The final, binding and conclusive purchase price adjustment statement, which is either:

(a) agreed upon by the Purchaser and the Vendors (and which agreement may still arise regardless of whether the Parties proceed to have the matter determined by a senior partner of a Neutral Auditor); or

(b) delivered by the Neutral Auditor in accordance with this Section 3.4.3,

will be the *Conclusive Purchase Price Adjustment Statement*.

In the event that either the Purchaser or the Vendors fail to submit their statements regarding any items remaining in dispute within the time determined by the Neutral Auditor in accordance with this Section 3.4.3, the Neutral Auditor shall render its decision based solely on the statement and supporting evidence submitted to the Neutral Auditor by the applicable Parties. The Closing Date Financial Statements will be modified to the extent required to give effect to the Neutral Auditor's determination and will be deemed to have been approved as of the date of the Neutral Auditor's decision.

3.4.4 On the second Business Day following the date on which the Conclusive Purchase Price Adjustment Statement is final and binding on the Parties in accordance with Section 3.4.3, the Purchase Price will be adjusted as follows:

(a) if the Closing Date Shareholders' Equity exceeds the Initial Shareholders' Equity, the Purchase Price will be increased by the amount of that excess;

- (b) if the Closing Date Shareholders' Equity has decreased from the Initial Shareholders' Equity, the Purchase Price will be decreased by the amount of that decrease; and
- (c) if the Closing Date Shareholders' Equity is equal to the Initial Shareholders' Equity, the Purchase Price will not be adjusted.

The aggregate adjustment to the Purchase Price pursuant to this Section 3.4.4 shall be the *Purchase Price Adjustment*. The Vendors or the Purchaser, as the case may be, will then immediately pay an amount equal to the Purchase Price Adjustment owed to the applicable Party, if any, as a result of the adjustments set forth in this Section 3.4.4.

### 3.5 THIRD PARTY CONSENTS

The Vendors will, at their sole cost and expense, obtain all consents with, to or from third parties (other than the OEB), including the parties to the Material Contracts and the Permitted Financing on terms and conditions acceptable to the Purchaser, acting reasonably, so that the change in control of the Company and its Subsidiaries and the transactions contemplated by this Agreement may be completed without resulting in the violation of, or a default under, or any termination, amendment (except for any amendments expressly contemplated by this Agreement) or acceleration of any obligation under any Material Contract, the Permitted Financing or affecting the Business, the Company or any Subsidiary, including those listed on Schedule Q (collectively, the *Third Party Consents*). The Purchaser shall cooperate with the Vendors and provide such reasonable assistance and provide such information as may be reasonably required by such third parties in connection with obtaining such consent.

### 3.6 ALLOCATION OF PURCHASE PRICE

The Purchase Price shall be allocated in accordance with the provisions of Schedule C, provided that if the Purchase Price is adjusted by a Purchase Price Adjustment pursuant to Section 3.4, the amount of such Purchase Price Adjustment shall be allocated to the common shares in the capital of the Company. Each of the Vendors and the Purchaser shall report the purchase and sale of the Purchased Securities in any Tax Returns in accordance with the provisions of Schedule C.

## 4 REPRESENTATIONS AND WARRANTIES OF THE VENDORS

Each Vendor represents and warrants to the Purchaser as follows in this Section 4 and acknowledges that the Purchaser is relying upon these representations and warranties in connection with the purchase of the Purchased Securities.

### 4.1 EXISTENCE

Each Vendor is a municipal corporation validly existing under the laws of the Province of Ontario.

## **4.2 ORGANIZATION**

4.2.1 The Company is a corporation duly incorporated and validly existing under the laws of the Province of Ontario and has all necessary corporate power, authority and capacity to own its assets and to carry on its Business as presently conducted.

4.2.2 Each of the Subsidiaries is a corporation duly incorporated and validly existing under the laws of the Province of Ontario and has all necessary corporate power, authority and capacity to own its assets and to carry on its Business as presently conducted.

## **4.3 RESIDENCE**

Each of the Vendors, the Company and the Subsidiaries is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

## **4.4 SUBSIDIARIES**

The Company does not have any subsidiaries other than the Subsidiaries and does not have any Contracts of any nature to acquire, directly or indirectly, any securities in any Person and the Company does not have any Contracts to acquire or lease by any manner whatsoever any other business operations of any kind. The Subsidiaries do not have any subsidiaries and do not have any Contracts of any nature to acquire, directly or indirectly, any securities in any Person and no Subsidiary has any Contracts to acquire or lease by any manner whatsoever any other business operations of any kind.

## **4.5 TITLE TO PURCHASED SECURITIES AND RIGHT TO SELL**

Each Vendor is the legal and beneficial owner of the Purchased Securities set opposite the Vendor's name in Section 2.1.1(a) and Section 2.1.1(b) and has good title to them, free and clear of any Encumbrances (other than the rights of the Purchaser hereunder). At Closing, each Vendor will have the absolute and exclusive right to sell and transfer the Purchased Securities to the Purchaser as contemplated by this Agreement and such sale and transfer does not and will not violate, contravene, breach or offend against or result in any default under any Contract, charter or by-law provision of the Vendors, the Company and its Subsidiaries, any Order, judgment, decree, license, permit or Law to which the Vendors are a party or subject or by which the Vendors are bound or affected. The Company is the sole legal and beneficial owner of all of the common shares in the capital of ERHDC and ERHSC and has good title to them, free and clear of any Encumbrances.

#### 4.6 CAPITALIZATION

The authorized and issued share capital of the Company and each of the Subsidiaries is as set forth in Schedule D. All of the Purchased Shares and all the common shares in each of the Subsidiaries have been duly and validly issued and are outstanding as fully paid and non-assessable shares. No options, warrants or other rights to purchase shares or other securities of the Company or of any of the Subsidiaries (whether by Law, pre-emptive right, contractual right or otherwise) and no securities or obligations convertible into or exchangeable for shares or other securities of the Company or any of the Subsidiaries have been authorized or agreed to be issued or are issued and outstanding. There are no other shares in the capital of the Company and its Subsidiaries issued and outstanding shares other than as set out as set forth in Schedule D.

#### 4.7 DUE AUTHORIZATION AND ENFORCEABILITY OF OBLIGATIONS

Each Vendor has all necessary power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary action on the part of each Vendor. This Agreement constitutes a valid and binding obligation on each Vendor, enforceable against each of them in accordance with its terms subject to any limitations imposed by Law.

#### 4.8 ABSENCE OF CONFLICTS

4.8.1 Except for the requirement for the Required Approval and Third Party Consents, none of the Company or any of the Subsidiaries is a party to, bound or affected by or subject to any:

- (a) Contract;
- (b) charter or by-law; or
- (c) Laws or Governmental Authorizations

taken as a whole, which would be violated, breached by, or under which default would occur or an Encumbrance would be created as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement to be entered into under the terms of this Agreement.

4.8.2 There has been no sale, assignment, subletting, licensing or granting of any rights in or other disposition of or in respect of any of the Company's or any of the Subsidiaries' assets or any granting of any agreement or right capable of

becoming an agreement or option for the purchase, assignment, subletting, licensing or granting of any rights in or other disposition of any of such assets other than pursuant to the provisions of, or as disclosed in, this Agreement or in the Ordinary Course.

#### **4.9 CONSENTS AND APPROVALS**

No approval, Order, consent of or filing with any Governmental Authority or any third party is required, other than:

- 4.9.1 the Required Approval;
- 4.9.2 the notice contemplated in Section 7.2; and
- 4.9.3 the Third Party Consents

on the part of each Vendor or the Company and its Subsidiaries, as applicable, in connection with the execution, delivery and performance of this Agreement or any other documents and agreements to be delivered under this Agreement or the performance of each Vendor's obligations under this Agreement or any other documents and agreements to be delivered under this Agreement other than those approvals, Orders, consents or filings where any failure to obtain or perform would not have a Material Adverse Effect.

#### **4.10 FINANCIAL STATEMENTS, 2017 FINANCIAL STATEMENTS AND CLOSING DATE FINANCIAL STATEMENTS**

The Financial Statements and the 2017 Financial Statements:

- 4.10.1 have been, and the Closing Date Financial Statements will be, prepared in accordance with IFRS, applied on a basis consistent with that of the preceding periods;
- 4.10.2 are, and the Closing Date Financial Statements will be, complete and accurate in all respects;
- 4.10.3 accurately disclose, and the Closing Date Financial Statements will accurately disclose, the assets, liabilities and financial condition of the Company and each Subsidiary on a non-consolidated basis and the results of the operations of the Company and each Subsidiary on a non-consolidated basis, as at the dates thereof and for the periods covered thereby;
- 4.10.4 reflect, and the Closing Date Financial Statements will reflect, all proper accruals as at the dates thereof and for the periods covered thereby of all amounts which,



though not payable until a time after the end of the relevant period, are attributable to activities undertaken during or prior to that period; and

- 4.10.5 contain or reflect, and the Closing Date Financial Statements will contain or reflect, adequate provision for all liabilities and obligations of the Company and each Subsidiary as at the date thereof.

No information has become available to the Vendors, the Company or any Subsidiary that would render the Financial Statements or the 2017 Financial Statements incomplete or inaccurate.

#### **4.11 SHAREHOLDER NOTES AND NON-ARM'S LENGTH TRANSACTIONS**

There are no debts, liabilities or other obligations owing by the Company or any of the Subsidiaries to each of the Vendors other than:

- 4.11.1 the Shareholder Notes;
- 4.11.2 any outstanding amounts for water and wastewater collected on behalf of Espanola by ERHDC pursuant to the terms of the PUC Services Agreement; and
- 4.11.3 trade receivables and trade payables incurred in the Ordinary Course, which, in the aggregate, are not material to a purchaser of the Purchased Securities.

Except for the Shareholder Notes, none of the Company nor any Subsidiary has made any payment or loan to, or borrowed any moneys from or is otherwise indebted to, any officer, director, Employee, shareholder or any other Person not dealing at arm's length with the Company or any Subsidiary (within the meaning of the Tax Act), except for usual employee reimbursements and compensation paid in the Ordinary Course and except for benefits paid in accordance with Benefit Plans. Except for Contracts of employment and Benefit Plans, none of the Company nor any Subsidiary is a party to any Contract with any officer, director, Employee, shareholder or any other Person not dealing at arm's length with the Company or any Subsidiary (within the meaning of the Tax Act). No officer, director or shareholder of the Company or any Subsidiary and no entity that is an Affiliate of one or more of those Persons, owns, directly or indirectly, any interest in, or is a lessor, lessee, supplier, distributor or sales agent of the Business.

#### **4.12 ABSENCE OF UNDISCLOSED LIABILITIES**

The Company and the Subsidiaries have not incurred any liabilities, obligations, indebtedness or commitments and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise), which continue to

be outstanding except as disclosed in the Closing Date Financial Statements, Schedule E or incurred in the Ordinary Course and which do not have a Material Adverse Effect.

#### 4.13 **ABSENCE OF CHANGES AND UNUSUAL TRANSACTIONS**

4.13.1 Since the date of the Financial Statements, except as contemplated by this Agreement, there has not been:

- (a) any change in the financial condition, operations, results of operations, or business of the Company and its Subsidiaries, which has had a Material Adverse Effect; or
- (b) any loss, labour trouble, or other event or development suffered by the Company and its Subsidiaries which, has had, or may reasonably be expected to have, a Material Adverse Effect.

4.13.2 Since the date of the Financial Statements, the Company and its Subsidiaries have carried on their respective Business and conducted their operations and affairs only in the Ordinary Course and the Company and its Subsidiaries have not:

- (a) made or suffered any Material Adverse Effect;
- (b) suffered any damage, destruction or loss (whether or not covered by insurance) affecting their assets;
- (c) incurred any liability, obligation, indebtedness or commitment (whether accrued, absolute, contingent or otherwise, and whether due or to become due), other than unsecured current liabilities, obligations, indebtedness and commitments incurred in the Ordinary Course;
- (d) paid, discharged or satisfied any Encumbrance, liability, obligation, indebtedness or commitment of the Company or its Subsidiaries other than payment of accounts payable, loan instalments and Tax liabilities incurred in the Ordinary Course;
- (e) declared, set aside or paid any dividend or made any other distribution with respect to any shares in the capital of the Company or its Subsidiaries or redeemed, repurchased or otherwise acquired, directly or indirectly, any such shares;
- (f) issued or sold or entered into any Contract for the issuance or sale of any shares in the capital of or securities convertible into or exercisable for shares in the capital of the Company or its Subsidiaries;

- (g) made or granted, or entered into any agreement to make or grant, any licence, sale, assignment, transfer, disposition, pledge, mortgage or security interest or other Encumbrance of, on or over any of the assets of the Company or its Subsidiaries;
- (h) made any write-down of the value of any accounts receivable of a material nature or any portion thereof;
- (i) cancelled any debts or claims or made any amendment, termination or waiver of any rights thereto;
- (j) made any capital expenditures or commitments of the Company or its Subsidiaries in excess of \$50,000 not otherwise disclosed in writing to the Purchaser;
- (k) made any forward purchase commitments in excess of \$50,000;
- (l) made any change in the accounting, costing or tax practices followed by the Company or its Subsidiaries;
- (m) made any change adopted by the Company in its depreciation or amortization policies or rates;
- (n) terminated, cancelled or modified or received any notice of a request for termination, cancellation or modification of any Material Contract; or
- (o) authorized or agreed to or otherwise committed to do any of the foregoing.

#### **4.14 TITLE TO CERTAIN ASSETS**

Each of the Company and the Subsidiaries is the sole legal and beneficial owner of all of its Tangible Personal Property and other undertakings, property and assets not otherwise the subject of specific representations and warranties in this Section 4 including all of the Tangible Personal Property, undertakings, property and assets reflected in the most recent balance sheet included in the Financial Statements with good and marketable title, free and clear of all Encumbrances other than Permitted Encumbrances.

#### **4.15 CONDITION OF CERTAIN ASSETS**

All Tangible Personal Property are in good operating condition and repair and are reasonably fit and usable for the purposes for which they are being used, having regard to ordinary wear and tear, usage, age and scheduled maintenance. All Tangible Personal Property have been maintained in accordance with Applicable Law.

#### 4.16 BUSINESS IN COMPLIANCE WITH LAW

Each of the Company and the Subsidiaries is conducting its Business in compliance with all applicable Laws where failure to do so would have a Material Adverse Effect. The Company and the Subsidiaries do not conduct the Business within any jurisdictions other than the Province of Ontario.

#### 4.17 REAL PROPERTY

- 4.17.1 Schedule F sets forth a complete and accurate list of the Real Property including complete legal descriptions. Neither the Company nor any Subsidiary are the beneficial or registered owner of any Real Property other than as set forth in Schedule F. The Company and its Subsidiaries do not lease any real property of any kind.
- 4.17.2 Schedule G sets forth a complete and accurate list of the Easements and the Unregistered Easements. Neither the Company nor any Subsidiary are the beneficial or registered owner of any Easements other than as set forth in Schedule G. Neither the Company nor any Subsidiary use or occupy any real property in connection with the undertaking of the Business except with respect to the Real Property, the lands that are the subject of the Easements, Unregistered Easements and, to the Vendors' Knowledge, any lands that are the subject of Uncovered Real Estate Rights.
- 4.17.3 The Company or the named Subsidiary, as the case may be, have the exclusive right to possess, use and occupy the Real Property and the Easements, and are the legal and beneficial owner of the Real Property and the Easements, free and clear of all Encumbrances or other restrictions of any kind other than Permitted Encumbrances. Neither the Company nor any of the Subsidiaries has agreed to acquire or lease any real property.
- 4.17.4 Neither the Vendors, the Company nor any of the Subsidiaries has received any notices of violation of any Applicable Laws against or affecting any Real Property, the Easements, the lands which are subject to the Easements, the Unregistered Easements and any lands which are subject to the Uncovered Real Estate Rights, and, to the Vendors' Knowledge, there are no pending or threatened notices of violation of any Applicable Laws against or affecting any Real Property or the Easements, or the interest of ERHDC in the lands which are subject to the Easements, Unregistered Easements and any lands which are subject to Uncovered Real Estate Rights.
- 4.17.5 The Real Property and the Easements provides the required rights of occupancy, possession, use, entry and exit, as applicable, as are reasonably necessary to carry on the Business applicable to such Real Property. To the Vendor's Knowledge,

the Unregistered Easements provide the required rights of occupancy, possession, use, entry and exit, as applicable, as are reasonably necessary to carry on the Business applicable to such Unregistered Easements.

- 4.17.6 The Real Property and the Easements the current uses of and the conduct of the Business on the Real Property and the Easements applicable to such Real Property complies with all Applicable Laws, and comply with all applicable restrictive covenants which constitute Permitted Encumbrances. To the Vendor's Knowledge, the current uses of and the conduct of the Business on the Unregistered Easements and the Uncovered Real Estate Rights applicable to such Unregistered Easements and such Uncovered Real Estate Rights comply with all Applicable Laws and comply with all applicable restrictive covenants which constitute Permitted Encumbrances.
- 4.17.7 Other than as listed in Schedule S, no Person has any right to purchase any of the Real Property or any Easement and no Person other than the Company or any of the Subsidiaries is using or has any right to use, is in possession or occupancy, of any part of the Real Property. To the Vendors' Knowledge (which for the purposes of this Section 4.17.7, Vendors' Knowledge means the best of the knowledge, information and belief of the Vendors after having asked the relevant representatives of the Company, its Subsidiaries and PUC Services Inc. and, reviewed the relevant records in the possession of the Vendors, the Company, the Subsidiaries and PUC Services Inc. and nothing further), no Person has any right to purchase any of the lands subject to the Easements, Unregistered Easements and Uncovered Real Estate Rights and no Person other than the Company or any of the Subsidiaries is using or has any right to use, is in possession or occupancy, of any part of the Easements, Unregistered Easements or any Uncovered Real Estate Rights.
- 4.17.8 Neither the Vendors, the Company or any of the Subsidiaries has entered into any contract to sell, transfer, encumber or otherwise dispose of or impair the right, title and interest of the Company or any of the Subsidiaries in and to the Real Property, the Easements and the Unregistered Easements, except in connection with any Permitted Encumbrances.
- 4.17.9 Neither the Vendors, the Company or any of the Subsidiaries, has received any notification of:
- (a) any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by laws) with Applicable Law, including, building and zoning by-laws and regulations with respect to the Real Property, the Easements, the Unregistered Easements or Uncovered Real Estate Rights; and/or

- (b) any outstanding or incomplete work orders in respect of any Fixed Assets located on Real Property, the Easements, the Unregistered Easements or Uncovered Real Estate Rights.

To the Vendors' Knowledge, no municipal by-laws which would reasonably be expected to have a Material Adverse Effect on the Business is currently being contemplated by the Vendors.

4.17.10 All accounts for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets on Real Property, Unregistered Easements and Uncovered Real Estate Rights on behalf of the Vendors, the Company or any of the Subsidiaries have been fully paid or accrued, and, to the Vendors' Knowledge, no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or similar legislation for such work.

4.17.11 To the Vendors' Knowledge (which for the purposes of this Section 4.17.11 Vendors' Knowledge means the best of the knowledge, information and belief of the Vendors after having asked the relevant representatives of the Company, its Subsidiaries and PUC Services Inc. and, reviewed the relevant records in the possession of the Vendors, the Company, the Subsidiaries and PUC Services Inc. and nothing further), there are no matters affecting the right, title and interest of the Company or any of the Subsidiaries, as applicable, in and to the Real Property, the Easements, the Unregistered Easements and Uncovered Real Estate Rights which could have a Material Adverse Effect on the ability of the Company or any of the Subsidiaries to carry on its Business thereon.

4.17.12 No part of the Real Property or the Easements or, to the Vendors' Knowledge, the lands subject to the Unregistered Easements have been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced.

4.17.13 To the Vendors' Knowledge, the Permitted Encumbrances constitute all of the Encumbrances, Contracts and other matters that affect the Real Property of the Company or the named Subsidiary, as the case may be, and there is no breach or default under any of the Permitted Encumbrances.

4.17.14 To the Vendors' Knowledge, there are no material or structural repairs or replacements that are necessary to the building located at 598 Second Avenue, Espanola, Ontario.

4.17.15 No amount of Taxes payable in respect of any Real Property or the Easements other than current accounts in respect of which the payment due date has not yet passed; and there are no levies, charges or fees assessed against the Real Property

by any Governmental Authority (including without limitation development or improvement levies, charges or fees) which have not been paid in full or accrued.

#### 4.18 INTELLECTUAL PROPERTY

Schedule H sets forth and describes all trade secrets and any licensed property or technology used in whole or in part by the Business, and all material trademarks, trade names, service marks, brand names, patents, copy rights, industrial designs and other industrial property rights, and all applications therefor (collectively, the *Intellectual Property*), in each case specifying whether the item is owned by the Company or any Subsidiaries or is used by the Company or any Subsidiaries under a licence agreement or arrangement from another Person. The use by the Company and each Subsidiary of any Intellectual Property owned by third parties is valid, and neither the Company nor any Subsidiary is in default or breach of any licence agreement relating to that Intellectual Property, and there exists no state of facts which, after notice or lapse of time or both, would constitute a default or breach. The conduct by the Company and each Subsidiary of its Business does not infringe the Intellectual Property of any Person.

#### 4.19 ENVIRONMENTAL MATTERS

The Company and the Subsidiaries have been and are in compliance with all Environmental Laws other than non-compliance which in the aggregate does not have a Material Adverse Effect. Any Release by the Company or any Subsidiaries of any Hazardous Substance into the Environment complied and complies in all material respects with all applicable Environmental Laws. To the Vendors' Knowledge, all Environmental Approvals required for the operation of the Business have been obtained and are valid and in full force and effect. To the Vendors' Knowledge, each such Environmental Approvals is held in the name of ERHDC and is valid, subsisting and in good standing and neither the Company nor any Subsidiary are in default or breach of any Environmental Approval and no proceeding is pending or threatened to revoke or limit any Environmental Approval. None of the Company or any of the Subsidiaries or any of their respective operations is the subject of any Remedial Order or, to the Vendors' Knowledge, is any investigation or evaluation threatened as to whether any such Remedial Order is necessary. The Company or its Subsidiaries have never been prosecuted for or convicted of any offence under Environmental Laws, nor have any of them been found liable in any proceeding to pay any damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Laws. No notice has been received by the Vendors or by the Company or its Subsidiaries of any investigation or evaluation by any Governmental Authority or of any Claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence under Environmental Laws by any of the foregoing has occurred. There are no Claims that have been threatened or commenced against the Company or its Subsidiaries as a result of any Release or

threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws. To the Vendors' Knowledge, there are no Hazardous Substances in, on or under the Real Property. The Company and its Subsidiaries have not caused or permitted the Release of any Hazardous Substance at, on or under the Real Property or real property to which the Unregistered Easements, any real property previously owned, leased, occupied or used by the Company or its Subsidiaries or off-site of such properties, except in compliance with Environmental Laws. No underground or above-ground storage tanks of PCB storage facilities are or, to the Vendors' Knowledge, have been located on any Real Property or real property previously owned, leased occupied or used by the Company and its Subsidiaries.

#### 4.20 EMPLOYEES

4.20.1 The Confidential Disclosure Schedule contains a complete and accurate list of the names of all individuals who are employees of the Company or any Subsidiaries (the *Employees*) specifying name, job title, hire date, professional designation, whether they are union or non-union, regular hours of work, hourly rate and any salary to which they are entitled (the *Employee Fact Sheet*).

4.20.2 Except as disclosed in the Employee Fact Sheet, no Employee is on disability or other type of leave, or receiving benefits pursuant to the *Workplace Safety and Insurance Act* (Ontario).

4.20.3 The Company and the Subsidiaries have operated in material compliance with all applicable Laws relating to employees, including employment standards and all laws relating to full or in part to the protection of employee health and safety, human rights, labour relations and pay equity. Except as disclosed in the Employee Fact Sheet:

- (a) there have been no Claims in the past four (4) years nor, to the best of the Vendors' Knowledge, are there any threatened Claims, under such laws against the Company or any Subsidiaries;
- (b) to the Vendors' Knowledge, nothing has occurred in the past four (4) years which might lead to a Claim or complaint against the Company or any Subsidiaries, under any such Laws; and
- (c) there are no outstanding decisions or settlements or pending settlements which place any obligation upon the Company or any Subsidiaries to do or refrain from doing any act with respect to its Employees, save and except as provided in this Agreement.

Except as disclosed in the Employee Fact Sheet, all assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business of the Company or any Subsidiaries have been paid or accrued and the Company and the Subsidiaries are not



subject to any special or penalty assessment under such legislation which has not been paid or accrued.

#### 4.21 EMPLOYMENT CONTRACTS AND COMMITMENTS

Except as set forth in the Employee Fact Sheet or the Confidential Disclosure Schedule, the Company and the Subsidiaries is not a party to or bound by any of the following:

- 4.21.1 any offer, employment or consulting Contract or any other written Contract with any officer, employee or consultant, including any agreements or arrangements relating to compensation, other than oral Contracts of indefinite hire terminable by the Company or any Subsidiaries without cause on reasonable notice;
- 4.21.2 any offer, employment or consulting Contract for the employment or retainer of any Person which provides for annual salary and bonus payments of more than \$100,000 in the aggregate to any single Person;
- 4.21.3 retention bonus agreement or employment Contract providing for cash or other compensation or benefits upon the consummation of the transactions contemplated by this Agreement;
- 4.21.4 subject to any restrictions and conditions in OEB licences or applicable Laws, contract or commitment limiting the freedom of the Company or any Subsidiaries to engage in any line of business or to compete with another Person; or
- 4.21.5 any agreement obligating the Company or any Subsidiaries to provide payment to any employee or other compensation or benefits upon or as a result of the transactions contemplated by this Agreement.

#### 4.22 COLLECTIVE AGREEMENTS

- 4.22.1 Schedule I sets forth a complete and accurate list of all collective bargaining agreements between the Company and the Subsidiaries and their respective employees. Except as set forth in Schedule I (the *Collective Agreement*), neither the Company or any of the Subsidiaries are a party to or bound by or subject to any other agreement or arrangement with any labour union or employee association and neither the Company or any of the Subsidiaries have made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement and no labour union or employee association has any bargaining or representation rights in respect of the Company or any of the Subsidiaries or any employee of the applicable Company or any of the Subsidiaries.

4.22.2 As of the Effective Date, there is no strike or lockout occurring or affecting, or to the Vendors' Knowledge threatened against the Company or any of the Subsidiaries. There is no work stoppage or other concerted action, grievance or dispute existing or, to the Vendors' Knowledge, threatened against the Company or any of the Subsidiaries with respect to any of their employees.

#### 4.23 BENEFIT PLANS

Schedule J sets forth a complete accurate list of all Benefit Plans. Except as set forth in Schedule J, neither the Company or any of the Subsidiaries are party to, bound by, subject to and does not have any liability relating to any of the following:

- 4.23.1 any Benefit Plans, whether funded or unfunded, formal or informal, written or unwritten, that is maintained, administered, contributed to, or required to be maintained or contributed to, by the Company or any Subsidiary, or to which the Company or any Subsidiary is a party, for the benefit of the Employees and their respective beneficiaries and dependents, other than Statutory Plans;
- 4.23.2 other than the OMERS Plan, a true and complete copy of each Benefit Plan (as amended to date) together with true and complete copies of all material documents relating to each Benefit Plan, including, as applicable, all current booklets, summaries, notices or manuals prepared for or circulated to Employees generally concerning each Benefit Plan and all premium and rate tables, most recent actuarial valuation reports, financial statements and reports and all documents that create and support each Benefit Plan, and all contracts or other agreements through which the Company or any Subsidiary obtains, funds or provides benefits under the Benefit Plans have been provided to the Purchaser;
- 4.23.3 all employee data necessary to administer the Company or any Subsidiary participation in the Benefit Plans and is complete and correct in all material respects and in a form which is sufficient in all material respects for the proper administration of the Company or any Subsidiary's participation in the Benefit Plans in accordance with the terms thereof and all Applicable Laws;
- 4.23.4 other than the OMERS Plan there are no pension or retirement plans or arrangements in which Employees or former employees of the Company or any Subsidiary (as applicable) participate and/or to which the Company or any Subsidiary contribute to in respect of such Employees or former employees, as applicable;
- 4.23.5 to the Vendors' Knowledge there is no investigation by a Governmental Authority or Claim (other than routine claims for payment of benefits) pending or threatened involving any Benefit Plan (including the OMERS Plan) or its assets, and no facts exist which could reasonably be expected to give rise to any

such investigation or Claim (other than routine claims for payment of benefits); and

- 4.23.6 to the Vendors' Knowledge, the level of insurance reserves or accruals, if any, under any insured or self-insured Benefit Plan, is reasonable and sufficient to provide for all incurred but unreported claims, and the transactions contemplated in this Agreement will not alone or together with any additional or subsequent event, result in or require any payment or severance, or the acceleration, vesting or increase in benefits under any Benefit Plan. To the Vendors' Knowledge, all financial obligations and accrued liabilities with respect to each Benefit Plan have been or will be satisfied and paid in full as of the Closing Date, or full and adequate disclosure of and provision for such financial obligations and accrued liabilities have been or will be made in the Books and Records, the Financial Statements, the 2017 Financial Statements and the Closing Date Financial Statements.

#### 4.24 **BANK ACCOUNTS**

The Confidential Disclosure Schedule sets forth a true, accurate and complete list of every financial institution in which the Company or any Subsidiaries maintains any depository account, trust account or safety deposit box and the names of all Persons authorized to draw on or who have access to such accounts or safety deposit box.

