

EXHIBIT 5

COST OF CAPITAL & CAPITAL STRUCTURE

Festival Hydro INC.



2.5 Exhibit 5: Cost of Capital and Capital Structure

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1 **Overview**

2 Festival Hydro Inc. (FHI) was incorporated July 11, 2000, in accordance with the
3 requirements of the Electricity Act, 1998, S.O. 1998, c. 15, Schedule A.

4 FHI is wholly owned by the Corporation of the City of Stratford.

5 The purpose of this evidence is to summarize the method and cost of financing capital
6 requirements for the 2025 Test Year.

7 **2.5.1 Capital Structure**

8 FHI has a current deemed capital structure of 4% short-term debt with a return of 2.16%,
9 56% long-term debt with a return of 4.18% and 40% equity with a return of 9.30% as
10 approved in the 2015 Cost of Service (COS) rate decision EB-2014-0073.

11 FHI has prepared this 2025 COS Application in accordance with the Ontario Energy
12 Board's (Board) guidelines provided in the Report of the Board on Cost of Capital for
13 Ontario's Regulated Utilities (the "2009 Report") issued on December 11, 2009. For the
14 purposes of preparing this Application, FHI has used the cost of capital parameters issued
15 by the Board on October 31, 2023, for 2024 COS Rate Applications for rates with effective
16 dates in 2024. FHI will update its cost of capital parameters to reflect future Board issued
17 cost of capital parameters for rates with effective dates in 2025 prior to the issuance of
18 the Board's decision for this Application. FHI's actual capital structure departs slightly for
19 the OEB's deemed structure for rate making purposes, however, FHI is not proposing any
20 deviation from the Board's cost of capital methodology.

21 **2.5.2 Cost of Capital (Return on Equity and Cost of Debt)**

22 **Common Equity and Preferred Shares**

23 As outlined above, for the purposes of preparing this Application, FHI has used the Cost
24 of Capital Parameters issued by the Board on October 31, 2023, for 2024 COS rate
25 applications which reflects a return on equity of 9.21%. FHI will update the return on equity

1 to reflect future Board issued cost of capital parameters for rates with effective dates in
2 2025 prior to the issuance of the Board's decision for its Application.

3 There have been no changes to the actual equity share structure since the 2015 COS
4 Rate Application. Equity consists of 6,100 Class A Preferred Shares with a book value of
5 \$6,100,000 and 6,995 common shares with a book value of \$9,468,388. The City of
6 Stratford owns 100% of the shares in each class.

7 **Cost of Debt: Short-Term**

8 For rate making purposes, FHI proposes to recover \$180,123 through distribution rates
9 in the 2025 test year for the Deemed Short-Term Debt. The Short-Term Debt Amount is
10 derived by applying the Board's October 31, 2023, published 2024 Cost of Capital
11 Parameters for Short Term Debt to the deemed 4% of the capital structure at a rate of
12 6.23%. The applicable default rate for the Short-Term Debt will be updated when 2025
13 Cost of Capital Parameters are made available by the Board prior to the 2025 COS
14 Decision.

15 **Cost of Debt: Long-Term**

16 For the 2025 test year, FHI is requesting a return on Long Term debt of 4.75%. The 4.75%
17 rate is computed based on the weighted average of the following Long Term Debt
18 components:

19 1. FHI's affiliate debt consists of two demand Promissory Notes held by its shareholder
20 The City of Stratford, to which has been assigned the January 1, 2024, Board approved
21 deemed interest rate of 4.58%. The actual interest rate on both Promissory Notes is
22 7.25%. This request regarding affiliate debt is consistent with FHI's 2015 approved COS
23 Decision and Order. Copies of the Promissory Notes are attached in Attachment 5-2.

24 2. FHI entered into a lending agreement with the Royal Bank in June 2012 to facilitate the
25 construction of the Transformer Station in the south end of The City of Stratford. The \$14
26 million CWIP borrowing facility was converted into a fixed rate term loan effective May 1,
27 2013. The fixed loan is supported by a swap agreement with notional principal of

1 \$14,000,000 commencing effective May 1, 2013, and maturing May 31, 2038. The swap
2 is a receive variable, pay fixed swap with the Royal Bank. This agreement has effectively
3 converted variable interest rates on banker's acceptance to an effective fixed interest rate
4 of 2.93% plus a stamping fee. The 2.93% rate portion is fixed for 25 years however there
5 was a change when the loan was renewed to 2.64%. The stamping fee portion started at
6 0.42% for a 10-year period and was renewed at 2.10% in 2023 for an additional 10-year
7 period for a total of 4.74%. A copy of the Royal Bank lending agreement is attached in
8 Attachment 5-3.

9 3. FHI entered into a lending agreement with the Royal Bank in September of 2021 to
10 assist in discharging Infrastructure Ontario debt which was used to fund the smart meter
11 deployment. The original IO Loans were fixed over 15 years. The first debenture was
12 issued on December 15, 2010, with a face value of \$2,192,000 at a 15-year fixed rate of
13 4.40% per annum. The second debenture was issued on April 1, 2011, for a face value
14 of \$308,000 at a 15-year fixed rate of 3.98%. The new RBC loan was for \$900,000 bearing
15 interest at 2.62%. This loan matures November 25, 2025.

16 4. FHI entered into an interest rate swap agreement with RBC on a notional principal of
17 \$5,000,000. The effective date of the loan is December 31, 2024, and was drawn on as
18 short-term revolving debt until this date. This agreement has effectively converted
19 variable interest rates to an effective fixed interest rate of 2.21% plus stamping fee of
20 1.81% for a total of 4.02%. FHI entered into this agreement as a 3-year forward fix in late
21 2021 to take advantage of favourable interest rates.

22 5. FHI plans to enter into an additional 10-year interest rate swap agreement with RBC in
23 2025 to assist in financing its larger capital projects. FHI has projected a loan amount of
24 \$5M and estimated an interest rate of 6.05%, based on an RBC estimate as of February
25 16, 2024, for the purpose of 2025 rates.

26 FHI has determined that these swap agreements do not meet the standards to apply
27 hedge accounting. Since the standard is not met, the interest rate swap is marked to
28 market at the end of each fiscal year. The amount of the unrealized gain as at December

1 31, 2023, was \$454,755. FHI plans to secure this loan for the full term of the lending
2 agreement, at the end of the term there will be no actual gain or loss arising related to the
3 swaps. As such, FHI is not recognizing the impact of the unrealized gain or loss in
4 determining 2025 distribution rates.

5 The details of the Long-Term Bank Debt with RBC are reflected in Table 5-1 below.

6 **Table 5-1 Long-Term Bank Debt with RBC**

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Details	Covering	Original Loan		2025
		Date	Amount	Average Principal Balance
Bank Debt with RBC for Transformer Station, 4.74% due May 31, 2038	Transformer Station 2012	5/1/2013	900,000	8,601,500
Bank Debt with RBC to replace Infrastructure Ontario Loans, 2.62% due November 25, 2025	Replace IO Loans for Smart Meters	11/4/2021	900,000	107,715
Bank Debt with RBC for Ongoing Capital Investments, 4.02% due August 31, 2034	Ongoing Capital 2023-2024	12/31/2024	5,000,000	4,813,816
Projected: Bank Debt with RBC for Ongoing Capital Investments, 6.05%	Ongoing Capital 2025	1/2/2025	5,000,000	4,875,800

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9 **Other Credit Facilities**

10 In addition to the debt instruments above, FHI has two other credit facilities which include:

- 11 1. \$15,000,000 revolving term facility by way of RBC based loans, overdrafts, and
12 bankers' acceptance, which is used for short term financing.
- 13 2. \$3,600,000, revolving term facility by way of a letter of guarantee, of which the amount
14 of \$3,095,139 is used to secure its prudential obligations with the Independent Electricity
15 System Operator.

16 All credit facilities are secured by a general security agreement over FHI's distribution
17 assets and subject to restrictive covenants.

1 **Capital Structure and Cost of Capital**

2 Table 5-2 is a reproduction of Appendix 2-OA that demonstrates the elements of the
3 Capital Structure and Cost of Capital for the 2015 Board-Approved and 2025 Test Year.
4 For 2025, the Weighted Average Cost of Capital of 6.59% will be applied to the Rate Base
5 of \$72,280,622, which is explained in detail in Exhibit 2, to determine a Return on Rate
6 Base of \$4,793,903 that is included in the proposed Revenue Requirement.

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Table 5-2 Capital Structure and Cost of Capital (2-OA)

Test Year: 2025				
Particulars	Capitalization Ratio		Cost Rate	Return
	%	\$	%	\$
Debt				
Long-Term Debt	56%	40,417,230	4.75%	1,918,119
Short-Term Debt	4%	2,886,945	6.23%	179,857
Total Debt	60%	43,304,175	4.84%	2,097,975
Equity				
Common Equity	40%	28,869,450	9.21%	2,658,876
Preferred Shares	0%	-	0%	-
Total Equity	40%	28,869,450	9.21%	2,658,876
Total	100%	72,173,625	6.59%	4,756,852

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Last OEB-Approved Year: 2015				
Particulars	Capitalization Ratio		Cost Rate	Return
	%	\$	%	\$
Debt				
Long-Term Debt	56%	34,596,105	4.18%	1,446,117
Short-Term Debt	4%	2,471,150	2.16%	53,377
Total Debt	60%	37,067,255	4.05%	1,499,494
Equity				
Common Equity	40%	24,711,504	9.30%	2,298,170
Preferred Shares	0%	-	0%	-
Total Equity	40%	24,711,504	9.30%	2,298,170
Total	100%	61,778,759	6.15%	3,797,664

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4 Weighted Average Cost of Long-Term Debt

5 Table 5-3 is a reproduction of Appendix 2-OB listing FHI's Long Term Debt instruments
6 and weighted average cost of Long Term Debt from 2015 to the 2025 Test Year.

