

SHAREHOLDERS' AGREEMENT

BETWEEN:

Corporation of the Township of Norwich

- and -

Corporation of the Township of Zorra

- and -

Corporation of the Township of East Zorra-Tavistock

- and -

Corporation of the Township of South-West Oxford

- and -

Corporation of the Town of Ingersoll

- and -

Corporation of the Town of Aylmer

- and -

Corporation of the Municipality of Central Elgin

- and -

Erie Thames Power Corporation

- and -

Erie Thames Powerlines Corporation

- and -

Erie Thames Services Corporation

SHAREHOLDERS' AGREEMENT

THIS AGREEMENT made as of the 31st day of August, 2000

B E T W E E N:

Corporation of the Township of Norwich
(hereinafter called "**Norwich**")

- and -

Corporation of the Township of Zorra
(hereinafter called "**Zorra**")

- and -

Corporation of the Township of East Zorra-Tavistock
(hereinafter called "**East Zorra-Tavistock**")

- and -

Corporation of the Township of South-West Oxford
(hereinafter called "**South-West Oxford**")

- and -

Corporation of the Town of Ingersoll
(hereinafter called "**Ingersoll**")

- and -

Corporation of the Town of Aylmer
(hereinafter called "**Aylmer**")

- and -

Corporation of the Municipality of Central Elgin
(hereinafter called "**Central Elgin**")

- and -

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(Norwich, Zorra, East Zorra-Tavistock, South-West Oxford, Ingersoll, Aylmer and Central Elgin are hereinafter called the "**Initial Shareholders**")

- and -

Erie Thames Power Corporation
(hereinafter called the "**Corporation**")

- and -

Erie Thames Powerlines Corporation
(hereinafter called "**Wiresco**")

- and -

Erie Thames Services Corporation
(hereinafter called "**Servco**")

WHEREAS:

1. The authorized capital of the Corporation consists of an unlimited number of Class A Voting shares and an unlimited number of Class B shares;
2. It is intended that issued capital of the Corporation consist of a number of Class A Voting shares equal to the number of Shareholders and 10,000 Class B shares;
3. The Initial Shareholders desire to enter into an agreement providing for certain arrangements for the ongoing operation and control of the Corporation and providing for certain restrictions on, and arrangements respecting, dealings with shares of the Corporation which are issued and outstanding from time to time;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions.

In this Agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) **"Act"** means the *Business Corporations Act* (Ontario), and unless otherwise indicated, means such Act as amended and re-enacted from time to time;
- (b) **"Affiliate"** of a particular body corporate means another body corporate which is affiliated with the particular body corporate and for such purposes one body shall be deemed to be affiliated with another body corporate if, but only if, one of them is the Subsidiary of the other or both of them are Subsidiaries of the same body corporate or each of them is Controlled by the same person, and if two bodies corporate are affiliated with the same body corporate at the same time, they are deemed to be affiliated with each other at that time;
- (c) **"Accession Agreement"** means an agreement in the form of Schedule 1.1(c) hereto which has the effect of making a person (x) bound to each other person who is then bound by this Agreement by all the obligations by which the Initial Shareholders that are a Party are or would be bound and (y) subject to all the restrictions to which the Initial Shareholders that are a Party are or would be bound;
- (d) **"Agreement"** means this agreement including all schedules and exhibits to this agreement and includes any and every agreement made at any time (whether past, present or future) which amends or supplements or restates any agreement which is, or is included in, this Agreement;
- (e) **"Articles of Incorporation"** of, or in relation to, a corporation means at any time such original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement, articles of dissolution, articles of revival, letters patent, supplementary letters patent and any other instrument of a substantially similar nature to any of the foregoing, as are in effect at the time for or in relation to the corporation;
- (f) **"Auditor"** means the auditor designated pursuant to section 4.2;
- (g) **"Business Day"** means any day, other than a day that is a Saturday, a Sunday, a statutory holiday in Ontario or a day on which banks generally are not open to the

public for business in the city, town or township that is the principal place of business of the Corporation;

- (h) **"Business Plan"** means the annual business plan of the Corporation approved by the Shareholders as provided herein;
- (i) **"Businesses"** has the meaning ascribed thereto in section 2.1;
- (j) **"Class A Voting Share"** means a Class A Voting share in the capital of the Corporation;
- (j) **"Class B Share"** means a Class B share in the capital of the Corporation;
- (k) **"Control"** in relation to a body corporate means control of the body corporate and for purposes of this Agreement a person has, or two or more persons have, control of a body corporate, and a body corporate is "Controlled" by a person or by two or more persons, if
 - (i) securities of the body corporate to which are attached more than fifty per cent (50%) of the votes that may be cast to elect directors of the body corporate are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those persons, and
 - (ii) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate;
- (l) **"Effective Date"** has the meaning ascribed thereto in the Transfer By-law;
- (m) **"GAAP"** means Canadian generally accepted accounting principles;
- (n) **"Income Tax Act"** means the *Income Tax Act* of Canada as amended and re-enacted from time to time;
- (o) **"Incorporation By-law"** means the Incorporation By-law passed by each of the Initial Shareholders in respect of the incorporation of the Corporation, Servco and Wiresco;
- (p) **"Insolvency Event"** has the meaning ascribed thereto in section 6(a);
- (q) **"Party"** means a party to this Agreement including any person that becomes bound by this Agreement as provided herein;
- (r) **"person"** means and includes any individual, corporation, body corporate, partnership, firm, joint venture, syndicate, association, trust, trustee, government,

governmental agency or board or commission or authority or other form of entity or organization;

- (s) **"Prime Rate"** means, for and in relation to any particular day in a calendar month, the variable rate of interest, expressed as a rate per annum, equal to the rate of interest determined by the principal bank of the Corporation (hereinafter in this section referred to as the "Bank") as, or commonly known as, its prime rate of interest effective for the first day in such calendar month for Canadian dollar loans made by the Bank in Canada from time to time, being a variable per annum reference rate of interest adjusted automatically upon change by the Bank;
- (t) **"Promissory Note"** means a promissory note due and payable bearing interest at a rate of 7.25 %, calculated and payable quarterly;
- (u) **"Related Shareholder"** of a person means at any time a Shareholder that is then, or at any earlier time was an Affiliate of such person;
- (v) **"Satisfactory Closing Location"** means a location whose address shall be specified in writing and which shall be the principal place of business of the Corporation in Ingersoll, Ontario or such other location as the parties hereto shall agree;
- (w) **"Share"** means a share of any class in the capital of the Corporation;
- (x) **"Shareholder"** means at any time a person that is a party to this Agreement that is bound by this Agreement at the time and holds one or more Shares at the time or a person that becomes bound by this Agreement at any time and is bound by this Agreement at the time and holds one or more Shares at the time;
- (y) **"Shareholder Special Approval"** means, with respect to any matter, the approval of such matter by Shareholders by
 - (i) a resolution passed at a duly constituted meeting of the Shareholders by the favourable vote of Shareholders holding in the aggregate not less than eighty per cent (80%) of the total number of Class A Voting Shares held by all Shareholders as at the beginning of such meeting; or
 - (ii) one or more instruments in writing which shall have been signed by Shareholders who in the aggregate hold as at the effective date of such resolution not less than eighty per cent (80%) of the total number of Class A Voting Shares held by all Shareholders as at such time,

and any Shareholder Special Approval given by resolution as aforesaid shall become effective on the day on which such resolution is duly passed and any Shareholder

Special Approval given by one or more instruments in writing as aforesaid shall become effective on the Effective Date shown in such one or more instruments;

- (z) **"Share Proportion"** of a Shareholder (determined in relation to one or more particular Shareholders) as at any time means, with respect to a class of shares, the number obtained when the number of shares of a given class held by the Shareholder as at such time is divided by the total number of shares of each class held by such one or more particular Shareholders as at such time;
- (aa) **"Subsidiary"** of a particular corporation (including, without limitation, a city, town, township or village) means a body corporate that is
 - (i) Controlled by
 - (A) the particular corporation,
 - (B) the particular corporation and one or more bodies corporate each of which is Controlled by the particular corporation, or
 - (C) two or more bodies corporate each of which is Controlled by the particular corporation, or
 - (i) a Subsidiary of a body corporate that is a Subsidiary of the particular corporation;
- (bb) **"Transfer By-laws"** means the Transfer By-laws passed by each of the Initial Shareholders in respect of the transfer by such Initial Shareholder of employees, assets, liabilities, rights and obligations by such Initial Shareholder to the Corporation or its Subsidiaries;

