

THE CORPORATION OF THE CITY OF NORTH BAY

- and -

NORTH BAY HYDRO HOLDINGS LIMITED

- and -

NORTH BAY HYDRO DISTRIBUTION LIMITED

- and -

NORTH BAY HYDRO SERVICES INC.

SHAREHOLDER DECLARATION

,2017

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SCHEDULE A DIVIDEND POLICIES..... 1

SHAREHOLDER DECLARATION

SHAREHOLDER DECLARATION (the “Declaration”) made as of the _____ day
of _____, 2017

BY:

THE CORPORATION OF THE CITY OF NORTH BAY

(hereinafter referred to as the “City of North Bay” or the “City”)

and

NORTH BAY HYDRO HOLDINGS LIMITED, a corporation
incorporated pursuant to the *Business Corporations Act* (Ontario)

(hereinafter referred to as the “Holdco Shareholder”)

and

NORTH BAY HYDRO DISTRIBUTION LIMITED, a
corporation incorporated pursuant to the *Business Corporations
Act* (Ontario)

(hereinafter referred to as “Distco”)

and

NORTH BAY HYDRO SERVICES INC., a corporation
incorporated pursuant to the *Business Corporations Act* (Ontario)

(hereinafter referred to as the “Servco”)

RECITALS:

1. North Bay Hydro Holdings Limited is wholly-owned by the City of North Bay.
2. North Bay Hydro Distribution Limited and North Bay Hydro Services Inc. are each wholly-owned by the Holdco Shareholder.
3. This Shareholder Declaration sets out the guiding principles and restrictions established by the City of North Bay with respect to the governance and policies of the Holdco Shareholder, Distco and Servco and replaces all of the Original Declarations in their entirety.

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 DEFINITIONS

In this Declaration, the following terms will have the meanings set out below:

“**Affiliate**” has the meaning attributed to such term in the OBCA;

“**Affiliate Relationships Code**” means the code of conduct for electricity distributors with respect to their relationships with their Affiliates, as established by the Ontario Energy Board and amended by it from time to time, attached hereto as Schedule B;

“**Business**” means the electricity distribution business and all activities permitted by Laws to be carried on by Distco, Servco and the Holdco Shareholder respectively;

“**Business Plan**” has the meaning given to it in Section 6.1;

“**Corporations**” means, collectively, the Holdco Shareholder, Distco and Servco;

“**Directors**” means collectively the Holdco Board, the Distco Board and the Servco Board;

“**Declaration**” or “**Shareholder Declaration**” means this Shareholder Declaration;

“**Distco Board**” means the board of directors of Distco from time to time;

“**Distco Dividend Policy**” means the Distco Dividend Policy attached hereto as Schedule A-1;

“**Dividend Policies**” means the Distco Dividend Policy and Servco Dividend Policy, each attached hereto as Schedule A, as may be amended from time to time in accordance with this Declaration;

“**Electricity Legislation**” means the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998* and all codes, guidelines, orders and regulations created pursuant or in relation thereto;

“**Financial Statements**” means, for any particular period, audited or unaudited (as the case may be), comparative financial statements of Distco or Servco, as applicable, consisting of not less than a balance sheet, a statement of income and retained earnings, a statement of changes in financial position, a report or opinion of the auditor (in the case of audited Financial Statements) and such other statement, reports, notes and information prepared in accordance with generally accepted accounting principles (consistently applied) and as are required in accordance with any applicable law;

“**Governmental Authority**” means any federal, provincial, or municipal government, parliament or legislature, or any regulatory authority, agency, tribunal, commission, board or department of any such government, parliament or legislature, or any court or other law, regulation or rule-

making entity, having jurisdiction in the relevant circumstances, including the Ontario Energy Board, the Independent Electricity System Operator, the Electrical Safety Authority, and any Person acting under the authority of any Governmental Authority;

“**Holdco Board**” means the board of directors of the Holdco Shareholder from time to time;

“**Laws**” mean:

- (i) applicable Canadian federal, provincial or municipal laws, orders-in-council, by-laws, rules, policies, regulations and statutes;
- (ii) applicable orders, decisions, judgments, injunctions, decrees, awards and writs of any court, tribunal, arbitrator, Governmental Authority or other Person having jurisdiction;
- (iii) applicable codes, policies, rulings and conditions of any licence, permit, certificate, registration, authorization, consent and approval issued by a Governmental Authority, including the Affiliate Relationships Code and Electricity Legislation.

