

**AMENDED AND RESTATED UNANIMOUS SHAREHOLDERS' AGREEMENT**

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**AMENDED AND RESTATED  
UNANIMOUS SHAREHOLDERS' AGREEMENT**

**THIS AMENDED AND RESTATED UNANIMOUS SHAREHOLDERS' AGREEMENT (the  
“Agreement”)** is made this ● day of ● 2024

**BETWEEN:**

**RIDEAU ST. LAWRENCE HOLDINGS INC.**, a company incorporated under the laws  
of the Province of Ontario

(hereinafter referred to as the "Corporation")

**AND:**

**THE CORPORATION OF THE TOWN OF PRESCOTT**  
(formerly known as the Separated Town of Prescott)  
(hereinafter referred to as "Prescott ")

**AND:**

**THE CORPORATION OF THE MUNICIPALITY OF SOUTH DUNDAS**  
(formerly known as The Corporation of the Township of South Dundas)  
(hereinafter referred to as "South Dundas ")

**AND:**

**THE CORPORATION OF THE TOWNSHIP OF EDWARDSBURGH/CARDINAL**  
(formerly known as The Village of Cardinal)  
(hereinafter referred to as "Edwardsburgh/ Cardinal ")

**AND:**

**THE CORPORATION OF THE VILLAGE OF WESTPORT**  
(hereinafter referred to as "Westport ")

**AND:**

**FORTISONTARIO INC.** a company amalgamated under the laws of the Province of Ontario  
(formerly known as Canadian Niagara Power Company Limited)  
(hereinafter referred to as " FortisOntario ")

**WHEREAS:**

- A. The Corporation holds all of the issued and outstanding shares in the capital of three subsidiary companies (collectively, the "Subsidiaries"), namely
- Rideau St. Lawrence Distribution Inc. (hereinafter called "Distribution")
  - Rideau St. Lawrence Utilities Inc. (hereinafter called "Utilities")
  - Rideau St. Lawrence Services Inc. (hereinafter called "Services")
- B. The parties wish to enter this Agreement to define the management and operation of the Corporation, Distribution, Utilities, and Services, the rights and responsibilities of the Shareholders in regard to the Corporation, and the rights and obligations of the parties with respect to each other;

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

## **1. INTERPRETATION**

**1.1. Recitals Correct.** The parties hereto confirm the validity and truth of the above noted recitals, which have the same force and effect as if repeated herein at length.

**1.2. Definitions.** In this Agreement and in any amendment hereto, unless otherwise expressly stated to the contrary, the following words and phrases shall be conclusively considered to have the following meaning:

1.2.1. "**Act**" means the *Business Corporations Act*, R.S.O. 1990, c. B.16, and any statute that may be substituted therefor, as from time to time amended, and the regulations thereto and any regulations that may be substituted therefor, as from time to time amended;

1.2.2. "**arm's length**" shall have the same meaning as that term is given in the *Income Tax Act* (Canada);

1.2.3. "**Articles of the Corporation**" means the Certificate of Incorporation of the Corporation issued under the Act and any subsequent amendments thereto;

1.2.4. "**Board of Directors**" means the board of directors of the Corporation from time to time;

1.2.5. "**Business Day**" means any day other than a Saturday, Sunday or a day which is a statutory holiday in the Province of Ontario;

1.2.6. "**Business of the Corporation**" means the businesses carried on by the Corporation and the Subsidiaries from time to time;

- 1.2.7. "**Business Plan**" means the business plan, which shall include an annual budget, of the Corporation and the Subsidiaries approved by the Directors as provided herein;
- 1.2.8. "**By-Laws**" means the by-laws of the Corporation in effect on the date of execution of the within Agreement and any subsequent additions or amendments thereto;
- 1.2.9. "**Common Shares**" means the Class A shares of the Corporation;
- 1.2.10. "**Director**" means each person elected or appointed by the Shareholders from time to time pursuant to section 2.2.
- 1.2.11. "**Directors**" means every Director;
- 1.2.12. "**Dividend Policy**" means the manner of declaring, determining the amount of and paying dividends as prescribed by Subsection 5.1.2 of this Agreement;
- 1.2.13. "**Person**" means any individual, company, corporation, partnership, firm, trust, sole proprietorship, government or governmental agency, authority or entity howsoever designated or constituted;
- 1.2.14. "**Preference Shares**" means the Class B, C, D, E, and F shares of the Corporation;
- 1.2.15. "**Prime Bank Rate**" means the commercial lending rate of interest which the Corporation's principal bankers quote as the reference rate of interest (commonly known as the "prime rate") for the purpose of determining the rate of interest that it charges to its best commercial customers for loans in Canadian funds;
- 1.2.16. "**Shareholder**" means at any time a person that is (a) a party to this Agreement that is bound by this Agreement at the time and holds one or more Shares at the time or (b) 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;
- 1.2.17. "**Shareholders**" means every Shareholder
- 1.2.18. "**Shares**" means the Common Shares, Preference Shares, and any other shares of the Corporation which may be authorized pursuant to the Articles of the Corporation.
- 1.3. **Extended Meanings.** In this Agreement, all words and personal pronouns relating thereto whether expressed in the singular or plural or in the masculine, feminine or neuter gender, shall be read and construed as referring to the number and gender of the party or parties referred to in each case as may be required and all verbs shall be construed as agreeing with the required words and pronouns.
- 1.4. **Headings.** The division of this Agreement into paragraphs, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

