

Confidential

1908872 ONTARIO INC.
(the "Purchaser")

- and -

THE CORPORATION OF HALDIMAND COUNTY
(the "Vendor")

- and -

HYDRO ONE INC.
(the "Indemnitor")

SHARE PURCHASE AGREEMENT

Dated the 10th day of June, 2014

SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made on the 10th day of June, 2014.

BETWEEN:

THE CORPORATION OF HALDIMAND COUNTY, a corporation incorporated under the laws of Ontario,

(the "Vendor")

- and -

1908872 ONTARIO INC., a corporation incorporated under the laws of Ontario,

(the "Purchaser")

- and -

HYDRO ONE INC., a corporation incorporated under the laws of Ontario,

(the "Indemnitor")

(each a "Party" and collectively, the "Parties")

WHEREAS Haldimand County Hydro Inc. (the "LDC") is a corporation incorporated under the *Business Corporations Act* (Ontario) licensed by the Ontario Energy Board to distribute electricity in Ontario and is a wholly-owned subsidiary of the Vendor;

AND WHEREAS the LDC and Haldimand County Energy Inc. ("HCEI") are corporations incorporated under the *Business Corporations Act* (Ontario) and each is a wholly-owned subsidiary of Haldimand County Utilities Inc. ("HCUI"), itself incorporated under the *Business Corporations Act* (Ontario);

AND WHEREAS HCUI is a wholly-owned subsidiary of the Vendor;

AND WHEREAS the Vendor is the beneficial and registered owner of all of the issued and outstanding shares of HCUI;

AND WHEREAS the Purchaser is a wholly owned subsidiary of the Indemnitor;

AND WHEREAS the Vendor wishes to sell to the Purchaser, and the Purchaser wishes to purchase from the Vendor, all of the issued and outstanding shares of HCUI, on and subject to the terms and conditions set forth herein;

AND WHEREAS such purchase of the shares of HCUI by Purchaser and all related obligations will be fully indemnified by the Indemnitor;

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

ARTICLE I INTERPRETATION

1.1 **Defined Terms.** In this Agreement, including the recitals, Schedules and Exhibits hereto, unless the context otherwise specifies or requires, the following terms shall have the respective meanings specified or referred to below and grammatical variations of such terms shall have corresponding meanings:

- (a) **"Advisory Committee"** has the meaning ascribed thereto in Section 6.4;
- (b) **"Affiliate"** has the meaning ascribed thereto in the OBCA but extends to non-corporate entities under a similar degree of control;
- (c) **"Agreement"** means this share purchase agreement, including all Schedules, Appendices and Exhibits to this agreement, as amended from time to time in accordance with its provisions;
- (d) **"Applicable Law"** means any and all applicable laws, statutes, codes, licensing requirements, directives, rules, guidelines, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments or decrees or any requirement or decision or agreement with or by any Governmental Authority, including without limitation, the OEB, but excluding, any such directive, guideline or requirement not having the force of law;
- (e) **"Auditors' Supporting Documentation"** has the meaning set out in Section 2.4(a);
- (f) **"Business"** means the business of the LDC, the business of HCEI, the business of HCUI or the business of all of them, as the context may suggest;
- (g) **"Business Day"** means a day other than a Saturday, Sunday, statutory holiday in Ontario or any other day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours;
- (h) **"Claim"** means any demand, action, cause of action, prosecution, suit, proceeding, claim, assessment, charge, complaint, grievance, order, or judgment or settlement or compromise relating thereto;
- (i) **"Closing"** means the completion of the purchase and sale of the Purchased Shares contemplated herein;

- (j) **"Closing Date"** means the later of the first date that is the last Business Day of a month and:
 - (i) at least ninety (90) days following the date that all of the Required Approvals are obtained; or
 - (ii) follows completion to the satisfaction of Purchaser acting reasonably, including to the extent applicable, commissioning and bringing in-service all of the projects listed in Section 9.1(g).

or such earlier or later date as may be agreed upon in writing by the Parties, provided that in no event shall any such date be on or after December 31, 2015;

- (k) **"Closing Date Financial Statements"** means subject to Subsection 2.4(g), audited consolidated financial statements for HCUI for the fiscal period ended on the Closing Date, prepared in accordance with GAAP consistently applied and consisting of a balance sheet as of such date and statements of earnings and retained earnings and of changes in financial position for such period, together with notes thereto as at such date of HCUI's auditors thereon addressed to HCUI, the Vendor, and the Purchaser;
- (l) **"Closing Date Net Debt"** shall have the meaning ascribed thereto in Section 2.4(a);
- (m) **"Closing Date NFA"** shall have the meaning ascribed thereto in Section 2.4(a);
- (n) **"Closing Date Working Capital"** shall have the meaning ascribed thereto in Section 2.4(a);
- (o) **"Confidential Information"** has the meaning ascribed thereto in Subsection 6.11(a);
- (p) **"Confidentiality Agreement"** means the agreed confidentiality rights and obligations contained in the agreement between HCUI, the LDC, and the Indemnitor dated August 8, 2013;
- (q) **"Consolidated Net Debt"** means the sum of loan balances, short term debt and long term debt (excluding customer deposits) less any net cash balances calculated in accordance with Schedule 2.4;
- (r) **"Contract"** means any agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral;
- (s) **"CTA"** means with regard to any taxation year in respect of which either is applicable, the *Taxation Act, 2007 (Ontario)* or the *Corporations Tax Act (Ontario)* and the respective regulations made thereunder;
- (t) **"Current Rates"** has the meaning ascribed thereto in Section 6.6;
- (u) **"Customer Operations Manager"** or **"COM"** has the meaning ascribed thereto in Section 6.8;
- (v) **"Daily Adjustment Value"** means \$315.07;
- (w) **"Damages"** means any damages, losses, costs, liabilities or expenses, directly or indirectly incurred, suffered or paid by a Person including economic or consequential damages, reasonable professional fees and reasonable costs incurred in investigating,

pursuing or defending a Claim or any of the foregoing, or remediating any adverse environmental condition but, does not include any indirect or consequential damages other than damages of a third party in respect of a Claim by such third party;

- (x) **"Data Room"** means the documents delivered by the LDC to Indemnitor by a series of emails from August 20, 2013 to November 8, 2013, and on June 6, 2014 from or on behalf of the President and CEO of HCUI or uploaded by the LDC or HCUI to <https://pcs.com/fft/app/data/530096-busdev-rw/usermain.jsp> prior to November 8, 2013 and those provided by hyper-drive on March 19, 2014 and April 15, 2014;
- (y) **"Decision Period Adjustment Factor"** means a factor equal to one (1) minus the Rate Adjustment Factor;
- (z) **"Decision Period Days"** means the number of days, between the Closing Date and the Reduced Rate Effective Date if it occurs after the Closing Date;
- (aa) **"Deposit"** has the meaning given to it in Subsection 2.2(a);
- (bb) **"Dunnville TS Breakers"** means the breaker position to be installed at the Dunnville TS;
- (cc) **"EA"** means the *Electricity Act, 1998* (Ontario), as in effect on the date hereof;
- (dd) **"Easements"** has the meaning ascribed thereto in Subsection 3.1(l)(l);
- (ee) **"Employee Benefits"** include post-employment benefits and means:
 - (i) salaries, wages, bonuses, vacation entitlements, commissions, fees, stock option plans, incentive plans, deferred compensation plans, profit-sharing plans, severance plans, termination pay plans, supplementary employment insurance plans and other similar benefits, plans or arrangements;
 - (ii) insurance, health, welfare, disability, pension, retirement, hospitalization, medical, prescription drug, dental, eye care and other similar benefits, plans or arrangements;
 - (iii) use of any automobiles or other vehicles or equipment based upon past practice; and
 - (iv) agreements with any labour union or employee association or employment agreements.
- (ff) **"Employees"** has the meaning ascribed thereto in Subsection 3.1(q);
- (gg) **"Environment"** means the environment or natural environment as defined in any Environmental Law and includes air, surface water, ground water, land surface, soil, sub-surface strata and sewer system;
- (hh) **"Environmental Approvals"** means all permits, certificates, licences, authorizations, consents, registrations, directions, instructions, waste generation numbers or approvals required pursuant to Environmental Laws with respect to real property owned or occupied by any of the Haldimand Corporations or used in the Business, or the operation of any of the Haldimand Corporations or the Business;
- (ii) **"Environmental Laws"** means all Applicable Laws relating in whole or in part to the protection of the Environment or to public health and safety, and includes those relating

to the manufacture, processing, distribution, use, treatment, storage, disposal, discharge, transportation or handling of Hazardous Substances and in addition, guidelines, directions and requirements which would be Applicable Laws but do not otherwise have the force of law;

- (jj) "**ETA**" means Part IX of the *Excise Tax Act* (Canada) and any regulation made thereunder;
- (kk) "**Excluded Property**" means the Selkirk DS site comprised of the lands known as 112 Selkirk Street, Caledonia, being CAL Pt Lots 67 E Selkirk, Haldimand County;
- (ll) "**Financial Statements**" means the audited consolidated December 31, 2013 financial statements of HCUI prepared in accordance with GAAP;
- (mm) "**Five-Year Fixed Amount**" means an amount equal to \$575,000;
- (nn) "**Fixed Assets**" means fixed assets, furniture, furnishings, parts, tools, personal property, real property, fixtures, plants, buildings, structures, erections, improvements, appurtenances, machinery, equipment, distribution stations, transformers, vaults, meters, distribution lines, conduits, ducts, pipes, wires, rods, cables, fibre optic strands, devices, appliances, material, poles, fittings, sentinel lights, rolling stock and any other similar or related item of the Business;
- (oo) "**GAAP**" means the general accounting principles (including the methods of application of such principles) accepted or recommended by CPA Canada I Part V of the CPA Canada Handbook which are applicable in Canada as at December 31, 2013 for rate regulated entities and described in more detail in Note 2 to the Financial Statements;
- (pp) "**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or related entity, insofar as it exercises a valid legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government;
- (qq) "**Haldimand Corporations**" means HCUI, HCEI and the LDC;
- (rr) "**Hazardous Substances**" means any hazardous substance, or any pollutant, contaminant, toxic or dangerous waste, substance or material, as defined in or regulated by any Environmental Law including, without limitation, friable asbestos and poly-chlorinated biphenyls;
- (ss) "**HST**" means all taxes payable under the ETA (including where applicable both the federal and provincial portion of those taxes) or under any provincial legislation imposing a similar value-added or multi-stage tax;
- (tt) "**Interim Period**" means the period from December 31, 2013 to the Closing Date;
- (uu) "**Licences**" has the meaning ascribed thereto in Subsection 3.1(bb);
- (vv) "**Material Adverse Effect**" means any change or effect that has a material adverse effect on the property and assets of the LDC or HCUI taken as a whole or the operations or results of operations of the Business of either taken as a whole, after taking into account any insurance which may be available with respect to such a change or effect;

- (ww) **"Material Contract"** means any Contract for the supply of goods or services which has a value exceeding Fifty Thousand Dollars (\$50,000.00) in annual payments where the LDC is the contracting party, or a value exceeding Five Thousand Dollars (\$5,000) in annual payments where HCUI or HCEI is the contracting party;
- (xx) **"Municipality"** means the geographic area comprising Haldimand County as it exists on the date of this Agreement;
- (yy) **"Negative Rate Rider"** has the meaning ascribed thereto in Section 6.6(a);
- (zz) **"Net Debt"** means the Consolidated Net Debt as adjusted for any positive or negative Net Regulatory Adjustment and calculated in accordance with Schedule 2.4 and the Financial Statements or Closing Date Financial Statements as applicable;
- (aaa) **"Net Debt Calculation"** means the written statement setting out the detailed calculation of Closing Date Net Debt in accordance with Schedule 2.4 and the amount by which the Closing Date Net Debt is greater or less than Net Debt shown in the Financial Statements;
- (bbb) **"Net Regulatory Adjustment"** means the product of 0.735 and the difference between regulatory assets/liabilities (including the value of the Dunnville TS Breakers which shall be treated as an asset) and the future taxes included in regulatory liabilities all calculated in accordance with Schedule 2.4, and the Closing Date Financial Statements;
- (ccc) **"NFA"** means the aggregate net book value of the property, plant and equipment of the Business, less the deferred credits, (both as set out in the Financial Statements or Closing Date Financial Statements, as applicable) plus the amount of all payments made by the LDC to the Indemnitor attributable to the Dunnville TS Breakers;
- (ddd) **"NFA Calculation"** means the difference between the Closing Date NFA and the NFA derived from the Financial Statements;
- (eee) **"NFA Index"** shall be equal to 1.5;
- (fff) **"OBCA"** means the *Business Corporations Act* (Ontario), as in effect on the date hereof;
- (ggg) **"OEB"** means the Ontario Energy Board;
- (hhh) **"OEB Act"** means the *Ontario Energy Board Act*, 1998, as in effect on the date hereof;
- (iii) **"OEB Approval"** means the OEB approval of the transactions contemplated herein pursuant to the OEB Act;
- (jjj) **"OEB Percentage Rate Reduction"** means the difference in the arithmetic average of Current Rates and Reduced Rates, expressed as a percentage of Current Rates and calculated in accordance with the following formula:
- $$((\text{Current Rates} - \text{Reduced Rates}) \div \text{Current Rates}) \times 100\%;$$
- (kkk) **"OMERS"** means the Ontario Municipal Employees Retirement System;
- (lll) **"Partial Rate Rider"** means a Negative Rate Rider that results in an OEB Percentage Rate Reduction of less than one percent (1%) averaged across all Rate classes;

- (mmm) "**Parties**" means the Purchaser, the Indemnitor and the Vendor and "**Party**" means any one of them;
- (nnn) "**PCBs**" has the meaning ascribed thereto in Subsection 3.1(t)(vi);
- (ooo) "**Person**" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;
- (ppp) "**PILs**" means payment in lieu of Taxes required to be made under the EA;
- (qqq) "**Property**" means the property and assets of the Haldimand Corporations;
- (rrr) "**Purchaser**" means 1908872 Ontario Inc.;
- (sss) "**Purchaser's Objection**" has the meaning ascribed thereto in Subsection 2.4(b);
- (ttt) "**Purchase Price**" has the meaning ascribed thereto in Section 2.2;
- (uuu) "**Purchased Shares**" has the meaning ascribed thereto in Section 2.1;
- (vvv) "**Rate**" or "**Rates**" means the rate or rates established by the OEB for the LDC for the distribution of electricity;
- (www) "**Rate Adjustment Difference**" means a difference equal to one percent (1%) minus the OEB Percentage Rate Adjustment in the event that the OEB Percentage Rate Adjustment is less than one percent (1%);
- (xxx) "**Rate Adjustment Factor**" means a factor equal to the Rate Adjustment Difference divided by one percent (1%);
- (yyy) "**Rate Freeze Period**" means the period commencing on the Closing Date and ending on the date which is five (5) years after the Closing Date;
- (zzz) "**Real Property**" has the meaning ascribed thereto in Subsection 3.1(l)(i);
- (aaaa) "**Reduced Rate Effective Date**" means the effective date of a Negative Rate Rider or a Partial Rate Rider, as applicable and as approved by the OEB;
- (bbbb) "**Reduced Rates**" means the reduced Rates that result from the OEB Approval of a Negative Rate Rider or Partial Rate Rider applicable to the Current Rates;
- (cccc) "**Release**" has the meaning ascribed thereto in any Environmental Law and includes, without limitation, any presence, release, spill, leak, pumping, pouring, addition, emission, emptying, discharge, injection, escape, leaching, disposal, dispersal, migration, dumping, deposit, spraying, burial, abandonment, incineration, seepage or placement;
- (dddd) "**Remedial Order**" means any complaint, direction, order or sanction issued, filed or imposed by any Governmental Authority pursuant to any Environmental Law and includes any order requiring any remediation or clean-up of any Hazardous Substance or requiring that any Release or any other activity be reduced, modified or eliminated;

