

## **2000 Annual General Meeting and Annual Financial Statements Toronto Hydro Corporation**

*(City Council at its regular meeting held on October 3, 4 and 5, 2000, and its Special Meetings held on October 6, 2000, October 10 and 11, 2000, and October 12, 2000, adopted this Clause, without amendment.)*

**The Policy and Finance Committee recommends the adoption of the following report (September 14, 2000) from the City Solicitor:**

### Purpose:

To comply with the requirements of the *Ontario Business Corporations Act*, to ratify certain corporate by-laws and to approve certain shareholder resolutions.

### Financial Implications and Impact Statement :

Not applicable.

### Recommendations :

It is recommended that:

- (1) Council, as the sole shareholder of Toronto Hydro Corporation (parent to Toronto Hydro-Electric System Limited and Toronto Hydro Energy Services Inc.), approve and adopt the resolutions attached to this report;
- (2) appropriate City staff be directed to prepare recommended amendments to the attached by-laws, in consultation with Toronto Hydro, and report back to Council at its first meeting in 2001;
- (3) the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

### Background :

Council, by the amendment and adoption of Strategic Policies and Priorities Committee, Clause No. 1, at its meeting of June 9, 10 and 11, 1999, authorized the incorporation of Toronto Hydro Corporation, Toronto Hydro-Electric System Limited and Toronto Hydro Energy Services Inc. (collectively "Toronto Hydro").

*The Ontario Business Corporations Act ("OBCA") (s.94)* requires that an annual meeting of shareholders be called no later than 18 months after the corporation comes into existence and subsequently not later than 15 months after the last preceding annual meeting. Toronto Hydro was incorporated June 24, 1999 and the 18 month period will expire prior to the first meeting of

the new Council following the upcoming election, so it is necessary for this annual general meeting of the Shareholder to be held prior to the calling of the election.

Shareholders are to consider the following items at an annual general meeting: consideration of minutes of an earlier meeting (if applicable), financial statements and auditor's report, election of directors and reappointment of the incumbent auditor (s. 95(5)). Any other business is deemed to be special business, which might include approval of corporate by-laws.

Comments:

Toronto Hydro Chair Clare Copeland forwarded to the City Clerk, on June 26, 2000, the 1999 Annual Report of the Toronto Hydro Corporation (a copy of which is to be distributed by the City Clerk). Accompanying the Annual Report were Corporate By-laws for each of the three corporate entities, as well as proposed shareholder resolutions. Copies of the By-laws and resolutions are attached to this report.

The audited financial statements have been reviewed by the City Treasurer and her comments are presented in a separate report before this Committee.

City staff have reviewed the proposed by-laws and are of the view that some changes are required, particularly with respect to the meetings of the Shareholder. However, these changes will best be drafted after consultation with staff of Toronto Hydro. Given the time constraints to get these by-laws approved, only minor amendments are being recommended at this time, as set out in the attached resolutions. Further amendments should be presented to Council at its first meeting in 2001. The Shareholder Direction requires that the City not only approve the by-laws for Toronto Hydro Corporation, but also for Toronto Hydro-Electric System Limited and Toronto Hydro Energy Services.

There is also a resolution relating to the re-appointment of Toronto Hydro's auditor, Ernst and Young. As Council is aware, this is the same firm that provides external audit services to the City.

Council is also hereby informed that, pursuant to a delegation under Transfer By-law No. 374-1999, s. 5-1B, which allows for the adjustment of the fair market value of the assets and consideration allocated under the Transfer By-law, the City Treasurer has adjusted the 60:40 Toronto Hydro Electric System Limited debt/equity ratio to 65:35 and has informed the Toronto Hydro Chief Financial Officer of this adjustment.

Finally, it should be noted that the three Councillors serving on the Board of Toronto Hydro Corporation, until their successors are appointed, may only continue in that capacity if they are re-elected in the upcoming election. If any one or more of them are not re-elected, that seat on the Board will remain vacant until such time as Council makes a further appointment early in 2001.

Conclusion:

In order for the Toronto Hydro Board to function effectively and in order for the City, as shareholder, to be in compliance with the requirements of the OBCA, it is recommended that Council approve and adopt the resolutions attached to this report.

Contact:

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Toronto Hydro Corporation  
(the "Corporation")

Resolutions Of The Sole Shareholder

1. Confirmation of By-Law No.1.1

Resolved That:

- (a) By-Law No. 1.1 of Toronto Hydro Corporation in the form attached hereto approved by the directors of the Corporation on February 11, 2000 is hereby confirmed, as amended by the shareholder by the deletion of Sections 10.08 through 10.17. (Schedule "A" to this Resolution)
- (b) By-Law No. 1.1 of Toronto Hydro-Electric System Limited in the form attached hereto approved by the directors of Toronto Hydro-Electric System Limited on February 11, 2000 is hereby confirmed without variation or amendment. (Schedule "B" to this Resolution)
- (c) By-Law No. 1.1 of Toronto Hydro Energy Services Inc. in the form attached hereto approved by the directors of Toronto Hydro Energy Services Inc. on February 11, 2000 is hereby confirmed without variation or amendment. (Schedule "C" to the Resolution)

2. Appointing Auditor

Resolved That:

Ernst and Young, Chartered Accountants, is hereby appointed the auditor of the Corporation to hold office until the close of the next annual meeting of the shareholders of the Corporation, or until a successor is appointed, at such remuneration as may be fixed by the directors and the directors are hereby authorized to fix such remuneration.

The Corporation's directors are authorized to pass the requisite resolutions giving effect to the foregoing. All resolutions passed by the directors in connection with the above are confirmed and ratified.

\* \* \* \* \*

The Foregoing Resolutions are hereby consented to by sole shareholder of the Corporation pursuant to the *Business Corporation Act* (Ontario).

Dated as of this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

City Of Toronto

\_\_\_\_\_  
per: Wanda Liczyk, Chief Financial Officer  
and City Treasurer

\_\_\_\_\_  
per: Novina Wong, City Clerk

Approved as to Form per: \_\_\_\_\_  
H.W.O. Doyle, City Solicitor

Authorized by Clause \_\_\_\_\_ of Policy & Finance Committee Report No. \_\_\_\_\_ adopted by Council at its meeting of October \_\_\_\_\_, 2000.