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

“**Original Declarations**” means (i) the Shareholder Declaration between the City of North Bay and North Bay Hydro Holdings Limited dated November 1, 2000; (ii) the Shareholder Declaration between the City of North Bay and North Bay Hydro Holdings Limited dated November 1, 2000 with respect to North Bay Hydro Distribution Limited and (iii) the Shareholder Declaration between North Bay Hydro Holdings Limited and North Bay Hydro Services Inc. dated April 1, 2003 with respect to North Bay Hydro Services Inc.;

“**Person**” means an individual, a natural person or a body corporate, corporation, trust or other entity;

“**Servco Board**” means the board of directors of Servco from time to time;

“**Servco Dividend Policy**” means the Servco Dividend Policy attached hereto as Schedule A-2; and

“**Subsidiary**” means any subsidiary (as defined in the OBCA) of the Holdco Shareholder from time to time and includes Distco and Servco.

1.2 SCHEDULES

The following Schedules are a part of this Shareholder Declaration:

Schedule “A” – Dividend Policy

1.3 INTERPRETATION

- (a) The inclusion of headings and a table of contents in this Declaration are for convenience of reference only and will not affect the construction or interpretation of this Declaration.
- (b) In this Declaration, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (c) The words “includes”, “including” and “include” mean “including” (or “include” or “includes”) “without limitation”.

1.4 REGULATORY MATTERS

In the event of any conflict between any approval or discretion or other requirement of the City or the Holdco Shareholder under this Declaration and any decision, order or policy of any Governmental Authority, the decision, order or policy of the Governmental Authority will govern and the Holdco Shareholder, Distco and Servco will at all times comply with any applicable Law of a Governmental Authority.

1.5 OTHER ASSISTANCE

The parties hereto will sign such further and other papers, cause such meetings to be held, votes cast, and resolutions passed, by-laws enacted and documents executed, and do all such further acts and things as may be necessary or desirable to give full effect to the terms of this Declaration.

1.6 APPLICABLE LAW

This Declaration will be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

1.7 SUCCESSORS AND ASSIGNS

This Declaration will enure to the benefit or and be binding on the parties to this Declaration and their respective successors and assigns, and all individuals who may hereafter be elected directors of the Holdco Shareholder, Distco or Servco.

1.8 EFFECT OF THIS SHAREHOLDER DECLARATION

- (a) Replaces Original Declarations. This Shareholder Declaration replaces and supersedes all of the Original Declarations in their entirety and each of the Original Declarations is terminated and is of no further force and effect after the date of this Declaration. This Declaration has been authorized by the City of North Bay in its capacity as the sole shareholder of the Holdco Shareholder and the indirect sole shareholder of Distco and Servco.

- (b) Applies to the Holdco Shareholder and its Subsidiaries. This Shareholder Declaration is applicable to the Holdco Shareholder, Distco and Servco and any future Subsidiary of the Holdco Shareholder.
- (c) Acknowledgement by the Holdco Shareholder and its Subsidiaries. Each of the Holdco Shareholder, Distco and Servco and their respective boards of directors hereby acknowledges the termination of the Original Declarations and agrees to be bound by and observe the provisions of this Shareholder Declaration.
- (d) Unanimous Shareholder Declaration. This Shareholder Declaration is intended to constitute a unanimous shareholder declaration under the OBCA in respect of the matters specified in Section 5.2. The rights, powers and duties of the Holdco Board, the Distco Board and the Servco Board and all other persons who may hereafter be elected or appointed as directors of the Corporations are hereby restricted in the manner and to the extent specifically set out in Section 5.2.

