
SHAREHOLDER DECLARATION

**MEMBER MUNICIPALITIES OF CITY OF LONDON, MUNICIPALITY OF BLUEWATER,
MUNICIPALITY OF LAMBTON SHORES, TOWNSHIP OF LUCAN BIDDULPH, MUNICIPALITY OF
MIDDLESEX CENTRE, MUNICIPALITY OF NORTH MIDDLESEX, MUNICIPALITY OF SOUTH
HURON, AND MUNICIPALITY OF STRATHROY CARADOC**
(the “Member Municipalities”)

- and -

● **CORPORATION**
(the “Corporation”)

Dated as of ●, 2020

TABLE OF CONTENTS

	Page
1. Definitions and Interpretation.....	2
2. Purpose and Governing Principles.....	4
3. Permitted Business Activities	6
4. Corporate Governance	7
5. Board of Directors and Officers of the Corporation	7
6. Board of Directors and Officers of any Subsidiary	9
7. Dividend Policies, Risk Management and Strategic Objectives for the Corporation.....	11
8. Decisions of the Member Municipalities & Shareholder Representative	11
9. Corporation Approvals	11
10. Corporation Reports to Member Municipalities and Business Plan	12
11. Subsidiary Reports and Business Plan	14
12. Annual Resolutions	17
13. Matters Requiring Member Municipalities Approval	17
14. Directors and Officers Insurance	19
15. Revisions to this Shareholder Declaration.....	19
16. Corporation Activities.....	19
17. Notices	19
18. Replacement of Previous Declarations.....	20
19. New Subsidiaries	21

THE CORPORATION OF ●

SHAREHOLDER DECLARATION

RECITALS:

1. Lake Huron Primary Water Supply System (the “LHPWSS”) is owned by a Board of Management that governs the drinking water system;
2. The Board of Management is made up of members appointed from each of the eight (8) member municipalities that are currently supplied with water from the LHPWSS;
3. The eight Member Municipalities constituting the Board of Management includes the: City of London, Municipality of Bluewater, Municipality of Lambton Shores, Township of Lucan Biddulph, Municipality of Middlesex Centre, Municipality of North Middlesex, Municipality of South Huron, and Municipality of Strathroy Caradoc;
4. The City of London acts as the Administering Municipality. The City of London provides associated administrative and management services on behalf of the Board. The Board of Management currently utilizes the services of an independent contracted Operating Authority;
5. The entry into and the exercise of powers of the Member Municipalities under this Shareholder Declaration is considered necessary to provide guidance to the Corporation Board on the Corporation’s activities and on the management and supervision of the LHPWSS;
6. The LHPWSS are wholly-owned by the Member Municipalities;
7. The LHPWSS is responsible for the treatment and transmission of drinking water to the Member Municipalities in southwestern Ontario. Approximately 375,000 persons are provided water through the LHPWSS. Water is provided in bulk wholesale to the Member Municipalities who are then responsible for distribution to its customers.
8. The assets associated with the LHPWSS includes the: water treatment plant; residuals management facility; water pumping stations; numerous in-ground storage reservoirs; several monitoring stations and approximately 151 kilometres of water transmission pipelines.
9. LHPWSS was incorporated under *insert incorporation details*;
10. This Shareholder Declaration sets out, amongst other matters, the requirements of the Member Municipalities relating to the governance and other fundamental principles and policies of the Corporation;

11. A fundamental principle of this Shareholder Declaration is that any change in the scope of activities or role of the Corporation shall not impact the business activities, role and governance structure of the Corporation.

1. **Definitions and Interpretation**

- 1.1 Wherever used in this Shareholder Declaration, the following terms shall have these respective meanings:

“Board” means the board of directors of a corporation;

“Book Value” means the book value of the applicable corporation and its direct subsidiaries on a consolidated basis as at the end of its last completed financial year as shown in its audited financial statements;

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

“CEO” means the chief executive officer of a corporation;

“Chair” means the chair of the Board of a corporation;

“Member Municipalities” has the meaning ascribed thereto in the Recitals;

“Council” means the elected Council of each of the Member Municipalities and, where appropriate, in its capa Member Municipalities as the governing body of each Member Municipalities, as shareholder of the Corporation;

“Corporation” has the meaning ascribed thereto in the Recitals;

“Corporation Board” means the Board of the Corporation;

“Corporation Business Plan” has the meaning ascribed thereto in Section 10;

“Governmental Authority” means any federal, provincial, or municipal government, parliament or legislature, or any regulatory authority, agency, tribunal, commission, board or department of any such government, parliament or legislature, or any court or other law, regulation or rule making entity, having jurisdiction in the relevant circumstances, including the Local Planning Appeal Tribunal, Environmental Review Tribunal, and any Person acting under the authority of any Governmental Authority;

“IFRS” when used in respect of accounting terms or accounting determinations relating to a Person, means International Financial Reporting Standards in effect from time to time in Canada, being those accounting standards set forth in the CPA Canada Handbook, published by the Chartered Professional Accountants of Canada. These standards may be amended, varied, added to or replaced and adopted or required to have been adopted by the Person.