#### 4.25 **MATERIAL CONTRACTS AND OTHER CONTRACTS**

Schedule K sets forth a true, accurate and complete list of every Material Contract. The Material Contracts listed in Schedule K are all in full force and effect unamended and there are no outstanding material defaults under any such Material Contract on the part of the Company or any of the Subsidiaries which have a Material Adverse Effect. The Company and each Subsidiary have performed all of the obligations required to be performed by them and are entitled to all benefits under, and is not in default in respect of, any Material Contract. No Material Contracts have been assigned, or if applicable subleased, in whole or in part. Except as set out in Schedule K, neither the Company nor any Subsidiary are party to or bound by:

- 4.25.1 any continuing Contract for the purchase of materials, supplies, equipment or services which involves payment under that Contract of more than \$50,000;
- 4.25.2 any employment or consulting Contract or any other written Contract with any officer, Employee or consultant (other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice) or any Contract in relation to any Benefit Plan;

- 4.25.3 any trust indenture, mortgage, hypothec, promissory note, debenture, loan agreement, guarantee or other Contract for the borrowing of money or a leasing transaction of the type required to be capitalized in accordance with IFRS;
- 4.25.4 any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to, the liabilities, obligations, indebtedness, or commitments (whether accrued, absolute, contingent or otherwise) of any Person;
- 4.25.5 any Contract for charitable contributions or gifts;
- 4.25.6 any Contract for capital expenditures in excess of \$50,000 in the aggregate;
- 4.25.7 any Contract for the sale of any of the assets or any part of the Business;
- 4.25.8 any confidentiality, secrecy or non-disclosure Contract relating to any proprietary or confidential information or any non-competition or similar Contract other than any confidentiality, secrecy or non-disclosure agreements entered into by the Vendors in connection with the transactions contemplated by this Agreement;
- 4.25.9 any Contract which has or which could have a Material Adverse Effect; or
- 4.25.10 any Contract entered into by the Company or any Subsidiary other than in the Ordinary Course.

#### 4.26 LITIGATION

There are no Claims (whether civil, quasi-criminal or criminal, and whether or not purportedly against or on behalf of the Company or any Subsidiaries), investigations or other proceedings, including appeals and applications for review, in progress or pending or, to the Vendors' Knowledge, threatened against or affecting the Company or any of the Subsidiaries before any Governmental Authority, which, if determined adversely to the Company or any of the Subsidiaries, would have:

- 4.26.1 a Material Adverse Effect;
- 4.26.2 individually or in the aggregate, could result in an order greater than \$50,000 to the Company or any of the Subsidiaries or order for injunctive relief; or
- 4.26.3 prevent the Vendors from fulfilling any of their obligations set out in, or arising in connection with, this Agreement.

#### 4.27 TAX MATTERS

Each of the Company and the Subsidiaries, in all material respects, have duly and timely made or prepared all Tax Returns required to be made or prepared by it, have duly and timely filed all Tax Returns required to be filed by it with the appropriate Governmental Authority and have duly, completely and correctly reported all income and all other amounts and information required to be reported thereon.

Each of the Company and the Subsidiaries have filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed in all applicable jurisdictions with respect to taxation periods ended within four (4) years prior to the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby. The Company and the Subsidiaries have never been required to file any Tax Returns with, and have never been liable to pay or remit Taxes to, any Governmental Authority outside Ontario or Canada. The Company and the Subsidiaries have paid in full when due all Taxes and all instalments of Taxes due prior to the Closing Date. There are no liens for unpaid Taxes on any of Real Property. Without restricting the generality of the foregoing, all Taxes shown on all Tax Returns or on any assessments or reassessments in respect of any such Tax Returns have been paid in full when due except to the extent that the Company or the Subsidiaries have properly objected to such assessments or reassessments in accordance with applicable Law.

Except as disclosed in Schedule R, there are no audits, assessments, reassessments or other Claims in progress or, to the knowledge of the Vendors, threatened against the Company or the Subsidiaries, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. The Vendors are not aware of any contingent liability of the Company or the Subsidiaries for Taxes or any grounds that could prompt an assessment or reassessment for Taxes, and the Company or the Subsidiaries have not received any indication from any Governmental Authority that any assessment or reassessment is proposed with respect to the Pre-Closing Tax Period.

Each of the Company and the Subsidiaries have not entered into any agreements, waivers or other arrangements with any Governmental Authority providing for any extension or reassessment, the filing or any Tax Return, nor the payment of any Taxes by or in respect of the Company or any of the Subsidiaries. The Company and the Subsidiaries are not a party to any agreements or undertakings with respect to Taxes.

Espanola Regional Hydro Distribution Corporation is a registrant for purposes of the ETA and the HST registration number is 86489 8390 RT0001, Espanola Regional Hydro Services Corporation is a registrant for purposes of the ETA and the HST registration number is 86490 2598 RT001. The Company is not a registrant for purposes of the ETA.

During the past four (4) years, all input tax credits claimed by the Company and the Subsidiaries pursuant to the ETA have been proper, correctly calculated and documented. The Company and the Subsidiaries have collected and timely remitted to the appropriate Governmental Authority when due all Taxes (including all HST) as required by tax legislation.

The Company and the Subsidiaries have deducted, withheld, collected and remitted when due to each Governmental Authority, all Taxes which they are required to deduct, withhold, collect and remit during the past four (4) years. Without limiting the generality of the foregoing, the Company and each of the Subsidiaries have withheld from each amount paid or credited or deemed to have been paid or credits, and each taxable benefit conferred upon or distribution paid or deemed to have been paid to any of its past or present employees, officers or directors, and to any non-resident of Canada, the amount of all Taxes and other deductions required to be withheld therefrom, including without limitation, all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper Governmental Authority within the time required under any applicable legislation.

Neither the Company nor any of the Subsidiaries have received any requirement, demand or request from any Governmental Authority pursuant to section 224 of the Tax Act or any similar provision of applicable Law that remains unsatisfied in any respect.

Except as set out in Schedule R, none of sections 80 to 80.04, both inclusive, of the Tax Act have applied or will apply to the Company or its Subsidiaries at any time up to and including the Closing Date. None of the Company or its Subsidiaries have any unpaid amounts that may be required to be included in income under Section 78 of the Tax Act for a taxation year ending after the Closing Date. None of the Company or its Subsidiaries have made any payments and none of the Company or its Subsidiaries is obligated to make any payments that may not be deductible by virtue of Section 67 of the Tax Act.

Neither the Company nor the Subsidiaries are a party to, bound by or obligated under; nor has the Company or the Subsidiaries made any undertaking regarding any Tax allocation, indemnity or sharing contract or arrangement such that it could be liable for the Taxes of any other Person as a transferee or successor, by contract or otherwise.

Assessments under the Electricity Act have been issued to Company and the Subsidiaries covering all periods up to and including their fiscal year ended December 31, 2016.

Espanola Regional Hydro Distribution Corporation and Espanola Regional Hydro Services Corporation are corporations to which paragraph 149(1)(d.6) of the Tax Act

applies. The Company is a corporation to which paragraph 149(1)(d.5) of the Tax Act applies. As a result, the Company and the Subsidiaries have been at all material times, exempt from Tax under the Tax Act and the CTA but are required to make PILs payments under the Electricity Act in an amount equal to the Tax that they would be liable to pay under the Tax Act and CTA if they were not exempt from Tax under those statutes.

#### **4.28 BOOKS AND RECORDS**

The Vendors have disclosed the existence of and made available for review by the Purchaser all Books and Records. The Books and Records accurately reflect the basis for the financial condition and the revenues, expenses and results of the operations of the Company and its Subsidiaries as shown in the Financial Statements and the 2017 Financial Statements. As of the Effective Date, neither Vendor has in its possession or control any documents or information relating to the Company and its Subsidiaries and the Business (including with respect to Taxes) or the Benefit Plans that are not in the possession of the Company and its Subsidiaries.

#### **4.29 ABSENCE OF GUARANTEES**

Neither the Company nor any Subsidiaries has given, agreed to give and shall not give, nor is a party to or bound by, any guarantee or indemnity in respect of indebtedness, or other obligations, of any Person, or any other commitment by which the Company or any Subsidiaries is, or is contingently, responsible for such indebtedness or other obligations.

#### **4.30 NO BROKER**

The Vendors have carried on all negotiations relating to this Agreement and the transactions contemplated in this Agreement directly and without intervention on its behalf of any other party in such manner as to give rise to any valid claim for a brokerage commission, finder's fee or other like payment against the Purchaser, the Company or any of the Subsidiaries.

#### **4.31 LIMITATION**

The Vendors make no representation or warranty to the Purchaser except as specifically set forth in this Agreement and any agreement, instrument, certificate or other document delivered pursuant to this Agreement and this Agreement and the agreements, instruments, certificates or other documents delivered pursuant to this Agreement contain all of the representations and warranties of the Vendors relating to the Purchased Securities.

#### **4.32 DISCLOSURE**

All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties contained in Section 4 to which such would be reasonably apparent to a Person other than the Vendors, the Company or the Subsidiaries. Notwithstanding anything else contained herein, the Vendors shall have no liability to the Purchaser with respect any failure by them to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 4 where the existence of such matter, document or thing is disclosed as part of another representation or warranty contained in this Agreement or in any Schedule attached hereto and its relevance to such first particular representation or warranty would be reasonably apparent to a Person other than the Vendors, the Company or any Subsidiaries.

### **5 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser represents and warrants to each Vendor as follows in this Section 5 and acknowledges that the Vendors are relying upon these representations and warranties in connection with the sale of the Purchased Securities.

#### **5.1 STATUS OF THE PURCHASER**

The Purchaser is a corporation validly existing under the laws of the Province of Ontario.

#### **5.2 DUE AUTHORIZATION AND ENFORCEABILITY OF OBLIGATIONS**

The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement. The execution and delivery of this Agreement and the consummation of the transaction contemplated under this Agreement have been duly authorized by all necessary corporate action of the Purchaser. This Agreement constitutes a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms subject to any limitations imposed by Law.

#### **5.3 ABSENCE OF CONFLICTS**

The Purchaser is not a party to, bound or affected by or subject to any material:

5.3.1 indenture, mortgage, lease, agreement, obligation or instrument;

5.3.2 charter or bylaw provision; or



### 5.3.3 Laws or Governmental Authorizations;

which would be violated, breached by, or under which default would occur or an Encumbrance would be created as a result of the execution and delivery of, or the performance of obligations under, this Agreement or any other agreement to be entered into under the terms of this Agreement.

## 5.4 FINANCIAL ABILITY

The Purchaser has sufficient funds in place or has commitments to obtain funds to pay the Purchase Price on the Closing Date on the terms and conditions contained in this Agreement.

## 5.5 INVESTMENT CANADA

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

## 5.6 MUNICIPAL ELECTRICAL UTILITY

The Purchaser is, and will be at Closing:

- 5.6.1 a municipal electricity utility within the meaning of Section 88 of the Electricity Act; and
- 5.6.2 exempt from tax under subsection 149(1) of the Tax Act.

## 5.7 CROWN CORPORATION

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

## 5.8 LITIGATION

There are no Claims, investigations, complaints or other proceedings, including appeals and applications for review, in progress or, to the knowledge of the Purchaser, pending or threatened against or relating to the Business, which, if determined adversely to the Purchaser, may prevent the Purchaser from fulfilling any of its obligations set out in this Agreement or arising from this Agreement.

## 5.9 NO BROKER

The Purchaser has carried on all negotiations relating to this Agreement and the transactions contemplated in this Agreement directly and without the intervention on its behalf of any other party in such manner as to give any valid claim for a brokerage

commission, finder's fee or other like payment against the Vendors or the Company and its Subsidiaries.

#### 5.10 **LIMITATION**

The Purchaser makes no representation or warranty to the Vendors except as specifically set forth in this Agreement and any agreement, instrument, certificate or other document delivered pursuant to this Agreement and this Agreement and the agreements, instruments, certificates or other documents delivered pursuant to this Agreement contain all of the representations and warranties of the Purchaser relating to the transactions contemplated in this Agreement.

#### 5.11 **DUE DILIGENCE BY PURCHASER**

The Purchaser acknowledges and agrees with the Vendors that it has had the opportunity to conduct due diligence and investigation with respect to the purchase of the Purchased Securities. To the extent that the Purchaser by reason of conducting due diligence and investigation, or otherwise, have actual knowledge (and not constructive, implied or imputed knowledge) of a breach of any representation and warranty made by the Vendors in this Agreement, the Purchaser must promptly notify the Vendors in writing. If the Purchaser fails to provide such written notice prior to Closing despite having such actual knowledge, the Purchaser will not have the right to make a Claim against the Vendors for Losses in respect of the breach of that representation and warranty.

### 6 **SURVIVAL**

6.1 All representations, warranties and covenants contained in this Agreement on the part of each of the Parties shall survive:

6.1.1 the Closing;

6.1.2 the execution and delivery under this Agreement of any share transfer instruments or other documents of title to any of the Purchased Securities; and

6.1.3 the payment of the consideration for the Purchased Securities.

6.2 The representations and warranties of the Vendors set out in Section 4 shall continue in full force and effect for the benefit of the Purchaser provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of two (2) years from the Closing Date and, upon the expiry of such limitation period, the Vendors shall have no further liability to the Purchaser with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Purchaser to the Vendors in writing prior to the expiration of such period, provided that the

representations and warranties of the Vendors set out in Section 4.27 (Taxes) shall survive the Closing and continue in full force and effect until, but not beyond, the fourth anniversary of the Closing Date.

- 6.3 The representations and warranties of the Purchaser set out in Section 5 shall continue in full force and effect for the benefit of the Vendors provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of two (2) years from the Closing Date and, upon the expiry of such limitation period, the Purchaser shall have no further liability to the Vendors with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Vendors to the Purchaser in writing prior to the expiration of such period.

## 7 **COVENANTS**

### 7.1 **REQUIRED APPROVAL**

Each of the Purchaser and the Vendors shall as promptly as practicable after the execution of this Agreement (but in no event later than thirty (30) days after the execution of this Agreement), file or cause to be filed with the OEB an application required to be made under Subsection 86(1) and Subsection 86(2) of the *OEB Act* in respect of the OEB's approval as it relates to the sale of the Purchased Securities (the *Required Approval*). Each of the Purchaser and the Vendors shall use their best efforts (which shall not be less than commercially reasonable efforts) to cooperate and assist to the other, so that the Required Approval can be obtained as soon as reasonably possible, and in any event prior to the Outside Date. Each Party will bear its own costs and expenses in connection with the application for the Required Approval.

### 7.2 **ONTARIO MINISTRY OF FINANCE NOTICE**

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

### 7.3 **CONDUCT OF BUSINESS PRIOR TO CLOSING**

- 7.3.1 During the period from the Effective Date to the Closing Time, the Vendors shall cause the Company and each of the Subsidiaries to do the following:

- (a) conduct the Business in the Ordinary Course and refrain from taking any action or engaging in any course of conduct to disparage the Business;
- (b) use commercially reasonable efforts to continue in force and effect all policies of insurance maintained by or for the benefit of the Company or any of the Subsidiaries;
- (c) cooperate with the Purchaser with respect to obtaining the Required Approval;
- (d) continue in force and effect the PUC Services Agreement and all other Material Contracts;
- (e) cause the Company and each of the Subsidiaries not to change any method of Tax accounting, make or change any material Tax election, file any materially amended Tax Return, settle or compromise any material Tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of Taxes, enter into any agreement with respect to any Tax or surrender any right to claim a material Tax refund;
- (f) cause the Company and each of the Subsidiaries to report all claims to its insurers under the Insurance Policies in a due and timely manner to the Closing Date and provide copies of those reports to the Purchaser;
- (g) cause the Company and its Subsidiaries to pay and discharge the liabilities and Taxes of the Company and its Subsidiaries in the Ordinary Course in accordance and consistent with the previous practice of the Company and its Subsidiaries, except those contested in good faith by the Company and its Subsidiaries and subject to the remaining provisions of this Section 7.3; and
- (h) deliver copies of all monthly management reports issued by PUC Services Inc. pursuant to the terms of the PUC Services Agreement and report, to the Purchaser as it requests concerning the state of the Company, its Subsidiaries and the Business.

7.3.2 Without limiting the generality of the foregoing, the Vendors shall cause the Company and each of the Subsidiaries not to do any of the following without the prior written consent of the Purchaser, which consent may be withheld in its sole discretion:

- (a) amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares or assets of any Person, not to acquire or lease or agree to acquire or lease any business operations or any equity interests in any other Person, acquire or agree to acquire any legal or beneficial interest in any real property (except for the correction, rectification or remediation or conversion, as applicable, of an Unregistered Easement and/or Uncovered Real

Estate Right into a registered Easement) and occupy, lease, manage or control or agree to occupy, lease or manage or control any facility or property;

- (b) do any act or thing of the kind described in Sections 4.11 and 4.13;
- (c) enter into any compromise or settlement of any litigation, proceeding or government investigation relating to the Business;
- (d) make any material modification to its usual sales, human resource, accounting, software, or management practices, processes or systems;
- (e) enter into any Contract of the kind described in Section 4.25;
- (f) move any material part of the Business to any other location from which the Company or any Subsidiary does not carry on the Business at the date hereof;
- (g) make any change to its articles or bylaws;
- (h) change its taxation year;
- (i) hire, engage or retain any new Employees or independent contractors to be employed, engaged or retained in connection with the Business (except those new Employees disclosed to the Purchaser prior to the date of this Agreement);
- (j) terminate any Employees or transfer any Employees to any other position;
- (k) increase the remuneration of Employees before the Closing Date except such increases in remuneration of the Employees of ERHDC that are set forth in ERHDC's 2018 budget and the 2019 budget (as approved by the Purchaser in accordance with Section 7.3.6(b));
- (l) take any action to materially increase the aggregate benefits payable to Employees (including granting or modifying any bonus, change of control or termination arrangements, whether monetary or otherwise);
- (m) take any action to materially amend any Contract with any Employee;
- (n) take any action to materially amend any Collective Agreement or enter into a replacement thereof in connection with Section 7.3.6(d);
- (o) change its methods of accounting in effect except as required by changes in IFRS; and
- (p) cause ERHDC or ERHSC to actively carry on any business of any kind other than the Business.

- 7.3.3 ERHDC shall continue to pay interest on the Shareholder Notes provided that:
- (a) the Company and its Subsidiaries can continue to pay and discharge all of their other liabilities and Taxes in the Ordinary Course; and
  - (b) ERHDC maintains sufficient cash liquidity and cash reserves at all applicable times to carry on business in the Ordinary Course.
- 7.3.4 In the event that ERHDC cannot comply with the foregoing, each of the Vendors shall be required to:
- (a) waive any default under the Shareholder Notes without penalty to ERHDC; and
  - (b) irrevocably waive any interest due under the Shareholder Notes without adjustment to the Purchase Price
- until such time as sufficient cash liquidity and cash reserves are restored, as the case may be.
- 7.3.5 The Purchaser shall have the right to approve, acting reasonably, the terms and conditions of a connection agreement for an embedded distributor or a sub-transmission customer with Hydro One Networks Inc. (a "DCA") in the event that it is necessary to execute and deliver a DCA prior to the Closing Time. The Purchaser's response to any such request for approval from the Vendors shall be provided within a reasonable period of time and shall provide specific revisions the Purchaser may require to the DCA. The Purchaser will cooperate with ERHDC, and the Vendors will cause ERHDC to cooperate with the Purchaser, to permit ERHDC to complete any negotiations of a DCA prior to the Closing Time on terms and conditions satisfactory to ERHDC and the Purchaser, respectively.
- 7.3.6 The Vendors shall:
- (a) obtain the Purchaser's prior written consent in connection with any single capital expenditure or disposition of assets by the Company or any Subsidiary that exceeds \$50,000;
  - (b) obtain the Purchaser's prior written approval of ERDHC's 2019 budget;
  - (c) cause ERHDC to institute a tendering process to acquire a new bucket truck for an aggregate purchase price of approximately \$350,000, and, prior to ERHDC entering into an agreement or purchase order to acquire such bucket truck, shall obtain the Purchaser's prior written consent (acting reasonably) of the terms and conditions of such agreement or purchase order, as well as any related financing arrangements; and

- (d) subject to the consent of Canadian Union of Public Employees and its Local 4705, permit representatives of the Purchaser to attend and participate in discussions and negotiations with the Canadian Union of Public Employees and its Local 4705 in connection with the negotiation of a replacement or amendment to the Collective Agreement; provided; however, that if the Canadian Union of Public Employees and its Local 4705 do not consent to such participation the Vendors will, upon the request of the Purchaser, cause ERHDC to appoint a representative of the Purchaser as a representative of ERHDC to attend such discussions and negotiations.

7.3.7 The Vendors may elect to cause ERHDC to prepare (or cause PUC Services Inc. to prepare on ERHDC's behalf) and file an incentive regulation mechanism application with the OEB in respect of ERHDC's distribution rates for the then applicable year (the "**IRM Application**"). If the IRM Application is denied, the Vendors may in their sole discretion, request that the Parties meet and discuss in good faith the terms upon which ERHDC may prepare (or cause PUC Services Inc. to prepare on ERHDC's behalf) and file a cost of service application with the OEB in respect of ERHDC's distribution rates for the then applicable year prior to July 31, 2019.

#### 7.4 ACCESS

The Vendors shall permit the Purchaser and its representatives, between the Effective Date and the Closing Time, without interference to the Ordinary Course, to have reasonable access during normal business hours upon reasonable advance notice, for purposes consistent with this Agreement, to (a) the Real Property, (b) the Books and Records, (c) the properties and assets of the Company or any of the Subsidiaries, and (d) provided that the Purchaser may not conduct any environmental investigations in, on, under or near any Real Property including any sampling or interview any Employees without the Vendors' prior consent.

Notwithstanding the foregoing, without the prior written consent of the Vendors, the Purchaser shall not contact, and shall instruct its counsel, financial advisors, auditors and other authorized representatives not to contact, any of the suppliers, customers, clients or financing sources of the Company or any of the Subsidiaries with respect to the Company or any of the Subsidiaries or the transactions contemplated by this Agreement.

Notwithstanding anything to the contrary in this Agreement, all communications involving solicitor-client confidences between the Vendors, the Company and its Subsidiaries and their legal counsel relating to the negotiation, documentation and consummation of the transactions contemplated by this Agreement shall not be subject to the provisions of this Section 7.4.

## 7.5 EMPLOYMENT AND LOCATION GUARANTEES

Subject to the terms of this Agreement, any existing Contracts with Employees and the Collective Agreement and the right of the Purchaser and/or ERHDC to dismiss any such Employee for cause (or otherwise in accordance with the terms the existing Contracts with Employees and the Collective Agreement), the Purchaser will cause the continued employment of each Employee who is an employee of ERHDC on the Closing Date on materially similar terms of their respective employment as at the Closing Date for a period of at least 2 years following the Closing Date (the “**E&L Period**”), including the same or not less favourable:

7.5.1 benefits in the aggregate;

7.5.2 compensation; and

7.5.3 position and seniority.

Subject to the foregoing, the Purchaser will, and will cause ERHDC to, give due consideration to the continued employment of each non-management Employee who is an employee of ERHDC (or any successor) on the Closing Date for an additional three (3) years following the E&L Period. The provisions of this Section 7.5 shall survive the Closing Date for a period of five (5) years.

## 7.6 PARTICIPATION IN COMMUNITY EVENTS

After Closing, the Purchaser shall cause the Company and the Subsidiaries to use commercially reasonable efforts to provide community assistance to the Vendors in accordance with the terms of the in-kind community services agreement in the form attached hereto as Schedule L for a period of seven (7) years following the Closing Date.

## 7.7 ADVISORY COMMITTEE

On Closing, the Purchaser shall establish a six (6) member municipal advisory committee (the *Advisory Committee*) to provide a forum for continued communication and dialogue between the Vendors and Purchaser. Three (3) members of the Advisory Committee shall be appointed by the Purchaser and the Vendors shall, amongst themselves, appoint the remaining three (3) members. From the Closing Date and for a period of two (2) years, the members of the Advisory Committee shall meet in person or by teleconference at least four (4) times per year. Each of the Vendors and Purchaser shall be permitted to change their respective representatives on the Advisory Committee upon written notice to the other Parties. The provisions of this Section 7.7 shall survive the Closing Date for a period of two (2) years.

## 7.8 CONTINUED USE OF “ESPANOLA REGIONAL HYDRO” NAME



Subject to applicable Law and provided that ERHDC has all necessary rights and interests to its name as at the Closing Date and any associated or related Intellectual Property without material adverse claims of others, the Purchaser covenants and agrees with the Vendors that it shall continue to use “Espanola Regional Hydro” as a trade name within the ERHDC’s current service territory for a period of ten (10) years following the Closing Date. The Purchaser further covenants and agrees to retain the colour scheme used on ERHDC’s existing trucks, equipment and invoices for such period of time following the Closing Date as the Purchaser determines is reasonably required to reflect the local community where the services are provided. The provisions of this Section 7.8 shall survive the Closing Date for a period of ten (10) years. This Section 7.8 is subject to there being no threatened or actual litigation arising from rights in or to the “Espanola Regional Hydro” name prior to the Closing Date.

## **7.9 RATES AND RATE HARMONIZATION**

7.9.1 Subject to any requirements of applicable Law and the prescribed requirements of the OEB, including all policies, procedures, handbooks, guidance and other documentation promulgated by the OEB and Section 9.3, the Purchaser covenants and agrees with the Vendors that it shall:

- (a) subject to Section 7.9.2, maintain the existing rates for the customers of ERHDC, adjusted solely by the OEB’s Price Cap Incentive Rate-setting option, or any amendment, modification, successor or replacement thereof established by the OEB until May 1, 2021;
- (b) for the period commencing on May 1, 2021 and ending on April 30, 2026: (i) comply with the OEB’s Filing Requirements for Electricity Distribution Rate Application policy or any amendment, modification, successor or replacement thereof established by the OEB, including measures with respect to rate mitigation; and (ii) use commercially reasonable efforts to assess the implementation of other measures to smooth impacts on customer bills; and
- (c) use commercially reasonable efforts to harmonize rates for the customers of the North Bay Hydro Distribution Limited and ERHDC on May 1, 2026.

7.9.2 Notwithstanding Section 7.9.1(a), if the Purchaser, ERHDC or its successor incurs Losses pursuant to Section 7.18.2, Section 9.5.5 and/or Section 10.1.1 in excess of \$200,000 prior to May 1, 2021 the Purchaser may, at its option, cause ERHDC to prepare (or cause PUC Services Inc. to prepare on ERHDC’s behalf) and file a cost of service application with the OEB in respect of ERHDC’s distribution rates for the then applicable year.

7.9.3 The Vendors covenant and agree with the Purchaser to:

- (a) cause ERHDC to start to prepare (or cause PUC Services Inc. to prepare on ERHDC's behalf) a cost of service application in respect of ERHDC's 2021 distribution rates if the Required Approval has not been obtained by July 31, 2019; and
- (b) file such cost of service application with the OEB if the Required Approval has not been obtained by August 31, 2020 (subject to any earlier date imposed by the OEB).

If the Required Approval has not been obtained by July 31, 2019 the Purchaser shall, if requested by the Vendors, loan ERHDC an amount equal to the costs and expenses incurred by ERHDC in connection with such cost of service application (not to exceed \$100,000) pursuant to the terms of a demand promissory note bearing interest at rate of 6% per annum.

7.9.4 The provisions of this Section 7.9 shall survive the Closing Date for a period of eight (8) years.

#### 7.10 CAPITAL PROGRAM

The Purchaser will act in good faith and use commercially reasonable efforts to make expenditures in accordance with ERHDC's current capital plan. The provisions of this Section 7.10 shall survive the Closing Date for a period of one (1) year.

#### 7.11 CONTINUED POLE ACCESS AND CHARGES

On Closing, the Vendors (and any other public sector entity the Vendors may so authorize) will be granted access to use hydro poles owned by ERHDC for the purposes of street lighting, traffic signals, fibre optic and other communication lines, signs and other municipal attachments in accordance with the terms and conditions of the joint use pole agreement to be executed and delivered by ERHDC and the Vendors (the *Joint Use Agreement for Power Utility Distribution Poles*) the form of which is attached to this Agreement as Schedule M.

#### 7.12 AMENDMENT TO PUC SERVICES AGREEMENT

ERHDC and PUC Services Inc. shall enter into an amending agreement in respect of the PUC Services Agreement wherein, among other things:

- 7.12.1 the parties shall confirm that the term of the PUC Services Agreement shall expire on May 31, 2021;
- 7.12.2 the provision for water billing services shall be removed from the Services Agreement effective on the Closing Date;

7.12.3 acknowledges and confirms that a change of control of ERHDC will occur assuming the completion of the transactions contemplated by this Agreement; and

7.12.4 confirms that the PUC Services Agreement is in good standing, as amended, and that no defaults have occurred or are outstanding.

#### 7.13 **RIGHT OF FIRST OFFER AGREEMENT**

On Closing, Espanola and ERHDC shall enter into a Right of First Offer Agreement that shall provide Espanola with a right to purchase the premises located at 598 Second Avenue, Espanola, Ontario (the *Right of First Offer Agreement*), the form of which is attached to this Agreement as Schedule N.

#### 7.14 **ADVERTISEMENT OF BOARD VACANCIES**

For a period of no less than 10 years following the closing date, the Purchaser shall advertise any board of director vacancies of the Purchaser, or its successor, in the geographic areas of the Town of Espanola and the Township of Sables Spanish Rivers pursuant to substantially similar standards and methods for advertising used by the Purchaser in the City of North Bay. The Purchaser will consider any such applicants from the geographic areas of the Town of Espanola and the Township of Sables Spanish Rivers on a fair and equitable basis with other proposed candidates to the board of directors of the Purchaser. The provisions of this Section 7.14 shall survive the Closing Date for a period of ten (10) years.

#### 7.15 **INSURANCE**

To the extent required, the Vendors covenant and agree to provide any relevant information in its possession or control in connection with any claims under the Insurance Policies which relate to matters, events or circumstances existing or occurring prior to the Closing Date.

#### 7.16 **WATER BILLING SERVICES AGREEMENT**

The Purchaser covenants with Espanola to cause an Affiliate of the Purchaser to use commercially reasonable efforts to negotiate the terms of a services agreement for the provision for water billing services that are removed from the PUC Services Agreement on terms and conditions satisfactory to Espanola and such Affiliate.

#### 7.17 **CHANGE IN LAW**

If a Change in Law occurs at any time after the date of this Agreement that may result, directly or indirectly, in any increased costs or expenses in excess of an aggregate of \$50,000 or that may result in a Material Adverse Effect in order for the Purchaser or

ERDHC, as applicable, to comply with covenants set forth in Sections 7.6, 7.7, 7.8,, 7.10 and 7.14, the Parties will meet and discuss in good faith any requested amendments to this Agreement by the Purchaser to address and mitigate any such increased costs or expenses in excess of an aggregate of \$50,000 or such Material Adverse Effect.

