

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

**BY-LAW NO. 2014-15**

**Being a By-law authorizing the Execution of Shareholder Agreement with  
Lakeland Holding Ltd.**

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**WHEREAS the Council of the Municipality of Magnetawan deems it in the public interest to enter into the Shareholder Agreement;**

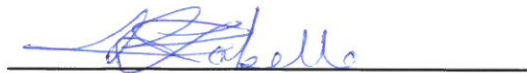
**NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN ENACTS AS FOLLOWS:**

- 1. The Mayor and the Clerk-Administrator be hereby authorized to execute the agreement, as per attached Appendix 'A'.**
- 2. That this by-law be effective upon its adoption.**

**Adopted this 11<sup>th</sup> day of June 2014.**



**Mayor, Sam Dunnett**



**Clerk-Administrator, Roger Labelle**

**APPENDIX 'A'  
TO BY-LAW NO. 2014-15**

**LAKELAND HOLDING LTD.**

**AMENDED AND RESTATED SHAREHOLDERS' AGREEMENT**

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**BORDEN LADNER GERVAIS LLP**

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**May 23, 2014 with effect as of July 1, 2014**

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SCHEDULE "A" INDEMNITY AGREEMENT		

**THIS AMENDED AND RESTATED SHAREHOLDERS AGREEMENT** executed the 23<sup>rd</sup> day of May, 2014 with effect as of the Amalgamation Date.

**BETWEEN:**

**The Corporation of the Town of Bracebridge**, a municipal corporation existing under the laws of Ontario

(“**Bracebridge**”)

- and -

**The Corporation of the Village of Burk’s Falls**, a municipal corporation existing under the laws of Ontario

(“**Burk’s Falls**”)

- and -

**The Corporation of the Town of Huntsville**, a municipal corporation existing under the laws of Ontario

(“**Huntsville**”)

- and -

**The Corporation of the Municipality of Magnetawan**, a municipal corporation existing under the laws of Ontario

(“**Magnetawan**”)

- and -

**The Corporation of the Village of Sundridge**, a municipal corporation existing under the laws of Ontario

(“**Sundridge**”)

- and -

**The Corporation of the Town of Parry Sound**, a municipal corporation existing under the laws of Ontario

(“**Parry Sound**”)

- 2 -

- and -

**Lakeland Holding Ltd.**, a corporation existing under the laws of Ontario

(“**HoldCo**”)

- and -

**Lakeland Energy Ltd.**, a corporation existing under the laws of Ontario

(“**ServicesCo**”)

- and -

**Lakeland Power Distribution Ltd.**, a corporation existing under the laws of Ontario

(“**WiresCo**”)

- and -

**Bracebridge Generation Ltd.**, a corporation existing under the laws of Ontario

(“**GenCo**”)

**Recitals:**

1. HoldCo is a corporation existing under the laws of Ontario;
2. The authorized capital of HoldCo consists of an unlimited number of Shares of which 10,000 are issued and outstanding as fully paid and non-assessable;
3. Parry Sound was the sole shareholder of Parry Sound Hydro Power Corporation (“**Parry Sound HoldCo**”), and Parry Sound HoldCo was the sole shareholder of Parry Sound Power Corporation (“**Parry Sound WiresCo**”) and Parry Sound PowerGen Corporation (“**Parry Sound GenCo**”);

4. Bracebridge, Burk's Falls, Huntsville, Magnetawan, Sundridge and Parry Sound approved the amalgamations (the "**Amalgamations**") of Lakeland HoldCo and Parry Sound HoldCo into HoldCo, Lakeland WiresCo and Parry Sound WiresCo into WiresCo, and Lakeland GenCo and Parry Sound GenCo into GenCo;
5. HoldCo is the sole registered and beneficial shareholder of each of WiresCo and GenCo;
6. Bracebridge, Burk's Falls, Huntsville, Magnetawan, Sundridge and Parry Sound are the sole registered and beneficial shareholders of HoldCo holding the following numbers of Shares, respectively:

<u>NAME OF SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE TOTAL</u>
Bracebridge	5631	56.31%
Huntsville	2174	21.74%
Sundridge	375	3.75%
Burk's Falls	343	3.43%
Magnetawan	127	1.27%
Parry Sound	1350	13.50%

7. As set out in Section 2.1(6) of the Merger Participation Agreement, upon GenCo's receipt of a certificate of project commercial operation in respect of the planned upgrade of the Cascade Generation Station in Parry Sound, the proportionate shareholdings set out in Recital 6 above will change to the following:

<u>NAME OF SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>PERCENTAGE TOTAL</u>
Bracebridge	5497	54.97%
Hunstville	2122	21.22%
Sundridge	366	3.66%
Burk's Falls	334	3.34%
Magnetawan	124	1.24%
Parry Sound	1557	15.57%

8. Bracebridge, Burk's Falls, Huntsville, Magnetawan, Sundridge, Lakeland HoldCo, Lakeland WiresCo, Lakeland ServicesCo and Lakeland GenCo were parties to the original shareholders agreement in respect of Lakeland HoldCo dated September 1, 2000 (the "**Original Shareholders Agreement**");
9. The parties wish to enter into this Agreement to amend and restate the Original Shareholders Agreement and to provide for the conduct of certain affairs of HoldCo, to provide for certain restrictions on the transfer and ownership of Shares and to govern the mutual rights and obligations of the Shareholders with respect to HoldCo and each other Shareholder,

**NOW THEREFORE** in consideration of the premises, the mutual promises herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) each of the parties agrees with each other party as follows:

## ARTICLE I INTERPRETATION

### 1.1 Definitions

In this Agreement the following terms shall have the following meanings unless the subject matter or context otherwise requires:

“**Act**” means the *Business Corporations Act* (Ontario);

“**Additional Directors**” has the meaning set out in Subsection 3.2(e);

“**Agreement**” means this Agreement, all schedules attached hereto and any agreement or schedule supplementing or amending this Agreement. All uses of the words “hereto”, “herein”, “hereof”, “hereby” and “hereunder” and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Schedule refer to the applicable article, section, subsection or schedule of this Agreement unless otherwise specified;

“**Amalgamated Shareholder**” has the meaning set out in Subsection 10.7(a);

“**Amalgamation Date**” means the date on which Lakeland Holdco and Parry Sound Holdco amalgamate pursuant to Section 174 of the Act, which shall be July 1<sup>st</sup>, 2014.

“**Amalgamations**” has the meaning set out in the recitals.

“**Arbitration Act**” means the *Arbitration Act*, S.O., 1991;

“**Arbitrator**” has the meaning set out in Subsection 10.3(a);

“**Arm’s Length**” has the meaning attributed thereto in the *Income Tax Act* (Canada) provided that, for the purposes of Section 5.3, each Shareholder shall be deemed to be acting at Ann’s Length with each other Shareholder and HoldCo;

“**Auditors**” means the firm of chartered accountants appointed as auditor of the Corporations from time to time;

“**Board**” means the Board of Directors of HoldCo;

“**Board Committees**” means committees created by the Board from time to time for the purpose of overseeing specific tasks and reporting to the Board and includes the committees referred to in Section 3.3;

“**Business**” means the business of the Corporations as described in Section 2.1 or as may otherwise be conducted by the Corporations from time to time;

“**Business Day**” means any day other than a Saturday, Sunday, or statutory holiday in Ontario;

“**Chair**” means the director elected by the Board to serve as its chairperson from time to time;

“**Closing Date**” means the date on which the purchase and sale of Shares is to be completed;

“**Confidential Information**” means any and all information and data relating in any manner to the Business and any activities, plans, ideas, products, services, policies or intentions. (including without limitation, information of an operational, business, marketing, financial or economic nature), whether or not proprietary in nature, that is of value to the Corporations and is held by the Corporations as a trade secret and is not generally known to competitors of the Corporations or to the public;

“**Corporations**” means collectively HoldCo and any Subsidiary;

“**Council**” means the municipal council of a municipal Shareholder;

“**Current Shareholders**” means, at the date of this Agreement, each of Bracebridge, Burk’s Falls, Huntsville, Magnetawan, Sundridge and Parry Sound;

“**Disputing Shareholder**” has the meaning set out in Subsection 10.3(c);

“**Electricity Act**” means the *Electricity Act*, 1998 (Ontario);

“**Encumbrance**” means a mortgage, charge, pledge, hypothecation, lien (statutory or otherwise), security interest, adverse claim, assignment as security or reservation of title of any kind;

“**Fiscal Year**” means a 12-month period ending on December 31 in each year;

“**GenCo**” has the meaning set out in the recitals;

“**Governmental Authority**” means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or agency, authority, commission, department or instrumentality of any government or political subdivision, or any court or tribunal, and specifically includes the Ontario Energy Board and the IMO;

“**HoldCo**” has the meaning set out in the recitals;

“**Hold Period**” has the meaning set out in Section 5.1;

“**IESO**” means the Independent Electricity System Operator established pursuant to the Electricity Act and its successors;

“**Initial Term**” means the period from the date of this Agreement until the date that is one year later or as otherwise determined by the Shareholders;

