



200 – 395 Centre St N, Huntsville, ON P1H 2M2
Phone (705) 789-5442 Toll Free 1-888-282-7711
Fax (705) 789-3110

August 23, 2019

Ontario Energy Board
P.O. Box 2319
27th Floor, 2300 Yonge Street
Toronto, Ontario
M4P 1E4
Attention: Ms. K. Walli, Board Secretary

Re: Application for an Order from Ontario Energy Board (the “Board”) to seek an amendment to its generation licence

Dear Ms. K. Walli:

Bracebridge Generation Ltd. and Elliott Falls Waterpower Corp (the “Applicants”) apply to the Board for an amendment to their respective generation licences.

The Applicants have outlined in the attached Application summary and the Board's Preliminary Filing Requirements the nature of the proposed transaction and the relief sought from the Board.

As per the Board's requirements, 2 copies of the Application are enclosed via mail and a pdf version will be submitted via email to Board Secretary.

Should there be any questions, please contact me at the number above.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'Margaret Maw'.

Margaret Maw
Chief Financial Officer
Bracebridge Generation Ltd.

ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Bracebridge Generation Ltd. and Elliott Falls Waterpower Corporation under section 74 of the

Ontario Energy Board Act, 1998 seeking an order to amend
the distribution licence of Bracebridge Generation Ltd.

AND IN THE MATTER OF a request by Elliott Falls Waterpower Corporation
under section 77(5) of the *Ontario Energy Board Act, 1998* seeking the
cancellation of its generation licence,

Table of Contents

Application Summary

Exhibit 1	Electricity Generation Licence EG-2003-0120 – Bracebridge Generation Ltd.
Exhibit 2	Electricity Generation Licence EG-2003-0132 – Elliott Falls Waterpower Corporation
Exhibit 3	Purchase/Sale Agreement – Elliott Falls Waterpower Corporation
Exhibit 4	IESO contract novation

APPLICATION

Bracebridge Generation Ltd. (“BGL”) and Elliott Falls Waterpower Corporation (“EFWC”) hereby jointly apply to the Ontario Energy Board (the “Board” or the “OEB”), pursuant to section 74 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15* (Schedule B) (the “Act”), seeking leave to amend their generation licences pending the amalgamation of the two companies. BGL and EFWC are collectively referred to in this application as the “Applicants” or “Parties” and the amalgamated company is referred to as “GenCo”. The amalgamation is referred to as the “Transaction”.

The closing date of the Transaction was May 1, 2016 for the purchase of shares of EFWC followed by an amalgamation January 1, 2017. BGL is requesting, under section 74 of the Act, that its generation licence be amended to include in its Schedule 1, the generating facility currently operated by EFWC.

BGL owns, operates and manages assets associated with the generation of electricity within the geographic territory and municipal boundaries of the Town of Bracebridge, Town of Parry Sound, Village of Burk’s Falls, and Town of Bancroft, as described in its electricity generation licences (EG-2003-0120). BGL purchased the shares and generation assets of Elliott Falls Water Power Corporation on May 1, 2016.

EFWC owns, operates and manages assets associated with the generation of electricity within the geographic territory and municipal boundaries of the City of Kawartha Lakes, as described in its electricity generation licence (EG-2003-0132).

The applicants wish to amend EG-2003-0120 to include the generation plant under the generation licence EG-2003-0132 and then cancel licence EG-2003-0132.

As of July 1, 2014, Lakeland Holding Ltd. (LHL) owns 100% of the shares of BGL. LHL is owned by the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Town of Sundridge, Village of Burk's Falls, and Municipality of Magnetawan in their share percentages established at the time of the merger of their LDCs at July 1, 2014.

BGL, EFWC and their respective shareholders (the "Parties") are all parties to the Transaction. There are no other parties to the Transaction. The parties request that this proceeding is disposed of without a hearing. As this is an amendment due to a share purchase, no other person will be adversely affected in a material way by the outcome of the proceeding.



Electricity Generation Licence

EG-2003-0120

Bracebridge Generation Ltd.

Valid Until

October 7, 2023

Original Signed By

Viive Sawler
Manager, Licensing and Performance Reporting
Ontario Energy Board
Date of Issuance: October 8, 2003
Date of Amendment: August 7, 2014

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

Commission de l'énergie de l'Ontario
C.P. 2319
2300, rue Yonge
27e étage
Toronto ON M4P 1E4

	Table of Contents	Page No.
1	Definitions	1
2	Interpretation	1
3	Authorization	1
4	Obligation to Comply with Legislation, Regulations and Market Rules	2
5	Obligation to Maintain System Integrity	2
6	Restrictions on Certain Business Activities.....	2
7	Provision of Information to the Board.....	2
8	Term of Licence	2
9	Fees and Assessments.....	2
10	Communication	3
11	Copies of the Licence.....	3
	SCHEDULE 1 LIST OF LICENSED GENERATION FACILITIES	4

1 Definitions

In this Licence:

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**generation facility**” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system and includes any structures, equipment or other things used for that purpose;

“**Licensee**” means Bracebridge Generation Ltd.;

“**regulation**” means a regulation made under the Act or the Electricity Act;

2 Interpretation

- 2.1 In this Licence words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of this Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens. Where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in this licence:
- a) to generate electricity or provide ancillary services for sale through the IESO-administered markets or directly to another person subject to the conditions set out in this Licence. This Licence authorizes the Licensee only in respect of those facilities set out in Schedule 1;
 - b) to purchase electricity or ancillary services in the IESO-administered markets or directly from a generator subject to the conditions set out in this Licence; and
 - c) to sell electricity or ancillary services through the IESO-administered markets or directly to another person, other than a consumer, subject to the conditions set out in this Licence.

4 Obligation to Comply with Legislation, Regulations and Market Rules

- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act, and regulations under these acts, except where the Licensee has been exempted from such compliance by regulation.
- 4.2 The Licensee shall comply with all applicable Market Rules.

5 Obligation to Maintain System Integrity

- 5.1 Where the IESO has identified, pursuant to the conditions of its licence and the Market Rules, that it is necessary for purposes of maintaining the reliability and security of the IESO-controlled grid, for the Licensee to provide energy or ancillary services, the IESO may require the Licensee to enter into an agreement for the supply of energy or such services.
- 5.2 Where an agreement is entered into in accordance with paragraph 5.1, it shall comply with the applicable provisions of the Market Rules or such other conditions as the Board may consider reasonable. The agreement shall be subject to approval by the Board prior to its implementation. Unresolved disputes relating to the terms of the Agreement, the interpretation of the Agreement, or amendment of the Agreement, may be determined by the Board.

6 Restrictions on Certain Business Activities

- 6.1 Neither the Licensee, nor an affiliate of the Licensee shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario except in accordance with section 81 of the Act.

7 Provision of Information to the Board

- 7.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time.
- 7.2 Without limiting the generality of paragraph 7.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee, as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs.

8 Term of Licence

- 8.1 This Licence shall take effect on October 8, 2003 and expire on October 7, 2023. The term of this Licence may be extended by the Board.

9 Fees and Assessments

- 9.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

10 Communication

- 10.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.
- 10.2 All official communication relating to this Licence shall be in writing.
- 10.3 All written communication is to be regarded as having been given by the sender and received by the addressee:
- a) when delivered in person to the addressee by hand, by registered mail or by courier;
 - b) ten (10) business days after the date of posting if the communication is sent by regular mail; or
 - c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

11 Copies of the Licence

- 11.1 The Licensee shall:
- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and
 - b) provide a copy of this Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

SCHEDULE 1 LIST OF LICENSED GENERATION FACILITIES

The Licence authorizes the Licensee only in respect to the following:

1. High Falls Generating Station owned & operated by the Licensee at 1296 High Falls Road, Bracebridge, Ontario.
2. Wilson Falls Generating Station owned&operated by the Licensee at 500 Wilson Falls Road, Bracebridge, Ontario.
3. Bracebridge Falls Generating Station owned & operated by the Licensee at 35 Wharf Road, Bracebridge, Ontario.
4. Burk's Falls Waterpower Corporation generating station, owned & operated by the Licensee at Sypes St., Plan 26, Lot 1, Burk's Falls, Ontario.
5. Hydro-electric Generation Facility, owned & operated by the Licensee at 37 Mill Street (Highway 62), Bancroft, Ontario.
6. Parry Sound PowerGen Corporation, owned & operated by the Licensee at 2 Cascade Street, Parry Sound, Ontario.



Electricity Generation Licence

EG-2003-0132

Elliott Falls Power Corporation

**Valid Until
October 16, 2023**

Mark C. Garner
Secretary
Ontario Energy Board

Date of Issuance: October 17, 2003

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th. Floor
Toronto, ON M4P 1E4

Commission de l'Énergie de l'Ontario
C.P. 2319
2300, rue Yonge
26e étage
Toronto ON M4P 1E4

1 Definitions

In this Licence:

“**Act**” means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

“**Electricity Act**” means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

“**generation facility**” means a facility for generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system and includes any structures, equipment or other things used for that purpose;

“**Licensee**” means: Elliott Falls Power Corporation;

“**regulation**” means a regulation made under the Act or the Electricity Act;

2 Interpretation

- 2.1 In this Licence words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this licence where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day.

3 Authorization

- 3.1 The Licensee is authorized, under Part V of the Act and subject to the terms and conditions set out in the Licence:

a) to generate electricity or provide ancillary services for sale through the IMO-administered markets or directly to another person subject to the conditions set out in this Licence. This Licence authorizes the Licensee only in respect of those facilities set out in Schedule 1;

b) to purchase electricity or ancillary services in the IMO-administered markets or directly from a generator subject to the conditions set out in this Licence; and

- c) to sell electricity or ancillary services through the IMO-administered markets or directly to another person, other than a consumer, subject to the conditions set out in this Licence. 14
- 4 Obligation to Comply with Legislation, Regulations and Market Rules** 15
- 4.1 The Licensee shall comply with all applicable provisions of the Act and the Electricity Act, and regulations under these Acts, except where the Licensee has been exempted from such compliance by regulation. 16
- 4.2 The Licensee shall comply with all applicable Market Rules. 17
- 5 Obligation to Maintain System Integrity** 18
- 5.1 Where the IMO has identified, pursuant to the conditions of its licence and the Market Rules, that it is necessary for purposes of maintaining the reliability and security of the IMO-controlled grid, for the Licensee to provide energy or ancillary services, the IMO may require the Licensee to enter into an agreement for the supply of energy or such services. 19
- 5.2 Where an agreement is entered into in accordance with paragraph 5.1, it shall comply with the applicable provisions of the Market Rules or such other conditions as the Board may consider reasonable. The agreement shall be subject to approval by the Board prior to its implementation. Unresolved disputes relating to the terms of the Agreement, the interpretation of the Agreement, or amendment of the Agreement, may be determined by the Board. 20
- 6 Restrictions on Certain Business Activities** 21
- 6.1 Neither the Licensee, nor an affiliate of the Licensee shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario except in accordance with section 81 of the Act. 22
- 7 Provision of Information to the Board** 23
- 7.1 The Licensee shall maintain records of and provide, in the manner and form determined by the Board, such information as the Board may require from time to time. 24
- 7.2 Without limiting the generality of paragraph 7.1 the Licensee shall notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the business, operations or assets of the Licensee, as soon as practicable, but in any event no more than twenty (20) days past the date upon which such change occurs. 25

8 Term of Licence

- 8.1 This Licence is effective on October 17, 2003 and shall expire on October 16, 2023. The term of this Licence may be extended by the Board.

9 Fees and Assessment

- 9.1 The Licensee shall pay all fees charged and amounts assessed by the Board.

10 Communication

- 10.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.

- 10.2 All official communication relating to this Licence shall be in writing.

- 10.3 All written communication is to be regarded as having been given by the sender and received by the addressee:

- a) when delivered in person to the addressee by hand, by registered mail or by courier;
- b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
- c) when received by facsimile transmission by the addressee, according to the sender's transmission report.

11 Copies of the Licence

- 11.1 The Licensee shall:

- a) make a copy of this Licence available for inspection by members of the public at its head office and regional offices during normal business hours; and
- b) provide a copy of the Licence to any person who requests it. The Licensee may impose a fair and reasonable charge for the cost of providing copies.

SCHEDULE 1 LIST OF LICENSED GENERATION FACILITIES

41

The Licence authorizes the Licensee only in respect to the following:

42

Elliott Falls Generation Station, owned and operated by the Licensee at Concession 11, Pt.
Lot 9, City of Kawartha Lakes, Ontario.

43

Share Purchase Agreement

THIS AGREEMENT dated the 29th day of April, 2016.