- 1.5. **Calculation of Time.** When calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next Business Day.
- 1.6. **References to Legalization.** Any references herein to any law, by-law, rule, regulations, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.
- 1.7. **Entire Agreement.** This Agreement represents the entire understanding of the parties and no modifications thereof, nor additions thereto, will be binding unless in writing, having direct reference to this Agreement and executed by all parties.
- 1.8. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in force in the Province of Ontario and shall be treated in all respects as an Ontario contract.
- 1.9. **Amendment and Restatement.** This Agreement amends and restates the unanimous shareholders' agreement dated October 31, 2000 in respect of the Corporation (the "Original USA") in its entirety as of the date hereof. All of the rights, liabilities and obligations of the parties under the Original USA arising on or prior to the date hereof continue in full force and effect, as amended and restated in accordance with the terms hereof.

## 2. **WARRANTIES AND COVENANTS**

- 2.1. **Calculation of Shares and Warranties of the Shareholders.** Each Shareholder warrants as follows:
  - 2.1.1. The Shareholders of the Corporation, as of the date of this Agreement, are Prescott, South Dundas, Edwardsburgh/Cardinal, Westport and FortisOntario. All Shareholders hold Common Shares of the Corporation.
  - 2.1.2. FortisOntario owns, or shall own, Common Shares equal to but not greater than 10% of the capital of the Corporation.
  - 2.1.3. Prescott, South Dundas, Edwardsburgh/Cardinal and Westport own, or shall own, in aggregate, the balance of the Common Shares of the Corporation, being not less than ninety per cent (90%) of the Common Shares of the capital of the Corporation.
  - 2.1.4. The Common Shares issued to the Shareholders are, or once issued, shall be, free and clear of all claims, liens and encumbrances whatsoever and no Person, has any agreement or option or right capable of becoming an agreement for the purchase of any such Shares other than pursuant to this Agreement;
  - 2.1.5. Such Shareholder has not entered into with any Person, or granted to any Person any

agreement or option or right capable of becoming an agreement for the purchase, subscription or issuance of any of the unissued Shares of the Corporation.

2.2. **Covenants of the Shareholders.** Each Shareholder acknowledges and agrees that:

2.2.1. The policies and control of the affairs of the Corporation shall be determined by a Board of Directors consisting of five (5) individuals, representing the Shareholders. The Directors of the Corporation shall from time to time appoint the Officers of the Corporation. It is agreed that each of the Shareholders shall designate one (1) individual as its designated representative, respectively, on the Board of Directors. Subject to the provisions of this Agreement, the Board of Directors shall be responsible for the oversight of, and shall monitor, the business and affairs of the Corporation, the day-to-day management of which shall be conducted by management of the Corporation.

2.2.2. The Shareholders covenant and agree that, for so long as they are shareholders of the Corporation, they shall vote their shares so as to elect the designated representative(s) of the Shareholders as Directors of the Corporation.

2.3. **Warranties of the Corporation.** The Corporation warrants that:

2.3.1. The authorized share capital of the Corporation is as follows:

An unlimited number of Class A common shares

An unlimited number of Class B preference shares

An unlimited number of Class C preference shares

An unlimited number of Class D preference shares

An unlimited number of Class E preference shares

An unlimited number of Class F preference shares

2.3.2. No person, firm or corporation has any agreement or option or right capable of becoming an agreement for the purchase, subscription or issuance of any of the unissued Shares.

### **3. OPERATION OF THE CORPORATION AND THE SUBSIDIARIES GENERALLY**

3.1. **The Business.** The parties acknowledge that the businesses which they intend for the Corporation and the Subsidiaries to carry on shall be described in Schedule B attached hereto.

3.2. **General Operation.** The parties hereto hereby agree to cause such meetings of the Corporation to be held, resolutions passed, By-laws enacted, agreements and other documents signed and things performed or done as may be required to provide for the following arrangements in connection with the operation and control of the Corporation:

3.2.1. **Board of Directors:** The affairs of the Corporation shall be managed by a Board of Directors which shall consist of five (5) individuals and which may consist of such other

persons or persons, if any, as the Shareholders may unanimously agree upon. Meetings of the Board of Directors may be called by any Director and shall be held at the head office of the Corporation or any other location as agreed upon by a quorum of Directors. Proxies shall not be used at any Board of Directors meeting.