- (eeee) "**Remediation**" means restoring the Environment to compliance with Environmental Laws;
- (ffff) "**Required Approval**" has the meaning ascribed thereto in Section 7.1;
- (gggg) "**Shareholder Declaration**" means the Shareholders' Direction and Unanimous Shareholder Declaration by the Vendor, revised May 12, 2008 and dated May 22, 2008;
- (hhhh) "**Tax**" or "**Taxes**" means the PILs and taxes payable pursuant to the EA and all domestic and foreign federal, provincial, state, municipal, territorial or other taxes, imposts, rates, levies, assessments and government fees, charges or dues lawfully levied, assessed or imposed including, without limitation, all income, capital gains, sales, excise, use, property, capital, goods and services, business transfer and value added taxes, all customs and import duties, workers' compensation premiums, Canada Pension Plan premiums, Employment Insurance premiums, and special payments pursuant to Part VI of the EA together with all interest, fines and penalties with respect thereto;
- (iiii) "**Tax Return**" means all returns, information returns, declarations, designations, forms, schedules, elections, reports and other documents of every nature whatsoever (including schedules or any related or supporting information) filed or required to be filed with any Governmental Authority with respect to any Taxes, including those required pursuant to Part VI of the EA, or with respect to the administration of any laws, regulations or administrative requirements relating to any Taxes and any amendments thereof;
- (jjjj) "**Tax Act**" means the *Income Tax Act* (Canada) and any regulations thereunder;
- (kkkk) "**Vendor**" means The Corporation of Haldimand County;
- (llll) "**Vendor's Counsel**" means Norton Rose Fulbright Canada LLP;
- (mmmm) "**Vendor's Objection**" has the meaning ascribed thereto in Subsection 2.4(b);
- (nnnn) "**Working Capital**" means the working capital of the Business. For further clarity, working capital is the amount by which the book value of the current assets of the Business other than cash, differs from the book value of the current liabilities; where the "current assets of the Business" are the sum of the accounts receivable, unbilled revenue, inventories, prepaid expenses, income taxes recoverable by the Business, and other current assets of the Business included in those categories, and the "current liabilities of the Business" are the sum of the accounts payable, accrued liabilities, income taxes payable by the Business, the current portion of customer deposits, advance payments and other current liabilities, but excluding any current liabilities that are included in Net Debt, where all such calculations of working capital will be based upon GAAP and the Financial Statements or Closing Date Financial Statements, as applicable;
- (oooo) "**Working Capital Calculation**" means the written statement setting out the detailed calculation of Closing Date Working Capital and the difference between the Closing Date Working Capital and the Working Capital set out in the Financial Statements calculated in accordance with Schedule 2.4;

1.2 **Construction.** This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 **Certain Rules of Interpretation.** In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) "including" or "includes" means "including (or includes) but is not limited to" and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of";
 - (iv) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts as of the date of this Agreement;
 - (v) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section as of the date of this Agreement;
 - (vi) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 **Knowledge.** In this Agreement, any reference to the "knowledge" of any Party means to the best of the knowledge, information and belief of the Party after reviewing all relevant records in their possession or control and making due inquiries regarding the relevant matter, of its relevant representatives, employees, consultants or contractors of the Party and its Affiliates, provided that nothing in this Section 1.4 shall obligate a Party to make inquiries of Persons in non-supervisory roles, except to the extent there are no other relevant Persons of whom to make the relevant inquiry.

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

1.6 **Currency.** In this Agreement, references to dollar amounts or "\$" are to Canadian dollars.

1.7 **Time of Essence.** Time shall be of the essence in this Agreement.

1.8 **Applicable Law.** This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the Parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each Party hereby irrevocably and unconditionally attorns to the non-exclusive jurisdiction of the courts of such province and all courts competent to hear appeals therefrom.

1.9 **Successors and Assigns.** This Agreement shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and permitted assigns. The Purchaser may assign this Agreement in whole or in part to any Affiliate of the Indemnitor on written notice to the Vendor, and may direct a transfer of the shares of HCUI on Closing to one or more such Affiliates; provided, however, that notwithstanding such assignment the Indemnitor and any assignee of the Indemnitor shall be jointly and severally liable for the Purchaser's obligations under this Agreement and provided further that such assignment does not result in the Vendor being subject to any taxes imposed under the EA or any of the Haldimand Corporations being subject to any Taxes to which it or they would not have been subject, but for such assignment.

1.10 **Schedules and Exhibits.** The following Schedules and Exhibits are attached to and form part of this Agreement:

Schedule 2.4	-	Purchase Price Adjustment
Schedule 3.1(l)	-	Real Property
Schedule 3.1(m)	-	Intellectual Property
Schedule 3.1(p)	-	HCUI Employment and Employee Benefit Matters
Schedule 3.1(s)	-	Insurance Policies
Schedule 3.1(u)	-	Vendor Litigation
Schedule 3.1(bb)	-	Licences
Schedule 6.3	-	Community Support
Schedule 6.6	-	Current Rates

ARTICLE II PURCHASE AND SALE OF PURCHASED SHARES

2.1 **Purchase and Sale of Purchased Shares.** Subject to the terms and conditions hereof, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser, as fully indemnified by the Indemnitor, agrees to purchase from the Vendor all of the issued and outstanding shares of HCUI (the "**Purchased Shares**").

2.2 **Purchase Price.** Subject to those adjustments provided for in Section 2.4, the purchase price payable by the Purchaser to the Vendor for the Purchased Shares shall be the sum of SIXTY-FIVE MILLION, TWO HUNDRED THOUSAND DOLLARS (\$65,200,000) (the "**Purchase Price**"), payable as follows:

- (a) as to the sum of TWO MILLION, FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000.00), by delivery to the Vendor's Counsel, in trust, concurrently with the execution and delivery of this Agreement, of a certified cheque or bank draft payable to the order of the Vendor's Counsel, in trust, as a deposit to be credited to the Purchaser on account of the Purchase Price and, subject to Section 2.3, remitted to the Vendor by Vendor's Counsel on Closing (the "**Deposit**"); and
- (b) as to the balance of the Purchase Price (net of accrued interest on the Deposit in accordance with Section 2.3), by the delivery by the Purchaser to the Vendor on Closing of a certified cheque or bank draft payable to the order of the Vendor or other entity as the Vendor may direct.

2.3 **Deposit.** The Deposit shall be held by the Vendor's Counsel, in trust, and shall be invested in an interest bearing account with interest accruing to the Purchaser except as set forth below. On Closing, the Deposit shall be applied on account of the Purchase Price and any and all interest accrued thereon shall be paid to the Purchaser forthwith following Closing.

2.4 **Adjustment to Purchase Price.**

- (a) The Purchase Price contemplated in Section 2.2 is based upon:
- (i) Net Debt set out in the Closing Date Financial Statements (the "**Closing Date Net Debt**") being equal to the Net Debt set out in the Financial Statements;
 - (ii) the NFA as set out in or derived from the Closing Date Financial Statements (the "**Closing Date NFA**") being equal to the NFA set out in the Financial Statements; and
 - (iii) the Working Capital set out in the Closing Date Financial Statements (the "**Closing Date Working Capital**") being equal to the Working Capital set out in the Financial Statements. Within ninety (90) days following the Closing Date, the Vendor shall prepare and deliver to the Purchaser the Closing Date Financial Statements and the audited, unconsolidated statements of HCHI and HCEI, the Net Debt Calculation, the NFA Calculation and the Working Capital Calculation audited by HCUI's external auditors who are to be retained by the Vendor, together with the supporting documentation on which the auditors have relied (in this Section 2.4, the "**Auditors' Supporting Documentation**"); and
- (b) Each of the Purchaser and the Vendor shall have a period of thirty (30) Business Days from the latest of the date on which the Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation, the Working Capital Calculation or the Auditors' Supporting Documentation is received within which to notify the other Party in writing that it disputes any amounts contained in the Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation or the Working Capital Calculation (the "**Purchaser's Objection**" or "**Vendor's Objection**", as the case may be), failing which the relevant Party not objecting shall be deemed to have accepted the amounts contained in the Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation and the Working Capital Calculation. Any Purchaser's Objection or Vendor's Objection, shall set forth a detailed description of the basis of the Party's objection and the adjustments to the Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation or Working Capital Calculation which that Party believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by both Parties.
- (c) The Purchase Price shall be adjusted:
- (i) on a dollar for dollar basis by:
 - (1) the difference between the Closing Date Net Debt and the Net Debt in the Financial Statements; and
 - (2) the difference between the Closing Date Working Capital and the Working Capital derived from the Financial Statements.
 - (ii) by the product of the NFA Index and the NFA Calculation.
- (d) Payment of the net adjustment to the Purchase Price shall be made by the Purchaser or the Vendor (as the case may be) within thirty (30) Business Days of the last date on which to submit a Purchaser's Objection or Vendor's Objection determined in accordance with Subsection 2.4(b);

- (e) If the Vendor and the Purchaser cannot settle the Purchaser's Objection or the Vendor's Objection in a timely manner or cannot agree on adjustments to the Purchase Price within the time limit for payment of the adjustments to the Purchase Price pursuant to Section 2.4(d), the Vendor and the Purchaser will submit any unresolved matter within a further five day period, to an independent, nationally recognized accounting firm selected by the Vendor and the Purchaser for resolution in accordance with the *Arbitration Act* (Ontario) or, failing agreement of the Parties on the arbitrator, to a single arbitrator appointed by the Ontario Superior Court of Justice in accordance with the *Arbitration Act* (Ontario) (hereinafter, the "**Arbitrator**"). The Arbitrator will be given access to all materials and information reasonably requested by it for the purpose of resolving unresolved Purchase Price adjustments. The rules and procedures to be followed in the arbitration proceedings will be determined by the Arbitrator in accordance with the *Arbitration Act* (Ontario). The place of the arbitration shall be Toronto, Ontario and the language of the arbitration shall be English. The Arbitrator will make its determination as soon as practicable and, in any case, within thirty (30) days of the matter being submitted to it. The Arbitrator's determination of all such matters will be final and binding on all Parties and will not be subject to appeal by any Party. The fees and expenses of the Arbitrator will be borne equally by the Vendor, on the one hand, and the Purchaser, on the other hand. The draft Closing Date Financial Statements or calculations, as the case may be, will be modified to the extent required to give effect to the Arbitrator's determination and will be deemed to have been approved as of the date of such determination;
- (f) Schedule 2.4 is a worksheet setting forth the relevant accounts for adjusting the Purchase Price following Closing. The Parties agree that they have reviewed this worksheet and that to the best of their knowledge it accurately sets forth the Net Debt, the NFA, the Net Regulatory Adjustment and the Working Capital set forth in or derived from the Financial Statements. The external auditors shall be instructed to have regard to the worksheet in calculating Purchase Price adjustments in accordance with Section 2.4(c) and shall only deviate from the worksheet where specifically required under the terms of this Agreement or to correct manifest errors; and
- (g) The Parties agree that the Closing Date Financial Statements are to be prepared using GAAP as it existed on December 31, 2013 on a basis consistent with the Financial Statements notwithstanding that HCUI may be using International Financial Reporting Standards on the Closing Date.

2.5 Rate Reduction Adjustment.

- (a) In the event the OEB does not approve the Negative Rate Rider, the Indemnitor shall pay the Vendor, within five (5) Business Days after the Closing Date, a lump sum amount equal to the Five-Year Fixed Amount in immediately available funds;
- (b) In the event the OEB approves the Negative Rate Rider with the Reduced Rate Effective Date occurring after the Closing Date, the Purchaser shall pay the Vendor, within five (5) Business Days after the Closing Date, an amount equal to the product of the Daily Adjustment Value and the Decision Period Days; and
- (c) In the event that the OEB approves a Partial Rate Rider and/or the Reduced Rate Effective Date occurs after the Closing Date, the Purchaser will pay the Vendor, within five (5) Business Days after the Closing Date, an amount equal to the product of the Five Year Fixed Amount and the Rate Adjustment Factor, plus the product of the Daily Adjustment Value, the Decision Period Days and the Decision Period Adjustment Factor.

2.6 **Access.** The Purchaser shall provide the Vendor and HCUI's auditors with timely access to all books, records, documents, materials, employees (which access to employees shall include creation of such work product as Vendor may reasonably request) and other information and representatives of the Haldimand Corporations reasonably requested by the Vendor for purposes of preparation and delivery of the Closing Date Financial Statements together with the Net Debt Calculation, Working Capital Calculation, and the NFA Calculation.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 **Representations and Warranties of the Vendor.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that, except as otherwise expressly provided herein, the Purchaser is relying on such representations and warranties in connection with the transactions contemplated herein:

- (a) **Organization.** The Vendor and the Haldimand Corporations are corporations duly incorporated and validly subsisting corporations under the laws of the Province of Ontario and have the corporate power, capacity and authority to own or lease or dispose of their property and assets and to carry on the business presently carried on by them, and the LDC is qualified to carry on the Business under Applicable Law. No proceedings have been instituted or are pending for the dissolution, winding up or liquidation of any of the Haldimand Corporations or the Vendor.
- (b) **Corporate Power.** The Vendor has all requisite statutory power, authority and capacity to enter into, and to perform its obligations under this Agreement and any other agreement or document to be delivered pursuant hereto and to transfer the legal and beneficial title and ownership of the Purchased Shares to the Purchaser free and clear of all encumbrances. The Vendor and the Haldimand Corporations have duly taken, or have caused to be taken, all action required to be taken by the Vendor or the Haldimand Corporations to authorize the execution and delivery of this Agreement and any other agreement or document to be delivered pursuant hereto by the Vendor in the performance of its obligations under this Agreement and any other agreement or document to be delivered pursuant hereto.
- (c) **Binding Agreement.** This Agreement has been duly executed by the Vendor and will, upon delivery, constitute a valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (d) **Authorized and Issued Capital.** The authorized share capital of HCUI consists of an unlimited number of Common Shares, of which only 3,001 common shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of HCUI at Closing. The authorized share capital of the LDC consists of an unlimited number of common shares, of which only 1,001 common shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of the LDC at Closing. The authorized share capital of HCEI consists of an unlimited number of common shares, of which only 1,001 common shares have been validly allotted and issued and are outstanding as fully paid and non-assessable shares, and will be the only outstanding shares of HCEI at Closing.