\_\_\_\_\_  
Novina Wong, City Clerk

BY-LAW No. 1.1

A by-law relating generally to the transaction  
of the business and affairs of

Toronto Hydro Corporation

Contents

Part	Description
I	- Interpretation

II	-	Business of the Corporation
III	-	Borrowing and Securities
IV	-	Directors
V	-	Committees
VI	-	Officers
VII	-	Protection of Directors, Officers and Others
VIII	-	Shares
IX	-	Dividends and Rights
X	-	Meetings of Shareholders
XI	-	Notices
XII	-	Interpretation

Be It Enacted as a by-law of Toronto Hydro Corporation (hereinafter referred to as the "Corporation") as follows:

## Part I

### Interpretation

1.01 Definitions. In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means *the Business Corporations Act (Ontario)* and any statute that may be substituted therefor, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the original or restated articles of incorporation, articles of amalgamation, articles of continuance, articles of reorganization, letters patent or other instrument of incorporation of the Corporation, as from time to time amended;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the Interpretation Act (Ontario);

"recorded address" means, in the case of a shareholder, his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in

respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.03 or by a resolution passed pursuant thereto;

"Shareholder Direction" means the document entitled "Shareholder Direction relating to Toronto Hydro Corporation" dated July 1, 1999 and executed by the City of Toronto, as from time to time amended;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and

words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

## Part II

### Business of the Corporation

2.01 Corporate Seal. The Corporation may have one or more different corporate seals which may be adopted or changed from time to time by the board, on which the name of the Corporation appears in the language or one or more of the languages set out in the articles.

2.02 Financial Year. The financial year of the Corporation shall end on such day in each year as the board may from time to time by resolution determine.

2.03 Execution of Instruments. Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the directors or officers. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal (if any) to any instrument. Any signing officer may certify a copy of any instrument, resolution, by-law or other document of the Corporation to be a true copy thereof.

2.04 Execution in Counterpart. Any articles, notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person may be executed in several documents of like form each of which is executed by one or more of such persons, and such documents, when duly executed by all persons required or permitted, as the case may be, to do so, shall be deemed to constitute one document and to bear date as of the date of execution thereof by the last such person.

2.05 Banking Arrangements. The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with

such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate. The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such proxies, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers signing or arranging for them. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Creation and Consolidation of Divisions. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

2.08 Name of Division. Subject to compliance with law, any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its corporate name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

2.09 Officers of Division. From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

### Part III

#### Borrowing And Securities

3.01 Borrowing Power. Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles and the Shareholder Direction, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;

- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. The board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of each such delegation.

#### Part IV

##### Directors

4.01 Number of Directors and Quorum. The board shall consist of the number of directors determined from time to time by a special resolution within the minimum and maximum numbers set out in the articles. Subject to section 4.07, a majority of the number of directors so determined shall constitute a quorum at any meeting of the board.

4.02 Qualification. Unless otherwise provided by the Act, a majority of the directors shall be resident Canadians; if the Corporation has only one or two directors, that director or one of the two directors, as the case may be, shall be a resident Canadian. No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder.

4.03 Election and Term. The election of directors shall take place at the first meeting of shareholders and, if required, at each annual meeting of shareholders. The term of office for a director who is not a member of the City of Toronto Council is three (3) years or until his or her successor is elected. The term of office for a director who is a member of the City of Toronto Council is eighteen (18) months or until his or her successor is elected. A director shall retire at the expiry of his or her term but, if qualified, shall be eligible for re-election. The election shall be by resolution. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected.



4.04 Removal of Directors. Subject to the provisions of the Act, the shareholders may by resolution passed at an annual or special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting.

4.05 Vacation of Office. A director ceases to hold office when he dies, is removed from office by the shareholders acting pursuant to the Act, or ceases to be qualified for election as a director, or earlier if he shall have submitted his written resignation to the Corporation; in which last-mentioned event he shall cease to hold office at the later of (i) the time when such written resignation is sent or delivered to the Corporation and (ii) the time, if any, specified in such written resignation as the effective time of such resignation.

4.06 Action by the Board. Subject to the Shareholder Direction, the board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.07 and 4.08, the powers of the board may be exercised by a meeting at which the quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.07 Canadian Majority. Unless otherwise provided by the Act, the board shall not transact business at a meeting unless a majority of the directors present are resident Canadians, except where

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.

4.08 Meeting by Communications Facilities. If all the directors present at or participating in the meeting consent, a meeting of the board or of a committee of the board may be held by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means shall be deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board. If a majority of the directors participating in a meeting held under this section are then in Canada, the meeting shall be deemed to have been held in Canada.

4.09 Place of Meetings. Meetings of the board may be held at any place in or outside Ontario. In any financial year of the Corporation a majority of the meetings of the board need not be held in Canada.

4.10 Calling of Meetings. Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the vice-chair of the board, the president or any two directors may determine.

4.11 Notice of Meeting. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

4.12 First Meeting of New Board. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.13 Adjourned Meeting. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.14 Regular Meetings. The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.15 Meetings Without Notice. A meeting of the board may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated if all the directors are present in person (other than expressly to object that the meeting is not lawfully called) or if not so present have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting.

4.16 Chair of the Board. The board may from time to time appoint a chair of the board from amongst its members as nominated by the shareholder. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chair of the board, his duties shall be performed and his powers exercised by the vice-chair of the board, if appointed, or, in the absence of a vice-chair of the board, by the president.

4.17 Vice-Chair of the Board. The board may from time to time appoint a vice-chair of the board from amongst its members who shall have such powers and duties as the board or chair of the board may specify.

4.18 Term of Office of Chair of the Board and Vice-Chair of the Board. The board, in its discretion, may remove the chair of the board or the vice-chair of the board, without prejudice to such person's rights under any employment contract. Otherwise, each chair of the board and vice-chair of the board appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

4.19 Chair of Meetings of the Board. The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board or vice-chair of the board. If no such officer is present, the directors present shall choose one of their number to be chair.

4.20 Votes To Govern. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.21 Declaration of Interest. A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act.

4.22 Expenses. The directors shall be entitled to be reimbursed only for expenses properly incurred by them in attending to the business of the board or any committee thereof.

## Part V

### Committees

5.01 Committee of Board. The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians unless the Act permits otherwise.

5.02 Transaction of Business. Subject to section 4.07, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

5.03 Advisory Bodies. The board may from time to time appoint advisory bodies.

5.04 Procedure. Unless otherwise determined by the board, each committee and advisory board shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

## Part VI

### Officers

6.01 Appointment. Subject to the Shareholder Direction, the board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers appointed. The board may specify the

duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. One person may hold more than one office.

6.02 President. If appointed, the president shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify.

6.03 Vice-Presidents. Vice-presidents shall have such powers and duties as the board or the chief executive officer may specify.

