

UNANIMOUS SHAREHOLDERS AGREEMENT

THIS AGREEMENT made as of the 31st day of July, 2012,

BETWEEN:

THE CORPORATION OF THE TOWN OF COLLINGWOOD, a corporation duly incorporated under the *Municipal Act* (Ontario) (hereinafter referred to as "Collingwood")

- and -

POWERSTREAM INC., a corporation duly incorporated under the *Business Corporations Act* (Ontario) (hereinafter referred to as "PowerStream")

- and -

COLLINGWOOD UTILITY SERVICES CORP., a corporation duly incorporated under the *Business Corporations Act* (Ontario) (hereinafter referred to as the "Corporation")

RECITALS:

- (a) The Corporation is the owner of all of the issued and outstanding shares in Collus PowerStream Power Corp. ("Collus"), Collus PowerStream Solutions Corp. ("Solutions") and Collus PowerStream Energy Corp. ("Energy");
- (b) On the 25th day of October, 2000, Collingwood issued a shareholder declaration with respect to the shares it held in the Corporation (the "Shareholder Declaration"), which Shareholder Declaration was terminated on the 31st day of July, 2012;
- (c) On or about the date hereof, PowerStream purchased 2,550,820 common shares in the capital of the Corporation pursuant to a share purchase agreement, dated the 6th day of March, 2012, between Collingwood, the Corporation and PowerStream (the "Share Purchase Agreement");
- (d) As of the date hereof, Collingwood and PowerStream are the only Shareholders of the Corporation;
- (e) The authorized capital of the Corporation consists of unlimited common shares, of which 5,101,640 common shares are issued and outstanding;

- (f) At the date hereof all of the issued and outstanding shares of the Corporation are registered and beneficially owned as follows:

<u>Shareholder</u>	<u>Shares</u>
Collingwood	2,550,820 common shares
PowerStream	2,550,820 common shares

- (g) The issued and outstanding shares of Collus, Solutions and Energy are registered and beneficially owned as follows:

<u>Entity</u>	<u>Shareholder</u>	<u>Shares</u>
Collus	the Corporation	5,101,340 common shares
Solutions	the Corporation	100 common shares
Energy	the Corporation	100 common shares

- (h) The operation and management of the Corporation and its Subsidiaries shall be based upon the general objectives and business principles set out in Section 2.1 of this Agreement; and
- (i) It is the intent and understanding of each of the Corporation, Collingwood and PowerStream to transition the corporate governance structure of the Corporation and its Subsidiaries as set out herein.

NOW THEREFORE IN CONSIDERATION OF THE FOREGOING AND OF THE MUTUAL COVENANTS HEREIN CONTAINED, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE 1
INTERPRETATION

- 1.1 **Definitions.** Whenever used in this Agreement unless there is something in the subject matter or context inconsistent therewith, the following terms shall have these respective meanings:

“Adjourned Meeting” has the meaning set forth in Section 4.9.

“Affiliate” means any Person that: (i) Controls a Party; (ii) is Controlled by a Party; or (iii) is Controlled by the same Person that Controls a Party.

“Agreement” means this Shareholders Agreement, and includes any agreement which is supplementary to or an amendment or confirmation of this agreement (and which is entered into in accordance with this Agreement) and any schedules hereto or thereto.

“Applicable Law” means, collectively, all applicable federal, provincial and municipal laws, statutes, ordinances, decrees, rules, regulations, by-laws, legally enforceable policies, codes, or guidelines, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, directives,

rulings or awards, and conditions of any grant of approval, permission, certification, consent, registration, authority or licence by any statutory body, self-regulatory authority or other Governmental Authority.

"Arm's Length" means the same as the term "arm's length" as used in the *Income Tax Act* (Canada), as amended from time to time.

"Articles" means the articles of incorporation of the Corporation in effect on the date hereof.

"Board" means the board of directors of the Corporation, or of a Subsidiary.

"Business Day" means any day except Saturday, Sunday or any day which is a statutory holiday in the Province of Ontario.

"Business Plan" has the meaning forth in Section 5.2(a).

"Buy/Sell Notice" has the meaning set forth in Section 9.1.

"Chair" means the director who is appointed chair of the Board from time to time as provided in this Agreement.

"Collingwood" has the meaning set forth in the recitals hereto.

"Collus" has the meaning set forth in the recitals hereto.

"Control" means, with respect to any Person at any time, (i) holding, as owner or other beneficiary, other than solely as the beneficiary of an unrealized security interest, directly or indirectly, securities or ownership interests of that Person carrying votes or ownership interests sufficient to elect or appoint the majority of individuals who are responsible for the supervision or management of that Person, or (ii) the exercise of de facto control of that Person whether direct or indirect and whether through the ownership of securities or ownership interests, by contract or trust or otherwise and "Controlled by", "Controlling" and similar words have corresponding meanings.

"Controlling Shareholder" means a Person who Controls a Shareholder if that Shareholder is a company or corporation. If a Controlling Shareholder of a Shareholder is itself a company or corporation, "Controlling Shareholder" shall mean the Person(s) who ultimately Control such Shareholder.

"Corporation" has the meaning set forth in the recitals hereto.

"Date of Closing" has the meaning set forth in Section 9.3.

"Dividend Policy" has the meaning set forth in Section 5.2(c).

“**Electricity Act**” means the *Electricity Act, 1998* (Ontario), as amended from time to time and any replacement or successor legislation.

“**Energy**” has the meaning set forth in the recitals hereto.

“**Enforcing Shareholder**” has the meaning set forth in Section 9.3.

“**Fair Market Value**” has the meaning set forth in Section 8.4.

“**Former Director**” has the meaning set forth in Section 4.10.

“**Governmental Authority**” means any government or political subdivision (including without limitation, any municipality or federal or provincial ministry) or quasi-governmental or regulatory agency, authority, board, commission, department or instrumentality of any government or political subdivision, or any court or tribunal including the IESO, OEB and OPA.

“**HoldCo**” has the meaning set forth in Section 14.10(a).

“**IESO**” means the Ontario Independent Electricity System Operator and any successor.

“**includes**” means “includes, without limitation” and “**including**” means “including, without limitation”.

“**Information**” has the meaning set forth in Section 11.1.

“**New Date of Closing**” has the meaning set forth in Section 9.3.

“**New Purchase Price**” has the meaning set forth in Section 9.3.

“**Non-Selling Shareholder**” has the meaning set forth in Section 10.5(b).

“**OBCA**” means the *Business Corporations Act* (Ontario), as amended from time to time.

“**OEB**” means the Ontario Energy Board and any successor.

“**OEB Act**” means the *Ontario Energy Board Act, 1998*, as amended from time to time and any replacement or successor or legislation.

“**Offered Shares**” has the meaning set forth in Section 7.1 and 9.3, as applicable.

“**Offeree**” has the meaning set forth in Section 9.1.

“**Offeror**” has the meaning set forth in Section 9.1.

“**OPA**” means the Ontario Power Authority and any successor.

“Ordinary Course of Business” means, for the Corporation or any Subsidiary, the conduct of the business of the Corporation or the applicable Subsidiary in the ordinary and usual course and in a manner consistent with the manner in which the business is carried on as of the date hereof, if applicable, or as may be permitted pursuant to Section 2.3 hereof as to the nature and scope of the business.

“Parties” means the Shareholders and the Corporation and **“Party”** means any one of them.

“Permitted Transferee” has the meaning set forth in Section 6.3(a).

“Person” means any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, Governmental Authority and any other form of entity or organization.

“PowerStream” has the meaning set forth in the recitals hereto.

“Pro Rata” means in the same proportion that the number of Shares owned by a Shareholder is to all of the then issued and outstanding Shares of all classes of the Corporation.

“Prospective Purchaser” has the meaning set forth in Section 7.3.

