

UNANIMOUS SHAREHOLDER AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2020.

BETWEEN:

BEAVER COUNTY

a municipal corporation under the laws of the Province of Alberta
("Beaver")

– and –

VILLAGE OF HOLDEN

a municipal corporation under the laws of the Province of Alberta
("Holden")

– and –

VILLAGE OF RYLEY

a municipal corporation under the laws of the Province of Alberta
("Ryley")

– and –

TOWN OF TOFIELD

a municipal corporation under the laws of the Province of Alberta
("Tofield")

– and –

TOWN OF VIKING

a municipal corporation under the laws of the Province of Alberta
("Viking")

– and –

CLAYSTONE WASTE LTD.

a corporation incorporated under the laws of the Province of Alberta
(the "Corporate General Partner")

WHEREAS:

- A.** The Municipalities had previously formed the Commission to be the owner and operator of the Waste Facilities;

- B.** Each one of the Municipalities contribute Waste to the Waste Facilities and pay the Commission for the delivery of such Waste and, accordingly, each financially contribute to the Commission;
- C.** Non-members of the Commission contribute Waste to the Waste Facilities and, as such, the Commission earns an additional revenue source which is not attributable to the Municipalities;
- D.** Pursuant to the terms of the Commission's Regulation, the Commission is not permitted to operate for the purposes of making a profit and is not permitted to distribute any of its surpluses to the Municipalities;
- E.** The Municipalities and the Commission each anticipate that the Commission will frequently and regularly have excess revenues that it is prohibited from distributing to the Municipalities unless ministerial exemptions are obtained for each distribution;
- F.** The Municipalities have deemed it expedient to create the Limited Partnership to be the new corporate vehicle for the joint ownership and control of the Waste Facilities and provision of the Waste Services;
- G.** The Municipalities have, further, deemed it expedient to create the Corporate General Partner to serve as general partner of the Limited Partnership;
- H.** Pursuant to Section 75.1 of the MGA, the Municipalities are entitled to control a corporation, including without limitation, the Corporate General Partner;
- I.** The Parties wish to enter into this Agreement for the purpose of defining and qualifying their respective rights and obligations to each other and the terms and conditions under which they will carry on their activities under the corporate structure of the Corporate General Partner;
- J.** The Parties intend that this Agreement shall operate and be construed as a Unanimous Shareholder Agreement under the Act; and
- K.** The total issued capital of the Corporate General Partner is, at the date of this Agreement, as follows:

Shareholder/Limited Partner	Class and Number of Shares
Beaver	<ul style="list-style-type: none"> • 4,867 Class "A" Shares – Common Voting • 6,963 Class "D" Shares – Common Non-Voting
Holden	<ul style="list-style-type: none"> • 585 Class "A" Shares – Common Voting • 1,353 Class "D" Shares – Common Non-Voting

Shareholder/Limited Partner	Class and Number of Shares
Ryley	<ul style="list-style-type: none"> • 613 Class "A" Shares – Common Voting • 1,488 Class "D" Shares – Common Non-Voting
Tofield	<ul style="list-style-type: none"> • 2,359 Class "A" Shares – Common Voting • 3,102 Class "D" Shares – Common Non-Voting
Viking	<ul style="list-style-type: none"> • 1,576 Class "A" Shares – Common Voting • 2,094 Class "D" Shares – Common Non-Voting

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of these premises and of the mutual covenants, agreements and conditions herein contained the Parties hereby agree and declare as follows:

ARTICLE I. DEFINITIONS AND INTERPRETATION

1.01 Definitions

- (a) **"Act"** means the *Business Corporations Act*, RSA 2000, c B-9, and all regulations thereunder, as amended from time to time and every statute that may be substituted therefor, and in the case of any such amendment and substitution, any reference in this Agreement to the Act shall be read as referring to the amended or substituted provisions therefor;
- (b) **"Advances"** or **"Shareholder/Limited Partner Advances"** means all outstanding loans due and owing from time to time by the Corporate General Partner to the Shareholders/Limited Partners;
- (c) **"Agreement"** means this Agreement as may be amended from time to time in accordance with the terms hereof, and the expressions **"herein"**, **"hereof"**, **"hereto"**, **"above"**, **"below"** and similar expressions if used in any sub-paragraph, paragraph, sub-section, Section or Article of this Agreement refer and relate back to the whole of this Agreement and not to that sub-paragraph, paragraph, sub-section, Section or Article only, unless otherwise expressly provided;
- (d) **"Appoint"** includes **"elect"** and vice versa;
- (e) **"Articles"** means the Articles of Incorporation of the Corporate General Partner filed the [REDACTED] day of [REDACTED], 2020, as from time to time amended or restated;
- (f) **"Board"** means the Board of Directors of the Corporate General Partner;