1.2 Interpretation.

In this Agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) (i) words in the singular include the plural and such words shall be construed as if the plural had been used,
- (ii) words in the plural include the singular and such words shall be construed as if the singular had been used,
- (iii) words importing the masculine gender or the feminine gender include the feminine gender, the masculine gender and the neuter and shall be construed

as if the corresponding word importing the feminine gender, the masculine gender or the neuter had been used, and

- (iv) words importing the neuter include the masculine gender and the feminine gender and shall be construed as if the corresponding word importing the masculine gender or the feminine gender had been used,

where the context or a party hereto so requires, and the rest of the sentence shall be construed as if the grammatical and terminological changes thereby rendered necessary had been made;

- (b) "this Agreement", "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to this Agreement and not to any particular Article, section, paragraph, subparagraph, clause, subclause or other portion of this Agreement;
- (c) a reference to any one or more parties to this Agreement shall be deemed to include a reference to the respective heirs, executors, administrators, legal representatives, successors and permitted assigns of each such party;
- (d) unless otherwise specifically provided, all references herein to dollar amounts are in Canadian funds;
- (e) unless otherwise specifically provided, each reference herein, which is to a time or contemplates a time refers to Ontario time;
- (f) unless the Shareholders otherwise agree in writing, in applying this Agreement in relation to any transaction, occurrence, event or matter, each term and each expression defined in this Agreement shall be construed and applied using the meaning in effect for such term or expression as at the time immediately before the time of such transaction, occurrence, event or matter; and
- (g) Unless otherwise provided, any term or expression defined in any Article of this Agreement (other than this Article) shall have such meaning only in such Article.

1.3 Schedules.

The following are the Schedules attached hereto and incorporated by reference and deemed to be a part hereof:

Schedule 1.1(c)	-	Accession Agreement
Schedule 6.8(a)	-	Determination of Fair Market Value

1.4 Unanimous Shareholder Agreement.

Each of the parties hereby acknowledges and agrees that this Agreement is intended to operate and be construed as a unanimous shareholder agreement with respect to the Corporation within the meaning of the Act.

ARTICLE 2 BUSINESS OF THE CORPORATION

2.1 Business of the Corporation.

The parties acknowledge that the businesses (the "Businesses") which they intend that the Corporation and/or the Subsidiaries carry on are the following, namely:

- (a) the business of distributing electricity;
- (b) the business of holding shares in corporations that distribute electricity and/or market and sell associated products and services; and/or
- (c) subject to section 4.1(6)(b), such other businesses as are permitted under the *Ontario Energy Board Act*, 1998 and other applicable legislation.

ARTICLE 3 CONTRIBUTIONS OF THE SHAREHOLDERS

3.1 Capitalization.

- (a) On or before the Effective Date each of the Shareholders shall subscribe for and agree to take up and pay for, and the Corporation shall issue to each of such Shareholders upon payment of the subscription price therefor, one (1) Class A Voting Share for a subscription price of \$1.00 per share.
- (b) On or before the Effective Date each Shareholder shall subscribe for and, in consideration of certain of the assets transferred to the Corporation, the Corporation shall issue to each Shareholder Class B Shares in the capital of the Corporation having an ascribed value equal to 50% of the fair market value of the net assets transferred to the Corporation by such Shareholder, as determined in the Transfer By-law of such Shareholder.
- (c) On or before the Effective Date each Shareholder shall subscribe for and, in consideration of certain of the assets transferred to Servco, Servco shall issue to each Shareholder common shares in the capital of Servco having an ascribed value equal

to 50% of the fair market value of the net assets transferred to Servco by such Shareholder, as determined in the Transfer By-law of such Shareholder.

- (d) On or before the Effective Date each Shareholder shall subscribe for and, in consideration of certain of the assets transferred to Wiresco, Wiresco shall issue to each Shareholder common shares in the capital of Wiresco having an ascribed value equal to 50% of the fair market value of the net assets transferred to Wiresco by such Shareholder, as determined in the Transfer By-law of such Shareholder.
- (e) In consideration of certain of the assets transferred to the Corporation, on or before the Effective Date the Corporation shall deliver to each Shareholder a Promissory Note having a principal amount equal to 50% of the fair market value of the net assets transferred to the Corporation by such Shareholder, as determined in the Transfer By-law of such Shareholder, less one dollar (\$1.00).
- (f) In consideration of certain of the assets transferred to Servco, on or before the Effective Date Servco shall deliver to each Shareholder a Promissory Note having a principal amount equal to 50% of the fair market value of the net assets transferred to Servco by such Shareholder, as determined in the Transfer By-law of such Shareholder.
- (g) In consideration of certain of the assets transferred to Wiresco, on or before the Effective Date, Wiresco shall deliver to each Shareholder a Promissory Note having a principal amount equal to 50% of the fair market value of the net assets transferred to Wiresco by such Shareholder.
- (h) Following the transactions contemplated in subsections (a) to (g) and on the Effective Date, each Shareholder shall transfer all of its common shares in the capital of Servco and all of its common shares in the capital of Wiresco to the Corporation in consideration of the issue to each such Shareholder of a number of Class B Shares equal to a fraction the numerator of which is equal to the fair market value of the net assets transferred to Servco and Wiresco by such Shareholder and the denominator of which is equal to the aggregate fair market value of the net assets transferred to Servco and Wiresco by all of the Shareholders, in each case as determined in the Transfer By-laws

3.3 Credit Facilities.

Each Shareholder shall cooperate with the Corporation to facilitate the establishment by the Corporation of such credit facilities as the directors of the Corporation from time to time determine to be necessary or desirable for the conduct of the business of the Corporation or any Subsidiary of the Corporation.

3.4 Ongoing Financing

Subject to any restrictions on Shareholders contained in applicable laws, if at any time the directors of the Corporation determine that

- (a) the Corporation requires an amount of money to enable the Corporation in the following six (6) months
 - (i) to carry on its business as contemplated in the then current budget approved by the Shareholders, or
 - (ii) to pay its liabilities as they become due, and
- (b) the amount required by the Corporation exceeds the funds and credit available to the Corporation from its usual sources of financing (the amount of the excess being hereinafter referred to as the "Required Amount"), and
- (c) the Shareholders be requested by the Corporation to provide the Required Amount to the Corporation,

and the Corporation gives to all Shareholders a written notice wherein each Shareholder is requested to advance to the Corporation, by way of a loan bearing interest at the Prime Rate plus one per cent (1%) both before and after default calculated monthly repayable within thirty (30) days of demand by the advancing Shareholders, an amount equal to the amount obtained when the Required Amount is multiplied by the Share Proportion of the Shareholder, then within thirty (30) days after receiving such notice, each Shareholder shall advance to the Corporation, by way of an interest bearing loan, the amount that it is requested to advance as determined in accordance with the notice. All or any portion of an amount that is to be advanced by a Shareholder may be advanced by a Related Shareholder of such Shareholder. If, within thirty (30) days after receiving such notice, all or any portion of the amount to be advanced by a Shareholder (a "Defaulting Shareholder") has not been advanced in accordance with this section, then, at any time before the Defaulting Shareholder advances such amount, the amount which has not been advanced by or in respect of the Defaulting Shareholder may be advanced by any one or more other Shareholders (any such Shareholder that advances an amount in respect of the Defaulting Shareholder being referred to as a "Supporting Shareholder"). An amount advanced by a Supporting Shareholder in respect of a Defaulting Shareholder shall be a loan of such amount from the Supporting Shareholder to the Defaulting Shareholder which shall bear interest at the Prime Rate plus four per cent (4%) per annum calculated monthly and shall be payable on demand. Each Shareholder hereby agrees that if any amount becomes payable by the Corporation to it at any time when it owes any amount in respect of one or more loans from Supporting Shareholders made pursuant to this section, then to the extent of the amounts owing in respect of such loans, the Corporation shall pay to such Supporting Shareholders, the amount payable to the Defaulting Shareholder and each Shareholder hereby irrevocably authorizes and directs the Corporation to do so.

ARTICLE 4 OPERATION AND CONTROL OF THE CORPORATION AND SUBSIDIARIES

4.1 Operation and Control.

The parties hereto shall cause such meetings of directors and shareholders of the Corporation to be held, votes to be cast, resolutions to be passed, by-laws to be passed, documents to be executed and all things and acts to be done to ensure the following continuing arrangements with respect to the operation and control of the Corporation:

(1) The board of directors of the Corporation shall be composed of a number of members equal to the number of Shareholders holding Class A Voting Shares. Each Shareholder shall be entitled, from time to time, by notice to the Corporation and the other Shareholders, to designate a nominee for election or appointment to the board of directors of the Corporation. The Corporation and the Shareholders shall act diligently and promptly to take such actions as are necessary in order that, at any time, the board of directors of the Corporation includes the then latest nominee designated by one Shareholder in accordance with this paragraph for election or appointment to the board of directors of the Corporation except for any such nominee as is not ready, willing or able to serve as a director of the Corporation. Each Shareholder shall appoint its permanent nominee director by March 31, 2001.