- 3.2.2. **Quorum for a Board Meeting:** A quorum for a meeting of the Board of Directors shall be a majority of the Directors.
- 3.2.3. **Quorum for a Shareholders Meeting:** A quorum for a meeting of the Shareholders shall be a majority of the Shareholders.
- 3.2.4. **Location of Shareholders Meetings:** Meetings of Shareholders may be called by any of the Directors. Meetings of Shareholders may be held at the head office of the Corporation, or any other location as agreed upon by a quorum of Shareholders. Minutes of said meetings shall be prepared by the Corporation and the minute book(s) of the Corporation shall be kept at either the Corporation's head office or the offices of the Corporation's solicitors.
- 3.2.5. **Approval of decisions by the Board:** Each Director is authorized to exercise one (1) vote. At all meetings of the Board, every question will be decided by a majority of the votes cast on the question. Subject to the Act and this agreement, except where a ballot is demanded, voting on any question proposed for consideration at a meeting of the Board will be determined on a show of hands.
- 3.2.6. **Execution of Contracts:** All contracts and documents binding the Corporation shall require the signatures of those individuals determined by the Board of Directors from time to time.
- 3.2.7. **Approval of Share Transfer:** The Board of Directors and the Shareholders shall sanction, approve, consent to and otherwise facilitate any transfer of Shares in the capital stock of the Corporation made in compliance with, or which is required to be made by, any provision of this Agreement.
- 3.2.8. **Issue or Transfer of Shares:** Every issue or transfer of Shares will be subject to the condition that the subscriber therefor shall, if not a party, agree to be bound by the terms of this Agreement and become a party in accordance with this Agreement.
- 3.2.9. **Share Certificates:** The Board of Directors shall cause all share certificates representing Shares in the capital stock of the Corporation which at any time are issued and outstanding to bear the following legend or words similar in effect thereon:

**“The share(s) represented by this certificate are subject to the terms and conditions of a unanimous shareholders agreement, and are not transferable except in compliance with the terms and conditions of said Agreement, a copy of which is on file at the registered office of the Corporation.”**

- 3.3. **Books and Records.** Proper books of account shall be kept on behalf of the Corporation

at its premises and entries shall be made therein of all matters, terms, transactions and things as are usually written and entered into books of account in accordance with the required accounting standard as set by the Canadian Accounting governing body at that time. Any Shareholder may, at any time during usual business hours and without causing unreasonable disruption to the Corporation, cause such Shareholder's employees, agents, professional advisors or authorized representatives to review any of the books and records of the Corporation.

- 3.4. **Auditor.** The Shareholders shall appoint the auditor for the Corporation annually at a meeting of the Shareholders in accordance with section 4.1 and such auditors shall, at the fiscal year end of the Corporation prepare financial statements of the Corporation and for such purposes, they shall have access to all books of account, records and all vouchers, cheques, papers and documents of or which may relate to the Corporation, including those of the Shareholders to the extent to which such books, records, vouchers, cheques, papers and documents relate to the Corporation.
- 3.5. **Waiver of Audit.** The requirement for an audit of the Corporation for any financial year may only be waived by way of resolution of all of the Shareholders.
- 3.6. **Dividends.** Any payment of dividends by the Corporation shall be declared and paid to the Shareholders in compliance with the Dividend Policy.
- 3.7. **Financial Year End.** The financial year end of the Corporation shall be such date as may be recommended from time to time, by the auditors of the Corporation and approved by the Shareholders in accordance with section 4.1. The parties hereto acknowledge that at present, the financial year end is December 31st.

**Business Plan.** For the current financial year of the Corporation and for each and every subsequent financial year of the Corporation, the Directors, acting reasonably and in good faith and in the best interests of the Corporation, shall cause to be prepared and approved in accordance with section 4.2 a Business Plan showing, among other things, in a reasonable degree of detail the anticipated revenues, expenditures and cash flow of the Corporation and the Subsidiaries for such financial year of the Corporation. The Business Plan for any particular financial year of the Corporation shall be prepared and delivered to each Shareholder: (i) in the case of the current financial year, no more than 30 days after the date of this Agreement, and (ii) in the case of any other financial year, at least 60 days prior to the beginning of such financial year.

In the management and operation of the business, each Shareholder shall, and shall cause its designated representatives to, endeavour to the extent it is reasonable to do so to cause the Corporation and the Subsidiaries to adhere to the final Business Plan (as approved by the Directors) for a financial year and not exceed expenditures provided for therein except as permitted or approved pursuant to section 4.2.