6.04 Secretary. The secretary, as and when requested to do so, shall attend and be the secretary of all meetings of the board, shareholders, and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to directors, shareholders, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation (if any) and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.05 Chief Financial Officer. The chief financial officer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as chief financial officer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.06 Powers and Duties of Other Officers. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.07 Variation of Powers and Duties. The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.08 Term of Office. The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

6.09 Terms of Employment and Remuneration. The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.

6.10 Declaration of Interest. An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.21.

6.11 Agents and Attorneys. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the powers to subdelegate), as may be thought fit.

6.12 Fidelity Bonds. The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

## Part VII

### Protection Of Directors, Officers And Others

7.01 Limitation of Liability. The directors and officers shall comply with the Standards of Care set out in the Act. No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgement or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

7.02 Indemnity. Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity apart from the provisions of this by-law.

7.03 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and are permitted by the Act.

## Part VIII

### Shares

8.01 Commissions. The board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.02 Registration of Transfers. Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with an endorsement, which complies with the Act, made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.04.

8.03 Transfer Agents and Registrars. The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

8.04 Lien for Indebtedness. If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles and to the Shareholder Direction, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.05 Non-recognition of Trusts. Subject to the provisions of the Act, the Corporation may treat the person in whose name a share is registered in the securities register as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payments in respect of the share and otherwise to exercise all the rights and powers of an owner.

8.06 Share Certificates. Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written certificate of acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Such certificates shall be in such form

as the board shall from time to time approve. Any such certificate shall be signed in accordance with section 2.03 and need not be under corporate seal; provided that, unless the board otherwise determines, certificates in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.07 Replacement of Share Certificates. The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate or certificate of acknowledgement in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding \$3, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.08 Joint Shareholders. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issueable in respect of such share.

8.09 Deceased Shareholders. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

## Part IX

### Dividends and Rights

9.01 Dividends. Subject to the provisions of the Act, the articles and the Shareholder Direction, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property, or by issuing fully paid shares of the Corporation.

9.02 Dividend Cheques. A dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of

joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 Non-receipt of Cheques. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Record Date for Dividends and Rights. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 Unclaimed Dividends. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## Part X

### Meetings of Shareholders

10.01 Annual Meetings. The annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and transacting such other business as may properly be brought before the meeting.

10.02 Special Meetings. The board, the chair of the board, the vice-chair of the board and the president shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada.



10.04 Notice of Meetings. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 11.01 not less than 10 nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgement thereon and shall state the text of any special resolution to be submitted to the meeting.

10.05 List of Shareholders Entitled to Notice. For every meeting of shareholders, the Corporation shall prepare within the time specified by the Act a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered (a) at the close of business on the day immediately preceding the day on which notice of the meeting is given, or (b) on the day on which the meeting is held where no such notice is given. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared.

10.06 Record Date for Notice. The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall be given not less than 7 days before such record date, by newspaper advertisement and written notice in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be (a) at the close of business on the day immediately preceding the day on which the notice is given or (b) the day on which the meeting is held where no such notice is given.

10.07 Meetings without Notice. A meeting of shareholders may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated (a) if all the shareholders entitled to vote thereat are present in person or represented (other than as expressly to object that the meeting is not lawfully called) or if those not so present or represented have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting, and (b) if the auditor and the directors are present (other than as expressly to object that the meeting is not lawfully called) or if those not present have received notice or, before or after the meeting or the time prescribed for notice thereof, in writing waive notice of or accept short notice of such meeting. If the meeting is held at a place outside Canada, shareholders not present or represented, but who have waived notice of or accepted short notice of such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.08 Chair, Secretary and Scrutineers. The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed who is present at the meeting: president, chair of the board, the vice-chair of the board, or a vice-president who is a director. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

10.09 Persons Entitled to Attend. The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the chair of the board, the vice-chair of the board, the president, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to attend the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.10 Quorum. Subject to the provisions of the Act, a quorum for the transaction of business at any meeting of shareholders shall be 1 person present in person, being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.11 Right to Vote. Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation must prepare the list referred to in section 10.05, every person who is named in such list shall be entitled to vote the shares shown opposite his name except to the extent that, (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of his shares after such record date, or where the Corporation has not fixed a record date in respect of such meeting, such person has transferred any of his shares after the date on which such list is prepared, and (b) the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, has demanded not later than 10 days before the meeting that his name be included in such list. In any such excepted case the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of shareholders for which the Corporation has not prepared the list referred to in section 10.05, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

10.12 Proxyholders and Representatives. Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be

shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. Every such shareholder which is a body corporate or association may by resolution of its directors or governing body authorize an individual who need not be a shareholder to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting.

10.13 Time for Deposit of Proxies. The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, if it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

10.14 Joint Shareholders. If two or more persons hold shares jointly, any one of them present in person or represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.15 Votes to Govern. At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a ballot, the chair of the meeting shall not be entitled to a casting vote.

10.16 Show of Hands. Subject to the provisions of the Act any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.17 Ballots. On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act

or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.18 Adjournment. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.19 Resolution in Writing. A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement with respect to the subject matter of the resolution is submitted by a director or auditor in accordance with the Act.

10.20 Only One Shareholder. If the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

## Part XI

### Notices

11.01 Method of Giving Notices. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served), pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail, or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been received by the addressee on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

11.02 Notice to Joint Shareholders. If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice and the date of the meeting or other event shall both be excluded.

11.04 Undelivered Notices. If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

11.05 Omissions and Errors. The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.07 Waiver of Notice. Any shareholder, proxyholder, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

Part XII

Interpretation

12.01 Interpretation. If any conflict shall appear between the by-laws of the Corporation and the provisions of the Shareholder Direction, the provisions of the Shareholder Direction shall govern.

Passed by the board the 11th day of February, 2000.

\_\_\_\_\_  
Chair

\_\_\_\_\_  
President

CONFIRMED by the shareholder in accordance with the Act the \_\_\_\_\_ day  
of \_\_\_\_\_, 2000.

per: \_\_\_\_\_

per: \_\_\_\_\_

\_\_\_\_\_

## BY-LAW NO. 1.1

A by-law relating generally to the transaction  
of the business and affairs of

Toronto Hydro Energy Services Inc.