(2) A quorum for a meeting of the directors of the Corporation shall be comprised of sixty-six per cent (66%) of the directors of the Corporation.

(3) Except as otherwise provided herein, any resolution of the directors of the Corporation shall only be validly passed and effective if at a duly constituted meeting of the directors of the Corporation such resolution receives the affirmative vote of at least a majority of the directors participating in the meeting.

(4) No person shall have a second or casting vote in any circumstances at any meeting of the directors of the Corporation or at any meeting of the Shareholders of the Corporation.

(5) All written contracts made, and all cheques and negotiable instruments made or issued, by the Corporation shall be signed by such one or more directors or officers of the Corporation as are from time to time designated or authorized to do so by the by-laws of the Corporation or by a resolution duly passed by the directors of the Corporation

(6) Each of the following shall require Shareholder Special Approval,

(a) any change in the number of directors of the Corporation;

- (b) the Corporation entering into an undertaking inconsistent with the operations of the Corporation contemplated in section 2.1 including, without limitation, retailing electricity;
- (c) any borrowing on the credit of the Corporation if the debt incurred would exceed twenty-five per cent (25%) of the debt provided in Business Plan for the applicable fiscal year;
- (d) the issuance, sale or pledge of any debt obligations of the Corporation, except any promissory notes, banker's acceptances or commercial letters of credit made or issued in respect of the indebtedness from time to time of the Corporation under a line of credit contemplated in subparagraph (c);
- (e) the charge, mortgage, hypothecation, pledge or encumbrance of any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertaking, to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation if the debt incurred would exceed twenty-five per cent (25%) of the debt provided in the Business Plan for the applicable fiscal year;
- (f) the sale, lease, exchange or other disposal of any property of the Corporation in excess of twenty thousand dollars (\$20,000.00) other than in the ordinary course of the business of the Corporation or as provided for in the Business Plan for the applicable fiscal year;
- (g) any amendment of the Articles of Incorporation of the Corporation;
- (h) any continuation of the Corporation under the laws of another jurisdiction;
- (j) the creation of any Subsidiaries by the Corporation or the acquisition by the Corporation of any shares or securities of any other corporation, unless for the purpose of short-term investments of surplus funds;
- (k) the creation or issuance of any shares, or any rights to acquire shares of the Corporation;
- (l) the taking of any proceedings with a view to the dissolution, winding-up, or termination of the corporate existence of the Corporation;
- (m) the establishment or change of any dividend policy or other policy with respect to the distribution of surplus and the declaration or payment of any dividend or other distribution on any class of shares;

- (n) the making of agreements with any of the Shareholders not in the ordinary course of business;
- (o) approval of the Business Plan, the annual budget, annual plans for capital expenditures and any substantial variations thereof;
- (p) the acquisition of all or substantially all of the assets of any other corporation or business entity or the entering into of any amalgamation, merger, partnership or joint venture, or other combination with any other corporation or business entity by the Corporation not in the ordinary course of business of the Corporation;
- (q) the payment or declaration of any bonuses, shares of profit, retirement allowances or other such distributions to directors, officers or employees of the Corporation;
- (r) any purchase of Shares by the Corporation except as may be provided for herein and any redemption of Shares by the Corporation unless the same are required to be redeemed in accordance with the Articles of Incorporation of the Corporation and are being so redeemed;
- (s) any change in the financial or taxation years of the Corporation;
- (t) any change in the auditors of the Corporation;
- (u) any commitment to make any capital expenditure of more than twenty-five per cent (25%) in excess of the capital expenditure amount provided for in the Business Plan for the applicable fiscal year; and
- (v) any advance or loan by the Corporation to any person who is an officer, director or employee of the Corporation.

(8) October 31st in each calendar year shall be the end of a financial year of the Corporation and shall also be the end of a taxation year for which an applicable return shall be filed pursuant to the relevant taxation legislation.

(9) Each of the directors and officers of the Corporation shall be reimbursed by the Corporation for reasonable out-of-pocket expenses incurred in connection with his or her participation in any meetings of the directors of the Corporation or his or her serving as a director of the Corporation. The board of directors (whether interim or not) shall from time to time prepare for the Shareholders recommendations with respect to remuneration in connection with each director serving in such capacity and, following receipt of such recommendations, the Shareholders shall determine such remuneration. Remuneration in respect of the initial interim board of directors shall be determined by the Shareholders.

(10) Meetings of the board of directors of the Corporation may be called by any director of the Corporation and shall be held in Ingersoll, Ontario or such location determined by the Shareholders from time to time and at least one meeting of the directors of the Corporation shall be held in 2000.

(11) Meetings of the shareholders of the Corporation may be called by any director of the Corporation and shall be held in Ingersoll, Ontario or such other location determined by the Shareholders from time to time.

4.2 Auditor.

The auditor of the Corporation shall be Davis Martindale, unless and until otherwise agreed as provided herein.

4.3 Books of Account.

Proper books of account shall be kept by the Corporation and entries shall be made therein of all such matters, terms, transactions and things as are usually written, recorded or entered in books of account kept by corporations engaged in an enterprise of a similar nature. The books of account for the Corporation shall be kept at the principal place of business of the Corporation. Each Shareholder shall have free access at all times during normal business hours to inspect, examine, copy and use the facilities of the Corporation to make copies of or take extracts from the books of account for the Corporation.

4.4 Budgets.

In the case of the initial budget and for each and every subsequent financial year of the Corporation, the Corporation shall prepare a budget showing, among other things, in a reasonable degree of detail the anticipated revenues, expenditures and cash flow of the Corporation for such financial year of the Corporation. The budget for any particular financial year of the Corporation shall be prepared and delivered to each Shareholder,

- (a) in the case of the first budget, by October 1, 2000, and
- (b) in the case of any other financial year commencing with the financial year 2001-2002, at least thirty (30) days prior to the beginning of such financial year.

The Shareholders shall meet to review and discuss the budget for a financial year with a view to agreeing upon a final budget for such financial year. In the management and operation of the business, each Shareholder shall, and shall cause its nominee director to endeavour to the extent it is reasonable to do so to adhere to the final budget (as agreed upon by the Shareholders) for a financial year and not exceed expenditures provided for therein without prior notice to each other Shareholder.

4.5 Periodic Financial Statements.

For each quarter that commences after the last day of October, 2000 the Corporation shall prepare a financial statement which shall include statements of income, retained earnings and changes in financial position for the month and a balance sheet as at the end of the month and such statement shall be prepared in accordance with GAAP, but need not reflect accruals and adjustments ordinarily made only as at the end of a financial year. The financial statement prepared for such quarter shall be delivered to each Shareholder within twenty-one (21) days following the end of such quarter.

4.6 Application of Sections 4.1 to 4.5 to Subsidiaries.

Unless the Shareholders otherwise agree in writing and except as provided herein, the provisions of sections 4.1 to 4.5, inclusive, shall apply to each and every Subsidiary of the Corporation; provided that in applying the provisions of such sections to any particular Subsidiary all references to the Corporation in such sections shall be read as a reference to the particular Subsidiary.

ARTICLE 5 SERVCO AND WIRESKO

5.1 Subsidiaries.

- (a) On or before the Effective Date, the Shareholders and the Corporation agree to incorporate and organize Servco and Wiresco pursuant to the Incorporation By-law.
- (b) Wiresco shall carry on the business of the distribution of electricity and Servco shall carry on the business of marketing and selling associated products and services.

5.2 Directors.

- (a) The initial directors of Servco shall be:

Paul J. Holbrough
Ronald G. E. Baldwin
William J. Brown
William Walters
Maureen A. Ralph

- (b) The initial directors of Wiresco shall be:

Gerald G. Mitchell

Susan A. G. Hampson

- (c) the board of directors of each of Servco and Wiresco shall be composed of such number of directors as the Shareholders shall determine from time to time.

5.3 Ownership of Shares.

All of the issued and outstanding shares in the capital of Servco and Wiresco shall be owned beneficially and held of record by the Corporation as contemplated in the Transfer By-laws.

