

GUARANTEE



Prudential Guarantee

**THE CORPORATION OF THE CITY OF LONDON IN ITS
CAPACITY AS ADMINISTERING MUNICIPALITY FOR THE
LAKE HURON PRIMARY WATER SUPPLY SYSTEM**

as Guarantor

in favour of

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

in respect of

Lake Huron Primary Water System

May 25, 2012

Document Change History

Issue	Reason for Issue	Date
1.0	First release	November 26, 2001
2.0	Second release – to reflect changes accepted by the IESO Board	March 6, 2002
3.0	Name and logo changed to <i>IESO</i> Change in confidentiality classification to confidential	March 9, 2005
4.0	Minor revision to add amount of guarantee in written form	December 17, 2007
5.0	Changes made to provide clarity on various provisions	April 14, 2008

Related Procedures

Document ID	Document Title
MDP_PRO_0045	Market Manual 5: Settlement ,Part 5.4: Prudential Support
IPOP_PRO_0043	Internal Manual 4: Market Billing and Funds Administration, Part 4.4:Prudential Risk Management

Table of Changes

Reference (Section and Paragraph)	Description of Change
Throughout	Changes made to provide clarity on various provisions.

GUARANTEE

TO: **THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR**

In Consideration of THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR (hereinafter referred to as the "IESO") accepting the Lake Huron Primary Water Supply System (hereinafter referred to as the "Market Participant") as a market participant under the Market Rules for the Ontario Electricity Market made by the IESO under the authority delegated to it in the Electricity Act, 1998, as said Market Rules and said Act may be amended, replaced or re-enacted from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Undersigned, the Undersigned hereby unconditionally guarantees payment to the IESO of all indebtedness and liabilities of any kind, now or hereafter existing, direct or indirect, absolute or contingent, joint or several, of the Market Participant to the IESO, whether as principal or surety, together with all reasonable out-of-pocket expenses (including reasonable external legal fees on a substantial indemnity basis) incurred by the IESO, its receiver or agent in the preparation, perfection and enforcement of security or other agreements held by the IESO in respect of such indebtedness or liabilities, and interest thereon (all of which present and future indebtedness, liabilities, expenses and interest are herein collectively referred to as the "Indebtedness"); provided that the liability of the Undersigned hereunder shall be limited to (Four Hundred and Twenty-Three Thousand, One Hundred and Forty-Nine) DOLLARS (\$ 423,149) in lawful money of Canada plus interest on such amount from the date of demand on the Undersigned for payment of the same at a rate per annum equivalent to the Prime Rate in effect from time to time plus two per cent (2%) per annum and all amounts referred to in section 12. As used herein, "Prime Rate" means the floating annual rate of interest established from time to time by the chartered bank with which the IESO has established its banking relationship as the base rate that bank will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as its prime rate.

AND IT IS AGREED THAT:

1. No change in the name, objects, capital stock or constitution of the Market Participant shall in any way affect the liability of the Undersigned, either with respect to transactions occurring before or after any such change. All monies, advances, renewals or credits in fact obtained from the IESO by the Market Participant or by persons purporting to act on behalf of the Market Participant shall be deemed to form part of the Indebtedness, notwithstanding any lack or limitation of status or power, incapacity or disability of the Market Participant or its directors, officers, employees or agents, or that the Market Participant may not be a legal entity or that such borrowing or obtaining of monies, advances, renewals or credits or the execution and delivery of any agreement or document by or on behalf of the Market Participant is in excess of the powers of the Market Participant or any of its directors, officers, employees or agents or is in any way irregular, defective, fraudulent or informal. The IESO has no obligation to inquire into the powers of the Market Participant or any of its directors, officers, employees or agents acting or purporting to act on its behalf.
2. All monies received by the IESO in respect of the Indebtedness may be applied on such part or parts of the Indebtedness as the IESO may see fit and the IESO shall at all times and from time to time have the right to change any appropriation of any moneys received by it and to reapply the same on any other part or parts of the Indebtedness as the IESO may see fit, notwithstanding any previous application by whomsoever made.