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Table 5-3 Debt Instruments

Year: 2015									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	1,645,240	4.40%	72,391	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	233,796	3.98%	9,305	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	13,221,583	3.35%	442,923	
Total						30,700,619	4.13%	1,268,739	

Year: 2016									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	1,515,047	4.40%	66,662	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	215,454	3.98%	8,575	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	12,821,833	3.35%	429,531	
Total						30,152,334	4.14%	1,248,889	

Year: 2017									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	1,379,058	4.40%	60,679	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	196,735	3.98%	7,830	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	12,409,667	3.35%	415,724	
Total						29,585,460	4.15%	1,228,352	

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Year: 2018									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	1,237,022	4.40%	54,429	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	176,528	3.98%	7,026	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	11,984,167	3.35%	401,470	
Total						28,997,717	4.16%	1,207,044	

Year: 2019									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	1,088,668	4.40%	47,901	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	155,884	3.98%	6,204	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	11,545,000	3.35%	386,758	
Total						28,389,552	4.17%	1,184,983	

Year: 2020									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	933,713	4.40%	41,083	
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	134,410	3.98%	5,350	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	11,092,083	3.35%	371,585	
Total						27,760,206	4.19%	1,162,138	

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Year: 2021									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Infrastructure Loan 01	RBC	Third-Party	Fixed Rate	12/15/2010	15	406,607	4.40%	76,220	paid off early and replaced
Infrastructure Loan 02	RBC	Third-Party	Fixed Rate	4/1/2011	15	61,712	3.98%	8,584	paid off early and replaced
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	10,624,667	3.35%	355,926	
Bank Loan	RBC	Third-Party	Fixed Rate	11/4/2021	4	900,000	0.22%	1,965	to replace IO loans
Total						27,592,986	4.30%	1,186,815	

Year: 2022									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Swap Loan	RBC	Third-Party	Fixed Rate	5/31/2013	25	10,142,500	3.35%	339,774	
Bank Loan	RBC	Third-Party	Fixed Rate	11/4/2021	4	783,335	2.62%	20,523	to replace IO loans
Total						26,525,835	4.16%	1,104,417	

Year: 2023									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Bank Loan	RBC	Third-Party	Fixed Rate	11/4/2021	4	563,996	2.62%	14,777	
Swap Loan # 1	RBC	Third-Party	Fixed Rate	5/31/2013	25	9,644,583	3.35%	323,094	
Swap Loan # 2	RBC	Third-Party	Fixed Rate	12/31/2024	25	2,500,000	4.92%	123,000	
Total						28,308,579	4.26%	1,204,990	

Year: 2024									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.77%	744,120	
Bank Loan	RBC	Third-Party	Fixed Rate	11/4/2021	4	338,840	2.62%	8,878	
Swap Loan # 1	RBC	Third-Party	Fixed Rate	5/31/2013	25	9,131,667	4.74%	432,841	
Swap Loan # 2	RBC	Third-Party	Fixed Rate	12/31/2024	25	5,000,000	7.22%	361,000	
Total						30,070,507	5.14%	1,546,839	

Year: 2025									
Description	Lender	Affiliated or Third-Party Debt?	Fixed or Variable-Rate?	Start Date	Term (Years)	Average Principal (\$)	Rate (%) (Note 2)	Interest (\$) (Note 1)	Additional Comments (if any)
Shareholder Loan	City of Stratford	Affiliated	Fixed Rate	11/1/2000	Demand	15,600,000	4.58%	714,480	
Bank Loan	RBC	Third-Party	Fixed Rate	11/4/2021	4	107,715	2.62%	2,822	
Swap Loan #1	RBC	Third-Party	Fixed Rate	5/31/2013	25	8,601,500	4.74%	407,711	
Swap Loan #2	RBC	Third-Party	Fixed Rate	12/31/2024	25	4,813,816	4.02%	193,515	
New Loan	RBC	Third-Party	Fixed Rate	1/1/2025	25	4,875,800	6.05%	294,986	
Total						33,998,831	4.75%	1,613,515	

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3 Notional Debt

4 FHI's deemed and actual long-term debt are different. For the 2025 Test Year, the actual
5 amount of Long Term Debt is \$33,998,831 (Table 5-3) and the deemed Long Term Debt
6 is \$40,477,148 (Table 5-2). Therefore, FHI has a positive notional debt of \$6,478,317.

1 FHI is requesting that the notional debt attract the weighted average cost of actual Long
2 Term Debt rather than the current deemed long-term debt rate issued by the Board. FHI
3 is actively moving closer to the deemed 60/40 split to ensure FHI receives the benefit of
4 lower debt rates while still retaining flexibility and debt capacity for future capital needs.
5 For example, the actual split proposed in 2025 is 54/46 debt to equity which has increased
6 from 2022, which was 50.5/49.5 debt to equity.

7 **Profit or Loss on Redemption of Debt**

8 There is no profit or loss on redemption of debt.

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10 **2.5.3 Not for Profit Corporations**

11 A Reserve Requirement is not applicable because FHI is a for-profit corporation.

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Attachment 5 - 1

Required OEB Appendices

Total	-\$ 618,885	-\$ 813,091	-\$ 949,988	-\$ 1,598,476	-\$ 1,142,508	-\$ 1,010,550	-\$ 1,187,340	-\$ 1,106,966	-\$ 1,112,296	-\$ 1,165,697	-\$ 1,166,332
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Description	Account(s)
Specific Service Charges:	4235
Late Payment Charges:	4225
Other Distribution Revenues:	4082, 4084, 4086, 4090, 4205, 4210, 4215, 4220, 4230, 4240, 4245
Other Income and Expenses:	4305, 4310, 4315, 4320, 4325, 4330, 4335, 4340, 4345, 4350, 4355, 4357, 4360, 4362, 4365, 4370, 4375, 4380, 4385, 4390, 4395, 4398, 4405, 4410, 4415, 4420

Note: Add all applicable accounts listed above to the table and include all relevant information.

Account Breakdown Details

For each "Other Operating Revenue" and "Other Income or Deductions" Account, a detailed breakdown of the account components is required. See the example below for Account 4405, Interest and Dividend Income. Tables for the detailed breakdowns will be generated after cell B101 is filled in.

Example: Account 4405 - Interest and Dividend Income

	2015 Actual ¹	2016 Actual ²	2017 Actual ²	2018 Actual ²	2019 Actual ²	2020 Actual ²	2021 Actual ²	2022 Actual ²	2023 Actual	Bridge Year	Test Year
Reporting Basis	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	MIFRS	MIFRS	MIFRS	MIFRS							
Short-term Investment Interest											
Bank Deposit Interest											
Miscellaneous Interest Revenue etc.											
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- 1 List and specify any other interest revenue.
- 2 For applicants rebasing under IFRS for the first time, in the transition year (2014) to IFRS, the applicant is to present information in both MIFRS and CGAAP.



Attachment 5 - 2

FHI Promissory Note

GRID PROMISSORY NOTE

September 1, 2022

1. **FOR VALUE RECEIVED**, the undersigned, **FESTIVAL HYDRO SERVICES INC.**, a company incorporated under the laws of the Province of Ontario (the "**Borrower**") hereby promises to pay to or to the order of **FESTIVAL HYDRO INC.** (the "**Holder**") the unpaid principal balance of all advances ("**Advances**"), together with interest on such Advances as hereinafter provided for, made by the Holder to the Borrower as recorded by the Holder on the grid attached as Appendix A hereto, and if more than one grid is attached hereto, on the grids sequentially numbered and attached hereto. Notwithstanding the terms provided above, the balance of all Advances shall total no greater than Two Million Dollars (\$2,000,000) in lawful money of Canada.
2. The Borrower shall pay interest on the principal balance of all Advances from time to time outstanding hereunder, from the respective dates of such Advances to and including the dates of their respective repayment, at a rate of interest per annum equal to a rate of interest per annum equal to the prime rate of interest quoted from time to time. The monthly interest payable shall be calculated using the average of the opening and closing balance of amounts owing for the month under this promissory note.
3. Interest at the aforesaid rate shall continue to be payable until the principal amount of each Advance has been repaid in full and in case default shall be made in payment of any sum to become due for interest at the time herein provided, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the rate provided for herein.
4. This promissory note shall secure a running account and notwithstanding that the principal balance of all Advances may be reduced to zero or may show a credit in favour of the Borrower from time to time this promissory note shall continue in full force and effect with respect to any Advances of the principal sum made thereafter.
5. Entries recorded by the Holder on the grid attached hereto shall be prima facie evidence of all amounts shown thereon, unless within thirty (30) days of receipt of a copy of such entries, the Borrower claims and establishes that an error has been made, and such entries shall then be admissible in any proceedings as full and conclusive evidence of such amounts and shall be binding on the Borrower to the same extent and effect as though the Borrower had executed a separate promissory note for each of such entries.
6. The Borrower shall repay the principal balance of all Advances then outstanding plus all accrued and unpaid interest due thereon in whole upon the earliest to occur of:
 - (a) demand by the Holder, which for greater certainty may be made in writing at any time;

- (b) (i) the sale or license of all, or substantially all of the assets of the Borrower; or (ii) any transaction the result of which will cause the Holder to hold less than 100% of the issued and outstanding shares of the Borrower;
- (c) the occurrence of an Event of Default (as defined herein); and
- (d) November 1, 2027.

Notwithstanding the provisions provided in Section 6, the Borrower shall be entitled to prepay all or any part or parts of the principal balance of all Advances plus all accrued and unpaid interest due thereon at any time or times and from time to time without notice or bonus.