“**Lakeland GenCo**” means Bracebridge Generation Ltd. as such corporation existed prior to the Amalgamations;

“**Lakeland HoldCo**” means Lakeland Holding Ltd. as such corporation existed prior to the Amalgamations;

“**Lakeland ServicesCo**” means Lakeland Energy Ltd. as such corporation existed prior to the Amalgamations;

“**Lakeland WiresCo**” means Lakeland Power Distribution Ltd. as such corporation existed prior to the Amalgamations;

“**Laws**” means any law, including common law, equitable principle, statute, ordinance, regulation, rule, order, permit, decision, declaration, notice, demand, injunction, writ, policy, decree or award of any Governmental Authority;

“**New Board**” means the new Board which holds office for the Initial Term;



“**Notice Period**” has the meaning set out in Subsection 5.3(b);

“**OEB**” means the Ontario Energy Board and its successors;

“**Offer**” has the meaning set out in Subsection 5.3(a);

“**Offered Shares**” has the meaning set out in Subsection 5.3(a);

“**Original Shareholders Agreement**” has the meaning set out in the recitals;

“**Other Holders**” has the meaning set out in Section 5.3;

“**Parry Sound GenCo**” has the meaning set out in the recitals;

“**Parry Sound HoldCo**” has the meaning set out in the recitals;

“**Parry Sound WiresCo**” has the meaning set out in the recitals;

“**Person**” means an individual, firm, partnership, unincorporated association, corporation, bank, trust or other legal entity of any kind whatsoever;

“**Prospective Purchaser**” has the meaning set out in Subsection 5.3(a);

“**Purchase Notice**” has the meaning set out in Subsection 5.3(c);

“**Retiring Director**” has the meaning set out in Subsection 3.2(g);

“**Reserve**” has the meaning set out in Subsection 10.7(b);

“**Selling Notice**” has the meaning set out in Subsection 5.3(a);

“**Selling Shareholder**” has the meaning set out in Section 5.3;

“**ServicesCo**” has the meaning set out in the recitals;

“**Shareholder**” means any Person which is a registered holder of Shares;

“**Shareholder Representative**” has the meaning set out in Section 3.7;

“**Shares**” means common shares without par value in the capital of HoldCo;

“**Subsidiary**” means any subsidiary (as this term is defined in the Act) of HoldCo including, without limitation, ServicesCo, WiresCo and GenCo;

“**Third Party**” means any Person with whom a Shareholder deals at Arm’s Length;

“**Vice-Chair**” means the director elected by the Board to serve as its vice-chairperson from time to time; and

“**WiresCo**” has the meaning set out in the recitals.

## **1.2 Control**

For the purposes of this Agreement, a body corporate shall be deemed to be “controlled” by another Person or by two or more Persons if such Person or Persons (either individually or collectively and whether or not they act together jointly or in concert) directly or indirectly own, legally and beneficially, and exercise the full voting rights over, shares of such body corporate which:

- (a) have attached to them voting rights, exercisable in all circumstances, which represent more than fifty (50%) percent of the votes attaching to all outstanding securities of such body corporate;
- (b) have sufficient votes to elect a majority of the board of directors of such body corporate; and
- (c) carry a right to receive, on a winding up or dissolution, more than fifty (50%) percent of the remaining property of such body corporate after payment of all debts and liabilities of the body corporate.

## **1.3 Headings**

The division of this Agreement into Articles, Sections and Subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The Article and Section headings in this Agreement are not

intended to be full or precise descriptions of the text to which they refer and shall not be considered part of this Agreement.

#### **1.4 Entire Agreement**

This Agreement amends and restates the Original Shareholders Agreement and supersedes and replaces it in its entirety. This Agreement constitutes the entire agreement among the Parties relating to the matters set forth herein. The execution of this Agreement has not been induced by, nor do any of the parties rely upon or regard as material, any representations, warranties, conditions, other agreements or acknowledgements not expressly made in this Agreement, the Merger Agreement and in the agreements and other documents to be delivered pursuant hereto or in the Merger Agreement.

#### **1.5 Number and Gender**

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

#### **1.6 Accounting Principles**

All accounting and financial terms used herein, unless specifically provided to the contrary, shall be interpreted and applied in accordance with generally accepted accounting principles in Canada.

#### **1.7 Calculation of Time**

In this Agreement, a period of days shall be deemed to begin on the first (1st) day after the event which began the period and to end at 5:00 p.m. (Eastern Standard time) on the last day of the period. If, however, the last day of the period does not fall on a Business Day, the period shall terminate at 5:00 p.m. (Eastern Standard time) on the next Business Day.

#### **1.8 Statutory References**

A reference in this Agreement to a statute refers to that statute, and any regulations or rules issued thereunder, as amended, supplemented or replaced from time to time.

### **1.9 Reclassification of Shares**

The provisions of this Agreement shall apply, with any necessary changes to (a) any shares or securities of any nature into which the Shares or any of them may be converted, exchanged, reclassified, redivided, redesignated, subdivided or consolidated; (b) any shares or securities of any nature that are received by a Shareholder as a stock dividend or distribution payable in shares, securities, warrants, rights or options of any nature of HoldCo; (c) any shares, securities, warrants, rights or options of any nature of HoldCo or any successor, continuing company or corporation of HoldCo that may be received by a Shareholder on a reorganization, amalgamation, arrangement, consolidation or merger, statutory or otherwise; and (d) any shares, securities, warrants, rights or options hereafter issued or allotted by HoldCo to a Shareholder, all of which shares, securities, warrants, rights or options shall be deemed to be Shares for all purposes of this Agreement.

### **1.10 Interpretation**

If any conflict shall appear between the by-laws and the articles of HoldCo and the provisions of this Agreement, the provisions of this Agreement shall govern.

### **1.11 Governing Law**

This Agreement shall be governed by and construed, interpreted and performed in accordance with the laws of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

### **1.12 Currency**

All dollar amounts referred to in this Agreement and all payments to be made hereunder are in Canadian funds.

**ARTICLE II  
BUSINESS OF THE CORPORATIONS**

**2.1 Business of the Corporations**

The Corporations may engage in the following business activities and such other business activities as may be permitted by Law and authorized by the Board from time to time:

- (a) transmitting or distributing electricity;
- (b) owning and/or operating an electricity generation facility;
- (c) retailing electricity;
- (d) distributing or retailing gas or any other energy product which is carried through pipes or wires to the user;
- (e) business activities that enhance or develop the ability of any of the Corporations to carry on any of the activities described in paragraphs (a), (b), (c), or (d) above including, but not limited to selling, acquiring and releasing interests in land;
- (f) business activities the principal purpose of which is to use more effectively the assets of any of the Corporations including providing meter installation and reading services, providing billing services and business activities in the telecommunications area;
- (g) renting, selling or maintaining equipment and appliances, including without limitation, hot water heaters; and
- (h) providing services related to improving energy efficiency.

**2.2 Corporations' Standard of Service**

It is the intention of the Current Shareholders that as new standards of service are established by the OEB after the date of this Agreement, each service area will enjoy common standards and derive equal benefits, including but not limited to, the following matters:

- (a) distribution, energy services and tariffs;
- (b) maintenance standards and schedules;
- (c) emergency response capabilities;
- (d) distribution system capacity;
- (e) customer convenience and accessibility;
- (f) power reliability and quality; and
- (g) marketing programmes and services.

### **ARTICLE III CORPORATE AFFAIRS OF HOLDCO**

#### **3.1 Assurances**

The Shareholders shall cause such meetings of Shareholders to be held, votes to be cast, resolutions to be passed, by-laws to be made, confirmed and/or repealed, agreements and other documents and instruments to be executed and all other acts and things to be done, to ensure that at all times the provisions of this Article III are in effect, complied with or implemented.

#### **3.2 The Board**

- (a) **New Board**. Notwithstanding any other provision of this Section 3.2, each of the Current Shareholders agrees to elect members of the New Board in accordance with the provisions of the Merger Agreement. The business and affairs of HoldCo shall be managed or supervised for the Initial Term by the New Board. In the event that a director of the New Board ceases to be a director, the provisions of Subsection 3.2(g) and the remainder of this Section 3.2 shall apply.
- (b) **Shareholder Action**. Following the election of the New Board and for each subsequent election of one or more directors to the Board, each of the Shareholders agrees to elect directors to the Board from the nominees put forward by the Nominating Committee.

- (c) **The Board.** Following the expiry of the Initial Term, the Shareholders shall elect directors to the Board which Board shall be a staggered Board. The Shareholders shall designate a term of one (1), two (2) or three (3) years for each director elected to the Board.
  
- (d) **Size of the Board.** The business and affairs of HoldCo shall be managed or supervised by the Board which shall consist of four (4) to seven (7) directors or such other number of directors as the Shareholders may determine from time to time by special resolution in accordance with the Act. Until changed by the Shareholders, the Board shall be initially set at five (5) directors.
  