- (e) **Ownership of Purchased Shares.**
- (i) The Vendor is the sole beneficial and registered owner of the Purchased Shares, with good and marketable title thereto, free and clear of all encumbrances (other than the rights of the Purchaser hereunder) and has the exclusive right to dispose of the Purchased Shares as herein provided. Without limiting the generality of the foregoing, none of the Purchased Shares is subject to any voting trust, shareholder agreement or voting agreement, except as provided for in the Shareholder Declaration;
 - (ii) HCUI is the sole beneficial and registered owner of all of the shares of the LDC, with good and marketable title thereto, free and clear of all encumbrances; and
 - (iii) HCUI is the sole beneficial and registered owner of all of the shares of HCEI, with good and marketable title thereto, free and clear of all encumbrances.
- (f) **Options.** No Person (other than the Purchaser under this Agreement) has any Contract or any right or privilege (whether by law, pre-emptive or contractual) binding upon or which any time in the future may become binding upon the Vendor, or any of the Haldimand Corporations to acquire or obtain in any other way an interest in any of the Purchased Shares or the shares of any of the Haldimand Corporations, or obtain in any other way, an interest in any of the Purchased Shares or the shares of any of the Haldimand Corporations.
- (g) **Subsidiaries.** Neither the LDC nor HCEI has any subsidiaries or owns, or has any interest in, any shares of any other corporation.
- (h) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the purchase of the Purchased Shares herein contemplated will result in the violation of:
- (i) any provision of the by-laws of the Vendor;
 - (ii) any Contract to which the Vendor or any of the Haldimand Corporations is a party or by which the Vendor, or any of the Haldimand Corporations or any of their respective properties or assets is bound, which would have a material adverse effect on the Vendor's ability to perform its obligations under this Agreement; or
 - (iii) subject to obtaining the Required Approval, any terms or provisions of any Applicable Law of any Governmental Authority having jurisdiction over the Vendor or any of the Haldimand Corporations that would have a material adverse effect on the Vendor's ability to perform its obligations under this Agreement.
- (i) **Consents and Approvals.** Except for the Required Approval and the filings contemplated in Section 7.2, there is no requirement for the Vendor to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the purchase of the Purchased Shares contemplated by this Agreement.
- (j) **Compliance with Law.** The Vendor and each of the Haldimand Corporations have complied in all material respects with all Applicable Laws applicable to each of the Haldimand Corporations and the Business. None of the Haldimand Corporations is in violation or default under, and no event has occurred which, with the lapse of time or the

giving of notice or both, would result in the violation of or default under, the terms of any judgment, decree, order injunction or writ of any court or other Governmental Authority.

- (k) **Corporate Records.** The corporate records and minute books of all of the Haldimand Corporations are in all material respects a complete and accurate record of the business transacted at meetings of, and contain all resolutions and by-laws passed by, the directors and the sole shareholder of each of the Haldimand Corporations, held since the incorporation of HCUI, HCEI or the LDC, as the case may be, and in all material respects, all such meetings were duly called and held and all such resolutions and by-laws were duly passed. The share certificate book, register of shareholders, register of transfers, register of directors and other corporate registers of each of the Haldimand Corporations are complete and accurate.

(l) **Real Property.**

- (i) Schedule 3.1(l) sets forth a list of the real property, other than the Excluded Property, in which any of the Haldimand Corporations has an interest including lands owned in fee simple (the "Real Property"), and easements (the "Easements"). None of the Haldimand Corporations owns any real property or leases or has agreed to acquire or lease any real property other than as listed in Schedule 3.1(l);
- (ii) None of the Haldimand Corporations holds an interest in leased real property;
- (iii) Neither the Vendor nor any of the Haldimand Corporations has received, nor to the best of the Vendor's Knowledge are there, any pending or threatened, notices of violation or alleged violation of any Applicable Law or instruction of a Governmental Authority against or affecting any real property owned or occupied by any of the Haldimand Corporations or used in association with the Business, or to the Vendor's knowledge, in respect of any real property previously owned or used in the Business;
- (iv) The LDC has such rights of entry and exit to and from Real Property, and Easements as are reasonably necessary to carry on the Business;
- (v) No Person other than the LDC is using, possessing or occupying or has any right to use, possess or occupy, any part of the Real Property;
- (vi) There exists no option, right of first refusal or other contractual rights with respect to any of the Real Property;
- (vii) Neither the Vendor nor any of the Haldimand Corporations has entered into any Contract to sell, transfer, encumber, or otherwise dispose of or impair the right, title and interest of any of the Haldimand Corporations in and to Real Property or the air, density and easement rights relating to such Real Property except as may have been effected by a zoning by-law of general application;
- (viii) Neither the Vendor nor any of the Haldimand Corporations has received any notification of, nor are there any outstanding or incomplete work orders in respect of any Fixed Assets or of any current non-compliance (other than non-compliances which are legal non-conforming under relevant zoning by-laws) with applicable statutes and regulations or building and zoning by-laws and regulations;

- (ix) Neither the Vendor nor any of the Haldimand Corporations has made an application for a rezoning of any Real Property, and to the Vendor's Knowledge, there is no proposed or pending change to any zoning affecting the Real Property;
 - (x) No part of the Real Property is subject to any building or use restriction that would prevent or limit its current use in the Business;
 - (xi) To the Vendor's knowledge, no expropriation or condemnation or similar proceeding is pending or threatened against any part of the Real Property;
 - (xii) To the Vendor's knowledge, no Fixed Assets constituting a part of the Real Property encroaches on real property not forming part of the Real Property;
 - (xiii) All accounts falling due on or prior to Closing for work and services performed or materials placed or furnished upon or in respect of the construction and completion of any Fixed Assets of any of the Haldimand Corporations have been fully paid and no Person is entitled to claim a lien under the *Construction Lien Act* (Ontario) or other similar legislation for such work; and
 - (xiv) There are no matters affecting the right, title and interest of any of the Haldimand Corporations in and to any Real Property or easements that would materially and adversely affect the ability of the LDC to carry on the Business upon such real property.
- (m) **Intellectual Property.** Schedule 3.1(m) sets forth and describes all trademarks, trade names, business styles, service marks and brand names used in the Business. The LDC has valid rights to use such intellectual property in the Business.
- (n) **Contracts and Commitments.** Except as set forth in the Data Room, none of the Haldimand Corporations is a party to or bound by any of the following:
- (i) any employment or consulting Contract or any other Contract with any officer, employee, former employee or consultant other than oral contracts of indefinite hire terminable by the employer without cause on reasonable notice; or
 - (ii) any Material Contract.
- (o) **Material Contracts.** The Data Room contains true and complete copies of all Material Contracts, all of which are in full force and effect and unamended and no material default exists under such Material Contracts on the part of any of the Haldimand Corporations or on the part of any other party to such Material Contracts, and there are no current or pending negotiations with respect to the renewal, repudiation or amendment of any such Material Contracts. The Vendor has delivered to the Purchaser prior to the execution hereof, true and complete copies of all Contracts between the Vendor and any of the Haldimand Corporations.
- (p) **Employment and Employee Benefit Matters.**
- (i) Except as set forth and described in Schedule 3.1(p), none of the Haldimand Corporations is:
 - (1) a party to, bound by, subject to and has no liability or contingent liability relating to any employment agreement or any agreement or arrangement relating to Employee Benefits. For greater certainty, none of the

Haldimand Corporations is a party to, bound by or subject to and has no liability or contingent liability under such agreements or arrangements as purchaser or supplier of Employee Benefits;

- (2) in arrears in the payment of any contribution or assessment required to be made by it pursuant to any agreements or arrangements relating to Employee Benefits; or
 - (3) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association or has made any commitment to or conducted any negotiation or discussion with any labour union or employee association in each case with respect to any Employee Benefits.
- (ii) All agreements and arrangements set forth in Schedule 3.1(p) (other than OMERS, with respect to which the Vendor makes no representation) are, and have been, established, registered (where required), and administered without default, in material compliance with:
- (1) the terms thereof;
 - (2) all Applicable Laws; and
 - (3) any applicable collective agreements; and neither the Vendor nor any of the Haldimand Corporations has received, in the last four (4) years, any notice from any Person questioning or challenging such compliance (other than in respect of any claim related solely to that Person), nor to the Vendor's Knowledge has any Person given notice questioning or challenging such compliance beyond the last four (4) years. Except as disclosed in Schedule 3.1(p), there are no promised improvements, increases or changes to, such agreements or the benefits provided under any such agreement or arrangement, nor does any such agreement or arrangement provide for benefit increases or the acceleration of funding obligations that are contingent upon or will be triggered by the execution of this Agreement or the Closing. Neither HCUI nor HCEI participates or has ever participated in OMERS;
- (iii) Except as disclosed in Schedule 3.1(p), no agreement or arrangement relating to Employee Benefits, other than OMERS, provides benefits beyond retirement or other termination of service to employees or former employees of any of the Haldimand Corporations or to the beneficiaries or dependants of such employees or former employees. Other than OMERS, no such agreement or arrangement requires or permits a retroactive increase in premiums or payments;
- (iv) Except as disclosed on Schedule 3.1(p), no Employee is on long-term disability leave, extended absence or receiving benefits pursuant to the *Workplace Safety and Insurance Act* (Ontario);
- (v) All assessments under the *Workplace Safety and Insurance Act* (Ontario) in relation to the Business have been paid or accrued and none of the Haldimand Corporations is subject to any special or penalty assessment under such legislation that has not been paid;
- (vi) There is no strike or lockout occurring or affecting, or to the Vendor's knowledge threatened against any of the Haldimand Corporations; and

- (vii) Each of the Haldimand Corporations has been operated in material compliance with all laws relating to employees, including employment standards and all laws relating in full or in part to the protection of employee health and safety, human rights, labour relations and pay equity. There have been no Claims nor, to the best of the Vendor's knowledge, are there any threatened complaints, under such laws against any of the Haldimand Corporations. To the Vendor's knowledge, nothing has occurred which might lead to a Claim or complaint against any of the Haldimand Corporations, under any such law. There are no outstanding decisions or settlements or pending settlements which place any obligation upon any of the Haldimand Corporations to do or refrain from doing any act.
- (q) **Employees.** As of the date of this Agreement, neither HCUI nor HCEI has any employees and the LDC has a total of 52 full time and no part-time employees, of whom approximately 36 employees are represented by the Independent Brotherhood of Electrical Workers union. Vendor has delivered to the Purchaser a document which contains a complete and accurate list of the names of all individuals who are employees (the "Employees") of the LDC specifying title, years of service and Employee Benefits to which they are entitled, and which Vendor will update prior to and as of Closing.
- (r) **Pension and Retirement Plans.**
- (i) OMERS is the only pension or retirement plan or arrangement in which employees or former employees of any of the Haldimand Corporations participate and/or to which any of the Haldimand Corporations contribute as a participating employer;
- (ii) All obligations of the LDC to or under OMERS (whether pursuant to the terms thereof or Applicable Laws) have been satisfied and there are no outstanding defaults or violations thereunder by the LDC or by any predecessor thereof;
- (iii) The Haldimand Corporations have no outstanding obligations with respect to unfunded actuarial liabilities, past service unfunded liabilities or solvency deficiencies respecting the LDC's participation in OMERS;
- (iv) All employee data necessary to administer the LDC's participation in OMERS and any other agreement or arrangement listed in Data Room is in the possession of the LDC and is complete, correct and in a form which is sufficient for the proper administration of the LDC's participation in OMERS and any other agreement listed in Schedule 3.1(p) in accordance with the terms thereof and Applicable Laws; and
- (v) All employer or employee payments, contributions or premiums required to be remitted, paid by the LDC to or in respect of OMERS have been paid or remitted in a timely fashion in accordance with the terms thereof and Applicable Law, and no Taxes, penalties or fees are owing or exigible on the LDC under OMERS.
- (s) **Insurance.** Schedule 3.1(s) sets forth all insurance policies (specifying the insurer, the amount of the coverage, the type of insurance, the policy number and any pending claims thereunder) maintained by the Vendor or any of the Haldimand Corporations on Property or personnel (including former personnel) of the Business.
- (t) **Environmental Matters.** Except as set out in a Confidential Disclosure Schedule provided by Vendor to Purchaser prior to execution hereof,

- (i) the Business and Property have been and are being owned, occupied and operated in substantial compliance with applicable Environmental Laws and there are no breaches thereof and no enforcement actions in respect thereof. No Release, spill, leak, emission, discharge, leaching, dumping or disposal of Hazardous Substances has occurred on or from any Real Property, except those that do not violate applicable Environmental Laws and, there has been no Release by any of the Haldimand Corporations which is now present in, on or under any of the Property or to the Vendor's knowledge any neighbouring or adjoining property (including, without limitation, underlying soils and substrata, surface water, ground water and vegetation) at levels which exceed decommissioning or remediation standards under any applicable Environmental Laws;
- (ii) All of the Haldimand Corporations have obtained all requisite Environmental Approvals, which Environmental Approvals are valid and in full force and effect, have been and are being complied with in all material respects and there have been and are no proceedings commenced or threatened to revoke or amend any Environmental Approvals in a manner that could reasonably be expected to have a Material Adverse Effect;
- (iii) none of the Haldimand Corporations has been or is now the subject of any Remedial Order nor, is any investigation or evaluation threatened or commenced as to whether any such Remedial Order is necessary;
- (iv) none of the Haldimand Corporations has ever been prosecuted for or convicted of any offence under Environmental Laws, nor have any of the Haldimand Corporations been found liable in any proceeding to pay any Damages, fine or judgment to any Person as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of any breach of any Environmental Law. No notice has been received by the Vendor, or any of the Haldimand Corporations of any investigation or evaluation by any Governmental Authority or of any Claims, pending or threatened, and there are no investigations or evaluations threatened or commenced as to whether any offence by any of the Haldimand Corporations has occurred under Environmental Law. There are no Claims or proceedings of any nature or kind that have been threatened or commenced against any of the Haldimand Corporations as a result of any Release or threatened Release of any Hazardous Substance into the Environment or as the result of the breach of any Environmental Laws;
- (v) no part of the Real Property has ever been used as a landfill or for the disposal of waste;
- (vi) no asbestos, asbestos containing materials, polychlorinated biphenyls ("PCBs") and PCB wastes are used, stored or otherwise present in or on the Real Property except for PCBs contained in the electrical transformers which are in service and which form an integral part of, and are necessary for the operation of the Business. The Vendor has disclosed to the Purchaser all inspection reports received from the Ministry of the Environment in connection with any of the Haldimand Corporations' handling, transportation and storage of PCBs; and
- (vii) there are no Hazardous Substances in, on or under the real property owned or occupied by the LDC, used in the Business or concerning the condition of which the LDC is otherwise responsible and there are no underground storage tanks on the Real Property and any underground storage tanks formerly on property owned or occupied by the LDC have been removed and any affected soil,

surface water or ground water has been remediated in compliance with all Applicable Law including, without limitation, Environmental Law.

(u) **Litigation.** Except as set out in Schedule 3.1(u), there are no Claims in progress (whether or not purportedly on behalf of the LDC) pending or, to the Vendor's Knowledge, threatened against or affecting, any of the Haldimand Corporations at law or in equity, or before or by any federal, provincial, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, or by or before an arbitrator or arbitration board which, either individually or in the aggregate, would have a Material Adverse Effect or prevent the Vendor or any of the Haldimand Corporations from fulfilling any of its respective obligations set out in, or arising in connection with, this Agreement or any other agreement or document to be delivered pursuant hereto.