“Purchase Notice” has the meaning set forth in Section 7.2.

“Purchase Price” has the meaning set forth in Section 7.1(a).

“Purchaser” has the meaning set forth in Schedule A hereto.

“Refusing Shareholder” has the meaning set forth in Section 9.3.

“Right of First Refusal Period” has the meaning set forth in Section 7.2.

“Remaining Shareholders” has the meaning set forth term in Section 7.1(b).

“Sale Notice” has the meaning set forth in Section 7.1(a).

“Second Adjourned Meeting” has the meaning set forth in Section 4.9.

“Selling Shareholder” has the meaning set forth in Section 7.1(a).

“Shareholder” means individually any, and **“Shareholders”** means collectively all, of Collingwood and PowerStream and any Person to whom any Shares are transferred, or issued, in accordance with the terms of this Agreement, at any time subsequent to the date of this Agreement.

“Shareholder Declaration” has the meaning set forth in the recitals hereto.

“Share Purchase Agreement” has the meaning set forth in the recitals hereto.

“Shares” means any authorized class of shares, voting or non-voting, of the Corporation.

“Share Purchase Price” has the meaning set forth in Section 8.3(a).

“Solutions” has the meaning set forth in the recitals hereto.

“Standstill Period” means the period that is thirty (30) months from the date hereof.

“Strategic Plan” has the meaning set forth in Section 2.2(d).

“Subsidiaries” means the subsidiary corporations (as defined in the OBCA) of the Corporation and “Subsidiary” means any one of such Subsidiaries and includes Collus, Solutions and Energy as at the date hereof.

“Subsidiary Board” means the board of directors of each Subsidiary of the Corporation, as elected by the Corporation as sole shareholder, comprised of nominees determined from time to time in accordance with the provisions of this Agreement.

“Third Adjourned Meeting” has the meaning set forth in Section 4.9.

“Time of Closing” means 10:00 am Toronto time.

“Transfer Tax” means the tax payable pursuant to Section 94 of the *Electricity Act, 1998* (Ontario) or any similar tax or replacement or substitution thereof.

“Valuator” has the meaning set forth in Schedule A hereto.

“Vendor” has the meaning set forth in Schedule A hereto.

“Vice-Chair” means the director who is appointed vice-chair of the Board from time to time as provided in this Agreement.

“Withdrawal Date” has the meaning set forth in Section 8.4.

“Withdrawing Shareholder” has the meaning set forth in Section 8.2.

- 1.2 Interpretation Not Affected by Headings. The division of this Agreement into articles, sections, subsections, paragraphs, subparagraphs and clauses and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “herein”, “hereunder” and similar expressions refer to this Agreement and not to any particular article, section, subsection, paragraph, subparagraph or clause or other portion hereof and include any agreement or instrument supplemental or ancillary hereto. Unless something

in the subject matter or context is inconsistent therewith, references herein to articles and sections are to articles and sections of this Agreement.

- 1.3 **Number and Gender.** Words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa.
- 1.4 **Accounting Principles.** Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles. For greater clarity, the International Financial Reporting Standards shall apply for the periods on and after December 31, 2012.
- 1.5 **Effect of this Agreement.** To the extent that this Agreement specifies that any matters relating to the Corporation or its Subsidiaries may only be or shall be dealt with or approved by, or shall require action by the Shareholders, the discretion and powers of the directors of the Corporation or a Subsidiary to manage and to supervise the management of the business and affairs of the Corporation or a Subsidiary with respect to such matters are correspondingly restricted. For greater certainty, the Parties agree that Sections 5.1 of this Agreement are intended to operate as a unanimous shareholders agreement with respect to the Corporation and its Subsidiaries, within the provisions of Section 108(2) of the OBCA.
- 1.6 **Statutes and Amendments.** Any reference in this Agreement to an agreement, or to a statute, regulation or rule promulgated under a statute or to any provision of an agreement, a statute, regulation or rule shall be a reference to the agreement, statute, regulation, rule or provision, as amended, restated, re-enacted or replaced from time to time.
- 1.7 **Schedules.** The following schedule is incorporated herein and forms part of this Agreement:

Schedule A	Valuation Method
Schedule B	Corporation and Subsidiaries Dividend Policy
Schedule C	Charter Documents of Corporation and each Subsidiary

ARTICLE 2
OBJECTIVES, GUIDING PRINCIPLES AND
PERMITTED BUSINESS ACTIVITIES

- 2.1 **Guiding Principles and Objectives.** The Parties acknowledge and recognize the following guiding principles and objectives of the Corporation and its Subsidiaries and the intention of the Shareholders that the Corporation and its Subsidiaries be managed on an ongoing basis in a manner consistent with these guiding principles and objectives:
 - (a) enhance Shareholder and investor value;

- (b) strengthened voice with the public, regulator and governments;
- (c) enhanced community leadership in energy conservation and environment protection;
- (d) continued high level of safety;
- (e) the Corporation and the Subsidiaries shall each be governed by a board of directors with proportional representation of the Shareholders;
- (f) policies shall be established to maintain and sustain infrastructure through adequate investments consistent with good utility practice;
- (g) service reliability levels in all service areas are to be maintained at or better than the levels which were maintained prior to the date hereof, subject in all cases to good utility practice and the requirements and/or approval of the OEB;
- (h) cost savings shall be obtained through suitable economies of scale;
- (i) customer service levels are to be maintained or improved as allowed by electricity distribution rates consistent with good utility practice and sound commercial principles;
- (j) utilize suitable human resource programs to avoid, if possible, lay offs including deployment, re-training, early retirement, separation incentives and attrition;
- (k) treat all employees in a fair and equitable manner, and develop with its employees a shared commitment towards high customer service, improved productivity and workplace safety, as well as ensuring that all staff understand the Business Plan and direction, and they have the skill required to fulfill their part in achieving those goals;
- (l) mutually seek to grow the Corporation's business both organically and through acquisition or merger;
- (m) provide a continued and substantial presence in the communities that the Corporation services;
- (n) provide continued and enhanced support for the interests of the communities that the Corporation serves;
- (o) with due consideration to the optimization of the rate of return and Shareholder value, be an integral participant and play a significant role in the local communities in which they operate. The Corporation and Subsidiaries will strive to be good corporate citizens and the facilitator of economic development throughout the service area, and not facilitate economic development in any way that would favour one community over another, nor discriminate against any community within the applicable service area; and

- (p) whenever possible and practicable, best utility practices of the industry are to be adopted.

2.2 Financial Policies, Risk Management and Strategic Plan. The Board and any Subsidiary Board shall establish policies to:

- (a) Capital Structure – develop and maintain a prudent financial and capitalization structure consistent with industry norms, OEB requirements applicable to licensed electricity distributors and sound financial principles;
- (b) Returns – have the objective of optimizing its rate of return and Shareholder value. Subject to OEB approval, the maximum rate of return sought by Collus from time to time will be achieved as soon as practical;
- (c) Risk Management – manage all risks related to the business conducted by Collus through the adoption of appropriate risk management strategies and internal controls consistent with industry norms; and
- (d) Strategic Plan – within six (6) months and not less than every three (3) years thereafter, update and revise the current strategic plan of the Corporation (the “Strategic Plan”) to reflect business opportunities available, consistent with the *Ontario Energy Board Act* and all other regulatory requirements which builds upon its excellence in electricity distribution.

2.3 Permitted Business Activities. The Corporation and its Subsidiaries may engage in any business activities which are permitted by Applicable Law, including the Electricity Act and OEB Act, applicable to the Corporation and its Subsidiaries from time to time. In so doing, the Corporation and its Subsidiaries shall conform to all requirements of all applicable Governmental Authorities, including the OEB, the IESO and the OPA.