- (e) **Electing the Board.** Following the expiry of the Initial Term for each director of the Board, the expiry of the initial designated term of each Additional Director, if any, and at the expiry of each successive three (3) year term thereafter, the Shareholders shall elect directors to the Board for a term of three (3) years. Each Shareholder shall be entitled to one (1) vote per share held by that Shareholder. Shareholders may vote for a number of nominees to the Board not greater than the number of directors determined by Subsection 3.2(d). Directors may serve successive terms on the Board but no director shall serve more than six (6) consecutive years on the Board. In the event that the Shareholders desire to increase the number of directors serving on the Board following the election of the Board, the Shareholders shall elect such directors (“**Additional Directors**”) for an initial term, determined by the Shareholders at that time, in order to maintain the staggered nature of the Board.

The Board shall annually elect from its members a Chair and Vice-Chair.

- (f) **Qualifications of Board.** In addition to the requirements of the Act, the qualifications of candidates for the Board shall, where possible, include the following:
  - (i) business experience;

- (ii) time availability;
  - (iii) financial skills;
  - (iv) marketing skills;
  - (v) industry knowledge;
  - (vi) independence of judgment;
  - (vii) integrity;
  - (viii) knowledge of public policy issues relating to the Corporations;
  - (ix) knowledge and experience concerning environmental matters, labour relations and occupational health and safety issues; and
  - (x) not an employee, director or officer of any municipal Shareholder.
- (g) **Vacancy.** If a director of the Board ceases to be a director for any reason (a “**Retiring Director**”), the Shareholders shall fill the vacancy thereby created as soon as reasonably possible in accordance with this Subsection 3.2.
- (h) **Quorum.** A quorum for a meeting of the Board shall be a majority of the members of the Board. A meeting shall be adjourned for lack of a quorum and a notice of the adjourned meeting shall be sent to all directors rescheduling the meeting to a date at least fifteen (15) days following the adjourned meeting.
- (i) **Meetings of the Board.** Meetings of the Board shall be held at least once in every calendar quarter or at the request of the Chair or of a majority of the members of the Board. All meetings of the Board shall be held in Ontario, or by such telephone or electronic communication devices as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. At least five (5) days’ written notice of the time and place of the meeting and of the business to be transacted at the meeting in sufficient detail to enable each director to assess reasonably the importance of such business to the



affairs of HoldCo shall be given to each director. The Chief Executive Officer shall attend and have observer status at each Board meeting, unless otherwise determined by the Board, and shall not have any right to vote.

- (j) **Decisions of the Directors.** Decisions or resolutions of the Board shall require the approval of the majority of the directors present at each meeting thereof. The Chair shall not have a second vote. A resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the Board is as valid as if it had been passed at a meeting of the Board.
  
- (k) **Board Duties.** Subject to those matters requiring Shareholder approval as set out in Section 3.9 hereof, the Board shall supervise the management of the business and affairs of HoldCo and, without limiting the generality of the foregoing, the Board shall be responsible for, but not limited to, overseeing the following specific matters:
  - (i) the establishment of appropriate reserves consistent with sound financial principles, all with the intention of providing the Shareholders with a reasonable rate of return on their investment while maintaining reasonable rates for customers; and
  - (ii) declaration of any dividend or distribution of capital in respect of the Shares.
  
- (l) **Indemnification and Insurance for Directors and Officers.** Each of the Corporations shall indemnify and save its directors and officers harmless from and against any and all liability, damages, costs (including any income tax payable as a result of receiving such indemnity, reasonable counsel fees and disbursements), charges and expenses arising out of or related to any act or omission done or permitted by them to be done in connection with the execution of the duties of their office as directors or officers of any one (1) or more of the Corporations or by reason of their being or having been directors of any one or more of the Corporations, substantially in the form of the indemnification

agreement annexed hereto as Schedule “A”, or as otherwise agreed, and shall provide liability insurance for directors and officers in such amounts as the Board may determine from time to time.

### 3.3 Board Committees

The Board may establish Board Committees from time to time and delegate certain duties to them as follows:

(a) **Executive Committee.**

- (i) The Executive Committee shall be appointed by the Board from time to time and shall be responsible for supervising the management of the day to day operations of the Corporations;
- (ii) The Executive Committee shall be comprised of at least three (3) directors as determined by the Board;
- (iii) The Chair and the Vice-Chair shall be a member of the Executive Committee; and
- (iv) The members of the Executive Committee shall meet at least once a month or as otherwise determined by the Executive Committee. Members of the Executive Committee may serve for a term not to exceed three (3) years. Members of the Executive Committee may serve successive terms on the Executive Committee

- (b) **Finance Committee.** The Board shall appoint members to the Finance Committee. The Finance Committee shall be comprised of at least three (3) directors. The chair of the Finance Committee shall be a member of the Board other than the Chair or Vice-Chair. The duties of the Finance Committee will be to assist the Board in its oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practices followed by the Corporation and its subsidiaries.

- (c) **Human Resources Committee.** The Board shall appoint members to the Human Resources Committee. The Human Resources Committee shall be comprised of at least three (3) directors. The chair of the Human Resources Committee is recommended to be a member of the Board other than the Chair or Vice-Chair. The duties of the Human Resources Committee will be to assist the Board in carrying out its responsibilities by reviewing compensation and human resources issues and making recommendations to the Board as appropriate.
- (d) **Nominating Committee.** The Board shall appoint members to the Nominating Committee. The Nominating Committee shall be comprised of at least three (3) directors. The Vice-Chair shall be a member of the Nominating Committee and is recommended, but not required to, be the chair of the Nominating Committee. The purpose of the Nominating Committee shall be to make recommendations to the Shareholders concerning candidates for the Board and the compensation for members of the Board, the Chair, Vice-Chair and Board Committee members, and chairpersons.
- (e) **Governance Committee.** The Board shall appoint members to the Governance Committee. The Governance Committee shall be comprised of at least three (3) directors. The purpose of the Governance Committee shall be to manage the corporate governance system for the Board and to assist the Board in fulfilling its duty to meet the applicable legal, regulatory and self-regulatory borrows principles and codes of best practice of corporate behaviour and conduct.
- (f) **Environmental, Health and Safety Committee.** The Board shall appoint members to the Environmental, Health and Safety Committee. The Environmental, Health and Safety Committee shall be comprised of at least three (3) directors. The purpose of the Environmental, Health and Safety Committee shall be to assist the Board in carrying out its responsibilities by reviewing EH&S policies, practices & guidelines to ensure compliance with all current laws and legislation and to make recommendations to the Board as appropriate.

- (g) **Mergers and Acquisitions Committee.** The Board shall appoint members to the Mergers and Acquisitions Committee. The Mergers and Acquisitions Committee shall be comprised of at least three (3) directors. The Finance Chair shall be a member of the Mergers and Acquisitions Committee and shall be the chair of the Mergers and Acquisitions Committee. The primary purpose of the Mergers and Acquisitions Committee (the "Committee") of the Board of Directors (the "Board") shall be to (i) analyze, make recommendations to the full Board with respect to, and approve potential opportunities for strategic business combinations, acquisitions, mergers, dispositions, divestitures and similar strategic transactions involving the Company (collectively, "Strategic Transactions"), (ii) facilitate consistency in the presentation of the Company and its positions to potential acquirers, strategic partners or other similar third parties, (iii) ensure fairness of process with respect to any proposed Strategic Transaction involving the Company and (iv) expedite and facilitate the process of reviewing, negotiating and/or consummating a potential Strategic Transaction involving the Company.
- (h) **General Provisions Relating to Board Committees.** The quorum for meetings of Board Committees shall be a majority of the members from time to time of each Board Committee. Decisions of all Board Committees shall be made by a majority of the members of the respective Board Committee. Except as otherwise provided in this Section 3.3 and subject to the supervision of the Board, each Board Committee shall establish its own rules of procedure for operating in an efficient and expeditious manner.

### **3.4 Shareholders' Meetings**

A quorum for a meeting of Shareholders shall be at least two (2) individuals representing, by proxy or as otherwise permitted by the Act, both (i) a majority in number of the Shareholders; and (ii) not less than 66-2/3% of the Shares then issued and outstanding. A meeting shall be adjourned for lack of quorum and notice of the adjourned meeting shall be sent to all Shareholders rescheduling the meeting to a date at least seven (7) days following the original meeting date. A quorum for the adjourned meeting shall be at least two (2) individuals representing by proxy or as otherwise permitted by the Act a Shareholder or Shareholders holding at least 66-2/3% of the Shares then issued and outstanding.

The chair of any meeting of the Shareholders of HoldCo shall be the Chair or, in the absence of the Chair, the Vice-Chair, or in the absence of the Vice-Chair, the Chief Executive Officer of HoldCo or, in the absence of the Chief Executive Officer, such individual as the Shareholders represented at such meeting shall determine.

Subject to the Act, the Board shall provide the Shareholders with reasonable notice of and detail concerning a Shareholders' meeting in order for the Shareholders to reasonably assess the importance of and prepare for, the Shareholders' meeting.

### **3.5 Regular Shareholders Meetings**

Unless the Shareholders otherwise determine, the Shareholders shall meet at least annually at the registered office of HoldCo or at such other times or places as the Shareholders may determine,

### **3.6 Decisions of the Shareholders**

All decisions of the Shareholders shall require, and shall be deemed to be effective upon:

- (i) the approval of at least two thirds (2/3) of the votes cast at a duly constituted meeting of Shareholders, each Shareholder being entitled to one vote per share held by that Shareholder; or
- (ii) the execution of a resolution in writing signed by all the Shareholders entitled to vote on that resolution at a meeting of Shareholders.