#### **4. MATTERS REQUIRING SPECIAL APPROVAL**

- 4.1. Without the prior written consent of Shareholders holding, in the aggregate, not less than 80% of the total number of issued Common Shares:



- 4.1.1. the Corporation shall not enter into an undertaking inconsistent with the operations of the Corporation contemplated in Schedule B;
  - 4.1.2. no proceedings for the winding-up or dissolution of the Corporation shall be taken or instituted;
  - 4.1.3. the Articles of Incorporation of the Corporation shall not be amended;
  - 4.1.4. the Corporation shall not amalgamate with another corporation or other corporations;
  - 4.1.5. the Corporation shall not be continued under the laws of another jurisdiction;
  - 4.1.6. no subsidiaries (other than the Subsidiaries) shall be created by the Corporation and the Corporation shall not acquire any shares or securities of any other corporation. Notwithstanding the above, the Corporation may, with approval of the Board of Directors, without requiring the prior written consent of the Shareholders as provided above, acquire shares, securities or interest in another business provided such acquisition is for a business which produces products or services that are related to, support or contribute to the activities which falls within the permitted business activities described in Schedule B; and; the cost of acquisition is an amount which is less than fifteen percent (15%) of the owners' total equity (as specified in the Corporation's audited consolidated financial statements from the previous fiscal year);
  - 4.1.7. no Shares shall be purchased by the Corporation except as may be provided for herein and no Shares shall be redeemed 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;
  - 4.1.8. there shall be no change to the end of a financial year or taxation year of the Corporation;
  - 4.1.9. there shall be no change of 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;
  - 4.1.10. the auditors of the Corporation shall not be appointed, removed or replaced except in accordance with Section 3.4 of this Agreement; and
  - 4.1.11. no property of the Corporation or any Subsidiary shall be sold, leased, exchanged or otherwise disposed of other than in the ordinary course of the Business of the Corporation or as provided in the Business Plan for the applicable fiscal year.
- 4.2. Without the approval of Directors representing Shareholders holding, in aggregate, not less than 80% of the total number of issued Common Shares:
- 4.2.1. no money shall be borrowed on the credit of the Corporation or any Subsidiary other than under a line of credit with the Corporation's bank which has been established with the approval of the Board of Directors if the debt incurred would exceed by more than twenty-five percent (25%) the debt provided for in the Business Plan for the applicable fiscal year;

- 4.2.2. no debt obligations of the Corporation or any Subsidiary shall be issued, sold or pledged, 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 provided for in the Business Plan for the applicable fiscal year or approved pursuant to subparagraph 4.2.1;
- 4.2.3. no currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation or any Subsidiary, including book debts, rights, powers, franchises and undertaking, shall be charged, mortgaged, hypothecated, pledged or encumbered to secure any debt obligations or any money borrowed, or other debt or liability of the Corporation or any Subsidiary if the debt incurred would exceed by more than twenty-five percent (25%) the debt provided for in the Business Plan for the applicable fiscal year;
- 4.2.4. no property of the Corporation or any Subsidiary shall be sold, leased, exchanged or otherwise disposed of other than in the ordinary course of the Business of the Corporation or as provided in the Business Plan for the applicable fiscal year;
- 4.2.5. no agreements shall be made with any of the Shareholders not in the ordinary course of business;
- 4.2.6. no Business Plan shall be adopted or substantially amended;
- 4.2.7. the Corporation and the Subsidiaries shall not acquire all or substantially all of the assets of any other corporation or business entity or enter into any amalgamation, merger, partnership or joint venture, or other combination with any other corporation or business entity not in the ordinary course of Business of the Corporation;
- 4.2.8. the Corporation and the Subsidiaries shall not at any time incur, or enter into any commitment to make, any capital expenditure in any financial year of the Corporation or incur, or enter into commitments to make, capital expenditures if the expenditure exceeds by more than twenty-five percent (25%) the capital expenditure amount provided for in the Business Plan; and
- 4.2.9. the Corporation and the Subsidiaries shall not advance or loan money to any person who is an officer, director or employee of the Corporation or any Subsidiary.

## **5. CAPITAL REQUIREMENTS AND DIVIDEND POLICY**

### **5.1. It is agreed that:**

- 5.1.1. If at any time hereafter and from time to time capital or further capital is required for carrying on the Business of the Corporation, such capital shall be advanced by the Shareholders in proportion to their respective shareholdings of Common Shares. All Shareholder loans to the Corporation shall bear interest at the Prime Bank Rate, from time to time, per annum plus 2%, and shall be secured on the assets of the company. Repayment of Shareholder loans may only be demanded by a Shareholder upon giving sixty (60) days' written notice to the Corporation and may only be repaid if approved by the Board of Directors. All Shareholder loans may be repaid in whole or in part from

time to time on a pro rata basis in the discretion of the Board of Directors, whether or not repayment has been demanded. If a Shareholder (a “Defaulting Shareholder”) fails to advance its portion of the capital required, the other Shareholders (the “Non-Defaulting Shareholders”) may agree that one or more of them shall provide all or part of the short fall in accordance with subsection 5.1.3;

5.1.2. Unless otherwise agreed by the Shareholders in writing, the Board shall declare and the Corporation shall pay, subject to applicable law and subject to any restrictions imposed upon the payment of dividends by lenders or other third parties, on or about the last day of the third month following the annual general meeting, if at such time the Corporation has net income arising from the immediately preceding fiscal year and has retained earnings as at the end of such fiscal year, as shown on the financial statements of the Corporation for such fiscal year, out of the monies of the Corporation available for payment of dividends, cash dividends on the Common Shares equal in the aggregate to the consolidated after-tax net profit of the Corporation for such preceding fiscal year, less any reasonable reserves determined by the Board to be required for working capital or required to meet any obligations of the Corporation; and