## **7.18 UNREGISTERED EASEMENTS AND UNCOVERED REAL ESTATE RIGHTS**

- 7.18.1 The Vendors may, at their option and at their sole cost and expense, cause the correction, rectification, remediation or conversion, as applicable, of any Unregistered Easements and/or Uncovered Real Estate Rights into a registered Easement (together with any necessary changes or amendments to account for the passage of time, changes in land description, changes in easement description and/or changes in ownership) including those identified in the draft distribution system plan of ERHDC prepared by METSCO dated April 2017 prior to the Closing Date.
- 7.18.2 Each of the Vendors shall, as a separate and distinct obligation, indemnify and hold the Purchaser harmless from and against the full amount of any Loss that the Purchaser, ERHDC or its successor may suffer in connection with all Claims and Third Party Claims that require the replacement and/or relocation of any Fixed Assets located on lands for which there is an Unregistered Easement and/or Uncovered Real Estate Rights that do not provide the required rights of occupancy, possession, use, entry and exit, as applicable, as reasonably necessary to maintain Fixed Assets on such real property, including any Claims or Third Party Claims in connection with any encroachment of Fixed Assets on real property.
- 7.18.3 The Purchaser, ERHDC or its successor shall use commercially reasonable efforts to defend any Claims or Third Party Claims and mitigate any Loss which it may suffer or incur that arise directly or indirectly out of or in connection with an Unregistered Easement and/or any Uncovered Real Estate Rights as further described in Section 7.18.2, which mitigation shall include using commercially reasonable efforts to oppose an initial complaint or initial demand made by a landowner, tenant, licensee or occupier of real property in respect of an Unregistered Easement and/or an Uncovered Real Estate Right.
- 7.18.4 Any indemnity payments made by the Vendors under Section 7.18.2 in respect of any Claims or Third Party Claims (after accounting for any Real Estate Deductible) will be reduced by the recovery of the capital cost attributable to such new Fixed Assets and the costs of rectifying such Unregistered Easement and/or an Uncovered Real Estate Rights pursuant to the provisions of this Section 7.18.4. Specifically, the Purchaser shall cause ERHDC or its successor to include the aggregate capital cost attributable to such new Fixed Assets and the costs of

rectifying such Unregistered Easement and/or an Uncovered Real Estate Rights (collectively, the *Aggregate Claims Amount*) within the next cost of service application in respect of ERHDC or its successor (the *COS Application*). The portion of the Aggregate Claims Amount that is actually paid by the Vendors as an indemnity payment under Section 7.18.2 in respect of any Claims or Third Party Claims is referred to in this Section 7.18.4 as the *Indemnity Amount*. If all or a portion of the Aggregate Claims Amount is approved by the OEB or its successor as recoverable capital costs (e.g., included in rate base) or expenses in connection with such COS Application (the *Aggregate Recoverable Amount*), the Purchaser, ERHDC or its successor will pay to the Vendors (after accounting for the Real Estate Deductible) up to 100% of the Indemnity Amount actually paid by the Vendors (the *Refundable Amount*) within six months following the approval of such COS Application by the OEB.

By way of example only, an Indemnity Amount may be paid by the Vendors under Section 7.18.2 as follows:

$$A - B = C$$

Where:

A = Aggregate Claims Amount (e.g., \$100,000);

B = Per Claims Real Estate Deductible (\$30,000); and

C = Indemnity Amount (e.g. \$70,000);

By way of example only, a Refundable Amount may repaid under Section 7.18.4 as follows:

$$A - B = C$$

Where:

A = Aggregate Recoverable Amount (e.g., \$90,000);

B = Per Claims Real Estate Deductible (\$30,000); and

C = Refundable Amount (e.g. \$60,000).

In this example, the Indemnity Amount is paid by the Vendors in the fourth year following the Closing Date and is included in the next COS Application (e.g., filed in 2026) and the Refundable Amount will be paid to the Vendors by the Purchaser within six months following the approval of such COS Application.

The provisions of this Section 7.18 shall survive the Closing Date and end on the earlier of:

- (a) 8 years following the Closing Date, and
- (b) the date that the customer rates of North Bay Hydro Distribution Limited and ERHDC are harmonized in accordance with Section 7.9.

Notwithstanding the foregoing, the Purchaser's covenant to pay the Refundable Amount as provided in Section 7.18.4 shall survive until the Refundable Amount has been repaid in full to the Vendors.

7.18.5 The indemnity contained in Section 7.18.2 shall not apply to any Claims or Third Party Claims that arise if the Purchaser, ERHDC or its successor or any agent, contractor or other Person on behalf of the Purchaser, ERHDC its successor initiates discussions in the first instance with a landowner, tenant, licensee or occupier of real property that is subject to an Unregistered Easement or Uncovered Real Estate Right to correct, rectify, remediate or convert, as applicable, an Unregistered Easement and/or Uncovered Real Estate Right into a registered Easement unless such initial discussions relate to:

- (a) the ongoing operations of ERHDC or its successor from and after the Closing Date, resulting from major maintenance and/or replacement of Fixed Assets, whether scheduled or unscheduled due to emergencies and the applicable landowner, licensee or occupier of real property for which there is an Unregistered Easement and/or Uncovered Real Estate Right refuses to grant an Easement; and/or
- (b) new capital works and capital projects in respect of Fixed Assets and the applicable landowner, licensee or occupier of real property for which there is an Unregistered Easement and/or Uncovered Real Estate Right refuses to grant an Easement.

## 8 **CONDITIONS OF CLOSING**

### 8.1 **CONDITIONS OF CLOSING IN FAVOUR OF THE PURCHASER**

The obligation of the Purchaser to complete the purchase of the Purchased Securities under this Agreement is subject to the satisfaction of, or compliance with, at or before the Closing Time, of each of the following conditions (each of which is acknowledged to

be inserted for the exclusive benefit of the Purchaser and may be waived by it in whole or in part).

#### **8.1.1 Truth and Accuracy of Representations of Vendors at the Closing Time.**

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

#### **8.1.2 Compliance with Vendors' Covenants.**

All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Vendors at or prior to Closing shall have been complied with or performed, and a certificate of a senior officer of each of the Vendors dated the Closing Date to that effect shall have been delivered to the Purchaser.

#### **8.1.3 Receipt of Closing Documentation.**

The Purchaser shall have received copies of all such documentation or other evidence as it may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement and the taking of all proceedings (corporate or otherwise) in connection with such transactions in compliance with these conditions. In addition, the Vendors shall deliver, and shall cause to be delivered, to the Purchaser or make available to it at ERHDC's premises, the Books and Records and all documents (except in the case of those required by applicable Law to be retained by the Vendors, copies thereof) and other data, technical or otherwise, which are owned by either Vendor at the Closing Date, relating to the Company and its Subsidiaries or the Business.

#### **8.1.4 Third Party Consents and Required Approval**

The Third Party Consents and the Required Approval will have been obtained on terms and conditions satisfactory to the Purchaser, acting reasonably, by no later than the Outside Date. All other consents, approvals, Orders and authorizations of any Governmental Authority or pursuant to any other Material Contract which, if not obtained, would render completion of the transactions contemplated by this Agreement

unlawful or result in a Material Adverse Effect, shall have been obtained by the Vendors.

#### **8.1.5 Material Adverse Effect**

There shall not have occurred any Material Adverse Effect since the date of this Agreement.

#### **8.1.6 No Proceedings.**

There shall be no Order issued preventing, and no pending or threatened Claim, or proceeding, judicial or administrative or investigation against any Party by any Governmental Authority, for the purpose of enjoining or preventing the consummation of the transactions contemplated by this Agreement.

#### **8.1.7 Directors and Officers of the Company and Subsidiaries**

All directors and officers of the Company and each Subsidiary shall have tendered their resignations as directors and officers and each director and shall have duly executed and delivered comprehensive mutual releases of all their respective claims against each other. For greater certainty, the Parties acknowledge and confirm that the resignations herein contemplated do not imply that any such Person has resigned as an Employee of the Company or any Subsidiary.

#### **8.1.8 Release**

The Vendors will release the Company and each Subsidiary from any and all possible Claims that the Vendors have against the Company and each Subsidiary other than any Claim by a third party against the Vendors related to ERHDC or the Business arising from any act, matter or thing arising at or prior to the Time of Closing.

#### **8.1.9 Delivery of Ancillary Agreements**

The Vendors shall have delivered duly executed copies of the Joint Use Agreement for Power Utility Distribution Poles, the PUC Services Agreement Amending Agreement, the In-Kind Services Agreement and the Right of First Offer Agreement.

#### **8.1.10 No Transfer or Departure Tax Payable.**

None of the Vendors, the Purchaser or the Company and the Subsidiaries shall be liable for Transfer Tax or Departure Tax or any similar Tax in any successor statute, in relation to the sale or purchase of the Purchased Shares.

If any of the foregoing conditions in this Section have not been fulfilled by Closing, the Purchaser may terminate this Agreement by notice in writing to the Vendors, in which event the Parties will be released from all obligations under this Agreement and the



Vendors shall direct the Escrow Agent to refund the Deposit and all accrued interest thereon to the Purchaser. However, the Purchaser may waive compliance with any condition in whole or in part if it sees fit to do so, without prejudice to its rights of termination in the event of non-fulfilment of any other condition.

## **8.2 CONDITIONS OF CLOSING IN FAVOUR OF THE VENDORS**

The obligation of the Vendors to complete the sale of the Purchased Securities under this Agreement shall be subject to the satisfaction of or compliance with, at or before the Closing Time, of each of the following conditions (each of which is acknowledged to be inserted for the exclusive benefit of the Vendors or and may be waived by it in whole or in part).

### **8.2.1 Truth and Accuracy of Representations of the Purchaser at Closing Time.**

The representations and warranties of the Purchaser contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects as at the Closing Time and with the same effect as if made at and as of the Closing Time and the Vendors shall have received a certificate of the Purchaser confirming the truth and correctness of such representations and warranties.

### **8.2.2 Performance of Obligations.**

All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Purchaser at or prior to Closing shall have been complied with or performed, and a certificate of a senior officer of the Purchaser dated the Closing Date to that effect shall have been delivered to the Vendors.

### **8.2.3 Third Party Consents and Required Approval**

The Third Party Consents and the Required Approval will have been obtained by no later than the Outside Date. All other consents, approvals, Orders and authorizations of any Governmental Authority or pursuant to any other Material Contract which, if not obtained, would render completion of the transactions contemplated by this Agreement unlawful or result in a Material Adverse Effect, shall have been obtained.

### **8.2.4 No Transfer or Departure Tax Payable.**

The Vendors shall not be liable for Transfer Tax or Departure Tax or any similar Tax in any successor statute, in relation to the sale or purchase of the Purchased Shares.

If any of the foregoing conditions in this Section have not been fulfilled by Closing, the Vendors may terminate this Agreement by notice in writing to the Purchaser, in which event the Parties are released from all obligations under this Agreement. However, the

Vendors may waive compliance with any condition in whole or in part if it sees fit to do so, without prejudice to its rights of termination in the event of non-fulfilment of any other condition.

## 9 **FURTHER COVENANTS**

### 9.1 **CONFIDENTIALITY**

9.1.1 Prior to the Closing, the Purchaser shall keep confidential all information disclosed to it by the Vendors or its agents relating to the Company or any of the Subsidiaries, except information which:

- (a) is part of the public domain;
- (b) can be demonstrated to have been in the possession of the Purchaser before disclosure by the Vendors; or
- (c) was received in good faith from an independent Person who was lawfully in possession of such information free of any obligation of confidence.

Such information is confidential and proprietary to the Company or the Subsidiaries and the Purchaser shall only disclose such information to those of its employees that need to know such information for the purposes of evaluating and implementing the transaction contemplated in this Agreement. Notwithstanding the foregoing, the Purchaser shall keep confidential all Personal Information except in accordance with applicable Law. If this Agreement is terminated without completion of the transactions contemplated by this Agreement, the Purchaser shall promptly return all documents, work papers and other written material (including all copies) obtained from the Vendors, the Company or any Subsidiaries in connection with this Agreement, and not previously made public and shall continue to maintain the confidence of all such information.

9.1.2 After the Closing, the Vendors shall keep confidential all Personal Information it disclosed to the Purchaser and all other information relating to the Company or any of the Subsidiaries, except information which:

- (a) is part of the public domain;
- (b) becomes part of the public domain other than as a result of a breach of these provisions by the Vendors; or
- (c) was received in good faith after Closing from an independent Person who was lawfully in possession of such information free of any obligation of confidence.

9.1.3 The Confidentiality Agreement dated October 13, 2017 between the Vendors and Purchaser (the *Confidentiality Agreement*) and the provision of this Section 9.1, shall continue to bind the Vendors and Purchaser. To the extent that one or more provisions of the Confidentiality Agreement are inconsistent with the provisions of this Section, then the provisions of the Confidentiality Agreement shall prevail.

## 9.2 ACTIONS TO SATISFY CLOSING CONDITIONS

Each of the Parties will take or cause to be taken all actions that are within its power to control, and will make all commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to ensure its compliance with, and satisfaction of, each of the conditions and covenants set forth in Section 7, Section 8, and Section 9 which are for the benefit of any other Party.

## 9.3 REQUIRED APPROVAL PROCEDURE

The Parties shall cooperate with each other, and the Purchaser shall keep the Vendors informed as to the status of the proceeding relating to the Required Approval and provide the Vendors with copies of applications, notifications, filings and other communications in draft form, deleting information that is confidential to the Purchaser, or on an external – counsel only basis, or as may be agreed by the Parties in writing.

The Purchaser shall not participate, or permit its Affiliates to participate, in any substantial of meeting or discussion, either in person or by telephone with any Governmental Authority in connection with the consummation of the transactions contemplated by this Agreement unless it consults with the Vendors in advance and, to the extent not prohibited by such Governmental Authority, gives the Vendors the opportunity to attend and participate. In the event the Purchaser is of the opinion that the Required Approval will not be obtained, in whole or in part, on terms and conditions satisfactory to the Purchaser, acting reasonably (in each case, an *Adverse Determination*), the Purchaser may provide written notice to the Vendors of such potential Adverse Determination. The Parties agree to cooperate and negotiate to reach agreement with respect to any desirable or required amendments to this Agreement to address a potential Adverse Determination.

## 9.4 PRESERVATION OF RECORDS

The Purchaser shall take all commercially reasonable steps to preserve and keep the Books and Records delivered to it in connection with the completion of the transactions contemplated by this Agreement for a period of four (4) years from the Closing Date, or for any longer period as may be required by any Law and shall provide reasonable access to such Books and Records to the Vendors but the Purchaser will not be

responsible or liable to the Vendors for or as a result of any accidental loss or destruction of or damage to any Books and Records.

## **9.5 TAX MATTERS**

### **9.5.1 Preparation and Filing of Tax Returns.**

Following the Closing, the Purchaser shall cause to be prepared and timely filed all Tax Returns required to be filed by the Company and the Subsidiaries after the Closing Date (including all Straddle Period Tax Returns) other than Tax Returns that relate to or include a Pre-Closing Tax Period (other than a Straddle Period Tax Return). For any Tax Return that relates to or includes a Pre-Closing Tax Period (other than a Straddle Period Tax Return), the Vendors will prepare such Tax Return in accordance with Applicable Law and in a manner consistent with past practice of the Company and the Subsidiaries. For greater certainty, Tax Returns that relate to or include any Straddle Period shall be prepared by the Purchaser. The Purchaser shall, and shall cause the Company and the Subsidiaries to, fully cooperate with and assist the Vendors (including allowing access to the Vendors and its Representatives to the Company and the Subsidiaries' Books and Records and allowing the Vendors (and its Representatives) to make copies thereof) in connection with the preparation of any such Tax Returns, and the Vendors (and its Representatives) shall not be charged with any cost or expense for the assistance rendered by the Purchaser or the Company and the Subsidiaries in connection therewith.

### **9.5.2 Provision of Tax Returns to Purchaser.**

The Vendors shall provide the Purchaser with a copy of each such Tax Return that relates to or includes a Pre-Closing Tax Period (other than a Straddle Period Tax Return) at least thirty (30) days (or, in the case of debt retirement charges or HST, ten (10) days) prior to the last date for timely filing such Tax Return. The Pre-Closing Tax Returns shall be prepared in a manner consistent with prior practice of the Company and its Subsidiaries and Applicable Law. The Vendors shall permit the Purchaser to review, comment on and suggest changes and corrections to each such Tax Return that relates to a Pre-Closing Tax Period. The Vendors shall reasonably and in good faith consider such revisions to such Tax Returns as are requested. In the event of any dispute regarding the matters set forth in this Section 9.5.2, the Purchaser shall provide the Vendors with written notice thereof within fourteen (14) days (or, in the case of an HST Tax return or debt retirement charge, five (5) days) of its access to such Tax Returns, and the Parties shall act in good faith to resolve such dispute. If the Parties cannot resolve such dispute within fourteen (14) days (or in the case of an HST Tax return or debt retirement charge, five (5) days) of notice thereof, the Purchaser may file such Tax Return with the appropriate Governmental Authority in such form determined by the Purchaser in its discretion, provided that such filing shall be without prejudice to the Vendors' right to contest any Claim made by the Purchaser for the

payment of Pre-Closing Taxes with respect to such Tax Return. The Purchaser shall timely file all Tax Returns that relate to or include a Pre-Closing Tax Period that are prepared by the Vendor. The Vendors shall pay or accrue any Pre-Closing Taxes shown as being payable on such Tax Returns paid by the Vendors, plus the portion of Taxes allocable to a Pre-Closing Tax Period that is attributable to a Straddle Period as set out in Section 9.5.3. The Purchaser shall pay or cause to be paid all other Taxes shown as being payable on such Tax Returns.

### **9.5.3 Allocation of Taxes for Straddle Periods.**

All Taxes and Tax liabilities with respect to the Company and the Subsidiaries that relate to a Straddle Period shall be apportioned between the Pre-Closing Tax Period and the Post-Closing Tax Period on the basis that the Straddle Period consisted of two (2) taxable periods, one that ended at the close of business on the day immediately before the Closing Date and the other that began on the Closing Date, and such Taxes shall be allocated between such two (2) periods in the following manner: (a) in the case of Taxes imposed on a periodic basis (such as real or personal property Taxes), the amount of Tax allocable to a portion of the Straddle Period shall be the total amount of such Tax for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in such portion of such Straddle Period and the denominator of which is the total number of days in such Straddle Period, and (b) in the case of any other Taxes (such as Taxes based upon or measured by net income or gain, activities, events, transfers or supplies), the amount of such Tax that is allocable to the portion of such Straddle Period that ends on the day immediately before the Closing Date shall be deemed to be equal to the amount that would be payable if the relevant Straddle Period had ended at the close of business on the day immediately before the Closing Date. Notwithstanding the preceding, as it pertains to the allocation of Taxes and Tax liabilities of the Company and the Subsidiaries for a Straddle Period, any payment required in respect of a Straddle Period or the remittance of an insufficient Tax installment amount in respect of a Straddle Period shall be reasonably allocated between (i) to the Pre-Closing Tax Period to the extent that such amount is attributable to an action or omission of the Corporation that occurred prior to the Closing Date, and (ii) otherwise to the Post-Closing Tax Period. The Purchaser shall reasonably and in good faith consider any comments made by the Vendors as it pertains to the allocation of the portion of Taxes of a Straddle Period to a Pre-Closing Tax Period.

### **9.5.4 Notification Requirements.**

The Purchaser shall promptly afford to the Vendors all written notifications and other written communications from any Governmental Authority received by the Purchaser, the Company or the Subsidiaries relating to Taxes of the Company or the Subsidiaries for all Pre-Closing Tax Periods and Straddle Periods, and shall promptly inform the Vendors of any audit proposed to be undertaken and any adjustment proposed in writing to be made by any Governmental Authority in respect of a Pre-Closing Tax

Period and Straddle Period.

#### 9.5.5 **Vendors' Indemnification.**

From and after the Closing Date, the Vendors shall be responsible for and shall indemnify and save harmless the Purchaser for all Taxes payable by the Company and the Subsidiaries for all such periods that are a Pre-Closing Tax Period (and except to the extent such Taxes payable are recorded as liabilities on the Closing Date financial statements). The Purchaser shall pay to the Vendors as an increase in the Purchase Price any Tax refunds received by or credited to the Company and the Subsidiaries after the Closing Date (net of any costs or Taxes incurred in respect of such a refund or obtaining same) provided that such Tax refunds relate to a Pre-Closing Tax Period (and except to the extent that such Tax refunds have been recorded as assets on the Closing Date Financial Statements).

#### 9.5.6 **Purchaser's Contest Rights.**

Subject to Section 9.5.7, the Purchaser shall have the sole right to control, defend, settle, compromise, or prosecute in any manner an audit, examination, investigation, and any other proceeding with respect to any Tax of the Company or the Subsidiaries. The Purchaser shall keep the Vendors duly informed of any proceedings in connection with any matter for which the Purchaser may have a right to indemnification pursuant to this Section 9.5 or Section 10.1 and promptly provide the Vendors with copies of all correspondence and documents relating to those proceedings. The Vendors shall execute or cause to be executed such documents and shall take such action as reasonably requested by the Purchaser to enable the Purchaser to take any action the Purchaser deems appropriate with respect to any proceedings in respect of which the Purchaser has contest rights under this Agreement.

#### 9.5.7 **Vendors' Contest Rights.**

- (a) The Vendors may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding (a *Tax Proceeding*) with respect to Taxes related to any matter in respect of which the Purchaser may have a right of indemnification pursuant to this Section 9.5 or Section 10, except that: (i) the Vendors shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all Losses arising out of that Tax Proceeding and that the Vendors shall be liable for the entire amount of those Losses; (ii) the Vendors may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to the Tax Proceeding or any matter which may affect Tax liabilities of the Company or any Subsidiaries for a period following Closing; and (iii) the Vendors shall pay to the Purchaser the amount of all Taxes (including, for greater certainty, interest and penalties) specified in

the notice of assessment or other Claim from the Governmental Authority which are due and payable and to which the Purchaser's indemnity Claim relates within ten (10) Business Days before the amount is required to be paid to the Governmental Authority or within ten (10) Business Days after the Purchaser has forwarded to the Vendors a Claim for indemnity.

- (b) The Purchaser and/or the Company or any Subsidiaries, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendors to enable the Vendors to take any action it deems appropriate with respect to any proceedings in respect of which the Vendors has contest rights under this Agreement. In addition: (i) the Vendors shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser, the Company or any Subsidiaries; and (ii) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.
- (c) The provisions of this Section 9.5.7 shall not apply to the extent that: (i) in the reasonable opinion of counsel to the Purchaser, an actual or potential differing interest exists between the Purchaser and Vendors (such as the availability of different defences) that would make such separate representation advisable; or (ii) if the Vendors, having elected to assume such control, thereafter fails to defend the Tax Proceeding within a reasonable time, the Purchaser shall be entitled to assume such control and the Vendors shall be bound by the results obtained by the Purchaser with respect to such Tax Proceeding.

#### **9.5.8 Indemnification Procedures.**

Except to the extent expressly provided to the contrary in this Section 9.5, the general procedures regarding notice and pursuit of indemnification Claims set forth in Section 10 shall apply to all Claims for indemnification made under this Section 9.5, except that notwithstanding any provision of Section 10 to the contrary, if a Claim for indemnification involves any matter covered in this Section 9.5, then the contest provisions of Section 9.5.6 and Section 9.5.7, as applicable, shall control regarding the defence and handling of any such third party Claim that could give rise to an indemnification obligation on the part of the Vendors. Notwithstanding Section 6, the time period during which a Claim for indemnification may be made under this Section 9.5 shall survive Closing and continue in full force and effect until, but not beyond, the one hundred and eightieth (180<sup>th</sup>) day following the expiration of the period, if any, during which an assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Tax legislation in respect of any taxation year to which those representations and warranties and provisions under this Section 9.5 could be issued under that Tax legislation to the Company or any Subsidiaries. For

greater certainty, any indemnification payment made under this section shall constitute an adjustment to the Purchase Price as provided under Section 10.9.

## **9.6 RISK OF LOSS**

If the assets of the Company or any of the Subsidiaries, are lost, damaged or destroyed or appropriated, expropriated or seized by any Person, on or prior to the Closing Date, and if such acts or events and the loss, damage, destruction, appropriation, expropriation or seizure constitutes a Material Adverse Effect, then the Purchaser at its sole discretion may either: (a) terminate this Agreement in accordance with the provisions of Section 8.1, or (b) complete the purchase of the Purchased Securities without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for appropriation, expropriation or seizure, less the aggregate of all deductibles paid by the Purchaser and for which the Purchaser has not been reimbursed, shall be paid to the Company or its Subsidiaries, as applicable, to the Purchaser.

## **9.7 SEVERAL AND PROPORTIONATE LIABILITY**

The liability of each of the Vendors in respect of a Claim for indemnification by the Purchaser pursuant to the terms of this Agreement shall be allocated between the Vendors in accordance with the following proportions: (a) The Corporation of the Town of Espanola, as to eighty-one percent (81%); and The Corporation of the Township of Sables-Spanish Rivers, as to nineteen percent (19%).

## **10 INDEMNIFICATION**

### **10.1 INDEMNIFICATION BY THE VENDORS**

10.1.1 The Vendors shall indemnify and save harmless the Purchaser:

- (a) from and against all Losses suffered or incurred by the Purchaser as a result of or arising directly or indirectly out of or in connection with any Claim relating to: (i) any non-fulfilment or breach of any covenant or agreement on the part of the Vendors contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and (ii) any misrepresentation or any incorrectness in or breach of any representation or warranty of the Vendors contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant to this Agreement;
- (b) pursuant to Section 7.18.2; and
- (c) pursuant to Section 9.5.5.



10.1.2 The Vendors' obligations under Section 10.1.1 shall be subject to the following limitations:

- (a) the Vendors shall not be required to pay any amount until the aggregate of Losses claimed under Section 10.1.1(a) exceeds \$500,000 and then only the excess over such amount (the *Deductible*); and
- (b) the Vendors shall not be required to pay any amount claimed under Section 7.18.2 until the Losses in respect of an individual Claim or individual Third Party Claim exceeds \$30,000, and then only the excess over such amount (the *Real Estate Deductible*).

10.1.3 Subject to Section 10.1.4, the Vendors' total liability for Losses and maximum aggregate amount of indemnification which may be payable by the Vendors under Section 10.1.1(a) and Section 10.1.1(b) shall, together, not exceed an aggregate of \$1,000,000. For greater certainty, the amount of any Real Estate Deductible shall count towards, and be included in, the Deductible.

10.1.4 For the period of time commencing on the date that is 24 months following the Closing Date and ending on earlier of:

- (a) 8 years following the Closing Date, and
- (b) the date that the customer rates of North Bay Hydro Distribution Limited and ERHDC are harmonized in accordance with Section 7.9,

the maximum amount payable by the Vendors under Section 10.1.1(b) shall not exceed \$500,000 (the *Real Estate Cap*); provided; however an amount equal to any Refundable Amounts received by the Vendors will be automatically added back to the Real Estate Cap and shall be available to the Purchaser to satisfy claims for indemnification made pursuant to Section 7.18.

## 10.2 INDEMNIFICATION BY THE PURCHASER

10.2.1 The Purchaser shall indemnify and save harmless the Vendors from and against all Losses suffered or incurred by the Vendors as a result of or arising directly or indirectly out of or in connection with any Claim:

- (a) any non-fulfilment or breach of any covenant or agreement on the part of the Purchaser contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto; and
- (b) any misrepresentation or any incorrectness in or breach of any representation or warranty of the Purchaser contained in this Agreement or in any agreement, instrument, certificate or other document delivered pursuant to this Agreement.

### 10.3 NOTICE OF CLAIM

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

- (a) the factual basis for the Claim; and
- (b) the amount of the Claim, if known.

10.3.2 If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of a Direct Claim or Third Party Claim in time to effectively contest the determination of any liability capable of being contested, the Indemnifying Party will be entitled to set off against the amount claimed by the Indemnified Party the amount of any Loss incurred by the Indemnifying Party resulting from the Indemnified Party’s failure to give an Indemnity Notice on a timely basis.

### 10.4 DIRECT CLAIMS

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

### 10.5 INDEMNIFICATION PROCEDURES FOR CLAIMS

10.5.1 With respect to any Third Party Claim, the Indemnifying Party has the right, by notice to the Indemnified Party given not later than 30 days after receipt of the notice set forth in Section 10.3.1, to assume control of the defence, compromise or settlement of the Third Party Claim provided that:

- (a) the Third Party Claim involves only money damages and does not seek any injunctive or other equitable relief; and
- (b) if the named parties in any Third Party Claim include both the Indemnifying Party and the Indemnified Party, representation by the same counsel would, in the judgment of the Indemnified Party, still be appropriate notwithstanding any actual or potential differing interests between them (including the availability of different defences); and
- (c) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the judgment of the Indemnified Party, likely to establish a precedent, custom or practice adverse to the continuing business interest of the Indemnified Party.

If any Third Party Claim is of a nature such that the Indemnified Party is required by Applicable Law to make a payment to any Third Party with respect to the Third Party Claim before the completion of settlement negotiations or related legal proceedings, the Indemnified Party may make such payment and the Indemnifying Party shall, forthwith after demand by the Indemnified Party, reimburse the Indemnified Party for such payment. If the amount of any liability of the Indemnified Party under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount that was paid by the Indemnifying Party to the Indemnified Party, the Indemnified Party shall, forthwith after receipt of the difference from the Third Party, pay the amount of such difference to the Indemnifying Party.

10.5.2 Upon the assumption of control of the Third Party Claim by the Indemnifying Party as set out in Section 10.5.1, the Indemnifying Party shall diligently proceed with the defence, compromise or settlement of the Claim at its sole cost and expense, including if necessary, employment of counsel reasonably satisfactory to the Indemnified Party and, in connection there with, the Indemnified Party shall cooperate, but at the expense of the Indemnifying Party with respect to any out-of-pocket expenses incurred, to make available to the Indemnifying Party all relevant information in its possession or under its control (provided that it does not cause the Indemnified Party to breach any confidentiality obligations) and the Indemnified Party will take such other steps as are, in the reasonable opinion of counsel for the Indemnified Party, necessary to enable the Indemnifying Party to conduct that defence, provided always that:

- (a) no admission of fault may be made by or on behalf of the Purchaser without the prior written consent of the Purchaser; and

- (b) the Indemnified Party is not obligated to take any measures which, in the reasonable opinion of its legal counsel, could be prejudicial or unfavourable to the Indemnified Party.