### **3.7 Shareholder Representative**

At least thirty (30) days prior to the commencement of each Fiscal Year, each Shareholder shall designate the head of its Council (or an alternate duly appointed by Council) as the legal representative of that Shareholder (the "**Shareholder Representative**") for purposes of providing any consent or approval required by this Agreement or by the Act. The Shareholder Representative shall be the shareholder representative for purposes of this Agreement and of the Act unless the Shareholder determines otherwise. A Shareholder shall designate its Shareholder Representative (by proxy duly completed in accordance with the Act) as its representative to attend and vote at any meeting of Shareholders.

### **3.8 Officers**

- (a) The officers of HoldCo shall include a Chief Executive Officer and such other officers as the Board may determine from time to time. The Board shall appoint the officers of HoldCo from time to time.
- (b) For greater certainty the parties recognize that in carrying on the ordinary course of Business, it is not practicable for the Board to be involved in the day to day affairs of HoldCo. The Board will delegate responsibilities to the officers, who will report to the Board and the Board Committees from time to time as required.

### **3.9 Matters Requiring Shareholder Approval**

The Shareholders and the Corporations agree that, without Shareholder approval given in accordance with Section 3.6, each of HoldCo, WiresCo, ServicesCo and GenCo shall not:

- (a) amend its articles (within the meaning of the Act) or enact, revoke, or amend any by-law of HoldCo, WiresCo, ServicesCo and GenCo respectively;
- (b) issue, or enter into any agreement to issue, any shares of HoldCo, WiresCo, ServicesCo and GenCo respectively of any class, or any securities convertible into any shares of any class, or grant any option or other right to purchase any such shares or securities convertible into such shares;
- (c) redeem, purchase for cancellation or otherwise retire any of its outstanding shares;
- (d) sell or otherwise dispose of, by conveyance, transfer, lease, sale and leaseback, merger or other reorganization or transaction, mortgage, pledge, charge or otherwise grant a security interest in, all or substantially all of its assets or undertaking;
- (e) enter into any acquisition, joint venture, partnership, strategic alliance or other venture which would require an investment of greater than ten (10%) percent of the consolidated net book value of the assets of HoldCo as set out in the most recent consolidated audited financial statements of HoldCo;

- (f) grant security for or guarantee, or otherwise become liable for any debt, liability or obligation of any Person other than a subsidiary corporation;
- (g) take or institute the proceedings for any winding up, reorganization or dissolution;
- (h) enter into any amalgamation, arrangement or consolidation;
- (i) apply to continue as a corporation under the laws of another jurisdiction;
- (j) approve a business plan; and
- (k) change, alter or amend the compensation of the Board or the board of directors of any Subsidiary.

### **3.10 Unanimous Shareholder Agreement**

Each of the Shareholders and HoldCo acknowledge that this Agreement is intended to operate as a unanimous shareholder agreement with respect to HoldCo and each Subsidiary within the meaning of the Act. Pursuant to Section 108(2) of the Act, the discretion and powers of (a) the Board to manage or supervise the management of the business and affairs of HoldCo and (b) the board of directors of each Subsidiary and HoldCo to manage or supervise the management of the business and affairs of respective Subsidiary are hereby restricted to the extent of the provisions of Section 3.9 of this Agreement.

### **3.11 Agreement Binds HoldCo and Subsidiaries**

HoldCo and the Subsidiaries, by their execution of or acknowledgement to be bound by this Agreement, acknowledges that they have actual notice of the terms of this Agreement, consent to this Agreement and by this Agreement covenant with each of the Shareholders that they will at all times during the term of this Agreement:

- (a) give or cause to be given such notices, execute or cause to be executed such deeds, transfers and documents as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement;

- (b) do or cause to be done all such acts, matters and things as may from time to time be necessary or conducive to the carrying out of the terms and intent of this Agreement; and
- (c) take no action that would constitute a contravention of any of the terms and provisions of this Agreement.

### **3.12 Auditors**

The Auditors shall be appointed by the Shareholders from time to time.

### **3.13 Banking**

HoldCo's bankers shall be such financial institution as the Board shall from time to time determine. All resolutions respecting banking authority, the opening of bank accounts and the drawing on such accounts shall require the consent of the Board before becoming effective.

### **3.14 Financial Statements**

- (a) HoldCo shall cause to be prepared and delivered as soon as reasonably practicable and in no event later than one hundred and twenty (120) days after the end of each fiscal year of HoldCo annual audited financial statements, on a consolidated basis, for such fiscal year prepared in accordance with generally accepted accounting principles and accompanied by a report of the Auditors.
- (b) HoldCo shall cause to be prepared and delivered as soon as reasonably practicable and in no event later than forty-five (45) days after the end of the sixth month of HoldCo's fiscal year an unaudited balance sheet and a statement of profit and loss for such preceding six months prepared in accordance with generally accepted accounting principles without adjusting entries or review by accountants and signed by an authorized officer of HoldCo, and such other information as may be reasonably requested by the Shareholders.



**ARTICLE IV  
REPRESENTATIONS, WARRANTIES AND COVENANTS**

**4.1 Representations and Warranties**

Each of the Shareholders represents and warrants as follows and acknowledges that each of the other parties hereto are relying on such representations and warranties in connection with the entering into of this Agreement:

- (a) it is the registered and beneficial owner of the Shares stated to be owned by such Shareholder in the recitals hereto, free and clear of all Encumbrances and there are no outstanding agreements, options, warrants or other rights capable of becoming an agreement, option or warrant to purchase such Shares;
- (b) it has the power and capacity to own its assets and to enter into and perform its obligations hereunder and has taken all necessary action to authorize the execution and delivery of this Agreement;
- (c) this Agreement and the transactions contemplated herein have been duly authorized by it and constitutes a valid and binding obligation of it enforceable against it in accordance with its terms subject to the laws of bankruptcy and the availability of equitable remedies; and
- (d) the execution, delivery and performance of this Agreement does not and will not contravene the provisions of its articles, by-laws, constating documents or the provisions of any agreement or other instrument to which it is a party or may be bound.

**4.2 Covenants**

Each of the Shareholders covenants and agrees with each other party hereto that all of the foregoing representations and warranties pertaining to it set forth in Article 4.1 will continue to be true and correct during the continuance of this Agreement.

## ARTICLE V TRANSFER OF SHARES

### 5.1 General Restriction on Transfer

No right, title, benefit or interest in any Shares may be sold, transferred, assigned, made subject to any Encumbrance or otherwise disposed of by any Shareholder for the one (1) year period from the date of this Agreement ending on the first anniversary of the Amalgamation Date (the “**Hold Period**”) except with the prior written approval of all of the Shareholders.

Following the Hold Period, save and except for transfers made pursuant to and in accordance with Sections 5.3, 5.4 and 5.5 of this Agreement, no Shares, nor the whole or any item or part of any right, title, benefit or interest therein or thereto, may be sold, transferred, assigned, made subject to any Encumbrance or otherwise disposed. No Shareholder shall be entitled to create or grant an Encumbrance on its Shares.

### 5.2 Legend on Shares

All share certificates representing Shares of HoldCo shall bear on their face the following notation:

“The shares represented by this certificate are subject to the provisions of the Shareholders’ Agreement made as of ● ●, 2014 among all of the shareholders of the Corporation as at that date, which agreement contains restrictions on the right to sell, transfer, pledge, mortgage, assign, vote or otherwise deal with or encumber such shares. Notice of such restrictions and the other provisions of such agreement is hereby given. A copy of such agreement is available for inspection from the Secretary of the Corporation on request.”