B E T W E E N

BRACEBRIDGE GENERATION LTD., a corporation incorporated under the laws of Canada
(hereinafter referred to as the "**Purchaser**")

OF THE FIRST PART

- and -

KEARON JOHN BENNETT, of the City of Ottawa, in the Province of Ontario

OF THE SECOND PART

- and -

HENRY JOHN HAVEKES, of the Town of Owen Sound, in the Province of Ontario

OF THE THIRD PART

- and -

BRIAN PAUL MALE, of the Town of Hanover, in the Province of Ontario

OF THE FOURTH PART

- and -

BENJAMIN ROY MILLER, of the Town of Port Elgin, in the Province of Ontario

(hereinafter collectively referred to as the "**Vendors**")

OF THE FIFTH PART

- and -

ELLIOTT FALLS POWER CORPORATION, a corporation incorporated under the laws of
Ontario

(hereinafter referred to as the "**Corporation**")

OF THE SIXTH PART

WITNESSETH THAT:

WHEREAS the Vendors are the legal and beneficial owners of all the issued and outstanding shares in the capital of the Corporation; and

AND WHEREAS the Vendors have agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Vendors all of the issued and outstanding shares in the capital of the Corporation upon and subject to the terms and conditions of this Agreement;

NOW THEREFORE, in consideration of the premises and mutual agreements herein contained and of other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each Party hereto), the Parties agree with one another as follows:

1. INTERPRETATION

(1) Definitions

Whenever used in this Agreement, unless there is something in the subject matter or context inconsistent therewith, the following words and terms shall have the respective meanings ascribed to them in this s. 1(1):

- (a) **"Accountants"** means collectively, the Corporation's Accountants, the Vendors' Accountants and the Purchaser's Accountants;
- (b) **"Agreement"** means this share purchase agreement and all instruments supplemental to or in amendment or confirmation of this share purchase agreement, and all references to this Agreement shall include the attached Schedules and "Article", "Section", "Subsection", or "Paragraph" means and refers to the specified article, section, subsection, or paragraph of this share purchase agreement;
- (c) **"Assets"** means the undertaking, property and assets of the Corporation relating to the Business as going concern, of every kind and description and wheresoever situated;
- (d) **"Annual Financial Statements"** means the notice to reader financial statements of the Corporation dated on and for the fiscal periods ended January 31, 2010-2016 consisting of a balance sheet and statement of income and retained earnings, together with the notes thereto, as reported on by the Corporation's Accountant.
- (e) **"Applicable Laws"** in respect of any Person, property, transaction or event, means (i) any law, statute, regulation, ordinance, restriction, work order, treaty, judgment and decree in force from time to time.

- (f) "**Benefit Plan**" has the meaning ascribed in s. 4(1)(x);
- (g) "**Business**" means the operation of a power generation plant and all operations related thereto;
- (h) "**Business Day**" means any day, other than a Saturday, Sunday or any other day on which the principal chartered banks located in the Town of Bracebridge are not open for business during normal banking hours;
- (i) "**Claim**" means any claim, demand, action, suit, litigation, charge, complaint, prosecution or other proceeding for which one Party can seek indemnification from the other Party pursuant to ss. 6(1) or 6(2);
- (j) "**Closing**" means the completion of the transactions contemplated by this Agreement including the transfer and delivery of all documents of title to the Shares and the payment of the Purchase Price;
- (k) "**Closing Date**" means May 1, 2016, or such other date as the Parties may agree in writing as the date upon which the Closing shall take place;
- (l) "**Closing Financial Statements**" means the review engagement financial statements for the Corporation prepared as at and for the period ending April 30, 2016 (or such other date as may be mutually agreed), and delivered to the Purchaser within sixty (60) days following the closing. The Closing Financial Statements shall include all fees of the Corporation's Accountants related thereto and the preparation of tax returns for the stub period to April 30, 2016 (or to such other date as may be mutually agreed). The Closing Financial Statements shall also record all accruals including but not limited to accrued but unpaid statutory deductions, together with the notes thereto which present fairly the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of the Corporation as at the Closing. Prior to the release of the Closing Financial Statements, they shall be approved by the Vendors and the Purchaser.
- (m) "**Closing Documents**" has the meaning ascribed in Article Seven;
- (n) "**Closing Time**" means 10:00 o'clock in the forenoon on the Closing Date or such other time on such date as the Parties may agree as the time at which the Closing shall take place;
- (o) "**Corporation's Accountants**" means BDO Canada LLP, Chartered Accountants;
- (p) "**Corporation's Bank**" means Alterna Savings;
- (q) "**Contracts**" means those contracts, agreements, commitments, entitlements and

engagements of the Corporation relating to the Business and the Assets (and, for greater certainty, not including, Leases and Equipment Leases) whether with suppliers, customers or otherwise and including all unfilled orders from customers; all forward commitments for supplies or materials; all orders for new machinery and equipment as yet undelivered; all equipment and construction guarantees and warranties; negative covenants with employees; and all other contracts described in Schedule "A";

- (r) "**Deposit**" has the meaning ascribed in s. 3(2);
- (s) "**Employees**" has the meaning ascribed in s. 4(1)(p);
- (t) "**Equipment Leases**" means those equipment leases, conditional sales contracts, title retention agreements and other agreements between the Corporation and third Persons relating to equipment used by the Corporation including those that are listed in Schedule "B";
- (u) "**Financial Statements**" means the financial statements of the Corporation for its fiscal period ended on January 31st, 2016;
- (v) "**HST**" means the Harmonized Sales Tax payable under the *Excise Tax Act*;
- (w) "**IESO**" means Independent Electricity System Operator;
- (x) "**Intellectual Property Rights**" means all patents and inventions, trade-marks, including those described in Schedule "C", trade secrets, technical information, engineering procedures, designs, know-how and processes (whether confidential or otherwise), all computer software used in the Business, all related codes, specifications, enhancements, modifications, documentation, websites, domain names, web pages, and other industrial property (including applications for any of these) in each case used or reasonably necessary to permit satisfactory operation of the Business as presently constituted;
- (y) "**Inventories**" means all inventories of every kind and nature and wheresoever situate owned by the Corporation and pertaining to the Business, if any;
- (z) "**Leases**" means all leases of Leasehold Properties including those listed in Schedule "D";

(aa) "**Licences**" means all transferable licences, registrations, qualifications, permits and approvals, issued by any government or governmental unit, agency, board, body or instrumentality, whether federal, provincial or municipal, relating to the Business, including those listed in Schedule "E", together with all applications for such licences or permits;

(ab) "**Net Tangible Working Capital**" means the cash, prepaid expenses, income taxes receivable and accounts receivable related to the Business less accounts payable and accrued liabilities and income taxes payable current liabilities;

(ac) "**Non-Competition Agreement**" means the non-competition agreement in the form of Schedule "F";

(ad) "**Parties**" means the Vendor, the Purchaser and the Corporation, collectively, and "Party" means any one of them;

(ae) "**Person**" includes an individual, corporation, partnership, joint venture, trust, unincorporated organization, the Crown or any agency or instrumentality thereof or any other juridical entity;

(af) "**Personal Information**" means the information regulated by Privacy Laws and collected, used, disclosed or retained by the Corporation;

(ag) "**Privacy Laws**" means all applicable law governing the collection, use, disclosure and retention of information relating to an identifiable individual including the *Personal Information Protection and Electronic Documents Act (Canada)*;

(ah) "**Purchase Price**" means the purchase price to be paid by the Purchaser to the Vendors for the Shares, all as provided in s. 3(1);

(ai) "**Purchaser's Accountants**" means Grant Thornton LLP, Orillia, Chartered Accountants;

(aj) "**Purchaser's Counsel**" means Nathalie Tinti from Barriston LLP at 45 Ann Street, Bracebridge, ON P1L 2A1;

(ak) "**Real Properties**" means all freehold, leasehold, easements and any other interests in real and immoveable properties owned or used by the Corporation in connection with the Business, including, without limitation,

- a. the freehold lands and premises described in Schedule "G", and all plants, buildings, sidings, parking lots, roadways, structures, erections, improvements, fixed machinery, fixed equipment, appurtenances, and fixtures situate on or forming part of such lands and premises (collectively the "**Owned Properties**");
- b. all easement rights relating to the Business described in Schedule "H";

- c. the leasehold and other interest described in Schedule "I" including all fixtures and improvements owned by the Corporation relating to those leaseholds and other interests (collectively the "**Leasehold Properties**");

(al) "**Shares**" means all of the issued and outstanding shares in the capital of the Corporation, all to be sold by the Vendors to the Purchaser pursuant to the terms of this Agreement;

(am) "**Shareholders' Agreement**" means the shareholders' agreement executed by the Vendors and the Corporation dated the 1st day of February, 2002;

(an) "**Third Party Claim**" means for the purposes of s. 6(3) any demand which has been made on, or communicated to either of the Corporation, the Vendors or the Purchaser by or on behalf of any Person other than the persons mentioned above in this definition and which, if maintained or enforced, might result in a loss, liability or expense of the nature described in either s. 6(1) or s. 6(2);

(ao) "**to the best of the knowledge**" when used in reference to:

- a. the Vendors and the Corporation, means the actual knowledge, having made due and careful inquiry, of the Vendors or any one of them; and
- b. the Purchaser, means the actual knowledge, having made due and careful inquiry, of the following persons Chris Litschko of the Purchaser;

(ap) "**Vendors' Counsel**" means Donald Burke from Kelly Santini LLP at 2401-160 Elgin Street, Ottawa, ON K2P 2P7.

(2) Gender and Number

In this Agreement, words importing the singular include the plural and vice versa and words importing gender include all genders.

(3) Entire Agreement

This Agreement, including Schedules "A" to "R", together with the agreements and other documents to be delivered under this Agreement constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties and there are no warranties, representations or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement. No supplement, modification or amendment to this Agreement and no waiver of any provision of this Agreement shall be binding on any Party unless executed by such Party in writing. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

(4) Article and Section Headings

Article and Section headings contained in this Agreement are included solely for convenience, are not intended to be full or accurate descriptions of the content of any Article or Section and shall not be considered to be part of this Agreement.

(5) Schedules

The following Schedules are an integral part of this Agreement:

Schedule "A"	--	Contracts [S.1(1)(q)]
Schedule "B"	--	Equipment Leases [S.1(1)(s), S.4(1)(ba), S.4(1)(be)]
Schedule "C"	--	Intellectual Property Rights [S.1(1)(x), S.4(1)(ak)]
Schedule "D"	--	Leases [S.1(1)(z), S.4(1)(ay)]
Schedule "E"	--	Licenses[S.1(1)(aa), 4(1)(ai)]
Schedule "F"	--	Non-Competition Agreement [S.1(1)(ac), S.5(8)]
Schedule "G"	--	Owned Properties [S.1(1)(ak)(a)]
Schedule "H"	--	All Easements owned by the Corporation [S.1(1)(ak)(b)]
Schedule "I"	--	Leasehold Properties [S.1(1)(ak)(c), S.4(1)(ay)]
Schedule "J"	--	Predecessor Corporations and Previous Corporate Names [S.4(1)(c)]
Schedule "K"	--	Jurisdictions of Business and Extra-provincial Licenses [S.4(1)(d)]
Schedule "L"	--	Unusual Transactions [S.4(1)(n)]
Schedule "M"	--	Location of Assets [S.4(1)(o)]
Schedule "N"	--	Litigation [S.4(1)(z)]
Schedule "O"	--	Undertaking to Release Vendors' Security S.4(1)(ac)] S.7(1)(g)]
Schedule "P"	--	Guarantees and Indebtedness of Corporation [S.4(1)(ae)]
Schedule "Q"	--	Banks [S.4(1)(aj)]
Schedule "R"	--	Material Fixed Assets, Machinery and Equipment [S.4(1)(bb)]

The Vendors shall update on or before the Closing, by amendment or supplement, the Schedules and any other disclosure in writing from the Vendors to the Purchaser as soon as reasonably possible after new or conflicting information comes to the attention of the Vendors.

(6) Applicable Law

This Agreement 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 and shall be treated, in all respects, as an Ontario contract. Each Party to this Agreement irrevocably

attorns to and submits to the jurisdiction of the Courts of Ontario with respect to any matter arising under or relating to this Agreement.

(7) Currency

Unless otherwise indicated, all dollar amounts referred to in this Agreement are in Canadian funds.

(8) Accounting Terms

All accounting terms not otherwise defined have the meanings assigned to them, and all calculations are to be made and all financial data to be submitted are to be prepared, in accordance with the generally accepted accounting principles ("**GAAP**") approved from time to time by the Canadian Institute of Chartered Accountants, or any successor institute applied on a consistent basis.

(9) Arm's Length

For purposes of this Agreement, Persons are not dealing "at arm's length" with one another if they would not be dealing at arm's length with one another for purposes of the *Income Tax Act*.

(10) Business Days

Whenever any action or payment to be taken or made under this Agreement shall be stated to be required to be taken or made on a day other than a Business Day, any payment shall be made or such action shall be taken on the next succeeding Business Day.

(11) Statutory Instruments

Unless otherwise specifically provided in this Agreement any reference in this Agreement to any law, by-law, rule, regulation, order, act or statute of any government, governmental body or other regulatory body shall be construed as a reference to those as amended or re-enacted from time to time or as a reference to any successor to those.

(12) Materiality

In this Agreement "**Material**" means, when used as an adjective, that any breach, default or deficiency in the satisfaction of any covenant, representation or warranty so described might reasonably:

- (a) give rise to an aggregate remedial cost of more than \$10,000.00 in any individual instance, or more than \$25,000.00 collectively in any greater number of instances, where all such instances arise pursuant to multiple breaches of the same covenant, representation or warranty; or
- (b) where no adequate remedy is reasonably available, result in disturbance in the ordinary conduct of the Business of an aggregate cost properly attributable to such disturbance (including consequential loss and loss of profit) of more than \$10,000.00 and "**Materially**" shall have the corresponding meaning.