ARTICLE 3
IMPLEMENTATION OF THIS AGREEMENT

3.1 Carrying out of the Agreement.

- (a) The Shareholders shall at all times act and vote their Shares to carry out and cause the Corporation to carry out the provisions of this Agreement.
- (b) The Corporation confirms its knowledge of this Agreement and will carry out and be bound by the provisions of this Agreement to the full extent that it has the capacity and power at law to do so.

3.2 Endorsement on Share Certificates. Share certificates of the Corporation and its Subsidiaries shall bear the following language either as an endorsement or on the face thereof:

"The shares represented by this certificate are subject to all the terms and conditions of an agreement made as of the ___ day of _____, 20___, a copy of which is on file at the registered office of the Corporation."

ARTICLE 4
DIRECTORS OF THE CORPORATION AND SUBSIDIARIES

4.1 Number and Identity of Directors.

- (a) Each Shareholder shall be entitled to nominate and elect that number of directors to the Board and any Subsidiary Board (rounding up or down to the nearest whole number) which is in the same proportion to the total number of directors of the Corporation as the number of Shares owned by that Shareholder is to the total number of Shares issued and outstanding from time to time.
- (b) The Articles of the Corporation and each Subsidiary shall provide for the Board and each Subsidiary Board to consist of a minimum of 1 director and a maximum of 10 directors.
- (c) The Board and each Subsidiary Board as at the date of this Agreement shall consist of 6 directors. In accordance with Section 4.1(a), Collingwood shall be entitled to nominate 3 directors and PowerStream shall be entitled to nominate 3 directors. The majority of the Directors nominated by each Shareholder shall be independent from such Shareholder. Directors shall hold office until such time as their successors are elected by the Shareholders.

4.2 Election of Directors. The Shareholders shall elect the members of the Corporation and any Subsidiary Board. The Shareholders shall at all times act and vote their Shares to elect as directors of the Corporation or a Subsidiary the individuals nominated as directors, and, if required by a Shareholder, as contemplated in Section 4.6, to remove such director(s).

4.3 Qualification of Directors. The Board and any Subsidiary Board should reflect a cross-section of skills and experience. In addition to sound judgment and personal integrity, the qualifications of candidates for the Board and any Subsidiary Board may include:

- (a) industry knowledge concerning electricity distribution specifically and regulated industries generally;
- (b) business experience with businesses comparable to the Corporation or the Subsidiary, as applicable;
- (c) financial, legal, accounting and/or marketing experience;
- (d) experience on boards of public companies or major corporations;
- (e) awareness of public policy issues related to the Corporation or the Subsidiary, as applicable, and the electricity distribution business generally; and

- (f) knowledge and experience with corporate governance principles and/or risk management strategies.

4.4 Chair.

- (a) For two years from the date hereof, the Board shall have two co-Chairs, one nominated by each of the current Shareholders from among the directors. The co-Chairs shall preside at each meeting of the Board. In the absence of the co-Chairs, the chair of the meeting shall be selected by the directors in attendance at such meeting.
- (b) After the period contemplated by paragraph (a), and each year thereafter, the Board will have a Chair and a Vice-Chair, each representing one of the Shareholders and appointed by such Shareholder from the directors, with the right to appoint the Chair and Vice-Chair alternating between the Shareholders every second year.

4.5 Term of Directors.

- (a) Directors of a Board shall each be appointed for a term of three (3) years as provided in the by-laws of Corporation or the applicable Subsidiary.
- (b) A director may be appointed for successive terms at the discretion of the Shareholder appointing such director.

- 4.6 Removal of Directors. Subject to the provisions of the OBCA, each Shareholder shall be entitled in its discretion to cause any of the directors nominated by it to any Board to be removed and to nominate and have an individual elected a successor or successors, as required, by providing a direction in writing to the Corporation or the applicable Subsidiary and to the other Shareholders who shall elect such replacement director or directors. Upon the resignation or removal of a director from a Board, the Shareholder that nominated such director shall use reasonable efforts to obtain and deliver to the Corporation or the applicable Subsidiary a resignation and a release from such director in a form satisfactory to the Corporation or the applicable Subsidiary.

- 4.7 Voting. All matters to be determined by a Board shall be determined by a majority vote of directors at a duly convened meeting of that Board and, in case of an equality of votes, the chairperson of the meeting shall not be entitled to a second or casting vote.

4.8 Meeting of Directors.

- (a) The Board shall meet at least once each financial quarter at a time and place to be determined by the Chair. Additional meetings of the Board may be called by the Chair or any other director by notice in writing to every other director of the time, place and purpose of the meeting of the Board and the matters to be considered.
- (b) All meetings of the Board shall, unless held by telephone or video conference, be held within the Province of Ontario.

- (c) Any one or more of the directors may participate in a meeting of the Board by any telephonic or video device which permits all participants in the meeting to communicate with each other simultaneously and instantaneously, and such participation shall be deemed to constitute attendance at the meeting of the Board for the purpose of this Section 4.8. The Chair may determine that any meeting of the Board may be held by telephone or video conference.
- (d) At least seven (7) Business Days prior to each meeting, each director shall be notified in writing of the time, place and purpose of the meeting of the Board and the matters to be considered.
- (e) A director may waive notice of any meeting of the Board by an instrument in writing delivered to the Secretary of the Corporation or the applicable Subsidiary.
- (f) Notwithstanding Section 4.7, in lieu of a meeting of the directors, the consent of the directors with respect to any matter may be evidenced by a resolution in writing (which may be in counterparts) signed by all of the directors.

4.9 Quorum – Meetings of Directors of the Corporation and Subsidiaries.

- (a) A quorum for a meeting of the Board of the Corporation or applicable Subsidiary, as the case may be, shall consist of a majority of the total number of elected directors (rounded up to the next whole number) provided that, so long as Collingwood and PowerStream are the only Shareholders of the Corporation, at least one (1) director who is a nominee of Collingwood, and at least one (1) director who is a nominee of PowerStream must be present at all meetings of the Board of the Corporation or any Subsidiary, as the case may be.
- (b) If a quorum of directors is not present within thirty (30) minutes after the time appointed for a meeting of a Board of the Corporation or applicable Subsidiary, such meeting shall be adjourned to a date not less than five (5) and not more than fifteen (15) Business Days subsequent to the date originally set for the meeting, as the directors present at the meeting may determine.
- (c) At least two (2) Business Days prior written notice shall be provided to all of the directors of the date for the meeting of a Board of the Corporation or applicable Subsidiary, as the case may be, adjourned pursuant to Section 4.9(b) (the "Adjourned Meeting").
- (d) If a quorum is not present at such adjourned meeting, the Secretary of the Corporation or of the applicable Subsidiary, as the case may be, shall forthwith call a further adjourned meeting (the "Second Adjourned Meeting") of the Board, to be held not later than five (5) Business Days after the previously Adjourned Meeting was to be held and shall provide at least two (2) Business Days prior written notice thereof to the Shareholders. The Shareholders may:
 - (i) cause their respective nominee directors to attend, (or may remove their nominee directors and nominate directors to be elected as replacement

directors in accordance with Section 4.6 and may cause such replacement directors to attend) the Second Adjourned Meeting; or

- (ii) waive their right to have their nominee director or replacement director attend the Second Adjourned Meeting, however for greater certainty, the Second Adjourned Meeting may not proceed if the quorum requirements set forth in Section 4.9(a) are not met.
- (e) If a quorum is not present at the Second Adjourned Meeting, the Secretary of the Corporation or of the applicable Subsidiary, as the case may be, shall forthwith call a further adjourned meeting (the "Third Adjourned Meeting") of the Board, to be held not later than five (5) Business Days after the Second Adjourned Meeting was to be held and shall provide at least two (2) Business Days prior written notice thereof to the Shareholders. The Shareholders may:
- (i) cause their respective nominee directors to attend, (or may remove their nominee directors and nominate directors to be elected as replacement directors in accordance with Section 4.6 and may cause such replacement directors to attend), the Third Adjourned Meeting; or
 - (ii) failing such attendance pursuant to Section 4.9(e)(i), the Third Adjourned Meeting shall be validly constituted if nominee directors or replacement directors of at least two Shareholders are present at the Third Adjourned Meeting, notwithstanding the quorum requirements set forth in Section 4.9(a).

