

**ONTARIO POWER GENERATION INC.
DECLARATION OF THE SOLE SHAREHOLDER (“DECLARATION”)**

**REGARDING CONVERSION OF ONE UNIT OF
THUNDER BAY GENERATING STATION TO
ADVANCED BIOMASS**

BACKGROUND:

- A.** Her Majesty the Queen in right of the Province of Ontario, as represented by the Minister of Energy (the “**Shareholder**”) is the sole shareholder of Ontario Power Generation Inc. (the “**Corporation**”).
- B.** Pursuant to a direction from the Shareholder to the Ontario Power Authority (“**OPA**”) dated December 16, 2013 (the “**December Direction**”), the Shareholder directed the OPA to negotiate and enter into a contract with the Corporation (“**Contract**”) for the procurement of electricity from advanced biomass from one converted unit (“**Advanced Biomass Unit**”) at the Thunder Bay Generating Station (“**TBGS**”), subject to the parameters set out in that direction.
- C.** Pursuant to a letter from the Shareholder to the Chair of the Corporation dated December 16, 2013, issued in respect of section A.5. of a memorandum of agreement made as of August 17, 2005 between the Shareholder and the Corporation, the Shareholder gave direction to the Corporation to enter into the Contract and any other necessary agreements to achieve the goal of having the Advanced Biomass Unit operating on advanced biomass, all within the parameters provided in the December Direction.
- D.** The OPA and the Corporation have been negotiating the extent to which the Corporation should be permitted to recover from the OPA, under the Contract, the Corporation’s actual annual operating costs of the Advanced Biomass Unit for the term of the Contract (“**Annual Operating Costs**”).
- E.** Pursuant to a direction from the Shareholder to the OPA dated as of the date of this Shareholder Declaration (“**Operating Cost Direction**”), the Shareholder directed the OPA to allow, under the Contract, for the recovery of Annual Operating Costs which were to be deemed to be \$30 million per year on average over the Contract term (for a total of \$150 million) with no adjustment for inflation.
- F.** As noted in the Operating Cost Direction, this will allow for a reasonable recovery of the Annual Operating Costs for the term of the Contract.
- G.** In order to address the issue of recovery of the Annual Operating Costs (the “**Cost Recovery Issue**”), pursuant to section 108 of the *Business Corporations Act* (Ontario) (“**OBCA**”) the Shareholder now wishes to:


- (a) restrict the discretion and powers of the directors of the Corporation (the “**Directors**”) to manage or supervise the management of the business and affairs of the Corporation, as they pertain to the Cost Recovery Issue (“**Restricted Powers**”); and
- (b) exercise the Restricted Powers in order to negotiate and settle the Cost Recovery Issue.

NOW THEREFORE the Shareholder makes the following declaration pursuant to section 108 of the OBCA, intending the same to be deemed to be a Unanimous Shareholder Agreement within the meaning of the OBCA:

- 1. The Restricted Powers are hereby restricted and no longer reside with the Directors, and are hereby assumed by the Shareholder, from and after the Effective Date (as defined below), until this Declaration is amended or revoked.
- 2. By assuming the Restricted Powers, the Shareholder assumes, pursuant to section 108 of the Act, all of the rights, powers, duties and liabilities of the Directors to manage or supervise the management of the business and affairs of the Corporation in respect of the exercise of the Restricted Powers, and pursuant to subsection 108(5) of the Act the Directors are relieved of their duties and liabilities to the same extent.
- 3. For greater clarity, the restriction and assumption of the Restricted Powers as contemplated above does not restrict the rights, powers, duties and liabilities of the Directors to manage, or supervise the management of, the business and affairs of the Corporation as they relate to negotiating the terms of the Contract other than the Cost Recovery Issue, or to the actual implementation of any decisions made by the Shareholder in its exercise of the Restricted Powers.
- 4. This Declaration shall be governed by the laws of the Province of Ontario and the laws of Canada applicable in that Province.

IN WITNESS OF THE FOREGOING the Shareholder has duly executed this Declaration as of May 15th, 2014 (the “**Effective Date**”).

**HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF ONTARIO, AS REPRESENTED BY THE
MINISTER OF ENERGY**

By: 

Bob Chiarelli
Minister of Energy

**ONTARIO POWER GENERATION INC.
RESOLUTION OF THE SOLE SHAREHOLDER (“RESOLUTION”)
EXERCISING THE RESTRICTED POWERS OF THE DIRECTORS UNDER A
UNANIMOUS SHAREHOLDER AGREEMENT**

**REGARDING CONVERSION OF ONE UNIT OF
THUNDER BAY GENERATING STATION TO
ADVANCED BIOMASS**

BACKGROUND:

A. Her Majesty the Queen in right of the Province of Ontario, as represented by the Minister of Energy (the **“Shareholder”**) is the sole shareholder of Ontario Power Generation Inc. (the **“Corporation”**).

B. Pursuant to a direction from the Shareholder to the Ontario Power Authority (**“OPA”**) dated December 16, 2013 (the **“December Direction”**), the Shareholder directed the OPA to negotiate and enter into a contract with the Corporation (**“Contract”**) for the procurement of electricity from advanced biomass from one converted unit (**“Advanced Biomass Unit”**) at the Thunder Bay Generating Station (**“TBGS”**), subject to the parameters set out in that direction.

C. Pursuant to a letter from the Shareholder to the Chair of the Corporation dated December 16, 2013, issued in respect of section A.5. of a memorandum of agreement made as of August 17, 2005 between the Shareholder and the Corporation, the Shareholder gave direction to the Corporation to enter into the Contract and any other necessary agreements to achieve the goal of having the Advanced Biomass Unit operating on advanced biomass, all within the parameters provided in the December Direction.

D. The OPA and the Corporation have been negotiating the extent to which the Corporation should be permitted to recover from the OPA, under the Contract, the Corporation’s actual annual operating costs of the Advanced Biomass Unit for the term of the Contract (**“Annual Operating Costs”**).

E. Pursuant to a direction from the Shareholder to the OPA dated as of the date of this Shareholder Resolution (**“Operating Cost Direction”**), the Shareholder directed the OPA to allow, under the Contract, for the recovery of Annual Operating Costs which were to be deemed to be \$30 million per year on average over the Contract term (for a total of \$150 million) with no adjustment for inflation.

F. As noted in the Operating Cost Direction, this will allow for a reasonable recovery of the Annual Operating Costs for the term of the Contract.

G. In order to address the issue of recovery of the Annual Operating Costs (the “**Cost Recovery Issue**”), the Shareholder made a declaration as of the date of this Resolution (“**Declaration**”) pursuant to section 108 of the *Business Corporations Act* (Ontario) (“**OBCA**”) that restricted the discretion and powers of the directors of the Corporation (the “**Directors**”) to manage or supervise the management of the business and affairs of the Corporation, as they pertain to the Cost Recovery Issue (“**Restricted Powers**”).

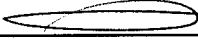
H. The Declaration is deemed to be a unanimous shareholder agreement under subsection 108(3) of the OBCA (the “**Unanimous Shareholder Agreement**”).

NOW THEREFORE, exercising the Restricted Powers assumed from the Directors through the Unanimous Shareholder Agreement, the Shareholder makes the following resolution pursuant to section 129 of the OBCA:

1. The Corporation shall agree to the recovery of Annual Operating Costs which shall be deemed to be \$30 million per year on average over the Contract term (for a total of \$150 million) with no adjustment for inflation.
2. For greater clarity, the resolution in paragraph 1 does not impose any specific requirements with respect to the implementation of that resolution, or with respect to the negotiation of any other terms of the Contract. Accordingly, the resolution does not restrict the discretion and power of the Directors to determine the manner in which the resolution is implemented, or the position the Corporation will take concerning any of the terms of the Contract other than the Cost Recovery Issue.
3. This Resolution shall be governed by the laws of the Province of Ontario and the laws of Canada applicable in that Province.

IN WITNESS OF THE FOREGOING the Shareholder has duly executed this Resolution as of May 15, 2014 (the “**Effective Date**”).

**HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF ONTARIO, AS REPRESENTED BY THE
MINISTER OF ENERGY**

By:  _____ 1
Bob Chiarelli
Minister of Energy