ARTICLE 2 GUIDING PRINCIPLES

2.1 GUIDING PRINCIPLES

The City of North Bay expects that the Business of the Holdco Shareholder, Distco and Servco will be conducted in accordance with the following guiding principles:

- (a) the management of the Corporations is integral to the well-being and the infrastructure of the City of North Bay and the Business of the Corporations will be conducted in a manner consistent with the guiding principles established by the City of North Bay and the Holdco Shareholder as set out in this Declaration and as may be modified by the City of North Bay from time to time;
- (b) the Business will be conducted:
 - (A) on a commercially prudent basis and in the best interest of each of the Corporations respectively and in the long-term interests of the City of North Bay;
 - (B) in accordance with the financial performance objectives of the City of North Bay and the Holdco Shareholder which are intended to protect and increase the value of the Corporations and to permit the payment of dividends by Distco and Servco to the Holdco Shareholder as set out in the Dividend Policies attached to this Declaration, and by the Holdco Shareholder to the City as may be determined by the Holdco Board from time to time;
- (c) Distco will provide a reliable, effective and efficient electricity distribution system;
- (d) Distco will establish distribution rates and earn a rate of return consistent with the policies and procedures by the Ontario Energy Board from time to time;

- (e) Distco will maintain its electricity distribution licence granted to it by the Ontario Energy Board;
- (f) Servco will conduct and operate its business in such manner as to optimize the rate of return on investment as established by the Servco Board and as set out in this Declaration;
- (g) the Corporations will support economic and community development in cooperation with the City of North Bay;
- (h) the Corporations will seek to optimize the dividends payable to the City of North Bay consistent with these guiding principles, the requirements of the Ontario Energy Board applicable to Distco, financial prudence and the provisions of the Dividend Policies; and
- (i) the Directors will cause the Corporations to conduct the Business in accordance with these guiding principles.

ARTICLE 3 BUSINESS OF THE CORPORATIONS

3.1 BUSINESS OF DISTCO AND SERVCO

Subject to Section 5.1(b), Distco may engage in the business activities permitted by Law and the Ontario Energy Board and as may be approved for an electricity distributor. Subject to Section 5.1(b), Servco may engage in the business of energy services and any other business as may be approved by the Servco Board and consistent with the terms of this Declaration.

3.2 BUSINESS OF THE HOLDCO SHAREHOLDER

The Holdco Shareholder will conduct its activities solely as a holding company to hold the interests of the City of North Bay in Distco and Servco and in any other subsidiary business as may be determined by Holdco, and to provide oversight as needed for those corporations.

ARTICLE 4 BOARDS OF DIRECTORS

4.1 HOLDCO BOARD RESPONSIBILITIES

- (a) Subject to any matters requiring approval of the City pursuant to this Declaration, the Holdco Board shall supervise the management of the business and affairs of Holdco.

4.2 DISTCO BOARD RESPONSIBILITIES

Subject to any matters requiring approval of the Holdco Shareholder pursuant to this Declaration, the Distco Board will supervise the management of the business and affairs of Distco, including the following specific matters:

- (a) *Financial Structure* - the Distco Board will establish policies to develop and maintain a prudent financial and capitalization structure for Distco consistent with the policies, codes and requests of the Ontario Energy Board and sound financial principles on the basis that Distco is intended to be self-financing, independently from the City of North Bay and Holdco Shareholder;
- (b) *Financial Return* - the Distco Board will establish policies which maintain or increase the value of Distco while allowing dividend payments to be paid to the Holdco Shareholder from time-to-time in accordance with the Distco Dividend Policy; and
- (c) *Board Meetings* - give notice to and allow the Chief Executive Officer of the Holdco Shareholder, or his or her executive officer delegate, to attend and participate in, but not vote at meetings of the Distco Board.

4.3 SERVCO BOARD RESPONSIBILITIES

Subject to any matters requiring approval of the Holdco Shareholder pursuant to this Declaration, the Servco Board will supervise the management of the business and affairs of Servco, including the following specific matters:

- (a) *Financial Structure* - the Servco Board will establish policies to develop and maintain a prudent financial and capitalization structure for Servco on the basis that Servco is intended to be self-financing, independently from the City of North Bay and the Holdco Shareholder;
- (b) *Financial Return* - the Servco Board will establish policies which maintain or increase the value of Servco while allowing dividend payments to be paid to the Holdco Shareholder from time-to-time consistent with the Servco Dividend Policy;
- (c) *Board Meetings* - give notice to and allow the Chief Executive Officer of the Holdco Shareholder, or his or her executive officer delegate, to attend and participate in, but not vote at meetings of the Servco Board.

4.4 ELECTION OF DIRECTORS

- (a) Directors of Holdco Board
 - (i) Unless otherwise determined by the City of North Bay in its discretion, the Holdco Board will consist of the Mayor, and may consist of all or some of the sitting members of Council, the chair of the Distco Board and the chair of the Servco Board.