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

## 10.6 EXCLUSIVE REMEDY

The rights of indemnity set forth in Section 7.18.2, Section 9.5.5 and Section 10 are the sole and exclusive remedy of each Party in respect of any misrepresentation, incorrectness in or breach of any representation or warranty, or breach of covenant, by the other Parties under this Agreement other than a Claim for specific performance or injunctive relief. The Parties agree that if a Claim for indemnification is made by one Party in accordance with Section 7.18.2, Section 9.5.5 or Section 10, as the case may be, and there has been a refusal by any other Party to make payment or otherwise provide satisfaction in respect of such Claim, then a legal proceeding is the appropriate means to seek a remedy for such refusal. This Section 10.6 shall remain in full force and effect in all circumstances and shall not be terminated by any breach (fundamental, negligent or otherwise) by any Party of its representations, warranties or covenants under this Agreement or under any Closing document or by any termination or rescission of this Agreement by any Party.

## 10.7 ONE RECOVERY

A Party shall not be entitled to double recovery for any Losses even though they may have resulted from the breach of more than one of the representations, warranties, agreements and covenants made by the other Parties to this Agreement.

## 10.8 DUTY TO MITIGATE

Nothing in this Agreement shall in any way restrict or limit the general obligation at law of a Party to mitigate any loss which it may suffer or incur by reason of the breach by the other Party of any representation, warranty or covenant of that other Party under this Agreement. If any Claim can be reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, a Party shall take all appropriate steps to enforce such recovery, settlement or payment.

## 10.9 ADJUSTMENT TO PURCHASE PRICE

Any payment made by the Parties under this Section 10 shall constitute an adjustment to the Purchase Price.

## 11 GUARANTEE

The Guarantor unconditionally and irrevocably guarantees to the Vendors the full and prompt payment and performance of all of the Purchaser's obligations under this Agreement. The Vendors shall be entitled to enforce the guarantee set forth in this Section 11 against the Guarantor if:

- 11.1 a claim has been made against the Purchaser under this Agreement;
- 11.2 the Purchaser has either agreed to pay and satisfy such claim or the Purchaser's liability in respect of such claim has been finally determined by a court of competent jurisdiction; and
- 11.3 the Purchaser has not paid the amount of such claim to the Vendors within 30 days of the date of such agreement to pay or determination to pay by a court of competent jurisdiction.

## 12 SCHEDULES

The schedules to this Agreement, listed below, are an integral part of this Agreement:

<b>Schedule</b>	<b>Description</b>
Schedule A	Definitions
Schedule B	Purchase Price Adjustment Calculation Methodology
Schedule C	Allocation of Purchase Price
Schedule D	Capitalization
Schedule E	Disclosed Liabilities
Schedule F	List of Real Property
Schedule G	List of Registered and Unregistered Easements
Schedule H	Intellectual Property
Schedule I	Collective Agreement
Schedule J	Employee Plans
Schedule K	Material Contracts
Schedule L	Form of In-Kind Services Agreement
Schedule M	Form of Joint Use Agreement
Schedule N	Form of Right of First Offer Agreement
Schedule O	Financial Statements
Schedule P	Permitted Encumbrances
Schedule Q	Third Party Consents
Schedule R	Tax Matters

## Schedule S Permitted Financing

13 **ENTIRE AGREEMENT**

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise included, without limitation, the Letter of Intent. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral, whether statutory or otherwise, between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

14 **CURRENCY**

Unless otherwise specified, all references to money amounts are to lawful currency of Canada.

15 **GOVERNING LAW**

This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

16 **HEADINGS**

Headings of Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.

17 **INCLUDING**

In this Agreement, where the word “including” or “includes” is used, it means “including (or includes) without limitation”.

18 **NO STRICT CONSTRUCTION**

The language used in this Agreement is the language chosen by the Parties to express their mutual intent and no rule of strict construction shall be applied against any Party.

19      **NUMBER AND GENDER**

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

20      **SEVERABILITY**

If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.

21      **STATUTORY REFERENCES**

In this Agreement, a reference to a statute includes all regulations made pursuant to such statute.

22      **TIME**

Time is of the essence in the performance of the Parties' respective obligations.

23      **TIME PERIODS**

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

24      **WAIVER OF RIGHTS**

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

## 25 NO THIRD PARTY BENEFICIARY

This Agreement is solely for the benefit of the Parties and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

## 26 ARBITRATION

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

The arbitration shall be conducted by a single arbitrator having no financial or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the Parties. If the Parties are unable to agree on the appointment of the arbitrator within 10 days after notice of a demand for arbitration is given by any Party, then any Party shall be free to apply to the Ontario Superior Court of Justice for and Order appointing the arbitrator. Absent agreement or award in the arbitration to the contrary, the arbitration fees and expenses shall be borne by the Parties equally.

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

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

## 27 PUBLIC NOTICES

The Parties shall make a joint public announcement with respect to this Agreement and the transactions herein contemplated, at such time and in such manner as may be mutually agreed upon by the Parties. Except as required by applicable Laws, no other public announcement, press release, notices, statements and communications to third parties shall be made by either Party hereto without the prior consent and approval of the other Party, provided that the Parties hereby acknowledge that the Parties may be compelled to disclose details of this Agreement and the transactions contemplated



herein in respect of the Required Approval and that the Vendors or the Purchaser may be compelled to disclose details of this agreement and the transactions herein contemplated pursuant to the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario) or the *Freedom of Information and Protection of Privacy Act* (Ontario).

## 28 EXPENSES

Except as provided in this Agreement, each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the purchase and sale of the Purchased Securities and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses incurred. The Purchaser shall be responsible for all filing fees related to the Required Approval.

## 29 BROKERAGE, COMMISSIONS, ETC.

It is understood and agreed that no broker, agent or other intermediary has acted for the Vendors, the Company, the Subsidiaries, or the Purchaser, in connection with the transaction herein contemplated. The Vendors agree to indemnify and save harmless the Purchaser from and against any claim for commission or other remuneration payable for alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Vendors in connection with the transactions herein contemplated. The Purchaser agrees to indemnify and save harmless the Vendors from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Purchaser in connection with the transactions herein contemplated.

## 30 NOTICES

Any notice, consent or approval required or permitted to be given in connection with this Agreement (a *Notice*) shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by email:

- 30.1 in the case of a notice to Espanola addressed to it at: 100 Tudhope Street, Suite 3, Espanola, Ontario P5E 1S6, e- mail: ctownsend@espanola.ca;
- 30.2 in the case of a notice to Sables-Spanish addressed to it at: 11 Birch Lake Road, Massey, Ontario P0P 1P0, e-mail: kasloss@sables-spanish.ca;
- 30.3 in the case of a Notice to the Purchaser at: 74 Commerce Crescent, North Bay, Ontario P1A 0B4; Attention: Matthew Payne; Email: [mpayne@northbayhydro.com](mailto:mpayne@northbayhydro.com); and

30.4 in the case of a Notice to the Guarantor at: 74 Commerce Crescent, North Bay, Ontario P1A 0B4; Attention: Matthew Payne; Email: [mpayne@northbayhydro.com](mailto:mpayne@northbayhydro.com).

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that if delivered or transmitted on a Business Day prior to 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

31 **ASSIGNMENT**

No Party may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of the other Party.

32 **SUCCESSORS**

This Agreement enures to the benefit of and is binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

33 **AMENDMENT**

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, is binding unless executed in writing by the Party to be bound thereby.

34 **FURTHER ASSURANCES**

The Parties shall, with reasonable diligence, to all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing, provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

35 **EXECUTION AND DELIVERY**

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by email and all such counterparts or emails together constitute one and the same agreement.

*[Remainder of page left intentionally blank. Execution page follows.]*

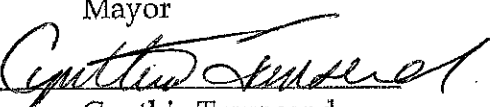
IN WITNESS OF WHICH the Parties have executed this Agreement.

**THE CORPORATION OF THE TOWN OF ESPANOLA**

By: 

Name: Ron Piche

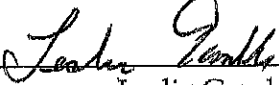
Title: Mayor

By: 

Name: Cynthia Townsend

Title: Chief Administrative Officer & Treasurer

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**

By: 

Name: Leslie Gamble

Title: Mayor

By: 

Name: Kim Sloss

Title: Clerk-Administrator

**NORTH BAY HYDRO HOLDINGS LTD.**

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**NORTH BAY (ESPANOLA) ACQUISITION INC.**

By: \_\_\_\_\_

Name: Matthew Payne

Title: President and Chief Operating Officer

By: \_\_\_\_\_

Name: Melissa Casson

Title: Vice President of Finance

IN WITNESS OF WHICH the Parties have executed this Agreement.

**THE CORPORATION OF THE TOWN OF ESPANOLA**

By: \_\_\_\_\_

Name: Ron Piche

Title: Mayor

By: \_\_\_\_\_

Name: Cynthia Townsend

Title: Chief Administrative Officer & Treasurer

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**

By: \_\_\_\_\_

Name: Leslie Gamble

Title: Mayor

By: \_\_\_\_\_

Name: Kim Sloss

Title: Clerk-Administrator

**NORTH BAY HYDRO HOLDINGS LTD.**

By: \_\_\_\_\_

Name: Al McDonald

Title: Chair

By: \_\_\_\_\_

Name: Tanya Vrebosch

Title: Vice-Chair

**NORTH BAY (ESPANOLA) ACQUISITION INC.**

By: \_\_\_\_\_

Name: Matthew Payne

Title: President and Chief Operating Officer

By: \_\_\_\_\_

Name: Melissa Casson

Title: Vice President of Finance

## SCHEDULE A - DEFINED TERMS

In this Agreement, the following terms will have the following meanings:

**2017 Financial Statements** means the unaudited financial statements of the Company and Espanola Regional Hydro Services Corporation, and the audited financial statements of Espanola Regional Hydro Distribution Corporation for the fiscal year ended December 31, 2017, consisting of the balance sheet and the statements of earnings and retained earnings and cash flows and all notes thereto.

**Advisory Committee** has the meaning given in Section 7.7.

**Affiliate** has the meaning given in the *Business Corporations Act* (Ontario).

**Aggregate Claims Amount** has the meaning given in Section 7.18.4.

**Aggregate Recoverable Amount** has the meaning given in Section 7.18.4.

**Agreement** means this securities purchase agreement, including all schedules, and all amendments or restatements, as permitted, and references to "Section" means the specified Section of this Agreement.

**Amended and Restated Shareholder Notes** has the meaning given in Section 2.1.1.

**Applicable Law** means: (a) any domestic (federal, provincial or municipal) or foreign statute, law (including common and civil law), code, ordinance, rule, regulation, order-in-council, restriction or by-law (zoning or otherwise); (b) any judgment, order, writ, injunction, directive, decision, ruling, decree or award; (c) any regulatory policy, practice, standard or guideline; (d) any published administrative position; or (e) any Permit of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of that Person or binding on or affecting an Employee Plan referred to in the context in which the term is used, and for greater certainty includes the Tax Act in respect of an Employee Plan that qualifies for or purports to qualify for a particular type of plan thereunder or that has or purports to have Tax-favoured treatment.

**Benefit Plans** means all plans that provide pension benefits for the benefit of Employees or former Employees, and their respective beneficiaries, and all Employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, change of control, compensation, retirement, salary continuation, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, accident, disability, life insurance and other plans, arrangements, agreements, programs, policies, practices or undertakings, whether oral or written, funded or unfunded, registered or unregistered, insured or self-insured: (a) that are sponsored or maintained or funded, in

whole or in part, by the Company or any Subsidiary, or to which the Company or any Subsidiary contributes or is obligated to contribute for the benefit of Employees or former Employees, and their respective beneficiaries; or (b) under which the Company or any Subsidiary has any liability or contingent liability, excluding Statutory Plans.

***Books and Records*** means books and records of the Company and the Subsidiaries, including financial, corporate, operations, records, books of account, sales and purchase records, list of suppliers and customers, formulae, business reports, plans and projections and all other documents, surveys, plans, files, records, assessments, correspondence, and other data and information, financial or otherwise, including all data, information and data bases stored on computer related or other electronic media.

***Business*** means: (a) in respect of the Company, a holding body corporate; (b) in respect of ERHDC, the distribution of electricity in the Town of Espanola and the Township of Sables-Spanish Rivers; and (c) in respect of ERHSC, no active business operations.

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

***Change in Law*** means the adoption, enactment, promulgation, modification, amendment, or revocation of any applicable Law made or issued by the Province of Ontario (including by, or in respect of, the OEB).

***Claims*** means claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, information or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, including loss of value, reasonable professional fees, including fees and disbursements of legal counsel and all actual and documented costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

***Closing*** means the completion of the sale to and purchase by the Purchaser of the Purchased Securities under this Agreement.

***Closing Date*** means the first date which is the first Business Day of a month and no earlier than five (5) Business Days and no later than thirty-five (35) days following the date that the Required Approval has been obtained, provided that the Closing Date shall be no later than the Outside Date.

***Closing Date Financial Statements*** has the meaning given in Section 3.4.1(a).

***Closing Date Shareholders' Equity*** means the shareholders' equity of ERHDC set forth in the Closing Date Financial Statements.

**Closing Time** means 10:00 o'clock a.m. North Bay time, on the Closing Date or such other time on such date as the Parties may agree in writing as the time at which the Closing shall take place.

**Collective Agreement** has the meaning given in Section 4.22.1.

**Company** has the meaning given in Recital B.

**Conclusive Purchase Price Adjustment Statement** has the meaning given in Section 3.4.3.

**Confidential Disclosure Schedule** means that confidential disclosure schedule dated as of the Effective Date which the Vendors delivered to the Purchaser contemporaneously with the execution and delivery of this Agreement.

**Confidentiality Agreement** has the meaning given in Section 9.1.3.

**Contracts** means contracts, licenses, leases, agreements, obligations, promises, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements to which the Company or any of the Subsidiaries is a party or by which any of them are bound or under which the Company or any of the Subsidiaries has, or will have, any liability or contingent liability (in each case, whether written or oral, express or implied), and includes any quotations, orders, proposals or tenders which remain open for acceptance and warranties and guarantees.

**COS Application** has the meaning given in Section 7.18.4.

**CTA** means the *Taxation Act, 2007* (Ontario) and any regulation made thereunder.

**Deductible** has the meaning given in Section 10.1.2(a).

**Departure Tax** means the tax payable pursuant to Section 93 of the Electricity Act and calculated according to Section 12 of O.Reg. 162/01 *Payments in Lieu of Corporate Taxes – Municipal Electricity Utilities* promulgated pursuant to the Electricity Act, or similar tax or replacement or substitution thereof.

**Deposit** has the meaning given in in Section 3.2.1.

**Direct Claim** has the meaning given in Section 10.3.1.

**E&L Period** has the meaning given in Section 7.5.

**Easements** means all rights of way, licences, rights of occupation, easements or other similar rights to use, traverse, enjoy or have access to, over, in or under any real property.

*Effective Date* has the meaning given in the first paragraph of this Agreement.

*Electricity Act* means the *Electricity Act, 1998* (Ontario), as now enacted or as the same may from time to time be amended, re-enacted or replaced, and any regulations thereunder.

*Employee Fact Sheet* has the meaning given in Section 4.20.1.

*Employees* has the meaning given in Section 4.20.1.

*Encumbrances* means pledges, liens, charges, security interests, leases, title retention agreements, mortgages, options, adverse claims or encumbrances of any kind or character whatsoever.

*Environment* means the environment or natural environment as defined in any Environmental Laws and includes air, surface water, groundwater, land surface, soil, subsurface.

**Environmental Laws** means Laws relating to the protection of the Environment, and includes Laws relating to the storage, generation, use, handling, manufacture, processing, transportation, treatment, Release and disposal of Hazardous Substances.

*ERHDC* has the meaning given in Recital C.

*ERHSC* has the meaning given in Recital C.

*ETA* means the *Excise Tax Act* (Canada) and any regulations made thereunder.

*Financial Statements* means the unaudited financial statements of the Company and Espanola Regional Hydro Services Corporation, and the audited financial statements of Espanola Regional Hydro Distribution Corporation for the fiscal year ended December 31, 2016, consisting of the balance sheet and the statements of earnings and retained earnings and cash flows and all notes thereto, a copy of which are annexed as Schedule O.

*Fixed Assets* means fixed assets, furniture, furnishings, parts, tools, personal property fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, fixtures, vehicles, computer hardware and software, substations, transformers, vaults, distribution lines, transmission lines, conduits, ducts, types, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, pipelines, fittings and any other similar or related items of the Business.

*Governmental Authorities* means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, the OEB, courts, bodies, boards, tribunals or dispute settlement panels or other law, rule



or regulation making organizations or entities having or purporting to have jurisdiction on behalf of any nation, province, territory or state or other geographic or political subdivision of any of them, or exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

***Hazardous Substances*** means pollutants, contaminants, waste of any nature, hazardous substances, hazardous materials, toxic substances, prohibited substances, dangerous substances or dangerous goods in excess of that permitted by Environmental Laws.

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

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

***Indemnified Party*** has the meaning given to it in Section 10.3.1.

***Indemnifying Party*** has the meaning given to it in Section 10.3.1.

***Indemnity Amount*** has the meaning given in Section 7.18.4.

***Initial Shareholders' Equity*** means the shareholders' equity of ERHDC set forth in the Financial Statements, which, as of December 31, 2016 was \$3,143,012.

***Joint Use Agreement for Power Utility Distribution Poles*** has the meaning given in Section 7.11.

***Law*** or ***Laws*** means currently existing applicable statutes, bylaws, rules, regulations, Orders, ordinances or judgments, in each case of any Governmental Authority having the force of law.

***Letter of Intent*** means the letter of intent dated November 30, 2017 submitted by the Purchaser in connection with the proposed purchase and sale of the Company and its Subsidiaries, together with two extension letters dated December 18, 2017 and December 22, 2017, as amended by: (a) a letter of intent amending agreement executed by all of the parties dated February 2, 2018, (b) a second letter of intent amending agreement executed by all of the parties dated March 23, 2018, and (c) a third letter of intent amending agreement executed by all of the Parties dated May, 2018.

***Lender*** means Ontario Infrastructure and Lands Corporation and its successors.

***Lender Agreement*** means the financing agreement between the Lender and Espanola Regional Hydro Distribution Corporation dated as of October 28, 2015, as amended by Amending Agreement No. 1 dated November 23, 2015.

***Losses*** means any and all loss, liability (whether accrued, actual, contingent, latent or otherwise), damage, cost, expense (including interest, court costs and reasonable fees of lawyers, accountants and other experts and professionals), Taxes, charge, line, penalty or assessment, suffered or incurred by the Person seeking indemnification, directly resulting from or arising out of any Claim, including the cost and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, including without limitation a gross up to account for any tax payable or a reduction in the “cost amount”, as defined in subsection 248(1) of the Tax Act of any property owned by the Purchaser or the Company or any Subsidiaries or a successor entity of any of the foregoing in the taxation year as a result of receiving the indemnification amount but: (a) excluding any contingent liability until it becomes actual; (b) reduced by any net Tax benefit; (c) reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Persons; and (d) excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than as may be included in damages of a third-party in respect of a Third Party Claim.

***Material Adverse Effect*** means any change, effect or circumstance that is materially adverse or is reasonably likely to be materially adverse to the financial condition or results of operations of the Company and the Subsidiaries or the Business taken as a whole; excluding: (a) any adverse change, effect or circumstance relating generally to financial markets or general economic conditions; and (b) war, act of terrorism, civil unrest or similar event.

***Material Contracts*** means Contracts involving payments to or by the Company or any of the Subsidiaries in excess of \$50,000.

***Neutral Auditor*** means an independent auditor mutually acceptable to the Purchaser and the Vendors.

***Notice*** has the meaning given in Section 30.

***OEB*** means the Ontario Energy Board and its successors.

***OEB Act*** means the *Ontario Energy Board Act, 1998*, as in effect on the date of this Agreement.

***Orders*** means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued,

filed or imposed by any Governmental Authority or arbitrator and includes Remedial Orders.

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

**Outside Date** means December 31, 2020.

**Parties** means the Vendors and the Purchaser collectively, and **Party** means any one of them.

**Permitted Encumbrances** means: (a) the Encumbrances listed in Schedule P; (b) servitudes, restrictions, rights-of-way and other similar rights in real property or any interest therein, provided that those servitudes, restrictions, rights-of-way and similar rights are not of such a nature as to have a Material Adverse Affect on the use or value of the property subject thereto; (c) undetermined or inchoate liens, charges and privileges incidental to current construction or current operations, except for liens, charges and privileges related to Taxes; (d) statutory liens, charges, adverse claims, security interests or Encumbrances of any nature whatsoever claimed or held by any Governmental Authority that have not at the time been filed or registered against the title to the asset or served on the Company pursuant to Applicable Law or that relate to obligations not due or delinquent, except for statutory liens, charges, adverse claims, security interests or Encumbrances related to Taxes; (e) security given in the Ordinary Course of the Business to any public utility or Governmental Authority in connection with the operations of the Business, other than security for borrowed money; and (f) the reservations in any original grants from the Crown of any Real Property or interest therein and statutory exceptions to title that do not materially detract from the value of the Real Property concerned or materially impair its use in the operation of the Business.

**Permitted Financing** means the financings identified in Schedule S.

**Person** means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, a body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative.

**Personal Information** means information in the possession or under the control of the Company, its Subsidiaries and the Vendors about an identifiable individual.

**PILs** means payment in lieu of corporate taxes required to be made under Part VI of the Electricity Act or any similar tax or replacement or substitution thereof.

***Post-Closing Tax Period*** means any Tax period beginning on or after the Closing Date, and with respect to a Straddle Period, the portion of such Tax period beginning on the Closing Date.

***Pre-Closing Tax Period*** means any Tax period ending on or before the day immediately prior to the Closing Date and with respect to a Straddle Period the portion of any such Tax Period deemed to end on the day prior to the Closing Date.

***PUC Services Agreement*** means the services agreement between PUC Services Inc. and Espanola Regional Hydro Distribution Corporation dated June 21<sup>st</sup>, 2016.

***Purchase Price*** means the aggregate amount payable by the Purchaser for the Purchased Securities as set forth in Section 3.1.

***Purchase Price Adjustment*** has the meaning given in Section 3.4.4.

***Purchase Price Adjustment Statement*** has the meaning given in Section 3.4.1(b).

***Purchase Price Adjustment Statement Resolution Period*** has the meaning given in Section 3.4.2.

***Purchased Shares*** means all of the issued and outstanding common shares in the capital of the Company and all of the issued and outstanding special shares in the capital of ERHDC.

***Purchased Securities*** means the Purchased Shares and the Amended and Restated Shareholder Notes.

***Purchaser's Objection*** has the meaning given in Section 3.4.2.

***Real Estate Cap*** has the meaning given in Section 10.1.4.

***Real Estate Deductible*** has the meaning given in Section 10.1.2(b).

***Real Property*** means the real property owned by the Company or any of the Subsidiaries, including plants, buildings, structures, fixtures, erections, improvements, and other appurtenances situate on or forming part of such real property.

***Release*** has the meaning prescribed in any Environmental Laws and includes any release, spill, leak, pumping, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction.

***Refundable Amount*** has the meaning given in Section 7.18.4.

**Remedial Orders** means Orders issued, filed or imposed by any Governmental Authority pursuant to any Environmental Laws and include Orders requiring remediation of any site or any remediation or cleanup of any Hazardous Substance, or requiring that any Release be reduced, modified or eliminated.

**Required Approval** has the meaning given in Section 7.1.

**Right of First Offer Agreement** has the meaning given in Section 7.13.

**Shareholder Notes** has the meaning given in Section 2.1.1(b).

**Statutory Plans** means statutory benefit plans which the Company or any of the Subsidiaries are required to participate in or comply with, including the Canada Pension Plan and plans administered pursuant to applicable health tax, workplace safety and insurance and employment insurance obligations.

**Straddle Period** means any Tax period that begins prior to the Closing Date and includes but does not end on the Closing Date.

**Subsidiaries** and **Subsidiary** has the meaning given to it in Recital C.

**Tangible Personal Property** means the property and assets used by the Company or any of the Subsidiaries to conduct its Business, including without limitation, the Fixed Assets.

**Tax** or **Taxes** means all domestic and foreign federal, provincial, municipal, territorial or other taxes, imposts, duties, premiums, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed including, without limitation, all income, capital gains, sales, excise, use, property, capital, transfer, land transfer, goods and services, HST, business transfer and value added taxes, all customs and import duties, workers' compensation premiums, Canada Pension Plan contributions, employment insurance premiums, and includes PILs, Departure Tax, and Transfer Tax and payments pursuant to Part VI of the Electricity Act together with all interest, additions, fines and penalties with respect thereto.

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

**Tax Proceeding** has the meaning given to it in Section 9.5.7.

**Tax Return** means all returns, information returns, declarations, designations, forms, schedules, elections, reports and other documents of every nature whatsoever (and includes related or supporting information, and including any withholding tax returns and reports and information returns and reports) filed, or required to be filed with any Governmental Authority with respect to any Taxes, including those required pursuant to Part VI of the Electricity Act or with respect to the administration of any applicable

Laws or administrative requirements relating to any Taxes and any amendments thereof.

*Third Party* has the meaning given in Section 10.3.1.

*Third Party Claim* has the meaning given in Section 10.3.1.

*Third Party Consents* has the meaning given in Section 3.5.

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

*Uncovered Real Estate Right* means an interest with respect to using, traversing, enjoying or having access to, over in or under any real property used in connection with the Business which is not documented or is not held by ERHDC to provide the required rights of occupancy, possession, use, entry and exit, as applicable, as reasonably necessary to carry on the Business on such real property and/or maintain Fixed Assets on such real property.

*Unregistered Easements* means the unregistered Easements described in Schedule G.

*Vendors* has the meaning given to it in Recital A.

*Vendors' Knowledge* means the best of the knowledge, information and belief of the Vendors after making due inquiries regarding the relevant matter of all relevant representatives of the Company, its Subsidiaries and PUC Services Inc.

## SCHEDULE B - PURCHASE PRICE ADJUSTMENT CALCULATION

<b>PURCHASE PRICE ADJUSTMENT CALCULATION</b>							
Shareholders' equity of Espanola Regional Hydro Distribution Corporation as at the Closing Date					TBD	A	
Less: Shareholders' equity of Espanola Regional Hydro Distribution Corporation as at December 31, 2016					3,143,012	B	
Purchase Price Adjustment (*)					TBD	A - B	
(*) A positive Purchase Price Adjustment results in a dollar-for-dollar increase in the Purchase Price, while a negative Purchase Price Adjustment results in a dollar-for-dollar decrease in the Purchase Price.							

## SCHEDULE C - ALLOCATION OF PURCHASE PRICE

[illegible]



## SCHEDULE D - CAPITALIZATION

<u>Entity</u>	<u>Issued</u>	<u>Class of Shares</u>
Company	1,000	Common
ERHDC	1,000	Common
	228	Special
ERHSC	1000	Common

## **SCHEDULE E - DISCLOSED LIABILITIES**

Nil.

