

APPENDIX '1'
CHART COMPARING
POWERSTREAM UNANIMOUS SHAREHOLDERS AGREEMENT ("PSI USA") AND
PROPOSED MERGECO UNANIMOUS SHAREHOLDERS AGREEMENT ("MERGECO USA")

A. DIRECTORS AND OFFICERS OF MERGECO

Subject	PHI USA	MergeCo USA
Composition of Board and Nominees	<p>PHI has 13 directors nominated by its shareholders based upon their respective share ownership, as follows (the approximate percentage that each shareholder owns of PHI is indicated too):</p> <ul style="list-style-type: none"> • VHI 6 (45.315%) • MEC 4 (34.185%) • BHHI 3 (20.5%) 	<p>MergeCo will also have 13 directors based upon their respective share ownership). For the first 3 years, the shareholders will have the following nominees (approximate percentage that each shareholder will own of MergeCo is indicated too) :</p> <ul style="list-style-type: none"> • Enersource 4 (31.0%) • VHI 3 (20.84%) • MEC 2 (15.72%) • HUC 2 (18.15%) • BHHI 1 (9.43%) • SCH 1 (4.85%) <p>After 3 years, each Shareholder is entitled to 1 nominee for each 7.6923% ownership interest.</p> <p>Each initial Shareholder will always have the right to appoint 1 nominee even if its ownership interest is diluted below 7.6923%.</p>

Subject	PHI USA	MergeCo USA
		<p>It is assumed that Enersource will use one of its board positions to appoint a representative of Borealis to the MergeCo board (Borealis owns 10% of Enersource).</p>
<p>Independence of Directors</p>	<p>No independence requirement.</p>	<p>After 3 years, the Board appointments will be staggered so that within the following 3 years, only 4-5 directors' terms will expire in any year. Terms will be selected by random lots at the beginning of the 4th year, so that 4 directors' terms (minimum of two Independents) expire in one year, 4 more directors' terms (minimum of two Independents) terms expire in two years and the final 5 directors' terms expire in three years. Subsequent terms are all three years.</p> <p>A majority of the directors must be "Independent", which is defined to mean an individual who:</p> <ul style="list-style-type: none"> (a) is <u>not</u> the mayor, a councillor, a member of a "local board" or an employee of any municipality in which MergeCo operates; (b) is <u>not</u>, and during the 3 years before appointment, has not been a shareholder, an officer or an employee of any Shareholder or "Principal" (defined to mean any municipality or of MergeCo itself); (c) is <u>not</u> a director of any Shareholder; and (d) does not otherwise have a "material relationship" with a Shareholder or a Principal that could reasonably be expected to interfere with the exercise of such individuals independent judgment. <p>Each of the six MergeCo shareholders may only appoint one director who is not "Independent".</p>
		<p>Notwithstanding the above, Borealis (through Enersource as Shareholder) may appoint a director, employee or officer of BPC Energy Corporation as an Independent Director.</p>

Subject	PHI USA	MergeCo USA
	No limitations on Chair or Vice-Chair selection, except that nominees of one Shareholder cannot hold both positions.	Both Chair and Vice-Chair must be Independent.
	Directors must be appointed so that the Board includes individuals with specified qualifications: knowledge of electricity industry, regulatory knowledge, corporate finance experience and business management experience.	Board may establish Human Resources and Governance Committee (see “Committees of the Board” below) to, among other things, recommend Independent nominees with skills and experience in corporate governance, leadership resources, human resources, compensation, mergers and acquisitions, finance, operations, utility management, generation, development, regulated industries and safety regulations
Exception for “Pre-Approved Shareholder”	N/A	<p>A director, officer or employee of a “Pre-Approved Shareholder” is deemed to be Independent. “Pre-Approved Shareholder” means, essentially:</p> <ul style="list-style-type: none"> • any public or quasi-public Canadian pension fund-with assets in excess of \$5B; • Canadian banks with assets in excess of \$250B; • Canadian life insurance companies with assets in excess of \$10B; • Credit unions with assets in excess of \$5B; and • Investment funds with assets in excess of \$10B
Quorum	Of the 13 directors, at least 3 nominees of VHI, 2 nominees of MEC and 2 nominees of BHHI must be present to constitute a quorum.	<p>A quorum is 7 of 13 directors.</p> <p>Of the 13 directors, no Shareholder’s nominee must be present to constitute a quorum.</p>