(v) **Taxes.**

(i) The Vendor is not a non-resident of Canada for the purposes of the Tax Act or equivalent legislation;

(ii) Each of the Haldimand Corporations is exempt from tax under the Tax Act and the CTA but is required to make PILs payments under the EA in an amount equal to the tax that it would be liable to pay under the Tax Act and CTA if it were not exempt from tax under those statutes;

(iii) Each of the Haldimand Corporations have filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions with respect to taxation period ended on or before the Closing Date. All such Tax Returns are complete and correct and disclose all Taxes required to be paid for the periods covered thereby and no material fact has been omitted therefrom. The Haldimand Corporations have never been required to file any Tax Returns with, and have never been liable to pay or remit Taxes to, any Governmental Authority outside Ontario or Canada. The Haldimand Corporations have paid in full and when due all Taxes and all instalments of Taxes due on or before the Closing Date. There are no liens for unpaid Taxes on any of the Haldimand Corporations' assets. Without restricting the generality of the foregoing, all Taxes shown on all Tax Returns or on any assessments or reassessments in respect of any such Tax Returns have been paid in full when due. The Vendor has furnished to the Purchaser true, complete and accurate copies of all Tax Returns and any amendments thereto filed by the Haldimand Corporations since December 31, 2008 and all notices of assessment and reassessment and all correspondence with Governmental Authorities relating thereto as well as true, complete and accurate copies of all Tax Returns and any amendments filed at any time with respect to a taxation year that is not statute barred, and all notices of assessment and reassessment and all correspondence with Governmental Authorities or tax advisors relating thereto. The provision for Taxes in the Financial Statements constitutes an adequate provision for the payment of all unpaid Taxes in respect of all periods up to and including the period to which the Financial Statements relate;

(iv) Assessments under the EA will have been issued to the Haldimand Corporations and disclosed to the Purchaser covering all periods up to and including its fiscal year ended immediately prior to Closing;

(v) There are no audits, assessments, reassessments or other Claims in progress or, to the knowledge of the Vendor, threatened against any of the Haldimand

Corporations, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. The Vendor is not aware of any contingent liability of any of the Haldimand Corporations for Taxes or any grounds that could prompt an assessment or reassessment for Taxes, and the Haldimand Corporations have not received any indication from any Governmental Authority that any assessment or reassessment is proposed in respect of taxation periods ended on or before Closing;

- (vi) None of the Haldimand Corporations has entered into any transactions with any non-resident of Canada (for the purposes of the Tax Act) with which such Haldimand Corporation was not dealing at arm's length (within the meaning of the Tax Act). None of the Haldimand Corporations has acquired property from any Person in circumstances where such Haldimand Corporations was or could have become liable for any Taxes payable by that Person;
- (vii) None of the Haldimand Corporations has entered into any agreements, waivers or other arrangements with any Governmental Authority providing for an extension of time with respect to the issuance of any assessment or reassessment, the filing of any Tax Return, or the payment of any Taxes by or in respect of any of the Haldimand Corporations. None of the Haldimand Corporations is party to any agreements or undertakings with respect to Taxes;
- (viii) Each of the Haldimand Corporations is duly registered under the ETA and under applicable provincial Tax statutes in respect of all provincial Taxes which it is or has been required to collect and their respective HST registration numbers are as follows:

[REDACTED]

All input tax credits claimed by the Haldimand Corporations pursuant to the ETA have been proper, correctly calculated and documented in accordance with the requirements of the ETA and the regulations thereto. Each of the Haldimand Corporations have collected, paid and remitted when due all Taxes, including GST/HST and RST, collectible, payable or remittable prior to the Closing Date, as required by tax legislation.

- (ix) Each of the Haldimand Corporations maintains its respective books and records in compliance with section 230 of the Tax Act;
- (x) To the best of Vendor's knowledge, Vendor has provided to the Purchaser true, complete and accurate copies of all Canadian federal and Ontario income Tax Returns of each of the Haldimand Corporations for the last four (4) completed taxation years and all related communications to or from all Governmental Authorities, including all assessments issued by Governmental Authorities (if any) in respect of such Tax Returns received by the Haldimand Corporations prior to or on the Closing Date. Canadian federal and provincial income, sales (including goods and services and harmonized sales and provincial or territorial sales) and capital tax assessments have been issued to each of the Haldimand Corporations for all taxation years or periods up to and including its taxation year ended as of Closing Date. No notices of determination of loss from the Canada Revenue Agency for any of the Haldimand Corporations have been requested by or issued to any of the Haldimand Corporations;

- (xi) None of the Haldimand corporations has requested, received or entered into any advance Tax rulings or advance pricing agreements with any Governmental Authority;
 - (xii) None of the Haldimand Corporations is a party to, or bound by or obligated by contract or otherwise, any undertaking regarding any Tax allocation, indemnity or sharing contract or arrangement, and neither is liable for the Taxes of any other Person as a transferee or successor;
 - (xiii) The value of consideration paid or received by each of the Haldimand Corporations for the acquisition, sale, transfer or provision of property (including intangibles) or the provision of services (including financial transactions) from or to any Person with which it was not dealing at arm's length at the relevant time was compliant with the provisions of the Affiliate Relationships Code under the OEB Act;
 - (xiv) The cost amount, as defined in the Tax Act, of the assets of each of the Haldimand Corporations is accurately reflected where required on such corporation's Tax Returns and has not materially and adversely changed since the date of such Tax Returns; and
 - (xv) No Claim has ever been made by a taxing authority, in a jurisdiction where any of the Haldimand Corporations does not file Tax Returns, that such Haldimand Corporation is or may be subject to taxation by that jurisdiction or that any of the assets of such Haldimand Corporation are or may be subject to such taxation.
- (w) **Withholding.** Each of the Haldimand Corporations has deducted, withheld, collected and remitted when due to each Governmental Authority, all Taxes which either is required to deduct, withhold, collect and remit. Without restricting the generality of the foregoing, each of the Haldimand Corporations has withheld from each amount paid or credited or deemed to have been paid or credited, and each taxable benefit conferred upon or dividend or distribution paid or deemed to have been paid to any of its past or present employees, shareholders officers or directors, and to any non-resident of Canada within the meaning of the Tax Act, the amount of all Taxes and other deductions required to be withheld therefrom by Applicable Law, including without limitation, all employee and employer portions for Workers' Compensation, Canada Pension Plan, Employer Health Tax and Employment Insurance and has paid the same to the proper Governmental Authority within the time required under any Applicable Law. Each of the Haldimand Corporations has remitted to the appropriate Governmental Authority when required by law to do so all amounts collected by it on account of sales taxes including HST. None of the Haldimand Corporations has received any requirement, demand or request from any Governmental Authority pursuant to section 224 of the Tax Act or any similar provision of an Applicable Law that remains unsatisfied in any respect.
- (x) **Tax Elections.** None of the Haldimand Corporations has filed or been party to any election, designation or similar filing relating to Taxes.
- (y) **Ownership of Property.** The LDC is the sole beneficial and (where its interests are registrable) the sole registered owner of all of the Property used in connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of the Business with good and valid title thereto free and clear of all encumbrances other than in respect of the Real Property, minor encumbrances for the supply of utilities to such property. All of the Fixed Assets used in connection with, directly or indirectly, ancillary to, or reasonably necessary for the operation of the Business are, except to the extent detailed in the Haldimand County Hydro Asset Condition Assessment dated

September 12, 2013 prepared by Kinetrics or the 2014 cost-of-service application, in good working order, condition and repair, have been properly and regularly maintained and are free of any structural defect and free from any defect in material and workmanship, are of merchantable quality and fit for the purposes of the Business and are in material compliance with all Applicable Laws. There has been no assignment, subletting or granting of any licence (of occupation or otherwise) of or in respect of any such Property or any granting of any Contract or right capable of becoming a Contract or option for the purchase of any of such Property other than pursuant to the provisions of, or as disclosed in, this Agreement.

- (z) **Financial Statements.** The Financial Statements were prepared, subject to Section 2.4(g), in accordance with GAAP applied on a basis consistent with that of the preceding period and present fairly all of the assets, liabilities and financial position of each of the Haldimand Corporations on a consolidated basis as at December 31, 2013, and the sales, earnings, results of operation and changes in financial position of the Haldimand Corporations on a consolidated basis for the twelve-month period then ended.
- (za) **By-Laws.** Other than by-laws of general application, no by-law of the Municipality exists which materially adversely affects any of the Haldimand Corporations or the Business. Other than by-laws of general application, no by-law that would materially adversely affect any of the Haldimand Corporations or the Business is currently being contemplated by the Vendor or, to the Vendor's knowledge, has been proposed by any Person.
- (zb) **Licences.** Schedule 3.1(bb) sets out a complete list of all licences, permits, approvals, consents, certificates, registrations and authorizations other than off-the-shelf shrink-wrapped software licences ("**Licences**") held by or granted to any of the Haldimand Corporations, and there are no other licences, permits, approvals, consents, certificates, registrations or authorizations necessary to carry on the Business other than the Required Approvals. Each Licence is valid, subsisting and in good standing and none of the Haldimand Corporations is in default or breach of any Licence and, to the best of the Vendor's Knowledge, no proceeding is threatened or pending to revoke or limit any Licence.
- (zc) **Bank Accounts.** Vendor shall deliver to Purchaser prior to closing, a complete list of every financial institution in which any of the Haldimand Corporations maintains any depository account, trust account or safety deposit box and the names of all Persons authorized to draw on or who have access to such accounts or safety deposit box.
- (zd) **Subsidiaries.** The LDC and HCEI are the only subsidiaries of HCUI and neither HCUI, HCEI nor the LDC owns or has any interest in any shares of any other corporation except for Haldimand County Generation Inc., which will be dissolved as provided in Section 5.9. Haldimand County Generation Inc. has never been used in any transaction by the Vendor or any of the Haldimand Corporations.
- (ze) **Absence of Guarantees.** None of the Haldimand Corporations has given or agreed to give, nor is it a party or bound by, any guarantee or indemnity in respect of indebtedness, or other obligations, of any Person, or any other commitment by which any of the Haldimand Corporations is, or is contingently, responsible for such indebtedness or other obligations.
- (zf) **Limitation.** The Vendor makes no representation or warranty to the Purchaser except as specifically set forth in this Section 3.1 and this Agreement contains all representations and warranties of the Vendor relating to the purchase of the Purchased Shares contemplated hereby.

- (gg) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.1 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Vendor shall have no liability to the Purchaser with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.1 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.

3.2 Representations and Warranties of the Purchaser and the Indemnitor. The Purchaser and the Indemnitor each jointly and severally represent and warrant to the Vendor as follows and acknowledges that the Vendor is relying on such representations and warranties in order to enter into the transactions contemplated herein:

- (a) **Organization.** It is a corporation duly incorporated and validly subsisting corporation under the laws of Ontario and has the corporate power to own or lease its property and assets and to carry on the business presently carried on by it.
- (b) **Corporate Power and Due Authorization.** It has all requisite corporate power, authority and capacity to enter into, and to perform its obligations under this Agreement and any other agreement or document to be delivered pursuant hereto. It has duly taken, or has caused to be taken, all corporate action required to be taken by it to authorize the execution and delivery of this Agreement and any other agreement or document to be delivered pursuant hereto by it in the performance of its obligations hereunder and has the financial ability to complete the Purchase and pay the Purchase Price.
- (c) **Binding Agreement.** This Agreement has been duly executed by it and will, upon delivery, constitute a valid and binding obligation of the Purchaser and the Indemnitor enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (d) **No Violations.** Neither the execution nor delivery of this Agreement nor the completion of the purchase of the Purchased Shares herein contemplated will result in the violation of:
- (i) any provision of the constating documents, by-laws or any unanimous shareholder agreement of the Purchaser or Indemnitor;
 - (ii) any Contract to which it is a party or by which it, or any of its property or assets is bound, which would have a material adverse effect on the its ability to perform its obligations under this Agreement; or
 - (iii) subject to obtaining the Required Approval,, any terms or provisions of any Applicable Law of any authority having jurisdiction over the Purchaser or the Indemnitor, which would have a material adverse effect on its ability to perform its obligations under this Agreement.
- (e) **Investment Canada Act.** It is not a "non-Canadian" within the meaning of the *Investment Canada Act* (Canada).

- (f) **Consents and Approvals.** Except as set out in Article VII, there is no requirement for it to make any filing with, give any notice to or obtain any licence, permit, certificate, registration, authorization, consent or approval of, any Governmental Authority as a condition to the lawful consummation of the transactions contemplated by this Agreement.
- (g) **Litigation.** There are no Claims in progress, pending, or, to the Purchaser's and Indemnitor's Knowledge, threatened against or affecting the Purchaser at law or in equity, or before or by any federal, provincial, municipal or other governmental department, court, commission, board, bureau, agency or instrumentality, domestic or foreign, or by or before an arbitrator or arbitration board which, either individually or in the aggregate, would have a material adverse effect or prevent it from fulfilling any of its obligations set out in, or arising in connection with, this Agreement or any other agreement or document to be delivered pursuant hereto.
- (h) **Limitation.** The Purchaser makes no representation or warranty to the Vendor except as specifically set forth in this Section 3.2 and this Agreement contains all representations and warranties of the Purchaser relating to the purchase of the Purchased Shares contemplated hereby.
- (i) **Effect of Disclosure.** All disclosure contained in a particular representation and warranty set forth in this Agreement (or any Schedule referred to therein) shall be deemed for the purposes of this Agreement to have been made with respect to all of the representations and warranties in this Section 3.2 to which such disclosure might be applicable. Notwithstanding anything else contained herein, the Purchaser shall not have any liability to the Vendor with respect to any failure by it to disclose the existence of any matter, document or thing, or to make any other disclosure in the context of a particular representation and warranty set out in this Section 3.2 where the existence of such matter, document or thing has been disclosed as part of another representation or warranty contained in this Agreement or in any Schedule annexed hereto.
- (j) **Transfer Tax.** As of the date of execution of this Agreement, Purchaser is exempt pursuant to s. 149(1) of the Tax Act and its equivalent provision under the CTA, and Purchaser is a subsidiary of the Indemnitor for the purposes of s. 94 of the EA and Purchaser and Indemnitor will take no actions to make this representation untrue on Closing.

ARTICLE IV SURVIVAL OF REPRESENTATIONS AND WARRANTIES

4.1 Survival of Representation and Warranties.

- (a) The representations and warranties of the Vendor set out in Section 3.1 and the obligation of indemnity contained in Subsection 11.1(a)(ii) shall survive the Closing and, notwithstanding such Closing or any investigation made by or on behalf of the Purchaser with respect thereto, shall continue in full force and effect for the benefit of the Purchaser provided, however, no Claim in respect thereof shall be valid unless such Claim is made within a period of two (2) years from the date of discovery. Upon the expiry of such limitation period, the Vendor shall have no further liability to the Purchaser with respect to the representations and warranties referred to in such section, except in respect of valid Claims that have been made by the Purchaser to the Vendor in writing prior to the expiration of such limitation period.
- (b) The representations and warranties of the Purchaser and the Indemnitor set out in Section 3.2 shall survive the Closing and, notwithstanding such Closing or any

investigation made by or on behalf of the Vendor with respect thereto, shall continue in full force and effect for the benefit of the Vendor provided, however, that no Claim in respect thereof shall be valid unless it is made within a period of two (2) years from the date of discovery and, upon the expiry of such limitation period, the Purchaser shall have no further liability to the Vendor with respect to the representations and warranties referred to in such section, except in respect of Claims which have been made by the Vendor to the Purchaser in writing prior to the expiration of such period.