- (ii) The board of directors of the Holdco Shareholder will consist of that number of directors established by the City of North Bay from time to time, consistent with the articles of the Holdco Shareholder.
 - (iii) The chair of the Holdco Board will be the Mayor.
 - (iv) The Chief Executive Officer and President of Distco and the Chief Executive Officer and President of Servco will be permitted to attend all Holdco Board meetings as observers.
- (b) Directors of the Distco Board and Servco Board; Terms
- (i) The Distco Board and Servco Board will each consist of that number of directors established by the Holdco Shareholder from time to time, consistent with the articles of Distco and Servco, as applicable.
 - (ii) Each Director of the Distco Board and the Servco Board shall be elected for a three year term.
- (c) Directors – Qualifications

In addition to sound judgment and personal integrity, the qualifications of candidates for the Directors may include:

- (i) awareness of public policy issues related to the City of North Bay and the Corporations and the Ontario electricity sector as applicable;
- (ii) experience or knowledge with respect to:
 - (A) corporate finance;
 - (B) corporate governance;
 - (C) market development/communication;
 - (D) large system operation and management;
 - (E) urban energy industries;
 - (F) public policy issues and laws relating to Distco and the electricity industry; and
 - (G) environmental matters, labour relations and occupational health and safety issues;
- (iii) experience on boards of significant commercial corporations;
- (iv) financial, legal, accounting and/or marketing experience; and

- (v) knowledge and experience with risk management strategies;

and in the case of the Distco Board and Servco Board,

- (vi) industry knowledge including, but not limited to, knowledge of electric utilities including electricity distribution and generation, and energy conservation and demand management; and

and in the case of the Distco Board,

- (vii) in respect of one-third of the Distco Board members, independence as required by the Affiliate Relationships Code.
- (d) The Holdco Board will consider candidates for the Distco Board and the Servco Board nominated by a nominating committee of the Distco Board and the Servco Board (each a "**Nominating Committee**"), but will not be obliged to select such candidates. It is expected that each Nominating Committee will develop a process to identify and evaluate potential candidates for the Distco Board and Servco Board, as applicable, in order to recommend to the Holdco Shareholder slates of qualified candidates.
- (e) The Holdco Board may, at any time in its sole discretion, remove any one or more directors of the Distco Board or Servco Board, notwithstanding that any such removed director has not completed his or her term of appointment. The Holdco Board will, as soon as practicable, appoint a replacement director for any removed director to complete the term of such director.
- (f) A director of any of the Corporations may receive remuneration or other compensation for serving as a director or on any committee thereof, or carrying out any activities or providing services in relation thereto so long as such compensation is approved by the Holdco Board in the case of Distco Board and Servco Board director compensation, and approved by the City, in the case of Holdco Board directors.

ARTICLE 5 SHAREHOLDER MATTERS

5.1 MATTERS REQUIRING CITY AND/OR HOLDCO SHAREHOLDER APPROVAL UNDER THE OBCA

In accordance with the provisions of the OBCA, Distco, Servco and any future Subsidiary (each the "corporation" as referred to in the sub-clauses of this Section 5.1) will not, without the prior written approval of the Holdco Shareholder and the Holdco Shareholder will not, without the prior written approval of the City:

- (a) change the corporation's name;
- (b) add, change or remove any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

- (c) add, change or remove any shares that the corporation is authorized to issue or any maximum consideration for which any shares of the corporation are authorized to be issued;
- (d) create new classes of shares;
- (e) change the designation of all or any of its shares, and add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of its shares, whether issued or unissued;
- (f) change the shares of any class or series, whether issued or unissued, into a different number of shares of the same class or series or into the same or a different number of shares of other classes or series;
- (g) divide a class of shares, whether issued or unissued, into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;
- (h) authorize the directors to divide any class of unissued shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof;
- (i) authorize the directors to change the rights, privileges, restrictions and conditions attached to unissued shares of any series;
- (j) revoke, diminish or enlarge any authority conferred under clauses (h) and (i):
- (k) increase or decrease the number, or minimum or maximum number, of directors and
- (l) add, change or remove restrictions on the issue, transfer or ownership of shares of any class or series.