4.10 Vacancies. In the event of any vacancy occurring on a Board by reason of the death, disqualification, inability to act or resignation of any director (the "Former Director"), the Shareholder entitled to nominate the Former Director shall nominate another individual to replace the Former Director in order to fill such vacancy as soon as reasonably possible, and the Shareholders shall vote their Shares to elect such nominee accordingly.

4.11 Insurance. The Corporation or applicable Subsidiary shall acquire and maintain insurance coverage for the directors and officers of the Corporation as the Board may determine from time to time. In the event that such insurance coverage ceases to be available to the directors for any reason, each Shareholder shall be responsible for insuring its own nominees.

4.12 Auditor. _____ shall be appointed as the initial auditor of the Corporation and shall hold office until such time as the Shareholders select a replacement.

4.13 Corporate Governance Matters. The Board shall supervise the management of the business and affairs of the Corporation or applicable Subsidiary and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation or Subsidiary and each director shall exercise the same degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

4.14 Board Committees. The Board and each Subsidiary Board may establish committees at its discretion. The Shareholders anticipate that the Board will establish at least the following committees:

- (a) Audit and Finance Committee to review financial results and establish risk management policies; and
- (b) Human Resources and Governance Committee to determine and review human resources policies and corporate governance matters including senior management compensation.

ARTICLE 5
APPROVAL OF CERTAIN CORPORATE ACTIONS

5.1 Shareholder Approval.

No action shall be taken by the Corporation or any Subsidiary with respect to any of the matters set out below unless first approved by all the Shareholders:

- (a) to acquire by way of purchase of, or merger or amalgamation with, any one or more electricity distribution businesses;
- (b) in any financial year, enter into one or more transactions which individually or in the aggregate result in the disposition, lease or sale of any part of the business of the Corporation or a Subsidiary outside of the Ordinary Course of Business;
- (c) entering into any partnership, joint venture or other business venture that would involve the expenditure or investments of funds by the Corporation or any Subsidiary outside of the Ordinary Course of Business or that would change the status of the Corporation or any subsidiary for taxation purposes, under the Electricity Act or the *Income Tax Act* (Canada), *Corporations Tax Act* (Ontario) or other Applicable Law;
- (d) any change in the nature of the business of the Corporation or any Subsidiary, that would involve directly or indirectly any business activity that is not specifically authorized by the OEB Act or other Applicable Law;
- (e) the borrowing of funds outside of the Ordinary Course of Business;
- (f) any one or more expenditures by the Corporation or the Subsidiary outside of the Ordinary Course of Business exceeding the amount of \$500,000.00 in aggregate in any financial year of the Corporation or applicable Subsidiary;
- (g) any sale, transfer or other disposition by the Corporation of any of the shares of any Subsidiary, other than for the purposes of an internal reorganization of the Corporation or Subsidiary in which the proportionate interests of the Shareholders are maintained;

- (h) make, amend or repeal any by-law of the Corporation or any Subsidiary;
- (i) changing or removing any restriction on the business of the Corporation or any Subsidiary;
- (j) creating new classes of shares of the Corporation or any Subsidiary other than for the purposes of an internal reorganization of the Corporation or Subsidiary in which the proportionate interests of the Shareholders are maintained, or in any other manner to amend the Articles to reduce the number of directors;
- (k) the institution of proceedings for any winding up, arrangement or dissolution of the Corporation or any Subsidiary;
- (l) an application to continue the Corporation or any Subsidiary as a corporation under the laws of another jurisdiction;
- (m) issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class of the Corporation or any Subsidiary, including in connection with any transaction pursuant to subsections 5.1(a) and 5.1(c), other than for the purposes of an internal reorganization of the Corporation or Subsidiary in which the proportionate interests of the Shareholders are maintained;
- (n) redeem or purchase any outstanding Shares of the Corporation or any Subsidiary;
- (o) any change in the Dividend Policy of the Corporation approved by the Shareholders pursuant to Section 5.2(c) of this Agreement; and
- (p) any sale, transfer or other disposition by the Corporation of any of the shares of any Subsidiary, other than for the purposes of an internal reorganization of the Corporation in which the proportionate interests of the Shareholders are maintained.

5.2 Business Plan and Dividend Policy.

- (a) Within 90 days from the date of this Agreement, the Shareholders shall use their in best good faith efforts to have approved the business plan for the Corporation (the "Business Plan") which is a one year business plan and includes capitalization and financing policies for the Corporation.
- (b) The Corporation shall, in each financial year, present an updated business plan for the Corporation, approved by the Board, to the Shareholders for informational purposes.
- (c) As at the date of this Agreement, the Shareholders have approved a policy (a copy of which is attached as Schedule B to this Agreement) (the "Dividend Policy") concerning the declaration and payment of dividends by the Corporation on its issued and outstanding Shares from time to time.

ARTICLE 6
RESTRICTIONS ON SHARE TRANSFERS

6.1 **Standstill Period - Restricted Sales of Shares.** No Shareholder may sell all or any portion of its Shares without the prior written consent of all of the other Shareholders during the Standstill Period. After the Standstill Period has expired, a Shareholder may only sell, transfer, assign or otherwise dispose of the whole or any part of its Shares in accordance with this Agreement.

6.2 **Agreement Binding on Transferees.** No Shares of the Corporation or any Subsidiary shall be effectively issued, sold, assigned, transferred, disposed of, or conveyed by a Shareholder to any Person except in accordance with this Agreement and until the proposed transferee or purchaser executes and delivers to the Parties hereto an agreement to the same effect as this Agreement and any further agreement with respect to the Corporation or Subsidiary to which the Shareholders are then, or are then required to be, a party. Upon the proposed transferee or purchaser so doing, such agreements shall enure to the benefit of and be binding upon all of the Parties to them as if all had executed and delivered the same agreements at the same time.

6.3 **Permitted Transferees.**

(a) Subject to the restrictions on transfer or sale in Section 10.5 hereof, a Shareholder may, without the consent of the other Shareholders, transfer any or all of the Shares owned by it to any Person (hereinafter in this Section 6.3 referred to as a "Permitted Transferee") provided that the Permitted Transferee is wholly-owned by such Shareholder or, if such Shareholder is a corporation, the Permitted Transferee is wholly-owned by the Controlling Shareholder of such Shareholder and provided that prior to any such transfer:

- (i) the Permitted Transferee shall undertake in writing, by signing a counterpart of this Agreement, to be bound by the terms and conditions of this Agreement; and
- (ii) the Controlling Shareholder of such Permitted Transferee represents, warrants, and undertakes in writing that it shall wholly own such Permitted Transferee for as long as such Permitted Transferee holds Shares of the Corporation.

(b) In the event that the transferee of the Shares ceases to be a Permitted Transferee for the purposes of this Section 6.3 then the Shares shall be promptly transferred back to the Shareholder.

ARTICLE 7
RIGHT OF FIRST REFUSAL

7.1 **First Right of Refusal.**

- (a) Any Shareholder (hereinafter in this Article 7 referred to as the "Selling Shareholder") who desires to transfer or sell all or any portion of its Shares (hereinafter in this Article 7 referred to as the "Offered Shares") after the Standstill Period other than to a Permitted Transferee, shall give notice of such proposed sale (hereinafter in this Article 7 referred to as the "Sale Notice") to the Corporation and to the other Shareholders and shall set out in the Sale Notice the terms upon which and the price at which it desires to sell the Offered Shares (such price being hereinafter in this Article 7 referred to as the "Purchase Price"). A Shareholder selling Shares under this Section 7.1 must sell all, and not less than all, of its Offered Shares, unless the other Shareholders otherwise agree.
- (b) Upon the Notice being given, the other Shareholders (hereinafter in this Article 7 referred to as the "Remaining Shareholders") shall have the right to purchase all, but not less than all, of the Offered Shares for the Purchase Price on a Pro Rata basis.