7. Notwithstanding that the aforesaid principal balance of all Advances is stated to be due as stated above, the principal amount of all Advances at any time outstanding, together with all accrued but unpaid interest as hereinbefore provided for, shall be due and payable on the happening of any one of the following events, whichever first occurs (collectively, "Event of Default"):

- (a) the Borrower fails to pay any interest required to be paid hereunder within 5 business days after the date such interest becomes due and payable;
- (b) the Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors or any proceeding shall be instituted by or against the Borrower seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding-up, reorganization, dissolution, administration, arrangement, adjustment, protection, or leave for composition of it or its debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of receiver, administrator, administrative receiver, trustee or other similar official for it or for any substantial part of its revenues and assets and in the case of any proceedings instituted against the Borrower, such proceedings shall not be stayed or dismissed within 30 days from the date of institution thereof;
- (c) the Borrower shall take any corporate action to authorize any of the actions referred to in paragraph (b) above;
- (d) there shall be either: (i) enforcement proceedings commenced by any creditor on any judgment or order against the Borrower; or (ii) any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of pending appeal or otherwise, shall not be in effect; or
- (e) the Borrower shall be refused any consent or approval of a relevant authority which is necessary for the construction or operation of any of its proposed cable systems and in the reasonable opinion of the Holder such consent or approval will not be obtained on a timely basis.

In case of any such event, at any time after its occurrence, the Holder may by written notice to the Borrower declare the whole of the principal balance of all Advances made to the Borrower to be immediately due and payable (whereupon the same, together with accrued interest thereon and any other sums owed by the Borrower hereunder, shall become so payable).

8. Any amount paid hereunder shall be applied firstly in satisfaction of any accrued and unpaid interest and secondly in satisfaction of the principal sum due hereunder. In the event the holder obtains judgment on this promissory note, interest at the aforesaid rate shall be payable on the amount outstanding under the said judgment.

9. The Borrower hereby waives the benefit of division and discussion, demand and presentment for payment, notice of nonpayment, protest and notice of protest of this promissory note.

10. This promissory note shall be governed by the laws in force in the Province of Ontario and shall not be changed, modified, discharged or cancelled orally or in any manner other than by agreement in writing signed by the Holder or its, successors or permitted assigns.

11. This promissory note and the obligations hereunder shall be binding upon the undersigned and its successors and permitted assigns, and may not be assigned by the undersigned in whole or any part without the Holder's written consent.

FESTIVAL **HYDRO** SERVICES INC.

Per: *Alyson Conrad*
Name: Alyson Conrad
Title: CFO

FESTIVAL HYDRO INC.

Per: *J. Graham*
Name: Jeff Graham
Title: President and CEO



Attachment 5 - 3

Royal Bank Loan Agreements



Royal Bank of Canada
 Commercial Financial Services
 3405 Harvester Rd., Suite 200
 Burlington, Ontario L7N 3N1
 Tel: (905) 333-7226
 Fax: (905) 333-7321
 E-mail: chris.hiebert@rbc.com

June 29, 2012

Private and Confidential

FESTIVAL HYDRO INC.
 187 Erie Street
 Stratford, Ontario
 N5A 2M6

ROYAL BANK OF CANADA (the "Bank") hereby confirms the credit facilities described below (the "Credit Facilities") subject to the terms and conditions set forth below and in the attached Terms & Conditions and Schedules (collectively the "Agreement"). This Agreement amends and restates without novation the existing agreement dated January 30, 2009 and any amendments thereto. Any amount owing by the Borrower to the Bank under such previous agreement is deemed to be a Borrowing under this Agreement. Any and all security that has been delivered to the Bank and is set forth as Security below, shall remain in full force and effect, is expressly reserved by the Bank and, unless expressly indicated otherwise, shall apply in respect of all obligations of the Borrower under the Credit Facilities. Unless otherwise provided, all dollar amounts are in Canadian currency.

The Bank reserves all of its rights and remedies at any time and from time to time in connection with any or all breaches, defaults or Events of Default now existing or hereafter arising under this Agreement or any other agreement delivered to the Bank, and whether known or unknown, and this Agreement shall not be construed as a waiver of any such breach, default or Event of Default.

BORROWER: Festival Hydro Inc. (the "Borrower")

CREDIT FACILITIES

The aggregate of Facility #3 and Facility #4 shall not exceed \$14,000,000 at any time.

Facility #1: \$10,000,000 revolving demand facility by way of:

a) RBP based loans ("RBP Loans")

Revolve in increments of:	\$10,000	Minimum retained balance:	\$0
Revolved by:	Bank	Interest rate (per annum):	RBP

b) Bankers' Acceptances ("BAs")

Acceptance fee (per annum):	1.25%
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® Registered Trademark of Royal Bank of Canada

AVAILABILITY

The Borrower may borrow, convert, repay and reborrow up to the amount of this facility provided this facility is made available at the sole discretion of the Bank and the Bank may cancel or restrict the availability of any unutilized portion at any time and from time to time without notice.

REPAYMENT

Notwithstanding compliance with the covenants and all other terms and conditions of this Agreement, and regardless of the maturities of any outstanding instruments or contracts, Borrowings under this facility are repayable on demand.

GENERAL ACCOUNT

The Borrower shall establish a current account with the Bank (the "General Account") for the conduct of the Borrower's day-to-day banking business. The Borrower authorizes the Bank daily or otherwise as and when determined by the Bank, to ascertain the balance of the General Account and:

- a) if such position is a debit balance the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, make available a Borrowing by way of RBP Loans under this facility; and
- b) if such position is a credit balance, where the facility is indicated to be Bank revolved, the Bank may, subject to the revolving increment amount and minimum retained balance specified in this Agreement, apply the amount of such credit balance or any part as a repayment of any Borrowings outstanding by way of RBP Loans under this facility.

Facility #2: \$3,600,000 revolving term facility by way of:

- a) Letters of Guarantee ("LGs")

0.50% per annum. Fees and drawings to be charged to Borrower's accounts. Minimum fee of \$100 in the currency of issue.

AVAILABILITY

The Borrower may borrow up to the amount of this term facility provided an Event of Default shall not have occurred and be continuing at the time of any Borrowing.

REPAYMENT

Borrowings under this facility shall be repayable in full and this facility shall be cancelled on August 31, 2013.

Facility #3: \$14,000,000 non-revolving term facility by way of:

- | | | |
|---------------------------------|-----------------------------|-------|
| a) RBP Loans | Interest rate (per annum): | RBP |
| b) Bankers' Acceptances ("BAs") | Acceptance fee (per annum): | 1.00% |

AVAILABILITY

Borrowings under this facility shall be used to finance the construction costs of a transformer station (the "Project") located in a new industrial subdivision in the south-west section of the City of Stratford, Ontario (the "Project Lands").

The Borrower may borrow up to the amount of this term facility provided an Event of Default shall not have occurred and be continuing at the time of any Borrowing.

REPAYMENT

Repayable in full on the earlier of:	(i) The date of advance of Borrowings under Facility #4, and (ii) May 31, 2013
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Facility #4: \$14,000,000 non-revolving term loan, by way of:

- | | |
|--------------|---|
| a) RBP Loans | Interest rate (per annum): RBP |
| b) BAs | 5 year term: acceptance fee 0.36% per annum
10 year term: acceptance fee 0.42% per annum |

AVAILABILITY

The Borrower may borrow up to the amount of this term facility provided an Event of Default shall not have occurred and be continuing at the time of any Borrowing. At any time after May 31, 2013, or such later date as may be agreed upon between the Bank and the Borrower, any unutilized portion of this facility shall be cancelled by the Bank.

The proceeds of Borrowings under this facility shall be utilized to repay in full all Borrowings under Facility #3 and Facility #3 is immediately then cancelled.

REPAYMENT

Payment Amount:	To be determined at drawdown	Payment Frequency:	Monthly
Payment Type:	Principal Plus Interest	First payment date:	30 days from drawdown
Repayable in full on:	The last day of a 5 or 10 year term from drawdown as selected by the Borrower	Original Amortization (months)	300

OTHER FACILITIES

The Credit Facilities are in addition to the following facilities (the "Other Facilities"). The Other Facilities will be governed by this Agreement and separate agreements between the Borrower and the Bank. In the event of a conflict between this Agreement and any such separate agreement, the terms of the separate agreement will govern.

- a) VISA Business to a maximum amount of \$30,000.

FEES

Monthly Fee:

Payable in arrears on the same day of each month.

Management Fee: \$100

SECURITY

Security for the Borrowings and all other obligations of the Borrower to the Bank (collectively, the "Security"), shall include:

- a) General security agreement on the Bank's form 924 signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower, which will be shared on a *pari passu* basis with Ontario Infrastructure Projects Corporation ("OIPC"), pursuant to the OIPC Intercreditor Agreement as defined below; and
- b) Intercreditor agreement between the Bank, the Borrower and OIPC whereby the parties agree as to the priority of their respective security interests in the personal property of the Borrower ("OIPC Intercreditor Agreement").

FINANCIAL COVENANTS

In the event that the Borrower changes accounting standards, accounting principles and/or the application of accounting principles during the term of this Agreement, all financial covenants shall be calculated using the accounting standards and principles applicable at the time this Agreement was entered into.

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of any demand or other discretionary facility the Borrower covenants and agrees with the Bank that the Borrower will:

- a) maintain, to be measured as at the end of each fiscal quarter:
 - i. a ratio of Funded Debt to Total Capital of not greater than 0.65:1; and
- b) will not make principal or interest payments on shareholder loans owing by the Borrower to its shareholders, unless the Borrower is in compliance with all terms and conditions of this Agreement and of the Security at the time of any such payment and unless the making of any such payment will not cause the Borrower to breach of any of the terms and conditions of this Agreement and of the Security.

REPORTING REQUIREMENTS

The Borrower will provide the following to the Bank:

- a) quarterly company prepared financial statements for the Borrower, including balance sheet, income statement and cash flow statement with comparisons to business plan, within 45 days of each fiscal quarter end, with the exception of the fiscal quarter ending June 30th where the quarterly financial statements will be provided within 75 days of such fiscal quarter end;
- b) quarterly Compliance Certificate, substantially in the form of Schedule "H" signed by an authorized signing officer of the Borrower certifying compliance with this Agreement including the financial covenants set forth in the Agreement, within 45 days of each fiscal quarter end, with the exception of the fiscal quarter ending June 30th where the Compliance Certificate will be provided within 75 days of such fiscal quarter end;
- c) annual audited financial statements for the Borrower, within 120 days of each fiscal year end;
- d) annual company prepared business plan for the Borrower, including balance sheet, income and cash flow statements and capital budget for the next following fiscal year, within 120 days of each fiscal year end; and
- e) such other financial and operating statements and reports as and when the Bank may reasonably require.