ARTICLE V COVENANTS OF THE VENDOR

5.1 **Access to the Haldimand Corporations.** The Vendor shall forthwith make available to the Purchaser and its authorized representatives and, if requested in writing by the Purchaser, provide a copy to the Purchaser of, all title documents, Contracts, financial statements, policies, plans, reports, licences, orders, permits, books of account, accounting records and all other documents, information and data relating to the Business of any of the Haldimand Corporations and the business of Haldimand County Generation Inc. The Vendor shall afford the Purchaser and its authorized representatives every reasonable opportunity to have free and unrestricted access to the Business and the Property, assets and records of each of the Haldimand Corporations. At the request of the Purchaser, the Vendor shall execute, or shall cause each of the Haldimand Corporations to execute, such consents, authorizations and directions as may be necessary to permit any inspection of the Business or to enable the Purchaser or its authorized representatives to obtain full access to all files and records relating to any of the Business maintained by governmental or other public authorities. The Vendor and the Purchaser shall co-operate in good faith in arranging any such meetings as the Purchaser should reasonably request with:

- (a) Employees of the Vendor or elected officials active in the Business, provided that to the extent that the Purchaser requests a meeting with a specific Employee for the purposes of conducting due diligence or preparing for operation of the LDC, the Vendor may substitute a meeting with a more senior Employee if the Vendor reasonably believes such senior Employee has more in-depth knowledge pertaining to the subject area of Purchaser's inquiry;
- (b) suppliers, distributors, service providers or others who have a business relationship with the Vendor, or any of the Haldimand Corporations in respect of the Business; and
- (c) the exercise of any rights of inspection by or on behalf of the Purchaser under this Section 5.1 shall not mitigate or otherwise affect any of the representations and warranties of the Vendor hereunder, which shall continue in full force and effect as provided in Section 4.1.

5.2 **Conduct of Business Prior to Closing.** During the Interim Period, none of the Haldimand Corporations has sold or otherwise disposed of any of its Property (other than sales or dispositions of Property in the ordinary course) and the Vendor has not sold or otherwise disposed of any of its property used in connection with the Business. During such period there has been no change in the Business or in the operations, affairs, personnel or financial condition of the Business or of any of the Haldimand Corporations (except, with respect to the LDC only, for changes occurring in the ordinary course of business which, in the aggregate, have not had a Material Adverse Effect), and none of the Haldimand Corporations has authorized, agreed or otherwise become committed to do any of the foregoing. The Vendor shall cause the Business to be conducted in the ordinary course substantially consistent with past practice (except as may be otherwise required or contemplated by the provisions of this Agreement), during the Interim Period. During the Interim Period, Vendor shall cause the LDC to transfer the Excluded Property to the Vendor, at book value. Purchaser expressly acknowledges that HCHI may acquire short-term debt in the amount of up to \$7.5M within the Interim Period in the form of variable-rate, demand loans, re-payable without penalty on or after Closing. The Parties acknowledge that, notwithstanding

anything herein contained to the contrary, during the Interim Period, the Haldimand Corporations shall be permitted to declare and pay dividends to their respective shareholders out of cash on hand.

5.3 Delivery of Books and Records. At Closing, the Vendor shall cause to be delivered to the Purchaser all of the books and records of and relating to any of the Haldimand Corporations and the Business, provided that Vendor shall be entitled to retain copies of any such books and records provided that such books and records are reasonably required by the Vendor to perform its obligations hereunder or under Applicable Law.

5.4 Resignation of Directors and Officers. The Vendor shall cause all of the directors and officers of each of the Haldimand Corporations to resign their corporate offices (but not their employment) in favour of nominees of the Purchaser, such resignation to be effective at Closing.

5.5 No Material Contracts. From and after the date hereof, none of the Haldimand Corporations shall enter into any Material Contracts without the prior consent of the Purchaser, which consent may not be unreasonably delayed but may be unreasonably withheld. No consent shall be required for any Material Contract contemplated in an approved budget with a completion date on or prior to May 31, 2015. Notwithstanding the forgoing and in any event, a Haldimand Corporation may enter into any of the following commitments, on expiry and not in advance, provided doing so is in the ordinary course of its Business and in accordance with past practice: renew MEARIE property and liability policy for the minimum period permitted, not to exceed three (3) years; renew annual liability insurance effected through Frank Cowan, renew annual software maintenance or support contracts; and renew the annual industry association memberships referenced in Schedule 3.1(s).

5.6 Non-Assignable Assets. The Vendor will use its best efforts to obtain any consents required from third parties to the effective transfer of the Property to and for the enjoyment of HCUI, HCEI or the LDC as the case may be and in the absence of any such consent or effective transfer, Vendor shall hold such asset in trust for the benefit of such of HCUI, HCEI or the LDC as the Purchaser may request, in connection with which trust Indemnitor shall indemnify Vendor. As Purchaser intends to pay off all third-party debt identified in the Financial Statements immediately following Closing, Vendor is not obligated to obtain consents to change of control even if required by the terms of such debt.

5.7 Transfer of Purchased Shares. The Vendor shall take, and shall cause HCUI to take, all necessary steps and proceedings to permit the Purchased Shares to be duly and validly transferred to the Purchaser and to have such transfers duly and validly recorded on the books of HCUI so that the Purchaser is entered onto the books of HCUI as the holder of the Purchased Shares and to issue share certificates to the Purchaser representing the Purchased Shares effective on Closing.

5.8 Best Efforts. The Vendor shall use its best efforts (which shall not be less than commercially reasonable efforts) to cause each of the conditions set forth in Section 9.1 to be performed at or prior to Closing.

5.9 Dissolution of Generation Subsidiary. The Vendor shall cause HCUI to discharge all liabilities of Haldimand County Generation Inc. and dissolve Haldimand County Generation Inc. prior to Closing.

5.10 Restriction on Transfers. The Vendor covenants and agrees that, between the date of this Agreement and Closing, the Vendor shall not, and shall cause its subsidiaries to not, transfer or acquire any property unless it is property acquired from, or transferred to, a Person dealing at arm's length with the Vendor and its subsidiaries in the ordinary course of business.

5.11 Remediation of Environment. The Vendor shall specifically indemnify the Purchaser with respect to the costs of Remediation of any breach of Environmental Laws associated with the Real Property, which the LDC has not brought into compliance with Environmental Law on or before Closing, having regard to the use of the Real Property and neighbouring properties, whether or not such Remediation incidentally improves conditions arising in connection with operation of the Business

following Closing. Except to the extent of such incidental improvements, Vendor shall not be liable to indemnify Purchaser or Indemnitor for any such costs of Remediation that resulted from the actions or negligence of the Purchaser or Indemnitor with respect to non-compliance with Environmental Laws in relation to the Real Properties after the Closing Date. The Purchaser agrees to promptly notify the Vendor of its intention to undertake any such Remediation and shall provide the Vendor with the opportunity to comment on the Purchaser's proposed Remediation plan, which comments the Purchaser agrees to reasonably consider. The Purchaser further agrees that in preparation or execution of such plan, Purchaser will not discriminate (in the manner or extent of the Remediation), between the Real Property and other property in Hydro One Network Inc.'s ratebase.

5.12 Financial Statements. The Vendor shall cause the Closing Date Financial Statements, subject to Section 2.4(g), to be prepared in accordance with GAAP applied on a basis consistent with that of the preceding period and present fairly the assets and liabilities of the Haldimand Corporations on a consolidated basis as at Closing.

ARTICLE VI COVENANTS OF THE PURCHASER AND INDEMNITOR

6.1 Employment and Location Guarantees. The Purchaser hereby covenants and agrees that for a period of 1 year following the integration of the Business of the LDC with Hydro One Networks Inc., Purchaser will guarantee the continued employment within the Municipality with the LDC, the Purchaser, Indemnitor, or an Affiliate of the Purchaser or Indemnitor, of each Employee who is an active Employee of the LDC on the Closing Date on terms and conditions, including Employee Benefits calculated on the same basis as provided to Hydro One Networks Inc. employees hired on the Closing Date, except that past service with the LDC and related expertise, will be recognized as service with Hydro One Networks Inc. where possible for seniority purposes, and the Purchaser will not, during such period, terminate the employment of any such Employee, except for just cause. The foregoing shall not prohibit the relocation of Employees with their prior consent. From and after the integration of the Business of the LDC with Hydro One Networks Inc., Employees may apply for positions within the Purchaser, Indemnitor and/or their Affiliates and will be considered for such positions on a fair and equal basis with other employees of the Purchaser, Indemnitor and their Affiliates with credit for their seniority and service, as applicable under the applicable employer's collective agreements. Purchaser intends to complete integration of the LDC within twelve to eighteen months of the Closing Date.

6.2 Local Presence. The Purchaser and Indemnitor will cause Hydro One Networks Inc. to relocate certain field operations and other work being performed from its Lincoln and Dundas Operations Centre to new or existing facilities in the Municipality. At a minimum, the quantity of work so relocated shall be equivalent to that currently being performed by 30 full time equivalent employees. In evaluating potential sites for such facilities, Purchaser agrees to consider in good faith, locating first, in the Frank A Marshall Business Park or otherwise in Dunnville. If Purchaser selects an available site within the said business park, Vendor agrees to sell the lands to Purchaser at fair market value.

6.3 Community Support. After Closing, the Employees and the Municipality shall be eligible for all programs and benefits provided by Purchaser on an equal basis with all other employees and communities served by Purchaser and the programs and benefits referenced in Schedule 6.3.

6.4 Advisory Committee. The Purchaser shall establish an advisory committee (the "Advisory Committee") as soon as practicable after Closing, in order to provide a forum for communication between the Purchaser and the Vendor. In establishing the Advisory Committee, the Purchaser shall select representatives, including the local superintendent from Hydro One Network Inc.'s Zone 2 or equivalent, in consultation with officials of the Vendor. The Vendor may appoint at least three representatives to the Advisory Committee.

6.5 Reliability of Power. If at any time during the period beginning on the Closing Date and continuing for the five (5) years following Closing Date, the five-year rolling average for reliability (as

measured by the system average interruption duration index) in the LDC's pre-closing territory as measured by Purchaser and reported to Vendor, falls below the average reliability reported by the LDC to the OEB for the five (5) years prior to Closing, Purchaser shall make a payment to the Vendor in the amount of \$100,000 to be used to address charitable or other community interests.

6.6 Rate Certainty. The LDC's 2014 base rates approved by the OEB (the "**Current Rates**"), are set out in Schedule 6.6.

The Purchaser and Indemnitor jointly and severally acknowledge, agree and covenant to:

- (a) within the timeframe specified in Section 7.1 and as part of, or contemporaneous with, the Required Approval, apply for OEB Approval for a negative rate rider to reduce Current Rates by one percent (1%) across all Rate classes ("**Negative Rate Rider**");
- (b) take all reasonable steps to ensure that the Current Rates less the Negative Rate Rider to the extent approved by the OEB (the "**Reduced Rates**") shall:
 - (i) be effective as of the Closing Date or such other date stipulated by the OEB; and
 - (ii) be maintained without change during the Rate Freeze Period; and
- (c) following the Rate Freeze Period and subject to the proviso that materially similar business and regulatory conditions continue, pursue a distinct class of rates for similarly-situated, newly acquired territories recognizing their higher-than-average customer base density and lower-than-average cost-to-serve.

6.7 Employee-Related Matters. The Purchaser and Indemnitor acknowledge that from and after the Closing Date, the LDC shall be responsible for all obligations owing to present and former employees and beneficiaries of the LDC relating to such employment, including, but not limited to, all obligations and liabilities relating to wages, severance pay, notice of termination of employment or pay in lieu of such notice, Damages for wrongful dismissal or other employee benefits or Claims, including vacation pay (excluding in connection with OMERS) regardless of whether these arose before or after Closing. The Purchaser and Indemnitor shall jointly and severally indemnify and save harmless the Vendor from and against any and all losses, damages, expenses, liabilities, claims and demands whatsoever made or brought against the Vendor by any person or Employee, association or trade union or by any federal, provincial, municipal or other government department, commission, board, bureau, agency or instrumentality or any other person or body which in any way pertains to or arises out of such liability including, without limiting the generality of the foregoing, any and all losses, damages, expenses, liabilities, claims and demands whatsoever with respect to wages, severance pay, notice of termination of employment or pay in lieu of such notice, damages for wrongful dismissal or other Employee Benefits or claims, including vacation pay (but excluding in connection with OMERS), and including any interest, award, judgment or penalty relating thereto and any costs or expenses incurred by the Vendor in defending any such claim or demand.

6.8 Access to Purchaser's Personnel. The Purchaser will cause Hydro One Networks Inc. to provide the Vendor with timely access to the services of the Customer Operations Manager ("**COM**") of Hydro One Networks Inc, who will be the single point of contact for all affairs. The COM will reach out to all other Hydro One Networks Inc. resources, as required. The COM will arrange for participation by appropriate personnel at Vendor's yearly municipal planning meeting and on request to Vendor's project planning meetings and presentations to Vendor's Council and will arrange for conservation and demand management education programs for local industry.

6.9 Capital Program. The Purchaser acknowledges and agrees that the aggregate capital expenditure budget and forecast for the Business is \$20 million for the period 2015-2019 and agrees to

cause the LDC or, following integration of the Business in Hydro One Networks Inc, to cause Hydro One Networks Inc. to use commercially reasonable efforts to meet such expenditure target.

6.10 Books and Records. The Purchaser shall preserve the books and records delivered by the Vendor to it pursuant to Section 5.3 for a period of six (6) years from the Closing Date, or for such longer period as is required by any Applicable Law, and will permit the Vendor or its authorized representatives reasonable access thereto in connection with the affairs of the Vendor relating to its matters.

6.11 Confidentiality. In the event that this Agreement is terminated in accordance with the provisions hereof:

- (a) The Purchaser and Indemnitor hereby covenant and agree to keep confidential, in accordance with the terms of the Confidentiality Agreement, any and all information and trade secrets received by such Party from the Vendor, whether or not received prior to or after the date of this Agreement, concerning the business and affairs of the Vendor and/or the LDC (the "**Confidential Information**");
- (b) subject to Subsection 6.11(c), the Purchaser and Indemnitor shall:
 - (i) promptly return to the Vendor all documents, computer disks, other forms of electronic storage or other materials furnished by the Vendor, or the LDC or by any of their respective representatives to the Purchaser or its representatives constituting Confidential Information, together with all copies and summaries thereof in the possession or under the control of the Purchaser, Indemnitor or its representatives and materials generated by the Purchaser or its representatives that include or refer to any part of the Confidential Information, without retaining a copy of any such material; or
 - (ii) alternatively, provided that the prior written consent of the Vendor has been obtained, promptly destroy all documents or other matters constituting Confidential Information in the possession or under the control of the Purchaser, Indemnitor or its representatives;

and the applicable Party shall confirm such return and/or destruction of Confidential Information to the Vendor in writing and certified by a senior officer of such Party;

- (c) the Purchaser and Indemnitor shall promptly destroy the portion of the Confidential Information which consist of analyses, compilations, forecasts, studies, other material or documents prepared by the Purchaser, Indemnitor, or its representatives and shall confirm such destruction in writing and certified by a senior officer of the applicable Party;
- (d) any verbal or visual Confidential Information will continue to be subject to the terms of the Confidentiality Agreement and the terms of this Section 6.11; and
- (e) the Purchaser and Indemnitor shall not, directly, use for its own purposes, any Confidential Information discovered or acquired by the Party's representatives as a result of the Vendor, or the LDC making available to them any Confidential Information.