5.1.3. If, with the consent of the Non-Defaulting Shareholders, any Shareholder advances more than its proportion of the Corporation capital requirements as provided for in paragraph 5.1.1, such Shareholder shall be deemed to have made such an advance on behalf of each Defaulting Shareholder and shall be entitled to repayment from the Defaulting Shareholder, on demand, of its proportionate share of the excess advances, together with interest at the Prime Bank Rate plus 4%, secured by a security interest in the shares of the Defaulting Shareholder. Should the Shareholders agree, the excess advance may alternatively be provided in the form of either additional equity in the Corporation or as additional debt owed by the Corporation, on such terms as the Non-Defaulting Shareholders may determine.

## **6. SUBSIDIARIES**

6.1. The Shareholders agree that it shall cause the Corporation to enter into Unanimous Shareholder Declarations with the Subsidiaries, to ensure continuing compliance with the provisions of this Agreement as it applies to the Subsidiaries. In addition to any Unanimous Shareholder Declarations, specific governance requirements for Distribution are detailed in Schedule A, attached hereto.

## **7. TRANSFER OR DISPOSAL OF SHARES**

7.1. Each Shareholder agrees that, except as expressly provided herein, it will not sell, transfer, assign, mortgage, pledge or otherwise dispose of or cease to be the holder of any Shares in the capital stock of the Corporation except with the unanimous consent in writing of all Shareholders of the Corporation, or as provided hereunder. The Corporation agrees that no other Shares of the Corporation shall be issued without the express written consent of all Shareholders.

7.2. The provisions of this Agreement shall apply mutatis mutandis to any shares into which the

Common Shares of the Corporation or any other class of shares to be issued may hereafter be converted or changed or to any shares resulting from a reclassification, subdivision or consolidation of any such shares and also to any shares of the Corporation which are received by the Shareholders as a stock dividend and to any shares or other securities of the Corporation or of a successor company thereof respectively which may be received by the Shareholders of such shares on an amalgamation, reorganization or reconstruction of the Corporation.

## **8. RIGHT OF FIRST REFUSAL**

8.1. Subject to the provisions of sections 8.3 and 9, if any Shareholder (hereinafter in this section 8.1 called the "Offeror") desires to sell all but not less than all of the Common Shares owned by it, the Offeror shall give notice (hereinafter in this section 8.1 called the "Selling Notice") to the other Shareholders (hereinafter in this section 8.1 called collectively the "Offerees" and) of its intention to do so. Such Selling Notice shall set forth the number and class of the Common Shares (hereinafter in this section 8.1 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 section 9 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 8.1 shall govern such purchase and sale:

8.1.1. 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;

8.1.2. 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;

8.1.3. 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 Common 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;

8.1.4. 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 favorable 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;

8.1.5. 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 it 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 indirect supplementary consideration (whether or not in the nature of a tangible or intangible asset, 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;

8.1.6. 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.

8.2. **Piggyback Rights.** Where, after compliance with the provisions of section 8.1, any group of Shareholders desires and is entitled to sell all but not less than all of the Common Shares held by them to a third party and such group holds more than fifty percent (50%) of the Common Shares, then such sale, notwithstanding the provisions of section 8.1, shall be permitted only if such third party makes an offer in writing to all other Shareholders holding Common Shares to purchase such Common Shares held by such Shareholders at the same price and upon the same terms and conditions, which written offer shall be irrevocable for forty-five (45) days following the day on which the rights of all such Shareholders under section 8.1 have been waived or expired.

8.3. If (i) an offer is made by a third party to purchase all outstanding Common Shares held by Shareholders holding more than eighty percent (80%) of the outstanding Common 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 Common 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 Common Shares.

8.4. **Put Right.** If the Directors have decided in accordance with section 4.2 that the Shareholders shall make advances to the Corporation pursuant to section 5.1, any

Shareholder whose representative on the Board of Directors voted against such proposed advances may sell all but not less than all of the Common Shares held by it by giving a notice (the "Put Notice") to the other Shareholders stating that it will sell all of such Common Shares pursuant to this section 8.4, whereupon the other Shareholders shall purchase (*pro rata* in accordance with section 8.1.3, unless otherwise agreed between them), or cause the Corporation to purchase, in the sole discretion of the other Shareholders, all of such Common Shares for a cash purchase price equal to the fair market value of such Common Shares determined in accordance with section 10.4 as at the date of the Put Notice. Any transaction of purchase and sale pursuant to this section 8.4 shall be completed in accordance with the provisions of Article 9.