7.2 Exercise of Right of First Refusal. The Remaining Shareholders shall have the option, exercisable by giving written notice of the exercise of such option (hereinafter in this Article 7 referred to as the "Purchase Notice") to the Selling Shareholder and the Corporation within thirty (30) days (hereinafter in this Article 7 referred to as the "Right of First Refusal Period") subsequent to the date of deemed receipt, pursuant to Section 12.1 hereof, by the Remaining Shareholders of the Sale Notice, to purchase all but not less than all of the Offered Shares, on a Pro Rata basis, determined on the basis of the ratio of the number of Shares owned by each Remaining Shareholder to the number of Shares owned by all Remaining Shareholders at the Purchase Price and the terms set forth in the Sale Notice. If all the Offered Shares have not been purchased by the Remaining Shareholders then the remaining Offered Shares shall be offered to those Remaining Shareholders which have purchased Offered Shares on a Pro Rata basis until all of the Offered Shares have been purchased. The closing of the sale of the Offered Shares shall occur on the first Business Day following the expiry of the sixty (60) day period following the date of deemed receipt, pursuant to Section 12.1 hereof, by the Remaining Shareholders and the Corporation of the Purchase Notice or, if the completion of such sale requires the prior approval of or notice to a third Person or Governmental Authority under Applicable Law or any instrument or agreement, within thirty (30) days after receipt of such approval or required period of notice or on such later date as may be agreed by the Parties.

7.3 Sale of Shares. In the event that the Remaining Shareholders do not exercise their right of first refusal pursuant to Section 7.2, the rights of the Remaining Shareholders, subject as hereinafter provided, to purchase the Offered Shares shall forthwith terminate and the Selling Shareholder, subject to the restrictions on transfer or sale specified in Section 10.5 hereof, may sell the Offered Shares to any Person (the "Prospective Purchaser") within ninety (90) days after the termination of the Right of First Refusal Period, for a price not less than the Purchase Price and on other terms no more favourable to the Prospective Purchaser than those set forth in the Sale Notice, provided that the Prospective Purchaser agrees prior to such transaction to be bound by this Agreement and to become a party hereto in place of the Selling Shareholder with respect to the Offered

Shares. If the Offered Shares are not sold within such ninety (90) day period, or, if the completion of such sale requires the prior approval of or notice to a third Person or Governmental Authority under Applicable Law or any instrument or agreement, within thirty (30) days after receipt of such approval or any required period of notice, on such terms, the rights of the Remaining Shareholders pursuant to Sections 7.1 and 7.2 shall again take effect and so on from time to time.

7.4 Moratorium on Sales While Purchase Offer Outstanding. Once a Shareholder gives a Sale Notice pursuant to Section 7.1 hereof, no other Shareholder shall be entitled to give a Sale Notice with respect to Shares until such time as the Offered Shares are either sold to the Remaining Shareholders, or a Prospective Purchaser, as the case may be, in accordance with the terms of this Article 7 or the sale of such Shares to the Prospective Purchaser does not occur within the time limits prescribed in Section 7.3. No Shareholder may proceed with any sale of any of the Shares owned by it without complying with the relevant provisions of this Agreement.

ARTICLE 8
PURCHASE OF SHARES ON DEEMED WITHDRAWAL

8.1 Deemed Withdrawal from the Corporation.

- (a) Subject to Section 8.1(b), for the purposes of this Article 8, a Shareholder shall be deemed to withdraw from the Corporation on that date when such Shareholder,
 - (i) or its Controlling Shareholder: (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy or similar Applicable Law for the protection of creditors, including, the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors Arrangement Act* (Canada), the *Municipal Affairs Act* (Ontario) or other statute applicable to insolvent municipalities or has such petition filed against it and such petition is not withdrawn or dismissed for sixty (60) days after such filing; (ii) otherwise becomes bankrupt or insolvent (however evidenced); or (iii) is unable to pay its debts as they fall due;
 - (ii) fails, refuses or neglects to conform to any of the material terms and conditions of this Agreement, and fails to remedy any such material default within thirty (30) days of the deemed receipt, pursuant to Section 12.1 hereof, of a written notice from any other Shareholder giving details of such material default; or
 - (iii) has all or any portion of its Shares of the Corporation realized upon by an encumbrancer.
- (b) The Shareholders may unanimously agree to waive the provisions of this Article 8 with respect to any Shareholder that would otherwise have been deemed to withdraw from the Corporation pursuant to Section 8.1(a).

8.2 Purchase of Shares on a Shareholder's Withdrawal from the Corporation. In the event that a Shareholder is deemed to have withdrawn from the Corporation pursuant to the provisions of Section 8.1(a) hereof and the Shareholders have not agreed to waive the application of this Article 8 in accordance with Section 8.1(b), the Corporation irrevocably agrees to purchase, on the expiry of the one hundred and fifty (150) day period following the occurrence of such event, all and not less than all of the Shares of the Shareholder which is deemed to have withdrawn from the Corporation (hereinafter in this Section 8.2 referred to as the "Withdrawing Shareholder") at the Share Purchase Price. The closing of the sale of the Shares of the Withdrawing Shareholder to the Corporation shall take place at the offices of the Corporation at the address designated in Section 12.1 hereof at 10:00 in the morning (Toronto time) on the first Business Day following the expiry of the aforesaid one hundred and fifty (150) day period. The Share Purchase Price, determined pursuant to Section 8.4 hereof, shall be paid at such closing in Canadian dollars. In the event that the Corporation is not, at the time of such purchase of Shares, capable of fulfilling its obligations to pay for such Shares, either because it cannot do so in compliance with the OBCA, or other Applicable Law to the same effect, the sale of such Shares to the Corporation shall be completed with the balance of the Share Purchase Price for such Shares to be paid by the Corporation as soon as it is lawfully able to do so.

8.3 Sale of Shares on Deemed Withdrawal from the Corporation.

- (a) Upon a Shareholder being deemed to have withdrawn from the Corporation pursuant to the provisions of Section 8.1(a) hereof, such Shareholder hereby irrevocably offers to sell all of its Shares to the Corporation at a price per Share (hereinafter in this Article 8 the "Share Purchase Price") determined in the manner provided in Section 8.4 hereof and Schedule A hereto.
- (b) In all of the circumstances provided in Section 8.1(a), the remaining Shareholders shall have the right to require that the Corporation assign to them the right or obligation of the Corporation to purchase any or all of the Shares of a Shareholder deemed to have withdrawn from the Corporation as aforesaid and, pursuant to such assignment, the remaining Shareholders shall have the right to purchase such Shares, provided that in the opinion of tax counsel to the Corporation, the Withdrawing Shareholder will suffer no significant prejudice from an income tax perspective as a result of such Shares being purchased by the remaining Shareholders rather than by the Corporation.
- (c) In the event that the remaining Shareholders purchase such Shares, they shall be entitled to purchase them on a Pro Rata basis in proportion to their respective holdings of Shares or in any other proportion as they may choose, and the provisions of Section 8.2 of this Agreement shall apply *mutatis mutandis* provided however, that no Shareholder shall be obliged to purchase any such Shares.