ARTICLE 6 TRANSFER AND DISPOSITION OF SHARES

6.1 Restriction on Transfer.

No Shares of the Corporation or any interest therein shall be sold, exchanged, transferred, disposed of, encumbered, pledged, mortgaged, hypothecated and/or given, directly or indirectly, and no agreement or commitment shall be made to do any of the same except in each case with Shareholder Special Approval or pursuant to the applicable provisions of this Agreement and any attempt to do so without such consent or not pursuant to such provisions shall be void and, because the parties hereto acknowledge the inadequacy of money damages in such circumstances, shall be subject to specific performance and injunctive relief at the instance of the other parties hereto.

6.2 Shareholder Consent.

The Shareholders shall vote the Shares owned by them to approve as required by the Articles any transfer of Shares.

6.3 Transfers to Affiliates.

Notwithstanding section 6.1 all or, with the consent of the board expressed by resolution, part of the Shares of a Shareholder may be transferred to an Affiliate of such Shareholder and Article 7 shall apply, *mutatis mutandis*, to such transfer.

6.4 Right of First Refusal.

Subject to the provisions of sections 6.7, 6.8 and 6.9, if any Shareholder (hereinafter in this section 6.4 called the "Offeror") desires to sell (other than pursuant to section 6.3) all but not less than all of the Class B Shares owned by it and any Affiliate, the Offeror shall give notice (hereinafter in this section 6.4 called the "Selling Notice") to the other holders of Shares (hereinafter in this section 6.4 called collectively the "Offerees" and individually an "Offeree") of its intention to do so. Such Selling Notice shall set forth the number and class of the Class B Shares (hereinafter in this section 6.4 called the "Offered Shares") which the Offeror wishes to sell, the price per share at which the Offeror is prepared to sell the Offered Shares and any other terms and conditions, provided that such must not be contrary to the provisions of Article 7 of this Agreement, and the proposed date of sale (hereafter called the "Sale Date"), which shall not be less than thirty (30) days nor more than sixty (60) days after the date on which the Selling Notice is given to the Offerees. In such event, unless all the Shareholders otherwise agree, the following provisions of this section 6.4 shall govern such purchase and sale:

- (a) the Selling Notice shall be deemed to be an offer, irrevocable within the time hereinafter specified for acceptance, by the Offeror to sell the Offered Shares to the Offerees;
- (b) within thirty (30) days after receipt of the Selling Notice, each Offeree may give to the Offeror a notice of acceptance which shall set forth the number of Offered Shares which such Offeree is willing to purchase from the Offeror;
- (c) if the Offerees accepting the offer collectively are prepared to purchase all the Offered Shares, then they shall be entitled to purchase the Offered Shares as nearly as may be in proportion to the number of Class B Shares of the Corporation then held by them respectively, provided that, if any such Offeree claims less than its respective proportion, the difference in unclaimed Offered Shares shall be used to satisfy the claims of those who claim in excess of their proportions and if the claims in excess are more than sufficient to exhaust such unclaimed Offered Shares, the unclaimed Offered Shares shall be divided *pro rata* among the Offerees desiring to purchase excess shares in proportion to their holdings of Shares of the Corporation immediately prior to the delivery of the Selling Notice, but no Offeree shall be bound to purchase any Offered Shares in excess of the number which it agreed to purchase in its notice of acceptance;
- (d) if none of the Offerees accepts the offer or the Offerees accepting the offer collectively are not prepared to purchase all of the Offered Shares, then the Offeror may sell all of the Offered Shares to any other person within sixty (60) days after the Sale Date at a price per security not less than and on terms and conditions not more favourable to such person than the price per security and the terms and conditions set forth in the Selling Notice. In the event that the Offeror does not sell the Offered Shares to such person within such sixty (60) day period,

then the provisions of this Agreement shall once again apply and so on from time to time;

- (e) if the Offeror has received a bona fide offer from a third party to purchase the Offered Shares prior to the date of the Selling Notice which he wishes to accept, then a copy of such offer shall be sent to each Offeree with the Selling Notice and the terms and conditions of sale set forth in the Selling Notice shall be the same as those set forth in such offer, and the Sale Date proposed shall not be less than thirty (30) days nor more than sixty (60) days after the date on which the Selling Notice is given to each Offeree. By delivering a Selling Notice, the Offeror represents and warrants to each other Offeree that there is no direct or in direct supplementary consideration (whether or not in the nature of a tangible or intangible assets, money, property, securities or other benefits) to be received by the third party or any other person in connection with such offer and that such offer is not made as part of or in connection with any other transaction;
- (f) if the Offered Shares shall not be capable, without division into fractions, of being offered to or being divided among such Offerees in the proportions above mentioned, the same shall be offered to or divided among such Offerees as nearly as may be in the proportions hereinbefore mentioned and any balance shall be offered to or divided among such Offerees or some of them in such manner as may be determined by the board of directors of the Corporation.

6.5 Piggyback Rights.

Where, after compliance with the provisions of section 6.4, any group of Shareholders desires and is entitled to sell all but not less than all of the Class B Shares held by them and each of their Affiliates to a third party and such group holds more than fifty percent (50%) of the Class A Voting Shares, then any such sale, notwithstanding the provisions of section 6.4, shall be permitted only if such third party makes an offer in writing irrevocable for forty-five (45) days to all other Shareholders holding Class B Shares to purchase such Class B Shares held by such Shareholders or their Affiliates at the same price and upon the same terms and conditions.

6.6 Buy/Sell Agreement.

Subject to section 6.7 hereof, at any time and from time to time after the date of this Agreement the following provisions shall apply:

- (a) Any Shareholder (the "Offering Shareholder") may at any time make an offer in writing (the "Purchase Offer") to the all other Shareholders (other than Affiliates of the Offering Shareholder) (the "Offerees") to purchase all, but not less than all, of the Class B Shares then held by the Offeree and its Affiliates. The Purchase Offer shall specify the price per share that the Offering Shareholder making the offer is offering to pay for each Share of the Corporation then owned by the Offerees;

- (b) Each Offeree shall have forty-five (45) days from the date of receipt of a Purchase Offer to deliver a notice in writing (the "Response Notice") to the Offering Shareholder setting out therein, either:
 - (i) that such Offeree intends to sell its Class B Shares and those of its Affiliates to the Offering Shareholder at the price per security set out in the Purchase Offer (herein referred to as an "Acceptance Notice"); or
 - (ii) that such Offeree intends to purchase all of the Class B Shares owned by the Offering Shareholder and its Affiliates at the price per share set out in the Purchase Offer (herein referred to as a "Purchase Notice");
- (c) The following provisions shall apply with respect to Response Notices:
 - (i) if Offerees holding a majority of the Class A Voting Shares deliver an Acceptance Notice, each Offeree shall be obligated to sell all of its Class B Shares to the Offering Shareholder and the Offering Shareholder shall be obligated to purchase such Class B Shares;
 - (ii) if Offerees holding a majority of the Class A Voting Shares deliver a Purchase Notice, the Offerees shall be obligated to purchase all of the Offering Shareholder's Class B Shares *pro rata* based on their respective holdings of Class B Shares. If the said Class B Shares shall not be capable, without division into fractions, of being divided among such Offerees in the proportions above-mentioned, the same shall be divided among such Offerees as nearly as may be in the proportions hereinbefore mentioned and any balance shall be divided among such Offerees or some of them in such manner as may be determined by the board of directors of the Corporation and the Offering Shareholder shall be obligated to sell such Class B Shares; and
 - (iii) if an Offeree fails or refuses to deliver a Purchase Notice or an Acceptance Notice within the time prescribed, such Offeree shall be deemed to have delivered a Purchase Notice for the purposes of paragraphs (i) and (ii);
- (d) Any party which becomes obligated to purchase Shares under this section 6.6 shall be deemed to be a Purchasing Shareholder hereunder and any party which becomes obligated to sell its Shares under this section 6.6 shall be deemed to be a Selling Shareholder;
- (e) The Purchasing Shareholder and the Selling Shareholder agree to complete the transaction of purchase and sale contemplated in this section 6.6 in accordance with the provisions pertaining thereto set out in Article 7 hereof;

- (f) If a Purchasing Shareholder is unable or fails to complete the transaction of purchase and sale on the date scheduled for the closing thereof as provided for in section 7.2, and provided that such failure was not due to any act or failure to act of or by a Selling Shareholder, then a Selling Shareholder shall be entitled, in addition to all other rights and remedies that it may have at law or in equity, to send a notice of default (the "Default Notice") to such defaulting Purchasing Shareholder and to purchase all of the Shares of the Purchasing Shareholder in accordance with the provisions set out in Article 7 hereof, provided, however, that the price per share payable to the defaulting party shall be equal to fifty percent (50%) of the price per share set out in the Purchase Offer. If the Selling Shareholder so acts in accordance with the immediately preceding sentence, the Selling Shareholder shall be deemed hereunder to be a Purchasing Shareholder. Failure to so act by the Selling Shareholder shall be deemed to make the Purchase Offer null and void.
- (g) Notwithstanding subsections (a) to (f) of this section, if the number of Shareholders is reduced due to any amalgamation or other restructuring of municipalities, no Shareholder may make a Purchase Offer to any Shareholders during the period commencing on the date that such amalgamation or restructuring becomes effective and terminating two (2) years therefrom and the Shareholders shall enter into good faith discussions to determine whether or not it shall be appropriate to amend this Agreement in light of such amalgamation or restructuring.