## **9. GENERAL SALE PROVISIONS**

- 9.1. **Sale Provisions.** Each Shareholder who hereafter sells any Shares pursuant to the provisions of this Agreement (such Shareholder being herein sometimes in this section 9 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.
- 9.2. **Closing.** Each purchase and sale of Shares between Shareholders pursuant to this Agreement shall, unless otherwise expressly provided herein or otherwise agreed between the Seller and the Buyer, be closed at the offices of the solicitors of the Corporation at 10:00 a.m. on the fifteenth (15<sup>th</sup>) day after the date of the last notice given (or deemed to be given) by the Buyer or Seller, as the case may be, pursuant to the applicable sections of this Agreement.
- 9.3. **Conditions and Closing.** At the time of closing of any purchase of Shares of the Corporation as set forth in section 9.2, the Seller shall table:
- 9.3.1. a certificate or certificates representing the Shares being sold by the Seller, duly endorsed by the Seller in blank for transfer and transfers of any Shares being sold in such form as the Buyer may reasonably require;
  - 9.3.2. in the case of a sale of Shares by a person which is not a natural person, such authorizing resolutions, orders or other instruments as the solicitors for the Buyer shall reasonably consider necessary to effect and evidence a valid sale and transfer of such Shares; and
  - 9.3.3. evidence of the consent of the Shareholders and/or the Directors to the purchase of Shares in question if such consent is required by this Agreement and/or the Articles of the Corporation;

and each Buyer shall pay for such Shares by bank draft, certified cheque, wire transfer, or other means of immediately available funds. 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.

- 9.4. 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 it 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 it 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.
- 9.5. 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 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.
- 9.6. Agreement, Binding on Transferees.** No Shares of the Corporation shall be effectively issued, sold, assigned, transferred, disposed of or conveyed 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 agreeing to be bound by this Agreement and any further agreement with respect to the Corporation to which the Shareholders are then, or are then required to be, parties, and unless the proposed transferee or Buyer, on becoming a party to this Agreement, would be in compliance with the provisions of this Agreement. Upon the proposed transferee or Buyer so doing, such agreements shall enure to the benefit of and be binding upon it as if it had executed and delivered, this Agreement and such other agreements.
- 9.7. Continuing Obligations.** Any Shareholder who sells to a person 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 9.6 except for any obligations under this Agreement which expressly or impliedly are to survive any such sale.

## **10. INSOLVENCY OF SHAREHOLDER**

- 10.1 If any Shareholder of the Corporation shall become insolvent or bankrupt, the other Shareholders ("Solvent Shareholders") shall have the right and option to purchase all of the

Shares in the capital of the Corporation held by such Shareholder ("Insolvent Shareholder"), in accordance with their proportionate shareholdings, at and for the fair market value of each such Share as at the date immediately preceding such insolvency or bankruptcy. Such option must be exercised by notice in writing to the Insolvent Shareholder (with a copy to the Corporation), within the one hundred and twenty (120) day period following the day upon which the Shareholders first became aware of the insolvency, or bankruptcy, as the case may be.

- 10.2 The purchase price shall be paid in equal semi-annual payments without interest over a period of 60 months with the first payment to be made on the first day of the month following the exercise of the option. Such amount may be prepaid in whole or in part at any time without notice.
- 10.3 Subject to the provisions of the Act, if within the period of one hundred and twenty (120) days set out in section 10.1 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 Common Shares owned by the Insolvent Shareholder, then the Corporation shall have the right to redeem and repurchase such portion of the Common Shares as shall not be the subject of a purchase and sale transaction with the Solvent Shareholder(s), effective immediately prior to the insolvency event, for a cash price equal to the fair market value of the Common Shares as at the date immediately preceding the insolvency or bankruptcy of the Insolvent Shareholder.
- 10.4 For the purpose of this Section 10, the fair market value of the Shares of an Insolvent Shareholder at the relevant time shall be determined by a certified business valuator as appointed by the Board of Directors, the costs of which shall be borne by the Corporation. In the event the Board of Directors shall not have appointed a certified business valuator within thirty (30) days of the Shareholders first becoming aware of the insolvency or bankruptcy, as the case may be, then the certified business valuator shall be chosen by the auditor of the Corporation. The determination of such fair market value by such certified business valuator shall be conclusive and binding on the parties for the purposes of this section 10.
- 10.5 Any transaction of purchase and sale pursuant to this section 10 shall be completed in accordance with the provisions of Article 9 hereof but with effect and deemed completion as of the time immediately prior to the occurrence of an insolvency event.

## **11. SHAREHOLDER INDEMNITY**

- 11.1. Each Shareholder (an "Indemnifying Party") hereby agrees to indemnify, hold harmless, reimburse and defend the Corporation and the Subsidiaries and each and every other Shareholder (hereinafter in this section referred to as an "Indemnified Party") 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 is asserted against, imposed on, or incurred or sustained by, any Indemnified Party (regardless of the form or nature of such liability, damage, loss, expense or claim) and either:

- 11.1.1. results from, arises out of or is connected with;



- i. the nonfulfillment or breach by the Indemnifying Party of any covenant in or obligation under this Agreement; or
- ii. the negligence or misconduct of (x) the Indemnifying Party or (y) any shareholder, director, officer, employee or agent of the Indemnifying Party or (z) any affiliate (other than the Corporation or any Subsidiary) of the Indemnifying Party; or

11.1.2 arose in respect of or was incurred by the Indemnifying Party or any electricity commission or public utility commission or corporation under section 142 of the *Electricity Act, 1998* associated with such Indemnifying Party, except as expressly provided in any transfer by-laws in respect of the transfer of assets to the Corporation and its Subsidiaries ("Transfer By-Laws") passed by the Indemnifying Party.