6.12 Sentinel Lights. Purchaser commits to provide sentinel light services for a minimum period of two (2) years following the Closing Date. Purchaser shall use commercially reasonable efforts to continue services at the similarly high level provided by HCUI prior to Closing. Should Purchaser contemplate changes to the service or contemplate discontinuing the service after two (2) years, Purchaser will consult with the Advisory Committee to ensure that their views have been considered in developing its plans.

6.13 **Best Efforts.** The Purchaser and Indemnitor shall use its best efforts (which shall not be less than commercially reasonable efforts) to cause each of the conditions set forth in Section 9.2 to be performed at or prior to Closing.

6.14 **Survival.** The covenants contained in this Article VI shall survive the Closing Date.

ARTICLE VII REGULATORY APPROVAL

7.1 **OEB Approval.** Each of the Purchaser and the Vendor shall, at a time to be mutually agreed upon by the Parties, file or cause to be filed with the OEB applications required to be made under Subsection 86 of the OEB Act in respect of the OEB Approval as it relates to the purchase and sale of the Purchased Shares and a transfer of the Business of the LDC to Hydro One Networks Inc. and any related licence amendments or other notices required by the OEB (the "**Required Approval**"). Each of the Purchaser and the Vendor shall use their best efforts (which shall not be less than commercially reasonable efforts) to co-operate and assist the other with a view to achieving a Closing Date no later than May 31, 2015.

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

7.3 **Environmental Permits.** The Parties shall co-operate to ensure promptly that any required notices of change are given with respect to all Environmental Approvals, if any.

ARTICLE VIII TAX MATTERS

8.1 **Preparation and Filing of Tax Returns.** The Vendor shall cause HCUI to prepare and cooperate with Purchaser to submit all Tax Returns of each of the Haldimand Corporations for all periods up to and including Closing, that are not due for filing until after the Closing Date to the Purchaser for approval at least thirty (30) Business Days before the filing due-date thereof except for the debt retirement charge and sales tax returns, which shall be prepared and submitted to the Purchaser for approval at least seven (7) Business Days before the filing due-date thereof. The Vendor shall provide the Purchaser and its Representatives access to such tax supporting working papers and books and records of each of the Haldimand Corporations and Haldimand County Generation Inc. relating to the period up to and including Closing as the Purchaser reasonably requests for purposes of approving those Tax Returns. After the Purchaser has approved those Tax Returns, the Vendor shall, on a timely basis, cooperate with Purchaser to cause each of the Haldimand Corporations to file the Tax Returns.

8.2 **Books and Records Relating to Taxes.** Within thirty (30) Business Days after the Closing Date, the Vendor shall deliver to the Haldimand Corporations and the Purchaser the copies of all documents relating to Taxes of each of the Haldimand Corporations in respect of the period preceding Closing that the Vendor retained pursuant to Section 2.4(a) and all working papers, correspondence and other documents prepared after the Closing Date which relate to Taxes for such periods.

8.3 **Notification Requirements.** The Purchaser shall promptly forward to the Vendor all written notifications and other written communications from any Governmental Authority received by the Purchaser, or any of the Haldimand Corporations relating to Taxes of any of the Haldimand Corporations for all periods up to and including Closing, and shall promptly inform the Vendor of any audit proposed to be undertaken and any adjustment proposed in writing to be made by any Governmental Authority in

respect of any such period. Notwithstanding the obligation of the Purchaser to give prompt notice as required above, the failure of the Purchaser to give that prompt notice shall not relieve the Vendor of its obligations under this Article VIII except to the extent (if any) that the Vendor shall have been prejudiced thereby.

8.4 Vendor Indemnification. From and after the Closing Date, the Vendor shall be responsible for and shall indemnify and save harmless the Purchaser for all Taxes payable by any of the Haldimand Corporations for all periods up to and including Closing, less any Tax refunds and credits received by any of the Haldimand Corporations referable to periods up to and including Closing to the extent that such amounts were not reflected in the Closing Date Financial Statements.

8.5 Purchaser's Contest Rights. Subject to Section 8.6, the Purchaser shall have the sole right to control, defend, settle, compromise, or prosecute in any manner an audit, examination, investigation, and other proceeding with respect to any Tax Return of any of the Haldimand Corporations or Haldimand County Generation Inc. The Purchaser shall keep the Vendor duly informed of any proceedings in connection with any matter for which the Purchaser may have a right to indemnification pursuant to this Article VIII or Article XI and promptly provide the Vendor with copies of all correspondence and documents relating to those proceedings. The Vendor shall execute or cause to be executed such documents and shall take such action as reasonably requested by the Purchaser to enable the Purchaser to take any action the Purchaser deems appropriate with respect to any proceedings in respect of which the Purchaser has contest rights under this Agreement.

8.6 Vendor's Contest Rights.

- (a) The Vendor may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding with respect to Taxes or Tax issues related to any matter in respect of which the Purchaser may have a right of indemnification pursuant to this Article VIII or Article XI, except that:
 - (i) the Vendor shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all losses arising out of that audit, examination or other proceeding and that the Vendor shall be liable for the entire amount of those losses;
 - (ii) the Vendor may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to any matter which may affect Tax liabilities of the Purchaser or of any of the Haldimand Corporations for a period following Closing; and
 - (iii) the Vendor shall pay to the Purchaser the amount of all Taxes (including, for greater certainty, interest and penalties) specified in the notice of assessment or other Claim from the Governmental Authority to which the Purchaser's indemnity Claim relates within 10 (ten) Business Days before the amount is required to be paid to the Governmental Authority or within 10 (ten) Business Days after the Purchaser has forwarded to the Vendor a Claim for indemnity.
- (b) If the consent of the Purchaser to a settlement or compromise arranged by the Vendor is not obtained for any reason, the indemnification liability of the Vendor shall be limited to the proposed settlement amount. The Purchaser, HCUI, HCEI and/or the LDC, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendor to enable the Vendor to take any action it deems appropriate with respect to any proceedings in respect of which the Vendor has contest rights under this Agreement. In addition:

- (i) the Vendor shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser, HCUI, HCEI, Haldimand County Generation Inc. or the LDC; and
- (ii) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.

8.7 Indemnification Procedures. Except to the extent expressly provided to the contrary in this Article VIII, the general procedures regarding notice and pursuit of indemnification claims set forth in Article XI shall apply to all claims for indemnification made under this Article VIII, except that notwithstanding any provision of Article XI to the contrary, if a claim for indemnification involves any matter covered in this Article VIII, then the contest provisions of Sections 8.5 and 8.6, as applicable, shall control regarding the defence and handling of any such third-party claim that could give rise to an indemnification obligation on the part of the Vendor.

ARTICLE IX CONDITIONS OF CLOSING

9.1 Conditions of Closing in Favour of the Purchaser. The sale and purchase of the Purchased Shares are subject to the following conditions for the exclusive benefit of the Purchaser, to be fulfilled or performed at or prior to Closing:

- (a) **Representations and Warranties.** The representations and warranties of the Vendor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of:
 - (i) the Mayor or Deputy Mayor; and
 - (ii) the Clerk, or the Deputy Clerk dated the Closing Date to that effect shall have been delivered to the Purchaser.
- (b) **Covenants.** All of the obligations, covenants and agreements contained in this Agreement and all related agreements to be complied with or performed by the Vendor at or prior to Closing shall have been complied with or performed, and a certificate of:
 - (i) the Mayor or Deputy Mayor; and
 - (ii) the Clerk, or the Deputy Clerk dated the Closing Date to that effect shall have been delivered to the Purchaser.
- (c) **Consents and Regulatory Approvals.** There shall have been obtained, from all appropriate Persons such consents, licences, permits, approvals, certificates, registrations and authorizations as may be required to be in connection with the completion of the transactions contemplated herein, including without limitation the Required Approval.
- (d) **No Action to Restrain.** No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit:

- (i) the purchase and sale of the Purchased Shares or change in control of the LDC;
or
 - (ii) HCUI, HCEI or the LDC from carrying on the Business as the Business is being carried on as at the date hereof.
- (e) **Material Adverse Effect.** There shall not have occurred any Material Adverse Effect since the date of this Agreement.
- (f) **Resignation of Directors.** All directors and officers of each of the Haldimand Corporations shall have tendered their resignations and each such individual and the Vendor shall have duly executed and delivered comprehensive releases of all their claims respectively against each of the Haldimand Corporations or the Vendor shall have provided an indemnity in form satisfactory to Purchaser, acting reasonably, for any Claims from a director or officer who does not provide such a release.
- (g) **Capital Projects.** Final completion of the following projects shall have occurred:
- (i) South Caledonia Voltage Conversion;
 - (ii) Step Down Transformer 62 Replacement;
 - (iii) Step Down Transformer 90 Replacement; and
 - (iv) Cayuga South Voltage Conversion.

If any of the conditions contained in this Section 9.1 have not been performed or fulfilled at or prior to the Closing Date to the satisfaction of the Purchaser, acting reasonably, the Purchaser may, by notice to the Vendor, terminate this Agreement and the obligations of the Parties under this Agreement and in such event the Deposit together with accrued interest shall be released to the Purchaser and the Purchaser shall be released from all obligations hereunder except those set forth in Section 6.8 and in the Confidentiality Agreement. Any such condition may be waived in whole or in part by the Purchaser without prejudice to any claims it may have for breach of covenant, representation or warranty.

9.2 Conditions of Closing in Favour of the Vendor. The purchase and sale of the Purchased Shares is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be fulfilled or performed at or prior to Closing:

- (a) **Representations and Warranties.** The representations and warranties of the Purchaser and Indemnitor contained in this Agreement which are qualified as to materiality shall be true and correct and those not qualified as to materiality shall be true and correct in all material respects at Closing, with the same force and effect as if such representations and warranties were made at and as of such time, and a certificate of a senior officer of the Purchaser and the Indemnitor executed and dated on the Closing Date to that effect shall have been delivered to the Vendor.
- (b) **Covenants.** All of the obligations, covenants and agreements contained in this Agreement to be complied with or performed by the Purchaser or Indemnitor at or prior to Closing shall have been complied with or performed, and a certificate of a senior officer of the Purchaser and the Indemnitor executed and dated on the Closing Date to that effect shall have been delivered to the Vendor.
- (c) **Consents and Regulatory Approvals.** There shall have been obtained, from all appropriate Persons such consents, licences, permits, approvals, certificates, registrations and authorizations as may be required to be in connection with the

completion of the transactions contemplated herein, including without limitation, the Required Approval.

- (d) **No Action to Restrain.** No order of any court of competent jurisdiction or administrative agency shall be in existence and, no action or proceeding shall be pending or threatened in writing by any Person, to restrain or prohibit the purchase and sale of the Purchased Shares or the change in control of the LDC.

If any of the conditions in this Section 9.2 shall not be performed or fulfilled at or prior to Closing, to the satisfaction of the Vendor, acting reasonably, the Vendor may, by notice to the Purchaser and Indemnitor, terminate this Agreement and the obligations of the Parties under this Agreement, and in such event the Vendor shall be released from all obligations hereunder except those set forth in the Confidentiality Agreement. Any such condition may be waived in whole or in part by the Vendor without prejudice to any claims it may have for breach of covenant, representation or warranty. In the event the Agreement fails to close as a result of a failure of the conditions in Section 9.2(a), Vendor may retain the Deposit and accrued interest in full satisfaction of Purchaser's obligations hereunder and Purchaser shall be released from all liability under this Agreement.

ARTICLE X CLOSING ARRANGEMENTS

10.1 **Place of Closing.** The Closing shall take place at the head office of the Purchaser.

10.2 **Transfer.** At Closing, upon fulfillment of all the conditions set out in Article IX that have not been waived in writing by the Purchaser or the Vendor, the Vendor shall deliver to the Purchaser certificates representing all the Purchased Shares, duly endorsed in blank for transfer and will cause transfers of such shares to be duly and regularly recorded in the name of the Purchaser whereupon, subject to all other terms and conditions hereof being complied with, payment of the Purchase Price shall be paid and satisfied in the manner provided in Article II.

ARTICLE XI REMEDIES

11.1 **Vendor's Indemnity.**

- (a) Subject to Section 4.1 hereof, Vendor shall indemnify and save harmless the Purchaser, HCUI, HCEI and the LDC from and against:
- (i) Claims which may be made or brought against the Purchaser, HCUI, HCEI or the LDC and all Damages which the Purchaser, HCUI, HCEI or the LDC may suffer or incur, in each case as a result of or in connection with the litigation described in Schedule 3.1(u);
 - (ii) Claims which may be made or brought against the Purchaser, HCUI, HCEI or the LDC and all Damages which the Purchaser, HCUI, HCEI or the LDC may suffer or incur, in each case as a result of or in connection with Remediation of the properties in accordance with Section 5.11;
 - (iii) Claims which may be made by or brought against HCUI, HCEI, the LDC or the Purchaser and all Damages which the Purchaser, HCUI, HCEI or the LDC may suffer or incur as a result of or in connection with which the cause of action or occurrence or conditions or obligations giving rise to the Claim or Damages arose prior to Closing and are connected with HCUI, HCEI, the LDC, the

Business, Property or former property or operations of HCUI, HCEI or the LDC or the ownership of the Purchased Shares or of the shares of HCEI or the LDC; and

- (iv) Claims other than those for which indemnification is sought pursuant to subsections (i)-(iii) of this Section 11.1, which may be made or brought against the Purchaser, HCUI, HCEI or the LDC and all Damages which the Purchaser, HCUI, HCEI or the LDC may suffer or incur, in each case as a result of or in connection with any non-fulfilment of any covenant or agreement on the part of the Vendor under this Agreement or any incorrectness in or breach of any representation or warranty of the Vendor contained in this Agreement or in any certificate or other document furnished by the Vendor pursuant to this Agreement. In connection with the indemnities provided in this Section 11.1, the Vendor shall, in respect of any Claim made by any third party, be afforded an opportunity at its sole expense to resist, defend and compromise such Claim.

11.2 Purchaser's Indemnity.

- (a) The Purchaser shall indemnify and save harmless the Vendor from and against:
 - (i) Claims which may be made or brought against the Vendor and all Damages which the Vendor may suffer or incur, in each case as a result of or in connection with any non-fulfilment of any covenant or agreement on the part of the Purchaser under this Agreement or any incorrectness in or breach of any representation or warranty of the Purchaser contained in this Agreement or in any certificate or other document furnished by the Purchaser pursuant to this Agreement; and
 - (ii) Claims which may be made or brought against the Vendor all Damages which the Vendor may suffer or incur as a result of or in connection with which the cause of action or occurrence or conditions or obligations giving rise to the cause of action arose following Closing and are connected with the LDC, the business, Property or operations or the ownership of the Purchased Shares. In connection with the forgoing, the Purchaser shall, in respect of any Claim made by any third party, be afforded an opportunity at its sole expense to resist, defend and compromise such Claim.

11.3 **Notice of Claim.** If and when the Vendor becomes entitled to make a Claim pursuant to Section 11.2 or if and when the Purchaser becomes entitled to make a Claim pursuant to Section 11.1 (in either case, the "**Indemnified Party**"), the Indemnified Party shall promptly, and in any event, within 10 (ten) days of becoming aware of the Claim, give written notice thereof to the other Party (the "**Indemnifying Party**"). Such notice shall specify whether the Claim arises as a result of a claim by a Person against the Indemnified Party (in this Article XI, a "**third party claim**") or whether the Claim does not so arise and shall also specify with reasonable particularity (to the extent that the information is available):

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

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to effectively contest the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Damages incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis.