3. In the event of any distribution of the assets, in whole or in part, of Market Participant, upon any arrangement, winding-up, bankruptcy, insolvency, reorganization or similar proceeding or occurrence relating to Market Participant or any proceeding for the dissolution, liquidation, winding-up or other cessation of existence of Market Participant, no obligation or liability of the Undersigned hereunder shall be determined or in any manner affected, and no right of IESO hereunder shall in any manner be prejudiced or impaired by any omission by IESO to prove its claim or to prove its full claim, and IESO may prove such claim as it sees fit and may refrain from proving any claim and may value as it sees fit or refrain from valuing any security held by IESO.
4. This guarantee, including all amendments hereto (the "Guarantee"), will not be diminished or affected on account of any act or failure to act on the part of the IESO which would prevent subrogation from operating in favour of the Undersigned. All amounts payable by the Undersigned pursuant to this Guarantee shall be paid without setoff or counterclaim.
5. The IESO, without exonerating in whole or in part the Undersigned, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from, may refrain from taking securities from or from perfecting, registering, renewing or realizing upon securities of, may release securities granted by, may accept compositions from, and may otherwise deal with the Market Participant and all other persons (including the Undersigned and any other guarantor) and securities as the IESO may see fit. The Undersigned's obligations hereunder with respect to any Indebtedness shall not be affected by the existence, validity, enforceability, perfection, release, or impairment of value of any security for the Indebtedness.
6. Without in any manner limiting the generality of the foregoing, the Undersigned agrees that the IESO may, from time to time, consent to any action or non-action of the Market Participant which, in the absence of such consent, violates or may violate any agreement or agreements between the Market Participant and the IESO relating to any of the Indebtedness, with or without consideration on such terms and conditions as may be acceptable to the IESO, without in any manner affecting or impairing the liability of the Undersigned hereunder.
7. No invalidity, irregularity or unenforceability (by reason of any bankruptcy or similar law, any law or order of any government or agency thereof purporting to reduce, amend or otherwise affect the Indebtedness of the Market Participant, or otherwise) of the Indebtedness of the Market Participant or of any security therefor shall affect, impair or be a defence to this Guarantee. The Undersigned hereby waives any circumstance which might constitute a legal or equitable discharge of a surety or guarantor, including but not limited to: (a) notice of acceptance of this Guarantee; (b) presentment and demand concerning the liabilities of the Undersigned; (c) notice of any dishonour or default by, or disputes with the Market Participant; and (d) any right to require that any action or proceeding be brought against the Market Participant or any other person, or to require that the IESO seek enforcement of any performance against the Market Participant or any other person, prior to any action against the Undersigned under the terms hereof. The Undersigned consents to the renewal, compromise, extension, acceleration, or other modification of the terms of the Indebtedness, without in any way releasing or discharging the Undersigned from its obligations hereunder. No delay of the IESO in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights, or a release of the Undersigned from any obligations hereunder. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

8. The Undersigned shall at all times and from time to time do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all and singular every such further act, deed, transfer, assignment, assurance, document and instrument as the IESO may reasonably require for the better accomplishing and effectuating of this Guarantee and the provisions contained herein.
9. This shall be a continuing guarantee and shall cover and secure any ultimate balance owing to the IESO notwithstanding that the Market Participant may from time to time satisfy its indebtedness to the IESO in whole or in part and thereafter incur further indebtedness. The IESO may make successive demands for payment under this Guarantee. This Guarantee is a guarantee of payment and not of collection and the IESO shall not be obliged to exhaust its recourse against the Market Participant or other persons or the securities it may hold before being entitled to payment from the Undersigned of all of the Indebtedness; provided always that the Undersigned may determine its further liability under this continuing guarantee by ninety (90) days' notice in writing given to the IESO, and the liability hereunder of the Undersigned shall continue until the expiration of ninety (90) days after the giving of such notice. After the expiry of such notice the Undersigned shall remain liable under this Guarantee in respect of the Indebtedness on the date such notice expired and also in respect of any contingent or future liabilities incurred to or by the IESO on behalf of or in respect of the Market Participant on or before such date but maturing thereafter, but such determination in any manner of further liability of the Undersigned shall not prevent the continuance of the liability hereunder of the Undersigned.
10. This Guarantee shall continue to be effective or be reinstated (as the case may be) if at any time any payment by the Market Participant of all or any part of the Indebtedness is rescinded or must otherwise be returned by the IESO upon the insolvency, bankruptcy or reorganization of the Market Participant or otherwise, all as though such payment to the IESO had not been made.
11. Upon notice to but without requiring the consent of the Undersigned, the IESO may assign all or any portion of the benefit of this Guarantee, and any security, documents or instruments held by the IESO in respect thereof, in favour of any transferee of the Indebtedness or any portion thereof; and any such assignment shall not release the Undersigned from its liability thereunder. Such assignee shall be vested with all powers and rights of the IESO thereby assigned, but the IESO shall retain all rights and powers not so assigned. The Undersigned may not assign any of its rights and obligations hereunder except with the prior written consent of the IESO, which consent may be withheld in the absolute discretion of the IESO.
12. The Undersigned agrees to pay to the IESO, promptly upon demand from time to time, all reasonable out-of-pocket expenses (including reasonable external legal fees on a substantial indemnity basis) incurred by the IESO in connection with the preservation and enforcement of its rights and remedies hereunder against the Undersigned, together with interest thereon from the date of such demand at a rate per annum equivalent to the Prime Rate in effect from time to time plus two per cent (2%) per annum.
13. The records of the IESO as to the balance of the Indebtedness at any time and from time to time shall be prima facie evidence that the amount thereby appearing due by the Market

Participant to the IESO is so due. No provision of this Guarantee may be amended, modified or waived without the prior written consent of the IESO and the Undersigned.