### 5.3 Rights of First Refusal

If any Shareholder (in this Article V called the “**Selling Shareholder**”), after the Hold Period, wishes to sell all, but not less than all, of its Shares to a Person with whom it deals at Arm’s Length, the other Shareholders and HoldCo (in this Article V called the “**Other Holders**”) shall have the prior right to purchase such Shares in accordance with the following provisions:

- (a) **Notice of Offer.** A Selling Shareholder shall give to the Secretary of HoldCo and to each Other Holder notice in writing of its desired intention to sell all, but not less than all, of its Shares (in this Article V called the “**Offered Shares**”). The notice (in this Article called the “**Selling Notice**”) shall have annexed thereto a true copy of the offer, agreement or similar document (the “**Offer**”) containing the terms and conditions pursuant to which the Selling Shareholder wishes to sell the Offered Shares to the prospective purchaser (in this Article V called the “**Prospective Purchaser**”), who shall be identified, and the price and terms of payment which the Selling Shareholder is willing to accept for the Offered Shares which shall be the same as set forth in the Offer;
  
- (b) **Offer Open During Notice Period.** The Secretary of HoldCo shall thereupon be deemed to be the agent of the Selling Shareholder for the purposes of offering the Offered Shares to the Other Holders on the terms of payment and for the price contained in the Selling Notice and the offer by the Secretary shall be irrevocable and remain open for acceptance, as hereinafter provided, for a period of sixty (60) days (in this Article V called the “**Notice Period**”) after receipt of the Selling Notice by the Secretary;
  
- (c) **Acceptance of Offer.** Within fifteen (15) Business Days after receipt of the Selling Notice by the Secretary, the Secretary shall offer the Offered Shares for sale to the Other Holders as nearly may be in proportion to the number of Shares held by each such Other Holder respectively as at the date of such offer. The offer by the Secretary shall state that any Other Holder desiring to purchase a number of Offered Shares less than or in excess of its proportion shall indicate in its notice to the Secretary (in this Article V called the “**Purchase Notice**”) stating the number of Offered Shares it desires to purchase. If, within the Notice Period, a Purchase Notice has not been received by the Secretary of HoldCo from an Other Holder, such Other Holder shall be deemed to have declined to purchase the Offered Shares being offered;

- (d) **Excess Shares.** If the Other Holders do not claim their respective proportions, any unclaimed Offered Shares shall be used to satisfy the claims of such Other Holders for Offered Shares in excess of their proportions. If the claims in excess are more than sufficient to exhaust such unclaimed Offered Shares, the unclaimed Offered Shares shall be divided pro rata among such Other Holders desiring Offered Shares in excess of their proportion, in proportion to the number of Shares held by them respectively as at the date of such offer, provided that any unclaimed Offered Shares after such pro rata division shall be divided pro rata among Other Holders in proportion to their claims in excess of their respective proportions determined as aforesaid. Notwithstanding anything to the contrary, no Other Holder shall be bound to purchase any Offered Shares in excess of the amount indicated in its Purchase Notice;
- (e) **No Fractions.** If the Offered Shares are not capable, without division into fractions of Shares, of being offered to or being divided among the Other Holders in the proportions above mentioned, the same shall be offered to or divided among the Other Holders as nearly as may be in the proportions hereinbefore mentioned and any balance shall be offered to or divided among the Other Holders or some of them in such equitable manner as may be determined by the Board;
- (f) **Sale.** If all, but not less than all, of the Offered Shares are accepted by the Other Holders pursuant to the provisions of this Section 5.3, the Offered Shares shall be sold to the Other Holders for the price and for the terms contained in the Selling Notice;
- (g) **Deemed Refusal.** If Purchase Notices have not been received by the Secretary in respect of all of the Offered Shares within the Notice Period, the Other Holders, and each of them, shall be deemed to have declined to purchase the Offered Shares and, subject to the provisions of paragraph (h), the Selling Shareholder may within sixty (60) days after the expiration of the Notice Period sell all, but not less than all, of the Offered Shares to the Prospective Purchaser at the price

and upon terms of payment which are not more favourable than those specified in the Selling Notice; and

- (h) **Prospective Purchaser Bound.** The Selling Shareholder shall sell the Offered Shares to a Person who is not a party hereto only if such other Person simultaneously with any such sale executes and delivers to each of the other parties hereto a counterpart of this Agreement in which case such Person shall be subject to the same obligations as a party to this Agreement as if it were an original signatory in place of the Selling Shareholder or its predecessor in title originally party to this Agreement, as applicable.
- (i) **HoldCo as Purchaser.** The Other Holders, except HoldCo, may cause HoldCo to act as an Other Holder.

#### **5.4 Piggyback Right**

In the event one or more Selling Shareholders receives an Offer and, in accordance with the procedures set forth in Section 5.3, the Other Holders decline to purchase the Offered Shares from the Selling Shareholder(s), and the Shares which the Selling Shareholder(s) wish to sell under the Offer(s) would result in a Person other than an existing Shareholder owning more than forty-nine (49%) percent of all of the issued and outstanding Shares, then each Other Holder except HoldCo shall have the right to require that all, but not less than all, of its Shares be sold to the Prospective Purchaser, on the same terms and conditions as those set out in the Offer; provided that, if the Prospective Purchaser will not purchase the aggregate amount of Shares which the Selling Shareholder(s) and the Other Holders except HoldCo requested to be sold pursuant to the immediately preceding sentence, the number of Shares which the Selling Shareholder(s) and the Other Holders except HoldCo shall be permitted to sell to the Prospective Purchaser shall be proportionately reduced so that each may sell the same percentage of its Shares. The Other Holders except HoldCo may only exercise their right under this Section 5.4 by written notice given to the Secretary of HoldCo within the Notice Period.

## **5.5 Drag-Along Right**

If a Shareholder or Shareholders owning in the aggregate at least eighty (80%) percent of the Shares is or are the Selling Shareholder(s), as the case may be, and

- (a) the Offered Shares are all, but not less than all, of the Selling Shareholders' Shares;
- (b) the Selling Shareholders receive an Offer and, in accordance with the procedures set forth in Section 5.3, the Other Holders decline to purchase all of the Offered Shares; and
- (c) the Prospective Purchaser agrees to purchase all of the outstanding Shares on the terms set forth in the Offer;

then the Selling Shareholder(s) shall have the right, upon written notice given to all Shareholders within ten (10) Business Days after the Notice Period has expired, to require that all Shareholders sell all their Shares to the Prospective Purchaser. Upon such notice being given, all Shareholders shall be required to sell their Shares to the Prospective Purchaser upon the terms and conditions set forth in the Offer provided that the closings of all such sales shall occur contemporaneously.

## **ARTICLE VI CLOSING OF PURCHASE TRANSACTION**

### **6.1 Time and Place of Closing**

The closing of any purchase and sale of Shares contemplated by Sections 5.3, 5.4 or 5.5 of this Agreement shall unless otherwise agreed upon by the parties to such transaction, take place at the registered office of HoldCo on the date specified in the Selling Notice.

### **6.2 Documents to be Delivered by the Vendor**

On or before the closing of a purchase and sale of Shares contemplated hereunder, the vendor shall deliver to the purchaser the following (each in form and substance satisfactory to the purchaser):

- (a) a share certificate or certificates representing the Shares being sold, duly endorsed in blank for transfer or newly issued in the name of the purchaser;
- (b) a certificate of a senior officer certifying, for and on behalf of HoldCo, that any representations and warranties made by such vendor in this Agreement are true and correct as of the Closing Date;
- (c) the written release of the vendor of all claims against HoldCo and the Subsidiaries, any of the other Shareholders with respect to any matter or thing arising up to and including the Closing Date as a result of being a Shareholder; and
- (d) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

### **6.3 Documents to be Delivered by the Purchaser**

On or before the closing of a purchase and sale of Shares contemplated hereunder, the purchaser shall deliver to the vendor the following:

- (a) a certified cheque or bank draft in an amount equal to the purchase price for the Shares being purchased;
- (b) in the event Shares are sold to a Person who is not a Shareholder pursuant to Sections 5.3 or 5.4 hereof, a duly executed counterpart of this Agreement or other agreement pursuant to which such Person agrees to be bound by the provisions hereof; and
- (c) such other documents as may be reasonably required by any party to such purchase and sale to properly complete the purchase and sale of the Shares.

### **6.4 Failure to Complete Sale**

In the event the vendor fails to complete the subject purchase and sale transaction, the purchaser shall have the right to deposit the purchase price for the subject Shares for the account

of the vendor in an interest-bearing account at a branch of HoldCo's bankers. Thereafter, notwithstanding that the documents required pursuant to Section 6.2 have not been delivered by the vendor, the purchase and sale of the subject Shares shall be deemed to be fully completed and all right, title, benefit and interest, both at law and in equity, in and to the subject Shares shall be deemed to have been transferred and assigned to and become vested in the purchaser and all right, title, benefit and interest, both at law and in equity, of the vendor or any other Person having an interest in and to the subject Shares shall cease and the records of HoldCo shall be amended accordingly.

## **ARTICLE VII NON-COMPETITION AND CONFIDENTIALITY**

### **7.1 Non-Competition**

- (a) Each Shareholder covenants and agrees that it shall not, except through the Corporations or otherwise with the consent of all Shareholders, or as provided in Section 7.1(b), directly or indirectly, from the date hereof until two (2) years after the party ceases to be a Shareholder, compete within (i) Ontario; (ii) Central Ontario; or (iii) Muskoka/Parry Sound/Almaguin Region with the Business, whether by carrying on or engaging in or being concerned with or interested in or advising, lending money to, guaranteeing the debts or obligations of or permitting the party's name or any part thereof to be used or employed by any Person engaged in or concerned with or interested in any business within (i) Ontario; (ii) Central Ontario; or (iii) Muskoka/Parry Sound/Almaguin Region that is competitive with the Business, or otherwise.
  
- (b) The parties acknowledge that (i) a municipality (other than a Shareholder) which is a shareholder of one or more corporations incorporated under the Act for the purposes of generating, transmitting, distributing or retailing electricity, and (ii) a person which holds a portfolio investment of less than five (5%) percent of the shares of a corporation whose shares are publicly traded which competes with the Business is permitted to become a Shareholder in accordance with the provisions



of this Agreement without such investment in such other entity or entities being considered a breach of Subsection 7.1(a).