“Laws” means:

- (a) applicable Canadian federal, provincial or municipal laws, orders-in council, by-laws, codes, rules, policies, regulations and statutes;
- (b) applicable orders, decisions, codes, judgments, injunctions, decrees, awards and writs of any court, tribunal, arbitrator, Governmental Authority or other Person having jurisdiction;
- (c) applicable rulings and conditions of any licence, permit, certificate, registration, authorization, consent and approval issued by a Governmental Authority; and
- (d) any requirements under or prescribed by applicable common law;

“LHPWWS” means the Lake Huron Primary Water Supply System that is owned by the Board of Management that consists of the eight Municipal Members.

“MIFRS” when used in respect of accounting terms or accounting determinations relating to a Person, means Modified International Financial Reporting Standards and is the required reporting standard for several regulated entities;

“MFIPPA” means the *Municipal Freedom of Information and Protection of Privacy Act* (Ontario), R.S.O. 1990, c. M-56;

“Municipal Act” means the *Municipal Act, 2001*, S.O. 2001, c.25 as may be amended or replaced from time to time;

“Municipal Member” means a member of Council of any of the Member Municipalities;

“Net Income” means the net income after taxes or payments in lieu of taxes as determined in accordance with IFRS, subject to any regulatory adjustments in accordance with the foregoing;

“Nominating Committee” means a committee established by the Corporation for the purpose set out in Section 12(a);

“OBCA” means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B-16;

“Person” means a natural person, firm, trust, partnership, limited partnership, company or corporation (with or without share capital), joint venture, sole proprietorship, governmental or regulatory authority or other entity of any kind;

“Private Director” means a member of a Board who is not a Municipal Member or an employee of, or consultant to, any of the Member Municipalities or any agency, board or commission of, or corporation established by any one of the Member Municipalities;

“Shareholder” means the Member Municipalities;

“Shareholder Declaration” means this shareholder declaration;

“Shareholder Representative” has the meaning ascribed thereto in Section 8.1;

“Subsidiary” means any subsidiary body corporate (as defined in the OBCA) of a Person which, for greater certainty, in respect of the Corporation, includes LHPWSS;

“Subsidiary Board” means the Board of any Subsidiary of the Corporation including the LHPWSS; and

“Subsidiary Business Plan” has the meaning ascribed thereto in Section 11.2.

1.2 Schedules - The following schedules form a part of this Shareholder Declaration and are incorporated by reference:

Schedule “A”	Excerpts from Canadian Securities Administrators (CSA) Corporate Governance Guidelines
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1.3 Headings and Table of Contents - The inclusion of headings and a table of contents in this Shareholder Declaration are for convenience of reference only and shall not affect the construction or interpretation of this Shareholder Declaration.

1.4 Number and Gender - In this Shareholder Declaration, unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.5 Laws - All references to statutes or Laws contained in this Shareholder Declaration means those statutes or Laws in effect from time to time, and all amendments thereto or any re-enactment thereof or replacement statutes.

2. **Purpose and Governing Principles**

2.1 Purposes

(a) This Shareholder Declaration sets out the requirements of the Member Municipalities relating to governance and other fundamental and necessary matters relating to the ownership of the Corporation and the powers necessary to acquire, hold, dispose of and otherwise deal with the shares thereof and perform other activities as permitted by applicable Laws. Except as provided in Section 17, this Shareholder Declaration is not intended to constitute a unanimous shareholder declaration under the OBCA or to formally restrict the exercise of the powers of the Corporation Board.

2.2 Overarching Principles - The following principles shall apply to this Shareholder Declaration:

- (a) A Shareholder Declaration should foster and reinforce a collaborative relationship and shared values among all parties and recognize that the interface between the Member Municipalities, which is governed by applicable Laws including but not limited to the OBCA and requires mutual respect, understanding and flexibility and regular communication between the Corporation and the Member Municipalities. Such communication should take place whether or not such activities would require the approval of the Corporation or the Member Municipalities pursuant to Section 17 and the activities of the Member Municipalities relating to conservation, consumption, efficiency and environmental sustainability and shall be a fundamental aspect of such relationship.
- (b) Subject to anything contained herein, decision-making authority should be assigned to the Corporation Board.
- (c) The authority of a Board as described pursuant to this Shareholder Declaration will be accompanied by clearly articulated reporting and approval requirements as set out in this Shareholder Declaration to ensure transparency, accountability and recognition of the role of Council as the sole shareholder over the Corporation.
- (d) The provisions of this Shareholder Declaration should be interpreted so as to facilitate communication between the Member Municipalities and the Corporation.
- (e) The principles of director independence and skills-based boards shall be the overriding principle in the interpretation of this Shareholder Declaration but consistent with the policies of the Member Municipalities publicly adopted and agreed upon from time to time with respect to the Corporation. The unique overlapping community interests and professional capabilities of the “family of companies” - including the Member Municipalities - are important components of an integrated and coordinated approach to excellence in asset management.
- (f) Shareholder return and benefits will be measured by several metrics, including but not limited to, dividends. In general, a long term, strategic view will be applied to the measure of shareholder return and communicated in writing to the Corporation Board.
- (g) It is recognized that the Corporation and any Subsidiaries are operated on a “for-profit” basis, operate in a competitive environment, and are required to pay taxes or payments in lieu of under applicable Laws.
- (h) The Corporation shall work towards contributing to the building of community capacities, community pride and overall community well-being, each of which should be key drivers to this Shareholder Declaration.
- (i) The values of the Corporation shall include:

- (i) Sustainable – be financially, environmentally, socially and physically sustainable;
- (ii) Inclusive – provide access to bulk drinking water for current and prospective Municipal Members in accordance with the policies of the Corporation;
- (iii) Fair and equitable – balance the interests of each individual Municipal Member with the best interests of all Municipal Members;
- (iv) Vigilant – ensure and equitable supply of safe and reasonably priced drinking water is available to all Municipal Members;
- (v) Innovative – be receptive to an supportive of new ideas and opportunities for improvement;
- (vi) Cooperative – be supportive to the needs of the LHPWSS;
- (vii) Open and transparent – conduct business in a manner that enables the Member Municipalities and the public to review and provide input into major decisions where and when appropriate; and,
- (viii) Public Ownership – retain ownership of the water system in public hands.

2.3 Carrying out of Shareholder Declaration- The Member Municipalities and the Corporation will at all times carry out and cause any corporation in respect of which they are the sole shareholder to carry out the provisions of this Shareholder Declaration. The Member Municipalities and the Corporation will be bound by the provisions of this Shareholder Declaration to the full extent that they have the capacities and power at law to do so. The Member Municipalities and the Corporation shall cause each Subsidiary to take (or to not take, as the case may be) all such actions to the extent necessary or desirable to ensure that the provisions of this Shareholder Declaration are fully complied with in all respects.

3. **Permitted Business Activities**

3.1 As Permitted by Laws - Subject to the restrictions in Section 13: (i) the Corporation shall serve as a holding corporation to hold the shares of corporations that are established by or on behalf of the Member Municipalities or the Corporation from time to time under applicable Laws and perform other activities as permitted by applicable Laws; and (ii) any Subsidiaries may engage in the business activities that are permitted by applicable Laws, and as the Corporation Board may determine consistent with Subsection 3.2

3.2 Specific Activities - As at the date hereof, and subject to a different intention being expressed by the Member Municipalities, the Corporation and any of its Subsidiaries may engage in any business activities as may be permitted by applicable Laws including, without limitation, the applicable legislation and the Municipal Act.

4. **Corporate Governance**

- 4.1 Corporation Directors' Duties - As required by the OBCA, the Corporation Board shall supervise the management of the business and affairs of the Corporation, and, in so doing, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the same degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances.
- 4.2 Standards of Governance - In addition to the foregoing in Section 4.1, the Corporation Board shall observe substantially the same standards of corporate governance as may be established from time to time by the Canadian Securities Administrators or any other applicable regulatory or governmental authority in Canada for publicly traded corporations with such modifications as may be necessary to reflect the fact that the Corporation and any Subsidiary are not publicly traded corporations the standards observed shall include but not be limited to the *Municipal Conflict of Interest Act*, R.S.O. 1990, c. M. 50 as may be amended or replaced from time to time. An excerpt of Canadian Securities Administrators National Policy 58-201 Corporate Governance Guidelines as currently in effect is attached to this Shareholder Declaration as Schedule "A".

5. **Board of Directors and Officers of the Corporation**

- 5.1 Qualifications of Private Directors - In addition to sound judgement and personal integrity, the qualifications of candidates for the Corporation Board may include:
- (a) awareness of public policy issues related to the Corporation;
 - (b) relevant business expertise and industry knowledge;
 - (c) regulated industry knowledge including, but not limited to, knowledge of municipal water systems;
 - (d) experience on boards of significant commercial corporations;
 - (e) financial, legal, accounting and/or marketing experience;
 - (f) expertise in the operation of drinking water supply systems; and
 - (g) knowledge and experience with risk management strategy.
- 5.2 Residency - Preference may be given to qualified candidates for the Corporation Board who are residents of the Member Municipalities, however non-residents of the Member Municipalities shall not be excluded from serving as members of the Corporation Board.
- 5.3 Number and Nomination Directors - The Corporation Board shall consist **nine (9)** directors to be appointed by the Member Municipalities.

- 5.4 Composition of the Corporation Board - Unless otherwise determined by the Member Municipalities in its sole and absolute discretion, the Corporation Board shall consist of four (4) Municipal Members, and five (5) Private Directors. The chief executive officer, chief operating officer, president or general manager, as the case may be, of the Corporation shall not be eligible to serve as a director on, nor chair of, the Corporation Board or any other Subsidiary.
- 5.5 Chair of Corporation - The Chair of the Corporation Board shall be determined by a majority vote of the members of the Corporation Board.
- 5.6 Officers of Corporation - The Chief Executive Officer of the Corporation shall be the Chief Executive Officer of LHPWSS or such other Person as the Corporation Board may determine from time to time.
- 5.7 First Term of Municipal Members – the first term for each Municipal Board Member of the Corporation Board shall be concurrent with the municipal term of each Council for the remainder of the existing municipal Council term.
- 5.8 Term of Municipal Members – Subsequent to the First Term of Municipal Members as set out in section 5.7 above, the term for each member of the Corporation Board who is a representative from the Municipal Members (a “**Municipal Board Member**”) shall be concurrent with the municipal term of each Council, and each Municipal Board Member shall be appointed for such term, provided that:
- (a) following the expiry of such term of Council, each Municipal Board Member shall continue to serve until replaced by the Member Municipalities as at the effective date of the appointment of a replacement Municipal Board Member;
 - (b) notwithstanding this Section 5.7, the Member Municipalities may, in its discretion, terminate the term of a Municipal Board Member prior to the end of the municipal term of Council and appoint a replacement Municipal Board Member; and
 - (c) where a Municipal Board Member resigns or his or her term is terminated for any reason prior to the end of the municipal term of Council then in effect, the term of the replacement Municipal Board Member shall be concurrent with the balance of the municipal term of Council then in effect.
- 5.9
- 5.10 Term of Private Directors – Private Directors will be able to serve terms of up to four (4) years in length as approved by the Member Municipalities. The term for the Private Directors shall be as follows:
- (a) the term of no more than two (2) Private Directors will end in any one year on the Corporation Board; and