11.2. Except as provided in any Transfer By-Laws, none of the Corporation or its Subsidiaries assumes or will be liable for any obligations or liabilities of the Shareholders or any electricity commission or public utility commission or corporation under section 142 of the *Electricity Act, 1998* associated with any of them.

## **12. NOTICES**

**Notices.** Any notices required to be given herein will be given to the parties in writing at the addresses provided below, or to such other address as the parties may hereafter substitute by written notice. Each party hereto agrees that such notices will be deemed to have been received, if sent by mail, on the fifth (5th) day following the date of mailing and, if delivered personally, by facsimile, by registered mail, by courier, or by electronic means, on the day they were delivered.

If to Corporation:	985 Industrial Road P.O. Box 699 Prescott, Ontario KOE ITO Attention: CEO
If to Prescott:	360 Dibble Street, P.O. Box 160 Prescott, Ontario KOE ITO Attention: Clerk
If to South Dundas	P.O. Box 740 Morrisburg, Ontario KOC 1X0 Attention: Clerk
If to Edwardsburgh/Cardinal	18 Centre Street P.O. Box 129 Spencerville, Ontario K0E 1X0 Attention: Clerk

If to Westport	Bedford Street P.O. Box 68 Westport, Ontario K0G 1X0 Attention: Clerk
If to FortisOntario	1130 Bertie Street, P.O. Box 1218 Fort Erie, Ontario L2A 5Y2 Attention: Chief Executive Officer

Any party may from time to time change its or its address by written notice to each other party given in accordance with the provisions of this Paragraph.

### **13. ENFORCEMENT OF SHAREHOLDER AGREEMENT**

- 13.1. **Voting Power.** The parties hereto shall at all times use their voting powers (whether expressed by way of vote or written consent) in accordance with the provisions of this Agreement and for the purposes of effectuating the same and for the purposes of ensuring that the Directors of the Corporation shall exercise their powers consistently with the provisions of this Agreement and for the purposes of effectuating the same. The Directors of the Corporation shall see to it that its officers and employees carry out all duties which they are required to perform under the provisions of this Agreement.
- 13.2. **Arbitration.** The parties agree in the event of a dispute, controversy or claim as to any matter within the terms of this Agreement, (other than a matter in respect of which this Agreement otherwise expressly provides for its conclusive determination) that such dispute shall be referred to arbitration of a single arbitrator as agreed upon by the parties or as appointed pursuant to provisions of the Arbitrations Act, (Ontario) 1991, as amended, whose decision shall be final and binding on all parties.

### **14. TERM**

- 14.1. **Termination Generally.** This Agreement shall come into force and effect as of the date set out above and shall continue in force until the earlier of:
- 14.1.1. The date on which this Agreement is terminated by written agreement of the parties;
  - 14.1.2. The date on which the Corporation is dissolved in accordance with the applicable provision of the Act;
  - 14.1.3. The date on which an order is made for the winding-up of the Corporation;
  - 14.1.4. The date on which all issued and outstanding Shares become owned by a single person; or
  - 14.1.5. The date on which the Corporation becomes insolvent or makes an authorized assignment in bankruptcy or is petitioned into bankruptcy.

## **15. GENERAL**

15.1. **Partial Invalidity**. If for any reason whatsoever any term, covenant or condition of this Agreement or the application thereof to any person or circumstance, is to any extent held or rendered invalid, unenforceable or illegal, then such term, covenant or condition:

15.1.1. is deemed to be independent of the remainder of the Agreement and to be severable and divisible therefrom, and its invalidity, unenforceability and illegality does not affect, impair or invalidate the remainder of the Agreement or any part thereof; and

15.1.2. continues to be applicable to and enforceable to the fullest extent permitted by law against any person and in any circumstances other than those as to which it has been held or rendered invalid, unenforceable or illegal.

No party is obligated to enforce any term, covenant or condition of this Agreement against any person, if, or to the extent by so doing, such party is caused to be in breach of any laws, rules, regulations or enactments from time to time in force.

15.2. **Time of Essence**. Time shall be of the essence of this Agreement.

15.3. **Further Documents**. Each of the parties hereto will, from time to time at any other party's request and expense and without further consideration, execute and deliver such other instruments of transfer, conveyance and assignment and take such further action as such other party may require to more effectively complete any matter provided for herein.