11.4 **Co-Operation.** The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to third party claims, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available).

11.5 **Limitation on Claims.**

- (a) Notwithstanding Section 11.1 or any other provision in this Agreement:
- (i) if any payment made pursuant to this Article XI is subject to HST or is deemed by Applicable Law to be inclusive of HST, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the HST in connection with the payment and any additional amount hereunder; and
 - (ii) the Indemnifying Party shall only be liable for Damages suffered by the Indemnified Party in respect of a Claim after taking into account insurance proceeds received by the Indemnified Party in respect of the occurrence giving rise to the Claim; and Tax benefits accruing to the Indemnified Party relating to the actions taken by the Indemnified Party in respect of the Claim.

**ARTICLE XII
EARLY TERMINATION**

12.1 If prior to the Closing Date, there is a change in Applicable Laws such that the sale of the Purchased Shares contemplated herein is no longer exempt from tax payable pursuant to s. 94(1) of the EA, Vendor shall have the right to terminate the Agreement without penalty upon written notice to the Purchaser within thirty (30) days of the effective date of such change in Applicable Laws, in which event the Deposit together with accrued interest shall be promptly paid to the Purchaser.

**ARTICLE XIII
MISCELLANEOUS**

13.1 **Further Assurances.** Each Party to this Agreement covenants and agrees that, from time to time subsequent to the Closing Date, it will, at the request and expense of the requesting Party, execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as any other Party hereto, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

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

13.3 **Brokerage, Commissions, etc.** It is understood and agreed that no broker, agent or other intermediary has acted for the Vendor, HCUI, HCEI, the LDC or the Purchaser, in connection with the purchase and sale of the Purchased Shares herein contemplated. The Vendor agrees to indemnify and save harmless the Purchaser from and against any claim for commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or to have acted for the Vendor in connection with the purchase and sale of the Purchased Shares herein contemplated. The Purchaser agrees to indemnify and save harmless the Vendor from and against any claim for

commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary, who purports to act or to have acted for the Purchaser in connection with the purchase of the Purchased Shares herein contemplated.

13.4 Notices.

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

(i) if to the Vendor: Cayuga Administration Building
45 Munsee Street North
P. O. Box 400
Cayuga, ON Canada N0A 1E0
Attention: Mayor

Phone: (905) 318-5932
Fax: (905) 772-3542

(ii) if to the Purchaser: 1908872 Ontario Inc.
483 Bay St.
Toronto, ON Canada M5G 2P5
Attention: General Counsel

Fax: (416) 345-6056

(iii) if to the Indemnitor: Hydro One Inc.
483 Bay St.
Toronto, ON Canada M5G 2P5
Attention: General Counsel

Fax: (416) 345-6056

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

(c) A Party may at any time change its address for service from time to time by giving notice to the other Parties in accordance with this Section 13.4.

13.5 Best Efforts. The Parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of the Party to use its best efforts (which shall not be less than commercially reasonable efforts) to obtain any waiver, consent, approval, permit, licence or other document shall not require such Party to make any payment to any Person for the purpose of procuring the same, other than payments for amounts due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any Applicable Law.

13.6 Costs and Expenses. All costs and expenses incurred in connection with this Agreement and the transactions herein contemplated shall be paid by the Party incurring such costs and expenses.

13.7 **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Parties by facsimile or other means of recorded electronic transmission (including in PDF form) and such transmission with an acknowledgement of receipt shall constitute delivery of an executed copy of this Agreement to the receiving Party.

13.8 **Guarantee.** The Indemnitor irrevocably and unconditionally guarantees to the Vendor by way of a continuing guarantee, the full and prompt payment and performance by Purchaser of Purchaser's obligations hereunder and pursuant to all associated closing documents. These obligations of the Indemnitor hereunder are separate and distinct and shall not be affected by any amendment of this Agreement or of associated closing documents by the Purchaser and Vendor. A failure or delay on the part of the Vendor in exercising a right or remedy under this guarantee does not operate as a waiver of, or impair, any rights or remedies of the Vendor however arising. Vendor need not pursue remedies against the Purchaser before being able to exercise its remedies against the Indemnitor.

13.9 **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter thereof, whether oral or written. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties relating to the subject matter hereof except as specifically set forth in this Agreement. None of the Parties has relied or is relying on any other information, discussions or understandings in entering into and completing the transactions contemplated in this Agreement. If there is any conflict or inconsistency between the provisions of this Agreement and the provisions of any document delivered on Closing, the provisions of this Agreement will govern.

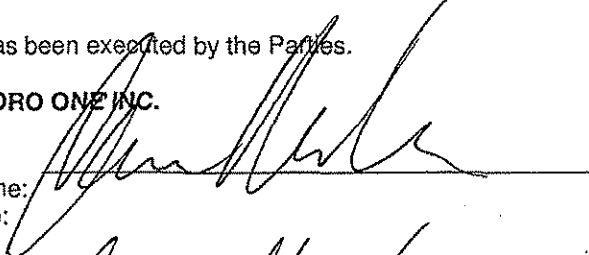
13.10 **Third Party Beneficiaries.** Except as otherwise expressly provided in this Agreement, the Parties do not intend that this Agreement benefit or create any legal or equitable right, remedy or cause of action in, or on behalf of, any Person other than a Party and no Person, other than a Party, is entitled to rely on the provisions of this Agreement in any proceeding.

13.11 **Time of the Essence.** Time is of the essence in this Agreement.

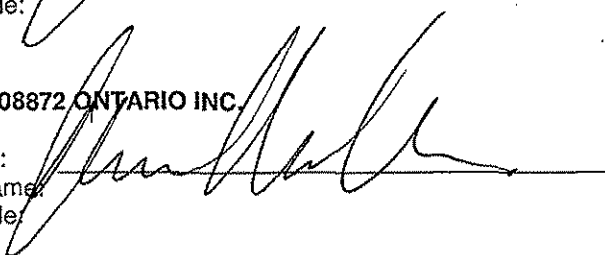
13.12 **Governing Law.** This Agreement is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to conflict of law principles. Each of the Parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of in any action or proceeding arising out of or relating to this Agreement.

IN WITNESS WHEREOF this Agreement has been executed by the Parties.

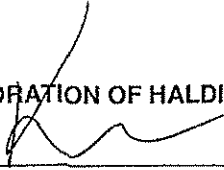
HYDRO ONE INC.

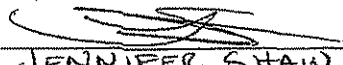
By: 
Name: _____
Title: _____

1908872 ONTARIO INC.

By: 
Name: _____
Title: _____

THE CORPORATION OF HALDIMAND COUNTY

By: 
Name: KEN HEWITT
Title: MAYOR

By: 
Name: JENNIFER SHAW
Title: ACTING CLERK

**SCHEDULE 2.4
PURCHASE PRICE ADJUSTMENT**

PAGE #1

HALDIMAND CORPORATION S
CONSOLIDATED CLOSING PURCHASE PRICE ADJUSTMENTS
AS AT _____ 20__

FILE NAME: HALHYDROjn3

	HCUI CONSOL. AUDITED CLOSING F/S DEC 31 '13	HCUI CONSOL. AUDITED CLOSING F/S	CHANGE INC/(DEC) TO CLOSING	PP ADJ. FACTOR	INC/(DEC) TO P.P.
	\$s	\$s	\$s	\$s	\$s
CONSOLIDATED NFA CALCULATION PER F/S:					
PROPERTY, PLANT & EQUIPMENT- (FIXED ASSETS AT NBV)	51,511,920	0	0		
DEFERRED CREDITS	-7,881,739	0	0		
	43,630,181	0	0		
+ RECLASS PORTION OF DUNNVILLE BREAKER INCLUDED IN REGULATORY ASSET/LIABILITY ACCOUNT AT CLOSE- SCHED	21,165	0	0		
NET INCREASE/(DECREASE) IN NFA	43,651,346		0	1.5	0
CONSOLIDATED WORKING CAPITAL (EX CASH):					
CURRENT ASSETS- SCHEDULE I	14,272,432	0			
CURRENT LIABILITIES- SCHEDULE II	10,611,597	0			
WORKING CAPITAL SURPLUS/(DEFICIENCY)	3,660,835	0	0	1.0	0
CONSOLIDATED NET DEBT CHANGE:					
NET DEBT- DECREASE/(INCREASE)- SCHEDULE III	9,858,631	0	0	1.0	0
PURCHASE PRICE ADJUSTMENT DUE TO/(FROM) VENDOR ON CLOSING					0

**SCHEDULE 3.1(l)
REAL PROPERTY**

Note: The Vendor and Purchaser have received electronic versions of PDF files referred to in this schedule.

Real Property -- (as defined in Agreement)

1. Service Centre 1 Greendale Drive, Caledonia
Sen Plan 86 Pt Lot 2, Haldimand County

2. Jarvis DS 1423 Haldimand Road 55, Jarvis
WAL CON 8 PT Lot 6, Haldimand County

3. Decewsville DS 2283 River Road, Cayuga
NCAY NTR Gore Lot W River Road E Dixon Rd, Haldimand County

4. Decewsville Regulating Station
315 Decewsville Road
NCAY CON NTR PT Lot 42 Pt Rd Allowance RP 18R1591 Part 1 and Part 2,
Haldimand County


5. Canfield DS 105 Haldimand Hwy 56, Canfield
NCAY CON a NTR Pt Lot 13, Haldimand County Hydro




















Leased Property -- (as defined in Agreement)




















None

Easements – (as defined in Agreement)

See enclosed chart below which includes Easements that were transferred to Vendor by the Dunnville, Haldimand and Nanticoke former Hydro-Electric Commissions and the Purchaser:

HALDIMAND COUNTY HYDRO INC.				
HALDIMAND COUNTY HYDRO INC.	As of October 13, 2000 to February 5, 2014	Haldimand County Hydro Inc. was incorporated on October 13, 2000. Enclosed below is an Excel spreadsheet of easements registered and released as of the date of incorporation for Haldimand County Hydro Inc. to form part of the Easement Schedule for the SPA. The documents have been sorted by date, maintaining registered easements separate from easements released.		
	Registered Easements and Easements Released			
PREDECESSORS OF HALDIMAND COUNTY HYDRO INC.				
EASEMENTS TRANSFERRED FROM HYDRO ONE (FORMERLY ONTARIO HYDRO)	Prior to October 13, 2000	<p>Pursuant to subsection 83.2 (29) of the <u>Power of Corporation Act</u>, R.S.O. 1990 c. P. 18, each of the former Hydro-Electric Commissions expanded its electric service area, supplied by Ontario Hydro, which resulted in the following Annexation Transfer Agreements:</p> <ul style="list-style-type: none"> • Annexation Transfer Agreement dated December 31, 1998 between Ontario Hydro and Haldimand Hydro-Electric Commission, • Annexation Transfer Agreement dated December 18, 1998 between Ontario Hydro and Dunnville Hydro-Electric Commission, and • Annexation Transfer Agreement dated December 31, 1998 between Ontario Hydro and Nanticoke Hydro-Electric Commission. <p>Haldimand County Hydro Inc. acquired the rights and privileges of each of the former Hydro-Electric Commissions pursuant to section 145 of the Electricity Act, 1998, by s. 3.1 (b) of By-law No. 36-2000 of the Haldimand-Norfolk Transition Board exercising the Powers of the old municipalities of Haldimand and Dunnville and the divided municipality of the City of Nanticoke pursuant to the Town of Haldimand Act, 1999 (Ontario), being Schedule B to the Few Municipal Politicians Act, 1999 (Ontario).</p> <p>Accordingly, Hydro One assigned all of its interests in the rights and easements described in the enclosed documents to Haldimand County Hydro Inc.:</p>		
		HALDIMAND HYDRO-ELECTRIC COMMISSION (HHEC)	DUNNVILLE HYDRO-ELECTRIC COMMISSION (DHEC)	NANTICOKE HYDRO ELECTRIC COMMISSION (NHEC)
	Former Townships / Village	<ul style="list-style-type: none"> • North Cayuga • Oneida • Rainham • Seneca • South Cayuga 	<ul style="list-style-type: none"> • Canborough • Dunn • Moulton • Sherbrooke • Village of 	<ul style="list-style-type: none"> • Walpole • Woodhouse

		<ul style="list-style-type: none"> Village of Hagersville Village of Caledonia Village of Cayuga 	Dunnville		
	Registered Easements (Transfer / Deed of Land and Spreadsheet, if available)	  	  	  	
<p>The Registry Office registered on January 23, 2002 the Transfer / Deed of Land for the registered easements related to the former Township of Walpole but would not register the other Transfer / Deed of Land due to legal description.</p> <p>Mike McLachlin of Hedley & McLachlin provided legal advice with respect to the matter and a copy of his letter dated February 9, 2010 is enclosed below.</p>  					
	Unregistered Easements (Indenture and Spreadsheet, if available)	  	  	 	
HALDIMAND HYDRO-ELECTRIC COMMISSION	HALDIMAND HYDRO-ELECTRIC COMMISSION				
	<p>It appears that in 1999 HHEC undertook a search of existing lines and registered Ontario Hydro easements within their jurisdiction which consisted of the former Townships of North Cayuga, Oneida, Rainham, Seneca, South Cayuga, and Walpole and Villages of Caledonia, Hagersville, and Cayuga.</p> <p>Enclosed below are spreadsheets for each former Township noting the findings of their investigation. The spreadsheets refer to lines existing but no registered easement. As noted above, Hydro One transferred to Haldimand County Hydro unregistered easements and therefore these existing lines with no registered easements may be covered by an unregistered easement.</p>				
	North Cayuga	Oneida	Rainham	Seneca & Village of Caledonia	South Cayuga

DUNNVILLE HYDRO-ELECTRIC COMMISSION	 HHEC: Notice of Claim of ...	 HHEC: Notice of Claim of ...	 HHEC: Notice of Claim of ...	 HHEC: Notice of Claim of ...	 HHEC: Notice of Claim of ...	 HHEC: Notice of Claim of ...	
	On December 31, 1999, HHEC registered a Notice of Claim with respect to rights and privileges acquired from Ontario Hydro. A copy of each Notice of Claim is enclosed below.						
	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...	 Expired Easement of Ontario HHEC...
	In conjunction with registration of the Notices of Claim noted above, a document was prepared entitled "Expired Easements" (copy enclosed below) noting that "These Easements will not be valid unless they have been referred to in an instrument registered between July 31, 1941 and July 31, 1981".						
	 HHEC: Notice of Claim of ...					 HHEC: Notice of Claim of ...	
DUNNVILLE HYDRO-ELECTRIC COMMISSION							
A file folder from the former DHEC contains registered easements or easement agreements which have been copied and enclosed below:							
	 Instrument of Easement of Ontario HHEC...	 Instrument of Easement of Ontario HHEC...	 Instrument of Easement of Ontario HHEC...	 Instrument of Easement of Ontario HHEC...			

Note:

- No registered easements have been obtained for sentinel lights located on private property.
- Vendor makes no representation that any of the Real Property and Easements is free from First Nations land claims—Purchaser takes title subject to any existing or future First Nations land claims.