Subject	PHI USA	MergeCo USA
Meetings	Minimum of one meeting per quarter required Special meetings may be called by two directors	Same Special meetings may be called by one director
Compensation	Board members' compensation to be determined by the Shareholders. Reasonable and documented out of pocket expenses reimbursed.	Human Resources and Governance Committee to determine and review human resources policies and corporate governance matters including senior management and Board compensation.
Committees of the Board	N/A	Board may establish committees at its discretion <ul style="list-style-type: none"> • Audit and Finance Committee • Human Resources and Governance Committee – comprised of 3 Independents
Officers	Senior Executives named in Shareholders Agreement	Senior Executives to be named in Shareholders Agreement:

B. SPECIAL SHAREHOLDER APPROVALS

Subject	PHI USA	MergeCo USA
Matters Requiring Unanimous Approval (Veto)	18 matters require unanimous shareholder approval: (section 2.06)	Only 8 matters require unanimous shareholder approval (section 2.20). An additional 12 matters require 66 2/3% shareholder approval (super-majority or “SM”) (section 2.21). Applicable to actions of Subsidiaries as

Subject	PHI USA	MergeCo USA
		well.
	1. carrying on any business except, in effect, PHI's current business (LDC, standard supply, solar, suite metering);	SM for any agreement outside the ordinary course of business – s. 2.21(e)
	2. dissolution of PHI or subsidiary;	Unanimous approval continues – s. 2.20(b)
	3. Transactions other than Board Approved Transactions (see definition attached as Schedule B);	N/A
	4. issuance of new shares; introduction of new shareholders	<p>Unanimous approval for any redemption or purchase for cancellation of Solar Shares or Adjustment Shares – s. 2.20 (d)</p> <p>AND</p> <p>Unanimous approval for issuing any Class S Shares except pursuant to Solar management services agreement referred to in Part C below – s. 2.20(e);</p> <p>AND</p> <p>SM approval for any issuance of new shares of MergeCo or a Subsidiary except (i) Class S Shares (see above and Part C below); (ii) where the Subsidiary is a general partnership or limited partnership (see Part G below); (iii) where the Subsidiary does not operate a business that is regulated by the OEB; and (iv) the total aggregate consideration for such shares is less than \$50 million; - s. 2.21(d)</p>
	5. disposition of assets valued at: (i) 5% or more of rate base (for LDC), or (ii) 9%	Unanimous approval for any action that would breach the “anti-flip” provisions of the Brampton purchase agreement (no sale of Brampton or

Subject	PHI USA	MergeCo USA
	or more of Asset Value (for the rest);	sale of >49% of MergeCo within 3 years) or prevent a Shareholder from selling a 10% interest (see Part E "Sale of 10% Interest" below) – s. 2.21(f); AND SM approval of sale of more than 20% (by book value) of MergeCo’s assets) – s. 2.21(a);
	6. change of auditor;	SM approval for appointment of auditor – s. 2.21(i);
	7. change in dividend policy;	Initial dividend policy is a schedule to the USA (Unanimous approval) AND SM approval for amendment of the dividend policy – s. 2.21(k);
	8. change of name of PHI or subsidiary, or rebranding;	No similar provision
	9. any transaction with related party except on arm’s length terms;	SM approval for loans to or guarantees of any Person except a Subsidiary – s. 2.21(h);
	10. any change in articles or by-laws;	Unanimous approval continues – s. 2.21(a)
	11. any agreements outside ordinary course of business;	SM approval for any agreement outside the ordinary course of business (e)
	12. single capital expenditure that is not a “Board Approved Transaction” (definition attached as Appendix B) exceeding 9% of PHI’s net book value or, annually, in the aggregate exceeding 20% of the Asset Value;	No similar provisions