## **SCHEDULE F - LIST OF REAL PROPERTY**

**PIN 73406-0049(LT):** PCL 26231 SEC SWS SRO; PT LT 8 CON 4 MERRITT PT 1, 53R7704; ESPANOLA

**PIN 73408-0043(LT):** PCL 29422 SEC SWS; PT LT 7 CON 5 MERRITT PT 1 & 2 53R12344; ESPANOLA

**PIN 73408-0046(LT):** PCL 4928 SEC SWS; PT LANE PL M38 MERRITT PT 3 TO 5 53R8031; PT LT 2 PL M38 MERRITT AS IN LT4640; LT 3 PL M38 MERRITT; ESPANOLA

**PIN 73409-0965(LT):** PCL 17836 SEC SWS; FIRSTLY: PT WATSON AV PL M77 MERRITT (CLOSED); SECONDLY: PT LT 311 PL M77 MERRITT; THIRDLY: PT PUBLIC LANE PL M77 MERRITT (CLOSED); FOURTHLY: PT LT 312 PL M77 MERRITT AS IN LT183874; T/W PT 2 53R17449 AS IN LT966421; ESPANOLA

**PIN 73409-1137(LT):** PCL 31609 SEC SWS; PT BLK A PL M883 MERRITT PT 1 53R17449; T/W PT 2 53R17449 AS IN LT966421; ESPANOLA

**PIN 73426-0349(LT):** PCL 1 SEC D264; UNIT 1 PL D264 SALTER; SABLES-SPANISH RIVERS

**PIN 73423-0390(LT):** PCL 49 SEC D264; UNIT 49 PL D264 SALTER; SABLES-SPANISH RIVERS

## SCHEDULE G – LIST OF EASEMENTS AND UNREGISTERED EASEMENTS

Easement No.	Land Description	Easement Description	Transferor/ Customer	File Folder	Easements	Registration Date	Status	Area**
P15633	Part of Lot 11 N 1/2 Concession V Township of Merritt County of Sudbury	5 Poles 3 Anchors Clearing & Cutting Rights Low Tension Line	Director the Veteran's Land Act/ The Hydro Electric Power Commission of Ontario Espanola Development Co. Ltd/ The Hydro Electric Power Commission of Ont. Property Div.	Red File Folder in Safe		26-Jul-56	Unregistered	7192 JRD
P228845	Lot N 1/2 9 Con. V Twp. Merritt District Sudbury	1 Pole 1 Anchor Clearing & Cutting Rights Distribution Lines		Red File Folder in Safe		25-Aug-60	Unregistered	R.P. M-77
P375523	Part of 9 Con. 4 Twp. Merritt District Sudbury	1 Pole 1 Anchor Clearing & Cutting Rights Transmission Line	Espanola Ski Club Inc. / Ontario Hydro	Red File Folder in Safe		29-Jul-82	Unregistered	Plan #RP53R5019
P399578	Lot 4 Conc. 3 Twp. Merritt District Sudbury	Clearing & Cutting Rights Transmission Line	The Canadian Jesuit Missions / Ontario Hydro	Red File Folder in Safe		11-Sep-84	Unregistered	Parcel 10601 sws
P399691	Lot 9 Parts of 4, 5, 6,7 Conc. 3 Twp. Merritt Dist. Sudbury	Clearing & Cutting Rights Transmission Line	Henry Roland Aubertin / Ontario Hydro	Red File Folder in Safe		29-Oct-84	Unregistered	Parcel 2834
P501807	Lot 12 Sub Lot PT 2 Con. 2 Twp. Merritt Dist. Sudbury	1 Anchor	Arthur Aubrey / Ontario Hydro	Red File Folder in Safe		02-Jun-98	Unregistered	792 Pleasant Valley Rd. Espanola, Ont.
P236714	Lot 12 Con. II Twp. Merritt Dist. Sudbury	8 Poles 1 Anchor Clearing & Cutting Rights Distribution Lines	Earl Aubrey / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe		20-Sep-61	Unregistered	
P236710	Lot 11 Con. III Twp. Merritt Dist. Sudbury	3 Poles 2 Anchors Clearing & Cutting Rights Distribution Lines	Albert Auge / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe		21-Sep-61	Unregistered	

P356773		3 Poles, 3 Anchors, Occupational Rights & Clearing Rights						
	Lot 9 Con. 3 Twp. Merritt Dist. Sudbury	Transmission Lines	Regis & Mary Auge / Ontario Hydro	Red File Folder in Safe	18-Sep-79	Unregistered		
P366289		2 Poles 3 Anchors Clearing & Cutting Rights						
	Lot 9 Part 2 & 4 Con. 3 Twp. Merritt Dist. Sudbury	Occupational Rights Transmission Lines	Regis & Mary Auge / Ontario Hydro	Red File Folder in Safe	18-Mar-81	Unregistered	Parcel 10964	
P375521		1 Pole 1 Anchor Clearing & Cutting Rights						
	Lot 9 Con. 3 Twp. Merritt Dist. Sudbury	Transmission Line	Regis & Mary Auge / Ontario Hydro	Red File Folder in Safe	12-Jul-82	Unregistered	Parcel 10964 Plan 53R-8925	
P411374		1 Anchor No permission req'd to raise elevation of ground. Add anchor rods to keep guy steel above ground. Any damage to landscaped area to be rectified to owners satisfaction at expense of Ontario Hydro						
	Lot 9 Part 1 Con. 3 Twp. Merritt Dist. Sudbury		Wilfred & Rita Auge / Ontario Hydro	Red File Folder in Safe	22-Aug-86	Unregistered	Parcel 25495 Plan 53R-4953	
P495905		1 Pole Occupational Right.						
	Lot 9 Part 1 Con. 3 Twp. Merritt Dist. Sudbury	Transmission Lines	Wilfred & Rita Auge / Ontario Hydro	Red File Folder in Safe	11-Jan-95	Unregistered	Plan 53R-4953	
P366259		1 Anchor						
	Lot 10 Con. 6 Twp. Merritt Dist. Sudbury	Transmission Line	Marcial & Rita Barnes / Ontario Hydro	Red File Folder in Safe	03-Mar-81	Unregistered	Parcel 7513	

P345382	Part of S.E. 1/4 Lot 10 Con. 3 Twp. Merritt Dist. Sudbury	1 Anchor Clearing & Cutting Rights Transmission Lines	Marcel & Gisele Berthelot / Ontario Hydro	Red File Folder in Safe	20-Jun-78	Unregistered	
P375224	Lot 9 Con. 5 Twp. Merritt Dist. Sudbury	1 Pole Transmission Line	Helen Bieniek	Red File Folder in Safe	12-Jan-82	Unregistered	Parcel SW6356
P365860	E 1/2 Lor 9 Con. 5 Twp. Merritt Dist. Sudbury	2 Poles Cutting & Clearing Rights Transmission Lines	Helen Bieniek	Red File Folder in Safe	02-Jul-80	Unregistered	Parcel SW5 6356
P280331	Lot 12 Con. V Twp. Merritt Dist. Sudbury	Cutting & Clearing Rights Distribution Lines	Clifford & Victoria Bisson / Hydro Electric Power Commission of Ontario	Red File Folder in Safe	06-Nov-68	Unregistered	
P480583	Lot 11 Conx. 5 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Albert & Elizabeth Budge / Ontario Hydro	Red File Folder in Safe	13-May-92	Unregistered	Parcel 20786 Plan SR-1898
P365484	Lot 4 Conc. 6 Twp. Merritt Dist. Sudbury	Clearing & Cutting Rights Transmission Line	Francis William & Mary Buott / Ontario Hydro	Red File Folder in Safe	12-Dec-79	Unregistered	Line #FS 1701
P217063	Lot 7 Conc. V Twp. Merritt Dist. Sudbury	2 Anchors with wire Transmission Lines	Mary Burtnyk / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	27-May-58	Unregistered	Pcl. SWS 6671
P399708	Lot 9 Conc. 3 Twp. Merritt Dist. Sudbury	Clearing & Cutting Rights Transmission Line	Jean Claude Bussieres & Cindy Bourgeault / Ontario Hydro	Red File Folder in Safe	20-Nov-84	Unregistered	53R 10039
P345410	West 1/2 Lot 10 Conc. 3 Twp. Merritt Dist. Sudbury	5 Anchors Clearing & Cutting Rights Transmission Lines	Jean & Marie Bussieres / Ontario Hydro	Red File Folder in Safe	20-Jun-78	Unregistered	510 Albert St. Espanola
P236711	North 1/2 11 Con. 2 Twp. Merritt Dist. Sudbury	3 Poles & 2 Anchors Clearing & Cutting Rights Distribution Lines	Elmer Beckett / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	21-Sep-61	Unregistered	Approx. 1/2 acre of mixed bush
P231440	North 1/2 10 Conc. V Twp. Merritt Dist. Sudbury	Damages resulting from work on Transmission Line FS 18 x 1863	John Boniakowski / The Hydro Electric Comission of Ontario	Red File Folder in Safe	27-Oct-60	Unregistered	Parcel 6257

P411388	Lot 8 Conc. 2 Twp. Merritt Dist. Sudbury Sub-Lot CLS98706	Occupational Rights Cutting & Clearing Rights Padmount Transformer Transmission Line	Real Bourcier / Ontario Hydro	Red File Folder in Safe	03-Sep-86	Unregistered	Parcel 6323 Crown Lands T-2958
P435022		1 Pole 3 Anchors Occupational Rights Cutting Rights Transmission Line	Cynda Lou Carson / Ontario Hydro	Red File Folder in Safe	15-Sep-88	Unregistered	Parcel 11868 SWS Loon Lake to Island
P230567	Lot 3 Conc. 1 Twp. Merritt Dist. Sudbury						
	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	One Pole One Anchor Right to cut & clear Distribution Lines	Phyllis D. Castagnoli / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	17-Oct-60	Unregistered	
P469218	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury Sub-Lot Part 2	Occupational Rights Right to cut & trim Distribution Lines	Gregory John & Edna Clark / Ontario Hydro	Red File Folder in Safe	02-Nov-90	Unregistered	Parcel 26646 Plan 53R-8133
P282835		Overhanging wires. Right to cut & clear. Distribution Lines	Daniel F. Coleman / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	20-Mar-69	Unregistered	Apsey Lake South End
P411239	Lot 9 Conc. 2 Twp. Merritt Dist. Sudbury						
	Lot 10 (part of the east half) Conc. 3 Twp. Merritt Dist. Sudbury	One Pole One Anchor Right to cut & clear Transmission Lines	James & Stephanie Constantineau / Ontario Hydro	Red File Folder in Safe	15-Jul-86	Unregistered	Plan 53R - 8843
P94649	Lot 10 Conc. V Twp. Merritt Dist. Sudbury	3 Poles 2 Anchors Transmission Lines	Napoleon Cyr / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	19-May-54	Unregistered	
P236712		Distribution Lines					
	Lot South 1/2 11 Conc. II Twp. Merritt Dist. Sudbury	6 Poles 3 Anchors Right to cut & clear Distribution Lines	Pierre Delisle / The Hydro Electric Power Commision of Ontario	Red File Folder in Safe	20-Sep-61	Unregistered	Parcel 6440 Sudbury West Section
P333040		4 Poles & 4 Anchors Right to cut & clear Transmission Lines	Almoes Delisle / Ontario Hydro	Red File Folder in Safe	31-Mar-76	Unregistered	
	Lot 11 Conc. 2 Twp. Merritt Dist. Sudbury						

P237331	Lot 10 Conc. II Twp. Merritt Dist. Sudbury	7 Poles 3 Anchors Right to cut & clear Distribution Lines	Louis Delisle / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	18-Oct-61	Unregistered	
P333038		4 Poles & 7 Anchors Right to cut & clear					
	Lot 10 Conc. 2 Twp. Merritt Dist. Sudbury	Transmission Lines	Louis Delisle / Ontario Hydro	Red File Folder in Safe	31-Mar-76	Unregistered	Apsey Lake
P333039	Lot 10 Conc. 2 Twp. Merritt Dist. Sudbury	Transmission Line 6 Poles & 7 Anchors	Louis Delisle / Ontario Hydro	Red File Folder in Safe	31-Mar-76	Unregistered	Apsey Lake
P356813	Lot 11 Conc. 5 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Richard Duranleau / Ontario Hydro	Red File Folder in Safe	16-Oct-79	Unregistered	Old Webbwood Rd.
P411392	Lot 8 Conc. 2 Twp. Merritt Dist. Sudbury	Padmount Transformer Right to cut & clear					
	Lot #11186 Parcel 13222	Transmission Line	Rev. Jean Claude Etienne / Ontario Hydro	Red File Folder in Safe	03-Sep-86	Unregistered	Algoma Area # 8781
P345409	Lot East 1/2 11 Conc. 3 Twp. Merritt Dist. Sudbury	Right to cut & clear Transmission Line	Harvey Dodge / Ontario Hydro	Red File Folder in Safe	20-Jun-78	Unregistered	Bass Lake Rd. Dump
P227027	Lot East 1/2 9 Conc. IV Twp. Merritt Dist. Sudbury	Four Poles Four Anchors Right to cut & clear Distribution Lines	Elzear Denommee / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	25-Apr-60	Unregistered	
P94650		One Pole 2 Anchors for Transmission Lines	Arthur Fouceault / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	04-May-54	Unregistered	Parcel #5286
P94651	Lot 10 Conc. VI Twp. Merritt Dist. Sudbury	2 Poles 4 Anchors for Transmission Lines	Arthur Fouceault / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	03-Nov-53	Unregistered	
P207413	Lot 8 Conc.V Twp. Merritt Dist. Sudbury	1 Anchor Cutting & Clearing Rights Distribution Lines	Elizabeth Favreau / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	28-May-58	Unregistered	



P452340	Lot 5 Conc. 3 Parcel 28488 Twp. Merritt Dist. Sudbury	1 Anchor Cutting & Clearing Rights Transmission Lines	William & Phyllis Forbes / Ontario Hydro	Red File Folder in Safe	13-Sep-89	Unregistered	Plan 53R - 8133
P220589	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	1 Pole Cutting & Clearing Righths Distribution Lines	Jules Genereux / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	24-Aug-59	Unregistered	Summer Resort Location, Griffin Lake
P252632	Lot North 1/2 6 Con. III Twp. Merritt Dist. Sudbury	2 Poles 1 Anchor Cutting & Clearing Rights Distribution Lines	Roland Godmer / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	24-Jan-64	Unregistered	
P242043	Lot 6 Conc. III Twp. Merritt Dist. Sudbury	6 Poles 5 Anchors Cutting & Clearing Rights Distribution Lines	Roland Godmer / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	14-Jul-62	Unregistered	
P386019	Lot 6 Con. 3 Twp. Merritt Dist. Sudbury	2 Poles 1 Anchor Cutting & Clearing Rights Transmission Line	Roland Godmer / Ontario Hydro	Red File Folder in Safe	08-Feb-83	Unregistered	Parcel 8133 Plan SR 138
P411238	Lot 6 Conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Cutting & Clearing Rights Transmission Line	Roland Godmer / Ontario Hydro	Red File Folder in Safe	15-Jul-86	Unregistered	Parcel 8133 Plan 53R - 10886
P365825	Lot 6 Conc. 3 Twp. Merritt Dist. Sudbury	1 Pole 2 Anchors Cutting & Clearing Rights Transmission Line	Roland Godmer / Ontario Hydro	Red File Folder in Safe	23-Jun-80	Unregistered	
P365483	Lot 4 conc. 6 Twp. Merritt Dist. Sudbury	1 Anchor Cutting & Clearing Rights Transmission Line	Robert Hannah / Ontario Hydro	Red File Folder in Safe	31-Oct-79	Unregistered	
P411276	Lot 9 Conc. 3 Twp. Merritt Dist. Sudbury	3 Anchors Cutting & Clearing Rights Transmission Lines	Ron Harris / Ontario Hydro	Red File Folder in Safe	23-Jul-86	Unregistered	Parcels 6152 & 10964
P411334	Lot 9 conc. 3 Twp. Merritt Dist. Sudbury	One Anchor Occupational Rights Right to Cut Transmission Lines	Ron Harris / Ontario Hydro	Red File Folder in Safe	20-Aug-86	Unregistered	Parcel 10964 sws

P303417		2 Poles 2 Anchors Right to cut & clear	Eugene N. Hayes / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	10-Jan-72	Unregistered	
P365855	Lot 12 Conc. 4 Twp. Merritt Dist. Sudbury	Transmission Lines					SR1085 Part 1 Parcel 20681
P365856	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Right to cut & clear Transmission Line	Fred Huot / Ontario Hydro	Red File Folder in Safe	30-Jun-80	Unregistered	SR1085 Part 2 Parcel 20682
P365857	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Right to cut & clear Transmission Line	Lawrence Huot / Ontario Hydro	Red File Folder in Safe	02-Jul-80	Unregistered	SR-1085 Part 4
P365858	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Right to cut & clear Transmission Line	John & Theresa Huot / Ontario Hydro	Red File Folder in Safe	30-Jun-80	Unregistered	SR-1085 Part 6 Parcel 20683
P411411	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Right to cut & clear Transmission Line	Lucien Sirard & Lawrence Huot	Red File Folder in Safe	02-Jul-80	Unregistered	SR-1085 Part 5
P229653	Lot 8 Conc. 2 Twp. Merritt Dist. Sudbury	1 Padmount Transformer Occupational Rights Transmission Line	George Kelly / Ontario Hydro	Red File Folder in Safe	03-Sep-86	Unregistered	Parcel 13311 Plan Crown Lands T-2958
P386005	Lot 8 Conc. IV Twp. Merritt Dist. Sudbury	2 Poles 2 Anchors Right to cut & clear Distribution Lines	Alex Kozachanko / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	27-Oct-60	Unregistered	
P411410	Lot 6 Conc. 3 Twp. Merritt Dist. Sudbury	2 Poles Right to cut & clear No herbicides to be used in area covered by this easement Transmission Lines	Patricia Anne O'Reilly / Ontario Hydro	Red File Folder in Safe	04-Feb-83	Unregistered	Parcel 27186 Sub Lot Part 1 & Part 2 Plan 53R-8998
	Lot 8 Conc. 2 Twp. Merritt Dist. Sudbury	Occupational Rights 1 Padmount Transformer	Maurice A. Lafoley / Ontario Hydro	Red File Folder in Safe	03-Sep-86	Unregistered	Parcel 14232 Sub- lot CLS113752 Plan Crown

		1 Switching Kiosk Transmission Line						Lands T- 2958
P220587	Lot 10 Conc. VI Twp. Merritt Dist. Sudbury	4 poles 6 Anchors Right to cut & clear Distribution Lines	Alex Lachance / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	25-Aug-59	Unregistered		
P207409	Lot 8 Conc. V Twp. Merritt Dist. Sudbury	Overhanging wires only. Right to cut & clear Distribution lines	Anita Lachapelle / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	27-May-58	Unregistered		
P356796	Lot 11 Conc. 5 Twp. Merritt Dist. Sudbury	2 Anchors Transmission Line	Dave & Diane Leblanc / Ontario Hydro	Red File Folder in Safe	26-Sep-79	Unregistered		
P469217	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	Transmission Line Occupational Rights, Right to Cut & Trim	Denis Leblanc / Ontario Hydro	Red File Folder in Safe	19-Oct-90	Unregistered	Parcel 26645 Sub- lot Part 1 Plan 53R- 8133	
P452358	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	Transmission Line Occupational Rights, Right to Cut	Claude Leblanc / Ontario Hydro	Red File Folder in Safe	19-Sep-89	Unregistered	Parcel 26648 Sub- lot Part 4 Plan 53R- 8133	
P282837	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	Distribution Lines 2 Poles 1 Anchor	Raymond LeBlanc / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	20-Mar-69	Unregistered		
P356638	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	1 Pole Occupational Rights & Clearing Rights Transmission Lines	Roland & Yvonne Leblanc / Ontario Hydro	Red File Folder in Safe	26-Jun-79	Unregistered		
P452321	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	1 Pole Transmission Line	Roland & Yvonne Leblanc / Ontario Hydro	Red File Folder in Safe	12-Sep-89	Unregistered	Parcel 21435 Sub- lot Part 1 Plan SR3290	
P207412	Lot 8 Conc. 5 Twp. Merritt Dist. Sudbury	Distribution Lines Overhanging Wire Only	Albert L. Leclaire / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	27-May-58	Unregistered	Parcels 10340 & 12040 S.W.S.	

P220570	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	Distribution Lines One Pole One Anchor	Raoul Marenger / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	24-Aug-59	Unregistered	Summer Resort Location, Griffin Lake
P436101		Submarine cable from existing pole to shoreline					
P386673	Lot 3 Conc. 1 Twp. Merritt Dist. Sudbury	Occupational rights & Cutting rights	Armand & Veronica Marenger / Ontario Hydro	Red File Folder in Safe	27-Aug-88	Unregistered	Parcel 12637 SWS
P365482	Lot 11 Conc. 5 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Donald & Viola MacDonald / Ontario Hydro	Red File Folder in Safe	19-Mar-84	Unregistered	Parcel 7248 Plan SR- 1898
P365502	Lot 4 Conc. 6 Twp. Merritt Dist. Sudbury	Transmission Line	Chantal Martel / Ontario Hydro	Red File Folder in Safe	25-Sep-79	Unregistered	
P375522	Lot 4 Conc. 6 Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Transmission Line	Chantal Martel / Ontario Hydro	Red File Folder in Safe	03-Jan-80	Unregistered	
P255403	Lot 8 Conc. 4 Twp. Merritt Dist. Sudbury	Transmission Line	Kenneth McNally / Ontario Hydro	Red File Folder in Safe	20-Jul-82	Unregistered	Plan 53R- 8925
P375512	Lot 10 conc. 1 Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Distribution Line	Gino & Frances Mei / The Hydro Electric Power Commision of Ontario	Red File Folder in Safe	23-Jun-64	Unregistered	
P399697	Lot 8 Conc. 3 Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Transmission Line	Len Morley / Ontario Hydro	Red File Folder in Safe	20-Jul-82	Unregistered	Parcel 5341 Plan 53R- 8925
P411285	Lot 9 Conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Ian Morley / Ontario Hydro	Red File Folder in Safe	19-Nov-84	Unregistered	Parcel 28040 Part 3-53R-10310
P386458	Lot 9 Conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Occupational Rights Cutting Rights Transmission Line	Ian Morley / Ontario Hydro	Red File Folder in Safe	25-Jul-86	Unregistered	Plan 53R- 10310
	Lot 6 Conc. 3 Twp. Merritt Dist. Sudbury	Damage Claim due to spraying of herbicides by Ontario Hydro Forestry crews	Ontario Hydro / Vincent Peter O'Reilly	Red File Folder in Safe	01-Nov-83	Unregistered	Plan 53R- 4524 Parcel S.W.S. & Plan 53R- 8998 Parcel 27186 S.W.S

P228003	South 1/2 Lot 9 Conc. V Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Stephen & Catherine Ostroski / The Hydro Electric Power Commission on Ontario	Red File Folder in Safe	04-Aug-60	Unregistered	Parcel 10958
P386006		Transmission Line No Herbicides to be used in area covered by this Easement					Plan 53R- 4524 Remainder of Parcel 23569
P220572	Lot 6 Conc. 3 Twp. Merritt Dist. Sudbury		Vincent Peter O'Reilly / Ontario Hydro	Red File Folder in Safe	04-Feb-83	Unregistered	
P501967	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	2 Poles 1 Anchor Distribution Lines Occupation Rights Cutting Rights	Rosaire Pelletier / The Hydro Electric Power commission of Ontario	Red File Folder in Safe	24-Aug-59	Unregistered	Summer Resort Location, Griffin Lake
P496836	Lot 9 Conc. 1 Twp. Merritt Dist. Sudbury	Transmission Lines	John & Wanda Petko / Ontario Hydro	Red File Folder in Safe	29-May-98	Unregistered	Sub-Lot Part 2 Plan SR- 440
P411240	Lot 12 Conc. 5 Twp. Merritt Dist. Sudbury	1 pole Transmission Line	Richard & Catherine Petrus / Ontario Hydro	Red File Folder in Safe	29-May-95	Unregistered	Sub-lot Plan 1 Plan 53R- 8789
P345381	Lot 10 Conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Occupational Rights Cutting Rights Transmission Line	Irene Piche / Ontario Hydro	Red File Folder in Safe	14-Jul-86	Unregistered	Parcel 6871 S.W.S. Plan 53R-7763
P386648	NE 1/4 Lot 10 Conc. 3 Twp Merritt Dist. Sudbury	1 Anchor Right of Way Clearing Transmission Line	Stephen & Irene Piche / Ontario Hydro	Red File Folder in Safe	20-Jun-78	Unregistered	
P277696	Lot 10 conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Stephen & Irene Piche / Ontario Hydro	Red File Folder in Safe	23-Feb-84	Unregistered	Parcel 26228 Plan 53R-7763
P502595	Lot North 1/2 4 Conc. II Twp. Merritt Dist. Sudbury	3 Poles 1 Anchor Right to Cut Distribution Lines	John & Rose Pichoski / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	16-May-68	Unregistered	
	Lot 9 Conc. 1 Twp. Merritt Dist. Sudbury	1 Anchor Occupational Rights Cutting Rights Transmission Line	Dan & Maxine Pichoskie / Ontario Hydro	Red File Folder in Safe	23-Jul-98	Unregistered	parcel 9779 SWS Plan SR-440

P237046	Lot 10 conc. 1 Twp. Merritt Dist. Sudbury	2 Anchors Transmission Line	Frances Pichoskie / The Ontario Hydro Electric Power commission of Ontario	Red File Folder in Safe	20-Sep-61	Unregistered	
P282779	Lot N1/2 9 Conc. 1 Twp. Merritt Dist. Sudbury	Four Poles Four Anchors Clearing Rights Cutting Rights Distribution Lines	Frank Pichoskie / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	19-Mar-69	Unregistered	
P218369	Lot 8 Conc. IV Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	The Hydro Electric Power Commission of Ontario / Hope I. Richer	Red File Folder in Safe	19-May-59	Unregistered	
P282887	Lot 9 Conc. 1 Twp. Merritt Dist. Sudbury	One Pole One Anchor Transmission Line	Emilin Richer / The Hydro Electric Power Commission on Ontario	Red File Folder in Safe	28-Mar-69	Unregistered	
P436152	Lot 11 Conc. 2 Twp. Merritt Dist. Sudbury	Occupational Rights Transmission Lines	Isobel & Wallace Rutherford / Ontario Hydro	Red File Folder in Safe	02-Nov-88	Unregistered	Parcel 6400 Sub-lot Part 1 Plan 53R- 10802
P365481	Lot 4 Conc. 6 Twp. Merritt Dist. Sudbury	1 Anchor Clearing Rights Transmission Line	Ernest A Sear / Ontario Hydro	Red File Folder in Safe	06-Dec-79	Unregistered	
P267218	Lot 3 Conc. I Twp. Merritt Dist. Sudbury	6 Poles 4 Anchors Distribution Lines	Alfred Secord / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	21-Jun-66	Unregistered	
P267217	Lot 4 Conc I Twp. Merritt Dist. Sudbury	2 Poles 2 Anchors Distribution Lines	Alfred Secord / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	22-Jun-66	Unregistered	Loon Lake
P337867	Lot 10 conc. 4 Twp. Merritt Dist. Sudbury	1 Stub Pole 2 Anchors Transmission Lines	James Secord, Robert Secord / Ontario Hydro	Red File Folder in Safe	22-Nov-76	Unregistered	P111523
P111523	Lot 10 Conc. 5 Twp. Merritt Dist. Sudbury	1 Anchor Underground Wire	Fred Schreeve / Ontario Hydro	Red File Folder in Safe	10-Nov-86	Unregistered	Parcel 17802 Sub- lot 1 Plan SR-174
P280334	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	2 Poles 1 Anchor Cutting Rights Distribution Lines	Joseph Sicard / the Hydro Electric Power Commission of Ontario	Red File Folder in Safe	06-Nov-68	Unregistered	

Owner not  
interested in  
granting  
Ontario Hydro  
an Easement

P226542	Lot South 1/2 6 Conc. IV Twp. Merritt Dist. Sudbury	10 Poles 5 Anchors Clearing Rights Distribution Lines	Joseph Sicard / the Hydro Electric Power Commission of Ontario	Red File Folder in Safe	12-Apr-60	Unregistered	
P229971	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	5 Poles 5 Anchors Clearing Rights Distribution Lines	Joseph Sicard / the Hydro Electric Power Commission of Ontario	Red File Folder in Safe	17-Oct-60	Unregistered	
P220640	Lot 6 Conc. IV Twp. Merritt Dist. Sudbury	3 Anchors Distribution Lines	Joseph Sicard / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	24-Aug-59	Unregistered	
P365859	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Clearing Rights Transmission Lines	Lucien & Lillian Sirard / Ontario Hydro	Red File Folder in Safe	30-Jun-80	Unregistered	Plan SR 1085 Part 6 Parcel 20684
P453085	Lot 11 Conc. 4 Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	Debbie & Jerry Sokoloski / Ontario Hydro	Red File Folder in Safe	22-Aug-90	Unregistered	Part 8 Plan SR-1683
P267152	Lot 3 Conc. I Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Clearing Rights Distribution Lines	Fred Stevens / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	21-Jun-66	Unregistered	
P220644	West Part Lot 10 Con IV Twp. Merritt Dist. Sudbury	2 Anchors Transmission Line	The Hydro Electric Power Commission of Ontario / Monica Tennant	Red File Folder in Safe	31-Jul-59	Unregistered	
P237045	Lot 10 Conc. 2 Twp. Merritt Dist. Sudbury	2 Anchors Transmission Line	The Hydro Electric Power Commission of Ontario / Reverend Joseph J. Tourigny	Red File Folder in Safe	22-Sep-61	Unregistered	Parcel 4302
P282778	Lot 9 Conc. 2 Twp. Merritt Dist. Sudbury	2 Poles 2 Anchors Clearing Rights Distribution Lines	The Hydro Electric Power Commission of Ontario / Rolando Veccia	Red File Folder in Safe	19-Mar-69	Unregistered	Apsey Lake South End Parcel
P375412	Lot 11 Conc. 6 Twp. Merritt Dist. Sudbury	Clearing Rights Transmission Lines	Edmund & Nancy Tremblay / Ontario Hydro	Red File Folder in Safe	26-May-82	Unregistered	27138 S.W.S Plan 8787 S.W.S

P375416

		2 Poles 3 Anchors Brush control on existing trees. No new trees to be planted on specified easement that exceed 2 m in height.					
P220631	Lot 11 Conc. 6 Twp. Merritt Dist. Sudbury	Transmission Lines.	Blanche Dorothy Tremblay / Ontario Hydro	Red File Folder in Safe	27-May-82	Unregistered	Parcel 8076 S.W.S
P469216	Lot N1/2 11 Conv. VI Twp. Merritt Dist. Sudbury	1 Anchor Transmission Line	The Hydro Electric Power Commission of Ontario / Sonat Tremblay	Red File Folder in Safe	15-Aug-59	Unregistered	
P215915	Lot 5 Conc. 3 Twp. Merritt Dist. Sudbury	1 Anchor Occupational Rights Cutting Transmission Line	Robert & Sandra Whaley / Ontario Hydro	Red File Folder in Safe	28-Nov-90	Unregistered	Parcel 26647 Plan 53R-8133
P215916	Lot Part 6 Conc. IV Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Clearing Rights Distribution Lines	Fred J. Thibedeau / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	19-May-59	Unregistered	
P227028	Lot Pt. 9 Coonc. IV Twp. Merritt Dist. Sudbury	1 Pole 1 Anchor Clearing Rights Distribution Lines	Ray Vanier / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	19-May-59	Unregistered	
P228006	Lot W1/2 9 & E1/2 10 Conc. IV Twp. Merritt Dist. Sudbury	8 Poles 6 Anchors Clearing Rights Distribution Lines	Raymond J. Vanier / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe	20-Apr-60	Unregistered	Parcel 6223 S.W.S & 6083
P399579	Lot 9 & 10 Conc. IV Twp. Merritt Dist. Sudbury	Clearing & Cutting Rights Transmission Lines	The Hydro Electric Power Commission of Ontario / Raymond J. Vanier	Red File Folder in Safe	02-Aug-60	Unregistered	Parcels 6223 & 6083 S.W.S,
	Lot S1/2 5 Conc. 4 Twp. Merritt Dist. Sudbury	Clearing & Cutting Rights 1 Pad Mounted Transformer Transmission Lines	Norman James Williamson / Ontario Hydro	Red File Folder in Safe	10-Sep-84	Unregistered	Parcel 6550 S.W.S



