

## **SCHEDULE "A"**

to Shareholder Declaration of London Hydro Inc.

### **Corporate Combination and Dispositions Guidelines**

The City of London has acknowledged that the Ontario Energy Board policies and approvals are encouraging a reduction in the number of electricity utilities in Ontario through mergers, acquisition or sale. It is recognized that London Hydro Inc. may have to combine with another utility based on the current policy and regulation environment.

The City of London is mindful of the significance of these matters and the amount of work and effort that is necessary to meet the requirements defined by these guidelines. In order to encourage the Board and Management of London Hydro Inc. to seek out appropriate opportunities and to ensure a full and proper consideration of such proposals by all parties including the City of London, as sole shareholder, any opportunities submitted in accordance with these guidelines will be presented to the full City Council.

The following guidelines should be considered in the evaluation of any corporate combination such as a proposal for merger, sale or acquisition:

- 1) In the case of a merger:
  - (a) The newly combined entity should provide an opportunity for increased investment value to the City of London and/or lower electricity costs for Londoners;
  - (b) The newly combined entity should have a strong local presence and preferably be headquartered or have a regional office in London;
  - (c) The City of London should not be unduly constrained from disposing of its investment in the new entity, in a reasonable timeframe and manner;
  - (d) The newly combined entity should have a governance structure that is commensurate with the City of London's investment in the new entity;
  - (e) The proposed combination presents the best strategic objective to the City of London given the existing and expected future policy and regulation environment in Ontario over the next ten to fifteen years;
  - (f) There should be established appropriate and fair arrangements to address London Hydro employees in the proposed merger arrangements;
- 2) In the case of an acquisition:
  - (a) Any proposed acquisition will not require additional financing from the City of London;
  - (b) The proposed acquisition presents the best strategic objective to the City of London given the existing and expected future policy and regulatory environment in Ontario over the next ten to fifteen years;

- (c) There should be established appropriate and fair arrangements to address London Hydro employees in the proposed acquisition arrangements

3) In the case of any contemplated corporate disposition, including a transaction that results in the dilution of the City of London's wholly-owned investment in London Hydro Inc., or disposes or leases substantially all of the corporate assets other than in the normal course of business:

- (a) The disposition should demonstrate that the new entity would lead to lower electricity costs to Londoners than otherwise would exist, without degradation of existing capital infrastructure or service levels;
- (b) It should be demonstrated that the return on investment of reinvested disposition proceeds is greater than the return expected to be provided under the current investment in London Hydro Inc., or than contemplated under other proposed business combinations or alternatives;
- (c) After disposition, the new entity would maintain a strong regional presence in London and ideally London would serve as a regional centre for the new entity;
- (d) There should be established appropriate and fair arrangements to address London Hydro employees in the proposed disposition arrangements;
- (e) The sale should not be subject to any transfer tax by the Ontario Government;
- (f) The disposition presents the best strategic objective to the City of London given the existing and expected future policy and regulation environment in Ontario over the next ten to fifteen years.