Subject	PHI USA	MergeCo USA
	13. any partnership or joint venture;	SM approval for any merger or amalgamation – s. 2.21(b) AND SM approval for acquiring another business (shares or assets) for purchase price of \$75M or more – s. 2.21(g) AND SM approval for acquiring securities of a corporation, trust, or partnership for a purchase price of \$100M or more – s. 2.21(f) AND SM for voting any shares to elect directors in a Subsidiary other than a wholly-owned subsidiary – s. 2.21(j) AND SM approval for entering into, or any material amendment to, any partnership agreement as part of the Future Reorganization (see Part G below) – s. s.21(l)
	14. any swap or derivative transaction;	No similar provision.
	15. change of head or closing of operations/administrative centre;	Unanimous approval for relocation of any of the 3 head offices for first 10 years – s. 2.20(g). SM approval required for relation of head office after
	16. any call to current shareholders to contribute new capital;	No similar provision (but no Shareholder is required to contribute additional capital)
	17. any new Subsidiary except as part of Board Approved Transaction;	No similar provision
	18. approval of each three-year strategic plan and any material change to it.	Unanimous approval of initial Strategic Plan (to be a schedule to USA);
Matters not included		1. any change to the authorized capital of the corporation (Unanimous

Subject	PHI USA	MergeCo USA
in PHI USA		approval); 2. redemption or purchase for cancellation of Solar or Adjustment shares except in accordance with the (Solar) Services Agreement or Merger Participation Agreement (Unanimous approval); 3. any issuance of new Solar or Adjustment shares (Unanimous approval) 4.Redemption or cancellation of any shares other than Solar and Adjustment shares (SM) 5.Issuing, allotting shares of corporation or subsidiary for \$50M or more (SM)

C. POWERSTREAM SOLAR BUSINESS

Subject	PHI USA	MergeCo USA
General	Solar assets are held directly by PowerStream and operated by PowerStream	Solar assets will be held by a separate general partnership (separate from MergeCo's other solar assets)
	PowerStream shareholders hold separate class of shares (Class A Common Shares) that “stream” net income from solar business (dividend policy discussed below)	PowerStream shareholders will hold separate class of shares (Class S Shares) that “stream” net income from legacy PowerStream solar business (dividend policy discussed below)

Subject	PHI USA	MergeCo USA
	No “arm’s length” management agreement is required because there are no external parties	Management agreement required between Partnership, MergeCo and PowerStream Shareholders (detailed term sheet to be appended to USA)

D. DIVIDEND POLICY

Subject	PHI USA	MergeCo USA
Common Shares	Objectives and Guiding Principles include: “for profit corporation”, “optimizing its rate of return and Shareholder value”.	Dividend is predicated on the “mandate” of the Board, which includes “maximizing Shareholder value”.
	<p>PowerStream will maintain capital structure consistent with OEB’s deemed capital structure of 60/40 (debt-to-equity), with ability to leverage up to 65% debt.</p> <p>Will try to maintain working capital of 15% of rate base.</p> <p>Will pay minimum of 50% of net income of the distribution business</p>	Will target payment of dividends equal to 60% of MergeCo's consolidated net income for the distribution business (that is, excluding the PowerStream Solar Business).
	<p>Criteria for declaring dividends will take into account:</p> <ul style="list-style-type: none"> • financial covenants on outstanding debt; • the need to maintain an "A" bond rating; • cash requirements to meet 	<p>Criteria for declaring dividend payment are:</p> <ul style="list-style-type: none"> • non-compliance with legislation • breach of contract or anticipated failure to meet terms of financing arrangements; • impairment in continued operation and maintenance of electricity distribution infrastructure;

Subject	PHI USA	MergeCo USA
	<p>working capital needs and short term (two-year) capital expenditure plans</p>	<ul style="list-style-type: none"> • actual or forecast cash flow that is considered inadequate to meet working capital requirements, capital expenditure plans, or debt servicing requirements of the PowerStream Solar Business; • deterioration in the credit rating of MergeCo; or • non-compliance with financial policies of MergeCo including capital structure.
<p>Solar Shares</p>	<p>PHI agrees to pay 95% of Net Free Cash Flow.</p> <p>Criteria for declaring dividends are the same as in respect of the Common Shares.</p>	<p>On the Class S Shares MergeCo will pay up to 80% of Net Free Cash Flow in respect of the PowerStream Solar Business, net of required reserves and repayment of debt;</p> <p>Conditions precedent to the payment of dividends are the same as in respect of the common shares.</p>