### Contents

Part	Description
I	- Interpretation
II	- Business of the Corporation
III	- Borrowing and Securities
IV	- Directors
V	- Committees
VI	- Officers
VII	- Protection of Directors, Officers and Others
VIII	- Shares
IX	- Dividends and Rights
X	- Meetings of Shareholders
XI	- Notices
XII	- Interpretation

Be It Enacted as a by-law of Toronto Hydro Energy Services Inc. (hereinafter referred to as the "Corporation") as follows:

#### Part I

##### Interpretation

1.01 Definitions. In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the Business Corporations Act (Ontario) and any statute that may be substituted therefor, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the original or restated articles of incorporation, articles of amalgamation, articles of continuance, articles of reorganization, letters patent or other instrument of incorporation of the Corporation, as from time to time amended;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the Interpretation Act (Ontario);

"recorded address" means, in the case of a shareholder, his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.03 or by a resolution passed pursuant thereto;

"Shareholder Direction" means the document entitled "Shareholder Direction relating to Toronto Hydro Corporation" dated July 1, 1999 and executed by the City of Toronto, as from time to time amended;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and

words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

## Part II

### Business of the Corporation

2.01 Corporate Seal. The Corporation may have one or more different corporate seals which may be adopted or changed from time to time by the board, on which the name of the Corporation appears in the language or one or more of the languages set out in the articles.

2.02 Financial Year. The financial year of the Corporation shall end on such day in each year as the board may from time to time by resolution determine.

2.03 Execution of Instruments. Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the directors or officers. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall

be signed. Any signing officer may affix the corporate seal (if any) to any instrument. Any signing officer may certify a copy of any instrument, resolution, by-law or other document of the Corporation to be a true copy thereof.

2.04 Execution in Counterpart. Any articles, notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person may be executed in several documents of like form each of which is executed by one or more of such persons, and such documents, when duly executed by all persons required or permitted, as the case may be, to do so, shall be deemed to constitute one document and to bear date as of the date of execution thereof by the last such person.

2.05 Banking Arrangements. The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate. The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such proxies, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers signing or arranging for them. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Creation and Consolidation of Divisions. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

2.08 Name of Division. Subject to compliance with law, any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its corporate name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

2.09 Officers of Division. From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so



appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

### Part III

#### Borrowing and Securities

3.01 **Borrowing Power.** Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles and the Shareholder Direction, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;
- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 **Delegation.** The board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of each such delegation.

### Part IV

#### Directors

4.01 **Number of Directors and Quorum.** The board shall consist of the number of directors determined from time to time by a special resolution within the minimum and maximum numbers set out in the articles. Subject to section 4.07, a majority of the number of directors so determined shall constitute a quorum at any meeting of the board.

4.02 Qualification. Unless otherwise provided by the Act, a majority of the directors shall be resident Canadians; if the Corporation has only one or two directors, that director or one of the two directors, as the case may be, shall be a resident Canadian. No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder.

4.03 Election and Term. The election of directors shall take place at the first meeting of shareholders and, if required, at each annual meeting of shareholders. The term of office for a director who is not a member of the City of Toronto Council is three (3) years or until his or her successor is elected. The term of office for a director who is a member of the City of Toronto Council is eighteen (18) months or until his or her successor is elected. A director shall retire at the expiry of his or her term but, if qualified, shall be eligible for re-election. The election shall be by resolution. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected.

4.04 Removal of Directors. Subject to the provisions of the Act, the shareholders may by resolution passed at an annual or special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting.

4.05 Vacation of Office. A director ceases to hold office when he dies, is removed from office by the shareholders acting pursuant to the Act, or ceases to be qualified for election as a director, or earlier if he shall have submitted his written resignation to the Corporation; in which last-mentioned event he shall cease to hold office at the later of (i) the time when such written resignation is sent or delivered to the Corporation and (ii) the time, if any, specified in such written resignation as the effective time of such resignation.

4.06 Action by the Board. Subject to the Shareholder Direction, the board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.07 and 4.08, the powers of the board may be exercised by a meeting at which the quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.07 Canadian Majority. Unless otherwise provided by the Act, the board shall not transact business at a meeting unless a majority of the directors present are resident Canadians, except where

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.

4.08 Meeting by Communications Facilities. If all the directors present at or participating in the meeting consent, a meeting of the board or of a committee of the board may be held by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means shall be deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board. If a majority of the directors participating in a meeting held under this section are then in Canada, the meeting shall be deemed to have been held in Canada.

4.09 Place of Meetings. Meetings of the board may be held at any place in or outside Ontario. In any financial year of the Corporation a majority of the meetings of the board need not be held in Canada.

4.10 Calling of Meetings. Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the president, the vice-president or any two directors may determine.

4.11 Notice of Meeting. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

4.12 First Meeting of New Board. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.13 Adjourned Meeting. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.14 Regular Meetings. The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.15 Meetings Without Notice. A meeting of the board may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated if all the directors are present in person (other than expressly to object that the meeting is not lawfully called) or if not so present have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting.

4.16 Chair of the Board. The board may from time to time appoint a chair of the board from amongst its members. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chair of the board, his duties shall be performed and his powers exercised by the president.

4.17 Term of Office of Chair of the Board. The board, in its discretion, may remove the chair of the board, without prejudice to such person's rights under any employment contract. Otherwise, the chair of the board appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

4.18 Chair of Meetings of the Board. The chair of any meeting of the board shall be the chair of the board, who is a director and is present at the meeting. If no such chair of the board is present, the directors present shall choose one of their number to be chair.

4.19 Votes To Govern. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.20 Declaration of Interest. A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act.

4.21 Expenses. The directors shall be entitled to be reimbursed only for expenses properly incurred by them in attending to the business of the board or any committee thereof.

## Part V

### Committees

5.01 Committee of Board. The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians unless the Act permits otherwise.

5.02 Transaction of Business. Subject to section 4.07, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

5.03 Advisory Bodies. The board may from time to time appoint advisory bodies.

5.04 Procedure. Unless otherwise determined by the board, each committee and advisory board shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

## Part VI

### Officers

6.01 Appointment. Subject to the Shareholder Direction, the board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers appointed. The board may specify the duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. One person may hold more than one office.

6.02 President. If appointed, the president shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify.

6.03 Vice-Presidents. Vice-presidents shall have such powers and duties as the board or the chief executive officer may specify.

6.04 Secretary. The secretary, as and when requested to do so, shall attend and be the secretary of all meetings of the board, shareholders, and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to directors, shareholders, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation (if any) and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.05 Chief Financial Officer. The chief financial officer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as chief financial officer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.06 Powers and Duties of Other Officers. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been

appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.07 Variation of Powers and Duties. The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.08 Term of Office. The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

6.09 Terms of Employment and Remuneration. The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.

6.10 Declaration of Interest. An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.20.

6.11 Agents and Attorneys. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the powers to subdelegate), as may be thought fit.