- (g) **"Business"** means serving as general partner of the Limited Partnership, including, without restriction, managing and controlling the business of the Limited Partnership, being the business of providing Waste Services;
- (h) **"Business Day"** means every day except Saturday, Sunday and a statutory holiday effective in the Province of Alberta;
- (i) **"Business Plan"** means the business plan required of municipally-controlled corporations pursuant to Division 9 of the MGA and all requirements thereunder, including pursuant to the regulations of the MGA, and which includes any replacement sections or divisions thereof, and which Business Plan, for the purposes of this Agreement, shall at all times include, without limitation, all requirements under the MGA, capital and operating budgets for the Limited Partnership and Corporate General Partner for a minimum of three (3) years, planned distributions of the funds of the Limited Partnership and Corporate General Partner, levels of service and rates for the Shareholders/Limited Partners and their Municipal residents, proposed sources of financing and any plans of the Limited Partnership and Corporate General Partner related to new service contracts and/or acquisitions;
- (j) **"Bylaws"** means any corporate by-laws of the Corporate General Partner from time to time in force and effect;
- (k) **"Commission"** means the Beaver Regional Waste Management Services Commission;
- (l) **"Commission's Regulation"** means the Beaver Regional Waste Management Services Commission Regulation, AR 75/92, as amended or replaced, from time to time;
- (m) **"Core Policies"** means the core policies governing the Board, General Partner and Limited Partnership as outlined in the Mandate and Roles Document;
- (n) **"Defaulting Event"** means any one or more of the following:
- (i) the petitioning into bankruptcy of any Shareholder/Limited Partner or the making of any assignment by a Shareholder/Limited Partner for the benefit of his or its creditors;
 - (ii) the seizure and attachment of a Shareholder/Limited Partner's Shares for the payment of any judgment or order;
 - (iii) the failure by a Shareholder/Limited Partner to obtain, perform or carry out any of its obligations in this Agreement where such failure continues for thirty (30) days after notice in writing from either the Corporate General Partner or the other Shareholders/Limited Partners, or any one of them, demanding that such default be cured;

- (iv) the failure by any Shareholder/Limited Partner to take reasonable action to prevent or defend any action or proceedings whereby any of its Shareholder/Limited Partner's Interest is seized or, if there be an execution or attachment thereof, where such failure continues for thirty (30) days after the other Shareholders/Limited Partners, or any of them, has demanded in writing that such Shareholders/Limited Partners take such reasonable action and such Shareholder/Limited Partner fails to take any such action or proceedings;
- (v) the bankruptcy or commission of an act of bankruptcy by a Shareholder/Limited Partner or the appointment of a receiver or receiver-manager in respect of the Shareholder/Limited Partner's Shares;
- (vi) the institution of proceedings for the dissolution or winding-up of any Shareholder/Limited Partner. Notwithstanding the foregoing, if a Shareholder/Limited Partner is dissolved by the Lieutenant Governor in Council, pursuant to Section 133 of the MGA, this shall not be deemed to be a Defaulting Event;
- (o) **"Defaulting Shareholder/Limited Partner"** means the Shareholder/Limited Partner in respect of whom a Defaulting Event has occurred;
- (p) **"Directors"** means the persons who are, from time to time, in accordance with the terms of this Agreement, duly Appointed as directors of the Corporate General Partner;
- (q) **"Dispute Resolution Procedure"** means that dispute resolution procedure as attached here as **Schedule "A"**;
- (r) **"Dissolution/Amalgamation"** means either:
 - (i) A dissolution of one of the Limited Partners pursuant to Section 133 of the MGA; or
 - (ii) An amalgamation of two or more of the Limited Partners pursuant to Section 110 of the MGA;
- (s) **"Dividend Shares"** means those Class "D" common non-voting shares of the Corporation, with those rights as set forth in the Articles and which percentage shall be adjusted in accordance with Section 7.08 hereof;
- (t) **"Guarantee"** means any agreement by way of guarantee given or to be given, as the case may be, by one or more of the Shareholders/Limited Partners for the repayment of any indebtedness of the Corporate General Partner or for the performance by the Corporate General Partner of any of its other obligations, or where the context dictates, for the repayment of any indebtedness of the Limited