- (b) If a Private Director of the Corporation Board ceases to be a director for any reason, the Municipal Members will fill the vacancy created thereby as soon as reasonably possible.
- 5.11 Initial Term of Private Directors – the initial term of the Private Directors shall vary between one and a maximum of three years to ensure that not more than one-third of the Private Directors term ends in one year.
- 5.12 Successive Terms - Any member of the Corporation Board may serve for successive terms as determined by the Member Municipalities in its discretion. Private Directors should not serve more than three (3) successive terms as a matter of good board governance.
- 5.13 Corporation Board Committees - The Corporation Board may establish committees of the Board in the Corporation Board’s discretion. These committees may include but are not limited to the following:
- (a) Audit and Finance Committee to review financial results; and
 - (b) Governance Committee to address governance matters.
- 5.14 Compensation
- (a) Directors - No member of the Corporation Board shall receive any remuneration or other compensation of any kind, other than as expressly approved in writing by the Member Municipalities, for serving as a director on the Corporation Board or on any committee thereof, or carrying out any activities or providing services in relation thereto, provided that each member of the Corporation Board shall be entitled to incur reasonable expenses for travel and/or training in respect of the director’s role on the Corporation Board, in accordance with policies established by the Corporation Board from time to time as approved by the Member Municipalities in writing.
 - (b) Payments – Any and all compensation received by Municipal Board Members shall be reported annually to the Member Municipalities.
- 6. Board of Directors and Officers of any Subsidiary**
- 6.1 Qualifications of Subsidiary Board - The qualification for any member of a Subsidiary Board shall be skills based with the qualifications similar to those established for Directors of the Corporation as set out in section 5.1 of this Shareholder Declaration as defined by the Board of Directors of the Corporation for the particular Subsidiary Board.
- 6.2 Number of Directors of Subsidiary Board – Each Subsidiary Board shall consist of a minimum of five (5) up to a maximum of seven (7) directors.
- 6.3 Composition of the Subsidiary Corporation Board - Unless otherwise determined by the Member Municipalities in its sole and absolute discretion, the Subsidiary Board shall

consist of a minimum of three (3) up to a maximum of five (5) Private Directors and two (2) Municipal Members that are the Municipal Members of the Corporation Board. The chief executive officer, chief operating officer, president or general manager, as the case may be, of the Subsidiary shall not be eligible to serve as a director on, nor chair of, the Subsidiary Board nor chair of the Board of the Corporation or any other Subsidiary.

- 6.4 Chair of Subsidiary Corporation - The Chair of the Subsidiary Board shall be determined by a majority vote of the members of the Subsidiary Board.
- 6.5 Officers of Subsidiary Corporation - The CEO of the Subsidiary shall be the person as the Subsidiary Board may appoint from time to time.
- 6.6 Term of Municipal Members of Subsidiary Board - The term for each member of a Subsidiary Board who is also a Municipal Member (a “**Subsidiary Municipal Board Member**”) shall be concurrent with the municipal term of each Council, and each Subsidiary Municipal Board Member shall be appointed for such term, provided that:
- (a) following the expiry of such term of Council, each Subsidiary Municipal Board Member shall continue to serve until replaced by the Member Municipalities as at the effective date of the appointment of a replacement director;
 - (b) notwithstanding this Section 6.6, the Member Municipalities may, in its discretion, terminate the term of a Subsidiary Municipal Board Member prior to the end of the municipal term of Council and appoint a replacement director; and
 - (c) where a Subsidiary Municipal Board Member resigns or his or her term is terminated for any reason prior to the end of the municipal term of Council then in effect, the term of the replacement director shall be concurrent with the balance of the municipal term of Council then in effect.
- 6.7 Term of Private Directors of Subsidiary Board – Private Directors will be able to serve terms of up to four (4) years in length as approved by the Corporation.
- 6.8 Successive Terms of Subsidiary Board - Any member of the Subsidiary Board may serve for successive terms as determined by the Corporation in its discretion. Private Directors should not serve more than three (3) successive terms as a matter of good board governance.
- 6.9 Corporation Board Committees of Subsidiary Board – The Subsidiary Board may establish committees of the Board in the Corporation Board’s discretion. These committees may include but are not limited to the following:
- (a) Audit and Finance Committee to review financial results; and
 - (b) Governance Committee to address governance matters.
- 6.10 Compensation of Subsidiary Board

- (a) Directors of Subsidiary Board - No member of the Subsidiary Board shall receive any remuneration or other compensation of any kind, other than as expressly approved in writing by the Corporation, for serving as a director on the Subsidiary Board or on any committee thereof, or carrying out any activities or providing services in relation thereto provided that each member of the Subsidiary Board shall be entitled to incur reasonable expenses for travel and/or training in respect of the director's role on the Subsidiary Board, in accordance with policies established by the Subsidiary Board from time to time as approved by the Corporation in writing.