6.7 Draw Along.

If, (i) an offer is made by a third party to purchase all outstanding Class B Shares held by Shareholders holding more than eighty percent (80%) of the outstanding Class A Voting Shares; or (ii) an amalgamation, merger, plan of arrangement, or other reorganization of the Corporation, for greater certainty, excluding a municipal amalgamation or other restructuring, is proposed by a third party or an offer is made by a third party to purchase all or substantially all of the assets of the Corporation (collectively a "Reorganization"), all Shareholders are required to sell their Class B Shares to the Offeror or approve such Reorganization, as the case may be, if such sale or Reorganization is approved by the holders of more than eighty percent (80%) of the outstanding Class A Voting Shares.

6.8 Insolvency of Shareholder.

- (a) If any Shareholder makes an assignment for the benefit of creditors or a proposal under the *Bankruptcy Act* (Canada) or a similar filing or proposal under any other bankruptcy or insolvency legislation or is declared bankrupt or becomes insolvent, or any trustee, receiver, receiver and manager, liquidator or other officer with similar powers is appointed for such member or for all or any material part of his property (such member being hereinafter referred to as the "Insolvent Shareholder" and any such assignment, proposal, filing, declaration or insolvency or the appointment of any trustee, receiver or receiver and manager, liquidator or other officer with similar powers being hereinafter referred to as an "Insolvency Event"), the other Shareholders (the "Solvent Shareholders") shall be deemed to be entitled, effective immediately prior to the Insolvency Event, to purchase all or any part of the Class B Shares held by the Insolvent Shareholder for a cash purchase price equal to the Fair Market Value of the Class B Shares as determined in accordance with Schedule 6.8(a). Solvent Shareholders shall have ninety (90) days from the date of the final determination of Fair Market Value of the Class B Shares pursuant to Schedule 6.8(a) to deliver to the Insolvent Shareholder (with a copy to the Corporation) a notice in writing setting out therein their respective intentions to purchase, effective immediately prior to the Insolvency Event, all but not less than all of the Class B Shares owned by the Insolvent Shareholders *pro rata*, based on their respective holdings of Class B Shares.
- (b) If the said Class B Shares shall not be capable, without division into fractions, of being divided among such Solvent Shareholders in the proportions above mentioned, the same shall be divided among such Solvent Shareholders as nearly as may be in the proportions hereinbefore mentioned and any balance shall be divided among such Solvent Shareholders or some of them in such manner as may be determined by the board of directors of the Corporation.
- (c) Subject to the provisions of the Act, if within ninety (90) days of the final determination of the Fair Market Value of the Class B Shares pursuant to Schedule 6.8(a) a notice in writing shall not have been given to the Insolvent Shareholder (with a copy to the Corporation) by all or any of the Solvent Shareholders setting out therein the intention of such Solvent Shareholder or Shareholders to purchase, effective immediately prior to the Insolvency Event, all of the Class B Shares owned by the Insolvent Shareholder, then the Corporation shall have the right to redeem and repurchase such portion of the Class B Shares as shall not be the subject of a purchase and sale transaction with the Solvent Shareholder, effective immediately prior to the Insolvency Event, for a cash price equal to the value of the Class B Shares as calculated by reference to the shareholders' equity of the Corporation as shown on the Corporation's most recent financial statements prior to the Insolvency Event prepared in accordance with this Agreement.

- (d) Any transaction of purchase and sale pursuant to this section 6.8 shall be completed in accordance with the provisions of Article 7 hereof but with effect and deemed completion as of the time immediately prior to the occurrence of an Insolvency Event.

6.9 Redemption and Issue of Class A Voting Shares.

Notwithstanding any other provision hereof, no Shareholder, including without limitation a Shareholder that has been formed as a result of any amalgamation or other restructuring of municipalities, shall own or hold any interest in any Class A Voting Share if such Shareholder or Affiliate of such Shareholder does not own or hold an interest in Class B Shares. Upon any Shareholder transferring or disposing of Shares pursuant to any provision of this Article 6, where such Shareholder and its Affiliates no longer own or hold an interest in any Class B Shares, the Corporation shall redeem and repurchase any Class A Voting Shares held by such Shareholder at a price of \$1.00. Where such transfer or disposition of Class B Shares is made in connection with an Insolvency Event such transfer or disposition shall be completed with effect and be deemed completed as of the time immediately prior to the occurrence of such Insolvency Event. Where any person becomes a Shareholder pursuant to a transfer or disposition pursuant to any provision of this Article 6, such Shareholder shall be entitled to subscribe for and the Corporation shall allot and issue to such Shareholder one (1) Class A Voting Share for a subscription price of \$1.00, provided that no Shareholder together with its Affiliates, may hold more than one (1) Class A Voting Share.

ARTICLE 7 GENERAL SALE PROVISIONS

7.1 Sale Provisions.

Each Shareholder who hereafter sells any Shares pursuant to the provisions of this Agreement (such Shareholder being herein sometimes in this Article 7 called the "Seller") shall hereby be deemed to warrant to each other Shareholder or other person who purchases such Shares (such Purchasing Shareholder or other person being herein sometimes called the "Buyer") that, at the time of Closing of the transaction of purchase and sale in question, (a) the Seller shall have good and marketable title to such Shares, and (b) the Buyer will acquire such Shares free of any encumbrance of any kind, and in addition the Seller shall hereby be deemed to agree to indemnify and save the Buyer harmless against any loss suffered by the Buyer as a result of there being any encumbrance upon or any defect in the title of the Seller to such Shares.

7.2 Closing.

Each purchase and sale of Shares between Shareholders pursuant to this Agreement shall, unless otherwise expressly provided herein, be closed at the offices of the solicitors of the Corporation at 10:00 a.m. on the fifteenth (15th) day after the date of the last notice given (or deemed to be given) by the Buyer or the Seller, as the case may be, pursuant to the applicable

sections of this Agreement or at such other time and/or on such other day as may be agreed upon by the Seller and the Buyer.

7.3 Conditions and Closing.

At the time of closing of any purchase of Shares of the Corporation as set forth in section 7.2, the Seller shall table:

- (a) a certificate or certificates representing the Shares being sold by the Seller, duly endorsed by the Seller in blank for transfer and with the signature of the Seller guaranteed by a Canadian chartered bank and transfers of any Shares being sold in such form as the Buyer may reasonably require;
- (b) in the case of a sale of Shares by a person which is not a natural person, such authorizing resolutions, orders and other instruments as the solicitors for the Buyer shall reasonably consider necessary to effect and evidence a valid transfer of such Shares; and
- (c) evidence of the consent of the Shareholders to the purchase of Shares in question if such consent is required by this Agreement,

and each Buyer shall pay for such Shares by bank draft or certified cheque. If the Seller fails to comply with the requirements set out in this section, the Buyer shall, in addition to its other rights, including its right to specific performance, be entitled to rescind and shall have an action for damages.

7.4 Indebtedness of Seller to Corporation.

If, on the date of closing of any sale and purchase of Shares of the Corporation, the Seller is indebted to the Corporation in an amount recorded on the books of the Corporation and verified by the auditor of the Corporation, then unless otherwise agreed in writing between the Corporation and the Seller, each Buyer shall pay the purchase price payable therefor by him to the Corporation's solicitors, in trust, by tabling and delivering to the Corporation's solicitors, in trust, at the time of closing of such purchase and sale, the purchase price for such Shares. The Corporation's solicitor is hereby authorized by the Seller to apply the total purchase price proceeds to repayment of the indebtedness of the Seller to the Corporation. If such proceeds exceed such indebtedness, the Corporation's solicitors are hereby authorized by the Buyer to pay the excess over to the Seller at the time of closing of such purchase and sale. In the event that the Seller sells all of the Shares of the Corporation owned by him and the indebtedness of the Seller to the Corporation exceeds the proceeds of such sale, then the Seller shall at the time of closing of such purchase and sale pay the balance of such indebtedness to the Corporation to retire such indebtedness.