2. PURCHASE AND SALE OF SHARES

(1) Purchase and Sale of Shares

Upon and subject to the terms and conditions of this Agreement, the Vendors shall sell, transfer, assign and set over to the Purchaser and the Purchaser shall purchase and acquire from the Vendors at the Closing Time, the Shares for the Purchase Price payable as provided in s. 3(1).

(2) Non-Assignable Contracts

This Agreement and any document delivered under this Agreement shall not constitute an assignment or an attempted assignment of any Contract, Equipment Lease, Lease or Licence contemplated to be assigned to the Purchaser under this Agreement;

- (a) which is not assignable through the change of control of the Corporation without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach of such contract or agreement; or
- (b) in respect of which the remedies for the enforcement of such contract or agreement available to the Vendors would not pass to the Purchaser.

The Vendors shall use their best efforts to obtain the consents of third parties as may be necessary for the change of control of the Corporation for the assignment of the Contracts, the Equipment Leases, the Leases and the Licences where necessary except that the Vendors shall not be obliged to make any payments to those third parties in addition to those required to be made under those contracts or agreements in order to obtain such consents, unless the Purchaser reimburses the Vendors for such payments at the time that they are made. To the extent that any of the foregoing items are determined not to be assignable by their terms or where consents to their assignment cannot be obtained other than by reason of the failure of the Purchaser to be approved by said third party as provided in this section 2(2), the Parties agree that the Purchase Price shall be adjusted to account to the Purchaser for the value of the benefits of those items lost to the Corporation.

Nothing in this section 2(2) shall limit the effect of section 7(1)(e) regarding consents to assignments.

3. PURCHASE PRICE AND PAYMENT

(1) Payment of Purchase Price

The Parties agree that the Purchase Price, subject to the adjustments provided in this Agreement, will be XXXXXXXX At the Closing Time, the Purchaser shall pay on account of the Purchase Price the amount of (\$XXXX.00), to be satisfied by:

- (a) application of the Deposit; and

- (b) a certified cheque or bank draft of the Purchaser payable to or to the order of the Vendors in the amount of XXXX Dollars (\$000.00)

The Purchaser acknowledges that the Purchase Price does not include HST payable, if any, as a result of the purchase and sale of the Shares.

(2) Deposit

(a) A deposit of Forty Thousand Dollars (\$40,000.00) on account of the Purchase Price (the "**Deposit**") has been made by the Purchaser, held in trust by the Purchaser's Counsel. Upon execution of this Agreement, the deposit shall be delivered to the Vendors' solicitor, in trust.

(b) If the transaction fails to proceed for any reason, including a failure of the Parties to agree upon the terms to be incorporated into the Agreement, Thirty Thousand Dollars (\$30,000.00) shall be refunded to the Purchaser and Ten Thousand Dollars (\$10,000.00) shall be paid to Vendors. Upon execution of the Agreement, the amount of the Deposit shall be credited towards the Purchase Price.

(3) Delivery of Certificates, etc.

The Vendors shall transfer and deliver to the Purchaser at the Closing Time, share certificates representing the Shares duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank and shall cause the Corporation to enter the Purchaser or its nominee(s) on the books of the Corporation as the holder of the Shares and to issue one or more share certificates to the Purchaser or its nominee(s) representing the Shares.

(4) Place of Closing

The Closing shall take place at the Closing Time at the office of Barriston LLP, in the Town of Bracebridge and Province of Ontario, or at such other place as may be agreed upon by the Vendors and the Purchaser.

(5) Tender

Any tender of documents or money hereunder may be made upon the Parties or their respective counsel and money may be tendered by official draft drawn upon a Canadian chartered bank or trust Corporation or by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank.

(6) Preparation of Closing Financial Statements

The Corporation's Accountants shall within sixty (60) days of the Closing prepare and deliver the Closing Financial Statements on a review engagement basis. The following generally accepted accounting principles will be applied in preparing the Closing Financial Statements:

- (a) all fixed assets of the Corporation will be valued at actual cost less accumulated depreciation taken; and
- (b) the accounts receivable of the Corporation will be net of an allowance for doubtful accounts established on a basis consistent with the prior practice of the Corporation.

(7) Draft Closing Financial Statements

Before issuing the Closing Financial Statements in final form, the Accountants shall submit final drafts to the Purchaser's Accountants for consideration and comment. The Corporation shall be liable for the costs of the preparation by the Corporation's Accountants of the Closing Financial Statements on a review engagement basis.

The Purchaser and its accountant, at the Purchaser's expense, shall be entitled to review the manner in which the Closing Financial Statements were prepared and shall be entitled upon reasonable notice to have access to and to receive copies of the working papers for the Closing Financial Statements prior to it being issued. The Closing Financial Statements prepared and delivered as aforesaid shall be final and binding upon the Parties for all purposes hereof, absent manifest error, unless the Purchaser notifies the Vendors in writing that it disputes any amounts shown therein within fifteen (15) Business Days after receipt by the Purchaser of the Closing Financial Statements.

(8) Preparation of Final Statements

In the event that the Purchaser disputes any amount shown in the Closing Financial Statements, the Parties will work expeditiously and in good faith in an attempt to resolve such dispute within a further period of ten (10) Business Days after the date of notification by the Purchaser to the Vendors of such dispute, failing resolution of which such dispute shall be submitted by either Party for determination to an independent third party accountant, which determination shall be made within thirty (30) days of submission of the dispute and shall be final and binding upon the parties and not subject to appeal. The independent third party accountant shall be deemed to be acting as an expert and not as an arbitrator. The costs and expenses of the independent third party accountant shall be borne equally by the Vendors and the Purchaser.

It is acknowledged that the Corporation's Accountants may require the assistance of the accounting and clerical staff of the Corporation, who shall continue in the employment with the Corporation pursuant to this Agreement. It is agreed that the Purchaser shall, during the period of three months following the Closing Date, allow representatives of the Vendors and their Accountants the use of an office on the premises of the Corporation and, to the extent the Corporation has staff available, shall, allow such staff to perform any functions reasonably required by the Vendors in connection with the audit.

(9) Closing Date

The sale and purchase contemplated under this Agreement shall take effect as of the close of business on the Closing Date.

(10) Delivery of Final Statements

The Closing Financial Statements shall not be completed and delivered to the Parties by the Accountants until adjustments provided under s. 3(11) have been reported to the Accountants and incorporated into the final Statements, but in no case shall the final Statements be delivered to the Parties more than 90 days after Closing Date (the "**Settlement Date**").

(11) Adjustment of Purchase Price

The Vendors represent and warrant to the Purchase as at the Closing Date that the Net Tangible Working Capital of the Corporation shall equal zero (0). To the extent that the Net Tangible Working Capital is greater or less than zero the Purchase price shall be increased or decreased on a dollar for dollar basis to reflect any such surplus or deficit. Any adjustment to the Purchase Price shall be paid by the Vendors or the Purchaser, as the case may be, within three (3) Business Days of the approval of the Closing Financial Statements.

(12) Allocation of Purchase Price and Tax Returns

The Purchase Price will be allocated as one dollar (\$1) per share to be allocated to the preferred shares for a total of \$999,999. The balance of the purchase price will be allocated to the common shares being \$XXXX or \$XXXX per share.

The Vendors and the Purchaser covenant and agree with each other that the Purchase Price shall be allocated among the Shares as provided in the Agreement. The Vendors and the Purchaser agree to cooperate in the filing of such elections under the Income Tax Act (Canada), the Excise Tax Act, the Corporations Tax Act (Ontario) and such other taxation statutes as may be necessary or desirable to give effect to said allocation for tax purposes. In addition the Vendors and the Purchaser agree to prepare and file their respective tax returns in a manner consistent with the aforesaid allocations and elections. If either party fails to file its tax returns as aforesaid, it shall indemnify and save harmless the other of them in respect of any additional tax, interest, penalty, legal or accounting costs paid or incurred by the other of them as a result of the failure to file as aforesaid.

4. REPRESENTATIONS AND WARRANTIES

(1) Representations and Warranties of the Vendors

The Vendors hereby represent and warrant to the Purchaser as follows and acknowledge that the Purchaser is relying on these representations and warranties in entering into this Agreement and the transactions contemplated under this Agreement. The representations of the Vendors herein with respect to their respective title to and right to sell the Shares under subparagraphs 4 (g), (h), and (t) as herein provided shall be several and not joint. All other representations and warranties of the Vendors shall be joint and several.

- (a) **Organization, Good Standing, Articles and Bylaws:** the Corporation is a corporation incorporated, organized and validly existing in good standing under the laws of Ontario.

A true copy of the articles and all by-laws of the Corporation has been delivered to the Purchaser by the Vendors on or before the date of this Agreement. Such articles and by-laws constitute all of the constating documents and by-laws of the Corporation in effect as of the Closing Date, and are complete, correct and in full force and effect.

- (b) **Bankruptcy, etc.:** No bankruptcy, insolvency or receivership proceedings have been instituted or are pending against the Corporation and the Corporation is able to satisfy its liabilities as they become due.
- (c) **Previous Names:** Set out in Schedule "J" is a list of all corporate predecessors of the Corporation and all previous corporate names of the Corporation and its predecessors and present business name registrations.
- (d) **Capacity to Carry on Business:** The Corporation has all necessary corporate power, authority and capacity to own its property and assets and to carry on the Business as presently owned and carried on by it, and the Corporation is duly licensed, registered and qualified as a corporation to do business and is in good standing in each jurisdiction in which the nature of the Business make such qualification necessary, and all such licences, registrations and qualifications are valid and subsisting and in good standing and none of them contains any burdensome term, provision, condition or limitation which has or may have an adverse effect on the Corporation. All of the jurisdictions in which the Corporation conducts business and for which the necessary licences have been obtained are listed in Schedule "K".
- (e) **Due Authorization, Corporation etc.:** The Corporation has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations under this Agreement; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Corporation.
- (f) **Authorized and Issued Capital of the Corporation:** The authorized capital of the Corporation consists of an unlimited number of common shares, an unlimited number of Preferred "A" shares, an unlimited number of Preferred "B" shares, and an unlimited number of Preferred "C" shares, of which 900 common shares and 999,999 Preferred "A" shares have been validly issued and are outstanding as fully paid and non-assessable shares.
- (g) **Title to Shares:** Except for encumbrances in favour of the Vendors' Bank (all of which encumbrances shall be discharged or waived in writing by the Vendors' Bank on or before Closing) the Vendors are the legal and beneficial owners of the number of common shares and Preferred A Shares of the Corporation set forth opposite their names below:

<u>Registered Shareholder</u>	<u>No. of Common Shares Owned</u>	<u>No. of Preferred "A" Shares Owned</u>
Kearon John Bennett	300	333,333
Henry John Havekes	200	222,222
Brian Paul Male	200	222,222
Benjamin Roy Miller	200	222,222

and on Closing the Purchaser shall acquire good and marketable title to the Shares, free and clear of all agreements, mortgages, pledges, charges, hypothecs, claims, liens, security interests, encumbrances and rights of other Persons. The Shares constitute all of the issued and outstanding shares in the capital of the Corporation. No options, warrants or other rights for the purchase, subscription or issuance of shares or other securities of the Corporation or securities convertible into or exchangeable for shares of the Corporation have been authorized or agreed to be issued or are outstanding. There are no restrictions on the transfer of the Shares except those set forth in the Articles and Shareholders' Agreement.

- (h) **Family Law Act:** No order has been given under the *Family Law Act* (Ontario) (the "**FLA**") nor is there any application pending under the FLA by the spouse of a Vendor which would or does affect the Shares in any manner whatsoever.
- (i) **Absence of Conflicting Agreements:** Except for the Contracts, the Equipment Leases, and the Leases, the consent to the change of control of the Corporation which may be required from lessors or other third parties thereunder in connection with the completion of the transactions contemplated by this Agreement and except for various financing and security agreements with the Vendors' Bank all of which will be terminated before Closing or all of which will be waived by the Vendors' Bank in respect of the transactions contemplated by this Agreement, neither the Vendors nor the Corporation are parties to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument, statute, regulation, arbitration award, charter or by-law provisions, order or judgment which would be violated, contravened, breached by, or under which any default would occur as a result of the execution and delivery of this Agreement or the consummation of any of the transactions contemplated under this Agreement.
- (j) **Enforceability of Obligations:** This Agreement constitutes a valid and binding obligation of the Vendors and the Corporation enforceable against both in accordance with its terms, provided that enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws generally affecting enforceability of creditors' rights and that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

- (k) **Books and Records:** The Corporation's books and records are in all material respects accurately maintained and its books of account provide for all excise, sales, business and property taxes and other rates, charges, assessments, levies, duties, taxes, contributions, fees, licenses and other governmental charges of whatsoever kind and nature that have become or may become due and payable on or before the Closing Time. The provisions and reserves in the books of account of the Corporation in respect of same, together with the provisions and reserves in the books of account of the Corporation in respect of taxes charged upon its income for which returns have been filed but for which no assessments have yet been received or determined, are adequate and the Vendors do not know of any basis for any additional assessment for any of such years for which adequate provision has not been made. The minute books of the Corporation are complete and accurate and reflect all material actions taken and resolutions passed by the directors and shareholders of the Corporation since the date of its incorporation and all such meetings were called and held and the share certificate books, register of shareholders, register of transfer and registers of directors are complete and accurate.
- (l) **Financial Statements:** The items reported in the Annual Financial Statements are reported on a basis consistent with that of the preceding period and present fairly:
- (i) all of the assets of the Corporation as at January 31st, 2016 that are of a nature customarily reflected or reserved against in a balance sheet,
 - (ii) all of the liabilities of the Corporation as at January 31st, 2016 that are of a nature customarily reflected or reserved against in a balance sheet, and
 - (iii) the sales and earnings from operations of the Corporation for the fiscal period ended on January 31st, 2016. The financial position of the Corporation is now at least as good as shown or reflected in the Annual Financial Statement for the fiscal period ended January 31st, 2016.
- (m) **Absence of Changes:** Since January 31, 2016, there has not been:
- (i) any Material change in the condition or operations of the Corporation other than changes in the ordinary and normal course of business or changes resulting from a general deterioration of markets in the industries in which the Corporation is engaged;
 - (ii) any Material change to the equipment used in connection with generation of power or used in connection with the operation of the Business; OR
 - (iii) any damage, destruction or loss, labour trouble or other event, development or condition of any character (whether or not covered by insurance) materially and adversely affecting the Corporation.