## **7.2 Confidentiality**

Each Shareholder shall not use or disclose to any Person other than in the ordinary course of the Business, directly or indirectly, any Confidential Information at any time other than to employees, officers or directors of such Shareholder provided that all such Persons shall treat such information as confidential and not disclose same to any Third Party nor use the same for any purpose other than for the purposes of the Corporations or in respect of a Shareholder's investment in the Corporations, provided, however, that nothing in this Article VII shall preclude a Shareholder from disclosing or using Confidential Information if:

- (a) the Confidential Information is available to the public or in the public domain at the time of such disclosure or use, without breach of this Agreement;
- (b) disclosure of Confidential Information is required to be made by any law, regulation, governmental body or authority or by court order;
- (c) disclosure of Confidential Information is made in connection with any arbitration pursuant to Section 10.3;
- (d) disclosure of Confidential Information is made to a court which is determining the rights of the parties under this Agreement;
- (e) the Confidential Information is properly within the legitimate possession of a Shareholder prior to its disclosure hereunder and without any obligation of confidentiality;
- (f) after disclosure, the Confidential Information is lawfully received by a Shareholder from another Person who is lawfully in possession of such information and such other Person is not restricted from disclosing the information to the Shareholder;

- (g) the disclosure of Confidential Information is necessary to complete a transfer of Shares in accordance with this Agreement;
- (h) the Confidential Information is independently developed by a Shareholder through Persons who have not had access to, or knowledge of, the Confidential Information, other than as permitted in (a) through (g) above or (i) below; or
- (i) the Confidential Information is approved by the Corporations for disclosure prior to its actual disclosure.

Each Shareholder acknowledges and agrees that the obligations under this. Section 7.2 shall remain in effect for the period of two (2) years after it ceases to be a Shareholder. Notwithstanding the foregoing restrictions, the Board shall be entitled in its discretion to discuss the affairs of the Corporations with the officers, directors, employees and representatives of such Shareholder.

### **7.3 Injunctive Relief**

Each Shareholder understands and agrees that HoldCo, and consequently the other parties, will suffer irreparable harm in the event that the Shareholder breaches any of the obligations set out in this Article VII and that monetary damages shall be inadequate to compensate for the breach. Accordingly, each Shareholder agrees that, in the event of a breach or threatened breach by it of any of the provisions of this Article VII, HoldCo and the other parties hereto, in addition to and not in limitation of any other rights, remedies or damages available to them at law or in equity, shall be entitled to an interim injunction, interlocutory injunction and permanent injunction in order to prevent or to restrain any such breach by the Shareholder.

### **7.4 Accounting for Profits**

Each Shareholder agrees that in the event of a violation of any of its covenants or agreements under this Article VII, HoldCo shall be entitled to an accounting and repayment of all profits, compensation, royalties, commissions, remunerations or benefits which the Shareholder directly or indirectly shall have realized or may realize relating to, growing out of, or in connection with any such violation(s); this remedy shall be in addition to and not in

limitation of any injunctive relief or other rights or remedies to which HoldCo and the other parties are or may be entitled at law or in equity or otherwise under this Article VII.

#### **7.5 Reasonableness of Restrictions**

Each Shareholder acknowledges that it has given careful consideration to the provisions of Sections 7.1 to 7.4 above and, having done so, agrees that the restrictions set forth in those sections are fair and reasonable and are reasonably required for the protection of the other Shareholders' investments in HoldCo and for the protection of the interests of HoldCo and its Business, and that it is being reasonably compensated for the imposition of such restrictions.

### **ARTICLE VIII BOOKS, RECORDS AND RIGHT TO INFORMATION**

#### **8.1 Books and Records**

HoldCo shall at all times maintain at its registered office proper books of account, which shall contain accurate and complete records of all transactions, receipts, expenses, assets and liabilities of HoldCo.

#### **8.2 Right to Information**

The parties covenant and agree that each Shareholder of HoldCo shall have rights of inspection as set out in Sections 140, 141, 144 and 145 of the Act.

#### **8.3 Right to Attend Shareholder Meetings**

Each Shareholder entitled to vote at a meeting of Shareholders shall have the right to attend at a meeting of Shareholders.

#### **8.4 Reporting on Developments**

The Board shall appoint an individual or individuals to report to the Shareholders from time to time on developments in the Corporations as considered appropriate by the Board.

**ARTICLE IX  
TERM**

**9.1 Term and Automatic Renewal**

This Agreement shall come into force and effect as at and from the date of this Agreement and shall continue in force for five (5) years at which time this Agreement shall be automatically renewed for further successive terms of five (5) years each.

**ARTICLE X  
GENERAL**

**10.1 Notices**

All notices, requests, demands, consents or other communications required to be given or made or provided for in this Agreement shall be in writing and shall be deemed to have been given if delivered, if sent by registered mail or if sent by facsimile or other means of electronic transmission to:

Bracebridge at:

The Corporation of the Town of Bracebridge  
1000 Taylor Court  
Bracebridge, ON P1L 1R6

Fax Number: 705-645-1262  
Attention: Mayor

Burk's Falls to:

The Corporation of the Village of Burk's Falls  
P.O. Box 160, 172 Ontario Street  
Burk's Falls, ON P0A 1C0

Fax Number: 705-382-2273  
Attention: Reeve

Huntsville to:

Corporation of the Town of Huntsville  
37 Main Street East  
Huntsville, ON P1H 1A1

Fax Number: 705-789-6689  
Attention: Mayor

Magnetawan to:

Corporation of the Municipality of Magnetawan  
P.O. Box 70, 4304 Highway 520  
Magnetawan, ON P0A 1P0

Fax Number: 705-387-4875  
Attention: Mayor

Sundridge to:

Corporation of the Village of Sundridge  
P.O. Box 129, 110 Main Street  
Sundridge, ON P0A 1A0

Fax Number: 705-384-7874  
Attention: Mayor

Parry Sound to:

The Corporation of the Town of Parry Sound  
52 Seguin St.  
Parry Sound ON  
P2A 1B4

Fax Number: 705-746-7461  
Attention: Mayor

HoldCo to:

Lakeland Holding Ltd.  
200-395 Centre Street  
Huntsville, Ontario  
P1H 2M2

Fax: 705-789-3110

Attention: Chief Executive Officer

WiresCo to:

As Above

GenCo to:

As Above

ServicesCo to:

As Above

or at such other addresses as the party to whom such notice is to be given may have designated by notice so given to the other parties. Any notice so mailed shall be deemed to have been given on the fifth (5<sup>th</sup>) Business Day following the date of the mailing of the same or if delivered, on the date of delivery and any notice given by facsimile or other means of electronic communication shall be deemed to have been received on the Business Day following the date on which such transmission is completed and the appropriate confirmation received.

## **10.2 Assignment and Binding Effect**

This Agreement is not assignable by any party except insofar as its benefit and burden pass with the Shares transferred in accordance with its provisions. This Agreement shall be binding on and enure to the benefit of the parties hereto and their respective successors and permitted assigns. Reference in this Agreement to any party shall be deemed to include reference to such party and its respective successors and assigns as permitted hereunder.

### 10.3 Arbitration

- (a) **Selection of Single Arbitrator.** The Shareholders agree that any controversy, dispute or claim between them or any of them arising out of or relating to this Agreement or the performance, enforcement, breach, termination or validity of it, including the determination of the scope of the Agreement to arbitrate, shall be determined by arbitration before a single arbitrator (the “**Arbitrator**”) agreed to by all of the Shareholders. If the Shareholders are unable to agree on the Arbitrator, then, an application may be made under the Arbitration Act to a judge for the appointment.
- (b) **Referring Dispute.** Any Shareholder may refer a dispute to the Arbitrator by providing notice in writing to the Arbitrator and to all of the Shareholders hereto expressing its intention to refer the dispute to arbitration and briefly describing the nature of the dispute.
- (c) **Attempted Settlement.** Upon service of the notice referred to above, the Shareholders who are party to the dispute (the “**Disputing Shareholders**”) will attempt to negotiate a settlement of the dispute amongst themselves. In the event that the parties are unable to reach settlement by themselves within ten (10) days of the service of the notice referred to above, the Shareholders will proceed with the arbitration and any Disputing Shareholders shall be free to apply to the Arbitrator for directions as to the scheduling of the arbitration itself and the pre-hearing procedures.
- (d) **Decision Final and Binding.** The Shareholders agree that the award of the Arbitrator shall be final and binding without any right of appeal and shall be the sole and exclusive remedy between them regarding any claims, counterclaims, issues or disputes referred to the Arbitrator.
- (e) **Place of Arbitration.** The arbitration shall take place in Muskoka, and shall be governed by the laws of the Province of Ontario.

- (f) **Powers of Arbitrator.** The Shareholders agree that the Arbitrator shall have the powers and jurisdiction of an arbitrator pursuant to the Arbitration Act and such power shall include the power to award interim and interlocutory injunctions and other equitable relief.
- (g) **Costs.** The Arbitrator shall have the power to award the costs of the Arbitrator's services and related costs against either party, however, each party will bear the costs of their own counsel and witness fees.
- (h) **Written Notices.** All notices by one Shareholder to the other in connection with the arbitration shall be in writing and shall be deemed to have been duly given or made if delivered or sent by facsimile transmission to the addresses provided in this Agreement.