7.5 Indebtedness of Corporation to Seller.

If, on the date of closing of any sale and purchase of Shares of the Corporation, the Corporation is indebted to the Seller all of whose Shares are purchased by other Shareholders or other persons pursuant to Article 6, or if such Seller is the guarantor of any indebtedness of the Corporation, the Buyer or Buyers shall, at the time of closing, purchase such indebtedness at its face value or assume such guarantee in either case *pro rata* in accordance with the number of Shares purchased by it or them.

7.6 Agreement, Binding on Transferees.

No Shares of the Corporation shall be effectively issued, sold, assigned, transferred, disposed of or conveyed, whether pursuant to any provision of Article 6 or otherwise, by the Corporation or a Shareholder to any person other than a Shareholder, 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 to which the Shareholders are then, or are then required to be, a party, and unless the proposed transferee or purchaser, on becoming a party to this Agreement, would be in compliance with the provisions of this Agreement. Upon the proposed transferee or purchaser so doing, such agreements shall enure to them as if all had executed and delivered the same agreements.

7.7 Continuing Obligations.

Any Shareholder who sells to a person, other than an Affiliate of the Shareholder, all of the Shares of the Corporation owned by it in accordance with the terms of this Agreement shall thereafter be released and discharged from the further performance of all of its covenants and obligations hereunder from and after the date of such sale and compliance by the transferee with section 7.6 except for any obligations under this Article 7 and any other obligations under this Agreement which expressly or impliedly are to survive any such sale.

ARTICLE 8 PRE-EMPTIVE RIGHT

8.1 Pre-Emptive Right.

Subject to subsection 4.1(6), if the Corporation wishes at any time hereafter to issue any Shares, such issue shall be approved by Shareholder Special Approval and the Corporation shall first offer them for purchase by the Shareholders by written notice given to each such Shareholder. Such notice shall be given within ten (10) days following approval by the board of directors of a proposal to issue Shares and shall set forth a description of the Shares to be offered, the proposed purchase price and the purchase date which shall be a date not earlier than thirty (30) days after the date of such notice. Upon receipt of such notice, each such Shareholder shall have the right to subscribe for and purchase at least a number of such Shares determined by multiplying the total

number of Class B Shares offered by a fraction the numerator of which shall be the number of Class B Shares owned by such Shareholder at the date of such notice and the denominator of which shall be the total number of Class B Shares outstanding as at the date of such notice. Such right shall be exercised by the Shareholder by giving notice of acceptance to the Corporation within ten (10) days after the receipt of the notice from the Corporation, which notice of acceptance shall set forth the number of Shares which such Shareholder is willing to purchase. In the event that the Shareholder does exercise such right, he shall subscribe, purchase and pay for such Shares on the purchase date set forth in the notice of the Corporation. If all the Shareholders do not subscribe for their respective proportions, the unsubscribed Shares shall be used to satisfy the subscriptions of such Shareholders for Shares in excess of their proportion and, if the subscriptions in excess are more than sufficient to exhaust such unsubscribed Shares, the unsubscribed Shares shall be divided *pro rata* among the Shareholders desiring Shares as nearly as may be in proportion to the number of Shares held by them respectively at the date of such notice, but no Shareholder shall be bound to take any such Shares in excess of the amount he so desires.

ARTICLE 9 LEGEND ON SHARE CERTIFICATES

9.1 Legend.

The certificates representing any Shares held by any Shareholder shall have typed or otherwise written thereon the following legend:

"The shares represented by this certificate are subject to the provisions of an agreement made as of the first day of June, 2000 between the Corporation of the Township of Norwich, the Corporation of the Township of Zorra, the Corporation of the Township of East Zorra-Tavistock, the Corporation of the Township of South-West Oxford, the Corporation of the Town of Ingersoll, the Corporation of the Town of Aylmer, the Corporation of the Municipality of Central Elgin and Erie Thames Power Corporation and such other persons as have or shall from time to time become bound by such agreement, as the same may be amended, supplemented and restated from time to time and notice of the terms and conditions of such agreement is hereby given. Such agreement includes restrictions on the transfer of, and the right to transfer, shares in the capital of the Corporation including the shares represented by this certificate. Such shares may not be sold, assigned, transferred, donated, mortgaged, pledged, hypothecated, charged or otherwise encumbered or dealt with except in accordance with such agreement.

A copy of such agreement, as amended, supplemented and restated from time to time may be examined at the principal place of business of the Corporation".

9.2 Corporation to Keep a Copy of the Agreement.

The Corporation shall keep a true copy of this Agreement at its principal place of business and on reasonable prior notice from any Party shall make the same available for examination by such Party during the Corporation's regular hours of business at such office.

ARTICLE 10 INDEMNIFICATION

10.1 Indemnity.

Each particular Shareholder hereby agrees to indemnify, hold harmless, reimburse and defend each and every other Shareholder (hereinafter in this section referred to as an "Indemnified Shareholder"), other than any Related Shareholder of the particular Shareholder, for, from and against any and all liability, loss, damage or expense (including, without limitation, reasonable legal fees and disbursements) and any claim thereof or therefor which

- (a) is asserted against, imposed on, or incurred or sustained by, any Indemnified Shareholder (regardless of the form or nature of such liability, damage, loss, expense or claim), and
- (b) results from, arises out of or is connected with
 - (i) the nonfulfillment or breach by any person (a "Designated Person") that is the particular Shareholder or any Related Shareholder of the particular Shareholder, of any covenant in or obligation under this Agreement, or
 - (ii) the negligence or misconduct of (x) any Designated Person or (y) any shareholder, director, officer, employee or agent of any Designated Person or (z) any Affiliate (other than the Corporation or any Subsidiary of the Corporation) of a Designated Person.

ARTICLE 11 TERMINATION

11.1 Termination.

If on any day

- (a) any particular person (any such person being referred to as a "Terminated Party") that was a Shareholder at any earlier time, does not hold any Shares, and is not pursuant to this Agreement deemed to hold any Shares; and
- (b) there is no Shareholder that is a Related Shareholder of the particular person

then (unless and in any event until the particular person again becomes a Shareholder) after the expiration of such day

- (c) no further rights or obligations of the particular person shall arise or accrue under this Agreement other than in relation to any rights or obligations respecting or relating to the payment of any amount by or to the particular person pursuant to this Agreement; and
- (d) this Agreement may be amended, terminated, replaced or superseded at any time by agreement of the parties hereto, each of whom is not a Terminated Party at that time, it being understood that the same shall not affect the rights or obligations under this Agreement of any person who is then a Terminated Party.

ARTICLE 12 CONFIDENTIALITY

12.1 Confidentiality.

Each of the Shareholders and their respective Affiliates shall keep in the strictest confidence and shall not disclose and not use, in any manner whatsoever in connection with or relating to, directly or indirectly, any business engaged in or participating in the Businesses or the operation, franchising, development or sale of products or services similar to those of the Corporation or its Subsidiaries, all non-public information pertaining to or concerning the Corporation and its Subsidiaries including, without limitation, budgets, forecasts, analyses, and financial results, costs, margins, wages and salaries, bids and other business activities, all supplier and customer lists, all non-public intellectual property including trade secrets, unfilled patents, trade-marks, technical expertise and know-how, documentation including standard terms and agreements and all other information not generally known outside the Corporation or its Subsidiaries except to persons through business dealings with the Corporation or its Subsidiaries. However, no Shareholder or

Affiliate thereof shall be obliged to keep in confidence or shall incur any liability for disclosure of information which:

- (a) ~~was already in the public domain or comes into the public domain without any breach of this agreement;~~
- (b) is required to be disclosed pursuant to applicable law or court order; or
- (c) is made to the legal representatives to such disclosing party, in which event such disclosing party shall, so far as reasonably possible, cause the recipient to comply with the terms hereof as if it were a party to this agreement.

ARTICLE 13 GENERAL PROVISIONS

13.1 Further Acts.

The parties hereto agree to do and to cause to be done all acts and things as directors and shareholders of the Corporation to effect compliance with or waiver of the restrictions on the transfer of shares contained in the Articles of Incorporation or by-laws of the Corporation to give effect to any transfer or intended transfer of Shares required or permitted to be made and recorded as a result of the application of the provisions of this Agreement in order that, notwithstanding such restrictions, the terms and conditions of this Agreement may be carried out.

13.2 Extended Application.

The parties hereto agree that the provisions of this Agreement relating to Shares of a particular class (and series, if applicable) shall apply mutatis mutandis

- (a) to any shares or securities which result, either directly or indirectly, from the conversion, changing, reclassification, redivision, redesignation, subdivision or consolidation of Shares of such class (and series, if applicable);
- (b) to any shares or securities in the capital of, or issued by, the Corporation which are received by any one or more parties hereto as a stock dividend or distribution on or in respect of Shares of such class (and series, if applicable); and
- (c) to any shares or securities in the capital of, or issued by, the Corporation or any successor or continuing body corporate to the Corporation which are received by any one or more parties hereto (x) on a reorganization, amalgamation, consolidation or merger, statutory or otherwise and (y) on or in respect of Shares of such class (and series, if applicable).