P399582	Lot S1/2 5 Conc. 4 Twp. Merritt Dist. Sudbury	4 Poles 4 Anchors Clearing & Cutting Rights Transmission Line	Norman James Williamson / Ontario Hydro	Red File Folder in Safe		10-Sep-84	Unregistered	Part of Parcel 6550 S.W.S
P277682	Lot 11 & 12 Conc. IV Twp. Merritt Dist. Sudbury	1 Anchor Occupational Rights Clearing & Cutting Rights Distribution Lines	Viola M. Yocom / The Hydro Electric Power Commission of Ontario	Red File Folder in Safe		01-May-68	Unregistered	
779352 & 779356			Hydro One / Espanola Regional Hydro Distribution Corporation		Transfer of all of above Easements from Ontario Hydro to Espanola Regional Hydro Distribution Corporation	13-Jul-01	Unregistered	
SD 66981		Right of Way Transmission Line	Town of Massey/ Massey Public Utilities Corporation	Easement Massey Ougr Mountain	Parcel 1 Section D-264 Unit 1, Plan D-264 Town of Massey Parcel 49 Section D-264 Unti 49, Plan D- 264 Town of Massey		Unregistered	
269453	Lot 9 Conc. 5 Twp. Merritt Dist. Sudbury	Right of Way to maintain Hydro Lines	Robert Kennedy / Espanola Regional Hydro Distribution Corporation	File Cabinet	Part of Parcel 9722 Sec SWS; Parts 2 & 4 Plan 53R-18157 Plan Sr-2245 Part of Pc. 20548 Plan SR- 2246 Part of Pcl 20549 Plan SR- 2247 Part of Pcl 20548 Plan SR- 2248 Part of Pcl 20549	05-Dec-06	Registered	00881 Second Ave. Espanola
	Town of Espanola Dist. Sudbury	Transfer of Easement	Ontario Housing Corporation / The Bell Telephone Co. of Canada & The Hydro Electric Commission	Bois St. Subdivision File Cabinet		31-Jan-69	Unregistered	

Lot 7 Conc. 5 Town of Espanola Twp. Merritt	Right of Way Transmission Line	Chris Parent / The Hydro Electric Commission of The Town of Espanola	File Cabinet	Plan no. M-177		Unregistered	248 Algoma St. Espanola
Lot 22 Block 23 Town of Espanola Twp. Merritt	Right of Way Transmission Line	Irene Germain Beaudry / The Hydro Electric Commission of The Town of Espanola Carlyle Construction Ltd. & McCulloch Construction (Espanola) Ltd. / The Hydro Electric	Arthur Court Easements	Plan 53M-1256		Unregistered	Block 23 Arthur Court
Lot 21 Block 23 Town of Espanola Twp. Merritt	Right of Way Transmission Line	Commission fo The Town of Espanola	Arthur Court Easements	Plan 53M-1256		Unregistered	Block 23 Arthur Court
Lot 20 Block 23 Town of Espanola Twp. Merritt	Right of Way Transmission Line	Douglas Lorne Collins & Jeannette Noella Bouillon / The Hydro Electric Commission of The Town of Espanola	Arthur Court Easements	Plan 53M-1256		Unregistered	Block 23 Arthur Court
Lot 61 Town of Espanola Twp. Merritt	Right of Way Transmission Line	Maurice, Michel, Marcel Dault / The Hydro Electric Commission of The Town of Espanola	Park St.	Plan no. M77 Parcel 18342	26-Nov-90	Unregistered	102 Park St. Espanola
Lot 190 Conc. 5 Town of Espanola Twp. Merritt	Right of Way 1 Anchor	Ben & Jane Theriault / The Hydro Electric Commission of The Town of Espanola	Bois St.	Parcel 25794	Agreement dated 09Aug1994	Unregistered	406 Bois St. Espanola
South Part of Lot 10 Conc. 5 Town of Espanola Twp. Merritt	Right of Way 1 Anchor Transmission Line	Conrad Laframboise / The Hydro Electric Commission of The Town of Espanola	Easement Conrad Laframboise Barber St.		Agreement date 20May1993	Unregistered	Parcel 6958 Barber St. Espanola
Lot 7 Town of Espanola Twp. Merritt	1 Pole 1 Anchor Cutting & Clearing Rights Transmission Line	B & H 101 Investments Ltd. / The Hydro Electric Commission of The Town of Espanola	B&H Investment Dodge Haulage McCulloch Construction	Plan no. 53R- 7588 Part 1 & 5	Transfer of Easement dated 30August1993	Unregistered	

794291	Part of Lot 15 Town of Espanola Dist. Sudbury Lot 8 Conc. 5 M75-lot25 Town of Espanola Twp. Merritt	Right of Way to Service Transformer	Carlyle Construction Ltd. & McCulloch Construction (Espanola) Ltd. / The Hydro Electric Commission fo The Town of Espanola	Carlyle/McCulloch Subdivision	Parcel 53M- 1256-15 Plan 53M-1256 Part 1 on Plan 53R- 15055	14-Oct-94	Unregistered	
		1 Pole Cutting & Clearing Rights Transmission Line	Kelli & Mitchell Dubreuil / The Hydro Electric Commission of The Town of Espanola	Dubreuil		Tsf. & Grant of Easement 18July1995	Unregistered	Parcel 9797 469 Albert St.
	Lot 8 Conc. 5 Plan no. M77 Town of Espanola Twp. Merritt	Electrical Cable Cutting & Clearing Rights Transmission Line	E.B. Eddy Forest Products / The Hydro Electric Commission of The Town of Espanola	E.B. Eddy Easement for Masonic Hall 1992		Tsf. & Grant of Easement 04Nov1992	Unregistered	Parcel 25377C 69 Mead Blvd.
514050	Part of 5th St. Plan M-38 Part 1 Town of Espanola Dist. Sudbury	Right of Way	Fernande Laurin / The Espanola Hydro Electric Power Commission	Fifth St. along CPR Tracks	Enter that part of Fifth St. on Plan M-38 Part 1	07-Jun-82	Unregistered	Plan 53R- 9545
	Lot 10 Conc. 10 Town of Espanola Twp. Merritt	Right of Way Transmission Line	David Convery / The Hydro Electric Commission of The Town of Espanola	Giroux Dr.		30-Oct-90	Unregistered	Parcel M1136 - 10 Plan No. M1136 Hong Kong Restaurant Plan no. M74 lot 151-152 Parcel 11282
	Lot 8 Conc. 5 Town of Espanola Twp. Merritt	1 Anchor Right of Way	Yiu Man Yue / the Hydro Electric Commission of The Town of Espanola	Hong Kong Anchor Easement		29-Mar-00	Unregistered	
770635	Part of Lot 15 Plan M-174 Parts 2, 3, & 4 Plan 53R-14561 Town of Espanola Twp. Merritt Dist. Sudbury	Clearing & Cutting rights Transmission Line	Murray McDermid, Vincent McLaughlin, Kenneth Beacock & Harvey Piche / The Hydro Electric Commission of The Town of Espanola 366809 Ontario Ltd. / The	Hwy. #6		31-Aug-93	Unregistered	Parcel 17234 S.W.S Kelly Lumber
770637	Part of Lot 14 Plan M-174	Cutting & Clearing Rights Distribution Lines	Hydro Electric Commission of The Town of Espanola	Hwy #6	Part 1 on Plan 53R-14561 "The Strip	12-Aug-93	Unregistered	The Strip

Lot 8 Conc. 5 Plan M-74 Town of Espanola Twp. Merritt	Anchors Right of Way Transmission Line	Dave & Marguerite Krakana / The Hydro Electric Commission of The Town of Espanola	Jacklin Road Easements	Anchor Agreement	05-Jun-96	Unregistered	Parcel 6585 Lot 32
Lot 40 Conc. 5 Plan M-76 Town of Espanola Twp. Merritt	Anchors Right of Way Transmission Line	Doug & Kathy Gervais / The Hydro Electric Commission of The Town of Espanola	Jacklin Road Easements	Anchor Agreement	13-Oct-93	Unregistered	Parcel 9854
Lot 9 Conc. 4 Town of Espanola Twp. Merritt	1 Pole 1 Anchor Clearing & Cutting Rights Transmission Line	Donald & Ruth McIntyre / The Hydro Electric Commission of The Town of Espanola			29-Jun-92	Unregistered	Plan no. 53R-12393 Part 1
Lot 10 Conc. V Plan no. 53R- 13574 Town of Espanola Twp. Merritt	1 Pole 2 Anchors Cutting & Clearing Rights Transmission Line	Fred & Agnes Shreeve / The Hydro Electric Commission of The Town of Espanola	Old Webbwood Rd. Shreeve Property		01-Nov-94	Unregistered	Parcel 18702 Old Webbwood Rd.
Lot 8 Conc. 4 Plan no. 53R- 10959 Town of Espanola Twp. Merritt	1 Pole Right to cut & clear Transmission Line	Laureen Parsons / The Hydro Electric Commission of The Town of Espanola	Ken Champagne Single Phone line from Water Tower		16-Nov-92	Unregistered	Parcel 29 448
Lot 7 Conc. 4 Twp. Merritt Dist. Sudbury	Right of Way Transmission Line	The Corporation of The Town of Espanola, Carlyle Development Corp., John Edgar White, Douglas & Judith Scutt / The Hydro Electric Commission of The Town of Espanola	Clear Lake Dr.	Easement over Parcels 19930, 9913, 2511, 4685 Parts 1,2,3,4,5,6,7,8	27-Sep-99	Unregistered	Clear Lake Dr.
Lot 6 Plan no. M1136 Town of Espanola Twp. Merritt	1 Pole 2 Anchors Cutting & Clearing Rights Transmission Line	Phil Hearn / The Hydro Electric Commission of The Town of Espanola	Clear Lake Dr.	Transfer of Easement	30-Oct-90	Unregistered	431 Clear Lake Dr.
Lot 13 Conc. 5 Plan no. M-63 Town of Espanola Twp. Merritt	1 Anchor Right of Way Transmission Lines	Pat Hobbs / The Hydro Electric Commission of The Town of Espanola	Mead St. Easements	Transfer of Easement	10-May-00	Unregistered	Parcel 20455503 Mead St.

498708	Lot 57 Conc. 5 Plan no. M-74 Part Lot 57 Town of Espanola Twp. Merritt	1 Anchor Right of Way Transmission Lines	Albert & Gladys Cormier / The Hydro Electric Commission of The Town of Espanola	Mead St. Easements	Transfer of Easement	10-May-00	Unregistered	Parcel 6303
	Part of Lots 4 & 5 Plan 53R-9366	Cutting & Clearing Rights Construction of a Utility Line	F & R Properties / Espanola Hydro Electric Commission	F & R Properties Clear Lake	Parts 1 & 2 fo Survey 53R- 9366Transfer of Easement	12-Jun-81	Unregistered	Subdivision M-1136
	Lot 8 Conc. 5 plan M77-lot 123 Town of Espanola Twp. Merritt	1 Pole 1 Anchor Cutting & Clearing Rights Transmission Line	Vincent Patrick Sweeney / The Hydro Electric Commission of The Town of Espanola	Anchor & Easement Agreements	Transfer of Easement	18-Aug-95	Unregistered	Parcel 22320
	North 1/2 Lot 5 Conc. 6 Twp. Merritt	1 Anchor Right of Way Right to Clear & Cut	Leo Tremblay / Espanola Regional Hydro Distribution Corporation	Anchor Agreements	Tree Trimming & Anchor Agreement	25-Feb-02	Unregistered	Parcel 29788 650 Jacklin Rd.
SD245062	Part 66 Conc. 5 Plan no. 53R- 13600 Town of Espanola Twp. Merritt	Anchors Right of Way Transmission Lines	J & R Investments / The Hydro Electric Commission of The Town of Espanola	Part 66 in the 5th Concession Barber 7 Queensway		10-Mar-94	Unregistered	
	Lot 8 Conc. 5 PT 5 53R-18945 Lot 7 Conc. 5 PT 53R-18945 Town of Espanola	Right of Way Right to Cut & Clear Transmission Lines	Bardon Automotive Ltd. / Espanola Regional Hydro Distribution Corporation Ltd.	Hwy . #6 Centre St.	Transfer Easement	08-Feb-13	Registered	350 Centre St. Espanola
SD245061	PL M444 PT 3 Plan 53R-18945 Town of Espanola	Right of Way Right to Cut & Clear Transmission Lines	The Corporation of the Municipality having Jurisdiction (Town of Espanola) / Espanola Regional Hydro Inc.	Hwy . #6 Centre St.	Transfer Easement	08-Feb-13	Registered	100 Tudhope St. Espanola
	Lot 8 Conc. 5 Merritt PT 2 53R-18645 Espanola	Right of Way Right to Cut & Clear Transmission Lines	Thos. Farquhar sons Co. Ltd. / Espanola Regional Hydro Inc.	Hwy . #6 Centre St.	Transfer Easement	08-Feb-13	Registered	265 Centre St. Espanola

SD245059	Lot 8 Conc. 5 Merritt PT 1 53R-18945 Espanola	Right of Way Right to Cut & Clear Transmission Lines	Thos. Farquhar sons Co. Ltd. / Espanola Regional Hydro Inc.	Hwy . #6 Centre St.	Transfer Easement	08-Feb-13	Registered	265 Centre St. Espanola
SD245063	PT LT 741 PL M444 Merritt PT 4 Plan 53R- 18945 Espanola	Right of Way Right to Cut & Clear Transmission Lines	Flogby Realty Ltd. / Espanola Regional Hydro Inc.	Hwy . #6 Centre St.	Transfer Easement	08-Feb-13	Registered	
	Lot 5 Conc. 6 Plan 53R-13252 Twp. Merritt	Right to cut & clear Transmission Line	Manfred Klepits / Espanola Regional Hydro Distribution Corporation	650 Jacklin Rd.	Tree Trimming Agreement	08-Oct-02	Unregistered	Parcel 6208
	Lot N. 1/2 5 Conc. 6 Twp. Merritt	1 Anchor Right to cut & clear	Leo Tremblay / Espanola Regional Hydro Distribution Corporation	650 Jacklin Rd.	Tree Trimming & Anchor Agreement	25-Feb-02	Unregistered	Parcel 29788 650 Jacklin Rd.
	Lot 5 Conc. 6 Twp. Merritt	2 Anchors Right to cut & clear	Donald Dupuis / Espanola Regional Hydro Distribution Corporation	650 Jacklin Rd.	Tree Trimming & Anchor Agreement	25-Sep-02	Unregistered	Parcel 5672
SD244366	Lot 7 Conc. 4 PT 1 53R18572 Town of Espanola Twp. Merritt	Right of Way Right to Cut & Clear Distribution Line Transmission Lines	Trail Side Sports Ltd. / Espanola Regional Hydro Inc.	Panache Lake Rd.	Transfer Easement	29-Jan-13	Registered	50 McCulloch Dr. Espanola
SD244367	Lot 6 Conc. 4 PT 5 53R-18572 Town of Espanola Twp. Merritt	Right of Way Right to Cut & Clear Distribution Line Transmission Line	O.J. Graphix Inc. / Espanola Regional Hydro Inc.	Panache Lake Rd.	Transfer Easement	29-Jan-13	Registered	
SD185945	Part of Lot 7 Conc. 4 Plan 53R-18572 Town of Espanola Twp. Merritt & Part of Lot 6 Conc. 4 Plan 53R-18572 Town of Espanola Twp. Merritt	Right of Way Right to Cut & Clear Distribution Line Transmission Line	The Corporation of The Town of Espanola / Espanola Regional Hydro Inc.	Panache Lake Rd.	Part 2 & Parts 3 & 4 Transfer of Easement	01-Nov-10	Registered	100 Tudhope St. Suite #2 Espanola

775696	Part of Lot 490 Plan M-77 Plan 53R-10626 Twp. Merritt Dist. Sudbury	Right of Way Right to Cut & Clear	John Eugene Bednarski / Espanola Hydro Electric Commission	Watson Ave North	Part 2 Transfer of Easement	1987	Unregistered	100 Tudhope St. Espanola
	Lot 8 Conc. 5 Town of Espanola Twp. Merritt	Right of Way Transmission Line 3 poles 3 anchors Cutting &	Tim O'Halloran / The Hydro Electric Commission of The Town of Espanola	122 Wilson Cres.	Plan SR 148 Part 1 Anchor Agreement	14-Nov-90	Unregistered	122 Wilson Cres. Espanola
	Lot 10 Conc. 4 Town of Espanola Twp. Merritt	Clearing rights Right of Way Transmission Lines	Robert Secord / The Hydro Electric Commission of The Town of Espanola	Trailer Park Yocum Dr.	Transfer & Grant of Easement	03-Nov-93	Unregistered	Parcel 10363
	Lot 67 Conc. 4 Town of Espanola Twp. Merritt	Transmission Lines	J & R Trailer Park / The Hydro Electric Commission of The Town of Espanola	Trailer Park	Anchor Agreement	11-Sep-91	Unregistered	

## **SCHEDULE H - INTELLECTUAL PROPERTY**

1. Software License and Support Agreement dated December 3, 2009, between N. Harris Computer Corporation and ERHDC.
2. ERHDC procures services on a purchase order basis from the following service providers:
  - a. Util-Assist Inc. (sync operator services)
  - b. Sensus Canada Inc. (metering infrastructure)
  - c. Miramar Design Studio (website hosting and ancillary services)
  - d. Vianet (ongoing internet services).
3. Services Agreement dated July 11, 2016 between PUC Services Inc. and ERHDC.
4. Bell Mobility Corporate Account dated May 6, 2015 between Bell Mobility Inc. and ERHDC.
5. Bell Canada corporate account dated November 22, 2011 between Bell Canada and ERHDC.
6. Copier Rental Services Agreement dated August 12, 2016 between Xerox Canada Ltd and ERHDC.



## **SCHEDULE I - COLLECTIVE AGREEMENT**

Collective Agreement dated January 16, 2017 between ERHDC and the Canadian Union of Public Employees, and its Local 4705 for the period from April 1, 2016 to March 31, 2019.

## **SCHEDULE J - EMPLOYEE PLANS**

The Mearie Group Employee Benefit Plan for ERHDC which provides dental care, extended health care, preferred vision services, long term disability, life insurance, basic life insurance, dependent life insurance and basic accident insurance.

ERHDC pays certain post-employment health and dental benefits on behalf of its retired employees as set forth in Note 10 of the Financial Statements.

## **SCHEDULE K - MATERIAL CONTRACTS**

1. Services Agreement dated July 11, 2016 between PUC Services Inc. and ERHDC.
2. ERHDC procures services on a purchase order basis from the following service providers:
  - a. Anixter Power Solutions Canada Inc. (wire and cable supplies)
  - b. Asplundh Canada ULC (tree trimming services)
  - c. Stella-Jones Inc. (pole supplier)
3. Advanced Metering Infrastructure Sale and Services Agreement dated July 10, 2009 between Sensus Metering Systems Inc. and ERHC.
4. External Audit Services Contract 2016-001 dated September 21, 2016 between Freelandt, Caldwell, Reilly LLP and ERHDC.
5. Third Party Access and Operation Agreement between Hydro One Networks Inc. and Espanola Regional Hydro Distribution Corporation.

## SCHEDULE L – FORM OF IN-KIND SERVICES AGREEMENT

This **IN-KIND SERVICES AGREEMENT** made the • day of •, • (the “**Effective Date**”)

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF ESPANOLA**

a municipal corporation governed by the laws of Ontario

(“*Espanola*”)

AND

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**

a municipal corporation governed by the laws of Ontario

(“*Sables-Spanish*”)

AND

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

a corporation governed by the laws of Ontario

(“*ERHDC*”)

### RECITALS

- A. Reference is made to a securities purchase agreement dated October 12, 2018 between Espanola and Sables-Spanish (individually a “**Municipality**” and together, the “**Municipalities**”), North Bay (Espanola) Acquisition Inc. (the “**Purchaser**”) and North Bay Hydro Holdings Ltd. (the “**SPA**”).
- B. It is a condition of the SPA that the Municipalities and ERHDC enter into an agreement in respect of the community in-kind services to be provided by ERHDC and each party to this Agreement desires to enter into such arrangement.
- C. The Municipalities and ERHDC intend that this Agreement will constitute an agreement in writing between a corporation and a municipality for services to be carried on within the geographical boundaries of the applicable municipality for the purposes of paragraph 149(1.2)(a) of the *Income Tax Act* (Canada) (“**Tax Act**”).

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

1     **Representations of the Municipalities**

Each Municipality represents and warrants to ERHDC as follows: (a) each Municipality is a municipality in Canada pursuant to paragraph 149(1)(c) of the Tax Act; and (b) the activities described in Section 2 are or will be carried out within the geographical boundaries of each Municipality.

2     **Participation in Community Events and Programs**

For a period of seven (7) years following the Effective Date and subject to Section 3 below, ERHDC will use commercially reasonable efforts to provide community assistance to the Municipalities and their respective communities by carrying out such initiatives, all without charge to each Municipality, as listed in Schedule A.

3     **Non-Applicability to Services Outside Geographical Boundaries**

The Municipalities and ERHDC agree that ERHDC will not be obliged to carry out any of the activities described in Section 2 if such activities would have to be carried out by ERHDC outside the geographical boundaries of each Municipality.

4     **Governing Law**

This Agreement is entered into under, and will be governed and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.

5     **Successors and Assigns**

This Agreement is binding on, and enures to the benefit of the parties and their respective heirs, administrators, executors, successors and permitted assigns.

6     **Electronic Execution**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such Party.

7     **Counterparts**

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

*[Signature page follows.]*

**IN WITNESS WHEREOF**, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

**THE CORPORATION OF THE TOWN OF ESPANOLA**

By: \_\_\_\_\_

Name: ●

Title: ●

By: \_\_\_\_\_

Name: ●

Title: ●

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**

By: \_\_\_\_\_

Name: ●

Title: ●

By: \_\_\_\_\_

Name: ●

Title: ●

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

By: \_\_\_\_\_

Name: ●

Title: ●

By: \_\_\_\_\_

Name: ●

Title: ●

## **SCHEDULE A – PARTICIPATION IN COMMUNITY EVENTS AND PROGRAMS**

- Massey Agricultural Fall Fair;
- Espanola Fall Pumpkin and Fiber Arts Festival;
- Canada Day festivities;
- Elementary school presentations at schools regarding electricity safety; and
- Giant Outdoor Film Night which requires ERHDC only to close public lighting in the specific area of the event to permit outdoor film viewing.
- The execution of Temporary Item Work (as such term is defined in the Joint Use Agreement For Power Utility Distribution Poles dated ●, 201● between Espanola, Sables-Spanish and ERHDC (the “**Joint Use Agreement**”)) pursuant to section 5.2 of the Joint Use Agreement.

## SCHEDULE M – FORM OF JOINT USE AGREEMENT

This **JOINT USE AGREEMENT FOR POWER UTILITY DISTRIBUTION POLES** made the ● day of ●, ● (the “**Effective Date**”).

**BETWEEN:**

**THE CORPORATION OF THE TOWN OF ESPANOLA**  
a municipal corporation governed by the laws of Ontario

(“**Espanola**”)

AND

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**  
a municipal corporation governed by the laws of Ontario

(“**Sables-Spanish**”)

AND

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**  
a corporation governed by the laws of Ontario

(“**ERHDC**”)

**RECITALS:**

- D. Espanola, Sables-Spanish (collectively, the “**Licensees**”), North Bay (Espanola) Acquisition Inc. (the “**Purchaser**”) and North Bay Hydro Holdings Ltd., entered into a Securities Purchase Agreement dated October 12, 2018 (the “**SPA**”), wherein, among other things, the Purchaser acquired all of the issued and outstanding shares in the capital of Espanola Regional Hydro Holdings Corporation (“**ERHHC**”).
- E. ERHHC owns all of the issued and outstanding shares in the capital of ERHDC, a local distribution company incorporated under the *Business Corporations Act* (Ontario) that distributes electricity within the Service Area.
- F. Pursuant to the terms of the SPA, Espanola, Sables-Spanish and the Purchaser agreed that ERHDC and the Licensees would enter into this Agreement on Closing (as defined in the SPA) in connection with the Attachments to the hydro poles owned by ERHDC.

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



## **ARTICLE 1**

### **INTERPRETATION**

**Section 1.1 Defined Terms.** In this Agreement, including the recitals, the following terms shall have the respective meanings specified or referred to below and grammatical variations of such terms shall have corresponding meanings:

- (a) **“Agreement”** means this joint use agreement for power utility distribution poles, as amended, supplemented, restated and replaced from time to time in accordance with its provisions.
- (b) **“Applicable Law”** means any and all applicable laws in the Province of Ontario and the laws of Canada applicable in that province, including Environmental Laws, common law, statutes, codes, licensing requirements, directives, rules, regulations, protocols, policies, by laws, guidelines, orders, injunctions, rulings, awards, judgments, decrees or any requirement or decision or agreement with or by any Government Authority.
- (c) **“Applying Licensee”** has the meaning attributed to that term in Section 4.1.
- (d) **“Attachments”** means any assets or equipment owned or leased by the Licensees and attached to, either by being carried on or supported by, the Joint Use Poles, as of the date of this Agreement or in the future, including, without limitation:
  - (i) mast arms, luminaires, supply conductors, relays and other equipment required to operate a street lighting system;
  - (ii) traffic signals, power and control cables, junction and splice boxes and any other equipment and/or devices normally required for the operation of traffic signals;
  - (iii) traffic signs;
  - (iv) decorative lighting;
  - (v) flower pots;
  - (vi) Temporary Items; and
  - (vii) telecommunications equipment, if any.
- (e) **“Damages”** means any loss, liability, damage or expense (including reasonable legal fees, accountants’, investigators’, engineers’ and consultants’ fees and expenses, interest, penalties and amounts paid in settlements), whether resulting from any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, or any cause, matter, thing, act or omission or state of facts not involving a third party, but excluding any incidental, indirect, special or consequential loss, liability or damage and loss of profits other than damages of a third party in respect of a third party claim.

- (f) **“Effective Date”** has the meaning set forth above.
- (g) **“Electrical Safety Authority”** means the electrical safety authority designated by the Province of Ontario pursuant the regulations to the *Electricity Act, 1998* (Ontario) or any similar or successor Governmental Authority.
- (h) **“Environment”** means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub surface strata and sewer system.
- (i) **“Environmental Laws”** means all Applicable Law relating to (i) the protection of the Environment; and (ii) the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances, including those pertaining to occupational health and safety.
- (j) **“ERHHC”** has the meaning attributed to that term in Recital A.
- (k) **“Existing Attachments”** means all Attachments affixed to Joint Use Poles within the Service Area prior to the date of this Agreement.
- (l) **“Future Attachments”** means all Attachments to be affixed to Joint Use Poles within the Service Area, that a Licensee applies for a Permit pursuant to Section 4.1.
- (m) **“Good Utility Practice”** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in the Province of Ontario during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition.
- (n) **“Governmental Authority”** means any domestic government, whether federal, provincial, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government.
- (o) **“Hazardous Substances”** means any hazardous substance or any pollutant or contaminant, toxic or dangerous waste, substance, or material as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly chlorinated biphenyls.
- (p) **“In-Span”** means a position between Joint Use Poles or a Joint Use Pole and another object.
- (q) **“Joint Use Pole(s)”** means a Pole in respect of which ERHDC has granted the Licensees a Permit to affix its Attachments pursuant to Section 2.1 hereof.

- (r) **“Licensees”** has the meaning attributed to that term in Recital A.
- (s) **“Make-ready Work”** means work that is necessary and required solely for the purpose of directly accommodating the Attachment(s) that the Licensees wishes to attach to Joint Use Poles and includes, but is not limited to, initial line clearing, any changes or additions to or rearrangement of ERHDC’ poles or ERHDC’ attachments. Without restricting the generality of the foregoing, Make-ready Work does not include the replacement of defective poles, or previously scheduled betterment programs initiated by ERHDC.
- (t) **“OEB”** means the Ontario Energy Board and its successors.
- (u) **“OEB Tariffs”** has the meaning attributed to that term in Section 5.1.
- (v) **“Party”** means Espanola, Sables-Spanish or ERHDC, as the case may be, and **“Parties”** means Espanola, Sables-Spanish and ERHDC collectively.
- (w) **“Permit”** means the permission granted by ERHDC to the Licensees to affix its Attachments, as specified in the Permit, to Joint Use Poles or In-Span.
- (x) **“Pole”** means any hydro pole owned by ERHDC or its Affiliates within the Service Area.
- (y) **“Pole Rental Rate”** means the annual fee payable by the Licensees to ERHDC pursuant to the terms of this Licence.
- (z) **“Post-Termination Period”** has the meaning attributed to that term in Section 3.4.
- (aa) **“Purchaser”** has the meaning attributed to that term in Recital A.
- (bb) **“Service Area”** means the service territory of the Town of Espanola and the Township of Sables-Spanish Rivers in the Province of Ontario.
- (cc) **“SPA”** has the meaning attributed to that term in Recital A.
- (dd) **“Temporary Item Work”** means work that is required to attach and remove Temporary Items to Joint Use Poles but excludes all Make-ready Work.
- (ee) **“Temporary Items”** means event lighting, standards or banners and seasonal decorations.
- (ff) **“Term”** has the meaning attributed to that term in Section 3.1.
- (gg) **“Transfer”** means the removal of Attachment(s) from one Joint Use Pole and placing the same Attachment(s) and such incidental materials as may be required on another Joint Use Pole.

**Section 1.2 Computation of Time.** In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day (as defined in the SPA), the period ends at 5:00 p.m. on the next succeeding Business Day;
- (b) all references to specific dates mean 11:59 p.m. on the dates;
- (c) all references to specific times are references to Toronto time; and
- (d) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”.

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

**Section 1.4 Calculation of Interest.** In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

## **ARTICLE 2 GRANT OF LICENCE**

**Section 2.1 License.** ERHDC hereby grants to the Licensees for the duration of the Term, the right to affix and maintain Attachments to Joint Use Poles within the Service Area as designated on one or more Permits. For certainty, all Existing Attachments are hereby deemed to be ratified and approved by ERHDC and will not require the issuance of any Permit.

## **ARTICLE 3 TERM AND TERMINATION**

**Section 3.1 Term.** The term of this Agreement commences upon the Effective Date and will end twenty (20) years after the Effective Date, unless this Agreement is terminated prior to the expiration of the Term in accordance with Section 3.2 or Section 3.3.

**Section 3.2 Termination by ERHDC.**

- (a) ERHDC shall be entitled to terminate any Permit issued under this Agreement upon ninety (90) days written notice to the applicable Licensee to which such Permit was issued, where such Licensee fails to maintain its Attachments and keep its Attachments in a safe condition in accordance with Section 5.1, Good Utility Practice and Applicable Law.
- (b) ERHDC shall be entitled to terminate this Agreement with respect to a Licensee, if such Licensee fails to pay any undisputed amount(s) due and owing to ERHDC under this Agreement, provided that the applicable Licensee shall have been given written notice of such failure to pay or to comply and: (i) a period of ninety (90) calendar days within which to cure

or commence action to cure such failure to pay or to comply, as applicable; or (ii) such other reasonable period of time if the default is of such a nature that it cannot be cured within ninety (90) calendar days, provided the Licensee is making diligent attempts to remedy the default.