#### **10.4 Further Assurances**

Each party hereto shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of such acts and will cause the execution of such further documents as are within its power as any other party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement.

#### **10.5 Severability**

If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

#### **10.6 Amendment, Modification and Waiver**

This Agreement may not be modified, amended, terminated or supplemented except as agreed, in writing, by Shareholders both comprising a majority in number of the Shareholders and holding not less than 66-2/3% of the Shares then issued and outstanding. Any waiver of, or



consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

#### **10.7 Amalgamation of Shareholder(s)**

- (a) **Allocation of Proceeds on Sale of Amalgamated Shareholder.** In the event that: (i) two or more Current Shareholders are amalgamated (“**Amalgamated Shareholder**”) and (ii) the Amalgamated Shareholder’s interest in HoldCo is sold, it is the intention of the Current Shareholders that the proceeds of disposition from the sale of the Amalgamated Shareholder’s interest in HoldCo be allocated in proportion to the pre-amalgamation percentage of the Amalgamated Shareholder’s shareholdings in HoldCo and used for the benefit of the residents within the municipal boundaries of the Current Shareholders on the date hereof.
- (b) **Allocation of Dividends Held in Reserve.** Each of the Current Shareholders shall create a reserve fund (a “**Reserve**”) to receive dividends paid by HoldCo. The Current Shareholders may use any funds in their respective Reserve in the discretion of the applicable Council for the benefit of residents within its municipal boundaries. In the event that two (2) or more Current Shareholders are amalgamated, it is the intention of the Current Shareholders that any amounts held in Reserves be used for the benefit of the residents within the boundaries of the Current Shareholders on the date hereof to which each Reserve initially applied.
- (c) **Allocation of Dividends Received by Amalgamated Shareholder.** In the event that two (2) or more Current Shareholders are amalgamated, it is the intention of the Current Shareholders that following the amalgamation, the Amalgamated Shareholder will allocate for use all dividends received from HoldCo to the residents within the municipal boundaries of the Current Shareholders on the date

hereof in proportion to the pre-amalgamation percentages of each Shareholder in HoldCo.

- (d) **Best Efforts to Obtain Order.** The Current Shareholders shall use their best efforts to ensure that the foregoing intentions contained in this Section 10.7 are achieved by requesting that provisions with substantially the same content as above be incorporated into any applicable order of the Ontario government relating to an Amalgamated Shareholder.

#### **10.8 Time of Essence**

Time is of the essence of this Agreement.

#### **10.9 Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one agreement.

#### **10.10 No Partnership**

Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any party a partner of or a joint venture with any other party.

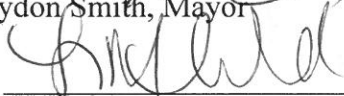
**10.11 Proceedings**

The covenants, agreements and obligations herein expressed to be observed and performed by the parties hereto may be enforced by any of the parties hereto pursuant to Section 10.3 without joining the remaining parties as parties in any proceedings.

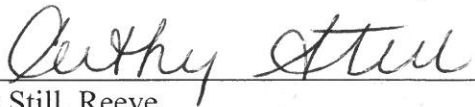
**IN WITNESS WHEREOF** the parties hereto have duly executed this Agreement as of the date first above written.

**THE CORPORATION OF THE TOWN OF  
BRACEBRIDGE**

By:  c/s  
Graydon Smith, Mayor

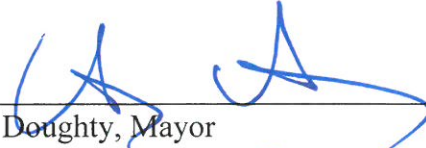
By:  c/s  
~~John Sisson, C.A.O. & Clerk~~  
Lori McDonald, Director of Corporate  
Services / Clerk

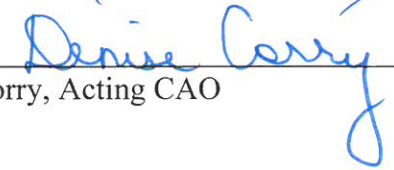
**THE CORPORATION OF THE VILLAGE  
OF BURK'S FALLS**

By:  c/s  
Cathy Still, Reeve

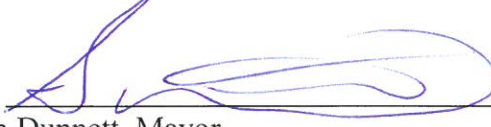
By:  c/s  
Kim Dunnett, Clerk-Treasurer

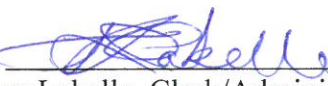
**THE CORPORATION OF THE TOWN OF HUNTSVILLE**

By:  c/s  
Claude Doughty, Mayor

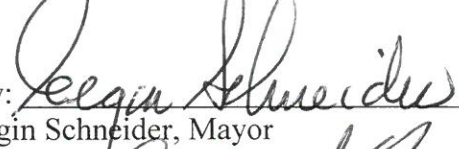
By:  c/s  
Denise Corry, Acting CAO

**THE CORPORATION OF THE MUNICIPALITY OF MAGNETAWAN**

By:  c/s  
Sam Dunnett, Mayor

By:  c/s  
Roger Labelle, Clerk/Administrator


**THE CORPORATION OF THE VILLAGE OF SUNDRIDGE**

By:  c/s  
Elgin Schneider, Mayor

By:  c/s  
Lillian S. Fowler, CAO/Clerk


**THE CORPORATION OF THE TOWN OF PARRY SOUND**

By:  c/s  
Jamie McGarvey

By:  c/s  
Rob Mens, CAO


**LAKELAND HOLDING LTD.**

By:  c/s  
Chris Litschko, Chief Executive Officer

By:  c/s  
Tom Peppiatt, Chair


**LAKELAND POWER DISTRIBUTION LTD.**

By:  c/s  
Vince Kulchycki, Chief Operating Officer

By:  c/s  
Tom Peppiatt, Chair

**LAKELAND ENERGY LTD.**

By:  c/s  
Chris Litschko, Chief Executive Officer

By:  c/s  
Tom Peppiatt, Chair

**BRACEBRIDGE GENERATION LTD.**

By:  c/s  
Chris Litschko, Chief Executive Officer

By:  c/s  
Tom Peppiatt, Chair

**SCHEDULE "A"**

**INDEMNITY AGREEMENT**

This Agreement made as of the • day of •, •,

BETWEEN:

**LAKELAND HOLDING LTD.**, a corporation incorporated under  
the laws of Ontario,

(hereinafter referred to as "**HoldCo**")

OF THE FIRST PART,

- and -

**LAKELAND ENERGY LTD.**, a corporation incorporated under  
the laws of Ontario,

(hereinafter referred to as "**ServicesCo**")

OF THE SECOND PART,

-and-

**LAKELAND POWER DISTRIBUTION LTD.**, a corporation  
incorporated under the laws of Ontario,

(hereinafter referred to as "**DistributionCo**")

OF THE THIRD PART,

-and-

**BRACEBRIDGE GENERATION LTD.**, a corporation  
incorporated under the laws of Ontario,

(hereinafter referred to as "**GenCo**")

OF THE FOURTH PART,

- and -

■  
(hereinafter referred to as the “**Director**”/“**Officer**”)

OF THE FIFTH PART,

**WHEREAS** HoldCo, ServicesCo, DistributionCo and GenCo are each incorporated under the provisions of the Business Corporations Act (Ontario) (the “**Act**”);

**AND WHEREAS** HoldCo is the sole shareholder of ServicesCo, DistributionCo and GenCo;

**AND WHEREAS** the Director/Officer, at the request of HoldCo, has accepted the position of a director/officer of HoldCo, of ServicesCo, of DistributionCo or of GenCo;

**AND WHEREAS** the Director/Officer has no direct or indirect financial interest in HoldCo or ServicesCo or DistributionCo or GenCo;

**AND WHEREAS** the by-laws of HoldCo, ServicesCo, DistributionCo and GenCo provide that the corporations shall indemnify a director or officer in certain circumstances.

**NOW THEREFORE THIS AGREEMENT WITNESSETH THAT** in consideration of the premises and the covenants and agreements herein contained and for other good and valuable consideration (the receipt and adequacy of which is hereby acknowledged by each of the parties hereto), and in consideration of the Director’s/Officer’s consenting to act as a director/officer of HoldCo, ServicesCo, DistributionCo or GenCo and acceding to HoldCo’s request to accept such position(s), the parties hereby agree each with the others as follows:

1. Holdco shall indemnify the Director/Officer and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director/officer of HoldCo if:

(a) he acted honestly and in good faith with a view to the best interests of HoldCo;

- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful; and
- (c) in the case of an action by or on behalf of HoldCo to procure a judgment in its favour, HoldCo obtains any approval required under the Act in respect of such indemnification.

2. ServicesCo shall indemnify the Director/Officer and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director/officer of ServicesCo if:

- (a) he acted honestly and in good faith with a view to the best interests of ServicesCo;
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful; and
- (c) in the case of an action by or on behalf of ServicesCo to procure a judgment in its favour, ServicesCo obtains any approval required under the Act in respect of such indemnification.