SCHEDULE 3.1(m)
INTELLECTUAL PROPERTY

1. LDC- the Logo not registered at Trademark Office.



2. Domain name – “hchydro.ca” – registered with Webnames until April 27, 2018
3. Website – “haldimandcountyhydro.ca” – registered through Via Net. Expires March 11, 2015.

SCHEDULE 3.1(p)
HCUI EMPLOYMENT AND EMPLOYEE
BENEFIT MATTERS

1. Collective Agreement between Haldimand County Hydro Inc. and Local Union 636 of the International Brotherhood of Electrical Workers ("IBEW") – effective April 1, 2013 to March 31, 2017
2. Haldimand County Hydro Policy No. [REDACTED] Policy Manual for Non-Union Staff – revised September 30, 2013
3. Benefits Administration Agreement between MEARIE Management Inc. ("MMI") and Haldimand County Hydro Inc. – for the period January 1, 2011 to December 31, 2011 with automatic annual renewals
4. Accidental Death and Dismemberment ("AD&D") offered under AIG Insurance Company of Canada Policy No. [REDACTED]
5. Extended Health Care, including Vision Care and Global Medical Assistance, offered under Great-West Life Policy No. [REDACTED]
6. Dental Care offered under Great-West Life Policy No. [REDACTED]
7. Long Term Disability ("LTD") offered under Desjardins Insurance Policy No. [REDACTED]
8. Life Insurance, including Basic Term, Employee Supplementary, Employee Optional, and Spousal Optional offered under Desjardins Insurance Policy No. [REDACTED]
9. OMERS Pension Plan participation by Haldimand County Utilities Inc. – Group No. [REDACTED]
10. Employee Assistance Plan ("EAP") Agreement between Haldimand County Hydro Inc. and Haldimand-Norfolk Resource, Education and Counselling Help ("R.E.A.C.H.") – effective July 1, 2014 to June 30, 2015
11. Sick Leave Plan offered by Haldimand County Hydro Inc. (self-insured)
12. Safety Prescription Eye Glasses offered by Haldimand County Hydro Inc. (self-insured)

13. Orthodontic services offered by Haldimand County Hydro Inc. (self-insured)
14. Tuition Reimbursement offered by Haldimand County Hydro Inc. under Policy No. 1.4 Staff Development – issued April 24, 2002 (self-insured)
15. Personal Use of Corporate Vehicles by On-Call Line Personnel, Line Supervisor and Meter Supervisor, offered by Haldimand County Hydro Inc.
16. Use of Corporate Mobile Devices by various employees offered by Haldimand County Hydro Inc.
17. Employment Contract between Haldimand County Hydro Inc. and [REDACTED] [REDACTED] for the temporary position of Customer Service & Collections Clerk – effective January 31, 2014 until September 26, 2014
18. Employment Contract between Haldimand County Hydro Inc. and [REDACTED] [REDACTED] for the temporary position of Engineering – Co-op Student – effective January 6, 2014 until August 29, 2014

Exception referred to in Section 3.1(p) (c)

1. Retirement Life Insurance offered under Desjardins Insurance Policy No [REDACTED] for Retirees pre 2002 (i.e. closed class)

Exception referred to in Section 3.1(p) (d)

1. Workplace Safety & Insurance Board (“WSIB”) Claim No [REDACTED] – [REDACTED] – on account of occupational noise induced hearing loss, while employed as a lineperson by the former Haldimand Hydro-Electric Commission and its predecessor companies from June 15, 1960 to retirement on March 18, 1991. The first acknowledgement by the WSIB of this claim was in April 2005.

**SCHEDULE 3.1(s)
INSURANCE POLICIES**

1. MEARIE

Name of Insured:

Haldimand County Utilities Inc.

Coverage:

1. General Liability including:
 - Premises and Operations
 - Products and Completed Operations
2. Bodily Injury Liability
3. Personal Injury Liability
4. Property Damage Liability
5. Tenant's Legal Liability
6. Environmental Impairment
7. Errors & Omissions/Professional Liability
8. Non-Owned Automobile
9. Legal Expense Reimbursement (re: Conflict of Interest and Occupational Health & Safety)
10. Enhanced Plus+ Directors & Officers Liability
11. Privacy Liability & Network Security Breach

Limit: \$24,000,000 per occurrence

Insurer: Municipal Electric Association Reciprocal Insurance Exchange

Policy Number: [REDACTED]

Policy Period: January 1, 2014 – January 1, 2015 (12:01am)

Additional Named Insured:

Haldimand County Hydro Inc.

Haldimand County Energy Inc.

Significant Outstanding Claims

1. *Stray Voltage Claim* – [REDACTED] Selkirk View Farms Ltd commenced legal action against Ontario Hydro, Ontario Power Generation, Nanticoke Electric Commission and The Corporation of Haldimand County.
 - a. Today this claim rest with Haldimand County Hydro. The trial date has been set for September 22, 2014.
 - b. This claim is being defended through our liability coverage with MEARIE.

2. Frank Cowan Company

Name of Insured:

Haldimand County Utilities Inc.,

Coverage

1. Casualty (includes Comprehensive Crime and Board Members Accident)
2. Property
3. Equipment Breakdown
4. Automobile
5. Excess Automobile

Limit: See Policy for Insured Values.

Insurer: The Guarantee Company of North America, Northbridge General Insurance Corporation Temple Insurance Company.

Policy Number [REDACTED]

Policy Period: December 31, 2014 – December 31, 2015 (12:01am)

Additional Named Insured:

Haldimand County Hydro Inc.

Haldimand County Energy Inc.

Haldimand County Generation Inc.

Significant Outstanding Claims

No outstanding claims at time of reporting.

Note:

- See Schedule 3.1 (n) for MEARIE and Frank Cowan Insurance
- See Schedule 3.1 (p) for listing of employee benefit contracts and S.1(n) for material contracts

SCHEDULE 3.1(u)
VENDOR LITIGATION

1. Haldimand County Hydro is defending a CVOR Charge regarding overweight vehicle.
 - a. Incident took place June 2013. We have engaged Burness Paralegal to represent our interests. Charges if upheld will result in demerit points against the company and employee.
 - b. Pre-trial court date May 13, 2014 in Brantford.
 - c. Recommendation to settle and accepted by Haldimand County Hydro Inc.
 - d. Legal costs anticipated to be under \$5,000.
2. Stray Voltage Claim – [REDACTED] Selkirk View Farms Ltd commenced legal action against Ontario Hydro, Ontario Power Generation, Nanticoke Electric Commission and The Corporation of Haldimand County.
 - a. Today this claim rest with Haldimand County Hydro. The trial date has been set for September 22, 2014.
 - b. This claim is being defended through our liability coverage with MEARIE.
 - c. This item is crossed referenced from Schedule 3.1(s)

SCHEDULE 3.1 (bb)
LICENCES

1. OEB Distribution Licence – Haldimand County Hydro Inc. - ED-2002-0539
 - a. Valid until October 20, 2023.
2. Provisional Licenced Electrical Contractor – Haldimand County Energy Inc. - #7003014 – Date of registration November 28, 2006 – date of expiry – December 31, 2014.
3. Commercial Vehicle Operator’s Registration (CVOR) – [REDACTED]
4. Industry Canada – Radio Licenses
 - a. 3782994 – Call Sign VAX285 – Clanbrassil
 - b. 3782995 – mobile units – Caledonia
 - c. 4575792 - Call Sign VAX549 – 1 Greendale Drive, Caledonia
5. Software Licences –
 - a. Autocad 11
 - b. CYME CYME/DIST/SRV 1
 - c. CYME/MAP/SRV 1
 - d. CYME/SUB/SRV 1
 - e. CYMTCC/SVR 1
 - f. Oracle VM Support 4
 - g. ESRI ArcFM Designer 3
 - h. Harris EIS Dashboard Support 1
 - i. mCare/Meter Exchange Support 1
 - j. MDMR Support 1
 - k. NorthStar/eDocs/DSM Support 1
 - l. Customer Connect Platform Support 1
 - m. Customer Connect Home Support 1
 - n. Customer Connect Bill Support 1
 - o. Customer Connect CIS Support 1
 - p. NorthStar GUI Support 30
 - q. NorthStar Reports Anywhere Support 1
 - r. Great Plains User Licenses (Concurrent) 8

**SCHEDULE 6.3
COMMUNITY SUPPORT**

The Purchaser shall offer the following Community Citizenship Plan in Haldimand County:

- PowerPlay (up to \$25,000 per facility);
- Employee Volunteer Grant (\$1,000 per employee with 50 or more hours of volunteer time);
- Continuation of support for local events in Haldimand County.

**SCHEDULE 6.6
CURRENT RATES**

Haldimand Country Hydro Inc.

Tariff of Rates and Charges

Rate Class	Dx Charges	May 1, 2014
Residential	Serv. Chg [\$/month]	\$17.01
	Var. Chg [\$/kWh]	0.0248
GS < 50 kW	Serv. Chg [\$/month]	\$26.94
	Var. Chg [\$/kWh]	0.0190
GS 50-4999 kW	Serv. Chg [\$/month]	83.61
	Var. Chg [\$/kW]	3.9339
Unmetered	Serv. Chg [\$/month]	\$19.51
Scattered Load	Var. Chg [\$/kWh]	0.0025
Sentinel Lights	Serv. Chg [\$/month]	\$14.23
	Var. Chg [\$/kW]	36.7261
Street Lighting	Serv. Chg [\$/month]	\$5.70
	Var. Chg [\$/kW]	14.5882
Embedded	Serv. Chg [\$/month]	\$464.17
Distributor	Var. Chg [\$/kW]	1.4304

2014 Rates per E8-2013-0134

Base Rates only

AMENDMENT AGREEMENT

THIS AGREEMENT is made as of the 30th day of June, 2015.

BETWEEN:

THE CORPORATION OF HALDIMAND COUNTY, a corporation incorporated under the laws of Ontario,

(the “**Vendor**”)

and

1908872 ONTARIO INC., a corporation incorporated under the laws of Ontario,

(the “**Purchaser**”)

and

HYDRO ONE INC., a corporation incorporated under the laws of Ontario,

(the “**Indemnitor**”)

(each a “**Party**” and collectively, the “**Parties**”)

WHEREAS:

- A. The Parties have entered into the SPA dated June 10, 2014; and
- B. The Parties wish to amend the SPA to reflect certain clarifications and amendments to the purchase price adjustments under the SPA.

NOW THEREFORE, in consideration of the respective covenants and warranties and such other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties covenant and agree as follows:

1. INTERPRETATION

1.1 Definitions

Unless indicated otherwise, the following capitalized terms or expressions shall have the meaning indicated below throughout the Agreement and all other capitalized terms shall have the meaning ascribed thereto in the SPA:

- (a) **“Agreement”** means this agreement including its recitals and schedules, any related or ancillary agreement or document identified therein, as well as any amendment made thereto from time to time by the Parties; the terms “herein”, “hereof”, “hereto”, “herewith”, “hereunder”, “hereby” and other similar terms, when used in the Agreement, shall generally refer to the agreement as a whole rather than to a specific part thereof, unless otherwise indicated in the text; and
- (b) **“SPA”** means the Share Purchase Agreement entered into on June 10, 2014 by the Parties.

1.2 Terms of the SPA

Except as expressly set forth herein, the SPA shall continue in force unamended.

2. AMENDMENTS

2.1 Definitions

- (a) The definition of **“NFA Calculation”** set out in Section 1.1(ddd) of the SPA is hereby deleted and replaced with the following Section 1.1(ddd):

1.1(ddd) **“NFA Calculation”** means the amount that is equal to difference between the NFA and the NFA derived from the Financial Statements plus (the lesser of \$5.4M and the NFA 2015) plus (NFA 2015 Excess divided by 1.5).

- (b) The following sections and definitions shall be added to the SPA:

- (i) **“1.1(II.1) “Financial Statements 2014”** means the audited consolidated December 31, 2014 financial statements of HCUI prepared in accordance with GAAP to be prepared in accordance with subsection 2.4(a)(iii);”
- (ii) **“1.1(ccc.1) “NFA 2013”** means the NFA derived from the Financial Statements;”
- (iii) **“1.1(ccc.2) “NFA 2014”** means the NFA derived from the Financial Statements 2014;”
- (iv) **“1.1(ccc.3) “NFA 2015”** means the difference between the Closing Date NFA and the NFA derived from the Financial Statements 2014;” and
- (v) **“1.1(ccc.4) “NFA 2015 Excess”** means the amount, if any, by which the difference between the Closing Date NFA and the NFA derived from the Financial Statements 2014 exceeds \$5.4M;”.

- 2.2 Subsection 2.4(a)(iii) of the SPA is hereby deleted and replaced with the following Section 2.4(a)(iii):

2.4(a)(iii) the Working Capital set out in the Closing Date Financial Statements (the “**Closing Date Working Capital**”) being equal to the Working Capital set out in the Financial Statements. Within ninety (90) days following the Closing Date, the Vendor shall prepare and deliver to the Purchaser the Financial Statements 2014, the Closing Date Financial Statements and the audited, unconsolidated December 31, 2014 and Closing Date statements of HCHI and HCEI, the Net Debt Calculation, the NFA Calculation and the Working Capital Calculation audited by HCUI’s external auditors who are to be retained by the Vendor, together with the supporting documentation on which the auditors have relied (in this Section 2.4, the “**Auditors’ Supporting Documentation**”); and

- 2.3 Section 2.4(b) of the SPA is hereby deleted and replaced with the following Section 2.4(b):

2.4(b) Each of the Purchaser and the Vendor shall have a period of thirty (30) Business Days from the date on which the complete documentation listed in subsection 2.4(a)(iii) is received within which to notify the other Party in writing that it disputes any amounts contained in the Financial Statements 2014, Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation or the Working Capital Calculation (the “**Purchaser’s Objection**” or “**Vendor’s Objection**”, as the case may be), failing which the relevant Party not objecting shall be deemed to have accepted the amounts contained in the Financial Statements 2014, Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation and the Working Capital Calculation. Any Purchaser’s Objection or Vendor’s Objection, shall set forth a detailed description of the basis of the Party’s objection and the proposed adjustments to the Financial Statements 2014, Closing Date Financial Statements, the Net Debt Calculation, the NFA Calculation or Working Capital Calculation, as applicable, which that Party believes should be made. Any items not specifically disputed during such thirty (30) Business Day period shall be deemed to have been accepted by both Parties.

- 2.4 Section 2.4(g) of the SPA is hereby deleted and replaced with the following Section 2.4(g):

2.4(g) The Parties agree that the Closing Date Financial Statements and the Financial Statements 2014 are to be prepared using GAAP as it existed on December 31, 2013 on a basis consistent with the Financial Statements notwithstanding that HCUI may be using International Financial Reporting Standards on the Closing Date.

3. EFFECTIVE DATE

Notwithstanding the date of this Agreement, the amendments set out in this Agreement shall be deemed to be effective as of June 10, 2014.

4. COUNTERPARTS

This Agreement may be executed in two or more counterparts which may be executed and transmitted electronically and each counterpart when executed and delivered will have the same force and effect as an original instrument and as if all Parties had executed and delivered the same instrument.

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

1908872 Ontario Inc.

By: _____
Name: _____
Title: _____

Hydro One Inc.

By: _____
Name: _____
Title: _____

The Corporation of Haldimand County

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____