5.2 OTHER MATTERS REQUIRING HOLDCO SHAREHOLDER APPROVAL

- (a) Distco and Servco will not, without the approval of the Holdco Shareholder, and, the Holdco Shareholder will not, without the approval of the City (each of Distco, Servco and the Holdco Shareholder as “corporation” referred to in the sub-clauses of Section 5.2(a)):
 - (i) Expenditures –
 - (A) in the case of Distco, incur expenditures beyond those required to maintain the integrity of the existing distribution system in accordance with the conditions of its electricity distribution licence and accommodate normal expansion within City of North Bay borders in an amount in excess of \$3,000,000.00 per project, and
 - (B) in the case of Servco, incur expenditures in an amount in excess of \$1,000,000 per project;

- (ii) Acquisitions - purchase any assets of a business or shares of a business;
- (iii) Sales - sell any of its assets except in the normal course of business;
- (iv) Capital - issue, redeem or purchase any shares or convertible shares in the corporation or make any other change in the issued capital;
- (v) Capital Contribution - establish any requirement for any debt or equity capital contribution from the Holdco Shareholder to Distco or Servco, or from the City of North Bay to the Holdco Shareholder;
- (vi) Financial Obligations –
 - (A) in respect of Distco, take on or assume any financial obligation which would increase the debt/equity ratio of Distco above the ratio established and approved by the Ontario Energy Board from time to time; and
 - (B) in respect of Servco, take on or assume any financial obligation which would increase the debt/equity ratio of Servco above the ratio as then approved by the board of the Holdco Shareholder;
- (vii) Tax, Regulatory Matters - make any decision which would adversely affect the tax or regulatory status of Distco in a material way;
- (viii) Real Estate - sell any real estate assets, (excluding only distribution line easements which are no longer necessary for the distribution system) without the consent of the Holdco Shareholder to the sale and the application of the proceeds of the sale or other disposition of the property or any portion thereof or any additions thereto; or
- (ix) Dividend Policies – in respect of Distco, make any change in the Distco Dividend Policy, and in respect of Servco, make any change in the Servco Dividend Policy.

ARTICLE 6 REPORTING

6.1 BUSINESS PLAN

Not later than 90 days following the end of each fiscal year, the Distco Board and the Servco Board will each approve a business plan, for the next five fiscal years, for each of Distco and Servco respectively, and submit to the Holdco Shareholder such approved business plans as part of a comprehensive business plan (the “**Business Plan**”) for the Holdco Shareholder for the next five fiscal years. The Business Plan will be prepared on a consistent basis with the Business Plan then in effect. Each of the Corporations will carry on its business and operations in accordance with the Business Plan which will include, in respect of the period covered by such plan:

- (a) the strategic direction and any new business initiatives which Distco and Servco will undertake;

- (b) an operating and capital expenditure budget for the next fiscal year and an operating and capital expenditure projection for each fiscal year thereafter for each of Distco and Servco, including the resources necessary to implement the draft business plan;
- (c) the projected annual revenues and profits for each fiscal year for the Holdco Shareholder, Distco and Servco;
- (d) an acquisition budget for each of Distco and Servco setting forth the nature and type of capital expenditures proposed to be made in the following fiscal year, supported by explanations, notes and information upon which the budget was based;
- (e) Distco conservation and demand management plans;
- (f) any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the Holdco Shareholder; and
- (g) any material variances from the Business Plan then in effect.

6.2 SEMI-ANNUAL REPORTS

Within 45 days after the end of each half of the fiscal year, the Distco Board and the Servco Board will each prepare (on a consistent basis with the previous fiscal period) and submit to the Holdco Shareholder a semi-annual report and the Holdco Shareholder Board will submit the same information concerning the Holdco Shareholder to the City of North Bay. The semi-annual report will include, in respect of the immediately preceding fiscal period:

- (a) Financial Statements for the Corporations;
- (b) such explanations, notes and information as is required to explain and account for any variances between the actual results from operations and the budgeted amounts set forth in the current Business Plan, including any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the Holdco Shareholder;
- (c) information that is likely to materially affect the Holdco Shareholder's financial objectives;
- (d) information regarding any pending or threatened litigation or claims which are not covered by insurance; and
- (e) any such additional information as the Holdco Shareholder may specify from time to time.