3. DistributionCo shall indemnify the Director/Officer and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director/officer of DistributionCo if:



- (a) he acted honestly and in good faith with a view to the best interests of DistributionCo;
- (b) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, he had reasonable grounds for believing that his conduct was lawful; and
- (c) in the case of an action by or on behalf of DistributionCo to procure a judgment in its favour, DistributionCo obtains any approval required under the Act in respect of such indemnification.

4. GenCo shall indemnify the Director/Officer and his heirs and legal representatives against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director/officer of GenCo if:

- (a) he acted honestly and in good faith with a view to the best interests of GenCo;
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful; and
- (c) in the case of an action by or on behalf of GenCo to procure a judgment in its favour, GenCo obtains any approval required under the Act in respect of such indemnification.

5. HoldCo, ServicesCo, DistributionCo and GenCo shall use their best efforts to obtain any approval required under the Act or otherwise in respect of any indemnification required to be made by them under this agreement.

6. HoldCo, ServicesCo, DistributionCo and GenCo shall indemnify the Director/Officer in such other circumstances as the Act, as amended from time to time, permits or requires.

7. Any indemnification to be made to the Director/Officer under this agreement shall not be affected by any remuneration that he shall have received, or to which he may be entitled, at any time for acting in his capacity as a director/officer of HoldCo or ServicesCo or DistributionCo or GenCo.

8. Each of HoldCo, ServicesCo, DistributionCo and GenCo shall purchase and maintain insurance for the benefit of the Director/Officer in an amount of at least Twenty Million Dollars (\$20,000,000) (per occurrence per policy year with no deductible payable by any director/officer making a claim under the policy) against any liability incurred by the Director/Officer in his capacity as a director/officer of the respective corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the corporation.

9. HoldCo, in its capacity as the sole shareholder of ServicesCo, DistributionCo and GenCo, guarantees performance by each of ServicesCo, DistributionCo and GenCo of their respective obligations under this agreement and payment to the Director/Officer of all debts or other obligations at any time due or owing to the Director/Officer by ServicesCo, DistributionCo and GenCo pursuant to this agreement or to any obligation of ServicesCo, DistributionCo or GenCo to indemnify the Director/Officer whether imposed by statute or otherwise.

10. HoldCo, in its capacity as the sole shareholder of ServicesCo, DistributionCo and GenCo, shall indemnify and save harmless the Director/Officer and his heirs and legal representatives to the fullest extent permitted by law from, and against any liability and all costs, charges and expenses of any nature whatsoever, including without limitation any amount paid to settle an action or satisfy a judgment, incurred by him in respect of any matter or thing, including without limitation any civil, criminal or administrative action, suit or other proceeding to which he is made a party, by reason of being or having been a director/officer of ServicesCo, DistributionCo or GenCo, regardless of the obligations of ServicesCo, DistributionCo or GenCo under this agreement.

11. This agreement may not be assigned by HoldCo, ServicesCo, DistributionCo or GenCo, and shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

12. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The parties hereby attorn and submit to the non-exclusive jurisdiction of the Courts of the Province of Ontario in connection with any action, suit or proceeding brought in relation to this agreement.

13. The parties shall sign such further and other resolutions, documents and papers, cause such meetings to be held, votes cast, special resolutions and resolutions passed, by-laws enacted and documents executed, and do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable to give full effect to this agreement.

14. This agreement may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same, instrument.

15. Any transferee or allottee of shares of ServicesCo, DistributionCo or GenCo, as the case may be, shall be required, as a condition of the completion of any transfer or allotment, to enter into an agreement with the respective corporation, for the purpose of becoming bound in like manner as HoldCo, in its capacity as shareholder of ServicesCo, DistributionCo or GenCo, as the case may be, as a party to this agreement.

16. This agreement may not be terminated or amended without the written consent of the Director/Officer. Any attempt to terminate or amend this agreement without such written consent shall constitute the immediate and effective resignation of the Director/Officer. This agreement shall be effective as of the date hereof and shall remain in full force and effect until terminated in accordance with provisions of this paragraph. Any termination shall not affect any obligation of HoldCo or ServicesCo or DistributionCo or GenCo arising prior to termination in favour of the Director/Officer, including without limitation any obligation to indemnify by

reason of any matter which has arisen or circumstances which have occurred prior to termination.

17. The invalidity or unenforceability of any provision of this agreement or any covenant herein contained shall not affect the validity or enforceability of any other provision or covenant hereof or herein contained, and the agreement shall be construed as if such invalid or unenforceable provision or covenant were omitted.

18. In this agreement where the context so requires words importing number shall include the singular and plural, words importing gender shall include the masculine, feminine and neuter genders and words importing persons shall include firms and corporations and vice versa.

19. Time shall be of the essence of this agreement and of each and every part hereof.

**IN WITNESS WHEREOF** the parties hereto have executed this agreement as of the day and year first above written.

\_\_\_\_\_  
(Witness)

\_\_\_\_\_  
[Director/Officer]

**LAKELAND HOLDING LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**LAKELAND ENERGY LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**LAKELAND POWER DISTRIBUTION LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:

**BRACEBRIDGE GENERATION LTD.**

Per: \_\_\_\_\_  
Name:  
Title:

Per: \_\_\_\_\_  
Name:  
Title:





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## TOP STORY

# Mayors sign hydro merger in Burk's Falls

BY ROLAND CILLIERS

**BURK'S FALLS** – Six mayors from across the region gathered together to sign a new deal for electricity last week.

The mayors of Parry Sound, Bracebridge, Huntsville, Burk's Falls, Sundridge and Magnetawan took part in a signing ceremony for the merger between Lakeland Holding Ltd. and the Parry Sound Hydro Corporation. Shareholders finally approved the agreement,

which was roughly two years in the making, in December of last year.

Chris Litschko, CEO of Lakeland Holding Ltd., said power consumers will not notice any changes in the near future.

"From a distribution point of view we're going to keep the rates separate, but they're very close already. Over the next three to four years we will do a cost of service rate application to the Ontario Energy Board and merge

all the rates together so everybody has the same rates," said Litschko.

Graydon Smith, mayor of E. Muskoka, believes the now larger power company will be good for all the municipalities.

"Lakeland has been a tremendous asset to the town for many years and we are proud that the board and staff of Lakeland subsidiary companies will be able to continue to provide service to our larger merged company forward to the benefit of Bracebridge, Parry Sound and other shareholder municipalities," said Smith.

Jamie McGarvey, mayor of Parry Sound, said the merger will be good for power consumers both in Parry Sound and the greater Muskoka region.

"This merger with Lakeland will allow for multimillion dollar upgrades to the Parry Sound Cascade Generation station capacity," said McGarvey.

"For over 13 years, Lakeland and I have worked with almost identical terms and conditions of operations," said McGarvey. "The merger will provide new opportunities to increase shareholder value and improve the efficiency of our companies."



**MAYORAL MEET UP:** From left to right are mayors Elgin Schneider of Sundridge, Cathy Still of Burk's Falls, Graydon Smith of Bracebridge, Claude Doughty of Huntsville, Sam Dunnett of Magnetawan and Jamie McGarvey of Parry Sound. The mayors met in Burk's Falls last week to finalize the merger of their energy operations under a the Lakeland Holding Ltd. banner. (Photo by Roland Cilliers)

Shares range from 55 per cent to 100 per cent, to see which municipality has the biggest piece of the pie visit muskokaregion.com

rcilliers@metrolandnorthme

## ELECTION NEWS

# Freedom Party candidate enters provincial race

BY SARAH BISSONETTE

**MUSKOKA** – According to the riding's local Freedom Party of Ontario candidate, there are two significant differences between his party's platform and those of other provincial parties: the desire to talk about debt load and dreams of changing the municipal act.

Seguin township resident Andy Stivrins will represent The Freedom Party in Parry Sound-Muskoka, facing incumbent PC Norm Miller, Liberal Dan Waters, the NDP's Clyde Mobbley

and the Green Party's Matt Richter.

Stivrins has run before, and in the last provincial election he received 167 votes, for 0.47 per cent of the ballots cast.

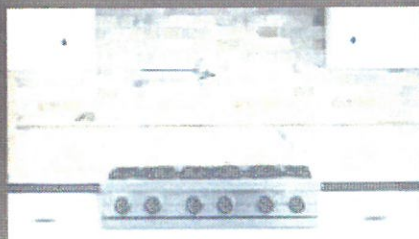
"I'm not going to be elected," he said frankly last week. "I'm running to raise issues. I actually say that anyone who votes for me is actually making a much more significant statement than someone throwing his vote on the regular pile because my issues are entirely different than the other parties."

As other political parties pledge to cut the books, Stivrins is interested in how Ontarians can manage the current debt.

"The third largest expenditure in the provincial budget, after health and education, is on the debt," he said, pegging it at \$10 billion in 2012, up from \$22 billion 20 years ago. "We have a structural problem that is an ever-growing cancer in our economy."

Instead of worrying about what to do with the debt, we should be worrying about what to do with the economy. Continue

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