E. LIQUIDITY PROVISIONS

Subject	PHI USA	MergeCo USA
<p>General</p>	<p>Every transfer of PHI's shares is prohibited unless expressly permitted.</p> <p>Every transfer of shares of municipal holding company is prohibited unless expressly permitted.</p> <p>Pledging or encumbering shares (to secure a loan) is prohibited without the unanimous consent of all shareholders.</p>	<p>Every transfer of MergeCo's shares is prohibited unless expressly permitted.</p> <p>Every transfer of shares of municipal holding company is prohibited unless expressly permitted.</p> <p>Pledging or encumbering shares (to secure a loan) is prohibited without unanimous consent of all shareholders.</p> <p>Internal reorganizations (for example if Markham wants to transfer its MEC shares to another corporation owned by Markham) are permitted.</p> <p>Allows for Pre-Approved Shareholders (for definition, see Section A –</p>

Subject	PHI USA	MergeCo USA
		<p>Exception for "Pre-Approved Shareholders" above) and Borealis to buy up to 10% of the Shareholders themselves (for example, MEC).</p> <p>All liquidity rights are subject to the "anti-flip" provisions in the HOBNI Purchase Agreement which prohibit, among other things, the sale of more than 49% of MergeCo.for 3 years after closing .</p>
<p>Right of First Offer ("A")</p>	<p>Any shareholder that wants to sell <u>all</u> of its shares of PHI must first offer its shares to the other shareholders at a specified price. Other shareholders may accept or reject the offer. If all shares are not purchased under the ROFO, the selling shareholder may sell its shares to a third party for a 90-day period at a price that is not lower than the original offer to the other shareholders.</p> <ul style="list-style-type: none"> • ROFO applies only if shareholder wants to sell <u>all</u> of its shares. • The period within which the shareholder is allowed to respond to an offer is 90 days. 	<p>ROFO works in similar fashion except:</p> <ul style="list-style-type: none"> • Permits the sale of all or <u>any part of</u> the shareholder's shares; • Period within which a shareholder is allowed to respond to an offer is only 20 Business Days; • Period within which a shareholder may sell share to a third party is 180 days after the ROFO period concludes; • If MEC, VHI or BHHI is the selling Shareholder, it must sell its Class S Shares to the remaining PowerStream Shareholders.
<p>Tag Along Rights</p>	<ul style="list-style-type: none"> • After ROFO has been exhausted, if any shareholder wants to sell its shares to a third party, the other two shareholders must receive the same offer on the same terms and have the right (but not the obligation) to "tag along" and sell their shares. 	<ul style="list-style-type: none"> • No "tag along" right
<p>Drag-Along Rights</p>	<ul style="list-style-type: none"> • No “drag-along” rights that would enable a majority (or super-majority) shareholder to force minority 	<ul style="list-style-type: none"> • No “drag-along” rights

Subject	PHI USA	MergeCo USA
	shareholder to join in a sale of shares to a third party on the same term and conditions	
Approved Sale	<ul style="list-style-type: none"> No concept of “Approved Sale”. 	<ul style="list-style-type: none"> If 66 2/3% of Shareholders approve a sale of Shares to third party, Shareholders who transfer their Shares are liable under tax indemnity (see below) but non-selling Shareholders must try to mitigate adverse tax consequences.
Tax Indemnity	<ul style="list-style-type: none"> No tax indemnity. 	<p>Includes indemnity from each:</p> <ul style="list-style-type: none"> Shareholder who either (a) sells shares of MergeCo, or (b) issues its own shares; and Principal (in effect, a municipality) who transfers shares of its Shareholder; <p>against adverse tax consequences suffered by MergeCo or other Shareholders (note: under LDC’s tax regime, companies must maintain fixed percentage of municipal ownership – 100% by either municipalities or companies that are 90%-owned by municipalities).</p>
Transfer by Principals (Municipalities)	<ul style="list-style-type: none"> All transfers of shares by municipalities (Principals) of the shares of their holding companies (VHI, MEC, BHHI) are prohibited without unanimous consent of shareholders, which may be withheld in their sole discretion. 	<p>Principals may transfer shares of their holding companies to a third party if:</p> <ul style="list-style-type: none"> the shares are first offered to the other Principals under a ROFO and the shares aren’t taken up; and the sale doesn’t result in any adverse tax consequences to the other Principals (note: see above under “Tax Indemnity” for brief description of tax regime).
Sale of 10% Interest	<ul style="list-style-type: none"> No such provision. 	<p>VHI, MEC, BHHI (as well as HUC and SCH) may sell treasury (newly issued) shares, in an amount not exceeding 10% of its issued shares, to a third party subject to the following:</p> <ul style="list-style-type: none"> The selling shareholder obtains a valuation from a valuator approved by Borealis and if the selling shareholder and Borealis are unable to