13.3 Assignment.

Subject to the restrictions to assignment contained herein, this Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and permitted assigns. Except as expressly permitted by this Agreement, the rights of any person under this Agreement shall not be assignable.

Any person (the "Assignor"), other than the Corporation, having rights under this Agreement shall be permitted to assign such rights to another person (the "Assignee") provided

- (a) (i) the Assignor transfers all Shares owned by the Assignor to the Assignee and such transfer complies with this Agreement, and
- (ii) the Assignor assigns all rights of the Assignor under this Agreement to the Assignee; and
- (b) the Assignee is bound by this Agreement.

13.4 Notices.

The provisions of this section apply to any notice, offer or other communication (any such notice, offer or communication being referred to in this section as a "Notice") contemplated or provided for in this Agreement:

- (1) Manner of Giving Notice. Any Notice required or permitted by this Agreement to be given or sent or delivered to, or received by, a person
 - (a) shall be in writing;
 - (b) shall be addressed to such person at such person's Notice Address;
 - (c) shall be given to such person
 - (i) by delivery, including delivery by courier, to such person,
 - (ii) by prepaid registered or certified mail, return receipt requested, mailed in Ontario in an envelope addressed to such person's Notice Address, or
 - (iii) by transmission by telecopier to such person at such person's Telecopier Number to the attention of such person's Telecopier Addressee; and
 - (d) shall, if being given to the Corporation, also be given to each Shareholder other than the Shareholder giving such Notice or any Related Shareholder of such Shareholder.

- (2) Notices shall be given as follow:

If to Norwich, to:

The Corporation of the Township of Norwich
P.O. Box 100
Otterville, Ontario
N0J 1R0

Attention: Town Clerk

Fax: (519) 879-6385

If to Zorra, to:

The Corporation of the Township of Zorra
P.O. Box 306
Ingersoll, Ontario
N5C 3K5

Attention: Town Clerk

Fax: (519) 485-2520

If to East Zorra-Tavistock, to:

The Corporation of the Township of East Zorra-Tavistock
P.O. Box 100
Hickson, Ontario
N0J 1L0

Attention: Town Clerk

Fax: (519) 462-2961

If to South-West Oxford, to:

The Corporation of the Township of South-West Oxford
R.R. #1
Mount Elgin, Ontario
N0J 1J0

Attention: Town Clerk

Fax: (519) 485-2932

If to Ingersoll, to:

The Corporation of the Town of Ingersoll
130 Oxford Street, 2nd Floor
Ingersoll, Ontario
N5C 3V5

Attention: Town Clerk

Fax: (519) 485-3543

If to Aylmer, to:

The Corporation of the Town of Aylmer
46 Talbot Street West
Aylmer, Ontario
N5H 1J7

Attention: Town Clerk

Fax: (519) 765-1446

If to Central Elgin, to:

The Corporation of the Municipality of Central Elgin
450 Sunset Drive
1st Floor
St. Thomas, Ontario
N5R 5V1

Attention: Town Clerk

Fax: (519) 631-4036

If to the Corporation, Servco or Wiresco, to:

130 Oxford Street, 2nd Floor
Ingersoll, Ontario
N5C 3V5

Attention: President

Fax: (519) 485-3543

- (3) Deemed Delivery. Any Notice given to a person as aforesaid
- (a) if given by delivery (other than by mail), shall be deemed to have been given, sent and delivered to, and received by, such person on the day on which it is so delivered;
 - (b) if given by mail, shall be deemed to have been given, sent and delivered to, and received by, such person on the day on which it is delivered as evidenced by a receipt, acknowledgement or other document issued by a postal authority; and
 - (c) if given by transmission by telecopier, shall be deemed to have been given, sent and delivered to, and received by, such person on the first Business Day after transmission.

13.5 Remedies Cumulative.

The rights and remedies of the Parties under this Agreement are cumulative and in addition to and not in substitution for any rights or remedies provided for in law.

13.6 Titles.

The titles to the Articles and certain other provisions hereof have been inserted for ease of reference only and shall not affect the construction or the interpretation of this Agreement.

13.7 Governing Law.

This Agreement shall be deemed to have been made in, and shall be governed by, and be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in such Province.

13.8 Counterparts.

This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument.

13.9 Entire Agreement.

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter of this Agreement. The parties hereto acknowledge that there is no representation, warranty, agreement or understanding between them which has induced any of the parties hereto to enter into this Agreement except as expressly stated herein.

13.10 Waiver.

Any Party which is entitled to any right or benefit under this Agreement may, and shall be entitled and have the right to, waive any term or condition relating to the application of this Agreement in relation to any matter or transaction provided that any such waiver shall only be effective if it is in writing signed by such Party and delivered to a Party to whom such waiver is directed. If a particular Party waives any term or condition relating to the application of this Agreement in relation to any matter or transaction as aforesaid, then in relation to the specific matter or transaction which is the subject matter of such waiver, each person that is then a Party or that subsequently becomes a Party shall be entitled to rely upon such waiver in the same manner and to the same extent as if such waiver had been directed and delivered to such person by the particular Party.

No failure on the part of any Party to exercise, and no delay by any Party in exercising, any right under this Agreement shall operate as a waiver of such right.

13.11 Time.

Time shall be of the essence in this Agreement.

Title:

In the event of any inconsistency between the by-law of the Corporation and the provisions of this Agreement, this Agreement shall prevail to the extent of such inconsistency.

13.13 Independent Advice.

EACH OF THE PARTIES HERETO ACKNOWLEDGES AND CONFIRMS THAT IT HAS BEEN ADVISED TO AND HAS HAD AN OPPORTUNITY TO RETAIN COUNSEL AND RECEIVE INDEPENDENT LEGAL ADVICE WITH RESPECT TO THIS AGREEMENT.

IN WITNESS WHEREOF this Agreement has been executed by the parties hereto.

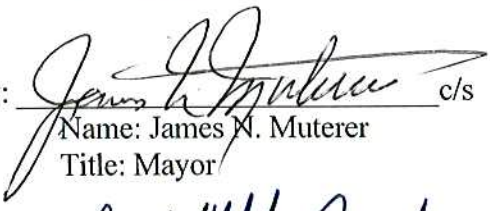
SIGNED, SEALED AND DELIVERED
in the presence of


Corporation of the Township of Norwich

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

Corporation of the Township of Zorra

By:  c/s
Name: James N. Mutterer
Title: Mayor

By:  c/s
Name: Donald W. MacLeod
Title: Clerk Administrator

By: _____ c/s
Name: _____
Title: _____

By: _____ c/s
Name: _____
Title: _____

By: A. William Walters c/s
Name: Bill Walters
Title: Mayor

By: K. Sloan c/s
Name: Ken Sloan
Title: Administrator/Clerk

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

) **Corporation of the Township of**
) **East Zorra-Tavistock**
)

) By: _____ c/s

) Name:

) Title:

) By: _____ c/s

) Name:

) Title:

) **Corporation of the Municipality of Central**
) **Elgin**
)

) By: _____ c/s

) Name:

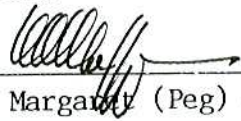
) Title:

) By: _____ c/s

) Name:

) Title:

) **Corporation of the Township of**
) **South-West Oxford**
)

) By:  c/s

) Name: Margaret (Peg) Caffyn

) Title: Mayor

) By:  c/s

) Name: Allen Forrester

) Title: Clerk-Treasurer Administrator

) **Corporation of the Town of Ingersoll**
)

) By: _____ c/s

) Name:

) Title:

) Corporation of the Township of
) East Zorra-Tavistock
)

) By: _____ c/s

) Name:

) Title:
)
)
)
)

) By: _____ c/s

) Name:

) Title:
)
)

) Corporation of the Municipality of Central
) Elgin
)

) By: _____ c/s

) Name:

) Title:
)
)
)
)

) By: _____ c/s

) Name:

) Title:
)
)

) Corporation of the Township of
) South-West Oxford
)

) By: _____ c/s

) Name:

) Title:
)
)
)
)

) By: _____ c/s

) Name:

) Title:
)
)

) Corporation of the Town of Ingersoll
)

) By: Michael J. Hennessy c/s

) Name: Michael J. Hennessy

) Title: Mayor
)
)

