

Name: Land Acquisition for a New LDC Hub

Agenda Item: Section 2 (c) – DECISION ITEM

Status: Request for Approval to Proceed

Background:

It is anticipated that ERTH Power's head office and operations centre (the "LDC Hub") located at 143 Bell Street, Ingersoll will be insufficient to meet the needs of a modern and growing utility within the next 5-10 years. In response, ERTH has been exploring potential acquisitions of land for a new LDC Hub.

A potential purchase of property located at 277-287 Thomas Street South, Ingersoll was discussed with the Board at its meetings in August and October 2022. ERTH management met with the owner of the property (Tetra-Chem Industries) in September to discuss a potential purchase. The property owner indicated that it wanted \$[REDACTED] for 5 acres of undeveloped property (\$[REDACTED] per acre). As reported to the Board on October 20, 2022, management did not recommend proceeding with the purchase of this property.

In connection with its 2023 Corporate Action Plan (Strategic Goal 1A, Initiative 3, KPI 3), ERTH has continued to explore opportunities to acquire property for a new LDC Hub as a means to modernize LDC operations.

Update:

385 Thomas Street, Ingersoll ON

In late December 2022, the Town of Ingersoll advised ERTH about the possibility to purchase property located at 385 Thomas Street, which is pictured below and currently used for parking vehicle overflows from the GM CAMI plant.



SCHEDULE "L"
TOWN OF INGERSOLL
LAND USE PLAN

COUNTY OF OXFORD
OFFICIAL PLAN

TOWNSHIP OF ERIEMA

0 100 200 METERS

BASE MAP LEGEND

- MUNICIPAL BOUNDARY
- MAJOR ROAD
- OTHER ROAD
- RAILWAY
- WATERCOURSE

LAND USE PLAN

- AGRICULTURAL RESERVE
- RESIDENTIAL
- CENTRAL BUSINESS DISTRICT
- ENTERPRENEURIAL DISTRICT
- SERVICE COMMERCIAL
- COMMUNITY FACILITY
- OPEN SPACE
- ENVIRONMENTAL PROTECTION
- FUTURE URBAN GROWTH
- INDUSTRIAL
- INDUSTRIAL SITE SPECIFIC POLICY AREA See Section 5.2.4.1
- SPECIFIC POLICY AREA See Section 5.2.4.1
- SPECIFIC POLICY AREA See Section 5.2.4.1
- 100 METRE BUFFER
- LIMESTONE RESOURCE AREA
- RURAL CLUSTER
- FLOODLINE

THIS COORDINATES FORM A PART OF THE CHARTER OF THE TOWN OF INGERSOLL AND ARE NOT TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM.

NOTES: THE BASE MAP IS DERIVED FROM THE 2006 AERIAL PHOTOGRAPHY AND THE 2006 LAND USE ZONING MAP. THE LAND USE ZONING MAP IS THE OFFICIAL PLAN OF THE TOWN OF INGERSOLL. THE LAND USE ZONING MAP IS THE OFFICIAL PLAN OF THE TOWN OF INGERSOLL. THE LAND USE ZONING MAP IS THE OFFICIAL PLAN OF THE TOWN OF INGERSOLL.

OXFORD COUNTY
 Planning and Development Department

DATE: 2011-11-15

SCHEDULE "L"

After preliminary discussions:

- Oxford County's Senior Planner indicated that there are no floodplain or other building/development restrictions associated with the Subject Property and, more notably, consent to sever the Subject Land pursuant to the *Planning Act* (Ontario) is not required due to ERTH's municipal ownership structure.
- Scotiabank has indicated that no additional environmental assessments are required for the purposes of financing the purchase of the Subject Land. A follow-up meeting with Scotiabank to discuss financing options is being scheduled the week of February 13-17.

Accepted Offer

After initial negotiations, ERTH submitted a final conditional offer of \$5.4M (the "Purchase Price") for the Subject Land (\$900,000 per acre) that was accepted by the property owner on February 8, 2023 (the "Offer"). The key elements of the Offer are described below:

Deposits

Upon acceptance of the Offer by the owner of the Subject Property, ERTH is expected to submit a deposit of One Hundred Thousand (\$100,000) dollars (the "First Deposit") to CBRE to be credited towards the Purchase Price on closing or returned to ERTH if any of the Purchaser's Conditions (described below) are not satisfied or waived.