6.12 Fidelity Bonds. The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

## Part VII

### Protection of Directors, Officers and Others

7.01 Limitation of Liability. The directors and officers shall comply with the Standards of Care set out in the Act. No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgement or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

7.02 Indemnity. Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs and legal representatives, against all costs, charges

and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity apart from the provisions of this by-law.

7.03 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and are permitted by the Act.

## Part VIII

### Shares

8.01 Commissions. The board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.02 Registration of Transfers. Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with an endorsement, which complies with the Act, made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.04.

8.03 Transfer Agents and Registrars. The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

8.04 Lien for Indebtedness. If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be

enforced, subject to any other provision of the articles and to the Shareholder Direction, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.05 Non-recognition of Trusts. Subject to the provisions of the Act, the Corporation may treat the person in whose name a share is registered in the securities register as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payments in respect of the share and otherwise to exercise all the rights and powers of an owner.

8.06 Share Certificates. Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written certificate of acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Such certificates shall be in such form as the board shall from time to time approve. Any such certificate shall be signed in accordance with section 2.03 and need not be under corporate seal; provided that, unless the board otherwise determines, certificates in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.07 Replacement of Share Certificates. The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate or certificate of acknowledgement in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding \$3, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.08 Joint Shareholders. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issueable in respect of such share.

8.09 Deceased Shareholders. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.



## Part IX

### Dividends and Rights

9.01 Dividends. Subject to the provisions of the Act, the articles and the Shareholder Direction, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property, or by issuing fully paid shares of the Corporation.

9.02 Dividend Cheques. A dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 Non-receipt of Cheques. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Record Date for Dividends and Rights. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 Unclaimed Dividends. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## Part X

### Meetings of Shareholders

10.01 Annual Meetings. The annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and transacting such other business as may properly be brought before the meeting.

10.02 Special Meetings. The board, the chair of the board, the president shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada.

10.04 Notice of Meetings. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 11.01 not less than 10 nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgement thereon and shall state the text of any special resolution to be submitted to the meeting.

10.05 List of Shareholders Entitled to Notice. For every meeting of shareholders, the Corporation shall prepare within the time specified by the Act a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered (a) at the close of business on the day immediately preceding the day on which notice of the meeting is given, or (b) on the day on which the meeting is held where no such notice is given. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared.

10.06 Record Date for Notice. The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall be given not less than 7 days before such record date, by newspaper advertisement and written notice in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be

(a) at the close of business on the day immediately preceding the day on which the notice is given or (b) the day on which the meeting is held where no such notice is given.

10.07 Meetings without Notice. A meeting of shareholders may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated (a) if all the shareholders entitled to vote thereat are present in person or represented (other than as expressly to object that the meeting is not lawfully called) or if those not so present or represented have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting, and (b) if the auditor and the directors are present (other than as expressly to object that the meeting is not lawfully called) or if those not present have received notice or, before or after the meeting or the time prescribed for notice thereof, in writing waive notice of or accept short notice of such meeting. If the meeting is held at a place outside Canada, shareholders not present or represented, but who have waived notice of or accepted short notice of such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.08 Chair, Secretary and Scrutineers. The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed who is present at the meeting: president, chair of the board, or a vice-president who is a director. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

10.09 Persons Entitled to Attend. The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the chair of the board, the president, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to attend the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.10 Quorum. Subject to the provisions of the Act, a quorum for the transaction of business at any meeting of shareholders shall be 1 person present in person, being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.11 Right to Vote. Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation

must prepare the list referred to in section 10.05, every person who is named in such list shall be entitled to vote the shares shown opposite his name except to the extent that, (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of his shares after such record date, or where the Corporation has not fixed a record date in respect of such meeting, such person has transferred any of his shares after the date on which such list is prepared, and (b) the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, has demanded not later than 10 days before the meeting that his name be included in such list. In any such excepted case the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of shareholders for which the Corporation has not prepared the list referred to in section 10.05, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

10.12 Proxyholders and Representatives. Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. Every such shareholder which is a body corporate or association may by resolution of its directors or governing body authorize an individual who need not be a shareholder to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting.

10.13 Time for Deposit of Proxies. The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, if it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

10.14 Joint Shareholders. If two or more persons hold shares jointly, any one of them present in person or represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.15 Votes to Govern. At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a ballot, the chair of the meeting shall not be entitled to a casting vote.

10.16 Show of Hands. Subject to the provisions of the Act any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote

shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.17 Ballots. On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.18 Adjournment. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.19 Resolution in Writing. A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement with respect to the subject matter of the resolution is submitted by a director or auditor in accordance with the Act.

10.20 Only One Shareholder. If the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

## Part XI

### Notices

11.01 Method of Giving Notices. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served), pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail, or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been received by the addressee on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded communication

shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

11.02 Notice to Joint Shareholders. If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice and the date of the meeting or other event shall both be excluded.

11.04 Undelivered Notices. If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

11.05 Omissions and Errors. The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.07 Waiver of Notice. Any shareholder, proxyholder, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

Part XII

Interpretation

12.01 Interpretation. If any conflict shall appear between the by-laws of the Corporation and the provisions of the Shareholder Direction, the provisions of the Shareholder Direction shall govern.

Passed by the board the 11th day of February, 2000.

\_\_\_\_\_  
Chair

\_\_\_\_\_  
President

CONFIRMED by the shareholder in accordance with the Act the \_\_\_\_\_ day \_\_\_\_\_, 2000.

TORONTO HYDRO CORPORATION

per: \_\_\_\_\_

per: \_\_\_\_\_

City of Toronto

per: \_\_\_\_\_

per: \_\_\_\_\_

\_\_\_\_\_  
BY-LAW No. 1.1

A by-law relating generally to the transaction  
of the business and affairs of

Toronto Hydro-Electric System Limited

Contents

Part	Description
I	- Interpretation
II	- Business of the Corporation
III	- Borrowing and Securities
IV	- Directors

V	-	Committees
VI	-	Officers
VII	-	Protection of Directors, Officers and Others
VIII	-	Shares
IX	-	Dividends and Rights
X	-	Meetings of Shareholders
XI	-	Notices
XII	-	Interpretation

Be It Enacted as a by-law of Toronto Hydro-Electric System Limited (hereinafter referred to as the "Corporation") as follows:

## Part I

### Interpretation

1.01 Definitions. In the by-laws of the Corporation, unless the context otherwise requires:

"Act" means the Business Corporations Act (Ontario) and any statute that may be substituted therefor, as from time to time amended;

"appoint" includes "elect" and vice versa;