Partnership or for the performance by the Limited Partnership of any of its other obligations;

- (u) **"Interest of a Shareholder/Limited Partner" or "Shareholder/Limited Partner's Interest"** means all right, title and interest of a Shareholder/Limited Partner in and to any Shares, any Advances and any other right or claim a Shareholder/Limited Partner may have against the Corporate General Partner as a Shareholder/Limited Partner;
- (v) **"Landfill Closure Entity"** means that non-profit entity set up by the Shareholders/Limited Partners, with each Shareholder/Limited Partner having an equal interest in the Landfill Closure Entity, which Landfill Closure Entity shall hold the Landfill Closure Fund in trust for the Corporate General Partner and Limited Partnership pursuant to the Landfill Closure Trust Deed;
- (w) **"Landfill Closure Fund" or "Closure Fund" or "Remediation Fund"** means that fund for the remediation obligations of the Commission, the General Corporate Partner and/or the Limited Partnership, including any remediation obligations related to any landfill(s) owned or operated by the Commission, the Corporate General Partner and/or the Limited Partnership from time-to-time, which Landfill Closure Fund shall be held by the Landfill Closure Entity pursuant to the Landfill Closure Trust Deed;
- (x) **"Landfill Closure Trust Deed"** means that Trust Deed Agreement dated the [REDACTED] day of [REDACTED], 2020 between the Landfill Closure Entity and the Limited Partnership related to the Landfill Closure Fund;
- (y) **"Limited Partnership"** means Claystone Waste Limited Partnership;
- (z) **"Limited Partnership Agreement"** means that limited partnership agreement in place from time-to-time with respect to the Limited Partnership, and any replacement or successor agreements thereto;
- (aa) **"Majority Consent"** means the approval of the Shareholders/Limited Partners holding fifty percent (50%) of the issued and outstanding Voting Shares in the Corporate General Partner, with such approval to require a minimum of the approval of two (2) of the active Shareholders/Limited Partners who are duly existing and in good standing under the laws of their jurisdiction of incorporation, notwithstanding whether one (1) of the Shareholders/Limited Partners now, or ever, holds fifty percent (50%) or more, of the issued and outstanding Voting Shares in the Corporate General Partner for any reason, including but not limited to by reason of the dissolution, winding-up and/or amalgamation of any of the Municipalities. For clarity, upon the dissolution or winding up and/or amalgamation of any of the Municipalities, that Municipality will no longer be considered active and in good standing for the purposes of this Agreement and will not be capable of providing its approval pursuant to the requirement herein that two (2) of the active Shareholders/Limited Partners in good standing provide

their approval in order to meet the threshold for Majority Consent. For certainty if at any time there is only one (1) Shareholder/Limited Partner of the Corporate General Partner, the approval of such Shareholder/Limited Partner will satisfy the requirement for Majority Consent;

