

Proposed East-West Tie Transmission Line

COMPENSATION PRINCIPLES



Upper Canada Transmission, Inc. (UCT), operating as NextBridge Infrastructure LP, applied for and was awarded the designation to complete the development phase of work related to the East-West Tie (EWT) Transmission Line Project by the Ontario Energy Board.

NextBridge has submitted its Draft Environmental Assessment Terms of Reference for the proposed EWT Transmission Line Project to the Ministry of the Environment for review and approval. A proposed reference route is included within NextBridge's Draft Environmental Assessment Terms of Reference and indicates areas identified for potential local refinements.

Property owners and stakeholders within the proposed East-West Tie (EWT) Transmission Line Project have been notified and discussions have commenced with respect to the project. In particular, Land Agents have initiated communication with property owners who may be directly affected along the proposed reference and alternative routes, as identified within the Draft Environmental Assessment Terms of Reference.

NextBridge will engage landowners in an open and respectful manner, with a commitment to timely, meaningful and transparent dialogue as it relates to property owner compensation. The land acquisition process for the EWT Transmission Line Project and the land compensation principles outlined in this document will be coordinated in an equitable and consistent manner. To facilitate this, it is important that the land acquisition approach and associated land compensation principles be openly communicated and understood by property owners.

If you have questions or want more information

Call 1-888-767-3006

or

Email info@nextbridge.ca

Project Overview

NextBridge has completed the following activities to date in support of the development phase of the project:

- Applications to complete the development phase of the EWT Transmission Line Project were filed with the Ontario Energy Board in the spring of 2013
- NextBridge was awarded the designation and initiated the development of the project in August, 2013
- A Reference Route was presented in September, 2013 based on the Provincial Policy Statement (1.6.6.4). The Reference Route recommends paralleling the existing Hydro One 230 kV transmission line along with alternative routes that bypass Pays Plat First Nation, Michipicoten First Nation and the Pukaskwa National Park
- Draft Terms of Reference for the Environmental Assessment were submitted for public comment in January, 2014
- Draft Terms of Reference for the Environmental Assessment were submitted to the Ministry of the Environment and Climate Change for review and approval in February, 2014

Land Consultation Activities

NextBridge has initiated consultation activities with potentially affected property owners along the reference and alternative routes. Outreach has been ongoing and will continue through the course of the development phase of the project. These activities include:

- Providing initial communication to potentially affected landowners along the proposed routes and within a radius of 500m of each route by Notice of Commencement and Newsletter introducing NextBridge in October, 2013
- Seeking public input at Open Houses in support of the development of the Terms of Reference for the Environmental Assessment in December, 2013
- Ongoing outreach to potentially affected landowners and communities began in October, 2013
- Local route refinements identified by directly affected landowners and communities are being investigated
- Field activities, including geotechnical, environmental, archaeological, soil, and historical surveys in support of the reference and alternative routes have been initiated and route refinement is currently underway
- Field control surveying activities have been initiated

Land Acquisition Process

The following activities have or will be undertaken in support of the land acquisition process:

- Land agents began contacting affected landowners in March, 2014 to request initial access in order to begin preliminary environmental and engineering studies
- The Benchmark Market Data Valuation was completed in July, 2014
- Initiation of the acquisition process will begin in September, 2014

Land Acquisition Approach

NextBridge is committed to building and maintaining respectful relationships with landowners, municipalities and communities engaged in, and affected by, its projects. It is NextBridge's preference to come to a mutually acceptable agreement with all affected property owners. Our approach and principles will support and facilitate timely resolutions and fair settlements.

Overview

An important element of NextBridge's land acquisition strategy is the compensation principles that will be offered to the affected landowners for the EWT Transmission Line Right-of-Way (ROW). The following is an outline of these principles and the associated approach to be applied.

The generally accepted basis for the establishment of fair compensation relies upon the use of the fair market value (FMV) of the lands. The FMV has been established by a benchmark market data valuation that analyzed recent land transactions in close proximity to the project area. This valuation was completed by an appraisal firm, a member of the Accredited Appraiser Canadian Institute (AACI) with a designation from the Appraisal Institute of Canada.

Next Steps

Land Agents will be contacting affected property owners to discuss the fair market values associated with the proposed EWT Transmission Line Project and provide a formal Offer of Compensation and Option Agreement. The Offer of Compensation will include:

- the Option fee,
- the price per acre value and total dollars being paid for the area of the proposed transmission line right-of-way, and
- a value for merchantable timber loss within the area of the transmission line right-of-way.