14. Except as otherwise required by law, each payment by the Undersigned hereunder shall be made without withholding for or on account of any present or future taxes imposed by or within the jurisdiction in which the Undersigned is domiciled, any jurisdiction from which the Undersigned makes any payment or any other jurisdiction, or (in each case) any political subdivision or taxing authority thereof or therein. If any such withholding is required by law, the Undersigned shall make the withholding, pay the amount withheld to the appropriate governmental authority and promptly pay to the IESO such additional amount as may be necessary to ensure that the net amount actually received by the IESO (after payment of such taxes to such governmental authority including any taxes on such additional amount paid) is equal to the amount which the IESO would have received if no amounts had been withheld.
15. The Undersigned agrees not to exercise or enforce any right of exoneration, contribution, reimbursement, recourse or subrogation available to the Undersigned against the Market Participant or any other guarantor of the Indebtedness, or as to any security therefor, unless and until the Indebtedness has been paid and satisfied in full and the IESO has no further obligation to extend credit to the Market Participant. The Undersigned has no right to be subrogated hereunder unless: (i) any other person having a potential right of subrogation has waived such right and consented to the assignment of the Indebtedness and any security held by the IESO to the Undersigned; and (ii) the IESO has received from the Market Participant a release of all claims and demands which it may have against the IESO. Any assignment of loans and security by the IESO to the Undersigned shall be on an "as is, where is" basis without representations, warranties or conditions, and without recourse to the IESO. Said assignment shall be in form and substance satisfactory to the IESO, acting reasonably.
16. This Guarantee embodies the entire agreement and understanding between the Undersigned and the IESO and supersedes all prior guarantees issued by the Undersigned in connection with the Indebtedness. This Guarantee shall be binding upon the Undersigned and its successors and assigns, including any successor by reason of amalgamation of or any other change in the Undersigned, and shall enure to the benefit of the IESO and its successors and assigns.
17. After the issuance by the IESO to the Undersigned of a written demand for payment of all or any amounts under this Guarantee (a "Payment Demand"), all present and future indebtedness and liabilities of the Market Participant to the Undersigned shall be postponed to the repayment of the Indebtedness by the Market Participant to the IESO. Any moneys received by the Undersigned from the Market Participant after the issuance of a Payment Demand shall be received by the Undersigned in trust for the IESO and shall be paid over to the IESO. For greater certainty, however, prior to the issuance of a Payment Demand the Undersigned may retain as its own property any such moneys received from the Market Participant.

18. Without prejudice to any other method of giving notice, communications by the IESO to the Undersigned contemplated hereunder shall be in writing and shall be provided to the Undersigned by prepaid private courier or by facsimile to the address of the Undersigned noted below:

The Corporation of the City of London
c/o Regional Water Supply Division
285 North Centre Road, Suite 200
London, Ontario N5X 4E7

Facsimile No.: (519) 474-0451

Any communication transmitted by prepaid private courier shall be deemed to have been validly and effectively given on the Business Day after which it is submitted for delivery. Any communication transmitted by facsimile shall be deemed to have been validly and effectively given on the day on which it is transmitted, if transmitted on a Business Day on or before 5:00 p.m. (local time of the intended recipient), and otherwise on the next following Business Day. As used herein "Business Day" means a day, other than a Saturday or Sunday, on which chartered banks in Toronto, Ontario are generally open for normal banking business. The Undersigned may change its address for service by notice given in the foregoing manner addressed to:

Independent Electricity System Operator
Suite 410, 655 Bay Street, P.O. Box 1
Toronto, Ontario
M5G 2K4
Attention: General Counsel and Secretary
Facsimile No.: (416) 506-2838

19. The Undersigned acknowledges that this Guarantee has been delivered free of any conditions and that no representations have been made to the Undersigned affecting the liability of the Undersigned under this Guarantee and agrees that this Guarantee is in addition to and not in substitution for any other guarantee held or which may hereafter be held by the IESO. The rights, remedies and benefits herein are cumulative and not in substitution for or exclusive of any rights, remedies or benefits which the IESO may otherwise have.
20. This Guarantee shall be construed in accordance with and be governed by the laws of the Province of Ontario and for the purpose of legal proceedings this Guarantee shall be deemed to have been made in the said Province and to be performed there, and the Courts of that Province shall have non-exclusive jurisdiction over all disputes which may arise under this Guarantee, provided always that nothing herein contained shall prevent the IESO from proceeding at its election against the Undersigned in the Courts of any other Province, country or jurisdiction.

- 21. In this Guarantee, words importing the singular include the plural and vice versa, and words importing gender shall include all genders.

- 22. It is the express wish of the parties that this agreement and any related documents be drawn up and executed in English. Il est la volonté expresse des parties que cette convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

Executed as of the _____ day of _____, 2012.

The Corporation of the City of London
in its capacity as Administering Municipality, acting on behalf of and under the direction of the Board
of Management for the Lake Huron Primary Water Supply System

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____