"articles" means the original or restated articles of incorporation, articles of amalgamation, articles of continuance, articles of reorganization, letters patent or other instrument of incorporation of the Corporation, as from time to time amended;

"board" means the board of directors of the Corporation;

"by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;

"meeting of shareholders" includes an annual meeting of shareholders and a special meeting of shareholders;

"special meeting of shareholders" includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders;

"non-business day" means Saturday, Sunday and any other day that is a holiday as defined in the Interpretation Act (Ontario);

"recorded address" means, in the case of a shareholder, his address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and, in the case of a director, officer, auditor or member of a committee of the board, his latest address as recorded in the records of the Corporation;



"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.03 or by a resolution passed pursuant thereto;

"Shareholder Direction" means the document entitled "Shareholder Direction relating to Toronto Hydro Corporation" dated July 1, 1999 and executed by the City of Toronto, as from time to time amended;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and

words importing the singular number include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

## Part II

### Business of the Corporation

2.01 Corporate Seal. The Corporation may have one or more different corporate seals which may be adopted or changed from time to time by the board, on which the name of the Corporation appears in the language or one or more of the languages set out in the articles.

2.02 Financial Year. The financial year of the Corporation shall end on such day in each year as the board may from time to time by resolution determine.

2.03 Execution of Instruments. Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the directors or officers. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal (if any) to any instrument. Any signing officer may certify a copy of any instrument, resolution, by-law or other document of the Corporation to be a true copy thereof.

2.04 Execution in Counterpart. Any articles, notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person may be executed in several documents of like form each of which is executed by one or more of such persons, and such documents, when duly executed by all persons required or permitted, as the case may be, to do so, shall be deemed to constitute one document and to bear date as of the date of execution thereof by the last such person.

2.05 Banking Arrangements. The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof

shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time prescribe or authorize.

2.06 Voting Rights in Other Bodies Corporate. The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such proxies, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers signing or arranging for them. In addition, the board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Creation and Consolidation of Divisions. The board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the board may consider appropriate in each case. The board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the board may consider appropriate in each case.

2.08 Name of Division. Subject to compliance with law, any division or its sub-units may be designated by such name as the board may from time to time determine and may transact business under such name, provided that the Corporation shall set out its corporate name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation.

2.09 Officers of Division. From time to time the board or, if authorized by the board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The board or, if authorized by the board, the chief executive officer, may remove at its or his pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

### Part III

#### Borrowing And Securities

3.01 Borrowing Power. Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles and the Shareholder Direction, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money on the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidences of indebtedness or guarantee of the Corporation, whether secured or unsecured;

- (c) to the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

3.02 Delegation. The board may from time to time delegate to a committee of the board, a director or an officer of the Corporation or any other person as may be designated by the board all or any of the powers conferred on the board by section 3.01 or by the Act to such extent and in such manner as the board may determine at the time of each such delegation.

#### Part IV

#### Directors

4.01 Number of Directors and Quorum. The board shall consist of the number of directors determined from time to time by a special resolution within the minimum and maximum numbers set out in the articles. Subject to section 4.07, a majority of the number of directors so determined shall constitute a quorum at any meeting of the board.

4.02 Qualification. Unless otherwise provided by the Act, a majority of the directors shall be resident Canadians; if the Corporation has only one or two directors, that director or one of the two directors, as the case may be, shall be a resident Canadian. No person shall be qualified for election as a director if he is less than 18 years of age; if he is of unsound mind and has been so found by a court in Canada or elsewhere; if he is not an individual; or if he has the status of a bankrupt. A director need not be a shareholder.

4.03 Election and Term. The election of directors shall take place at the first meeting of shareholders and, if required, at each annual meeting of shareholders. The term of office for a director who is not a member of the City of Toronto Council is three (3) years or until his or her successor is elected. The term of office for a director who is a member of the City of Toronto Council is eighteen (18) months or until his or her successor is elected. A director shall retire at the expiry of his or her term but, if qualified, shall be eligible for re-election. The election shall be by resolution. If an election of directors is not held at the proper time, the directors shall continue in office until their successors are elected.

4.04 Removal of Directors. Subject to the provisions of the Act, the shareholders may by resolution passed at an annual or special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting.

4.05 Vacation of Office. A director ceases to hold office when he dies, is removed from office by the shareholders acting pursuant to the Act, or ceases to be qualified for election as a director, or earlier if he shall have submitted his written resignation to the Corporation; in which last-mentioned event he shall cease to hold office at the later of (i) the time when such written resignation is sent or delivered to the Corporation and (ii) the time, if any, specified in such written resignation as the effective time of such resignation.

4.06 Action by the Board. Subject to the Shareholder Direction, the board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.07 and 4.08, the powers of the board may be exercised by a meeting at which the quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office. Where the Corporation has only one director, that director may constitute a meeting.

4.07 Canadian Majority. Unless otherwise provided by the Act, the board shall not transact business at a meeting unless a majority of the directors present are resident Canadians, except where

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) a majority of resident Canadians would have been present had that director been present at the meeting.

4.08 Meeting by Communications Facilities. If all the directors present at or participating in the meeting consent, a meeting of the board or of a committee of the board may be held by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means shall be deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board. If a majority of the directors participating in a meeting held under this section are then in Canada, the meeting shall be deemed to have been held in Canada.

4.09 Place of Meetings. Meetings of the board may be held at any place in or outside Ontario. In any financial year of the Corporation a majority of the meetings of the board need not be held in Canada.

4.10 Calling of Meetings. Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the vice-chair of the board, the president, the vice-president or any two directors may determine.

4.11 Notice of Meeting. Notice of the time and place of each meeting of the board shall be given in the manner provided in section 11.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified.

4.12 First Meeting of New Board. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.13 Adjourned Meeting. Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.14 Regular Meetings. The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.15 Meetings Without Notice. A meeting of the board may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated if all the directors are present in person (other than expressly to object that the meeting is not lawfully called) or if not so present have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting.

4.16 Chair of the Board. The board may from time to time appoint a chair of the board from amongst its members. If appointed, the board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the board may specify. During the absence or disability of the chair of the board, his duties shall be performed and his powers exercised by the vice-chair of the board, if appointed, or, in the absence of a vice-chair of the board, by the president.

4.17 Vice-Chair of the Board. The board may from time to time appoint a vice-chair of the board from amongst its members who shall have such powers and duties as the board or chair of the board may specify.

4.18 Term of Office of Chair of the Board and Vice-Chair of the Board. The board, in its discretion, may remove the chair of the board or the vice-chair of the board, without prejudice to such person's rights under any employment contract. Otherwise, each chair of the board and vice-chair of the board appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

4.19 Chair of Meetings of the Board. The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board or vice-chair of the board. If no such officer is present, the directors present shall choose one of their number to be chair.