Land Agents will provide an individual property sketch showing the affected property boundary, including an approximate acreage measurement for the areas affected by the proposed transmission line right-of-way, and any temporary work space area that is required for construction purposes. Each landowner will be given sufficient time to review and consider the material provided, and NextBridge will commit to a 48-hour no-contact period prior to following up with the landowner.

Following a review period of NextBridge's Offer, the next steps in the process will depend upon whether individual property owners find NextBridge's proposal acceptable or not. If the Offer is accepted, the acquisition process will proceed and the parties will finalize the transaction.

If the Offer of Compensation is accepted by the property owner, an Option Agreement will be signed between the landowner and NextBridge. The Option Fee payment of \$1,000 will be mailed to the landowner within 60 days of the date of execution of the Option Agreement.

It is NextBridge's objective to acquire land rights for the proposed EWT Transmission Line Project by successfully negotiating mutually acceptable agreements with property owners. NextBridge is confident that a positive "win-win" outcome for both NextBridge and the affected property owners can be achieved by

applying a set of comprehensive and fair compensation principles, thereby avoiding the potentially prolonged, less flexible, and less certain outcomes associated with legislated expropriation procedures.

NextBridge also recognizes that in some cases, mutually acceptable resolutions with affected landowners may not always be possible. In these circumstances, the compensation principles put forth by NextBridge will not apply, and NextBridge will rely upon the legislated expropriation process.

If the Offer time frame lapses, NextBridge will then proceed with the legislated expropriation process. An application will be filed with the Ontario Energy Board to seek expropriation authority pursuant to Section 99 of the Ontario Energy Board Act 1998. In such circumstances, a revised compensation offer will be provided to the Property Owner pursuant to Section 25 of the Expropriations Act. The Section 25 Offer will no longer include the compensation incentives originally presented in the Offer of Compensation because the early resolution objectives will no longer apply.

Forms of Land Agreements to be used by NextBridge during the Proposed EWT Transmission Line Project

NextBridge will be seeking Clearances for Preliminary EWT Transmission Line Surveying (Right of Access Agreements) for the purposes of conducting initial investigative studies, including, but not limited to, geotechnical, soil, environmental, historical, and archaeological surveys. NextBridge does not anticipate any damages will result from these activities. However, in the event damages occur as a result of these activities, a Land Agent will meet with landowners to review and negotiate compensation, if required.

NextBridge will be seeking an Option Agreement for applicable land rights (an easement or mandatory total buyout land purchases) where primary residences, farm buildings, and/or commercial or industrial buildings are located within the EWT Transmission Line Project ROW. This Option Agreement will grant NextBridge access to the lands for the purposes of initial field studies and with the sole and exclusive option to acquire an easement interest or a fee simple interest (mandatory total buyout) in the lands. The Grant of Easement or Fee Simple Purchase and Sale Agreement (mandatory total buyout) will be attached to the Option Agreement. The term of the option will be for a period of two years from the date of execution of the Option Agreement.

The Option Agreement will be exercised once NextBridge has received the Ontario Energy Board's Section 92 Leave to Construct Approval and Environmental Assessment Approval for the proposed EWT Transmission Line Project. The balance of compensation due under the terms of the Option Agreement will be paid at the time the option is exercised.

Payment Compensation Structure:

Incentives:

Property owners who accept NextBridge's offer to acquire an easement or a mandatory total buyout will be provided with the following incentive amounts:

- A \$1,000 option payment will be paid within 60 days of the execution of the Option Agreement, providing NextBridge with the option to acquire the interest easement or a mandatory total buyout, as applicable
- \$4,000 will be paid at the time the option is exercised in cases where the property owner has not required reimbursement for costs associated with independent AACI appraisal advice related to the NextBridge's Offer
- A further \$1000 dollars will be paid at the time the option is exercised as consideration to landowners for both their time and for any legal expenses associated the review and execution of the Option Agreement

Principles Applicable to the Acquisition of Easement Rights

NextBridge will exercise the easement rights of the Option for Easement Agreement after approval of the Leave to Construct Application (Section 92 of the Ontario Energy Board Act) is received. Landowners will be provided with the choice to receive the easement compensation as a lump sum payment or as periodic payments, the schedule for which will be mutually agreed upon between the property owner and NextBridge.

An annualized payment option will be offered to property owners with agricultural lands.

The annual payment will be calculated by multiplying the total value of the appraised proposed EWT Transmission Line ROW easement by the chartered bank prime lending rate as of January 1st of each year, plus one per cent, to arrive at the annual payment fee. All other applicable compensation amounts such as injurious affection, if appropriate, and incentive payments will be paid up front as a lump sum amount.