- (bb) **"Mandate and Roles Document"** means that Mandate and Roles Document approved by the Shareholders/Limited Partners in accordance with the terms hereof, which Mandate and Roles Document shall set out the mandate of the Corporate General Partner and Limited Partnership, the Core Policies and any such other matters as are included therein;
- (cc) **"Master Transfer Agreement"** means that Master Transfer Agreement between the Limited Partnership and the Commission dated the [REDACTED] day of [REDACTED], 2020 whereby the Commission agrees to transfer to the Limited Partnership all of the assets and liabilities involved in the operation of the Waste Services, including the Waste Facilities, along with all the employees of the Commission upon certain conditions precedent being met;
- (dd) **"Material"** means, unless indicated otherwise, what a reasonably prudent individual would consider to be a matter of substance and something which is non-trivial or fleeting, and for clarity includes anything deemed to be a material change pursuant to Division 9 of the MGA and/or the *Municipally Controlled Corporations Regulation*, Alta Reg 112/2018, and any replacements or substitutions thereof;
- (ee) **"MGA"** means the *Municipal Government Act*, RSA 2000, c M-26 and all regulations thereunder as amended from time to time and every statute that may be substituted therefor, and in the case of any such amendment and substitution, any reference in this Agreement to the MGA shall be read as referring to such amended or substituted provisions;
- (ff) **"Municipalities"** means Beaver, Holden, Ryley, Tofield and Viking and **"Municipality"** means any one of them, and shall include any municipalities which may from time to time become a Shareholder/Limited Partner of the Corporate General Partner and Limited Partnership respectively;
- (gg) **"Non-Defaulting Shareholder/Limited Partner"** means any Shareholder/Limited Partner who is not at the particular time a Defaulting Shareholder/Limited Partner or any Shareholder/Limited Partner that is not the principal subject of any provision contained in this Agreement, as the context may require;
- (hh) **"Officer"** means any Officer of the Corporate General Partner as Appointed;
- (ii) **"Operating Agreement"** means that Memorandum of Agreement between the Commission and the Limited Partnership whereby the Limited Partnership agrees to operate the assets and direct the employees of the Commission with respect to

the operation of the Waste Services until such time as the assets and employees of the Commission have been transferred to the Commission pursuant to the Master Transfer Agreement and/or Operating Agreement;

- (jj) **"Parties"** means the parties named or referred to in this Agreement and includes any entity who may hereafter execute a counterpart of this Agreement upon becoming a Shareholder/Limited Partner;
- (kk) **"Person"** means an individual, corporation, partnership or any other legal entity;
- (ll) **"Prime Rate"** means the percentage rate of interest per annum which is established and charged from time-to-time by the Corporate General Partner's bankers on loans to its most creditworthy and preferred commercial borrowers. A statement or statements in writing made by the Manager of the said Bank's main branch, in Edmonton, Alberta, as to the Prime Rate, from time to time, shall be final and conclusive evidence of the Prime Rate during the operative time of the statement and shall not be open to dispute or challenge by the Parties. Any change in the Prime Rate shall be effective on the banking day upon which the said Bank changes its Prime Rate, and such rate of interest shall be changed automatically without notice to the Parties;
- (mm) **"Proportionate Shares"** means the aggregate of those 10,000 Dividend Shares distributed and redistributed amongst the Shareholders/Limited Partners in accordance with the percentages of the Proportionate Population Formula, as set forth in Section 7.07;
- (nn) **"Proportionate Population Formula"** means that formula that is calculated by having as the numerator, the number of residents residing in that Municipality and as the denominator, the total number of residents as residing in all the Municipalities, as these resident statistics are published by the Minister of Municipal Affairs (or any successor thereto);
- (oo) **"Proxy Committee"** means that committee being made up of the Chief Administrative Officers of the Municipalities for the purposes of providing instructions from the Shareholders/Limited Partners to the Corporate General Partner in accordance with the terms hereof;
- (pp) **"Required Consent"** means the approval of the Shareholders/Limited Partners holding seventy-five percent (75%) of the issued and outstanding Voting Shares in the Corporate General Partner, with such approval to require a minimum of the approval of two (2) of the active Shareholders/Limited Partners who are duly existing and in good standing under the laws of their jurisdiction of incorporation, notwithstanding whether one (1) of the Shareholders/Limited Partners now, or ever, holds seventy-five percent (75%) of the issued and outstanding Voting Shares in the Corporate General Partner for any reason, including but not limited to by reason of the dissolution, winding-up and/or amalgamation of any of the Municipalities. For clarity, upon the dissolution or winding up and/or

amalgamation of any of the Municipalities, that Municipality will no longer be considered active and in good standing for the purposes of this Agreement and will not be capable of providing its approval pursuant to the requirement herein that two (2) of the active Shareholders/Limited Partners in good standing provide their approval in order to meet the threshold for Required Consent. For certainty if at any time there is only one (1) Shareholder/Limited Partner of the Corporate General Partner, the approval of such Shareholder/Limited Partner will satisfy the requirement for Required Consent;