4.20 Votes To Govern. At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

4.21 Declaration of Interest. A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act.

4.22 Expenses. The directors shall be entitled to be reimbursed only for expenses properly incurred by them in attending to the business of the board or any committee thereof.

## Part V

### Committees

5.01 Committee of Board. The board may appoint one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which, under the Act, a committee of directors has no authority to exercise. A majority of the members of such committee shall be resident Canadians unless the Act permits otherwise.

5.02 Transaction of Business. Subject to section 4.07, the powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

5.03 Advisory Bodies. The board may from time to time appoint advisory bodies.

5.04 Procedure. Unless otherwise determined by the board, each committee and advisory board shall have power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

## Part VI

### Officers

6.01 Appointment. Subject to the Shareholder Direction, the board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the board may determine, including one or more assistants to any of the officers appointed. The board may specify the

duties of and, in accordance with this by-law and subject to the provisions of the Act, delegate to such officers powers to manage the business and affairs of the Corporation. One person may hold more than one office.

6.02 President. If appointed, the president shall be the chief executive officer and, subject to the authority of the board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the board may specify.

6.03 Vice-Presidents. Vice-presidents shall have such powers and duties as the board or the chief executive officer may specify.

6.04 Secretary. The secretary, as and when requested to do so, shall attend and be the secretary of all meetings of the board, shareholders, and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to directors, shareholders, officers, auditors and members of committees of the board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation (if any) and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.05 Chief Financial Officer. The chief financial officer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as chief financial officer and of the financial position of the Corporation; and he shall have such other powers and duties as the board or the chief executive officer may specify.

6.06 Powers and Duties of Other Officers. The powers and duties of all other officers shall be such as the terms of their engagement call for or as the board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the board or the chief executive officer otherwise directs.

6.07 Variation of Powers and Duties. The board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.08 Term of Office. The board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the board shall hold office until his successor is appointed, or until his earlier resignation.

6.09 Terms of Employment and Remuneration. The terms of employment and the remuneration of an officer appointed by the board shall be settled by it from time to time.

6.10 Declaration of Interest. An officer shall disclose his interest in any material contract or proposed material contract with the Corporation in accordance with section 4.21.

6.11 Agents and Attorneys. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the powers to subdelegate), as may be thought fit.

6.12 Fidelity Bonds. The board may require such officers, employees and agents of the Corporation as the board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the board may from time to time determine.

## Part VII

### Protection of Directors, Officers and Others

7.01 Limitation of Liability. The directors and officers shall comply with the Standards of Care set out in the Act. No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortuous acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgement or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto.

7.02 Indemnity. Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgement, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity apart from the provisions of this by-law.



7.03 Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in section 7.02 against such liabilities and in such amounts as the board may from time to time determine and are permitted by the Act.

## Part VIII

### Shares

8.01 Commissions. The board may from time to time authorize the Corporation to pay a commission to any person in consideration of his purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.02 Registration of Transfers. Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with an endorsement, which complies with the Act, made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.04.

8.03 Transfer Agents and Registrars. The board may from time to time appoint one or more agents to maintain, in respect of each class of securities of the Corporation issued by it in registered form, a central securities register and one or more branch securities registers. Such a person may be designated as transfer agent or registrar according to his functions and one person may be designated both registrar and transfer agent. The board may at any time terminate such appointment.

8.04 Lien for Indebtedness. If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles and to the Shareholder Direction, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, the Corporation may refuse to register a transfer of the whole or any part of such shares.

8.05 Non-recognition of Trusts. Subject to the provisions of the Act, the Corporation may treat the person in whose name a share is registered in the securities register as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payments in respect of the share and otherwise to exercise all the rights and powers of an owner.

8.06 Share Certificates. Every holder of one or more shares of the Corporation shall be entitled, at his option, to a share certificate, or to a non-transferable written certificate of acknowledgement of his right to obtain a share certificate, stating the number and class or series of shares held by him as shown on the securities register. Such certificates shall be in such form

as the board shall from time to time approve. Any such certificate shall be signed in accordance with section 2.03 and need not be under corporate seal; provided that, unless the board otherwise determines, certificates in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of certificates which are not valid unless countersigned by or on behalf of a transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

8.07 Replacement of Share Certificates. The board or any officer or agent designated by the board may in its or his discretion direct the issue of a new share certificate or certificate of acknowledgement in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding \$3, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.08 Joint Shareholders. If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issueable in respect of such share.

8.09 Deceased Shareholders. In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

## Part IX

### Dividends and Rights

9.01 Dividends. Subject to the provisions of the Act, the articles and the Shareholder Direction, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property, or by issuing fully paid shares of the Corporation.

9.02 Dividend Cheques. A dividend payable in money shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of

joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

9.03 Non-receipt of Cheques. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.04 Record Date for Dividends and Rights. The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

9.05 Unclaimed Dividends. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## Part X

### Meetings of Shareholders

10.01 Annual Meetings. The annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the board may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and transacting such other business as may properly be brought before the meeting.

10.02 Special Meetings. The board, the chair of the board, the vice-chair of the board and the president shall have power to call a special meeting of shareholders at any time.

10.03 Place of Meetings. Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in Canada or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Canada.

10.04 Notice of Meetings. Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 11.01 not less than 10 nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgement thereon and shall state the text of any special resolution to be submitted to the meeting.

10.05 List of Shareholders Entitled to Notice. For every meeting of shareholders, the Corporation shall prepare within the time specified by the Act a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered (a) at the close of business on the day immediately preceding the day on which notice of the meeting is given, or (b) on the day on which the meeting is held where no such notice is given. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared.

10.06 Record Date for Notice. The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall be given not less than 7 days before such record date, by newspaper advertisement and written notice in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be (a) at the close of business on the day immediately preceding the day on which the notice is given or (b) the day on which the meeting is held where no such notice is given.

10.07 Meetings without Notice. A meeting of shareholders may be held at any time and place permitted by the Act or the articles or the by-laws without notice or on shorter notice than that provided for herein, and proceedings thereat shall not be invalidated (a) if all the shareholders entitled to vote thereat are present in person or represented (other than as expressly to object that the meeting is not lawfully called) or if those not so present or represented have received notice, or before or after the meeting or the time prescribed for the notice thereof, in writing waive notice of or accept short notice of such meeting, and (b) if the auditor and the directors are present (other than as expressly to object that the meeting is not lawfully called) or if those not present have received notice or, before or after the meeting or the time prescribed for notice thereof, in writing waive notice of or accept short notice of such meeting. If the meeting is held at a place outside Canada, shareholders not present or represented, but who have waived notice of or accepted short notice of such meeting, shall also be deemed to have consented to the meeting being held at such place.