Subject	PHI USA	MergeCo USA
		<p>negotiate the sale of the shares to Borealis the selling shareholder may sell to a Pre-Approved Shareholder or Pre-Approved Third Party. (Borealis already owns 10% of Enersource); in negotiating the sale, the parties are not bound by the valuation;</p> <ul style="list-style-type: none">• there are no adverse tax consequences to the other Shareholders or their Principals;• after the sale neither Borealis nor any Pre-Approved Third Party will own more than 10% of the selling Shareholder.

F. FINANCING (CAPITAL CALLS)

Subject	PHI USA	MergeCo USA
Capital Calls	If PHI issues a call for new capital - debt or equity, all shareholders must contribute their proportionate share.	No Shareholder is required to contribute more funds to MergeCo by way of debt or equity; but if MergeCo's board does call for more equity and a Shareholder declines to contribute, that Shareholder's equity position will be diluted.
Pre-emptive Right	There is no pre-emptive right.	MergeCo must allow existing Shareholders to provide additional funding before seeking it from third parties.

G. FUTURE REORGANIZATION

Subject	PHI USA	MergeCo USA
Post-Closing Reorganization	Not applicable	Contains detailed plan for reorganization after the Closing under which operating subsidiaries would be converted into limited partnerships. Main purpose is to enable future third-party investment or asset sales without triggering adverse tax consequences (see above under “Tax Indemnity” for brief description of tax regime).

H. GUIDING PRINCIPLES

Subject	PHI USA	MergeCo USA
Guiding Principles	The PHI USA contains 11 Guiding Principles:	The MergeCo USA contains 8 guiding Principles:
	Business: Strategic Plan to be updated every 3 years. Business expansion to occur where business case demonstrates the project will optimize the rate of return and shareholder value	
	For Profit Corporation: optimize rate of return and Shareholder value; achieve maximum rate of return as soon as practical	Management: Board oversees business with a view to best interests of Corporation, which may include consumers and ratepayers, Shareholders, employees, creditors, governments and environment. Achieving synergies in the MAAD’s application is in the best interests of the Corporation and the Board is committed to achieving such results.
	Dividends and Capital Structure: pay dividends in accordance with policy and develop and maintain a financial and capitalization structure consistent with	

Subject	PHI USA	MergeCo USA
	industry standards and sound financial principles to provide Shareholders with regular dividend and/or interest payments	
	Customers: operational priority; provide reliable, effective and efficient system	Customers: similar provision plus: Corporation will not harmonize distribution rates for customers of its predecessor LDC's until the differences between the rates are immaterial.
	Employees: treat in fair and equitable manner	Employees: endeavour to treat in fair and equitable manner, aspire to best in class HR policies and practices; adhere to core values, demonstrate shared commitment to high customer service, improved productivity and workplace safety.
	Community: integral to and play significant role in local communities; not favouring one community over another	Same
	Founding Shareholders: mutually cooperative partnership; strive to act fairly and equitably	
	Growth: pursue significant growth opportunities on prudent and profitable basis; enhancing strategic position and economies of scope and scale. Pursue acquisition, merger, or other arrangements	Growth: pursue growth opportunities on prudent and profitable basis where aligned with Corporation's strategy; acquisition, merger or other arrangements, acquiring embedded customers in Corporation municipalities (Hydro One customers); unregulated business; require 3 rd party investment to finance mergers, new opportunities;
	Distribution performance, reliability and planning, customer service and employee and community safety.	
	Environmental Stewardship: responsible steward, strong commitment to energy conservation and sustainability; minimize impact on environment	Same
	Shareholder Debt repayment: if in the best interest of the corporation or LDC to prepay or redeem debt, if permitted.	

Subject	PHI USA	MergeCo USA
		Sector Leadership: leader in energy sector and influence and shape the sector from operational policy and regulatory perspective.
		Ongoing Review: review guiding principles and recommend desired standards and practices and establish culture focussing on continuous improvement and building performance improvement.