CONDITIONS PRECEDENT

In no event will the Credit Facilities or any part thereof be available unless the Bank has received:

- a) a duly executed copy of this Agreement;
- b) the Security provided for herein, registered, as required, to the satisfaction of the Bank;
- c) such financial and other information or documents relating to the Borrower as the Bank may reasonably require; and
- d) such other authorizations, approvals, opinions and documentation as the Bank may reasonably require.

Additionally;

- e) all documentation to be received by the Bank shall be in form and substance satisfactory to the Bank.

CONDITIONS PRECEDENT – FACILITY #3

In addition to the conditions set forth above in the Conditions Precedent section, the availability of any Borrowing under Facility #3 is conditional upon the receipt of:

- a) a certificate of insurance in respect of the Project and the Project Lands, evidencing coverage in form, scope and content acceptable to the Bank;

-
- b) a copy of the Project budget and Project schedule and evidence satisfactory to the Bank that the Project budget includes all necessary costs to ensure the Project is completed in compliance with environmental laws;
 - c) confirmation the Borrower has engaged a project consultant for the Project, satisfactory to the Bank, to review the Project budget and Project schedules and to provide monthly reports to support draw requests;
 - d) copies of all performance bonds and all labour and material bonds evidencing coverage in such amount(s) as may be specified by the Bank;
 - e) a report on the Project by a Professional Engineer acceptable to the Bank certifying:
 - adequacy of the Project budget for the purposes of completing construction of the Project;
 - completeness of plans and specifications;
 - compliance with building codes and zoning regulations;
 - compliance with environmental standards and regulations;
 - adequacy of structural, electrical and mechanical systems;
 - adequacy of the survey lot plan and soil conditions;
 - adequacy of the construction schedule.

CONDITIONS PRECEDENT – FACILITY #4

In addition to the conditions set forth above in the Conditions Precedent section, the availability of any Borrowing under Facility #4 is conditional upon the receipt of:

- a) a certificate of substantial completion in respect of the Project, satisfactory to the Bank; and
- b) title search(es) from the Bank's solicitor providing evidence satisfactory to the Bank that no liens or other encumbrances are registered against the Project Lands, except for Permitted Encumbrances

ONGOING CONDITIONS - FACILITY #3

In addition to the conditions set forth above in the Conditions Precedent section and in the Conditions Precedent – Facility #3 section, the availability of any Borrowing under Facility #3 is conditional upon the satisfaction of the following conditions prior to each and every Borrowing:

- a) receipt by the Bank of a Request for Advance, substantially in the form of Schedule "E", together with:
 - (i) a report showing the cost of work completed to date, the cumulative positive or negative value of any change orders, the amount of any holdbacks under any real property lien legislation and the current cost to complete the Project,
 - (ii) an update to the Project Budget and Project Schedule, together with comments on any material variances from the original Project Budget and Project Schedule provided to the Bank,
 - (iii) comments on any material changes to the Project or any potential or actual problem areas which have been identified and may affect completion of the Project in accordance with the Project Budget and Project Schedule provided to the Bank,
 - (iv) Project Consultants' Certificate(s), substantially in the form of Schedule "F",
 - (v) contractor statutory declarations on properly sealed CCDC Form 9A-2001 or, alternatively, such other forms or Statutory Declarations that contain at a minimum, the information contained in Form 9A-2001, and
 - (vi) where the Request for Advance includes a request to release lien holdbacks, a properly sealed CCDC Form 9B-2001 from each subcontractor to which a holdback is being released or, alternatively, such other form or Statutory Declaration which contains, at a minimum, the information contained in Form 9B-2001;

- c) title search(es) from the Bank's solicitor providing evidence satisfactory to the Bank that no liens or other encumbrances are registered against the Project Lands, except for Permitted Encumbrances.

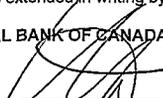
GOVERNING LAW JURISDICTION

Province of Ontario.

ACCEPTANCE

This Agreement is open for acceptance until July 29, 2012 after which date it will be null and void, unless extended in writing by the Bank.

ROYAL BANK OF CANADA

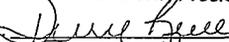
Per: 
 Name: C. W. (Chris) Hiebert
 Title: Regional Director -- Public Sector

/afr

We acknowledge and accept the terms and conditions of this Agreement on this 22 day of August, 2012.

FESTIVAL HYDRO INC.

Per: 
 Name: _____
 Title: W.G. Zehr, President

Per: 
 Name: Debbie Heele
 Title: Chief Financial Officer & Secretary
 (We have the authority to bind the Borrower)

Attachments:

Terms and Conditions

Schedules:

- Definitions
- Calculation and Payment of Interest and Fees
- Notice Requirements
- Additional Borrowing Conditions
- Request for Advance
- Project Consultant's Certificate
- Compliance Certificate
- RBC Covarity Dashboard Terms and Conditions

TERMS AND CONDITIONS

The Bank is requested by the Borrower to make the Credit Facilities available to the Borrower in the manner and at the rates and times specified in this Agreement. Terms defined elsewhere in this Agreement and not otherwise defined in the Terms and Conditions below or the Schedules attached hereto have the meaning given to such terms as so defined. In consideration of the Bank making the Credit Facilities available, the Borrower agrees, and if the Borrower is comprised of more than one Person, such Persons jointly and severally agree, or in Quebec solidarily agree, with the Bank as follows:

REPAYMENT

Amounts outstanding under the Credit Facilities, together with interest, shall become due in the manner and at the rates and times specified in this Agreement and shall be paid in the currency of the Borrowing. Unless the Bank otherwise agrees, any payment hereunder must be made in money which is legal tender at the time of payment. In the case of a demand facility of any kind, the Borrower shall repay all principal sums outstanding under such facility upon demand including, without limitation, an amount equal to the face amount of all LGs and BAs which are unmaturred or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings. Where any Borrowings are repayable by scheduled blended payments, such payments shall be applied, firstly, to interest due, and the balance, if any, shall be applied to principal outstanding. If any such payment is insufficient to pay all interest then due, the unpaid balance of such interest will be added to such Borrowing, will bear interest at the same rate, and will be payable on demand or on the date specified herein, as the case may be. Borrowings repayable by way of scheduled payments of principal and interest shall be so repaid with any balance of such Borrowings being due and payable as and when specified in this Agreement. The Borrower shall ensure that the maturities of Instruments or contracts selected by the Borrower when making Borrowings will be such so as to enable the Borrower to meet its repayment obligations. For any Borrowings that are repayable by scheduled payments, if the scheduled payment date is changed then the Maturity Date of the applicable Borrowings shall automatically be amended accordingly.

In the case of any reducing term loan and/or reducing term facility ("**Reducing Term Loan/Facility**"), provided that nothing contained in this paragraph shall confer any right of renewal or extension upon the Borrower, the Borrower and the Bank agree that, at the Bank's option, the Bank may provide a letter ("**Renewal Letter**") to the Borrower setting out the terms upon which the Bank is prepared to extend the Reducing Term Loan/Facility. In the event that the Bank provides a Renewal Letter to the Borrower and the Reducing Term Loan/Facility is not repaid on or before the Maturity Date of the applicable Reducing Term Loan/Facility, then at the Bank's option the Reducing Term Loan/Facility shall be automatically renewed on the terms set out in the Renewal Letter and the terms of this Agreement shall be amended accordingly.

PREPAYMENT

Where Borrowings are by way of RBP Loans, the Borrower may prepay such Borrowings in whole or in part without fee or premium.

The prepayment of any Borrowings under a term facility and/or any term loan will be made in the reverse order of maturity.

EVIDENCE OF INDEBTEDNESS

The Bank shall maintain accounts and records (the "**Accounts**") evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of such Borrowings, the payment of principal and interest on account of the Borrowings, and all other amounts becoming due to the Bank under this Agreement. The Accounts constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement. The Borrower authorizes and directs the Bank to automatically debit, by mechanical, electronic or manual means, any bank account of the Borrower for all amounts payable under this Agreement, including, but not limited to, the repayment of principal and the payment of interest, fees and all charges for the keeping of such bank accounts.