10.08 Chair, Secretary and Scrutineers. The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed who is present at the meeting: president, chair of the board, the vice-chair of the board, or a vice-president who is a director. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

10.09 Persons Entitled to Attend. The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the chair of the board, the vice-chair of the board, the president, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to attend the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

10.10 Quorum. Subject to the provisions of the Act, a quorum for the transaction of business at any meeting of shareholders shall be 1 person present in person, being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting. If a quorum is present at the opening of any meeting of shareholders, the shareholders present or represented may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

10.11 Right to Vote. Subject to the provisions of the Act as to authorized representatives of any other body corporate or association, at any meeting of shareholders for which the Corporation must prepare the list referred to in section 10.05, every person who is named in such list shall be entitled to vote the shares shown opposite his name except to the extent that, (a) where the Corporation has fixed a record date in respect of such meeting, such person has transferred any of his shares after such record date, or where the Corporation has not fixed a record date in respect of such meeting, such person has transferred any of his shares after the date on which such list is prepared, and (b) the transferee, having produced properly endorsed certificates evidencing such shares or having otherwise established that he owns such shares, has demanded not later than 10 days before the meeting that his name be included in such list. In any such excepted case the transferee shall be entitled to vote the transferred shares at the meeting. At any meeting of shareholders for which the Corporation has not prepared the list referred to in section 10.05, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

10.12 Proxyholders and Representatives. Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with

the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act. Every such shareholder which is a body corporate or association may by resolution of its directors or governing body authorize an individual who need not be a shareholder to represent it at a meeting of shareholders and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting.

10.13 Time for Deposit of Proxies. The board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, if it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

10.14 Joint Shareholders. If two or more persons hold shares jointly, any one of them present in person or represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.15 Votes to Govern. At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a ballot, the chair of the meeting shall not be entitled to a casting vote.

10.16 Show of Hands. Subject to the provisions of the Act any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.17 Ballots. On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chair may require a ballot or any person present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act

or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.18 Adjournment. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.19 Resolution in Writing. A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement with respect to the subject matter of the resolution is submitted by a director or auditor in accordance with the Act.

10.20 Only One Shareholder. If the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

## Part XI

### Notices

11.01 Method of Giving Notices. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served), pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail, or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been received by the addressee on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by him to be reliable.

11.02 Notice to Joint Shareholders. If two or more persons are registered as joint holders of any share, any notice shall be addressed to all of such joint holders but notice to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice and the date of the meeting or other event shall both be excluded.

11.04 Undelivered Notices. If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be

required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

11.05 Omissions and Errors. The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom he derives his title to such share prior to his name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which he became so entitled) and prior to his furnishing to the Corporation the proof of authority or evidence of his entitlement prescribed by the Act.

11.07 Waiver of Notice. Any shareholder, proxyholder, other person entitled to attend a meeting of shareholders, director, officer, auditor or member of a committee of the board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations thereunder, the articles, the by-laws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the board or of a committee of the board which may be given in any manner.

Part XII

Interpretation

12.01 Interpretation. If any conflict shall appear between the by-laws of the Corporation and the provisions of the Shareholder Direction, the provisions of the Shareholder Direction shall govern.

Passed by the board the 11th day of February, 2000.

\_\_\_\_\_
Chair

\_\_\_\_\_
President

Confirmed by the shareholder in accordance with the Act the \_\_\_\_\_ day of \_\_\_\_\_, 2000.

Toronto Hydro Corporation

per:\_\_\_\_\_

per:\_\_\_\_\_



City of Toronto

per: \_\_\_\_\_

per: \_\_\_\_\_

**The Policy and Finance Committee also submits the following report (August 28, 2000) from the Chief Financial Officer and Treasurer, entitled “Annual Financial Statements of Toronto Hydro Corporation”:**

Purpose:

To provide the annual financial statements of Toronto Hydro Corporation to the Shareholder.

Financial Implications and Impact Statement:

There are no financial implications of this report.

Recommendation:

It is recommended that this report be received for information.

Background:

Toronto Hydro Corporation was incorporated as at July 1, 1999, with the City of Toronto as sole shareholder. As at that date, the Shareholder Direction relating to Toronto Hydro Corporation became effective. Section 6.6 of the Shareholder Direction requires Toronto Hydro Corporation to deliver the audited consolidated statements of the Corporation to the Shareholder within 90 days of fiscal year end.

Comments:

In accordance with Section 6.6 of the Shareholder Direction, Toronto Hydro Corporation has provided its audited annual consolidated financial statements to the Shareholder within 90 days of the fiscal year end. City Finance staff received the statements on April 17, 2000, a delay from the March 30 deadline due to the strike at the City.

The Corporation and its subsidiaries have been incorporated as at July 1, 1999. The consolidated income and cash flow statements of the Corporation have therefore been combined with the operating results for the former Toronto Hydro Electric Commission for the period January 1, 1999 to June 30, 1999, in order to reflect operations for the twelve month period ended December 31, 1999.

Income for the twelve months ended December 31, 1999, was \$16.6 million, equivalent to a return on equity of 2.9 percent. Actual results for fiscal 1999 were for the most part consistent with budgeted results. Income for the year was short of the budgeted target of \$25 million due to slightly higher than anticipated operating costs.

Upcoming year:

As previously proposed by the Province, in November 2000, Toronto Hydro Corporation will become a taxable corporation. The Corporation will be liable for payments in lieu of income taxes (PILs) to the Province that are equivalent to corporate taxes normally levied on corporations by both Federal and Provincial levels of government.

Conclusion:

Subsequent to its incorporation of July 1, 1999, and in accordance with the Shareholder Direction relating to Toronto Hydro Corporation, the Corporation has provided the Shareholder with its audited annual consolidated financial statements. This report has highlighted key financial results of the Corporation for the 1999 fiscal year.

Contact:

Len Brittain, Director, Treasury and Financial Services,  
Tel: 392-5380, fax: 397-4555; E-mail: lbrittai@city.toronto.on.ca

(A copy of the Audited Annual Consolidated Financial Statements of Toronto Hydro Corporation, December 31, 1999, referred to in the foregoing report was forwarded to all Members of Council with September 21, 2000, agenda of the Policy and Finance Committee and a copy thereof is also on file in the office of the City Clerk).