8.4 Share Purchase Price Determination. The Share Purchase Price for the purposes of this Article 8 shall mean the fair market value (the "Fair Market Value") of each Share as at the financial year end of the Corporation immediately preceding the date

(hereinafter in this Article 8 (the "Withdrawal Date") on which a Shareholder is deemed to withdraw from the Corporation as provided in Section 8.1(a). Such Share Purchase Price shall be determined in the manner provided in Schedule A hereto within the one hundred and twenty (120) days immediately following the Withdrawal Date. Fair Market Value per share shall be calculated on a pro-rata basis using "en bloc" Fair Market Value, without any premium or discount.

8.5 **Cancellation of Shares.** Upon the acquisition of any Shares by the Corporation pursuant to this Article 8 of this Agreement, such Shares shall be cancelled and shall not be reissued.

ARTICLE 9
BUY-SELL PROVISIONS

9.1 **Buy/Sell Notice.**

- (a) Subject to paragraph (b), either of the Shareholders (the "Offeror") shall be entitled to give notice (the "Buy/Sell Notice") to the other Shareholder (the "Offeree"), which Buy/Sell Notice shall be signed by the Offeror and shall contain the following:
 - (i) the price at which the Offeror will purchase or sell each Share;
 - (ii) an unconditional offer, irrevocable without the written consent of the Offeree, to purchase all of common shares beneficially owned by the Offeree at the said prices and upon and subject to the terms set forth in the Buy/Sell Notice; and
 - (iii) an unconditional offer, irrevocable without the written consent of the Offeree, to sell all of the Shares beneficially owned by the Offeror at the said prices and upon and subject to the terms set forth in the Buy/Sell Notice.
- (b) No Shareholder is entitled to exercise the rights provided for in paragraph (a) until the expiry of the Standstill Period.

9.2 **Acceptance.** The Offeree shall be entitled to accept either of the offers contained in the Buy/Sell Notice by notice in writing delivered to the Offeror within 20 days of receipt by the Offeree of the Buy/Sell Notice.

9.3 **Purchase and Sale.** If the Offeree accepts the offer referred to in Subsection 9.1(a)(ii), the Offeree shall sell to the Offeror and the Offeror shall purchase from the Offeree all of the Shares beneficially owned by the Offeror (the "Offered Shares") at the prices and, subject to the provisions of this Agreement, upon the terms set forth in the Buy/Sell Notice. If the Offeree accepts the offer referred to in Subsection 9.1(a)(iii), the Offeree shall purchase from the Offeror and the Offeror shall sell to the Offeree all of the shares of the Corporation beneficially owned by the Offeror at the prices and, subject to the provisions of this agreement, upon the terms set forth in the Buy/Sell Notice. If the

Offeree does not accept either of the said offers within the said 20 day period, the Offeree shall be deemed to have accepted the offer referred to in Subsection 9.1(a)(ii), on the last day of the said 20 day period and the Offeree shall sell to the Offeror and the Offeror shall purchase from the Offeree all of the Offered Shares beneficially owned by the Offeree at the prices set forth in the Buy/Sell Notice. Notwithstanding anything in the Buy/Sell Notice to the contrary, the aggregate purchase price for the Offered Shares shall be paid in full at the Time of Closing. The closing of a transaction of purchase and sale contemplated in this Article shall take place at the on the date (the "Date of Closing") which is 15 days following the acceptance by the Offeree of one of the offers contained in the Buy/Sell Notice. If, at the Time of Closing, a Shareholder (the "Refusing Shareholder") neglects or refuses to complete the transaction of purchase and sale herein contemplated, the other Shareholder (the "Enforcing Shareholder") shall have the right, without prejudice to any other rights which the Enforcing Shareholder may have, to give to the Refusing Shareholder, within five days of the Date of Closing, a notice that the Enforcing Shareholder intends to purchase from the Refusing Shareholder all of the Shares beneficially owned by the Refusing Shareholder at a purchase price for each share equal to 90% of the price for shares set forth in the Buy/Sell Notice (the "New Purchase Price"). The resulting transaction of purchase and sale shall take place on the date (the "New Date of Closing") which is 15 days following the receipt or deemed receipt of the aforesaid notice. On the New Date of Closing, the Refusing Shareholder shall sell all of the Shares beneficially owned by it to the Enforcing Shareholder who shall purchase the same for the New Purchase Price, which shall be payable in accordance with the terms contained in this Article for the payment of the purchase price of the Offered Shares.

ARTICLE 10
PROVISIONS APPLICABLE TO SALES OF SHARES

- 10.1 **Application to All Sales.** Except as, or in addition to what, may otherwise be provided in this Agreement, this Article 10 shall apply to any sale of Shares effected pursuant to the provisions of this Agreement.
- 10.2 **Closing.** The closing of all sales of Shares effected pursuant to this Agreement shall take place at the offices of the Corporation at the address designated in Section 12.1 hereof, at the Time of Closing on the date stipulated, either pursuant to the provisions hereof or pursuant to any agreement executed in connection with any such sale, as the date on which such closing is to occur.
- 10.3 **Cancellation of Share Certificates.** The President of the Corporation, or such other officer as may be designated by resolution of the directors of the Corporation shall attend all closings of any such sale of Shares and shall deliver to the Corporation for cancellation share certificates evidencing Shares which are to be sold and shall take custody of new share certificates, if any, issued in replacement of such cancelled share certificates so that at all times the Corporation shall have custody of share certificates representing all of the Shares.
- 10.4 **Resignation of Seller's Nominees.** At the closing of any sale of Shares, the Shareholder selling its Shares shall cause to be delivered to the Corporation signed resignations of its

nominees as directors of the Corporation and any Subsidiary, and shall assign and transfer to the purchaser of such Shares, all of its right, title and interest in such Shares.

10.5 Transfer Taxes and Other Tax Impacts of a Proposed Sale.

- (a) A Shareholder selling Shares to any Person agrees that, if permitted by the Electricity Act and any other Applicable Law to claim any credit against transfer tax payable by it pursuant to Subsection 94(1) of the Electricity Act, such Shareholder will claim only such proportion of the credits available in respect of any taxation year of the Corporation pursuant to Subsection 94(4) that is pro rata to: (i) the number of Shares it holds at such time in the Corporation to all outstanding Shares of the Corporation; and (ii) the number of days in such taxation year in which it holds such Shares.
- (b) In the event that any proposed sale or transfer of Shares would result or results in tax or an amount in respect of payments in lieu of tax being exigible from the Corporation or any Shareholder other than the Shareholder selling its Shares (the "Non-Selling Shareholder(s)"), whether transfer tax, income tax, capital tax or other tax (and including any taxes or related expenses resulting from the Corporation no longer being tax exempt pursuant to Section 149(1)(d.6) of the *Income Tax Act* (Canada)), all such tax and expenses shall be an expense to the selling Shareholder which shall indemnify the Corporation with respect thereto, and notwithstanding any other provision of this Agreement to the contrary, the proposed sale or transfer shall not be completed unless all such tax and expenses of the Corporation or any Non-Selling Shareholder are first paid in full by the Shareholder which wishes to sell its Shares.
- (c) A Shareholder selling Shares to any Person shall, as required by the Electricity Act or any other Applicable Law, pay all transfer taxes payable under the Electricity Act in respect of such sale such that the sale shall not be void.

10.6 Additional Provisions: Loans, Guarantees. In conjunction with any sale of all Shares:

- (a) if the Shareholder selling all of its Shares is indebted to the Corporation, the Corporation may, at its option, require such Shareholder to repay in full all indebtedness which it owes to the Corporation on or before the closing of such sale of Shares;
- (b) if the Corporation is indebted to the Shareholder selling all of its Shares, the Shareholder selling Shares may, at its option, require the Corporation to repay in full all indebtedness which it owes to such Shareholder on or before the closing of such sale of Shares; and
- (c) if the Shareholder selling all of its Shares has provided a guarantee, letter of credit, security or other financial assistance to the Corporation, the Corporation shall use its commercially reasonable efforts to replace or release such guarantee, letter of credit, security or other financial assistance within ninety (90) days after the closing of such sale of Shares.