7. **Dividend Policies, Risk Management and Strategic Objectives for the Corporation**

7.1 The Corporation Board shall establish policies addressing the following matters:

- (a) Dividends – consistent with applicable Laws and industry norms, recognizing the Member Municipalities' desire for a consistent and stable dividend payments and the Member Municipalities' goal towards the payment of an annual dividend from the Corporation;
- (b) Risk Management - to ensure that each Subsidiary has adopted appropriate risk management strategies and internal controls consistent with industry norms in order to manage all risks related to the businesses conducted by Subsidiaries; and
- (c) Strategic Objectives - to provide input to the Member Municipalities' long term strategic goals that are consistent with the maintenance of a viable, competitive business and preservation of the value of the businesses of the Corporation.

8. **Decisions of the Member Municipalities & Shareholder Representative**

8.1 Shareholder Representative - The Member Municipalities hereby designates the Chief Administrative Officer of the Member Municipalities or other individual designated by the Chief Administrative Officer of the Member Municipalities from time to time as its legal representative (the "**Shareholder Representative**") for purposes of communicating to the Corporation Board pursuant to Subsection 13, any consent or approval required by this Shareholder Declaration or by the OBCA.

8.2 Member Municipalities Approval - Approvals or decisions of the Member Municipalities required pursuant to this Shareholder Declaration or the OBCA shall require a resolution or by-law of each Member Municipalities' Council passed at a meeting of Council and shall be communicated in writing to the Corporation's Board and signed by the Shareholder Representative and/or the Mayor.

9. **Corporation Approvals**

9.1 Corporation Approval - Approvals or decisions of the Corporation required pursuant to this Shareholder Declaration shall require a resolution of the Corporation Board or, where

expressly required pursuant to this Shareholder Declaration, the approval of the Member Municipalities.

10. Corporation Reports to Member Municipalities and Business Plan

10.1 Regular Reporting – The Corporation shall, from time to time, but at a minimum no less than annually, report to Council on business developments and on any materially significant results in respect of the Corporation and its Subsidiaries and such reports may be received and considered by the Member Municipalities at an in camera meeting of Council subject to the requirements of all applicable Laws. In addition, the Member Municipalities shall be entitled to receive from the Corporation, upon reasonable notice, up-to-date financial information and other material information concerning the operations of the Corporation and its Subsidiaries from time to time, including but not limited to:

- (a) internally prepared quarterly financial statements as soon as possible following each month end and, in any event, within a reasonable time period and no later than seventy-five (75) days following such month end, which statements shall show a comparison with, and be similar in detail to, the Corporation Business Plan and all Subsidiary Business Plans, as the case may be, for that period;
- (b) any financial statements for the Corporation and its Subsidiaries reported on by the Corporation's auditors and the Subsidiaries' auditors on the earlier of (i) twenty (20) days following the receipt of same by the Corporation or the Subsidiaries, as the case may be, and (ii) on or before June 30th of the financial year to which such financial statements relate;
- (c) on or before June 30th every year, a comprehensive narrative report summarizing the Corporation's operations and results for that financial year (on a consolidated basis), including explanations of material variations with respect to actual results and items in the Corporation Business Plan and all Subsidiary Business Plans for that financial year;
- (d) reasonable direct access by the Member Municipalities throughout the year to the senior executive management of the Corporation and all Subsidiaries to provide additional information regarding the financial and business affairs of the Corporation and its Subsidiaries, as requested;
- (e) notice of any claim arising out of the business of the Corporation and each of its Subsidiaries (in an amount exceeding \$125,000.⁰⁰ in respect of an individual claim), promptly after receipt thereof; and
- (f) a copy of any press release or formal media announcement issued by the Corporation or its Subsidiaries promptly after such issuance.

10.2 Business Plan – The Corporation shall promptly provide the Member Municipalities with a business plan for the Corporation and its Subsidiaries on a consolidated basis (the “**Corporation Business Plan**”) and on an annual basis prior to the end of each financial year of the Corporation. The Corporation Business Plan shall include but not be limited to the following:

- (a) the strategic direction any new business objectives that the Corporation and each of its Subsidiaries will undertake;
- (b) the Corporation Business Plan shall be formally approved by the Corporation Board on an annual basis;
- (c) an operating budget for the next financial year and an operating and capital expenditure budget on a consolidated basis for the next financial year and an operating and capital expenditure projection on a consolidated basis for each of the two subsequent financial years, including the resources necessary to implement the Corporation Business Plan;
- (d) any anticipated debt financing requirements;
- (e) a summary of any current and projected business development activities for such financial year, including a statement of the spending commitment levels which management of the Corporation believes are necessary to give effect to such activities;
- (f) a summary of any anticipated changes in the regulatory and market environments and other significant business or technical issues foreseen for such fiscal year;
- (g) pro forma consolidated, including projected dividend payments minus operating costs up to a maximum of \$xxx.⁰⁰ to the Member Municipalities;
- (h) the projected annual revenues and profits for each financial year for the Corporation, for the following two financial years;
- (i) any material variances in the projected ability of any business activity to meet or continue to meet the financial objectives of the Member Municipalities; and
- (j) any material variances from any previous Corporation Business Plan.