- (n) **Absence of Unusual Transactions:** Except as listed in Schedule "L" since January 31, 2016, the Corporation has carried on the Business in its usual and ordinary course, and in particular the Corporation has not:
- (i) transferred, assigned, sold or otherwise disposed of any of the assets shown in the Financial Statements except in the ordinary and usual course of business;
 - (ii) discharged or satisfied any lien or encumbrance, or paid any obligation or liability (fixed or contingent) other than liabilities included in the balance sheet to the Financial Statements and liabilities incurred since the date of the Financial Statements in the ordinary and normal course of business;
 - (iii) suffered an extraordinary loss, or waived any rights of Material value, or entered into any Material commitment or transaction not in the ordinary and usual course of business;
 - (iv) made any general wage or salary increases or other payments in respect of personnel which it employs except in the ordinary course of business;
 - (v) declared or paid any dividends or declared or made any other distribution on any of its securities or shares of any class, and has not directly or indirectly, redeemed, purchased or otherwise acquired any of its securities or shares of any class or has agreed to do so;
 - (vi) made any capital expenditure, except in the usual and ordinary course of business, and no capital expenditure will be made or authorized after the date of this Agreement by the Corporation with respect to the Business without the prior written consent of the Purchaser;
 - (vii) mortgaged, pledged, subjected to lien, granted a security interest in or otherwise encumbered any of the assets of the Corporation other than in favour of the Corporation's Bank;
 - (viii) incurred or assumed any obligation or liability (fixed or contingent), except secured and unsecured current obligations and liabilities incurred in the ordinary and normal course of business, particulars of which have been disclosed in writing to the Purchaser or its representatives;
 - (ix) except as provided in this Agreement, issued or sold any shares in its capital or any warrants, bonds, debentures or other securities of the Corporation or issued, granted or delivered any right, option or other commitment for the issuance of any such securities;
 - (x) amended or changed or taken any action to amend or change its Articles or by-laws; or
 - (xi) authorized or agreed or otherwise become committed to do any of the foregoing.

- (o) **Location of Assets:** All material tangible assets of the Corporation used in or in connection with the Business are all normally situate only in the Provinces of Ontario; the municipalities in which such assets are normally situate are set forth in Schedule "M".
- (p) **Employees, etc.:** There are no Employees of the Corporation, other than the Vendors, who shall resign effective the Closing Date. There are no employment contracts to which the Corporation is a party.
- (q) **Workers' Compensation:** All levies under the *Workplace Safety and Insurance Act, 1997* (Ontario), or under the workers' compensation legislation of any other jurisdiction where the Corporation carries on the Business, if any, have been paid by the Corporation.
- (r) **Labour Matters:** There is no:
 - (i) certification application outstanding respecting any past Employees;
 - (ii) collective bargaining agreement currently being negotiated by the Corporation; and
 - (iii) Employee in receipt of or who has claimed benefits under any weekly indemnity, long term disability or workers' compensation plan or arrangement or any other form of disability benefit programme.
- (s) **Material Contracts:** Except for the Contracts, the Equipment Leases, the Leases and various disclosed loan and security agreements with the Corporation's Bank, the Corporation is not a party to or bound by any material contract or commitment relating to the Business whether oral or written. The Contracts, the Leases, and the Equipment Leases are all in good standing and in full force and effect unamended and no Material default or breach exists in respect of them on the part of any of the parties to them and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach; the foregoing includes all the presently outstanding material contracts entered into by the Corporation in the course of carrying on the Business.
- (t) **Residence:** No Vendor is a non-resident of Canada within the meaning of the *Income Tax Act*.
- (u) **Insurance:** The Corporation maintains such policies of insurance, issued by responsible insurers, as are appropriate to the Business and its property and assets, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets; all such policies of insurance are in full force and effect, and will continue to be so until the Closing Date, and the Corporation is not in default, whether as to the payment of premium or as to any Material obligation, under the terms of any such policy, nor has the Corporation failed to give any notice or present any claim under any such insurance policy in due and timely fashion. The

Vendors have not received any written notice from or on behalf of any existing insurance carriers, nor have the Vendors received any indication that its insurance rates will be increased as a result of, or arising from, the operation of the Business, or that any insurer will refuse to renew any of the policies of insurance now in effect for the Business.

- (v) **Compliance with Applicable Laws:** The Corporation has conducted and is conducting the Business in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which the Business is carried on and is not in breach of any such laws, rules or regulations, except for breaches which are not Material.
- (w) **Pension Plan:** There is no pension plan (the "**Pension Plan**") maintained by or associated with, the Corporation for the Employees, and the Corporation;
- (x) **Benefit Plans:** The Corporation is not a party to any management agreement, pay equity plan, vacation or vacation pay policy, employee insurance, hospital or medical expense programme or pension, retirement, profit sharing, stock bonus or other employee benefit plan, programme or arrangement or to any executive or key personnel incentive or other special compensation arrangement or to other contracts or agreements with or with respect to officers, employees or agents.
- (y) **Health and Safety:** The Business premises located on the Real Properties are in compliance with applicable health and safety legislation and regulations except for incidents of non-compliance which are not Material and are not subject to any orders or directions of an occupational health and safety authority or similar body.
- (z) **Litigation:** Except as provided in Schedule "N" there is no suit, action, litigation, arbitration, proceeding, governmental proceeding, including appeals and applications for review in progress, pending or threatened against or involving the Corporation, and there is not presently outstanding against the Corporation any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator.
- (aa) **Real Property:** The Real Properties and their existing use comply with, and at all material times have complied with, and the Corporation is not in violation of or has violated in connection with the ownership, use, maintenance or operation of the Real Properties, any applicable federal, provincial or municipal laws, regulations or by-laws or orders of any governmental authorities which exist as of the date of this Agreement except for incidents of non-compliance which are not Material. There are no currently outstanding work orders or directions requiring any work, repairs, construction or capital expenditures with respect to the Real Properties and the Corporation has not received notice that any such orders or directions are pending or threatened. The Real Properties are fully serviced by all private and public utilities services, with adequate capacity for the normal operation of the Business.

- (ab) **Insulation:** The buildings and structures located on the Real Properties have not been insulated with a urea formaldehyde foam type of insulation.
- (ac) **Vendors' Security:** The Vendors have obtained from the Vendors' Bankers or other financial institutions an undertaking to discharge all security held by Vendors' Bankers or other financial institutions over the Shares, a copy of which undertaking is attached as Schedule "O".
- (ad) **Accounts Receivable:** All accounts receivable, bills receivable and book debts and other debts due or accruing to the Corporation are bona fide and good and subject to an allowance for doubtful accounts and the Corporation has not received any notice that said accounts are not collectible without set-off or counterclaim.
- (ae) **Guarantees and Indebtedness:** Except as disclosed in Schedule "P" the Corporation is not a party to or bound by any guarantee, indemnification, surety or similar obligation (except such as are granted in the ordinary course of business).
- (af) **Environmental Matters:** There are no facts, circumstances, or conditions that directly or indirectly relate to the Assets or the past or present conduct of the Business with respect to environmental, health or safety matters that have existed or now exist and already have had or may have a material adverse effect on the operation of the Business or use of the Assets or that may give rise to any Material liability on the Purchaser concerning the protection, preservation or remediation of the natural environment, whether air, land, surface water or groundwater.
- (ag) **Rights, Privileges etc.:** There are no rights, privileges or advantages presently enjoyed by the Corporation which might be lost as a result of the consummation of the transactions contemplated under this Agreement.
- (ah) **Consents:** Except for Contracts, Equipment Leases and Leases requiring the consents to the change of control of the Corporation and with respect to the licenses or permits referred to in Section 4(1)(ai), there are no consents, authorizations, licenses, franchise agreements, permits, approvals or orders of any person or government required to permit the Vendors to complete this transaction with the Purchaser.
- (ai) **Licenses and Permits:** All of the licences, registrations, qualifications, permits, bonds and approvals (other than environmental licences or permits) issued by any government or governmental unit, agency, board, body or instrumentality, whether federal, provincial or municipal, related to the Corporation or necessary for the conduct of the Business are listed on Schedule "E".
- (aj) **Banks:** Schedule "Q" contains a true and complete list (including address and account number) of each bank, trust Corporation or similar institution in which the Corporation has an account or a safety deposit box and the names of all persons, including any person or firm holding a power of attorney, authorized to draw thereon or to have access thereto and a description of all credit facilities, lines of credit, loan agreements and the like which the Corporation has with any financial institution. All of the bank

accounts operated in connection with the Business are maintained and operated solely in the name of the Corporation. There are no bank accounts operated in the name of any division or business or trade name or style of the Corporation.

- (ak) **Intellectual Property:** All patents, trade-marks, trade names, brand names, trade designs, service marks and copyrights and all licenses and similar rights and property which are necessary or incidental to the conduct of the Business as the same is presently being carried on are listed in Schedule "C", and are valid and subsisting and held by the Corporation with good and marketable title and are in good standing free and clear of all security interests, claims, liens, objections and infringements of every nature and kind (other than in favour of the Corporation's Bank) and all registrations therefor have been kept renewed and are in full force and effect. The operations of the Business, the manufacture, storage, use and sale by it of its products and the provision by it of its services do not involve infringements or claimed infringement of any patent, trademark, trade name or copyright. No employee of the Corporation owns, directly or indirectly in whole or in part, any patent, trade-mark, trade name, brand name, copyright, invention, process, know-how, formula or trade secret which the Corporation is presently using or the use of which is necessary for the Business. The documentation relating to the know-how of the Vendors and to each trade secret, design, product, process or operation of the Vendors relating to the Business is accurate and insufficient detail and content to identify and explain them, allow their full and proper use without reliance on the knowledge or memory of any individual and enable proper support and maintenance and further development. The Vendors have taken all reasonable steps to protect the confidentiality and value of such trade secrets, and such trade secrets are not part of the public domain.
- (al) **Computer Systems:** The computer systems owned or leased by the Vendors, including hardware, software and firmware, and utilized in the Business are fully functional. All computer software currently being utilized by the Business is properly and validly licensed for its intended use or owned by the Corporation.
- (am) **Inventories:** The Inventories are in good and merchantable condition and are usable or saleable in the ordinary course of business for the purposes for which they are intended and are carried on the books of the Corporation at the lower of cost and net realizable value.
- (an) **Expropriation:** No part of the assets of the Corporation as disclosed in the Financial Statements have been taken or expropriated by any federal, provincial, state, municipal or other authority nor has any notice or proceeding in respect thereof been given or commenced nor has the Corporation received notice of any intent or proposal to give such notice or commence any such proceedings.
- (ao) **Tax Matters:** Except to the extent reflected in or reserved against in the Financial Statements, the Corporation is not liable for any taxes, levies, duties, assessments, charges, penalties, interest, fines or other imposts of any nature or kind due and unpaid at the date hereof in respect of its income, business or property or for the payment of

any tax instalment due in respect of its current taxation year and, except as aforesaid, no such taxes, assessments, imposts, levies, charges, fines or penalties are required to be reserved against. If any such reservation has been made or taken, it is adequate to provide for taxes payable by the Corporation for their current period for which tax returns are not yet required to be filed. The Corporation is not in default in filing any returns or reports covering any Canadian federal, provincial, municipal or local taxes, levies, duties, assessments or other reports in respect of its income, business or property. The Corporation has filed all reports or returns with respect to income, capital, sales (including goods and services, harmonized sales tax, and Ontario employer health tax reports), excise, business and property taxes and all other taxes and customs duties which are required to be filed by it up to the date of this Agreement (and all such returns and reports are correct and complete in all material respects) and has paid, or where permitted by law, provided security for, all taxes and duties as shown on such reports or returns to the extent such taxes or duties are payable or have or may become due and has paid, or where permitted by law, provided security for, all assessments received by it. The Corporation has withheld from any amounts payable, including without limiting the generality of the foregoing, from any salaries, bonuses or dividends paid by it all deductions required by law to be made therefrom and has remitted the same to the proper tax or other authorities. Federal Canadian income tax assessments have been issued to the Corporation covering all past periods through the fiscal year ended January 31, 2015 (and such assessments, if any amounts were owing in respect thereof, have been paid or, where permitted by law, security therefor has been provided. There are no currently outstanding reassessments, suits, actions, proceedings, investigations, claims or questions which have been issued or raised by an governmental authority relating to any such reports or tax returns except for those provided in the Financial Statements and the Corporation does not have any negotiations or discussions in progress with respect to any eventual assessment or reassessment with any such authority. The Corporation has not executed or filed with any taxing authority any waiver or agreement extending the period for assessment or collection of any income or other taxes.