GENERAL COVENANTS

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, the Borrower covenants and agrees with the Bank that the Borrower:

- a) will pay all sums of money when due under the terms of this Agreement;
- b) will immediately advise the Bank of any event which constitutes or which, with notice, lapse of time or both, would constitute an Event of Default;
- c) will file all material tax returns which are or will be required to be filed by it, pay or make provision for payment of all material taxes (including interest and penalties) and Potential Prior-Ranking Claims, which are or will become due and payable and provide adequate reserves for the payment of any tax, the payment of which is being contested;
- d) will give the Bank 30 days prior notice in writing of any intended change in its ownership structure and it will not make or facilitate any such changes without the prior written consent of the Bank;
- e) will comply with all Applicable Laws, including, without limitation, all Environmental Laws;
- f) will immediately advise the Bank of any action requests or violation notices received concerning the Borrower and hold the Bank harmless from and against any losses, costs or expenses which the Bank may suffer or incur for any environment related liabilities existing now or in the future with respect to the Borrower;
- g) will deliver to the Bank such financial and other information as the Bank may reasonably request from time to time, including, but not limited to, the reports and other information set out under Reporting Requirements;
- h) will immediately advise the Bank of any material negative change in its financial position which may adversely affect its ability to pay or perform its obligations in accordance with the terms of this Agreement;
- i) will keep its assets, other than any electrical distribution infrastructure assets, fully insured against such perils and in such manner as would be customarily insured by Persons carrying on a similar business or owning similar assets and, in addition, for any buildings located in areas prone to flood and/or earthquake, will insure and keep fully insured such buildings against such perils;
- j) except for Permitted Encumbrances, will not, without the prior written consent of the Bank, grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights;
- k) will not, without the prior written consent of the Bank, sell, transfer, convey, lease or otherwise dispose of any of its properties or assets other than in the ordinary course of business and on commercially reasonable terms;
- l) will not, without the prior written consent of the Bank, guarantee or otherwise provide for, on a direct, indirect or contingent basis, the payment of any monies or performance of any obligations by any other Person, including, without limitation, affiliates of the Borrower, except as may be provided for herein;
- m) will not, without the prior written consent of the Bank, merge, amalgamate, or otherwise enter into any other form of business combination with any other Person;
- n) will permit the Bank or its representatives, from time to time, on not less than 3 Business Days notice i) to visit and inspect the Borrower's premises, properties and assets and examine and obtain copies of the Borrower's records or other information, where not prohibited by any Applicable Laws, ii) to collect information from any entity regarding any Potential Prior-Ranking Claims and iii) after the occurrence and during an Event of Default, to discuss the Borrower's affairs with the auditors, counsel and other professional advisers of the Borrower. The Borrower hereby authorizes and directs any such third party to provide to the Bank or its representatives all such information, records or documentation requested by the Bank;
- o) will not use the proceeds of any Credit Facility for the benefit or on behalf of any Person other than the Borrower; and
- p) will comply with all the guidelines, rules, orders, codes or any other Applicable Laws of the Ontario Energy Board.

EXPENSES, ETC.

The Borrower agrees to pay the Bank all fees, as stipulated in this Agreement. The Borrower also agrees to pay all fees (including legal fees), costs and expenses incurred by the Bank in connection with preparation, negotiation and documentation of this Agreement and any Security and the operation, enforcement or termination of this Agreement and the Security. The Borrower shall indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank if any facility under the Credit Facilities is repaid or prepaid other than on its Maturity Date. The determination by the Bank of such loss, cost or expense shall be conclusive and binding for all purposes and shall include, without limitation, any loss incurred by the Bank in liquidating or redeploying deposits acquired to make or maintain any facility.

GENERAL INDEMNITY

The Borrower hereby agrees to indemnify and hold the Bank and its directors, officers, employees and agents harmless from and against any and all claims, suits, actions, demands, debts, damages, costs, losses, obligations, judgements, charges, expenses and liabilities of any nature which are suffered, incurred or sustained by, imposed on or asserted against any such Person as a result of, in connection with or arising out of i) any Event of Default, ii) the Bank acting upon instructions given or agreements made by electronic transmission of any type, iii) the presence of Contaminants at, on or under or the discharge or likely discharge of Contaminants from, any properties now or previously used by the Borrower and iv) the breach of or non compliance with any Applicable Law by the Borrower.

AMENDMENTS AND WAIVERS

No amendment or waiver of any provision of this Agreement will be effective unless it is in writing, signed by the Borrower and the Bank. No failure or delay, on the part of the Bank, in exercising any right or power hereunder or under any Security or any other agreement delivered to the Bank shall operate as a waiver thereof. Any amendments requested by the Borrower will require review and agreement by the Bank and its counsel. Costs related to this review will be for the Borrower's account.

SUCCESSORS AND ASSIGNS

This Agreement shall extend to and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. The Borrower shall not be entitled to assign or transfer any rights or obligations hereunder, without the consent in writing of the Bank. The Bank shall not be entitled to assign or transfer any rights or obligations hereunder, without the consent in writing of the Borrower, provided that, if an Event of Default has occurred and is continuing, the Bank will be entitled to assign or transfer any rights or obligations hereunder without the Borrower's consent. The Bank may disclose to potential or actual assignees or transferees confidential information regarding the Borrower (including, any such information provided by the Borrower to the Bank) and shall not be liable for any such disclosure.

GAAP

Unless otherwise provided, all accounting terms used in this Agreement shall be interpreted in accordance with Canadian Generally Accepted Accounting Principles, as appropriate, for publicly accountable enterprises, private enterprises, not-for-profit organizations, pension plans and in accordance, as appropriate, with Public Sector Accounting Standards for government organizations in effect from time to time, applied on a consistent basis from period to period. All financial statements and/or reports shall be prepared using one of the above bases of presentation, as appropriate. Except for the transition of accounting standards in Canada, any change in accounting principles or the application of accounting principles is only permitted with the prior written consent of the Bank.

SEVERABILITY

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement and such invalid provision shall be deemed to be severable.

GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws of the Province identified in the Governing Law Jurisdiction section of this Agreement and the laws of Canada applicable therein. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such court.

DEFAULT BY LAPSE OF TIME

The mere lapse of time fixed for performing an obligation shall have the effect of putting the Borrower, in default thereof.

SET-OFF

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) in any account in the name of the Borrower (in any currency) at any branch or agency of the Bank in or towards satisfaction of the indebtedness of the Borrower due to the Bank under the Credit Facilities and the other obligations of the Borrower under this Agreement. For that purpose, the Bank is irrevocably authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

NOTICES

Any notice or demand to be given by the Bank shall be given in writing by way of a letter addressed to the Borrower. If the letter is sent by telecopier, it shall be deemed received on the date of transmission, provided such transmission is sent prior to 5:00 p.m. on a day on which the Borrower's business is open for normal business, and otherwise on the next such day. If the letter is sent by ordinary mail to the address of the Borrower, it shall be deemed received on the date falling five (5) days following the date of the letter, unless the letter is hand-delivered to the Borrower, in which case the letter shall be deemed to be received on the date of delivery. The Borrower must advise the Bank at once about any changes in the Borrower's address.

CONSENT OF DISCLOSURE

The Borrower hereby grants permission to any Person having information in such Person's possession relating to any Potential Prior-Ranking Claim, to release such information to the Bank (upon its written request), solely for the purpose of assisting the Bank to evaluate the financial condition of the Borrower.

NON-MERGER

The provisions of this Agreement shall not merge with any Security provided to the Bank, but shall continue in full force for the benefit of the parties hereto.

JOINT AND SEVERAL

Where more than one Person is liable as Borrower for any obligation under this Agreement, then the liability of each such Person for such obligation is joint and several (in Quebec, solidarily) with each other such Person.

LIFE AND DISABILITY INSURANCE

The Borrower acknowledges that the Bank has offered it insurance on the Borrowings under Business Loan Insurance Plan Policy 51000 ("Policy") issued by Sun Life Assurance Company of Canada to the Bank and the Borrower hereby waives this offer or acknowledges it is ineligible for this offer and acknowledges that Borrowings are not insured under the Policy as at the date of acceptance of this Agreement.

If there are any discrepancies between the insurance information above, and the Business Loan Insurance Plan documents regarding the Borrowings, the Business Loan Insurance Plan documents govern.

Business Loan Insurance Plan premiums, if applicable, are taken with your scheduled loan payments. In the case of blended payments of principal and interest, as premiums fluctuate based on various factors such as, by way of example, the age of the insured and changes to the insured loan balance, a part of the premium payment may be deducted and taken from the

scheduled blended loan payment with the result that the amortization period may increase in the case of any such loan to which this coverage applies. Refer to the Business Loan Insurance Plan application (form 3460 Eng or 53460 Fr) for further explanation and disclosure.

COUNTERPART EXECUTION

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together constitute one and the same instrument.

ELECTRONIC MAIL AND FAX TRANSMISSION

The Bank is entitled to rely on any agreement, document or instrument provided to the Bank by the Borrower by way of electronic mail or fax transmission as though it were an original document. The Bank is further entitled to assume that any communication from the Borrower received by electronic mail or fax transmission is a reliable communication from the Borrower.

ELECTRONIC IMAGING

The parties hereto agree that, at any time, the Bank may convert paper records of this Agreement and all other documentation delivered to the Bank (each, a "Paper Record") into electronic images (each, an "Electronic Image") as part of the Bank's normal business practices. The parties agree that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceeding as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Bank that:

- a) it is duly incorporated, validly existing and duly registered or qualified to carry on business in each jurisdiction in which its business or assets are located;
- b) the execution, delivery and performance by it of this Agreement have been duly authorized by all necessary actions and do not violate its constating documents or any Applicable Laws or agreements to which it is subject or by which it is bound;
- c) no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default;
- d) there is no claim, action, prosecution or other proceeding of any kind pending or threatened against it or any of its assets or properties before any court or administrative agency which relates to any non-compliance with any Environmental Laws which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any Security, and there are no circumstances of which it is aware which might give rise to any such proceeding which it has not fully disclosed to the Bank; and
- e) it has good and marketable title to all of its properties and assets, free and clear of any encumbrances, other than as may be provided for herein.

Representations and warranties are deemed to be repeated as at the time of each Borrowing hereunder.

LANGUAGE

The parties hereto have expressly requested that this Agreement and all related documents, including notices, be drawn up in the English language. Les parties ont expressément demandé que la présente convention et tous les documents y afférents, y compris les avis, soient rédigés en langue anglaise.

WHOLE AGREEMENT

This Agreement and any documents or instruments referred to in, or delivered pursuant to, or in connection with, this Agreement constitute the whole and entire agreement between the Borrower and the Bank with respect to the Credit Facilities.