10.7 Priority of Liquidity Provisions. In the event that any initiating notice has been delivered by any Party pursuant to Article 7, Article 8 or Article 9 of this Agreement, then no additional notice may be given by a Party under any such other Articles of this Agreement until such time as the process and procedures commenced by the first initiating notice have been completed in accordance with this Agreement.

ARTICLE 11
CONFIDENTIALITY

11.1 Confidential Information. The Shareholders hereby acknowledge that they have had and will have access to confidential information and trade secrets concerning the business of the Corporation and the Corporation's Affiliates, if any, and their customers and suppliers (hereinafter in this Article 11 referred to as the "Information") and they each undertake and agree that they shall not, and their Controlling Shareholder shall not, directly or indirectly, use, disclose or divulge to any Person or other entity any of the Information otherwise than in the ordinary course of business of the Corporation, and its Affiliates and as may be required by Applicable Law or order of any Governmental Authority.

11.2 Survival of Obligations. The obligations and covenants in this Article 11 shall survive the termination of this Agreement.

ARTICLE 12
NOTICES

12.1 Notices. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as provided below. Any such notice or other communication, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand, shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address shall also be governed by this Section 12.1. Notices and other communications shall be addressed as follows:

(a) in the case of Collingwood:

P.O. Box 189
43 Stewart Road
Collingwood, ON L9Y 3Z5

Attention: Clerk
Fax No.: (705) 445-2448

(b) in the case of PowerStream:

161 Cityview Boulevard

Vaughan, ON L4H 0A9

Attention: Dennis Nolan, Executive Vice-President, Corporate Services
and Secretary
Fax No.: (905) 532-4616

(c) in the case of Corporation and the Subsidiaries:

c/o the Corporation
P.O. Box 189
43 Stewart Road
Collingwood, ON L9Y 3Z5

Attention: Ed Houghton
Fax No.: (705) 445-2549

With a copy to:

PowerStream
161 City View Boulevard
Vaughan, ON L4H 0A9

Attention: Dennis Nolan, Executive Vice-President, Corporate Services
and Secretary
Fax No.: (905) 532-4616

Notwithstanding the foregoing, any notice or other communication required or permitted to be given by any party pursuant to or in connection with any arbitration procedures contained in this Agreement or in any Schedule to this Agreement may only be delivered by hand.

ARTICLE 13
DISPUTE RESOLUTION

- 13.1 **Disputes.** Each Shareholder shall appoint one or more representatives who shall be responsible for administering this Agreement on its behalf and for representing its respective interests in disputes relating to this Agreement. Any dispute between Shareholders relating to this Agreement that is not resolved between such representatives within ten (10) Business Days of a date that a Party notifies the other Party of such dispute shall be referred by the Parties' representatives in writing to the senior management of each Shareholder for resolution. Such senior management shall use good faith efforts to resolve the dispute for a period of up to ten (10) Business Days.
- 13.2 **Arbitration.** If agreed to by all parties to a dispute that is not resolved by the procedure set forth in Section 13.1 above, such dispute may be referred to and resolved by arbitration by a single arbitrator in accordance with the provisions of the *Arbitration Act, 1991* (Ontario), subject to the following modifications and additions:

- (a) The arbitration shall take place in the Province of Ontario, and shall be conducted in English;
- (b) The arbitration shall be conducted by a single arbitrator having no financial, business or personal interest in the outcome of the arbitration. The arbitrator shall be appointed jointly by agreement of the parties to such dispute. In the event the parties to such dispute are unable to agree on the appointment of the arbitrator within ten (10) days after notice of a demand for arbitration is given by a party and agreed to by the other parties to such dispute, then the arbitrator shall be selected pursuant to the provisions of the *Arbitration Act, 1991* (Ontario).
- (c) The arbitrator shall have the authority to award any remedy or relief that a court could order or grant in accordance with this Agreement including, without limitation, specific performance of any obligation, the issuance of an interim, interlocutory or permanent injunction, or the imposition of sanctions for abuse or frustration of the arbitration process.
- (d) The arbitral award shall be in writing, stating the reasons for the award and be final and binding on the parties to such dispute with no rights of appeal.

ARTICLE 14
MISCELLANEOUS

- 14.1 **Termination.** This Agreement shall terminate upon (a) the written agreement of all the Parties hereto to this effect, (b) the bankruptcy, receivership, or dissolution of the Corporation, or (c) the ownership of all the Shares of the Corporation, excluding any Subsidiary, by one Shareholder.
- 14.2 **Successors and Assigns.** This Agreement shall be binding upon, and enure to the benefit of, the Parties hereto and their respective successors and permitted assigns.
- 14.3 **Assignment.** Except as specifically provided in this Agreement, none of the Parties hereto may assign its rights or obligations under this Agreement without the prior written consent of all of the other Parties hereto.
- 14.4 **Time is of the Essence.** Time shall be the essence of this Agreement in all respects.
- 14.5 **Further Assurances.** Each Party hereto shall promptly do, execute, deliver or cause to be done, executed and delivered all further acts, documents and matters in connection with this Agreement that the other Parties may reasonably require, for the purposes of giving effect to this Agreement.
- 14.6 **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 be deemed to constitute one and the same instrument. Counterparts may be executed either in original or telecopied form and the Parties shall accept any signatures received by a receiving telecopy machine as original signatures of the Parties; provided, however, that

any Party providing its signature in such manner shall promptly forward to the other Parties an original of the signed copy of this Agreement which was so telecopied.

14.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable herein.

14.8 Amendments and Waivers.

(a) No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by all of the Parties hereto.

(b) No waiver of any breach of any provision of this Agreement shall be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided in the written waiver, shall be limited to the specific breach waived.

14.9 Severability. If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

14.10 Collingwood HoldCo. Notwithstanding any other provision of this Agreement, Collingwood shall have the right in its sole and absolute discretion without the consent of PowerStream, following written notice to PowerStream:

(a) to assign this Agreement and all benefits and obligations hereunder to its wholly-owned subsidiary (the "HoldCo"), which shall assume the obligations and liabilities of Collingwood under this Agreement and be novated into this Agreement in the place and stead of Collingwood (except as expressly provided in this Section 14.10), and this Agreement shall thereafter apply to HoldCo *mutatis mutandis*; and

(b) to transfer to HoldCo all of its shares in the capital of the Corporation;

provided that:

(c) the assignment described in (a) above may not take place unless and until the transfer described in (b) above; and

(d) HoldCo agrees in writing with Collingwood and PowerStream to assume and be bound by the terms and conditions of this Agreement.

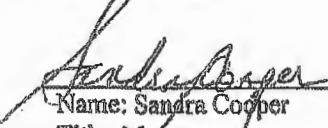
The transfer described in (b) above shall be deemed not to be a transfer of or sale of Shares pursuant to Article 6 or Article 7 of this Agreement nor shall it give rise to any rights of PowerStream thereunder of consent, first refusal or otherwise. Notwithstanding the foregoing, Collingwood shall remain liable to PowerStream for any obligations and liabilities of HoldCo under this Agreement.

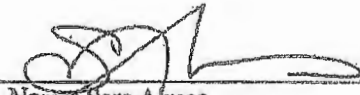
14.11 Certain Transactions. PowerStream shall be entitled to merge with, become affiliated with, acquire any equity in, enter into any outsourcing, consulting, service or management agreement or other business arrangements with, directly or indirectly, any Distributor (as defined in the *Electricity Act, 1988* (Ontario), except for the restrictions on such business arrangements as have been mutually agreed upon in writing by the Parties.