10.3 Annual Report to Council of each of the Member Municipalities - Within seven (7) months after the end of each financial year of Corporation, the Corporation shall report to a public meeting of Council for each of the Member Municipalities and the Chair of the Corporation or his/her designate shall attend such meeting and provide the following information with respect to the Corporation:

- (a) audited consolidated financial statements; and

- (b) such additional information as the Member Municipalities may specify from time to time.

10.4 Confirmation of Compliance - The Corporation Board shall, in a confidential report to Council executed by the Chair of the Corporation, annually confirm by the end of each financial year that it has complied in all respects with the requirements of this Shareholder Declaration and is in compliance with all applicable Laws.

10.5 Confidentiality

- (a) Except as required by applicable Laws or any Governmental Authority and except for the annual report to Council pursuant to Section 10.3, the Member Municipalities shall treat as confidential each Corporation Business Plan and all other information provided to it in confidence pursuant to this Section 10, subject to the provisions of the *Municipal Act, 2001* and applicable Laws. The parties acknowledge that information that is in the custody or under the control of the Member Municipalities or Corporation is subject to the access provisions of the MFIPPA.
- (b) The Member Municipalities acknowledges that the Corporation shall, from time to time, supply it in confidence with confidential information, the disclosure of which could reasonably be expected to significantly prejudice the competitive position of or interfere with contractual or other negotiations of the Corporation and/or any Subsidiary or result in undue loss to the Corporation and/or any Subsidiary and the Member Municipalities shall protect such information in accordance with the exemption for third party information and any other applicable exemptions as set out in the *Municipal Freedom of Information and Protection of Privacy Act* as may be amended or replaced from time to time.
- (c) The Member Municipalities shall inform the Corporation of any request made for access to information supplied to the Member Municipalities by the Corporation, and the Corporation shall be provided an opportunity to make representations on the disclosure of such information, and the Member Municipalities shall consider any such representations prior to disclosing or permitting access to the information and shall provide the Corporation with notice of its decision concerning any such request for access to information of the Corporation.

11. **Subsidiary Reports and Business Plan**

11.1 Regular Reporting

- (a) Any Subsidiary shall, from time to time but no less than quarterly, report to the Corporation on major business developments or materially significant results in respect of a Subsidiary and, on an immediate basis, on any material event or results in respect of a Subsidiary;

(b) Upon written notice by the Corporation following a resolution to that effect passed by the Corporation Board that such access is required or appropriate due to extraordinary circumstances as determined in the reasonable belief of the Corporation Board:

(i) the CEO of the Corporation, or his/her designate, shall have unrestricted access to the books and records of any Subsidiary of the Corporation during normal business hours. Such Persons shall treat all confidential information of each Subsidiary with the same level of care and confidentiality as any confidential information of the Corporation and shall ensure that such access shall not disrupt the normal conduct of business.

11.2 Business Plan — Each Subsidiary shall promptly provide the Corporation with a business plan for each financial year as approved by the Subsidiary Board (the "**Subsidiary Business Plan**") for such Subsidiary prior to the end of each financial year of such Subsidiary. The Subsidiary Business Plan shall include but not be limited to all of the following in respect of such Subsidiary:

(a) the strategic direction and any new business initiatives that may be undertaken;

(b) an operating and capital expenditure budget for the next financial year and an operating and capital expenditure projection for each of the two subsequent financial years, including the resources necessary to implement the Subsidiary Business Plan and whether and how retained earnings for each year are to be allocated;

(c) the projected annual revenues and Net Income for the following two financial years; and

(d) any material variances from any previous Subsidiary Business Plan.

11.3 Annual Report to the Corporation — Within six (6) months after the end of each financial year, each Subsidiary shall provide the following information to the Corporation:

(a) consolidated financial statements and unconsolidated financial statements as

at the end of such financial year;

- (b) a business performance report, including an analysis of variances to plan for the last completed financial year;
- (c) any such other additional information as the Corporation may specify from time to time for the last completed financial year.

11.4 Confirmation of Compliance — At the end of each financial year each Subsidiary Board shall confirm to the Corporation in writing executed by the Chair of such Subsidiary Board that such Subsidiary has acted in accordance in all respects with the matters set out in this Shareholder Declaration and that such Subsidiary is in compliance with all applicable Laws.