EVENTS OF DEFAULT

Without affecting or limiting the right of the Bank to terminate or demand payment of, or to cancel or restrict availability of any unutilized portion of, any demand or other discretionary facility, each of the following shall constitute an "Event of Default" which shall entitle the Bank, in its sole discretion, to cancel any Credit Facilities, demand immediate repayment in full of any amounts outstanding under any term facility, together with outstanding accrued interest and any other indebtedness under or with respect to any term facility, and to realize on all or any portion of any Security:

- a) failure of the Borrower to pay any principal, interest or other amount when due pursuant to this Agreement;
- b) failure of the Borrower to observe any covenant, term or condition contained in this Agreement, the Security, or any other agreement delivered to the Bank or in any documentation relating hereto or thereto;
- c) the Borrower is unable to pay its debts as such debts become due, or is, or is adjudged or declared to be, or admits to being, bankrupt or insolvent;
- d) if any proceeding is taken to effect a compromise or arrangement with the creditors of the Borrower or to have the Borrower declared bankrupt or wound up, or to have a receiver appointed for any part of the assets or operations of the Borrower or if any encumbrancer takes possession of any part thereof;
- e) if in the opinion of the Bank there is a material adverse change in the financial condition, ownership or operation of the Borrower;
- f) if any representation or warranty made by the Borrower under this Agreement or in any other document relating hereto or under any Security shall be false in any material respect; or
- g) if the Borrower defaults in the payment of any other indebtedness in excess of \$250,000, whether owing to the Bank or to any other Person, or defaults in the performance or observance of any agreement in respect of such indebtedness where, as a result of such default, the maturity of such indebtedness is or may be accelerated.

Should the Bank demand immediate repayment in full of any amounts outstanding under any term facility due to an Event of Default, the Borrower shall immediately repay all principal sums outstanding under such facility and all other obligations in connection with any such term facility including, without limitation, an amount equal to the face amount of all BAs which are unmaturred or unexpired, which amount shall be held by the Bank as security for the Borrower's obligations to the Bank in respect of such Borrowings.

INCREASED COSTS

The Borrower shall reimburse the Bank for any additional cost or reduction in income arising as a result of (i) the imposition of, or increase in, taxes on payments due to the Bank hereunder (other than taxes on the overall net income of the Bank), (ii) the imposition of, or increase in, any reserve or other similar requirement, (iii) the imposition of, or change in, any other condition affecting the Credit Facilities imposed by any Applicable Laws or the interpretation thereof.

CONFLICT AND PARAMOUNTCY

To the extent that any terms, condition, representation, warranty or other provision of any document, instrument or agreement executed and delivered by the Borrower in connection with this Agreement (including, without limitation, the Security), at any time, conflicts or is inconsistent with any term, condition, covenant, representation, warranty or other provision of this Agreement, the term, condition, covenant, representation, warranty or other provision of this Agreement shall prevail, be paramount and govern the relationship between the Borrower and the Bank.

Schedule "A" to the Agreement dated June 29, 2012, between Festival Hydro Inc, as Borrower, and Royal Bank of Canada, as the Bank.

DEFINITIONS

For the purpose of this Agreement, the following terms and phrases shall have the following meanings:

"Applicable Laws" means, with respect to any Person, property, transaction or event, all present or future applicable laws, statutes, regulations, rules, orders, codes, treaties, conventions, judgements, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction in any applicable jurisdiction;

"Bankers' Acceptance" or **"BA"** means a bill of exchange, including a depository bill issued in accordance with the Depository Bills and Notes Act (Canada), drawn on the Bank by, and payable to the order of, the Borrower which have been accepted by the Bank;

"Borrowing" means each use of a Credit Facility and all such usages outstanding at any time are **"Borrowings"**;

"Business Day" means a day, excluding Saturday, Sunday and any other day which shall be a legal holiday or a day on which banking institutions are closed throughout Canada, and when used in connection with a BA, a **"Business Day"** also excludes any day which shall be a legal holiday or a day on which banking institutions are closed in Toronto, Ontario or in the province where the Borrower's accounts are maintained;

"Contaminant" includes, without limitation, any pollutant, dangerous substance, liquid waste, industrial waste, hazardous material, hazardous substance or contaminant including any of the foregoing as defined in any Environmental Law;

"Environmental Activity" means any activity, event or circumstance in respect of a Contaminant, including, without limitation, its storage, use, holding, collection, purchase, accumulation, assessment, generation, manufacture, construction, processing, treatment, stabilization, disposition, handling or transportation, or its Release into the natural environment, including movement through or in the air, soil, surface water or groundwater;

"Environmental Laws" means all Applicable Laws relating to the environment or occupational health and safety, or any Environmental Activity;

"Equity" means the total of share capital, (excluding preferred shares redeemable within one year) contributed surplus and retained earnings plus Postponed Debt;

"Funded Debt" means, at any time for the fiscal period then ended, all obligations for borrowed money which bears interest or to which interest is imputed plus, without duplication, all obligations for the deferred payment of the purchase of property, all capital lease obligations and all indebtedness secured by purchase money security interests, but excluding Postponed Debt;

"Letter of Guarantee" or **"LG"** means a documentary credit issued by the Bank on behalf of the Borrower for the purpose of providing security to a third party that the Borrower or a person designated by the Borrower will perform a contractual obligation owed to such third party;

"Maturity Date" means the date on which a facility is due and payable in full;

"Overdrafts" means advances of credit by way of debit balances in the Borrower's current account;

“Permitted Encumbrances” means, in respect of the Borrower:

- a) liens arising by operation of law for amounts not yet due or delinquent, minor encumbrances on real property such as easements and rights of way which do not materially detract from the value of such property, and security given to municipalities and similar public authorities when required by such authorities in connection with the operations of the Borrower in the ordinary course of business;
- b) security granted to OPIC, where such security interest is subject to the OPIC Intercreditor Agreement;
- c) encumbrances, liens, charges and reservations of title and renewals thereof to secure the payment of the purchase price or the repayment of moneys borrowed to pay the purchase price of any property or properties hereafter or previously acquired by the Borrower;
- d) the lien of any judgment rendered or claim filed against the Borrower or its property, which is being contested in good faith by proper legal proceedings;
- e) the encumbrance against the Borrower or its assets resulting from the deposit of cash or securities to secure liens or claims incidental to construction and other similar liens; and
- f) Security granted in favour of the Bank;

“Person” includes an individual, a partnership, a joint venture, a trust, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof including Canada Revenue Agency, and any other incorporated or unincorporated entity;

“Postponed Debt” means indebtedness that is fully postponed and subordinated, both as to principal and interest, on terms satisfactory to the Bank, to the obligations owing to the Bank hereunder;

“Potential Prior-Ranking Claims” means all amounts owing or required to be paid, where the failure to pay any such amount could give rise to a claim pursuant to any law, statute, regulation or otherwise, which ranks or is capable of ranking in priority to the Security or otherwise in priority to any claim by the Bank for repayment of any amounts owing under this Agreement;

“RBP” and **“Royal Bank Prime”** each means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on commercial loans made in Canadian currency in Canada;

“Release” includes discharge, spray, inject, inoculate, abandon, deposit, spill, leak, seep, pour, emit, empty, throw, dump, place and exhaust, and when used as a noun has a similar meaning;

“Total Capital” means Funded Debt plus Equity.

Schedule "B" to the Agreement dated June 29, 2012, between Festival Hydro Inc, as Borrower, and Royal Bank of Canada, as the Bank.

CALCULATION AND PAYMENT OF INTEREST AND FEES

LIMIT ON INTEREST

The Borrower shall not be obligated to pay any interest, fees or costs under or in connection with this Agreement in excess of what is permitted by Applicable Law.

OVERDUE PAYMENTS

Any amount that is not paid when due hereunder shall, unless interest is otherwise payable in respect thereof in accordance with the terms of this Agreement or the instrument or contract governing same, bear interest until paid at the rate of RBP plus 5% per annum. Such interest on overdue amounts shall be computed daily, compounded monthly and shall be payable both before and after any or all of default, maturity date, demand and judgement.

EQUIVALENT YEARLY RATES

The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

TIME AND PLACE OF PAYMENT

Amounts payable by the Borrower hereunder shall be paid at such place as the Bank may advise from time to time in the applicable currency. Amounts due on a day other than a Business Day shall be deemed to be due on the Business Day next following such day. Interest and fees payable under this Agreement are payable both before and after any or all of default, maturity date, demand and judgement.

RBP LOANS

The Borrower shall pay interest on each RBP Loan, monthly in arrears, on the 26th day of each month or such other day as may be agreed to between the Borrower and the Bank. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days and shall be paid in the currency of the applicable Borrowing.

OVERDRAFTS

The Borrower shall pay interest on Overdrafts, monthly in arrears, on the 17th day of each month. Such interest will be calculated monthly and will accrue daily on the basis of the actual number of days elapsed and a year of 365 days and shall be paid in the currency of the applicable Borrowing.

LETTER OF GUARANTEE FEES

The Borrower shall pay LG fees in advance on a quarterly basis calculated on the face amount of the LG issued and based on the number of days in the upcoming quarter or remaining term thereof and a year of 365 days. LG fees are non-refundable.

BANKERS ACCEPTANCES

The Borrower shall pay an acceptance fee in advance on the date of issue of each BA at the applicable rate provided for in this Agreement. Acceptance fees shall be calculated on the face amount of the BA issued and based upon the number of days in the term thereof and a year of 365 days.

Schedule "C" to the Agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

NOTICE REQUIREMENTS**Notice Requirements for RBP Loans:**

Amount	Prior Notice
Under \$20,000,000	By 2 p.m. (Toronto time) on the day of Borrowing

Notice Requirements for BAs:

Amount	Prior Notice
Up to but not including \$50,000,000	By 10:00 a.m. Eastern Standard Time on the day of Borrowing
\$50,000,000 and over	By 12:00 p.m. Eastern Standard Time, 1 Business Day prior to the day of Borrowing

Schedule "D" to the Agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

ADDITIONAL BORROWING CONDITIONS

BAs:

Borrowings made by way of BAs will be subject to the following terms and conditions:

- a) BAs shall be issued and mature on a Business Day and shall be issued in minimum face amounts of \$500,000 or such larger amounts which are in whole multiples of \$1,000 for terms of not less than 30 and not more than 365 days unless otherwise agreed to in writing between the Borrower and the Bank;
- b) the Bank may, in its sole discretion, refuse to accept the Borrower's drafts or limit the amount of any BA issue at any time;
- c) notwithstanding any other provision of this Agreement, the Borrower shall indemnify the Bank against any loss, cost or expense incurred by the Bank if any BA is repaid, prepaid, converted or cancelled other than on the maturity date of such BA;
- d) any BA issued under a term facility must have a maturity on or before the Maturity Date of the term facility, unless otherwise agreed by the Bank; and
- e) prior to the issue of any BA the Borrower shall execute the Bank's standard form of undertaking and agreement in respect of BAs. If there is any inconsistency at any time between the terms of this Agreement and the terms of the Bank's standard form of undertaking and agreement, the terms of this Agreement shall govern.