- (c) Notwithstanding any other provision to the contrary, a Permit shall not be terminated due to Joint Use Poles being replaced in accordance with Section 5.2.

**Section 3.3 Termination by Licensees.** The Licensees shall be entitled to terminate this Agreement and/or any Permit issued under this Agreement upon ninety (90) calendar days' written notice to ERHDC.

**Section 3.4 Removal of Attachments Upon Termination.** In the event of termination of this Agreement the Licensees shall, at its expense, remove its Attachments from the applicable Joint Use Poles within five (5) years or such additional period as the parties may agree upon the effective date of termination of this Agreement (the "**Post-Termination Period**"); provided; however, that the Licensees shall continue to maintain its Attachments during the Post-Termination Period in accordance with the terms of this Agreement. In the event of the termination of a Permit, the Licensees shall, at their expense, remove the Attachments from the applicable Joint Use Poles: (i) within the time period specified for removal in such Permit; or (ii) within two (2) years from the date of termination of the applicable Permit if no time period is specified in such Permit for the removal of the applicable Attachments; provided that in each case the Licensees shall continue to maintain their Attachments during the Post-Termination Period in accordance with the terms of this Agreement. If the Licensees fail to complete the required removal, ERHDC will complete this work and the Licensees will reimburse ERHDC for its costs to do so.

## **ARTICLE 4 PERMITS**

**Section 4.1 Permitting Process.** A Licensee will inform ERHDC that it intends to seek permission to Affix and maintain an Attachment to a Joint Use Pole or In-span prior to making a formal application for a Permit pursuant to this Article 4 (an "**Applying Licensee**"). The Applying Licensee will deliver such preliminary information as may be reasonably requested by ERHDC. ERHDC may arrange for a joint field visit by ERHDC and the Applying Licensee for which a formal application has been submitted, to inspect the site of the proposed affixing of Attachments by the Licensee. The Applying Licensee shall also be entitled to require that ERHDC arrange and attend such joint field visit. Subsequent to the joint field visit, if any, ERHDC shall inform the Applying Licensee, as to the feasibility of the proposed affixing of the Attachments by the Licensee, which opinion shall be communicated to the Licensee within a reasonable period of time. ERHDC will prepare an estimate of the costs of any Make-ready Work and deliver such estimate to the Licensee together with its preliminary opinion. In making its determination, ERHDC may base its opinion and conclusions on the following requirements: (i) health and safety of the personnel required to install an Attachment; (ii) the potential material degradation to the operation and maintenance of the applicable Pole(s) for which the Applying Licensee has made a formal application for a Permit; and (iii) material compliance with Applicable Law. If ERHDC informs the Licensees that proposed affixing of the

Attachments by the Licensee is not feasible on any one or more of the foregoing grounds such decision will be final and binding upon the Parties.

**Section 4.2 Permit Issuance.** If the Licensees accepts the estimate delivered to it pursuant to Section 4.1, the Permit, in duplicate, shall be prepared, executed and delivered by ERHDC to the Applying Licensee. The Applying Licensee will deliver an executed copy of the Permit together with copies of all drawings, plans or designs in respect of the Attachments that are subject to the Permit, certified or otherwise, and where required by Applicable Law the Applying Licensee will include certificate of approval of the drawings by the Electrical Safety Authority. If a Permit is cancelled by the Applying Licensee, the Applying Licensee shall reimburse ERHDC for the cost of any Make-ready Work completed on the Licensee's behalf upon receiving the invoice for such Make-ready Work. ERHDC will not unreasonably withhold or delay any Permit nor will any Permit be subject to any additional terms, conditions and/or qualifications other than the terms, additional terms, conditions and/or qualifications required by this Agreement.

**Section 4.3 Effect of Issuance and Expiration of Permit.** Each Permit, once issued pursuant to Section 4.2 shall be deemed to have been issued pursuant to this Agreement, and shall be read and construed in accordance with this Agreement. Upon expiration of a Permit, ERHDC shall remove the Attachments from the applicable Joint Use Poles within the time period set forth in Section 3.4.

**Section 4.4 Easements.** The Licensees shall be responsible for obtaining any and all easements, rights of way, authorizations or permissions from other persons, including required authorizations or permissions to locate on private property, municipal or provincial road allowances, or any other applicable authorization or required permission required for private property or from Governmental Authority having jurisdiction with respect to the affixing and maintaining of the Attachments provided for in a Permit.

## **ARTICLE 5 FEES AND INVOICES**

**Section 5.1 Fees.** The one-time fee for all Existing Attachments and all additional Attachments is an aggregate amount of \$10, the receipt of which is hereby acknowledged by ERHDC. Notwithstanding the foregoing, at any time during the Term, ERHDC will be permitted to charge the Licensees additional costs, fees, expenses, pole attachment charges, pole tariffs or rental rates pursuant to:

- (a) any applicable rate order issued by the OEB after the Effective Date (the "**OEB Tariffs**");
- (b) any tariff imposed by ERDHC or its successor after the Effective Date provided that corresponding tariffs are imposed by North Bay Hydro Distribution Limited within the service territory of the City of North Bay at such time ("**Utility Tariffs**") provided; however, that ERDHC will not apply to the OEB for the approval of a separate Utility Tariff that applies solely in respect of the Service Area at any time prior to the harmonization of rates for the customers within the Service Area and the customers within the service territory of the City of North Bay in accordance with section 7.9 of the SPA;

- (c) the costs and expenses of any Make-ready Work pursuant to Section 4.1; and
- (d) the costs and expenses of any Temporary Item Work above the amount set forth in **Error! Reference source not found..**

**Section 5.2 Temporary Item Work.** ERHDC will not charge the costs and expenses it incurs in connection with the performance of any Temporary Item Work for and behalf of either one or both of the Licensees provided that the costs and expenses of such Temporary Item Work do not exceed \$2,500 per work request from the Licensee. For clarity, the Licensees may perform any Temporary Item Work directly at their own risk, subject to the terms of this Agreement.

**Section 5.3 Invoices.** Payment of amounts owing for OEB Tariffs, Utility Tariffs, the costs and expenses of any Make-ready Work pursuant to Section 4.1 and any Temporary Item Work in excess of \$2,500 and not disputed by the Licensees to ERHDC will be made within thirty (30) days of receipt of the invoice by the Licensees from ERHDC. Payments will be made to an account specified by ERHDC in writing. A Licensee may issue a dispute notice to ERHDC if a Licensee disputes the amount of the OEB Tariffs, Utility Tariffs, the costs and expenses of any Make-ready Work pursuant to Section 4.1 and any Temporary Item Work in excess of \$2,500 payable to ERHDC; otherwise the Licensees will pay all amounts hereunder that are not in dispute.

## **ARTICLE 6**

### **INDEMNIFICATION AND LIMITATION OF LIABILITY**

**Section 6.1 Indemnification.** Each Licensee shall indemnify and save harmless ERHDC from and against (i) all Damages caused by or resulting from the acts, omissions, wilful acts, default or gross negligence of such Licensee, its agents, contractors, invitees, or a Licensee with respect to the performance of its obligations under this Agreement other than to the extent such Damages result from the acts, omissions, wilful acts, default, or negligence of ERHDC, its agents, contractors, invitees, licensees or other persons for whom ERHDC is responsible, and (ii) all Damages to Joint Use Poles caused by the Attachments. The indemnity of the Licensees in this Section 6.1 shall apply only to such Licensee for which items (i) and/or (ii) in this Section 6.1 pertain and the indemnity is joint and not joint and several.

**Section 6.2 Limitation of Liability.** Licensees shall not be liable for any indirect, incidental, special, consequential or punitive damages of any kind arising out of or in connection with this Agreement.

**Section 6.3 Insurance.** ERHDC shall obtain and maintain in full force and effect during the Term with respect to the Joint Use Poles insurance against such occurrences and in such amounts, on such terms and with such deductible(s) as required by Applicable Law and as would a prudent owner of Joint Use Poles in accordance with Good Utility Practice. Licensees shall obtain and maintain in full force and effect during the Term with respect to the Attachments insurance against such occurrences and in such amounts, on such terms and with such deductible(s) as would be in place with similar municipalities located in the Province of Ontario.



## **ARTICLE 7**

### **GENERAL PROVISIONS**

#### **Section 7.1 Notices.**

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

(i) if to the Licensees: in the case of a notice to Espanola addressed to it at 100 Tudhope Street, Suite 3, Espanola, Ontario P5E 1S6, e- mail: [ctownsend@espanola.ca](mailto:ctownsend@espanola.ca);

in the case of a notice to Sables-Spanish addressed to it at 11 Birch Lake Road, Massey, Ontario P0P 1P0, e-mail: [kasloss@sables-spanish.ca](mailto:kasloss@sables-spanish.ca)

(ii) if to ERHDC: c/o 74 Commerce Crescent, North Bay, Ontario P1A 0B4, e-mail: [mpayne@northbayhydro.com](mailto:mpayne@northbayhydro.com)

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

(c) Either Party may at any time change its address for service from time to time by giving notice to the other parties in accordance with this Section 7.1.

**Section 7.2 Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

**Section 7.3 Assignment.** No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Party, which consent may be not be unreasonably withheld or delayed.

**Section 7.4 Successors.** This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

**Section 7.5 Governing Law.** This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that province, excluding the choice of law rules of that province.



**Section 7.6 Waiver of Rights.** Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

**Section 7.7 No Third Party Beneficiary.** This Agreement is solely for the benefit of the Parties and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

**Section 7.8 Force Majeure.** Neither Party shall be in breach of the performance of this Agreement by reason of the happening of an event that is beyond the reasonable control of that party, provided that that Party shall have taken all reasonable steps to perform its obligations.

**Section 7.9 Entire Agreement.** This Agreement shall constitute the entire Agreement between the Parties with respect to the matters addressed herein, and there is no representation, warranty, collateral agreement or condition affecting this other than as is expressed herein in writing. This Agreement shall be read with all changes of gender and number required by the context.

**Section 7.10 Planning Act.** This Agreement shall be effective to create an interest in the lands only if the subdivision control provisions of the *Planning Act* (Ontario) are complied with on or before completion. The land or any use of or right therein is being acquired for the purpose of an electricity distribution line, electricity transmission line or hydrocarbon line within the meaning of Part VI of the *Ontario Energy Board Act, 1998*.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date first noted above.

**THE CORPORATION OF THE TOWN OF ESPANOLA**

By: \_\_\_\_\_

Name:           ●

Title:           ●

By: \_\_\_\_\_

Name:           ●

Title:           ●

**THE CORPORATION OF THE TOWNSHIP OF SABLES-SPANISH RIVERS**

By: \_\_\_\_\_

Name:           ●

Title:           ●

By: \_\_\_\_\_

Name:           ●

Title:           ●

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

By: \_\_\_\_\_

Name:           ●

Title:           ●

By: \_\_\_\_\_

Name:           ●

Title:           ●

## SCHEDULE N – FORM OF RIGHT OF FIRST OFFER AGREEMENT

This **RIGHT OF FIRST OFFER AGREEMENT** (the *Agreement*) dated ●, 201● between **ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION** (the *Vendor*) and **THE CORPORATION OF THE TOWN OF ESPANOLA** (the *Purchaser*).

**WHEREAS**, the Vendor is the owner of the lands and premises municipally known as 598 Second Avenue, Espanola, Ontario, legally described in Schedule A attached hereto (the *Property*); and

**WHEREAS**, the Vendor has agreed to grant the Purchaser the right of first offer to purchase the Property upon the terms and provisions hereinafter set out.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the payment of the sum of Ten (\$10.00) Dollars of lawful money of Canada by the Purchaser to the Vendor and other good and valuable consideration (the receipt and sufficiency whereof are hereby acknowledged by the Vendor), the parties hereto agree one with the other as follows:

- 1 The Vendor hereby grants to the Purchaser a right of first offer to purchase the whole of the Property (the *First Right*), on the terms and conditions set out in this Agreement.
- 2 The Vendor covenants and agrees that it shall not market the Property in any manner or accept any offer to purchase, whether or not on a conditional basis, in respect of the Property without first having offered to sell the Property to the Purchaser pursuant to the First Right, on the terms herein set out herein.
- 3 Upon the Vendor determining, in its sole discretion, to sell the Property, the Vendor shall, subject to Sections **Error! Reference source not found.**, deliver a notice in writing to the Purchaser (the *First Right Notice*) offering to sell the Property to the Purchaser.
- 4 The First Right Notice shall include a form of offer to purchase / agreement of purchase and sale (the “**Offer**”) which shall contain all of the required terms and conditions relating to the Property, including, without limiting the generality of the foregoing:
  - 4.1 the purchase price of the Property (the “**Purchase Price**”);
  - 4.2 a deposit equal to 10% of the Purchase Price payable within five (5) business days of the acceptance of Offer by the Vendor;
  - 4.3 a due diligence condition (the “**Due Diligence Condition**”) that shall run for a period of thirty (30) days from the acceptance date of the Offer by the Vendor (the “**Due Diligence Period**”),

to permit the Purchaser to complete such required due diligence matters as is customary for transactions of purchase and sale of a Property in the Province of Ontario;

- 4.4 a covenant by the Vendor to deliver all studies, reports, documents, studies, plans, agreements, or other materials in its possession or control to the Purchaser within two (2) days of the acceptance date of the Offer by the Vendor;
  - 4.5 a closing date which shall be thirty (30) days following the waiver and/or satisfaction of the Due Diligence Condition;
  - 4.6 standard representations and warranties by each of the Vendor and Purchaser, it being agreed that save and except for environmental representations and warranties, that the Purchaser shall be acquiring the Property on an as is, where is basis; and
  - 4.7 such other terms and conditions that the Vendor may reasonably require.
- 5 The Purchaser shall have the right to exercise its First Right by delivery to the Vendor within sixty (60) calendar days following receipt of such valid First Right Notice, of an executed offer to purchase and required deposit in accordance with the requirements of the First Right Notice, which the Vendor shall be obligated to execute and accept upon receipt. The Purchaser may, during such sixty (60) calendar day period, cause the preparation of a property appraisal report by a provincially recognized property evaluation company at the Purchaser's sole cost and expense solely for its own use.
- 6 If the Purchaser declines to exercise its First Right to purchase the Property, the Vendor shall thereafter have the right to offer to sell the Property and sell the Property, as may be applicable, to any party on terms and conditions satisfactory to the Vendor as the Vendor may determine in its sole and absolute discretion without need for further notice to the Purchaser.
- 7 If the Purchaser exercises its First Right to purchase the Property, but the transaction fails to close for any reason save and except by reason of default of the Vendor, then the Vendor shall thereafter have the right to offer to sell the Property and sell the Property, as may be applicable, to any party on terms and conditions satisfactory to the Vendor as the Vendor may determine in its sole and absolute discretion without need for further notice to the Purchaser.
- 8 The address for delivery of any notice to:
- 8.1 the Purchaser shall be: The Corporation of the Town of Espanola, 100 Tudhope Street, Suite 2, Espanola, Ontario P5E 1S6 Attention: Cynthia Townsend, Chief Administrative Officer, or such other address as the Purchaser shall have advised the Vendor in writing; and
  - 8.2 the Vendor shall be: Espanola Regional Hydro Distribution Corporation c/o North Bay Hydro Distribution Limited, 74 Commerce Crescent, North Bay, Ontario P1A 0B4 Attention:

Matthew Payne, President and CEO, or such other address as the Vendor shall have advised the Purchaser in writing.

Any notice or other communication required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if sent by prepaid courier service. Any notice sent in accordance with this Section, shall be deemed to have been received if delivered prior to or during normal business hours on a business day in the place where the notice is received, on the date of delivery.

- 9 This Agreement shall terminate on the 20<sup>th</sup> anniversary date of this Agreement.
- 10 Notice of this Agreement may be registered on title to the Property at the Purchaser's election and at the Purchaser's sole cost and expense, and the Vendor shall execute any documents required to complete such registration on title to the Property. Upon expiration of the First Right, the Purchaser shall forthwith discharge from title to the Property any notice of this Agreement, failing which the Vendor shall have the right to do so at the Purchaser's sole cost and expense.
- 11 This Agreement is subject to compliance by the Vendor with the provisions of the Planning Act of Ontario.
- 12 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.
- 13 If any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, that provision will, be ineffective only to the extent of that restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement.
- 14 This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement.

[Remainder of page left intentionally blank. Signature page follows.]

**IN WITNESS WHEREOF** the parties have executed this Agreement as of the date first written above.

**THE CORPORATION OF THE TOWN OF ESPANOLA**

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

Name:           ●

Title:           ●

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

Name:           ●

Title:           ●

I / We have authority to bind the corporation.

**ESPANOLA REGIONAL HYDRO DISTRIBUTION CORPORATION**

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

Name:           ●

Title:           ●

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

Name:           ●

Title:           ●

I / We have authority to bind the corporation.

## **SCHEDULE A - LEGAL DESCRIPTION OF PROPERTY**

PIN 73409-1137(LT)

PCL 31609 SEC SWS; PT BLK A PL M883 Merritt designated as Part 1, Plan 53R-17449; TW PT 2, 53R17449 AS IN LT966421; ESPANOLA

PIN 73409-0965

PCL 17836 SEC SWS; PT MASON AV PL M77 MERRITT (CLOSED); SECONDLY: PT LT 311 PL M77 MERRITT; THIRDLY: PT PUBLIC LANE PL M77 MERRITT (CLOSED); FOURTHLY: PT LT 312 PL M77 MERRITT AS IN LT183874; TW PT 2 53R17449 AS IN LT966421; ESPANOLA

## **SCHEDULE O - FINANCIAL STATEMENTS**



**ESPANOLA REGIONAL HYDRO  
HOLDINGS CORPORATION**

**Financial Statements  
(unaudited – see notice to reader)**

**Year Ended December 31, 2016**

## NOTICE TO READER

On the basis of information provided by management, we have compiled the non-consolidated balance sheet of **ESPANOLA REGIONAL HYDRO HOLDINGS CORPORATION** as at **December 31, 2016**.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*Freelandt Caldwell Reilly LLP*

### **FREELANDT CALDWELL REILLY LLP**

Chartered Professional Accountants  
Licensed Public Accountants

Sudbury, Ontario  
April 4, 2017

# ESPANOLA REGIONAL HYDRO HOLDINGS CORPORATION

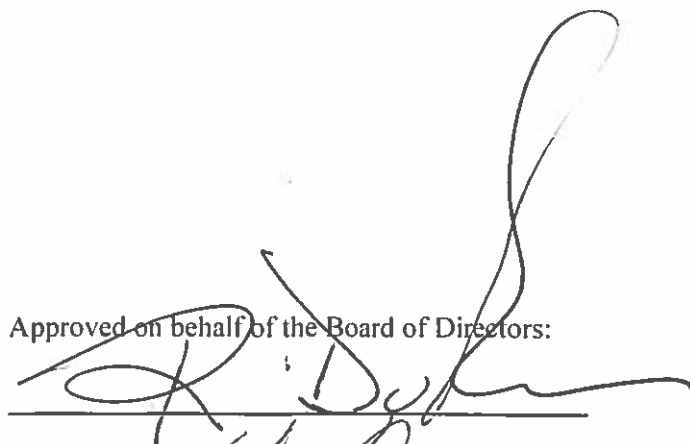
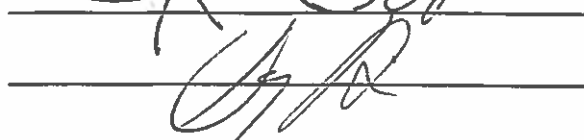
## Non-Consolidated Balance Sheet

December 31, 2016 with comparative figures for 2015

(unaudited – see notice to reader)

	2016 \$	2015 \$
<b>Assets</b>		
Investment - Espanola Regional Hydro Services Corporation	1,000	1,000
Investment - Espanola Regional Hydro Distribution Corporation	1,000	1,000
	<u>2,000</u>	<u>2,000</u>
<b>Liabilities and Shareholders' Equity</b>		
Advances from Espanola Regional Hydro Services Corporation	1,000	1,000
<b>Shareholders' equity</b>		
Capital stock	1,000	1,000
	<u>2,000</u>	<u>2,000</u>

Approved on behalf of the Board of Directors:

**ESPANOLA REGIONAL HYDRO  
SERVICES CORPORATION**

**Financial Statements  
(unaudited – see notice to reader)**

**Year ended December 31, 2016**

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## NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of **ESPANOLA REGIONAL HYDRO SERVICES CORPORATION** as at December 31, 2016, and the statement of operations and deficit for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*Freelandt Caldwell Reilly LLP*

### FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants  
Licensed Public Accountants

Sudbury, Ontario  
April 4, 2017

# ESPANOLA REGIONAL HYDRO SERVICES CORPORATION

## Balance Sheet

December 31, 2016 with comparative figures for 2015

(unaudited – see notice to reader)

	2016	2015
	\$	\$
<b>Assets</b>		
Advances to Espanola Regional Hydro Holdings Corporation	1,000	1,000
	1,000	1,000
<b>Liabilities and Shareholder's Equity</b>		
Advances from shareholders	294,568	294,568
<b>Shareholder's equity</b>		
Deficit	(294,568)	(294,568)
Capital stock	1,000	1,000
	(293,568)	(293,568)
	1,000	1,000

Approved on behalf of the Board of Directors:

\_\_\_\_\_

\_\_\_\_\_

# ESPANOLA REGIONAL HYDRO SERVICES CORPORATION

## Statement of Operations and Deficit

December 31, 2016 with comparative figures for 2015

(unaudited – see notice to reader)

	2016 \$	2015 \$
Revenue	-	-
Expenses	-	-
Net earnings	-	-
Deficit, beginning of year	(294,568)	(294,568)
Deficit, end of year	(294,568)	(294,568)

**Espanola Regional Hydro Distribution Corporation**

**Financial Statements**

**Year ended December 31, 2016**





## INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of  
**Espanola Regional Hydro Distribution Corporation**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **Espanola Regional Hydro Distribution Corporation**, which comprise the statement of financial position as at **December 31, 2016**, and the and the statements of comprehensive earnings, retained earnings and accumulated other comprehensive earnings, and cash flows for the year then ended for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

INDEPENDENT AUDITOR'S REPORT, continued

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Espanola Regional Hydro Distribution Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Freelandt Caldwell Reilly LLP*

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants  
Licensed Public Accountants

Sudbury, Ontario  
April 4, 2017

**Espanola Regional Hydro Distribution Corporation**  
**Statement of Financial Position**  
**December 31, 2016 with comparative figures for 2015**

	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,283,367	\$ 1,729,079
Accounts receivable (note 4)	1,210,602	1,151,249
Unbilled revenue - energy sales	661,902	580,897
Unbilled revenue - distribution	153,828	155,199
Inventory	75,846	72,050
Prepaid expenses	28,860	27,807
Payment in lieu of taxes	144,571	209,787
	4,558,976	3,926,068
Payment in lieu of deferred taxes (note 5)	9,826	20,418
Property, plant and equipment (note 6)	4,153,459	3,897,732
<b>Total assets</b>	<b>8,722,261</b>	<b>7,844,218</b>
Regulatory assets (note 7)	2,448,317	2,414,943
Payment in lieu of deferred tax regulatory assets (note 7)	24,697	29,100
<b>Total assets and regulatory assets</b>	<b>\$ 11,195,275</b>	<b>\$ 10,288,261</b>

Approved on behalf of the Board of Directors:

Director

Director

**Espanola Regional Hydro Distribution Corporation**  
**Statement of Financial Position**  
**December 31, 2016 with comparative figures for 2015**

	2016	2015
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 677,059	\$ 730,987
Payable for energy purchases	2,609,369	1,780,689
Current portion of long-term debt	80,645	77,933
	3,367,073	2,589,609
Customer deposits	180,550	170,726
Payment in lieu of deferred taxes (note 5)	31,098	-
Contributions in aid of construction (note 9)	291,194	252,597
Employee future benefits (note 10)	65,507	63,994
Long-term obligations (note 11)	2,241,422	2,322,067
Notes payable (note 12)	1,524,511	1,524,511
	7,701,355	6,923,504
<b>Shareholders' equity</b>		
Share capital (note 13)	2,281,000	2,281,000
Retained earnings	842,731	722,515
Accumulated other comprehensive earnings	19,281	20,610
	3,143,012	3,024,125
<b>Total liabilities and shareholders' equity</b>	<b>10,844,367</b>	<b>9,947,629</b>
Regulatory liabilities (note 7)	347,483	291,114
Payment in lieu of deferred tax regulatory liabilities (note 7)	3,425	49,518
<b>Total liabilities, shareholders' equity and regulatory liabilities</b>	<b>\$ 11,195,275</b>	<b>\$ 10,288,261</b>

Commitments (note 15)

**Espanola Regional Hydro Distribution Corporation**  
**Statement of Comprehensive Earnings**  
**Year ended December 31, 2016 with comparative figures for 2015**

	2016	2015
<b>Revenue</b>		
Energy sales	\$ 7,667,169	\$ 6,564,351
Distribution	1,647,513	1,733,774
	9,314,682	8,298,125
<b>Cost of Energy</b>	7,644,174	7,389,436
<b>Gross Profit</b>	1,670,508	908,689
<b>Operating expenses (note 14)</b>		
General and administration	352,003	426,815
Billing and collecting	385,597	389,658
Distribution - operations	296,264	343,194
Distribution - maintenance	353,325	213,149
Depreciation	138,395	96,039
Interest on notes payable	153,586	67,231
	1,679,170	1,536,086
<b>Earnings (loss) before other income and payment in lieu of taxes</b>	(8,662)	(627,397)
<b>Other income (expenses)</b>		
Loss on disposal of property, plant and equipment	-	(4,329)
Interest	19,791	33,469
Labour, rental and other charges	99,196	96,747
Amortization of contributions in aid of construction	8,735	7,785
	127,722	133,672
<b>Earnings (loss) before payment in lieu of taxes, change in regulatory asset and liability balances and other comprehensive earnings (loss)</b>	119,060	(493,725)
<b>Payments in lieu of taxes (note 5)</b>		
Current	(24,151)	(107,852)
Deferred	41,690	53,190
	17,539	(54,662)
<b>Net earnings (loss) before change in regulatory asset and liability balances and other comprehensive earnings (loss)</b>	101,521	(439,063)
<b>Change in regulatory assets and liabilities (note 7)</b>		
Change in regulatory asset and liability account balances related to profit and loss	(22,995)	825,085
Change in payment in lieu of deferred tax balances related to regulatory assets and liabilities	41,690	53,190
	18,695	878,275
<b>Net earnings before other comprehensive earnings (loss)</b>	120,216	439,212
<b>Other comprehensive earnings (loss)</b>		
Remeasurement of employee future benefits liability, net of tax	(1,329)	28,237
<b>Net earnings</b>	\$ 118,887	\$ 467,449

**Espanola Regional Hydro Distribution Corporation**  
**Statement of Retained Earnings and Accumulated Other Comprehensive Earnings**  
**Year ended December 31, 2016 with comparative figures for 2015**

	Share capital	Retained earnings	Accumulated other comprehensive earnings (loss)	Total
Balance, December 31, 2015	\$ 2,281,000	\$ 722,515	\$ 20,610	\$ 3,024,125
Net earnings before other comprehensive earnings (loss)	-	120,216	-	120,216
Other comprehensive loss	-	-	(1,329)	(1,329)
Balance, December 31, 2016	2,281,000	842,731	19,281	3,143,012
Balance, December 31, 2014	2,281,000	283,303	(7,627)	2,556,676
Net earnings before other comprehensive earnings (loss)	-	439,212	-	439,212
Other comprehensive earnings	-	-	28,237	28,237
Balance, December 31, 2015	\$ 2,281,000	\$ 722,515	\$ 20,610	\$ 3,024,125

**Espanola Regional Hydro Distribution Corporation**  
**Cash Flows Statement**  
**Year ended December 31, 2016 with comparative figures for 2015**

	2016	2015
<b>Cash flows from operating activities</b>		
Net earnings before other comprehensive earnings (loss)	\$ 120,216	\$ 439,212
Adjustments to reconcile earnings to cash provided by (used in) operations:		
Depreciation	160,986	144,661
Amortization of contributions in aid of construction	(8,735)	(7,785)
Provision for payment in lieu of deferred taxes	41,690	53,190
Loss on disposal of property, plant and equipment	-	4,329
Provision for payment in lieu of taxes	(24,151)	(107,852)
Interest charges on notes payable	153,586	67,231
	443,592	592,986
Change in non-cash working capital items		
Accounts receivable	(59,353)	137,028
Unbilled revenue - energy sales	(81,005)	43,502
Unbilled revenue - distribution	1,371	10,991
Inventory	(3,796)	3,298
Prepaid expenses	(1,053)	6,058
Payment in lieu of taxes paid	89,367	(64,784)
Accounts payable and accrued liabilities	(220,279)	137,744
Payable for energy purchases	995,031	108,251
Interest on notes payable paid	(153,586)	(67,231)
	1,010,289	907,843
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(416,713)	(269,376)
Regulatory assets	(28,971)	(515,173)
	(445,684)	(784,549)
<b>Cash flows from financing activities</b>		
Customer deposits	9,824	33,126
Regulatory liabilities	10,276	(363,102)
Contributions in aid of construction received	47,332	4,713
Employee future benefits	184	1,161
Proceeds on long-term debt	-	1,100,000
Repayment of long-term debt	(77,933)	-
	(10,317)	775,898
<b>Increase in cash</b>	554,288	899,192
<b>Cash, beginning of year</b>	1,729,079	829,887
<b>Cash, end of year</b>	\$ 2,283,367	\$ 1,729,079

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# **Espanola Regional Hydro Distribution Corporation**

## **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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### **1. Nature of operations**

Espanola Regional Hydro Distribution Corporation was incorporated on November 1, 2000 under the laws of the province of Ontario, Canada. The incorporation was required in accordance with the Electricity Act, 1998, Ontario (the EA). The Corporation is a wholly owned subsidiary of Espanola Regional Hydro Holdings Corporation and was incorporated for the purpose of providing regulated electricity distribution services to customers in the Town of Espanola and the Township of Sables-Spanish Rivers from its head office located at 598 Second Street, Espanola Ontario, Canada.

The Corporation and other electricity distributors purchase their electricity from the wholesale market administered by the Independent Electricity System Operator (IESO) and recover the costs of electricity and certain other costs at a later date in accordance with procedures mandated by the Ontario Energy Board (the OEB).