By: Edward A. Hunt c/s
Name: Edward A. Hunt
Title: Clerk Administrator

Corporation of the Town of Aylmer

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

Erie Thames Power Corporation

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

Erie Thames Powerlines Corporation

By: _____ c/s
Name:
Title:

By: _____ c/s
Name:
Title:

Erie Thames Services Corporation

By: _____ c/s
Name:
Title:

) By: _____ c/s

) Name:

) Title:

) **Corporation of the Town of Aylmer**

) By: Robert P. Habkirk c/s

) Name: Robert Habkirk

) Title: Mayor

) By: Phyllis Ketchabaw c/s

) Name: Phyllis Ketchabaw

) Title: Clerk

) **Erie Thames Power Corporation**

) By: _____ c/s

) Name:

) Title:

) By: _____ c/s

) Name:

) Title:

) **Erie Thames Powerlines Corporation**

) By: _____ c/s

) Name:

) Title:

) By: _____ c/s

) Name:

) Title:

) **Erie Thames Services Corporation**

) By: _____ c/s

) Name:

) Title:

) By: _____ c/s
) Name:
) Title:

) **Corporation of the Town of Aylmer**

) By: _____ c/s
) Name:
) Title:

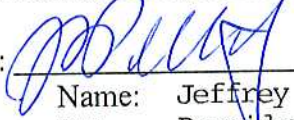
) By: _____ c/s
) Name:
) Title:

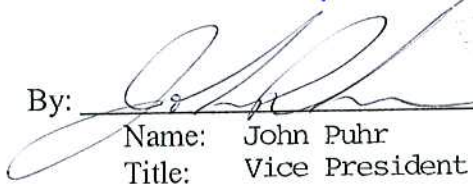
) **Erie Thames Power Corporation**

) By:  _____ c/s
) Name: Jeffrey S. Pettit
) Title: President

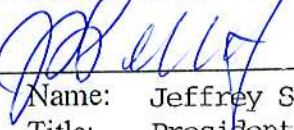
) By:  _____ c/s
) Name: Scott Garton
) Title: Vice President, Operations

) **Erie Thames Powerlines Corporation**

) By:  _____ c/s
) Name: Jeffrey S. Pettit
) Title: President

) By:  _____ c/s
) Name: John Puhr
) Title: Vice President & General Manager

) **Erie Thames Services Corporation**

) By:  _____ c/s
) Name: Jeffrey S. Pettit
) Title: President

- 37 -

) By: Scott Garton c/s
) Name: Scott Garton
) Title: Vice President, Operations

SCHEDULE 1.1(c)
ACCESSION AGREEMENT

THIS AGREEMENT made •

BY: •

(hereinafter referred to as the "Transferee")

TO AND IN THE FAVOUR OF AND FOR THE BENEFIT OF:

Each person that is now or hereafter becomes bound by the Shareholders Agreement (as hereinafter defined)

WHEREAS • (the "Corporation") and certain shareholders of the Corporation are parties to the Shareholders Agreement;

AND WHEREAS it is proposed that certain transfers of securities or other actions affecting securities be made or taken and that following the completion thereof the Transferee will, either directly or indirectly, have an interest in shares in the capital of the Corporation;

AND WHEREAS the Shareholders Agreement includes provisions which restrict the right to transfer shares in the capital of the Corporation and provisions that may be applicable in relation to certain transactions which involve an indirect transfer of an interest in shares in the capital of the Corporation or a direct or indirect change in the ownership or control of securities issued by a shareholder of the Corporation;

AND WHEREAS the Transferee desires to become a party to the Shareholders Agreement and to become bound by the terms (including, without limitation, all applicable obligations and restrictions) of the Shareholders Agreement to each party that is now or hereafter becomes bound by the Shareholders Agreement;

AND WHEREAS in order for the Transferee to become bound by the Shareholders Agreement as aforesaid, the Transferee has executed and delivered this agreement;

NOW THEREFORE for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the Transferee and in consideration of rights and benefits to which the Transferee may become entitled under the Shareholders Agreement, the Transferee hereby covenants and agrees as follows:

1. Definitions.

In this agreement, unless there is something in the subject matter or context inconsistent therewith,

- (a) "person" means and includes any individual, corporation, body corporate, partnership, firm, joint venture, syndicate, association, trust, trustee, government, governmental agency or board or commission or authority or other form of entity or organization; and
- (b) "Shareholders Agreement" means the agreement which
 - (i) is dated the first day of August, 2000,
 - (ii) is binding on two or more shareholders of the Corporation and includes provisions which restrict the rights of those shareholders to transfer shares in the capital of the Corporation, and
 - (iii) shows at the beginning thereof that it is between persons that include the following as the only parties that are specified by their name, namely, **[FIRST SHAREHOLDER CORPORATION]**, **[SECOND SHAREHOLDER CORPORATION]** and **[SUBJECT CORPORATION]**,

and includes any and every agreement which shall have been made prior to the date hereof which amends or supplements or restates any agreement which is, or is included in, the Shareholders Agreement.

2. Covenant to be Bound by the Shareholder Agreement.

The Transferee covenants and agrees to be bound by the terms of the Shareholders Agreement including, without limitation, all applicable obligations and restrictions, and

- (a) to be so bound to each party that is now bound by the Shareholders Agreement, and
- (b) effective at the time hereafter at which any other party becomes bound by the Shareholders Agreement, to be so bound to such other party.

3. Notices.

Subject to the rights provided for in the Shareholders Agreement to establish or change the same, for purposes of the Shareholders Agreement, the Transferee hereby designates the following as the Notice Address and Telecopier Number of the Transferee: •,

4. Receipt of Shareholders Agreement.

The Transferee acknowledges that the Transferee has received a copy of the Shareholders Agreement and has had an opportunity to review the same and obtain such legal advice with respect thereto as the Transferee considers necessary or desirable.

5. Governing Law.

This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF the Transferee has duly executed this agreement as of the date first above written.

- *[Name of Transferee]*
- (seal)
-

SCHEDULE 6.8(a)

DETERMINATION OF FAIR MARKET VALUE

- (a) For purposes of this Agreement, "Fair Market Value" means the price per Class B Share, determined by an independent qualified business valuator (a "Valuator") pursuant to this schedule as of the relevant date, that would be received upon a sale of all of the issued and outstanding Class B Shares in a single transaction determined in an open and unrestricted market between prudent parties, acting at arm's length and under no compulsion to act, and having reasonable knowledge of all relevant facts concerning the Corporation. In determining the Fair Market Value of the Class B Shares, such Valuator shall be considered as an expert and shall not be construed as acting as an arbitrator within the meaning of the *Arbitration Act*, 1991 (Ontario).
- (b) Such determination of the Fair Market Value of the Class B Shares shall be made as if the Corporation were a "going concern" (except to the extent that market, financial, economic, business or other conditions shall dictate different criteria in the reasonable judgment of the Valuator) without any discount for a minority interest or any premium for control. The value of the Class B Shares shall not be diminished because of the fact that the Shares are not publicly traded or the fact that the Insolvent Shareholder owns a minority interest in the Corporation.
- (c) Within ten (10) days of the receipt of a notice under subsection 6.8(a), the Solvent Shareholders and the Insolvent Shareholder shall jointly appoint a Valuator. If the Shareholders are unable to jointly appoint a Valuator within the specified period, the Insolvent Shareholder, on the one hand, and the Solvent Shareholders jointly, on the other, shall within ten (10) days of the expiry of such period each appoint a Valuator (the "Designated Valuators") and the two Designated Valuators so appointed shall, within ten (10) days of their appointment, jointly appoint a Valuator.
- (d) The Shareholders shall instruct the Valuator to prepare and deliver to the Shareholders, as soon as practicable and in any event within a period of thirty (30) days of its appointment, a report setting forth the Valuator's estimate as to the Fair Market Value of the Class B Shares of the Insolvent Shareholder immediately prior to the Insolvency Event and the basis upon which such estimate has been calculated (the "Valuator's Report").
- (e) The Valuator shall prepare the Valuator's Report having regard to the factors identified in clauses (a) and (b). The Valuator may also have regard to any representations that any Shareholder may wish to make. The Valuator's Report shall be conclusive and binding. The Fair Market Value so determined shall become the Fair Market Value of the Class B Shares for purposes of the transactions contemplated in section 6.8.

- (f) The costs and expenses of the Designated Valuers incurred in connection with the appointment of the Valuator and/or the Valuator in connection with the preparation of the Valuator's Report shall be paid by the Corporation.
 - (g) Capitalized terms used in this schedule and not defined shall have the meanings ascribed thereto in Article 6 of this Agreement.
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