(ap) **GST/HST:** (a) The Corporation is a registrant for the purposes of GST up to July 1, 2010 and HST thereafter, and its registration number is 119408 995RT001; (b) The Business is a "commercial activity" for the purposes of Part IX of the *Excise Tax Act* (Canada); (c) The Corporation has no deferred obligations or liabilities under any section of the *Excise Tax Act* (Canada); (d) The Corporation has not made a supply of property or service to a Person with whom the Corporation was not dealing at arm's length for proceeds below the fair market value thereof; (e) All GST and HST required to be collected by the Corporation has been collected and all GST and HST amounts required to be remitted to the Receiver General for Canada have been remitted; (f) The reporting period of the Corporation for purposes of GST and HST is quarterly and all GST and HST returns and reports required by applicable law to be filed have been filed by the Corporation and are true, complete and correct in all respects.

(aq) **Subsidiaries:** The Corporation has no subsidiary.

- (ar) **Disclosure:** None of the foregoing representations, warranties and statements of fact contains any untrue statement of material fact or omits to state any material fact necessary to make any such representation, warranty or statement not misleading to a prospective purchaser of the Shares seeking full information concerning the matters which are the subject of such representations, warranties and statements.
- (as) **Undisclosed Liabilities:** The Corporation has no liabilities (whether accrued, absolute, contingent or otherwise) of any kind except liabilities incurred in the ordinary course of business since January 31, 2016 which are not inconsistent with past practice, are not, in the aggregate, Material and adverse to the Business, Assets, financial condition or results of operations of the Corporation. Without limiting the foregoing, there are reflected or reserved against in the Annual Financial Statements all Material liabilities of a type required to be so reflected or reserved against by the Corporation which the Vendors know or had reasonable grounds to know there was a basis for asserting against the Corporation.
- (at) **Non-Arm's Length Transactions:** The Corporation has not entered into any contracts, agreements, options, or arrangements or incurred or assumed any obligation or liability (whether fixed or contingent) with, on behalf of, or with respect to the Vendors or other "non-arm's length person" (as that term is defined in the *Income Tax Act*).
- (au) **Accountants:** Since incorporation of the Corporation the accountants of the Corporation have been the firm of BDO Canada LLP, Chartered Accountants, of the City of Ottawa.
- (av) **No Change in Remuneration:** Since January 31, 2016, the salaries whether in the form of salary, dividends, bonus or commission paid by the Corporation or paid on behalf of the Corporation to the Vendors are not Materially different from the amounts payable to the Vendors in the preceding years.
- (aw) **Retained Earnings:** Notwithstanding anything herein to the contrary the retained earnings of the Corporation on the Closing Date, as reflected in the Statement of Retained Earnings on the Financial Statements shall be not less than \$535,539.00.
- (ax) **Restrictions on Business:** The Corporation is not a party to any agreement, indenture, mortgage, debenture, security agreement, lease, agreement or instrument, or subject to any restriction in the Articles or by-laws or subject to any restriction imposed by regulatory authorities having jurisdiction over it or subject to any statute, order, regulation or rule or to any writ, judgment, injunction or decree of any court or federal, provincial, municipal or other governmental department, commission, board of instrumentality which might prevent or interfere with the use of its Assets or which may limit or restrict or otherwise adversely affect the Business, properties, assets or financial condition, other than statutory provisions and restrictions of general application to its particular business. The Business is the only business carried on by the Corporation on the date hereof.

- (ay) **Titles to Properties:** Except for any liens, charges or encumbrances or other minor imperfections of title which are not in the aggregate Material and which do not Materially impair the use of the property or assets subject thereto and except for the Leases listed on Schedule "D" and except as disclosed in the Financial Statements or in Schedules "B" and "I", the Corporation has good and marketable title to all its properties, interests in properties and assets, real and personal, including without limitation those reflected in the Financial Statements (except as otherwise permitted in the Agreement or as since transferred, sold or otherwise disposed of in the ordinary and usual course of business), free and clear of all mortgages, pledges, charges, hypothecs, liens, title retention agreements, security interests, encumbrances or rights of other Persons, of any kind or character.
- (az) **Real Property:** The Corporation is not a party to or bound by any leases of real property other than the Leases. Where applicable, all rental and other payments required to be paid by the Corporation pursuant to the Leases have been duly paid and the Corporation is not in default or in breach of any material term or provision of the Leases.
- (ba) **Leased Equipment:** Schedule "B" sets forth a true and complete list of all equipment, other personal property and fixtures in the possession or custody of the Corporation which, as of the date hereof, is leased or held under licence or similar arrangement and of the leases, licences, agreements or other documentation relating thereto.
- (bb) **Condition of Assets:** All material tangible Assets of the Corporation used in or in connection with the Business are in good condition, repair and, where applicable, working order, having regard to the use and age thereof. A complete description of all material fixed assets, machinery and equipment and all vehicles is shown in Schedule "R".
- (bc) **Purchase Commitments:** No purchase commitment of the Corporation is in excess of its normal business requirements or at any excessive price.
- (bd) **Securities Legislation:** The Corporation is a private issuer within the meaning of section 2.4(1) of CSA National Instrument 45-106--*Prospectus and Registration Exceptions* and the sale of the Shares by the Vendors to the Purchaser will be made in compliance with all applicable securities legislation.
- (be) **Copies of Agreements, etc.:** True, correct and complete copies of all mortgages, debentures, security agreements, leases, agreements, instruments and other documents listed in Schedule "A", "B", "D", "E" and "Q" and of the policies of insurance referred to herein have been delivered to the Purchaser.
- (bf) **Powers of Attorney:** No person has any tax or other power of attorney from the Corporation with respect to any matter.
- (bg) **Product Liability Claims:** There is no pending or threatened product liability or similar claim of which the Corporation has received notice and which relates to the products

manufactured, distributed or sold by the Corporation which is not covered fully by insurance.

The Purchaser acknowledges that the Vendors have not made and are not making any representations or warranties with respect to the subject matter of this Agreement, express or implied, except for the representations and warranties expressed in 3.1 hereof.

(2) Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to the Vendors as follows:

- (a) **Organization and Good Standing:** The Purchaser is a corporation incorporated, organized, and validly existing and in good standing under the laws of Ontario.
- (b) **Authority Relative to this Agreement, etc.:** The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (c) **Absence of Conflicting Agreements:** The Purchaser is not a party to, bound or affected by or subject to any indenture, mortgage, lease, agreement, instrument, charter or by-law provision, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of the execution and delivery by it of this Agreement or the consummation of the transactions contemplated herein, except as disclosed in this Agreement.
- (d) **Enforceability of Obligations:** This Agreement constitutes a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms provided that enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other similar laws generally affecting enforce-ability of creditors' rights and that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.
- (e) **Investment Canada Act:** The Purchaser is not a non-Canadian within the meaning of the *Investment Canada Act*.
- (f) **Governmental Consents:** No governmental or regulatory authorizations, consents, approvals, filings or notices pertaining to the Purchaser are required to be obtained or given or waiting period is required to expire in order that the purchase and sale of the Shares may be consummated by the Purchaser or for the Purchaser to carry out its obligations set out in this Agreement.

(3) Commission

Each Party represents and warrants to the other Parties that no Person is entitled to a brokerage commission, finder's fee or other like payment in connection with the purchase and sale contemplated hereby.

(4) Non-Waiver

No investigations made by or on behalf of the Purchaser at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation or warranty made by the Vendors herein or pursuant hereto, other than in respect of any inaccuracy in or breach of any representation or warranty in this Agreement of which the Purchaser had knowledge before Closing. No waiver by the Purchaser of any condition, in whole or in part, shall operate as a waiver of any other condition.

(5) Compliance With Privacy Laws

- (a) The collection, use and retention of the Personal Information by the Corporation, the disclosure or transfer of the Personal Information by the Corporation to any third parties and transfer of the Personal Information by the Corporation to the Purchaser as part of the Purchaser's due diligence and as contemplated by this Agreement or complies with all Privacy Laws.
- (b) There are no restrictions on the collection, use, disclosure and retention of the Personal Information by the Corporation except as provided by Privacy Laws.
- (c) There are no investigations, actions, claims or demands, whether statutory or otherwise, pending, or to the knowledge of the Corporation, threatened, with respect to the collection, use, disclosure or retention of the Personal Information by the Corporation.
- (d) No judgment or order, whether statutory or otherwise, is pending or has been made, and no notice has been given pursuant to any Privacy Laws, requiring the Corporation to take (or to refrain from taking) any action with respect to the Personal Information.

(6) Nature and Survival of Representations and Warranties

All statements contained in any certificate or other instrument delivered by or on behalf of a Party pursuant to or in connection with the transactions contemplated by this Agreement shall be deemed to be made by that Party under this Agreement. All representations, warranties, covenants and agreements contained in this Agreement on the part of each of the Parties shall survive the Closing, the execution and delivery hereunder of any bills of sale, instruments of conveyance, assignments or other instruments of transfer of title to any of the Shares and the payment of the consideration contemplated under this Agreement, except that the representations and warranties contained in this Article shall only survive for two (2) years following Closing (except for the Vendors' representation and warranties relating to tax matters which shall survive for the period of time during which the taxes to which such representations and warranties relate may be reassessed by the relevant taxation authority, unless the Vendors have been fraudulent in filing a return or supplying information to any taxation authority under an taxation legislation, in which case the survival of those representations and warranties relating to tax matters shall be unlimited) after which period of time, if no claim shall, prior to the expiry of such period, have been made under this Agreement against a Party with respect to any incorrectness in or breach of any representation or warranty

made herein by such Party, such Party shall have no further liability under this Agreement with respect to such representation or warranty.

5. COVENANTS OF THE PARTIES

(1) Conduct of Business Prior to Closing

During the period from the date of this Agreement to the Closing Time, the Vendors shall do or cause the Corporation to do the following:

- (a) **Conduct Business in Ordinary Course:** Except as otherwise contemplated or permitted by this Agreement, the Corporation shall conduct the Business in the ordinary and normal course and shall not, without the prior written consent of Purchaser, enter into any transaction which, if entered into before the date of this Agreement, would cause any representations or warranties of the Vendors contained in this Agreement to be incorrect or constitute a breach of any covenant or agreement of the Vendors contained in this Agreement. The Vendors shall use their best efforts to preserve intact the Corporation and the Business and the relationship existing with the customers of the Corporation.
- (b) **Continue Insurance:** The Corporation shall continue in force and in good standing all existing insurance maintained by it.
- (c) **Perform Obligations:** The Corporation shall comply with all applicable laws, regulations, by-laws and other governmental requirements of each jurisdiction in which the Business is carried on.
- (d) **Material Changes:** The Corporation shall not take any action which would result in any Material adverse change, which shall be deemed to include the circumstances specified in Section 4(1)(n), in or to the Business or declare any dividends, or make any distributions, or redeem or purchase any securities without the prior written consent of the Purchaser, sell, transfer or dispose of any of the assets of the Corporation, other than in the ordinary course of business, or make any capital purchases greater than \$10,000.00.
- (e) **Liens, Vendors:** The Vendors shall not suffer or permit any mortgages, pledges, hypothecs, security interests, deemed trusts, liens, charges, rights or claims of other Persons, or any other encumbrances whatsoever, to attach to or affect the Shares other than security interests in favour of the Vendors' Bank, all of which shall be discharged or waived in writing by the Vendors' Bank on or prior to the Closing.
- (f) **Liens, Corporation:** The Corporation shall not suffer or permit any mortgages, pledges, hypothecs, security interests, deemed trusts, liens, charges, rights or claims of other Persons, or any other encumbrances whatsoever, to attach to or affect the assets of the Corporation other than security interests which are not Material in amount and which are granted in the ordinary course of business.

- (g) **Wage Increases, Hiring and Firing:** The Corporation shall not employ any new employees in the Corporation without the Purchaser's consent.
- (h) **Accounts Receivable:** Provide to the Purchaser on the third Business Day prior to the Closing Date, an up-to-date list (accurate to within 45 days of the Closing Date) of all outstanding accounts receivable and not write off any existing account receivable without the prior written consent of the Purchaser except for usual adjustments made in the ordinary course of business for prompt payment.
- (i) **Financial Statements:** To use their best efforts to cause the Accountants to commence with the preparation of the Closing Financial Statements.