6.3 ACCESS TO RECORDS

The duly appointed representatives of the Holdco Shareholder will have unrestricted access to the books and records of Distco and Servco during normal business hours. Such representatives

will treat all information of Distco and Servco with the same level of care and confidentiality as any confidential information of the Holdco Shareholder.

6.4 AUDIT

The Financial Statements of the Holdco Shareholder and Distco will be audited annually. The Financial Statements of Servco will be reviewed by a third party accounting firm annually.

6.5 ANNUAL FINANCIAL STATEMENTS

The Distco and Servco Boards will cause each of their respective accounting firms to deliver, as soon as practicable and in any event within 90 days after the end of each fiscal year, the Financial Statements of Distco and Servco for consideration by the Holdco Shareholder.

ARTICLE 7 MISCELLANEOUS

7.1 CONFLICT OF INTEREST POLICY

The directors and officers of the Corporations will abide by the requirements of the OBCA and the Corporations' respective articles and by-laws in respect of conflicts of interest, including any requirements in respect of disclosure and abstention from voting.

7.2 CONFIDENTIALITY; FIDUCIARY DUTY

The directors and officers of the Holdco Shareholder, Distco and Servco (each a “**Receiving Party**”) owe a fiduciary duty of loyalty and good faith to the Corporations of which they are a director or officer which requires directors and officers to preserve the confidentiality of the information of the Corporations and accordingly each such director and officer will ensure that no confidential information of the Corporations is disclosed or otherwise made available to any Person, except to the extent that:

- (a) disclosure to a Receiving Party's employees or agents is necessary for the performance of any Receiving Party's duties and obligations under this Declaration;
- (b) disclosure is required in the course of judicial proceedings or pursuant to law; or
- (c) the confidential information becomes part of the public domain (other than through unauthorized disclosure by the Receiving Party).

7.3 BREACH OF DUTIES

The directors of the Distco Board, Servco Board and Holdco Board will carry out their fiduciary duties in a manner consistent with the terms of this Declaration. In the case of a breach by a director, the Holdco Shareholder or the City of North Bay, as applicable and in each of their sole discretion, may: (i) remove the breaching director as a director, (ii) temporarily suspend the breaching director as a director, with or without compensation, (iii) bar the breaching director

from sitting as a director on any boards of the Corporations or (iv) take any other action as the Holdco Shareholder or City of North Bay may determine to be appropriate.

7.4 AMENDMENTS AND CONSULTATION

This Declaration may be amended at the recommendation of the Holdco Shareholder and upon the approval of the City of North Bay. The Holdco Shareholder will consult with the Distco Board and the Servco Board and will provide ten (10) days prior written notice to the Distco Board and the Servco Board of any proposed amendments to this Declaration.

Each of the undersigned have caused this Declaration to be executed by their respective duly authorized officers as of the date first above written.

**THE CORPORATION OF THE CITY OF
NORTH BAY**

By its authorized representative:

Alan McDonald
Mayor

Keren McIsaac
City Clerk

NORTH BAY HYDRO HOLDINGS LIMITED

By its authorized representative:

Name:
President & CEO

Name:
Title:

NORTH BAY DISTRIBUTION LIMITED

By its authorized representative:

Todd Wilcox
President & CEO

Name:
Title:

Signature Page to the Shareholder Declaration between The Corporation of the City of North Bay, North Bay Hydro Holdings Limited, North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

NORTH BAY SERVICES INC.

Todd Wilcox
President & CEO

Name:
Title:

Signature Page to the Shareholder Declaration between The Corporation of the City of North Bay, North Bay Hydro Holdings Limited, North Bay Hydro Distribution Limited and North Bay Hydro Services Inc.

**SCHEDULE A
DIVIDEND POLICIES**

SCHEDULE A-1
DIVIDEND POLICY – NORTH BAY HYDRO DISTRIBUTION LIMITED

The dividend policy of Distco is predicated on the mandate of the Distco Board which includes optimizing value to the Holdco Shareholder. Such value is generally realized by Holdco through dividends or the appreciation of enterprise value.

1.1 Regular Dividends – Distco

The Distco Board will approve, declare and pay regular dividends from Distco to the Holdco Shareholder on an annual basis of 30% of Net and Comprehensive Income (as defined in the International Financial Reporting Standard in effect from time to time). Payment of the dividend would be made in two installments annually.