15.4. **No Partnership**. Nothing in this Agreement shall be deemed in any way or for any purpose to constitute any party a partner of any other party to this Agreement in the conduct of any business or otherwise, or a member of a joint venture or a joint venture enterprise with any other party to this Agreement.

15.5. **Counterparts**. This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

15.6. **Successors and Assigns**. This Agreement and all of the terms, covenants, provisions, options and conditions of and contained in this Agreement. and obligations hereunder, shall be binding upon and enure to the benefit of the parties hereto, their respective heirs, executors, administrators, estate trustees, personal representatives, successors and permitted assigns, and shall be binding upon any trustee or receiver in bankruptcy of any party hereto, his or its executors, administrators, estate trustees, personal representatives, successors and permitted assigns and upon any person upon whom shall devolve, by operation of law or otherwise, any interest or claim in or to the property of or the interest herein of any party hereto, his or *its* heirs, executors, administrators, estate trustees, personal representatives, successors and permitted assigns.

15.7. **English Language**. Each of the parties hereto acknowledges that it has required that all documentation in connection with this transaction be drawn upon in the English language. Chacune des parties reconnait par les presentes qu'on a exigé que toute la documentation

concernant cette transaction soit rédigée en anglais.

15.8. **Independent Legal Advice.** The parties acknowledge that each of them:

15.8.1. has had independent legal advice;

15.8.2. understands its rights and obligations under this Agreement and the nature and consequences of the Agreement;

15.8.3. agrees that the terms of the Agreement are fair and reasonable; and

15.8.4. is entering into the Agreement with the prior approval of its Council or its directors and shareholders, as applicable.

15.9. **Construction Clause.** Notwithstanding any rule or maxim of construction to the contrary, any ambiguity or uncertainty will not be construed against any party hereto by reason of the authorship of any of the provisions hereof.

15.10. **Termination of Prior Agreements.** It is agreed that all prior agreements among some or all of the parties hereto regarding the shareholdings of the Corporation, whether written or oral, are hereby terminated.

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

SIGNED, SEALED AND DELIVERED in the presence of:

**RIDEAU ST. LAWRENCE HOLDINGS  
INC.**

by: \_\_\_\_\_  
President & CEO

by: \_\_\_\_\_  
Vice President & CFO

**THE CORPORATION OF THE TOWN OF  
PRESCOTT**

by: \_\_\_\_\_  
Mayor

by: \_\_\_\_\_  
Clerk

**THE CORPORATION OF THE  
MUNICIPALITY OF SOUTH DUNDAS**

by: \_\_\_\_\_  
Mayor

by: \_\_\_\_\_  
Clerk

**THE CORPORATION OF THE  
TOWNSHIP OF  
EDWARDSBURGH/CARDINAL**

by: \_\_\_\_\_  
Mayor

by: \_\_\_\_\_  
Clerk

**THE CORPORATION OF THE VILLAGE  
OF WESTPORT**

by: \_\_\_\_\_  
Mayor

by: \_\_\_\_\_  
Clerk

**FORTISONTARIO INC.**

by: \_\_\_\_\_  
President

by: \_\_\_\_\_  
Vice President

## **SCHEDULE A**

### **RIDEAU ST. LAWRENCE DISTRIBUTION INC. – SPECIFIC GOVERNANCE REQUIREMENTS**

The following are specific corporate government requirements for Rideau St. Lawrence Distribution Inc., which are intended to be supplementary and in addition to its corporate by-laws and other constating documents. If there is any ambiguity or inconsistency between such documents and the items provided for below, the intention is for the items below to govern.

1. Board Composition - Notwithstanding anything to the contrary, Distribution's board of directors shall at all times comply with the requirements under Ontario Energy Board's Affiliate Relationships Code (ARC) for Electricity Distributors, as may be prescribed from time to time. This shall include but not be limited to having at least one-third (1/3) of the directors comprised of independent directors.

## **SCHEDULE B**

### **PERMITTED BUSINESS ACTIVITIES OF THE CORPORATION AND THE SUBSIDIARIES**

The Shareholders acknowledge and agree that the Corporation and the Subsidiaries shall be operated with a view to profitability and maximizing shareholder value, including actively pursuing appropriate growth and merger opportunities relating to the Businesses, adhering to applicable laws and regulations while maintaining appropriate commitments to customer satisfaction, community service, safety and environmental protection. The permitted activities shall include:

- (i) the distribution of electricity, and activities related thereto, in the areas of Prescott, South Dundas, Edwardsburgh/Cardinal and Westport and those other service areas as determined by the Board of Directors from time to time;
- (ii) the provision of retail services; communications; fibre optics; streetlighting, electric vehicle charging, power generation, energy storage, decentralized energy resources, energy conservation, emission reduction services, and activities related thereto; and
- (iii) provision of human resources and asset services to the Corporation, Distribution, Utilities and Services.

Unless the Shareholders otherwise determine by a resolution duly passed by all of them or an instrument in writing signed by all Shareholders, the Corporation and the Subsidiaries shall not, either directly or indirectly, carry on any business other than a business described in this Schedule.