(2) Access for Investigation

The Vendors and the Corporation shall permit the Purchaser and its employees, agents, counsel and accountants or other representatives, between the date of execution of this Agreement and the Closing Time, without interference to the ordinary conduct of the Business, to have access during normal business hours to the Business premises and to all the books, accounts, records and other data of the Corporation (including, without limitation, all corporate and accounting records of the Vendors relating exclusively to the Corporation) and to furnish to the Purchaser such financial and operating data and other information with respect to the Corporation, as the Purchaser shall from time to time reasonably request to enable confirmation of the matters warranted in s. 4(1). Upon execution of the Agreement, the Vendors and the Corporation agree to deliver to or make available for inspection by the Purchaser of the following: Crown Lease Agreements, Water Power Lease Agreement, HONI Connection Agreement, IESO HESOP contracts, IESO expansion acknowledgement, Trent Severn Lease Agreements, Water Power Lease Agreements, HONI Assignment and Novation Agreement, Permit To Take Water, Easements, Right of Ways, Water Management Plans, Contact Lists (Suppliers, Trent Severn, MNR, etc.), Drawings, any Ministry of Environment orders, Contract staff information, Binding and non-binding contracts, other leases, if any, any environmental concerns, if any, including any environmental studies, Water rights, Surveys, Financial Statements for the previous five years, lists of any and all liabilities, lists of any and all outstanding claims, and any and all corporate minute books.

(3) Delivery of Books and Records

At the Time of Closing, the Vendors and the Corporation shall deliver to the Purchaser the following documents: (i) lists of suppliers and customers of the Corporation; (ii) employee records with respect to the Employees; (iii) advertising, promotional and marketing materials which relate to the Corporation; and (iv) files relating to the assets of the Corporation including, without limitation, the maintenance records for each item of equipment or machinery owned or leased by the Corporation. The Purchaser agrees that it will preserve the documents, books and records so delivered to it for a period of six years from the Closing Date, or for such other period as is required by any applicable law, and will permit the Vendors or their authorized representatives reasonable access to those books and records in connection with the affairs of the Vendors relating to any tax matters, workers' compensation or litigation matters. The

Vendors agree that they will preserve the documents, books and records which are not delivered to the Purchaser for a period of six years from the Closing Date, or for such longer period as is required by applicable law, and will permit the Purchaser or its authorized representatives reasonable access to those books and records in connection with the affairs of the Corporation relating to any tax, workers' compensation or litigation matters.

(4) Actions to Satisfy Closing Conditions

Each Party agrees to take all such actions as are within its power to control, and to use its best efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with any conditions set forth in Article Seven which are for the benefit of the other Party.

(5) Workers' Compensation

On or before Closing, the Corporation shall, if necessary, provide a clearance certificate or other similar documentary evidence from the Worker's Compensation authority in each jurisdiction where the Corporation carries on business certifying that there are no outstanding assessments, penalties, fines, levies, charges, surcharges or other amounts due or owing to those authorities.

(6) Confidentiality

The Purchaser shall keep confidential all confidential technology and any other confidential information (unless readily available from public or published information or sources or required to be disclosed by law) obtained from either the Vendors or the Corporation. If this Agreement is terminated without completion of the transactions contemplated herein then, promptly after such termination, all documents, work papers and other written material obtained by the Purchaser from the Vendors or the Corporation in connection with this Agreement shall be returned by the Purchaser to the party from whom such materials were obtained.

(7) Consents Required in Contracts

The Purchaser shall be responsible for obtaining any consent for any Contract, Lease or Equipment Lease where such consent is required upon a change of control of the Corporation as a result of the consummation of transactions contemplated by this Agreement. If the Purchaser is unable to obtain such consent, such Contract, Lease or Equipment Lease shall not be assigned and the Vendors or the Corporation shall, to the extent legally possible, hold its right, title and interest in, to and under such Contract, Lease or Equipment Lease in trust for the benefit of the Purchaser until such consent is obtained.

(8) Non-Competition

The Vendors covenant and agree that they will not, from and after the Closing Date until the third anniversary of the Closing Date, carry on a business in the nature of the Business within 100 KM of the Business premises. At Closing, the Vendors shall enter into a

non-competition agreement in support of the covenant under this s. 5(8), in the form attached as Schedule "F" (the "**Non-Competition Agreement**").

(9) Co-operation to Obtain Governmental Approvals

Between the Agreement Date and the Closing Date both the Purchaser and the Vendors shall take such steps as are reasonably necessary and within their respective control to obtain all governmental actions and approvals necessary to the execution, delivery and performance of this Agreement by the Purchaser.

6. INDEMNIFICATION

(1) Indemnification by Vendors

- (a) Subject to this Article Six, if the transactions contemplated by this Agreement are consummated, save as hereinafter provided, the Vendors, jointly and severally, agree to indemnify and hold the Purchaser harmless against and in respect of any loss, damage, claim, reasonable cost or expense whatsoever, including any and all incremental out-of-pocket costs, including, without limitation, all reasonable legal and accounting fees (the "**Losses**"), which the Purchaser may incur, suffer or be required to pay, pursuant to any Claim that may be made or asserted against or affect the Purchaser, provided, however, that the subject matter of any such Claim relates to or arises out of or in connection with the following matters:
 - (i) any misrepresentation or breach of any warranty, agreement, covenant or obligation of the Vendors contained in this Agreement or in any agreement, schedule, certificate or other document required to be entered into or delivered by the Purchaser;
 - (ii) any reassessment for income, corporate sales, excise or other tax (and all interest and/or penalties relating thereto) in respect of which tax returns have been filed before the Closing Time which result in the payment of tax in excess of the amount accrued or reserved for in the Financial Statements;
 - (iii) any and all legal proceedings or Claims affecting the Corporation that are existing or pending as of the Closing Date, other than those disclosed on Schedule "N", and Claims (whether or not disclosed herein) affecting or relating to the Corporation of which the cause of action arose within any period ending on, or prior to, the Closing Date; and
 - (iv) any and all undisclosed liabilities (whether absolute or contingent, direct or indirect) of the Corporation arising within or from, or relating to, any period prior to or ending on and including the Closing Date.
- (b) The obligation of the Vendors to indemnify the Purchaser as set forth in s. 6(1)(a) for any loss, damage, claim, cost or expense shall be subject to the limitation period referred to in Section 4(6) with respect to survival of representations and warranties.

Provided and notwithstanding the foregoing, liability for Losses arising under subparagraphs 4 (g), (h), and (t) shall be several and not joint.

(2) Indemnification by Purchaser

- (a) Subject to this Article Six, if the transactions contemplated by this Agreement are consummated, the Purchaser agrees to indemnify and hold the Vendors harmless against and in respect of any loss, damage, claim, cost or expense whatsoever, including any and all incremental out-of-pocket costs, including, without limitation, all reasonable legal and accounting fees, which the Vendors may incur, suffer or be required to pay, pursuant to any Claim, that may be made or asserted against or affect the Vendors, provided, however, that the subject matter of any such claim relates to or arises out of or in connection only with any misrepresentation or breach of any warranty, agreement, covenant or obligation of the Purchaser contained in this Agreement or in any agreement, schedule certificate or other document required to be entered into or delivered by the Purchaser.
- (b) The obligation of the Purchaser to indemnify the Vendors as set forth in Section 6(2)(a) for any loss, damage, claim, cost or expense shall be subject to the limitation period referred to in Section 4(6) with respect to survival of representations and warranties.

(3) Claims by Third Parties

- (a) Promptly upon receipt by either the Purchaser or the Vendors (herein referred to as the "**Indemnatee**") of notice of any Third Party Claim in respect of which the Indemnatee proposes to demand indemnification from the other party to this Agreement (the "**Indemnitor**"), the Indemnatee shall forthwith give notice to that effect to the Indemnitor.
- (b) The Indemnitor shall have the right, exercisable by giving notice to the Indemnatee not later than 30 days after receipt of the notice described in s. 6(3)(a), to assume the control of the defence, compromise or settlement of the Third Party Claim, provided that:
 - (i) the Indemnitor shall first deliver to the Indemnatee its written consent to be joined as a party to any action or proceeding relating thereto; and,
 - (ii) the Indemnitor shall at the Indemnatee's request furnish it with reasonable security against any costs or other liabilities to which it may be or become exposed by reason of such defence, compromise or settlement.
- (c) Upon the assumption of control by the Indemnitor as aforesaid, the Indemnitor shall, at its expense, diligently proceed with the defence, compromise or settlement of the Third Party Claim at the Indemnitor's sole expense, including employment of counsel reasonably satisfactory to the Indemnatee, and in connection with such proceedings, the Indemnatee shall co-operate fully, but at the expense of the Indemnitor, to make available to the Indemnitor all pertinent information and witnesses under the

Indemnitee's control and to make such assignments and take such other steps as in the opinion of counsel for the Indemnitor are necessary to enable the Indemnitor to conduct such defence, provided always that the Indemnitee shall be entitled to reasonable security from the Indemnitor for any expense, costs or other liabilities to which it may be or may become exposed by reason of such co-operation.

- (d) The final determination of any such Third Party Claim, including all related costs and expense, will be binding and conclusive upon the Parties as to the validity or invalidity, as the case may be, of such Third Party Claim against the Indemnitor.
- (e) Should the Indemnitor fail to give notice to the Indemnitee as provided in s. 6(3)(b), the Indemnitee shall be entitled to make such settlement of the Third Party Claim as in its sole discretion may appear advisable, and such settlement or any other final determination of the Third Party Claim shall be binding upon the Indemnitor.
- (f) Where an amount is payable by the Purchaser or Vendors as indemnification pursuant to the terms of this Agreement and the *Excise Tax Act* provides that GST is deemed to have been collected by the payee thereof, the amount so payable, as determined without reference to this paragraph (the "**Indemnification Amount**"), shall be increased by an amount equal to the rate of GST applied to the Indemnification Amount in accordance with the *Excise Tax Act*.

(4) Indemnification Sole Remedy

The provisions of this Article Six shall constitute the sole remedy to the Vendors and the Purchaser against the other party to this Agreement with respect to any and all breaches of any agreement, covenant, representation or warranty made by such party in this Agreement.

(5) Details of Claims

With respect to any Claim provided for under ss. 6(1) and 6(2), no indemnity under this Agreement shall be sought unless written notice providing reasonable details of the reasons for which the indemnity is sought is provided to either of the Vendors or the Purchaser, as the case may be, before the expiration of the limitation dates provided for in ss. 6(1) and 6(2) respectively, as applicable.

7. CONDITIONS PRECEDENT TO THE PERFORMANCE BY THE PURCHASER AND THE VENDORS OF THEIR OBLIGATIONS UNDER THIS AGREEMENT

(1) Purchaser's Conditions

The obligation of the Purchaser to complete the transactions contemplated by this Agreement shall be subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the following conditions precedent (each of which is hereby acknowledged to be inserted for the exclusive benefit of the Purchaser and may be waived by it in whole or in part):

- (a) **Truth and Accuracy of Representations of the Vendors at the Closing Time:** All of the representations and warranties of the Vendors made in or under this Agreement, including, without limitation, the representations and warranties made by the Vendors and set forth in s. 4(1), 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 (except as such representations and warranties may be affected by the occurrence of events or transactions expressly contemplated and permitted by this Agreement) and the Purchaser shall have received a statutory declaration from the Vendors confirming the truth and correctness in all material respects of the representations and warranties of the Vendors.
- (b) **Authorization and Performance of Obligations:** All necessary corporate action will have been taken by the shareholders and directors of the Vendors and the Corporation to approve the execution and delivery of this Agreement, the transfer of the shares, and the performance by the Vendors and Corporation hereunder. The Vendors shall have performed or complied with, in all material respects, all their obligations, covenants and agreements under this Agreement.
- (c) **Receipt of Closing Documentation:** All instruments of conveyance and other documentation and assurances relating to the sale and purchase of the Shares including, without limitation, share certificates (the "**Closing Documents**") and all actions and proceedings taken on or prior to the Closing in connection with performance by the Vendors of their obligations under this Agreement shall be satisfactory to the Purchaser and its counsel, acting reasonably, and 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 under this Agreement and the taking of all corporate proceedings in connection with those transactions in compliance with this s. 7(1), in form and substance satisfactory to the Purchaser and its counsel.
- (d) **Closing Documentation:** Without limiting the generality of s. 7(1)(c), the Purchaser shall have received at or before the Closing Time sufficient duly executed original copies of the following:
 - (i) certified copy of a resolution of the board of directors of the Corporation approving this Agreement and the transactions contemplated under this Agreement;
 - (ii) statutory declaration of the Vendors concerning residence of the Vendors, the matters referred to in subsection 7(1)(a) and confirming that all conditions under this Agreement in favour of the Purchaser have been either fulfilled or waived;
 - (iii) certificate of incumbency of the Corporation;
 - (iv) certificate of status of the Corporation;
 - (v) share certificates representing the Shares;

- (vi) books and records of the Corporation;
 - (vii) Non-Competition Agreement;
 - (viii) the Vendors and the directors and officers of the Corporation shall have signed releases, releasing the Corporation from and against all claims arising from any act or omission prior to the Closing Date; and
 - (ix) any and all documentation customary to a transaction of this nature.
- (e) **Consents to Assignment:** All consents or approvals from or notifications to any lessor or other third Person required under the terms of any of the Equipment Leases, the Leases or the Assignable Licences with respect to the acquisition of control of the Corporation by the Purchaser, or otherwise in connection with the consummation of the transactions contemplated under this Agreement, shall have been duly obtained or given, as the case may be, on or before the Closing Time.
 - (f) **Consents, Authorizations and Registrations:** All consents, approvals, orders and authorizations of or from governmental or regulatory authorities required in connection with the completion of the transactions contemplated in this Agreement shall have been obtained on or prior to the Closing Time.
 - (g) **Vendors' Security:** The Vendors shall have delivered to the Purchaser the undertaking of the Vendors' Bank to release its security interest in the Shares in the form of Schedule "O".
 - (h) **Non-objection of Major Customers:** Purchaser shall have satisfied itself that none of the major customers of the Corporation, have any objections to the transaction of purchase and sale contemplated by this Agreement and Purchaser shall forthwith thereafter confirm in writing to the Vendors its satisfaction or failure to achieve such satisfaction, as the case may be.
 - (i) **Certificate as to Status of Assets:** A senior officer of the Corporation shall have executed and delivered to the Purchaser, in a form satisfactory to the Purchaser, a certificate stating that, as of the Closing Date, there has been no Material damage to or adverse change in the condition of the Assets or to the nature of the Business.
 - (j) **No Actions Taken Restricting Sale:** No action or proceeding in Canada by law or in equity shall be pending or threatened by any person, firm, corporation, government, governmental authority, regulatory body or agency to enjoin, restrict or prohibit the purchase and sale of the Shares contemplated under this Agreement.
 - (k) **Directors of Corporation:** There shall have been delivered to the Purchaser on or before the Closing Time, the resignations, effective as and from Closing, of all of the directors of the Corporation, together with comprehensive releases from each such person of all their claims respectively, except for any claims for unpaid remuneration.