[NEXT PAGE IS THE EXECUTION PAGE]

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

THE CORPORATION OF THE TOWN OF COLLINGWOOD

By: 
Name: Sandra Cooper
Title: Mayor

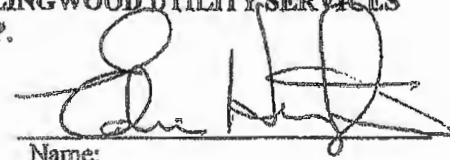
By: 
Name: Sara Almas
Title: Clerk

POWERSTREAM INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

COLLINGWOOD UTILITY SERVICES CORP.

By: 
Name:
Title:

By: _____
Name:
Title:


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

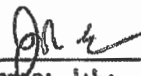
THE CORPORATION OF THE TOWN OF COLLINGWOOD

By: _____
Name: Sandra Cooper
Title: Mayor

By: _____
Name: Sara Almas
Title: Clerk

POWERSTREAM INC.

By: 
Name: Dennis Nolan
Title: EVP, Corporate Services & Secretary

By: 
Name: John Glicksman
Title: EVP & Chief Financial Officer

COLLINGWOOD UTILITY SERVICES CORP.

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A
VALUATION METHOD

In this Schedule, the vendor and the purchaser of the Shares being sold pursuant to Article 8 of this Agreement are called the "Vendor" and the "Purchaser", respectively.

Negotiation. If the value of the Shares must be established pursuant to any provision of this Agreement, then the Vendor and the Purchaser shall negotiate honestly and in good faith to agree upon the fair market value of the Shares.

Failure to Agree. If the Vendor and the Purchaser do not agree upon the fair market value of the Shares on or before the 20th Business Day after the date on which the obligation to sell or purchase Shares arises under this Agreement, then the fair market value of the Shares shall be determined in accordance with the following provisions:

- (a) the Purchaser shall by notice to the Vendor nominate three independent business valuers each of whom deals at Arm's Length with the Purchaser and has experience in valuing businesses similar to the business carried on by the Corporation; the notice must be accompanied by a *curriculum vitae* of each business valuator containing the following information concerning the nominee's:
 - (i) educational background and professional qualifications;
 - (ii) prior business valuation experience, including details of the nature of the business valued and the methodology used; and
 - (iii) the business valuation principles that the valuator proposes to use to determine the fair value of the Shares.
- (b) The Vendor shall select one of the three business valuers nominated by the Purchaser by notice to be given to the Purchaser within two Business Days after the day on which the Vendor receives the nomination notice, failing which, the Purchaser may select one of the business valuers. The business valuator so selected shall be the "Valuator" for the purposes of this Agreement and shall proceed to determine the fair market value of all of the Shares being sold in accordance with the provisions of this Schedule A and Article 8.

Valuation by Valuator. The Valuator agreed upon or selected in accordance with this Schedule A to determine the fair market value of the Shares being sold shall act as a business valuator and not as an arbitrator or umpire. The Valuator shall apply such business valuation principles as the Valuator deems appropriate. The Vendor and the Purchaser shall provide guidance to the Valuator in respect of the valuation methodologies and approaches to be used, which would include a discounted cash flow approach. Subject to this guidance, the Valuator may consult such other expert valuers as it considers advisable. The fair market value of the Shares shall be determined without regard for any restrictions applying to the transfer of Shares. The fees and disbursements of the Valuator shall be borne equally by the Vendor and the Purchaser.

Valuation Conclusive. The determination of the fair market value of the Shares being sold pursuant to this Agreement in accordance with this Schedule A, whether based upon the agreement of the Vendor and the Purchaser or the determination by the Valuator, shall be conclusive and binding upon the Vendor and the Purchaser, and there shall be no appeal from the determination.

SCHEDULE B
CORPORATION AND SUBSIDIARIES DIVIDEND POLICY

The Dividend Policy for the Corporation and its Subsidiaries is based on the philosophy that the purpose of the dividend policy is to provide the Shareholders with a steady income stream from dividends while providing Collus with an appropriate capital structure and working capital level in order to operate as a viable business. The Dividend Policy philosophy would be consistent with the objectives and guiding principles of Collus.

Dividend amounts will be determined as follows:

Each entity shall normally pay a minimum of 50% of annual net income, as dividends, with consideration given to the following:

- (a) cash position at the beginning of the year;
- (b) working capital requirements for the current year;
- (c) net capital expenditures required for the current year; and
- (d) other cash requirements of the Corporation and the Subsidiaries, as applicable.

SCHEDULE C
CHARTER DOCUMENTS OF CORPORATION AND EACH SUBSIDIARY

1136862.16

Confidential
Item #4 for Approval

POWERSTREAM INC. BOARD OF DIRECTORS MEETING – JUNE 22, 2012

NOMINATIONS TO THE COLLUS/POWERSTREAM BOARD OF DIRECTORS (APPROVAL)

Report by President & CEO and EVP Corporate Services & Secretary

Background

The Shareholder Agreement between the Town of Collingwood and PowerStream provides that the new Board of COLLUS/PowerStream shall consist of 6 Directors. The Town of Collingwood shall be entitled to nominate 3 Directors, and PowerStream shall be entitled to nominate 3 Directors. The Agreement provides for a term of 3 years for Directors. The Agreement further provides that the majority of the Directors nominated by each Shareholder shall be independent from such Shareholder.

It is anticipated that the acquisition by PowerStream of a 50% interest in COLLUS will close by the end of July. It is therefore appropriate for the Board to name its nominees to the COLLUS/PowerStream Board.

Recommendation

It is recommended that the Board nominate 3 nominees to serve on the COLLUS/PowerStream Board, each for a term of three (3) years from the date of closing.

Confidential
Item # 2 for Approval

POWERSTREAM INC. BOARD OF DIRECTORS MEETING – OCTOBER 24, 2011

COLLUS POWER CORPORATION – RFP UPDATE AND TERM SHEET ASSUMPTIONS

Report by the President & CEO & the Executive Operating Committee

Background

Earlier this year PowerStream became aware that the Town of Collingwood were actively considering merging with or selling a portion of their utility to another Local Distribution Company in the Province.

During the summer as informal discussions with Collus Power continued, PowerStream was informed that Collus Power would be meeting with and inviting: Hydro One, Veridian, Horizon and PowerStream to respond to their RFP. Collus Power invited all four companies to make a presentation in advance of the issuing of the RFP. PowerStream made its presentation on September 19th, 2011.

On October 4th PowerStream received the RFP from Collus Power. Responses to the RFP are due on November 16th. It is expected that the proposals will be reviewed and evaluated by the Collus Power Strategic Task Team with the goal of completing the selection process by the end of December 2011.

The RFP identified that proposal will be evaluated based on the following criteria & weightings:

- Payment for up to 50% of the shares and other financial considerations -30%
- Provision of strategic & specialized resources and support in growing the business – 30%
- Support for employees and their careers – 10%
- Customer experience, satisfaction and supporting the interests of the communities – 10%
- Competitive distribution rates & cost structure of Collus – 10%
- Cultural and synergistic fit – 10%

PowerStream Management and our financial advisors have been working on developing the response to the RFP including finalizing the financial valuation for Collus Power. The Audit & Finance Committee, at its meeting on October 19, 2011, reviewed Management's presentation and endorsed PowerStream responding to the RFP on this basis. The key parameters for the response were discussed and agreed to and Management was to continue to refine its evaluation and other aspects of the response.

Recommendation

The President & CEO & the Executive Operating Committee recommend that the Board of Directors approve Management submitting a bid for Collus Power, in consultation with the Audit & Finance Committee, according to the parameters presented at this meeting.

And further recommend that Management seek Shareholder approval to submit a bid for Collus Power and proceed to take all actions necessary to finalize a resulting transaction, subject to the parameters approved by PowerStream's Board of Directors, or as amended by its Audit & Finance Committee.