11.5 Confidentiality

- (a) Except as required by applicable Law or any Governmental Authority, the Member Municipalities and the Corporation shall treat as confidential the Subsidiary Business Plan(s) and all other information provided by the Subsidiaries in confidence pursuant to this Section 11, subject to the requirements of the *Municipal Act, 2001* and all applicable Laws. The parties acknowledge that information that is in the custody or under the control of the Member Municipalities or the Corporation is subject to the access provisions of MFIPPA.
- (b) the Corporation acknowledges that the Subsidiaries shall, from time to time, supply it in confidence with confidential information, the disclosure of which could reasonably be expected to significantly prejudice the competitive position of or interfere with contractual or other negotiations of the Subsidiaries, or result in undue loss to Subsidiaries, and the Corporation shall protect such information in accordance with the exemption for third party information and any other exemptions that may apply as set out in the MFIPPA.
- (c) the Corporation shall inform the Subsidiaries of any request made for access to information supplied to the Corporation by the Subsidiaries, permit the Subsidiaries an opportunity to make representations on the disclosure of such information, and consider any such representations prior to disclosing or permitting access to the information and shall provide the Subsidiaries with

notice of its decision concerning any such access request concerning the Subsidiaries.

12. Annual Resolutions

- (a) The Member Municipalities shall, at an in-camera meeting of Council, consider candidates for the Corporation Board as proposed by the Nominating Committee and the appointment of the auditors of the Corporation and receive the audited financial statements of the Corporation for the last completed financial year;
- (b) The Member Municipalities, by resolution in writing, shall appoint the necessary members of the Corporation Board and appoint the auditors for the Corporation and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA; and
- (c) The Corporation in writing shall appoint the necessary members of the Subsidiary Board(s), appoint the auditors for its Subsidiaries and complete such other business as would normally be completed at an annual meeting of shareholders under the OBCA and in accordance with the terms and conditions of this Shareholder Declaration.

13. Matters Requiring Member Municipalities Approval

13.1 Approvals in Respect of Corporation – The Corporation may not take any of the following actions, and will ensure that none of the Subsidiaries take any of the following actions, without the prior written approval of the Member Municipalities:

- (a) entry into one or more transactions to be acquired, whether by way of purchase or otherwise, or merge or amalgamate with, any one or more corporations;
- (b) execute of any binding document with any Person in relation to any transaction described in Paragraph 13.1(a) with respect to the Corporation, or any public announcement or disclosure in relation to such discussions or document;
- (c) change or remove any restriction on the business of the Corporation and/or Subsidiary;
- (d) create new classes of shares of the Corporation or any Subsidiary or in any other manner to amend the articles or by-laws of the Corporation or any Subsidiary;
- (e) enter into one or more mergers or amalgamations of the Corporation or any Subsidiary with any other corporation(s), other than another Subsidiary;

- (f) institute of proceedings for any winding-up, arrangement or dissolution of the Corporation or any Subsidiary;
- (g) appointment of auditors of the Corporation and/or Subsidiary. The auditors of the Subsidiary shall be the same as the auditors for the Corporation;
- (h) apply to continue the Corporation or any Subsidiary as a corporation under the laws of another jurisdiction;
- (i) issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into any shares of any class of the Corporation or any Subsidiary;
- (j) redeem or purchase any outstanding shares of the Corporation or any Subsidiary;
in any financial year, enter into one or more contract, agreement, arrangement or transaction, which individually or in the aggregate, except as provided in the Corporation Business Plan approved by the Member Municipalities, result in the disposition, lease or sale of any part of the business of the Corporation or any Subsidiary equal to or greater than **Five Hundred Thousand Dollars (\$500,000.⁰⁰Cnd)** of the Book Value of the Corporation on a consolidated basis;
- (k) approve or make any borrowing from any bank or other third party not otherwise provided for in a Business Plan unless the prior written approval of at least seventy-five (75) percent of the directors is obtained;
- (l) amend or deviate from the Corporation Business Plan or any Subsidiary Business Plan, as the case may be, by incurring any operating expenditures or capital expenditures that substantially exceed the total budgeted operating expenditures or total budgeted capital expenditures of the amount budgeted thereof in the Corporation Business Plan or any Subsidiary Business Plan, as the case may be, for that year (save and except for expenditures approved by the Member Municipalities in writing) unless the prior written approval of at least seventy-five (75) percent of the directors is obtained;
- (m) sell, transfer or otherwise dispose of any of the shares of any Subsidiary;
- (n) provide a salary, benefit and other compensation for members of the Corporation Board of the Corporation;
- (o) engage in any business activity other than as expressly permitted under Section 6;
- (p) elect, or replace members of the Corporation Board or alter the composition of the number of members of the Corporation Board;
- (q) institute, settle or compromise any material legal proceedings (other than debt recovery proceedings in the usual and ordinary course of business); and,

- (r) incorporate a new Subsidiary or enter into any joint venture, partnership, strategic alliance or other venture, which would require a secured investment, or which is not included in the Corporation Business Plan and would require a financial equity investment greater than **Five Hundred Thousand Dollars (\$500,000.00 Cnd)**.

14. **Directors and Officers Insurance**

- 14.1 The Corporation at all times will ensure that adequate Directors and Officers insurance is in place and provided for all Subsidiaries, as the case may be.

15. **Revisions to this Shareholder Declaration**

The Member Municipalities shall have the right, in its sole and unfettered discretion, to amend any provision of this Agreement, provided notice of any such amendment is provided to the Corporation.