- (l) **Status of Vendor:** The Vendors have delivered to the Purchaser reasonable and satisfactory evidence that the Vendors are at the Closing Date residents of Canada within the meaning of the *Income Tax Act*.
- (m) **Change of Control Filing:** The Vendors shall prepare at their expense and provide to the Corporation and the Purchaser to be filed within the time period prescribed by the *Income Tax Act* and any other applicable legislation all tax returns and tax filings required to be made by the Corporation consequent upon the acquisition of control of the Corporation by the Purchaser. The Vendors shall indemnify and hold harmless the Corporation and the Purchaser in respect of liability of the Corporation for Taxes relating to all fiscal periods of the Corporation commencing prior to the Effective Completion Time. In its return for the fiscal period ending on the acquisition of control of the Corporation by the Purchaser, the Corporation shall elect not to have subsection 256(9) of the *Income Tax Act* (and other similar provisions under provincial law) apply.
- (n) **Aboriginal Consultation:** written confirmation from the Ministry of Energy that no aboriginal consultation shall be required with respect to the upgrade referred to in Subsection 7(3)(b).

(2) Vendors' Conditions

The obligations of the Vendors to complete the transactions contemplated by this Agreement shall be subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the following conditions precedent (each of which is hereby acknowledged to be inserted for the exclusive benefit of the Vendors and may be waived by the Vendors in whole or in part):

- (a) **Truth and Accuracy of Representations of the Purchaser at Closing Time:** All of the representations and warranties of the Purchaser made in or under this Agreement, including, without limitation, the representations and warranties made by the Purchaser and set forth in Section 4(2), 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 (except as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted hereby) and the Vendors shall have received a statutory declaration from a senior officer of the Purchaser confirming the truth and correctness in all material respects of such representations and warranties of the Purchaser.
- (b) **Authorization and Performance of Agreements:** All necessary corporate action will have been taken by the shareholders and directors of the Purchaser to approve the execution and delivery of this Agreement and the performance by the Purchaser hereunder. The Purchaser shall have performed or complied with, in all respects, all of its other obligations, covenants and agreements under this Agreement.
- (c) **Receipt of Closing Documentation:** All instruments of conveyance and other documentation and assurances relating to the sale and purchase of the Shares including,

without limitation, share certificates and all actions and proceedings taken on or prior to the Closing in connection with performance by the Purchaser of its obligations under this Agreement shall be satisfactory to the Vendors and her counsel, acting reasonably, and the Vendors shall have received copies of all such documentation or other evidence as they may reasonably request in order to establish the consummation of the transactions contemplated under this Agreement and the taking of all corporate proceedings in connection with those transactions in compliance with this s. 7(2), in form (as to certification and otherwise) and substance satisfactory to the Vendors and their counsel.

- (d) **Closing Documentation:** Without limiting the generality of s. 7(2)(c), the Vendors shall have received at or before the Closing Time sufficient duly executed original copies of the following:
 - (i) certified copy of a resolution of the board of directors of the Purchaser approving this Agreement and the transactions contemplated under this Agreement;
 - (ii) statutory declaration of a senior officer of the Purchaser concerning residence of the Purchaser, the matters referred to in subsection 7(2)(a), their status for purposes of the *Investment Canada Act* and confirming that all conditions under this Agreement in favour of the Purchaser have been either fulfilled or waived;
 - (iii) certificate of incumbency of the Purchaser; and
 - (iv) certificate of status of the Purchaser.
- (e) **No Actions Taken Restricting Sale:** No action or proceeding in Canada by law or in equity shall be pending or threatened by any person, firm, corporation, government, governmental authority, regulatory body or agency to enjoin, restrict or prohibit the purchase and sale of the Shares contemplated under this Agreement.
- (f) **Payment of Purchase Price:** The Purchaser shall have tendered to the Vendors the certified cheques or bank drafts for the balance of the Purchase Price payable to the Vendors.
- (g) **Consents, Authorizations and Registrations:** All consents, approvals, orders and authorizations of or from governmental or regulatory authorities required in connection with the completion of the transactions contemplated in this Agreement shall have been obtained on or prior to the Closing Time.
- (h) **Governmental actions and Approvals:** There shall have been obtained, from all appropriate federal, provincial, municipal or other governmental or administrative bodies, such approvals or consents as are required to permit the change of ownership and due registration of the Shares contemplated by this Agreement.

- (i) **Release of Directors of the Corporation:** The Corporation shall have executed and delivered to each of the directors of the Corporation, comprehensive releases with respect to any claims by the Corporation against such directors.

If any condition set forth in ss. 7(1) or 7(2) is not satisfied on or before the Closing Time, the Party entitled to the benefit of such condition (the "**First Party**") may terminate this Agreement by notice in writing to the other Party and in such event the First Party shall be released from all obligations under this Agreement, and unless the First Party can show that the condition or conditions which have not been satisfied and for which the First Party has terminated this Agreement are reasonably capable of being performed or caused to be performed by the other Party then the other Party shall also be released from all obligations under this Agreement, except that the First Party shall be entitled to waive compliance with any such conditions, obligations or covenants in whole or in part if it sees fit to do so without prejudice to any of its rights of termination in the event of non-performance of any other condition, obligation or covenant, or whole or in part.

(3) True Conditions Precedent

The obligations of the Parties to complete the transactions contemplated by this Agreement shall be subject to the satisfaction of, at or before the Closing Time, each of the following conditions precedent:

- (a) IESO granting transfer of all current contracts;
- (b) Confirmation and transfer to the Purchaser of Vendors' expansion right with IESO; and
- (c) Written confirmation from Hydro One Networks Inc., that there are no transfer trip costs associated with the approved upgrade referred to in Subsection 7(3)(b).

Failure to satisfy any condition contained in this section 7(3), shall result in termination of this Agreement and each party shall be released from any and all obligations under this Agreement.

(4) Destruction or Expropriation

If, prior to the Closing Time, there occurs any material destruction or damage by fire or other cause or hazard to any of the properties or assets of the Corporation, or if such properties or assets or any material part of them are expropriated or forcefully taken by any governmental authority or if notice of intention to expropriate a material part of such properties or assets has been filed in accordance with applicable legislation, then the Purchaser may, at its option, terminate this Agreement by notice to the other Parties and, notwithstanding anything to the contrary in this Agreement, the entirety of the Deposit shall be returned to the Purchaser without penalty or deduction.

8. CLOSING ARRANGEMENTS

(1) Closing Arrangements

At the Closing Time, upon fulfilment of all the conditions under this Agreement which have not been waived in writing by the Purchaser or the Vendors respectively:

- (a) **Purchase and Sale of Purchased Shares:** The Vendors shall sell and the Purchaser shall purchase the Shares for the Purchase Price payable under this Agreement.
- (b) **Delivery of Closing Documents:** The Parties shall respectively deliver the Closing Documents.
- (c) **Actual Possession:** The Vendors shall deliver actual possession of the Shares to the Purchaser.
- (d) **Payment of Purchase Price:** On the fulfilment of the foregoing terms of this Article Eight, the Purchaser shall pay and satisfy the Purchase Price as provided in s. 3(1).

(2) Tender

Any tender of documents or money hereunder may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank or by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust Corporation.

9. NOTICES

(1) Delivery of Notice

Any notice, direction or other instrument required or permitted to be given by either party under this Agreement shall be in writing and shall be sufficiently given if delivered personally, sent by prepaid first class mail or transmitted by telecopier, email or other form of electronic communication during the transmission of which no indication of failure of receipt is communicated to the sender:

- (a) in the case of a notice to the Vendors at:

Kearon Bennett (President)
2747 Priscilla Street,
Ottawa, ON K2B 7E1
Fax: 613-820-8234
Email: kjb@ottawaengineering.com

With a copy to:

Kelly Santini LLP
2401-160 Elgin Street
Ottawa, ON K2P 2P7
Attention: Donald Burke
Fax: 613-233-4553
Email: DBurke@kellysantini.com

(b) in the case of a notice to the Purchaser at:

Bracebridge Generation Ltd.
395 Centre Street North
Suite 200
Huntsville P1H 2M2
Attention: President: Chris Litschko
Fax No. 705-789-3110
Email: cjlitschko@lakelandholding.com

With a copy to:

Barriston LLP
45 Ann Street
Bracebridge ON P1L 2A1
Attention: Nathalie Tinti, Partner
Fax: 705-645-8021
Email: ntinti@barristonlaw.com

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the date on which it was received at such address, or, if sent by mail, shall be deemed to have been given and received on the date which is five days after which it was mailed, provided that if either such day is not a Business Day, then the notice shall be deemed to have been given and received on the Business Day next following such day. Any notice transmitted by telecopier, email or other form of electronic communication shall be deemed to have been given and received on the date of its transmission provided that if such day is not a Business Day or if it is received after the end of normal business hours on the date of its transmission at the place of receipt, then it shall be deemed to have been given and received at the opening of business in the office of the recipient on the first Business Day next following the transmission thereof. If normal mail service, telecopier, email or other form of electronic communication is interrupted by strike, slowdown, *force majeure* or other cause, a notice, direction or other instrument sent by the impaired means of communication will not be deemed to be received until actually received, and the party sending the notice shall utilize any other such service which has not been so interrupted to deliver such notice.

10. GENERAL

(1) Expenses

All costs and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred in connection with this Agreement and the transaction contemplated under this Agreement shall be paid by the Party incurring such expenses.

(2) Time

Time shall be of the essence hereof.

(3) Assignment/Successors and Assigns

Neither this Agreement nor any rights or obligations under this Agreement shall be assignable by either Party without the prior written consent of the other Party. Subject to that condition, this Agreement shall enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

(4) Further Assurances

Each Party agrees that upon the written request of any other Party, it will do all such acts and execute all such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of all such acts and will cause the execution of all such further documents as are within its power to cause the doing or execution of, as the other Party may from time to time reasonably request be done and/or executed as may be required to consummate the transactions contemplated under this Agreement or as may be necessary or desirable to effect the purpose of this Agreement or any document, agreement or instrument delivered under this Agreement and to carry out their provisions or to better or more properly or fully evidence or give effect to the transactions contemplated under this Agreement, whether before or after the Closing.

(5) Public Notices

All notices to third parties and all other publicity concerning the transactions contemplated by this Agreement shall be jointly planned and coordinated by the Vendors and the Purchaser and no Party shall act unilaterally in this regard without the prior approval of the other Party (such approval not to be unreasonably withheld), except where required to do so by law or by the applicable regulations or policies of any provincial, federal or other regulatory agency of competent jurisdiction or any stock exchange.

(6) Entire Agreement

This Agreement and the documents required to be delivered hereunder, constitute the entire agreement between the Parties relating to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no representations, warranties, conditions, covenants or other agreements, express or

implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth herein and therein.

(7) Amendment and Waiver

This Agreement may only be amended by written agreement signed by each Party hereto. Any waiver of any provision of this Agreement will be effective only if it is in writing and signed by the Party to be bound thereby, 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 will operate as a waiver of such right. No single or partial exercise of any such right will preclude any further or other exercise of such right.

(8) Severability

If any provision of this Agreement is determined to be invalid, illegal or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement, and the remaining provisions will remain in full force and effect.

(9) Assignment and Benefit of the Agreement

Neither this Agreement nor any of the rights or obligations under this Agreement are assignable by either Party without the prior written consent of the other Party. Subject to that condition, this Agreement will enure to the benefit of and be binding upon the Parties and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

(10) Counterparts and Electronic Execution

This Agreement may be executed in any number of 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. This Agreement may be executed and delivered by electronic means and each of the Parties may rely on such electronic execution as though it were an original hand-written signature.

[the remainder of this page is left intentionally blank]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date and year first above written.

ELLIOT FALLS POWER CORPORATION

Per: _____
President: Kearon John Bennett

I have the authority to bind the Corporation

Witness:

Kearon John Bennett

Witness:

Henry John Havekes

Witness:

Brian Paul Male

Witness:

Benjamin Roy Miller

BRACEBRIDGE GENERATION LTD.