LGs:

Borrowings made by way of LGs will be subject to the following terms and conditions:

- a) each LG shall expire on a Business Day and shall have a term of not more than 365 days;
- b) at least 2 Business Days prior to the issue of an LG, the Borrower shall execute a duly authorized application with respect to such LG and each LG shall be governed by the terms and conditions of the relevant application for such contract;
- c) an LG may not be revoked prior to its expiry date unless the consent of the beneficiary of the LG has been obtained;
- d) any LG issued under a term facility must have an expiry date on or before the Maturity Date of the term facility, unless otherwise agreed by the Bank; and
- e) if there is any inconsistency at any time between the terms of this Agreement and the terms of the application for LG, the terms of the application for LG shall govern.

Interest Rate and Commodity Derivatives

"Interest Rate and Commodity Derivatives" means any interest rate swap transaction or commodity derivative, or any derivative or option with respect thereto, or any combination of any of the foregoing, or any other transaction related to financial risk now existing or hereafter developed.

At the Borrower's request, the Bank may agree to enter into Interest Rate and Commodity Derivatives with the Borrower from time to time. The Borrower acknowledges that the Bank makes no formal commitment herein to enter into any Interest Rate and Commodity Derivatives and the Bank may, at any time and at all times, in its sole and absolute discretion, accept or reject any request by the Borrower to enter into any Interest Rate and Commodity Derivatives. If the Bank does enter into Interest Rate or Commodity Derivatives with the Borrower, it will do so subject to the following:

- a) the Borrower shall promptly issue or countersign and return a confirmation or acknowledgement of the terms of each such Interest Rate and Commodity Derivatives as required by the Bank;
- b) the Borrower shall promptly enter into a master agreement or other agreement in form and substance satisfactory to the Bank including, without limitation, any agreement used by the International Swap Dealers Association, Inc. or any foreign exchange netting and close out agreement;
- c) in the event of demand for payment under the Agreement of which this schedule forms a part, the Bank may terminate all or any Interest Rate and Commodity Derivatives. If the agreement governing any Interest Rate and Commodity Derivatives does not contain provisions governing termination, any such termination shall be effected in accordance with customary market practice. The Bank's determination of amounts owing under any terminated Interest Rate and Commodity Derivatives shall be conclusive in the absence of manifest error. The Bank shall apply any amount owing by the Bank to the Borrower on termination of any Interest Rate and Commodity Derivatives against the Borrower's obligations to the Bank under the Agreement and any amount owing to the Bank by the Borrower on such termination shall be added to the Borrower's obligations to the Bank under the Agreement and secured by the Security;
- d) the Borrower shall pay all required fees in connection with any Interest Rate and Commodity Derivatives and indemnify and hold the Bank harmless against any loss, cost or expense incurred by the Bank in relation to any Interest Rate and Commodity Derivatives, other than payment owing to the Borrower under the Interest Rate and Commodity Derivatives;
- e) any rights of the Bank herein in respect of any Interest Rate and Commodity Derivatives are in addition to and not in limitation of or substitution for any rights of the Bank under any agreement governing such Interest Rate and Commodity Derivatives. In the event that there is any inconsistency at any time between the terms hereof and any agreement governing such Interest Rate and Commodity Derivatives, the terms of such agreement shall prevail.

Schedule "E" to the agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

REQUEST FOR ADVANCE

Royal Bank of Canada ("Bank")	BORROWER: Festival Hydro Inc. ("Borrower")
ADVANCE NO:	PROJECT: The construction of a transformer station located in a new industrial subdivision in the south-west section of the City of Stratford, Ontario ("Project")
CERTIFICATE DATE: [Date]	COMPLETION DATE: [Date] ("Completion Date")

Borrower hereby requests an advance of [insert amount in words] Dollars (\$[insert amount in numbers]) for work done on the Project from [date] to [date] pursuant to the terms of the letter agreement between the Bank and the Borrower dated June 29, 2012 (the "Agreement").

Capitalized terms used and not defined herein shall have the same meaning given to them in the Agreement.

After due investigation and to induce the Bank to make this advance, the Borrower hereby certifies that:

1. The representations and warranties contained in the Agreement are true and accurate in all respects as of the date hereof.
2. No event has occurred, or would result from this advance, which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default.
3. The Project has not been damaged by fire or other casualty and no part of the premises has been expropriated and no proceedings therefore are pending.
4. Construction of the Project is progressing satisfactorily so as to ensure its timely completion in accordance with the Project Schedule.
5. The requirements of any applicable real property lien legislation, including, where applicable, the administration of any holdback accounts, are being met and nothing has occurred subsequent to the date of the Agreement which has resulted or may result in the creation of any lien or legal hypothec, charge or encumbrance upon the premises or any part thereof or which has or may substantially and adversely impair the ability of the Borrower to make all payments of principal and interest under the Agreement or which has or may substantially and adversely impair the financial standing of any guarantor(s) of the obligations of the Borrower under the Agreement or any security agreement given in connection therewith.
6. The Borrower has invested in the lands and Project, as at the date hereof \$[insert amount] of its own capital.
7. Any and all funds received from the Bank previously as advances under the Agreement have been expended or are being held in trust solely for the purpose for which they were advanced; no item of construction costs previously certified to the Bank with a request for advance remains unpaid as of the date hereof; and no part of said funds has been nor any part of the funds to be received pursuant to this request for advance shall be used for any other purposes; further, there are no trade or supplier disputes.
8. The summary of Project costs attached hereto as Schedule A is true and accurate.

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9. All of the statements contained in this request for advance are true, complete and accurate in all respects as of the date hereof.
 10. You are hereby irrevocably authorized and directed to deduct from the gross proceeds of the advance and to pay all accrued and unpaid interest on the loan up to the date of the advance and all fees, disbursements and other costs or charges payable by the Borrower pursuant to the Agreement.

Dated at **[City]**, **[Province]** this **[day]** day of **[month]**, 200**[]**.

FESTIVAL HYDRO INC.

per: _____

Schedule "F" to the agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

PROJECT CONSULTANT'S CERTIFICATE

Royal Bank of Canada ("Bank")	BORROWER: Festival Hydro Inc. ("Borrower")
ADVANCE NO:	PROJECT: The construction of a transformer station located in a new industrial subdivision in the south-west section of the City of Stratford, Ontario ("Project")
CERTIFICATE DATE: [Date]	COMPLETION DATE: [Date] ("Completion Date")

Based on my/our professional experience and qualifications and after making such reasonable enquiries as I/we have deemed necessary in the circumstances, I/we hereby certify to the Bank as follows:

1. I/we have periodically inspected construction since the commencement of construction and last inspected the Project on [insert date] (the "Inspection Date").
2. All required permits, licenses and other authorizations have been obtained and are being maintained.
3. Construction and development of the Project up to and including the Inspection Date has been performed in a good and workmanlike manner.
4. Construction and development of the Project up to and including the Inspection Date has been performed substantially in accordance with (i) the plans and specifications, (ii) all applicable building codes, municipal bylaws and regulations, (iii) all required permits, licenses and other authorizations and (iv) all applicable laws, rules and regulations including, without limitation, environmental laws.
5. In my/our opinion, as of the date hereof, the figures set forth below accurately reflect the Project costs or work completed on the Project and the costs of the remaining work required to complete the Project in accordance with the plans and specifications. A report setting out in greater detail those elements comprising the figures set out below is attached hereto and forms part of this Certificate.

a. Project costs of work completed to date:	\$ _____
b. Project costs of remaining work:	\$ _____
c. Estimated total Project costs (a+b):	\$ _____
d. Original estimate of total Project costs:	\$ _____
e. Amount of additional costs, if any (c-d):	\$ _____
6. In my/our opinion, as of the date hereof, the remaining contingency reserve of \$[insert amount] contained in 5b above is adequate given the current state of work in place and contracts entered into to complete the Project.
7. In my/our opinion, as of the date hereof, the estimated date of completion of the Project is [insert date]. Reasons for delay, if applicable, are outlined in the attached schedule.

This certificate is given in connection with the above-referenced advance under your construction letter agreement with the Borrower indicated above and you may rely upon it in making such advance.

Dated at [City], [Province], this [day] day of [], 200[].

[Consultant's Name]

per: _____

Schedule "H" to the Agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

COMPLIANCE CERTIFICATE

I, _____, representing the Borrower hereby certify as of insert last day of fiscal quarter ending _____:

1. I am familiar with and have examined the provisions of the Agreement dated June 29, 2012, between Festival Hydro Inc. and any amendments thereto, as Borrower, and Royal Bank of Canada as the Bank, and have made reasonable investigations of corporate records and inquiries of other officers and senior personnel of the Borrower. Terms defined in the Agreement have the same meanings where used in this certificate.
2. The representations and warranties contained in the Agreement are true and correct.
3. No event or circumstance has occurred which constitutes or which, with the giving of notice, lapse of time, or both, would constitute an Event of Default and there is no reason to believe that during the next fiscal quarter of the Borrower, any such event or circumstance will occur.
4. The ratio of Funded Debt to Total Capital is _____:1, being not greater than the required ratio of 0.65:1.
5. The detailed calculations of the foregoing ratios and covenants is set forth in the addendum annexed hereto and are true and correct in all respects.