- 15.1 Revisions - The Member Municipalities acknowledges that this Shareholder Declaration may be revised from time to time as circumstances may require and that the Member Municipalities will consult with the Corporation Board prior to completing any revisions and will promptly provide the Corporation Board with copies of such revisions.
- 15.2 Corporation and any Subsidiaries – The Member Municipalities require that the principles of this Shareholder Declaration will be consistent with the directions the Corporation Board may give to any Subsidiary.

16. **Corporation Activities**

Member Municipalities – Corporation Services - A considerable amount of activities and business of the Corporation may be carried out pursuant to a services agreement(s) between the Corporation and the Member Municipalities or as otherwise agreed by the Corporation and the Member Municipalities.

17. **Notices**

- (a) Any notice, designation, communication, request, demand or other document, required or permitted to be given or sent or delivered to or from the Member Municipalities or Corporation shall be in writing and shall be sufficiently given or sent or delivered if it is:
 - (i) delivered personally,
 - (ii) sent to the party entitled to receive it by registered mail, postage prepaid, mailed in Canada,
 - (iii) email, subject to the requirements of the OBCA, or

- (iv) sent by facsimile.
- (b) Notices shall be sent to the following addresses, email or facsimile numbers:
 - (i) In the case of the Member Municipalities,
 -
 - (ii) In the case of the Corporation,
 - CEO of the Corporation
 - Email:

or to such other address, electronic mail address or facsimile number as the party entitled to or receiving such notice, designation, communication, request, demand or other document shall, by a notice given in accordance with this Section, have communicated to the party giving or sending or delivering such notice, designation, communication, request, demand or other document.

- (c) Any notice, designation, communication, request, demand or other document given or sent or delivered as aforesaid shall:
 - (i) if delivered as aforesaid, be deemed to have been given, sent, delivered and received on the date of delivery;
 - (ii) if sent by mail as aforesaid, be deemed to have been given, sent, delivered and received (but not actually received) on the fifth (5th) Business Day following the date of mailing, unless at any time between the date of mailing and the fifth (5th) Business Day thereafter there is a discontinuance or interruption of regular postal service, whether due to strike or lockout or work slowdown, affecting postal service at the point of dispatch or delivery or any intermediate point, in which case the same shall be deemed to have been given, sent, delivered and received in the ordinary course of the mails, allowing for such discontinuance or interruption of regular postal service;
 - (iii) if sent by facsimile machine, be deemed to have been given, sent, delivered and received on the date the sender receives a response in writing confirming receipt by the recipient; and
 - (iv) if delivered by electronic mail, be deemed to have been given sent, delivered and received on the date of delivery.

18. Replacement of Previous Declarations

Any prior shareholder declarations relating to the LHPWSS are hereby terminated and of no further force or effect as of the effective date of this Shareholder Declaration.

19. **New Subsidiaries**

The Corporation shall ensure that any new or additional wholly-owned Subsidiary acquired or incorporated by it from time to time shall become a party to this Shareholder Declaration and that the provisions hereof shall apply to it *mutatis mutandis*.

DATED at _____, the Province of Ontario as of the first date written above.

CITY OF LONDON

Per: _____

Name:

Title:

I/We have the authority to bind the Corporation.

Per:

Name:

Title:

I/We have the authority to bind the Corporation.

MUNICIPALITY OF BLUEWATER

Per: _____

Name:

Title:

I/We have the authority to bind the Corporation.

Per:

Name:

Title:

I/We have the authority to bind the Corporation.

MUNICIPALITY OF LAMBTON SHORES

Per: _____

Name:

Title:

I/We have the authority to bind the Corporation.

Per:

Name:

Title:

I/We have the authority to bind the Corporation.

TOWNSHIP OF LUCAN BIDDULPH

Per: _____

DRAFT - FOR DISCUSSION

Name:
Title:
I/We have the authority to bind the Corporation.

Per:
Name:
Title:
I/We have the authority to bind the Corporation.

MUNICIPALITY OF MIDDLESEX CENTRE

Per:

Name:
Title:
I/We have the authority to bind the Corporation.

Per:
Name:
Title:
I/We have the authority to bind the Corporation.

MUNICIPALITY OF NORTH MIDDLESEX

Per:

Name:
Title:
I/We have the authority to bind the Corporation.

Per:
Name:
Title:
I/We have the authority to bind the Corporation.

MUNICIPALITY OF SOUTH HURON

Per:

Name:
Title:
I/We have the authority to bind the Corporation.

Per:
Name:
Title:
I/We have the authority to bind the Corporation.

DRAFT - FOR DISCUSSION

MUNICIPALITY OF STRATHROY CARADOC

Per: _____

Name:

Title:

I/We have the authority to bind the Corporation.

Per:

Name:

Title:

I/We have the authority to bind the Corporation.

CORPORATION

Per: _____

Name:

Title:

I have the authority to bind the Corporation.

DRAFT - FOR DISCUSSION

Schedule "A"

Excerpts from Canadian Securities Administrators (CSA)

Corporate Governance Guidelines

[to be inserted]

DRAFT - FOR DISCUSSION