Per: _____
President and CEO: Chris Litschko

I have the authority to bind the Corporation

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date and year first above written.

ELLIOT FALLS POWER CORPORATION

Per: _____

President: Kearon John Bennett

I have the authority to bind the Corporation

Witness:

Kearon John Bennett

Witness:

Henry John Havekes

Witness:

Brian Paul Male

Witness:

Benjamin Roy Miller

BRACEBRIDGE GENERATION LTD.

Per: _____

President and CEO: Chris Litschko


I have the authority to bind the Corporation

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date and year first above written.

**ELLIOTT FALLS POWER
CORPORATION**

Per: 
President: Kearon John Bennett

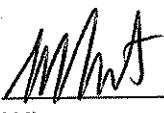
I have the authority to bind the Corporation


Witness:



Kearon John Bennett


Witness:


Henry John Havekes


Witness:


Brian Paul Male


Witness:


Benjamin Roy Miller

BRACEBRIDGE GENERATION LTD.

Per: _____
President and CEO: Chris Litschko

I have the authority to bind the Corporation



120 Adelaide Street West
Suite 1600
Toronto, Ontario M5H 1T1

T 416-967-7474
F 416-967-1947
www.ieso.ca

April 27, 2016

Elliott Falls Power Corporation (the "Supplier")
2747 Priscilla Street
Ottawa, ON K2B 7E1

Attention: Mr. Kearon Bennett

Re: HESOP Contract ID No. HESOP-EXKW74N with Contract Date of August 1, 2015 as between Elliott Falls Power Corporation and the IESO (the "HESOP Contract").

Dear Sir,

A. Background Information

We refer to the following (collectively, the "Supplier's Information"):

- (i) the letter dated January 25, 2016 from the Supplier to the Independent Electricity System Operator ("IESO") requesting written consent from the IESO in respect of a transaction that may trigger the change of Control provisions under the HESOP Contract;
- (ii) correspondence dated March 2, 2016 from Lakeland Holding Ltd. to the IESO containing the following:
 - a. Bracebridge Generation Ltd.'s audited financial statements for the year ended December 31, 2013;
 - b. Bracebridge Generation Ltd.'s audited financial statements for the year ended December 31, 2014;
 - c. Bracebridge Generation Ltd.'s audited financial statements for the year ended December 31, 2015; and
 - d. resumes from V. Kulchycki; B. Ingram and J. Stasiuk; and
- (iii) correspondence dated March 2, 2016 from Lakeland Holding Ltd. containing the Supplier's answers to a list of IESO requirements in regards to the Transaction.

Capitalized terms not otherwise defined in this letter shall have the respective meanings ascribed thereto in the HESOP Contract. In addition, "including" means "including without limitation".

a. The Transaction

The Supplier's Information describes a transaction whereby Bracebridge Generation Ltd. (the "Purchaser") will purchase all of the issued and outstanding shares in the capital of the Supplier effective May 1, 2016 (the "Transaction"). The Supplier's Information indicates that the Transaction constitutes a change of Control pursuant to Sections 15.7 and 15.8 of the HESOP Contract and requires the IESO's consent prior to proceeding with the Transaction.

In connection with the change of Control, the Supplier's Information identifies the Purchaser's experience and qualifications with respect to the planning, development, construction and operation of the Contract Facility by identifying the Purchaser's history of acquisitions, expansions and redevelopment of the following:

- (i) the acquisition of Burk's Falls Water Power Corporation in 2005, through which the Purchaser attained a HCI contract in May 2010;
- (ii) the expansion project at High Falls GS, where commercial operation was attained in 2005 under a RESOP contract;
- (iii) the expansion/redevelopment of Wilson's Falls GS, where commercial operation was attained in 2012 under an HCI amendment and HCI contract was attained in May 2010;
- (iv) the expansion/redevelopment of Bracebridge Falls GS, where commercial operation was attained in 2012 under an HCI amendment and a HCI contract was attained in May 2010;
- (v) the acquisition of Bancroft Generating Station in 2012, through which the Purchaser attained a HCI contract in September 2013; and
- (vi) the merger of Parry Sound PowerGen and Bracebridge Generation in July 2014 which included the Cascade Street GS facility.

The Supplier's Information identifies V. Kulchycki, B. Ingram and J. Stasiuk as three individuals employed by the Purchaser, and the Supplier's Information indicates that each of these individuals has, in a managerial capacity, (i) planned and developed, and/or (ii) overseen the construction, and (iii) operated a facility comparable to the Contract Facility.

The Supplier's Information identifies the Purchaser's net worth of at least \$500,000 per MW of generation capacity at the end of each of the last two fiscal years and at the end of the most recently completed fiscal quarter. The Supplier's Information also included the Purchaser's 2013 and 2014 audited financial statements. The Supplier's Information further identifies that the Purchaser's credit rating is strong and that the Purchaser has not been downgraded nor has any bankruptcy filings in the last three years.

The Supplier's Information identifies that the Purchaser has successfully financed (having achieved financial closing) a generation facility within the last 60 months that is at least 50% of the capacity of the Contract Facility. The Supplier's Information identifies (i) in 2005, the Purchaser completed a \$4.8 million upgrade on its High Falls G2 Plant through a five-year loan for \$3 million which was repaid in 3 years; (ii) in the period of 2010 – 2012, the Purchaser completed 2 major upgrades on Wilson's Falls and Bracebridge Falls at a cost of \$22 million of which \$20 million was financed through TD Bank; and (iii) the 2005 acquisition of Burk's Falls generating station and the 2012 acquisition of Bancroft generating station financed through the Purchaser's available cash.

Finally, the Supplier's Information identifies the Purchaser's intent to purchase all of the issued and outstanding shares in the capital of the Supplier without requiring debt financing.

Schedule "A" provides a list of each and every Person that Controlled the Supplier as of the Contract Date, and no other legal or contractual arrangements exist as of the Contract Date that would change such assessment of Control in the Supplier.

Schedule "B" provides a list of the names of each and every Person that holds a direct or indirect beneficial ownership interest in the Supplier equal to or exceeding 10% of the total beneficial ownership interest as of the Contract Date, together with a description of the nature of such interest and the percentage held.

Schedule "C" provides a list of each and every Person that will Control the Supplier following the completion of the Transaction, and no other legal or contractual arrangements exist that would change such assessment of Control in the Supplier.

Schedule "D" provides a list of the names of each and every Person that holds a direct or indirect beneficial ownership interest in the Supplier equal to or exceeding 10% of the total beneficial ownership interest following the completion of the Transaction, together with a description of the nature of such interest and the percentage held.

B. Consent

Based on the Supplier's Information provided, the IESO consents to the proposed change of Control pursuant to Sections 15.7(a) and 15.8(b) of the HESOP Contract, provided such change of Control and the Transaction occur exactly as described in Part A. – Background Information and in the Supplier's Information (the "Consent").

C. Conditions

This letter, including the Consent, is conditional upon and subject to the following:

- (i) the Consent is given in reliance on Part A. – Background Information and on the Supplier's Information and the Supplier's covenants, representations and warranties set out in this letter;
- (ii) other than expressly provided in this letter, (i) no consent, waiver or amendment of any HESOP Contract is given or made hereunder, and the Supplier acknowledges and confirms that the IESO has not consented to an assignment to, or change of Control in respect of the Supplier other than the change of Control in connection with the Transaction; and (ii) no party other than the Supplier shall have any rights as against the IESO in respect of any HESOP Contract;
- (iii) this letter shall not be deemed to waive or modify in any respect any rights of the IESO under any HESOP Contract except as expressly provided herein and the obligations under the HESOP Contract shall remain unamended and in full force and effect;
- (iv) as a condition precedent for the benefit of the IESO to this letter, the Supplier's representations and warranties set out below shall be true and accurate in all material respects as of the date hereof; and
- (v) the Consent given in this letter is valid for a period of sixty (60) days from the date written on the first page of this letter during which the change of Control and the Transaction must occur failing which the Consent shall be null and void.

D. Representations and Warranties

The Supplier represents and warrants to the IESO that, as of the date hereof:

- (i) Part A. – Background Information and the Supplier's Information are true, complete and accurate in all material respects and there is no material information omitted therefrom which would make the information contained therein misleading or inaccurate;
- (ii) there is no Supplier Event of Default that has not been remedied under the HESOP Contract;
- (iii) there is no Secured Lender or Secured Lender's Security Agreement that has been consented to, or acknowledged, by the IESO or is otherwise binding on or effective as against the IESO under Article 11 of any HESOP Contract;

- (iv) there are no actual or potential actions, causes of action, suits, debts, dues, accounts, bonds, claims or demands whatsoever of any of the Supplier or its direct or indirect unit holders, shareholders or Affiliates against or in respect of the IESO, by reason of, or in any way arising out of the HESOP Contract, the Application or any other application for a HESOP Contract, the Program Rules, or any other contract or obligations as between the Supplier or its direct or indirect unit holders, shareholders or Affiliates and the IESO as at the date hereof (collectively, "Claims") and none of the Supplier or its direct or indirect unit holders, shareholders or Affiliates is aware, after due inquiry, of any actual or potential Claims, or any act, event, circumstance or thing which, with notice or the passage of time or lapse of cure period, would give rise to a Claim, that any of them or any of their successors, heirs, executors, estate trustees, administrators or assigns, had, have or may have; and
- (v) prior to the issuance of this letter, the Supplier has paid the legal fees and costs incurred by the IESO in connection with preparation and review of the Supplier's Information; attendance at meetings or calls with the Supplier, their counsel and related parties; this letter and related matters, including the review of any supporting documentation, in respect of which the Supplier has received an invoice from counsel to the IESO and such counsel has received such payment.

E. Covenants

Provided the Transaction proceeds, the Supplier covenants and agrees with the IESO that the Transaction will occur substantially as described in Part A. – Background Information and the Supplier's Information.

F. Miscellaneous

- (i) This letter constitutes Confidential Information and shall be subject to Article 7 of the HESOP Contract. The Parties shall keep confidential and secure and not disclose this letter or the provisions hereof other than in accordance with Article 7 of the HESOP Contract. For clarity, in addition to any other remedies available at law or equity, the remedies available to the Parties pursuant to Section 7.4 of the HESOP Contract shall apply to this paragraph.
- (ii) The Supplier shall bear the external legal fees and costs incurred by the IESO in connection with the preparation and review of the Supplier's Information, attendance at meetings or calls with the Supplier, their counsel and related parties, this letter and related matters, including the review of any supporting documentation, and shall promptly pay and settle any invoices in respect of such fees or costs. The IESO may deduct or set-off an amount equal to such costs from or against amounts payable by the IESO to any Supplier or to any Affiliate of any Supplier at any time and from time to time under the HESOP Contract or other contract to which the Supplier, or any such Affiliate thereof, is a party.
- (iii) Except where the context requires otherwise, the provisions contained in Sections 1.2, 1.3, 1.4, 1.5, 1.6, 1.8, 1.9, 1.10, 1.11, 1.12, 14.6, 15.1, 15.2, 15.4, 15.11, 15.12 and 15.13 of the HESOP Contract shall apply in the construction and interpretation of this letter and are incorporated by reference herein, provided references therein to the "Agreement" shall be construed and deemed to be references to this letter.


Independent Electricity System Operator

Please confirm your agreement with this letter by countersigning the enclosed duplicate of this letter below and returning a copy to the IESO. If you have any questions or comments in respect of the foregoing, please feel free to contact Jaideep Nagpal at Jaideep.Nagpal@ieso.ca.

Yours very truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per:

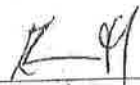

Name: JAIDEEP NAGPAL

Title: MANAGER, CONTRACT MANAGEMENT

Agreed to and Accepted this 27th day of APRIL, 2016:

ELLIOTT FALLS POWER CORPORATION

By:


Name: KEARON BENNETT

Title: PRESIDENT

I have authority to bind the corporation.

6

Schedule "B"

Schedule "B"
Beneficial ownership interest in the Supplier equal to or exceeding 10% as of the Contract Date

List of Persons having a direct or indirect beneficial ownership interest in the Supplier equal to or exceeding 10% of the total beneficial ownership interest as of the Contract Date	Percentage held	Description of ownership interest
Kearon John Bennett	33.33%	300 Common shares 333,333 Preferred A shares
Henry John Havekes	22.22%	200 Common shares 222,222 Preferred A shares
Brian Paul Male	22.22%	200 Common shares 222,222 Preferred A shares
Benjamin Roy Miller	22.22%	200 Common shares 222,222 Preferred A shares

Schedule "C"
Control of the Supplier following the Transaction

List of Persons that will Control the Supplier following the completion of the Transaction	Description of nature of Control (for each Person)
<p>Bracebridge Generation Ltd.</p>	<p>900 Common Shares 999,999 Preferred A shares</p>

Schedule "D"

Beneficial ownership interest in the Supplier equal to or exceeding 10% following the Transaction

List of Persons having a direct or indirect beneficial ownership interest in the Supplier equal to or exceeding 10% of the total beneficial ownership interest following the completion of the Transaction	Percentage held	Description of ownership interest
Bracebridge Generation Ltd.	100%	900 Common Shares 999,999 Preferred A shares