1.2 Special Dividend

Should excess funds be available for additional dividends after a regular dividend has been declared and paid by Distco, then the Distco Board may supplement the regular dividend payment by way of a special dividend in an amount and at the time or times when the Distco Board deems appropriate subject to complying with the Conditions Precedent set out below.

1.3 Conditions Precedent to the Payment of Dividends

Dividends will only be paid to the extent that such payment would not otherwise cause:

- (i) non-compliance with applicable Law;
- (ii) non-compliance with any regulatory covenant or obligation;
- (iii) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;
- (iv) an impairment in the operations and maintenance of the assets of Distco;
- (v) an impairment in financial prudence including capital investment in electricity distribution infrastructure to sustain reliability;
- (vi) a deterioration in the credit rating of Distco;
- (vii) an impairment in the maintenance and growth of the Business, consistent with the Business Plan.

1.4 Payment of Dividends

Dividends, when approved and declared by the Distco Board, will be paid in two installments by way of certified cheque, bank draft or electronic funds transfer to the Holdco Shareholder as follows:

- (i) The first dividend installment will be paid in December of each year.
- (ii) The second dividend installment will be paid within 30 days following the receipt and approval of Distco's Financial Statements.

1.5 General Guidelines

The Distco Board will, when deciding whether to declare and pay dividends, consider the following guidelines:

- (i) The best interests of Distco will always be paramount when deciding whether or not there are sufficient funds available to declare and pay dividends;
- (ii) Distco must have sufficient funds on hand to enable a methodical re-investment in its infrastructure and plant in an amount to be determined by the Distco Board by way of completing and maintaining a realistic five year capital expenditure plan/budget and which capital expenditure plan /budget will be reviewed and adjusted at least annually;
- (iii) Any requirements and considerations that arise from any rate order issued by the Ontario Energy Board then in effect and any associated application, including a cost of service application;
- (iv) Such other factors and concerns that may arise at any time or times or require special consideration by the Distco Board as determined by the Distco Board.

SCHEDULE A-2
DIVIDEND POLICY – NORTH BAY HYDRO SERVICES INC.

The dividend policy of Servco is predicated on the mandate of the Servco Board which includes optimizing value to the Holdco Shareholder. Such value is generally realized by Holdco through dividends or the appreciation of enterprise value.

Dividend Policy

1.1 Regular Dividends – Servco

The Servco Board will approve, declare and pay regular dividends from Distco to the Holdco Shareholder on an annual basis of 20% of Net and Comprehensive Income (as defined in the International Financial Reporting Standard in effect from time to time). Payment of the dividend would be made in two installments annually.

1.2 Special Dividend

Should excess funds be available for additional dividends after a regular dividend has been declared and paid by Servco, then the Servco Board may supplement the regular dividend payment by way of a special dividend in an amount and at the time or times when the Servco Board deems appropriate subject to complying with the Conditions Precedent set out below.

1.3 Conditions Precedent to the Payment of Dividends

Dividends will only be paid to the extent that such payment would not otherwise cause:

- (i) non-compliance with applicable Law;
- (ii) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;
- (iii) an impairment in the operations and maintenance of the assets of Servco;
- (iv) an impairment in financial prudence;
- (v) a deterioration in the credit rating of Servco;
- (vi) an impairment in the maintenance and growth of the Business, consistent with the Business Plan.

1.4 Payment of Dividends

Dividends, when approved and declared by the Servco Board, will be paid in two installments by way of certified cheque, bank draft or electronic funds transfer to the Holdco Shareholder as follows:

- (i) The first dividend installment will be paid in December of each year.

- (ii) The second dividend installment will be paid within 30 days following the receipt and approval of Servco's Financial Statements.

1.5 General Guidelines

The Servco Board will, when deciding whether to declare and pay dividends, consider the following guidelines:

- (i) The best interests of Servco will always be paramount when deciding whether or not there are sufficient funds available to declare and pay dividends;
- (ii) Servco must have sufficient funds on hand to enable a methodical re-investment in its assets and business in an amount to be determined by the Servco Board by way of completing and maintaining a realistic five year capital expenditure plan/budget and which capital expenditure plan /budget will be reviewed and adjusted at least annually; and
- (iii) Such other factors and concerns that may arise at any time or times or require special consideration by the Servco Board as determined by the Servco Board