Upon clearance of all Purchaser's Conditions, ERTH shall submit a further deposit of Two Hundred Thousand (\$200,000) dollars (the "Second Deposit") to the CBRE to be credited towards the Purchase Price on closing or returned to ERTH (with the First Deposit) if the Severance Condition (described below) is not satisfied.

As noted above, all of the deposits are fully and immediately refundable if ERTH does not waive or clear the required conditions:

Purchaser's Conditions

The Offer is conditional for 90 days upon ERTH satisfying itself, in its sole, absolute and unfettered discretion, as to the following (the "Purchaser's Conditions"):

- 1) ERTH is satisfied with the physical condition of the lands including any environmental and geotechnical testing that may be required.
- 2) ERTH is satisfied as to all aspects pertaining to the Subject Property, including ERTH's intended use and development of the Subject Property.
- 3) ERTH has received all necessary approvals from its municipal shareholder and others required to complete the purchase of the Subject Property.

The above conditions (particularly the second one) are quite broad and provide ERTH with sufficient off-ramps to exit the deal without penalty and collect the First Deposit paid. However, the 90-day conditional period requires ERTH to move quickly to attempt to clear these conditions.

Severance Condition

The Offer is also conditional upon the parties' obtaining, within 180 days following the acceptance of the Offer, the *Planning Act* consent of the Land Division Committee of Oxford County to sever and convey the Subject Property to ERTH. As noted above, Oxford County's

Senior Planner has indicated a planning application to sever the property is not required. In any event, ERTH has 180 days to resolve the issue.

Closing

ERTH's purchase of the Subject Property would close no later than thirty (30) days following the waiver or satisfaction of the conditions described above upon payment of the Purchase Price (less the First and Second Deposit.)

Next Steps:

If approved by the boards of ERTH Corporation and ERTH Power, the next steps involve the following activities described in the Purchaser's Conditions:

- Retaining consultants to undertake site due diligence confirming physical condition of the lands including any environmental and geotechnical testing that may be required.
- Undertaking due diligence necessary to confirm that all aspects pertaining to the Subject Property, including ERTH's intended use and development of the property, is satisfactory.
- Obtaining all necessary approvals from ERTH's municipal shareholders required to complete the purchase.

As a means to satisfy the Severance Condition, Oxford County's Senior Planner has committed to confirming the Land Division Committee's position in writing that an easement is not necessary. Accordingly, the only step required to clear this condition is largely an administrative one involving registering a survey of the Subject Property on title at a Land Registry Office.

ERTH has retained a local legal firm (Ian R. Blain Law Professional Corporation) to assist with the above issues and completing the real estate transaction.

ERTH management will also continue to work with Scotiabank to finalize the financing arrangement for the purchase of Subject Property.

If the due diligence results and financing arrangements are satisfactory, ERTH will request the approval of its nine municipal shareholders at a special shareholder meeting held in conjunction with the CEO Breakfast scheduled for March 23rd. As per Section 4.1(6) of ERTH's shareholder agreement, the purchase of the Subject Property requires the approval of at least two-thirds of the municipal shareholders (i.e. at least six of the nine shareholders.)

The final purchase will also be brought back to the ERTH Corporation Board via email for a written approval resolution shortly before the CEO Breakfast.

Recommendation:

Given the market value of comparable land, management recommends that ERTH proceed with the next steps described above and attempt to close the purchase of the Subject Property for the Purchase Price in a timely manner.

To this end, management recommends that the Board pass a resolution (1) authorizing management to undertake the next steps described above and (2) approving the purchase of the Subject Property for the Purchase Price if the due diligence results and financing arrangements are satisfactory.

Decision:

A Board resolution (1) authorizing management to undertake the next steps described above and (2) approving the purchase of the Subject Property for the Purchase Price if the due diligence results and financing arrangements are satisfactory is attached to this Decision Item.