The OEB has regulatory oversight of electricity matters in the Province of Ontario. The Ontario Energy Board Act, 1998 sets out the OEB's authority to issue a distribution licence which must be obtained by owners or operators of a distribution system in Ontario. The OEB prescribes licence requirements and conditions including, among other things, specified accounting records, regulatory accounting principles and the filing process requirements for rate-setting purposes.

The OEB's authority and responsibilities include the power to approve and fix rates for the transmission and distribution of electricity and the responsibility for ensuring that electricity distribution companies fulfil their obligations to connect and service customers.

Regulatory developments in Ontario's electricity industry may affect distribution rates and the permitted recovery or settlement or the timing of recovery or settlement of certain regulatory assets and liabilities.



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# **Espanola Regional Hydro Distribution Corporation**

## **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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### **2. Significant accounting policies**

These financial statements are prepared in accordance with International Financial Reporting Standards applying the accounting policies set out below on a consistent basis in all years presented in these financial statement. The significant policies are detailed as follows:

#### **(a) Statement of compliance and basis of measurement**

These financial statements are the representation of the Corporation's management and are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Corporation adopted IFRS as of January 1, 2015 with a transition date of January 1, 2014. The Corporation's accounting policies are based on IFRS applicable as at December 31, 2016. The Corporation has adopted the requirements of IFRS 14 - Regulatory Deferral Accounts, which permits the Corporation to account for regulatory deferral account balances in accordance with its previous GAAP when it adopted IFRS. Previously, the financial statements of the Corporation were prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as "fair value through profit or loss" and "available for sale" financial assets which have been measured at fair value.

These financial statements are presented in Canadian dollars and were approved by the Corporation's Board of Directors on April 4, 2017.

#### **(b) Effects of rate regulation**

The Ontario Energy Board (OEB) is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfil obligations to connect and service customers. The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in a non rate regulated company. Such change in timing involves the application of rate regulated accounting, giving rise to the recognition of regulatory assets and liabilities. Regulatory assets represent future revenues associated with certain costs, incurred in the current period or in prior periods, which are expected to be recovered from customers in future periods through the rate-setting and approval process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting and approval process.

#### **(c) Cash and cash equivalents**

Cash and cash equivalents are defined as cash and highly liquid investments, consisting primarily of term deposits, with terms to maturity of three months or less at the date of purchase.

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**Espanola Regional Hydro Distribution Corporation**  
**Notes to the Financial Statements**  
**Year ended December 31, 2016 with comparative figures for 2015**

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**2. Significant accounting policies, continued**

**(d) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

**(e) Property, plant and equipment**

Property, plant and equipment are measured at historical cost or deemed cost less accumulated depreciation and impairment losses, if any. The Corporation elected to use the carrying amount, as previously determined under Canadian GAAP, as the deemed cost at January 1, 2014, the transition date to IFRS. In circumstances where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate components of property, plant and equipment. The Corporation provides for depreciation using the straight-line method at rates designed to depreciate the cost of the property, plant and equipment over their estimated useful lives. A full year's depreciation is recorded in the year of acquisition. No depreciation is recorded in the year of disposal. The carrying amount of an item of property, plant and equipment is derecognized on disposal. The annual depreciation rates and useful lives are reviewed annually and are as follows:

Buildings	50 years
Furniture and equipment	5-10 years
Vehicles	15 years
Transmission and distribution equipment	40-60 years

Construction in progress includes assets not currently in use and therefore not yet subject to depreciation.

In certain cases, non-refundable contributions are received in aid of construction or acquisition of property, plant and equipment. Contributions in aid of construction are classified as liabilities and are amortized at the same rate as the assets to which they relate.

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**Espanola Regional Hydro Distribution Corporation**  
**Notes to the Financial Statements**  
**Year ended December 31, 2016 with comparative figures for 2015**

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**2. Significant accounting policies, continued**

**(f) Impairment of non-financial assets**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in operations.

**(g) Provisions**

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate, net of tax, that reflects current market assessments of the time value of money and the risks specific to the liability.

**(h) Borrowing costs**

Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment, which take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in operations in the period in which they are incurred.

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## **Espanola Regional Hydro Distribution Corporation**

Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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### **2. Significant accounting policies, continued**

#### **(i) Asset retirement obligations**

Accounting standards require the Corporation to determine the fair value of future expenditures required to settle legal obligations to remove property, plant and equipment. If reasonably estimable, the Corporation recognizes a liability for the estimated current value of future expenditures required to settle obligations for the retirement of property, plant and equipment. Decommissioning liabilities are recorded at fair value, with a corresponding increase to the recorded amount of property, plant and equipment. Accretion of decommissioning liabilities is included in operations. Differences between the recorded amount of decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the period of settlement.

Some of the Corporation's distribution system assets may have asset retirement obligations. As the Corporation expects to use the majority of its installed assets for an indefinite period, no removal date can be determined and consequently a reasonable estimate of the fair value of the related asset retirement obligation cannot be made at this time. If, at some future date, it becomes possible to estimate the fair value cost of removing assets that the Corporation is legally required to remove, an asset retirement obligation will be recognized at that time.

#### **(j) Revenue recognition**

Distribution and energy related revenues attributable to the supply and distribution of electricity are based on OEB approved rates and revenue is recognized as electricity is delivered to customers based on periodic meter readings. At the end of an accounting cycle, there is energy used by consumers for which meter readings are not available and no bills have been issued. This unbilled revenue is estimated and recorded in current assets on the statement of financial position at the end of each fiscal year. The related cost of energy is recorded on the basis of energy used.

The difference between the amount paid by the Corporation to Hydro One for the purchase of energy and related service costs and the amount billed by the Corporation to its customers for energy sales based on regulated rates are recorded on the statement of financial position as regulatory assets and liabilities until their final disposition is decided by the OEB. In accordance with IFRS 14, the change in these regulatory assets and liabilities are reported, net of tax, with regulatory balances in the statement of comprehensive earnings.

Labour, rental and other charges revenue is recognized in the period in which these services are provided.

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## **Espanola Regional Hydro Distribution Corporation**

### **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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#### **2. Significant accounting policies, continued**

##### **(k) Payment in lieu of taxes**

Pursuant to the EA, the Corporation is required to compute taxes under the Income Tax Act (Canada) (ITA) and remit such amounts computed there under to the Ontario Electricity Financial Corporation (OEFC). These amounts, referred to as payments in lieu of taxes (PILs) under the EA, are applied to reduce certain debt obligations of the former Ontario Hydro now owing by the OEFC.

Payment in lieu of deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of assets and liabilities and their tax bases. Payment in lieu of deferred tax assets are also recognized for the benefit of any deductions or losses available to be carried forward to future periods for tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any payment in lieu of deferred income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in operations in the period of the change.

As prescribed by regulatory rate order, payment in lieu of taxes are recovered through customer rates based on the taxes payable method. Therefore, rates do not include the recovery of payment in lieu of deferred taxes related to temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Accordingly, payment in lieu of deferred tax regulatory assets or liabilities are recognized for the amount of payment in lieu of deferred taxes which are expected to be included in future rates and recovered from or refunded to customers in future periods through the rate setting and approval process.

##### **(l) Employee future benefits**

The Corporation's net obligation in respect of its employee future benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the interest rate at the reporting date on high quality debt instruments with duration similar to the duration of the plan.

The cost of these employee future benefits is expensed as earned by employees through employment service. The accrued benefit obligation and the current service costs are actuarially determined by applying the projected unit credit method and incorporate management's best estimate of certain underlying assumptions. Re-measurements arising from employee benefit plans are recognized immediately in operations. When the benefits of a plan are improved, these increases are recognized immediately in operations.

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## **Espanola Regional Hydro Distribution Corporation**

### **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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#### **2. Significant accounting policies, continued**

##### **(m) Financial instruments**

###### **(i) Measurement of financial instruments**

Financial assets and financial liabilities are initially measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Transactions to purchase or sell these items are recorded on the trade date. During the year, there have been no reclassifications of financial instruments.

The Corporation has classified cash and cash equivalents as a financial asset at fair value through profit or loss. Any gain/loss arising as a result of the difference between the carrying amount and fair value is recognized in operations.

The Corporation has classified accounts receivable and unbilled revenue as loans and receivables. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in operations upon de-recognition or impairment.

The Corporation has classified accounts payable and accrued liabilities, payable for energy purchases, long-term debt, and notes payable as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are measured at their amortized cost subsequent to initial recognition. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in operations upon de-recognition or impairment.

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**Espanola Regional Hydro Distribution Corporation**  
**Notes to the Financial Statements**  
**Year ended December 31, 2016 with comparative figures for 2015**

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**2. Significant accounting policies, continued**

**(m) Financial instruments, continued**

**(ii) Impairment**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in operations. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in operations.

**(n) Measurement uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant, including changes as a result of future decisions made by the Ontario Energy Board (OEB). All estimates are reviewed periodically and adjustments are made and recognized in operations, as appropriate, in the year they become known. Accounts specifically affected by estimates and assumptions in these financial statements are as follows:

**(i) Property, plant and equipment**

Amounts recorded in the financial statements for depreciation are based on the estimated useful lives of the Corporation's property, plant and equipment. These useful lives are management's best estimate of the service lives of these assets and are reviewed annually. Changes to these estimated useful lives could materially affect the amount of depreciation recorded in the financial statements.

The Corporation's policy relating to property, plant and equipment is described in note 2 (e). In applying this policy, management uses judgment in determining whether certain costs are additions to the carrying amount of property, plant and equipment or expensed in operations as repairs and maintenance. Judgment is also necessary in determining the appropriate componentization structure of the Corporation's property, plant and equipment.

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**Espanola Regional Hydro Distribution Corporation**  
**Notes to the Financial Statements**  
**Year ended December 31, 2016 with comparative figures for 2015**

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**2. Significant accounting policies, continued**

**(n) Measurement uncertainty, continued**

**(ii) Decommissioning liabilities**

The Corporation recognizes a liability for the estimated current value of future expenditures required to settle obligations for the retirement of property, plant and equipment. Decommissioning liabilities are recorded at fair value, with a corresponding increase to the recorded amount of property, plant and equipment. Accretion of decommissioning liabilities is included in operations. Differences between the recorded amount of decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the period of settlement.

**(iii) Employee future benefits**

The Corporation provides certain health and dental benefits to retired employees. The estimated cost of providing these benefits is accounted for on an accrual basis in the period in which employees render their services and are actuarially determined using the projected benefit method pro-rated on service and include management's best estimate of salary escalations, retirement ages and expected health care cost escalations.

**(iv) Regulatory assets and liabilities**

When recognizing regulatory assets and liabilities management assumes that such credits or costs will be recovered from customers or refunded to customers in future years through the rate setting and approval process. Refund or recovery of these regulatory assets and liabilities are subject to the review and approval of the OEB. Consequently, there is risk that some or all of the regulatory assets and liabilities will not be approved by the OEB which could have a material affect on the Corporation's comprehensive income in the year of the OEB decision.



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## **Espanola Regional Hydro Distribution Corporation**

### **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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#### **3. Future changes to significant accounting policies**

The Corporation has not yet adopted the following new and revised International Financial Reporting Standards that have been issued but are not yet effective:

##### **Financial Instruments IFRS 9**

In July 2014, the IASB issued a new standard, IFRS 9 - Financial Instruments, which will replace IAS 39 - Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. The Corporation is assessing the impact of IFRS 9 on its results of operations, financial position and disclosures.

##### **Revenue Recognition IFRS 15**

In May 2014, IFRS 15 - Revenue from Contracts with Customers was issued, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue and various interpretations. IFRS 15 establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Corporation is assessing the impact of IFRS 15 on its results of operations, financial position and disclosures.

##### **Leases IFRS 16**

In January 2016, IFRS 16 - Leases was issued. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and is effective for periods beginning on or after January 1, 2019. The Corporation is assessing the impact of IFRS 16 on its results of operations, financial position and disclosures.

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**Espanola Regional Hydro Distribution Corporation****Notes to the Financial Statements****Year ended December 31, 2016 with comparative figures for 2015**

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**4. Accounts receivable**

	2016	2015
Electrical energy receivables	\$ 917,878	\$ 858,803
Water and sewer receivables	233,858	237,229
Other receivables	58,866	55,217
	<hr/>	<hr/>
	\$ 1,210,602	\$ 1,151,249

	2016	2015
Aging of accounts receivable		
Current	\$ 1,126,253	\$ 1,078,046
30 days	17,267	14,898
60 days	8,825	10,379
Over 90 days	58,257	47,926
	<hr/>	<hr/>
	\$ 1,210,602	\$ 1,151,249

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**Espanola Regional Hydro Distribution Corporation****Notes to the Financial Statements****Year ended December 31, 2016 with comparative figures for 2015**

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**5. Payment in lieu of deferred taxes**

(a) The components of payment in lieu of deferred tax balances are as follows:

	2016	2015
Payment in lieu of deferred tax assets:		
Difference between tax basis of property, plant and equipment and carrying amount	\$ -	\$ 10,499
Difference between tax basis of employee future benefits obligation and carrying amount	9,826	9,919
Payment in lieu of deferred tax liabilities:		
Difference between tax basis of property, plant and equipment and carrying amount	(31,098)	-
	<u>\$ (21,272)</u>	<u>\$ 20,418</u>

(b) The provision for payment in lieu of taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 15.0% (2015 - 15.5%) to the earnings for the years as follows:

	2016	2015
Earnings for the year before payment in lieu of taxes, change in regulatory asset and liability balances and other comprehensive earnings (loss)	\$ 119,060	\$ (493,725)
Change in regulatory asset and liability account balances related to profit and loss	(22,995)	825,085
Remeasurement of employee future benefits liability included in other comprehensive income	(1,329)	28,237
	<u>\$ 94,736</u>	<u>\$ 359,597</u>
Anticipated income tax	\$ 14,210	\$ 55,738
Tax effect of the following:		
Tax payable (recoverable) at general corporate tax rate	-	(35,704)
Change in payment in lieu of deferred tax regulatory asset	(4,403)	(98,151)
Tax effect of change in payment in lieu of deferred tax regulatory liability	6,914	23,455
Adjustment due to change in tax rate	818	-
Provision for (recovery of) payment in lieu of taxes	<u>\$ 17,539</u>	<u>\$ (54,662)</u>

# Espanola Regional Hydro Distribution Corporation

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

### 6. Property, plant and equipment

2016							
	Land	Buildings	Transmission & Distribution Equipment	Vehicles	Furniture and Equipment	Construction In Progress	Total
<b>Cost</b>							
Balance, beginning of year	\$ 88,880	180,812	3,553,949	272,025	26,793	63,790	\$ 4,186,249
Additions	-	3,019	309,996	43,617	4,658	55,423	416,713
Transfers	-	-	65,113	-	-	(65,113)	-
Disposals	-	-	-	-	-	-	-
Balance, end of year	88,880	183,831	3,929,058	315,642	31,451	54,100	4,602,962
<b>Accumulated Amortization</b>							
Balance, beginning of year	-	8,943	229,012	38,412	12,150	-	288,517
Depreciation	-	4,572	130,108	22,592	3,714	-	160,986
Disposals	-	-	-	-	-	-	-
Balance, end of year	-	13,515	359,120	61,004	15,864	-	449,503
Net book value	\$ 88,880	170,316	3,569,938	254,638	15,587	54,100	\$ 4,153,459
2015							
	Land	Buildings	Transmission & Distribution Equipment	Vehicles	Furniture and Equipment	Construction In Progress	Total
<b>Cost</b>							
Balance, beginning of year	\$ 88,880	176,883	3,317,321	284,053	23,336	38,428	\$ 3,928,901
Additions	-	3,929	322,404	-	3,457	198,784	528,574
Transfers	-	-	(85,776)	-	-	(173,422)	(259,198)
Disposals	-	-	-	(12,028)	-	-	(12,028)
Balance, end of year	88,880	180,812	3,553,949	272,025	26,793	63,790	4,186,249
<b>Accumulated Amortization</b>							
Balance, beginning of year	-	4,431	117,593	23,774	5,757	-	151,555
Depreciation	-	4,512	111,419	22,337	6,393	-	144,661
Disposals	-	-	-	(7,699)	-	-	(7,699)
Balance, end of year	-	8,943	229,012	38,412	12,150	-	288,517
Net book value	\$ 88,880	171,869	3,324,937	233,613	14,643	63,790	\$ 3,897,732

# Espanola Regional Hydro Distribution Corporation

## Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

### 7. Regulatory assets and liabilities

	January 1, 2016	Regulatory activity	December 31, 2016
Settlement variances (a)	\$ 667,123	\$ 179,219	\$ 846,342
Stranded meters (b)	20,387	(8,927)	11,460
Substation (c)	1,727,433	(136,918)	1,590,515
Payment in lieu of deferred tax regulatory assets (d)	29,100	(4,403)	24,697
Total regulatory assets	2,444,043	28,971	2,473,014
Settlement variances (a)	291,114	56,369	347,483
Payment in lieu of deferred tax regulatory liabilities (d)	49,518	(46,093)	3,425
Total regulatory liabilities	340,632	10,276	350,908
Net regulatory assets (liabilities)	\$ 2,103,411	\$ 18,695	\$ 2,122,106

	January 1, 2015	Regulatory activity	December 31, 2015
Settlement variances (a)	\$ 207,955	\$ 459,168	\$ 667,123
Stranded meters (b)	44,516	(24,129)	20,387
Substation (c)	1,549,148	178,285	1,727,433
Payment in lieu of deferred tax regulatory assets (d)	127,251	(98,151)	29,100
Total regulatory assets	1,928,870	515,173	2,444,043
Settlement variances (a)	473,395	(182,281)	291,114
Payment in lieu of deferred tax regulatory liabilities (d)	200,859	(151,341)	49,518
Other regulatory liabilities	29,480	(29,480)	-
Total regulatory liabilities	703,734	(363,102)	340,632
Net regulatory assets (liabilities)	\$ 1,225,136	\$ 878,275	\$ 2,103,411

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## Espanola Regional Hydro Distribution Corporation

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 7. Regulatory assets and liabilities, continued

Regulatory assets and liabilities arise as a result of the rate setting and approval process through the OEB.

(a) The difference between the amount paid by the Corporation to Hydro One for the purchase of energy and related service costs and the amount billed by the Corporation to its customers as energy sales based on regulated rates are recorded on the statement of financial position as settlement variances until their final disposition is decided by the OEB. The Corporation recognizes settlement variances as an asset or liability based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process. The settlement variance asset (liability) represents the excess (deficiency) of amounts billed to the Corporation by Hydro One for the purchase of energy over the amounts charged by the Corporation to its customers as energy sales.

Recovery or refund of the settlement variances is done on an annual basis through application to the OEB. Currently, no amount has been approved for recovery or refund. Accordingly, the timing of the recovery or refund is unknown.

(b) The stranded meter regulatory assets represent the unrecovered net book value of decommissioned analog meters. The net book value of the stranded meters has been reclassified to the regulatory asset account for recovery to the end of March 2017.

(c) The substation asset represents the cost of construction of a new substation in the Town of Espanola. During the year \$nil (2015 - \$21,291) of interest was capitalized to the cost of the substation during the construction period. The OEB approved the recovery of \$168.193 per year in the Corporation's rates until their next cost of service rate order.

(d) The payment in lieu of deferred tax regulatory asset and liability relate to the expected increase in or reduction of distribution rates for customers arising from temporary differences which give rise to payment in lieu of deferred tax assets and liabilities.

For certain of the regulatory assets and liabilities, the expected recovery or settlement period, or likelihood of recovery or settlement, is affected by risks and uncertainties relating to the ultimate authority of the OEB in determining the item's treatment for rate-setting purposes. The Corporation continually assesses the likelihood of recovery of each of its regulatory assets and refund of each of its regulatory liabilities and continues to believe that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If at some future date the Corporation determines that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be charged to operations in the period the determination is made.

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**Espanola Regional Hydro Distribution Corporation**  
**Notes to the Financial Statements**  
**Year ended December 31, 2016 with comparative figures for 2015**

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**8. Bank credit facilities**

A revolving demand credit facility has been granted by the Royal Bank of Canada to a maximum of \$500,000 bearing interest at the bank's prime rate plus 0.8% per annum.

A reducing facility by way of leases has also been granted by the Royal Bank of Canada to a maximum of \$200,000, terms of which are governed by separate lease agreements.

The above credit facilities are secured by a first ranking general security agreement.

At the year-end date, no amount has been drawn on these credit facilities.

**9. Contributions in aid of construction**

In certain cases, non-refundable contributions are received in aid of construction or acquisition of property, plant and equipment. Contributions in aid of construction are deferred and amortized to other revenue at the same rate as the assets to which they relate.

	2016	2015
Balance, beginning of year	\$ 252,597	\$ 255,669
Contributions received in the year	47,332	4,713
Amortization of contributions in aid of construction	(8,735)	(7,785)
Balance, end of year	\$ 291,194	\$ 252,597

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## Espanola Regional Hydro Distribution Corporation

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 10. Employee future benefits

The Corporation pays certain post-employment health and dental benefits on behalf of its retired employees. Accounting standards for employee future benefits require that these post-retirement costs be recognized in the period in which the employees rendered their services. Information about the Corporation's accrued benefit liability and the related expense are based on results and assumptions by actuarial valuation at December 31, 2016 and are as follows:

	2016	2015
Accrued benefit liability, beginning of year	\$ 63,994	\$ 91,070
Current service cost recognized in operations	509	603
Interest cost recognized in operations	2,565	3,494
Benefits paid by employer	(2,890)	(2,936)
Net actuarial gain/(loss) recognized in other comprehensive income	1,329	(28,237)
Accrued benefit liability, end of year	\$ 65,507	\$ 63,994

The main assumptions employed for the valuations are as follows:

The health benefit cost is estimated to increase at rate from 6.25% per annum over. The dental benefit cost is estimated to increase at a rate of 4.5% per annum.

The obligation at year-end and the present value of future liabilities and the related expense, were determined using an annual discount rate of 3.95% per annum (2015 - 4.1%) representing an estimate of the yield on high quality corporate bonds with a duration similar to the duration of the plan.

Future general salary and wage levels were assumed to increase at 2.6% per annum (2015 - 2.6%).



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## Espanola Regional Hydro Distribution Corporation

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 11. Long-term debt

	2016	2015
Infrastructure Ontario non-revolving term loan, repayable in blended monthly installments of \$2,860 including interest at 2.73% per annum, secured by a general security agreement ranking behind the first ranking general security agreement registered by the Royal Bank of Canada and maturing December 2025	\$ 273,546	\$ 300,000
Infrastructure Ontario non-revolving term loan, repayable in blended monthly installments of \$10,831 including interest at 3.78% per annum, secured by a general security agreement ranking behind the first ranking general security agreement registered by the Royal Bank of Canada and maturing December 2040	2,048,521	2,100,000
	2,322,067	2,400,000
Less current portion	80,645	77,933
	\$ 2,241,422	\$ 2,322,067

The Ontario Infrastructure loans require the Corporation to meet a debt service coverage ratio of a minimum of 1:25 to 1 and a debt to total assets ratio of less than 60%. At December 31, 2016 the corporation is in compliance with these covenants.

Estimated principal repayments are as follows:

2017	\$ 80,645
2018	83,452
2019	86,359
2020	89,370
2021	92,489
Subsequent years	1,889,752
	\$ 2,322,067

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**Espanola Regional Hydro Distribution Corporation****Notes to the Financial Statements****Year ended December 31, 2016 with comparative figures for 2015**

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**12. Notes payable**

	2016	2015
Note payable to the Town of Espanola	\$ 1,185,416	\$ 1,185,416
Note payable to the Township of Sables-Spanish Rivers	339,095	339,095
	<u>\$ 1,524,511</u>	<u>\$ 1,524,511</u>

Notes payable to the Town of Espanola and Township of Sables-Spanish Rivers are without security, are due on demand with one year's written notice, include interest at 4.41% per annum (2015 - 4.41%) and are convertible into special shares of the Corporation at a rate of \$10,000 per share. During the year, the Corporation paid interest in the amount of \$52,277 (2015 - \$52,277) to the Town of Espanola and \$14,954 (2015 - \$14,954) to the Township of Sables-Spanish Rivers.

**13. Share capital**

	2016	2015
Authorized		
Unlimited number of common shares		
Unlimited discretionary non-cumulative dividend paying, redeemable at \$10,000 per share, non-voting special shares		
Issued		
1,000 common shares	\$ 1,000	\$ 1,000
228 special shares	2,280,000	2,280,000
	<u>\$ 2,281,000</u>	<u>\$ 2,281,000</u>

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## Espanola Regional Hydro Distribution Corporation

### Notes to the Financial Statements

Year ended December 31, 2016 with comparative figures for 2015

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#### 14. Operating expenses

For internal management reporting purposes the Corporation's operating expenses are reported by function. Operating expenses reported by nature are as follows:

	2016	2015
Salaries, wages and benefits	\$ 434,419	\$ 433,836
Office and administration	291,263	333,104
Contracted services	393,886	380,419
Operations and maintenance	204,078	167,244
Depreciation	160,986	96,039
Interest on long-term debt and notes payable	153,586	67,231
Bad debts	40,952	58,213
	<hr/>	<hr/>
	\$ 1,679,170	\$ 1,536,086

#### 15. Commitments

The Corporation has entered into a contract for management, billing, collecting, customer service, software and data hosting services and support with PUC Services Inc. for a five year period ending May 31, 2021, at an annual base cost as follows:

2017	\$ 166,028
2018	170,178
2019	173,949
2020	177,423
2021	74,530

In addition to the above charges, a monthly charge of \$5.26 to \$5.75 per meter, for up to 3,700 meters for residential and general service customers, will apply.

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## **Espanola Regional Hydro Distribution Corporation**

### **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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#### **16. Related party transactions**

The Corporation is related to the Town of Espanola by virtue of the fact that the Town is an 81% owner of the Corporation's sole shareholder. Likewise, the Township of Sables-Spanish Rivers is a 19% owner of the Corporation's sole shareholder.

In the normal course of business, the Corporation provides electrical energy to the Town of Espanola and the Township of Sables-Spanish Rivers at the same regulated rates and terms approved by the OEB as other similar customers, based on the amount of electricity consumed.

The Corporation also provides water and waste water billing and collection services on behalf of the Town of Espanola. Included in other charges revenue is \$18,136 (2015 - \$18,136) earned with respect to these services. Also, included in accounts payable and accrued liabilities is \$440,661 (2015 - \$430,122) relating to amounts collected by the Corporation on behalf of the Town of Espanola for water and waste water billing. Correspondingly, included in accounts receivable is \$233,858 (2015 - \$237,229) relating to amounts receivable from customers for water and waste water services.

#### **17. Capital disclosure**

The Corporation's objectives when managing capital are:

- (a) Ensure ongoing access to capital at a reasonable cost in order to maintain and improve the electricity distribution system of the Corporation to ensure the continued delivery of safe, reliable electricity services to customers, and to safeguard the Corporation's ability to continue as a going concern and provide a reasonable rate of return to its shareholders;
- (b) Align the Corporation's capital structure with the debt to equity structure deemed appropriate by the OEB.

The Corporation's capital consists of shareholder's equity and notes payable to the Town of Espanola and Township of Sables-Spanish Rivers. There have been no changes in the Corporation's approach to managing capital during the year.

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## **Espanola Regional Hydro Distribution Corporation**

### **Notes to the Financial Statements**

**Year ended December 31, 2016 with comparative figures for 2015**

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#### **18. Financial instruments**

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Corporation is exposed to the following risks associated with financial instruments and transactions it is a party to:

##### **(a) Fair value**

The fair value of current financial assets and current financial liabilities approximates their carrying value due to their short-term maturity dates. The fair value of long-term financial liabilities approximates their carrying value based on the presumption that the Corporation is a going concern and thus expects to fully repay the outstanding amounts.

##### **(b) Credit risk**

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Corporation's main credit risks are associated with its cash and cash equivalents and accounts receivable.

The Corporation minimizes credit risk associated with its cash and cash equivalents balances by ensuring that these financial assets are held with large reputable financial institutions with high credit ratings.

The Corporation incurs amounts due from its customers in the regular course of business and has credit risk associated with its accounts receivable balances of \$1,210,602 (2015 - \$1,151,249). The Corporation reduces its exposure to credit risk through management's on-going monitoring of its accounts receivable balances and collections. Credit valuations are performed on a regular basis and credit is granted upon a review of the credit history of the applicant. An allowance for bad debts is recorded when applicable.

##### **(c) Liquidity risk**

Liquidity risk is the risk that the Corporation cannot repay its obligations when they become due to its creditors. The Corporation has liquidity risk associated with its accounts payable and accrued liabilities, payable for energy purchases, customer deposits, long-term debt and notes payable. The Corporation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and budgets to maintain adequate cash resources including a line of credit to repay creditors including long-term debt interest and principal as liabilities become due.

#### **19. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. These changes do not affect prior year earnings.

## **SCHEDULE P - PERMITTED ENCUMBRANCES**

PIN 73408-0046

Instrument No. LT233385 is a By-Law registered June 28, 1966.

## **SCHEDULE Q - THIRD PARTY CONSENTS**

1. The consent of Ontario Infrastructure and Lands Corporation pursuant to the terms of financing agreement between Espanola Regional Hydro Distribution Corporation and Ontario Infrastructure and Lands Corporation dated October 28, 2015, as amended by Amending Agreement No. 1 dated November 23, 2015.
2. The consent of Royal Bank of Canada pursuant to the terms of a letter agreement between Royal Bank of Canada and Espanola Regional Hydro Distribution Corporation dated October 17, 2011, as amended by a Letter Amending Agreement dated June 9, 2014.

## **SCHEDULE R - TAX MATTERS**

On January 12, 2018, the Ontario Ministry of Finance initiated an audit of Espanola Regional Hydro Distribution Corporation's T2 corporate income tax returns (for PILs purposes under the Electricity Act) for taxation years 2013, 2014, and 2015. This audit is currently in the information gathering stage and is, according to the Vendors, expected to be completed in August 2018.



## **SCHEDULE S - PERMITTED FINANCING**

1. Financing Agreement (13esp9304313062FA) dated October 28, 2015, between Espanola Regional Hydro Distribution Corporation and Ontario Infrastructure and Lands Corporation, as amended by Amending Agreement No. 1 dated November 23, 2015.
2. Facility Letter Agreement dated October 17, 2011, between Royal Bank of Canada and Espanola Regional Hydro Distribution Corporation, as amended by Amending Agreement dated June 9, 2014.