Dated this ____ day of _____, 20__.

Per: _____

Name: _____

Title: _____

Per: _____

Name: _____

Title: _____

Schedule "J" to the Agreement dated June 29, 2012, between Festival Hydro Inc., as Borrower, and Royal Bank of Canada, as the Bank.

RBC COVARTY DASHBOARD TERMS AND CONDITIONS

If the Borrower elects to fulfill the reporting requirements relating to the submission of financial information set out in this Agreement by accessing a secure web based portal ("**RBC Covarity Dashboard**") via the Internet and using RBC Covarity Dashboard to electronically upload the Borrower's financial information and to complete online and electronically submit certificates, reports and/or forms (the "**Service**"), then the following terms and conditions (the "**RBC Covarity Dashboard Terms and Conditions**") apply and are deemed to be included in, and form part of, the Agreement.

1. Definitions. For the purpose of the RBC Covarity Dashboard Terms and Conditions:

"**Disabling Code**" means any clock, timer, counter, computer virus, worm, software lock, drop dead device, Trojan horse routine, trap door, time bomb, or any other unauthorized codes, designs, routines or instructions that may be used to access, modify, replicate, distort, delete, damage or disable any Electronic Channel, including any related hardware or software.

"**Designated User**" an individual permitted to act on behalf of and bind the Borrower in all respects, and specifically in the submission of Electronically Uploaded Financial Information and/or Electronically Submitted Certificates.

"**Electronic Channel**" means any telecommunication or electronic transmission method which may be used in connection with the Service, including computer, Internet, telephone, e-mail or facsimile.

"**Electronic Communication**" means any information, disclosure, request or other communication or agreement sent, received or accepted using an Electronic Channel.

"**Electronically Submitted Certificates**" means certificates, reports and/or forms completed online and electronically submitted by any Designated User accessing the Service.

"**Electronically Uploaded Financial Information**" means financial data, reports and/or information of the Borrower electronically uploaded by any Designated User accessing the Service.

"**Internet**" means a decentralized global communications medium and the world-wide network of computer networks, accessible to the public, that are connected to each other using specific protocols, which provides for file transfer, electronic mail, remote log in, news, database access, and other services.

"**Password**" means a combination of numbers and/or letters selected by a Designated User that is used to identify the Designated User. The Password is used in conjunction with a User ID to access the Service.

"**Security Breach**" means any breach in the security of the Service, or any actual or threatened use of the Service, a Security Device, or Electronic Channel in a manner contrary to the Agreement, including, without limitation, the introduction of Disabling Code or a Virus to the Service.

"**Security Device**" means a combination of a User ID and Password.

"**Software**" means any computer program or programming (in any code format, including source code), as modified from time to time, and related documentation.

"User ID" means the combination of numbers and/or letters selected by the Borrower used to identify a particular Designated User. The User ID is used in conjunction with a Password to access the Service.

"Virus" means an element which is designed to corrupt data or enable access to or adversely impact upon the performance of computer systems, including any virus, worm, logic bomb and Trojan horse. Terms defined in the Agreement have the same meanings where used in the RBC Covarity Dashboard Terms and Conditions.

2. Access to the Service. The Borrower will appoint one or more Designated User(s) to access the Service on behalf of the Borrower. The Borrower acknowledges and agrees that each Designated User appointed by the Borrower may electronically upload the Borrower's financial information and may view all previously uploaded financial information and all calculations in the RBC Covarity Dashboard.

At the time of registration for the Service, the Borrower will advise the Bank of the name and e-mail address of each Designated User. The Borrower will immediately advise the Bank if a Designated User changes or is no longer valid.

The Bank will provide the Borrower with a User ID and temporary password for each Designated User. Each Designated User will receive the User ID and temporary password delivered to their e-mail address. Each Designated User will change the temporary password to a unique Password which may not be easily guessed or obtained by others. If it is suspected or known that the Password has been compromised in any way, the Password must be changed immediately.

On first access to the Service, each Designated User will be required to read and agree to terms of use which will thereafter be accessible from a link located on each web page of the Service.

3. Security Devices. The Borrower recognizes that possession of a Security Device by any person may result in that person having access to the Service. The Borrower agrees that the use of a Security Device in connection with the Service, including any information sent, received or accepted using the Service, will be deemed to be conclusive proof that such information is accurate and complete, and the submission of which is authorized by, and enforceable against, the Borrower.

The Borrower is responsible for maintaining the security and confidentiality of Security Devices which may be used in connection with the Service. The Borrower is responsible for ensuring that a Security Device will only be provided to and used by a Designated User. The Borrower agrees to be bound by any actions or omissions resulting from the use of any Security Device in connection with the Service.

4. Security. Each party shall at all times have in place appropriate policies and procedures to protect the security and confidentiality of the Service, Electronic Channels and Electronic Communication and to prevent any unauthorized access to and use of the Service and Electronic Channels. The Borrower agrees to comply with any additional procedures, standards or other security requirements that the Bank may require in order to access the Service.

The Borrower will not (i) access or use the Service for an illegal, fraudulent, malicious or defamatory purpose, or (ii) take steps or actions that could or do undermine the security, integrity, effectiveness, goodwill or connectivity of the Service (including illegal, fraudulent, malicious, defamatory or other activities that threaten to harm or cause harm to any other person).

The Borrower agrees not to transmit via the Service any viruses, worms, defects, Trojan horses or any items of a destructive nature. The Borrower shall maintain the security of their computer by using anti-virus scanning, a firewall and installing the latest security patches to provide assurance that no Virus is introduced into the systems or Software while accessing the Service.

5. Unsecure Electronic Channels. The Borrower acknowledges and agrees that if it uses, or if it authorizes and directs the Bank to use, any unencrypted Electronic Channel, including unencrypted e-mail or facsimile, any Electronic Communication sent, received and/or accepted using such Electronic Channel is not secure, reliable, private or confidential. Any such Electronic Communication could be subject to interception, loss or alteration, and may not be received by the intended recipient in a timely manner or at all. The Borrower assumes full responsibility for the risks associated with such Electronic Communication.

6. Notice of Security Breach. The Borrower shall notify the Bank by notifying the RBC Account Manager in writing immediately of any Security Breach including: (i) any application vulnerability or if a Virus is contained in or affects transmission of information to the Service; or (ii) if the Borrower knows or reasonably ought to know that an unauthorized person may have access to the Service, Security Device or Electronic Channel.

If a Security Breach occurs the Borrower shall: (i) assist the Bank in the management of any consequences arising from it; (ii) take any reasonable steps necessary for it to take to mitigate any harm resulting from it; and (iii) take appropriate steps to prevent its recurrence.

7. Binding Effect. Any Electronic Communication that the Bank receives from or in the name of, or purporting to be from or in the name of, the Borrower or any other person on the Borrower's behalf in connection with the Service, will be considered to be duly authorized by, and enforceable against, the Borrower. The Bank will be authorized to rely and act on any such Electronic Communication, even if the Electronic Communication was not actually from the Borrower or such other person or differs in any way from any previous Electronic Communication sent to the Bank. Any Electronically Uploaded Financial Information will be considered to be financial information submitted to the Bank by an individual permitted to act on behalf of and bind the Borrower in all respects, and the Bank will be authorized to rely and act on any such Electronically Uploaded Financial Information accordingly. Any Electronically Submitted Certificates will be considered to be certificates, reports and/or forms completed and submitted to the Bank by an individual permitted to act on behalf of and bind the Borrower in all respects, and the Bank will be authorized to rely and act on any such Electronically Submitted Certificates accordingly.

8. Representations and Warranties. The Borrower represents and warrants to the Bank that each time Electronically Uploaded Financial Information and/or Electronically Submitted Certificates are submitted: (i) all financial statements, certificates, forms, reports and all information contained therein will be accurate and complete in all respects; (ii) all amounts certified as Potential Prior-Ranking Claims will be current amounts owing and not in arrears; (iii) all representations and warranties contained in the Agreement will be true and correct; and (iv) no event will have occurred which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default or breach of any covenant or other term or condition of the Agreement. The Borrower will be deemed to repeat these representations and warranties each time Electronically Uploaded Financial Information and/or Electronically Submitted Certificates are submitted.

9. Evidence. Electronic records and other information obtained by the Bank in an Electronic Communication will be admissible in any legal, administrative or other proceedings as conclusive evidence of the contents of those communications in the same manner as an original paper document, and the Borrower waives any right to object to the introduction of any such record or other information into evidence on that basis.

10. Limitation of Liability. The Bank is not responsible or liable for any damages arising from: (i) inaccurate, incomplete, false, misleading, or fraudulent information provided to the Bank; (ii) losses incurred as a result of an actual or potential Security Breach; or (iii) losses incurred as a result of application vulnerability or Virus that is contained in or affects any Software or systems used by or on behalf of the Borrower in connection with the Service.

Although every effort is made to provide secure transmission of information, timely communication and confidentiality cannot be guaranteed. In no event shall the Bank be liable for

any loss or harm resulting from the use of the Service, or from a breach of confidentiality in respect of use of the Service.

11. Termination. The ability of the Borrower to fulfill the reporting requirements relating to the submission of financial information set out in the Agreement using RBC Covarity Dashboard shall terminate upon revocation of access to the Service. In addition, the Bank may suspend or terminate access to or discontinue the Service immediately for any reason at any time without prior notice. The Bank will not be responsible for any loss or inconvenience that may result from such suspension or termination. The Borrower, upon giving notice to the Bank by notifying the RBC Account Manager in writing, may terminate use of the Service at any time.

12. Amendment. The Bank may amend these RBC Covarity Dashboard Terms and Conditions upon 30 days notice (which may be given electronically by way of e-mail or in writing) to the Borrower. The Borrower agrees that the continued use of the Service after the effective date of a change will constitute conclusive evidence of consent to all such amendments and the Borrower shall be bound by the amendments.