The value of the easement will be subject to reassessment every five years, and adjustments (up or down) will be made to the annual payment amount based on this update.

The annual payment obligation will be converted to a one-time lump sum payment, subject to adjustments, upon the happening of any one of a number of specific events. These events are:

- The land subject to the rights is rezoned
- The land subject to the rights is subdivided
- The land subject to the rights is sold, transferred, assigned or conveyed
- The property owner(s) dies
- NextBridge determines that it no longer requires the easement interest for its operations
- The property owner in any event requests payment of the lump sum in writing

On a case-by-case basis, NextBridge will exempt having the lump sum conversion apply when the only contemplated change in circumstance is the transfer of ownership of the underlying lands from the original owners to their immediate first-generation offspring.

NextBridge's Offer will value all easement interests based upon 75% of the appraised fair market value of the total acreage over which the intended easement applies.

Property owners will receive payment for merchantable timber that is removed from the proposed transmission line right-of-way. The value of the merchantable timber will be established on the basis of local market timber rates. NOTE: If property owners elect to retain the merchantable timber, the value of the trees will be deducted from the compensation offer from the easement settlement between NextBridge and the landowner.

Compensation for injurious affection will be provided only when reductions in market value of the remaining lands are incurred as a result of construction and operation of the proposed EWT Transmission Line ROW. If applicable, this amount will be determined by an independent appraisal process.

Other Compensation Provisions:

NextBridge commits to reimbursing property owners for reasonably incurred transaction costs (i.e. such as lawyer fees) associated with the review of applicable closing conveyance agreements.

NextBridge commits to compensating property owners for all damages that arise out of the operations of NextBridge, including the proposed EWT Transmission Line ROW construction, operation, and maintenance activities. These damages could include, but are not limited to, damage to tile drains, crop loss, rutting of laneways, fence or gate damage, and danger trees located outside of the proposed right-of-way limits.

NOTE: Property owners who grant NextBridge easement interests will be contractually indemnified from all liabilities, damages, claims, suits, and actions arising out of NextBridge's construction activities and the operation and maintenance of the EWT Transmission Line.

Principles Applicable to Mandatory Buyouts:

If primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings are located within the proposed EWT Transmission Line ROW, NextBridge will offer a one-time option to either acquire:

- the landowner's entire property parcel or primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings that are located within the new EWT Transmission Line ROW, or
- the portion of the property that is on the corridor and provide compensation for the loss of the primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings, including reasonable relocation costs.

The fair market value of the property will be determined by a formal appraisal completed by an accredited AACI appraiser, in accordance with the provisions of the Expropriations Act.

The term "property" above means fee simple ownership or other form of land tenure interest held by other means such as Crown Land Use Permits or Licenses of Occupation. Crown land will require consent or a grant of easement rights from the Ministry of Natural Resources. An assessment by an accredited AACI appraiser will also be obtained for the establishment of the proper apportionment for the land value component and

associated primary residences, recreational cabins or cottages, farm buildings, and/or commercial or industrial buildings that are located within the proposed EWT Transmission Line ROW.

Other Compensation Provisions for Mandatory Total Buyouts:

NextBridge commits to reimbursing property owners for reasonably incurred transaction costs such as lawyer fees associated with the review of applicable closing conveyancing agreements.

Where applicable, NextBridge will compensate for any reasonable, non-agricultural business loss. NextBridge will also provide compensation for equivalent reinstatement and such other similar compensation as would be provided for under the Expropriations Act.

Trapper Payments

In Ontario, Crown land is divided into registered areas called trap lines. Every trapper on Crown land is assigned a specific trap line and provided exclusive rights for the area. There may be registered trappers actively participating in fur harvesting along the proposed corridor for the EWT Transmission Line Project. NextBridge will consult with the Ministry of Natural Resources to confirm which trappers, if any, may be negatively affected by the proposed corridor. Registered active trappers will be consulted and provided compensation if impacted by the construction of the Project. This will include damage to trapper assets, general disturbance, adverse effects, and impacts to trapping operations.

Mining Claims, Mining Licenses of Occupation, or Mining Leases

NextBridge will be consulting with the Ministry of Northern Development and Mines to determine if affected Mining Claims, Mining Licenses of Occupation or Mining Leases are current and valid and if any compensation is due to the eligible Claims holders.

Going Forward

NextBridge is looking forward to building a respectful and professional relationship with you. It is our intention and preference to come to a mutually acceptable agreement with you, and we are committed to being a good neighbour to you and in your community.

If you have questions or want more information, please call 1-888-767-3006 or email info@nextbridge.ca.