- (qq) **"Shares"** means shares of the Corporate General Partner of any class;
- (rr) **"Shareholder/Limited Partner"** means any Person who is the holder of Shares and **"Shareholders/Limited Partners"** mean all of them or such multiple number of them as the context may dictate;
- (ss) **"Third Party"** means any Person who:
 - (i) is not a Shareholder/Limited Partner; or
 - (ii) does not deal with any of the Shareholders/Limited Partners on a non-arm's length basis as that term is defined under the *Income Tax Act* (Canada);
- (tt) **"Unanimous Consent"** means the approval of all of the Shareholders/Limited Partners that are holders of the issued and outstanding Voting Shares in the Corporate General Partner;
- (uu) **"Voting Shares"** means those Class "A" common voting shares of the Corporation, with those rights as set forth in the Articles, which percentage of ownership was set by the Municipalities at execution of this Agreement;
- (vv) **"Waste"** means waste which is primarily solid in nature including, but not limited to, rubbish, refuse, garbage, paper, packaging, containers, bottles, cans, or the whole or any part of materials, vehicles or other machinery that is disposed of or recycled;
- (ww) **"Waste Facilities"** means that landfill, equipment, machinery and all ancillary items used in the provision of Waste Services; and
- (xx) **"Waste Services"** means the provision of collection, transport, disposal and treatment of Waste together with any other utility services that may be provided from time to time.

1.02 Derivative Meanings

All derivatives of any of the definitions set forth in Section 1.01 hereof shall have the meanings appropriate to the derivation of such definition.

1.03 Defined Terms

Words and phrases used in this Agreement and not defined herein have the same meaning assigned to them in the Act.

1.04 Construed as Unanimous Shareholder Agreement

This Agreement shall operate and be construed as a Unanimous Shareholder Agreement under the Act provided that if, for whatever reason, this Agreement is determined not to be a Unanimous Shareholder Agreement under the Act, the terms and provisions hereof shall be binding upon the Parties.

1.05 Conflict

In the event of any conflict between the provisions of this Agreement, on the one hand, and the Articles and Bylaws of the Corporate General Partner, on the other, the provisions of this Agreement shall govern. Each of the Shareholders/Limited Partners agrees to vote or cause to be voted its Voting Shares so as to cause the Articles or Bylaws, or both, as the case may be, to be amended to resolve any such conflict in favour of the provisions of this Agreement.

1.06 Implementation of Agreement

Each of the Shareholders/Limited Partners shall vote or cause to be voted the Voting Shares owned by it in such a way so as to fully implement the terms and conditions of this Agreement.

1.07 Disclosure Requirement and Prohibition on Voting

Each and every Shareholder/Limited Partner of the Corporate General Partner shall, at all relevant times during the currency of this Agreement, disclose in writing to the Corporate General Partner the nature and extent of its interest in any Material contract or proposed Material contract with the Corporate General Partner or Limited Partnership. Further, any affected Shareholder/Limited Partner shall not participate in any vote of Shareholders/Limited Partners in relation to the subject Material contract or proposed Material contract, except for a contract for the provision of Waste Services to the Shareholder/Limited Partner which issue may be voted upon by the Shareholder/Limited Partner, or except with the Unanimous Consent of the other Shareholders/Limited Partners.

ARTICLE II. REPRESENTATIONS, WARRANTIES AND COVENANTS

2.01 Shareholder/Limited Partner Representations, Warranties and Covenants

Each Shareholder/Limited Partner hereby represents and warrants to the other Shareholders/Limited Partners and the Corporate General Partner, and acknowledges and confirms that the other Shareholders/Limited Partners and the Corporate General Partner are relying on such representations and warranties, that:

- (a) it is a municipal corporation duly existing and in good standing under the laws of its jurisdiction of incorporation;
- (b) it has the capacity and corporate authority to act as a shareholder and make capital contribution(s) to the Corporate General Partner as contemplated by this Agreement;
- (c) it can fulfil its obligations as a shareholder without violating the terms of its enacting legislative bylaws or any agreement to which it is or will become a party or by which it is or will become bound by any law or regulation applicable to it;
- (d) it has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement; and
- (e) this Agreement constitutes a valid and binding obligation of the Shareholder/Limited Partner, enforceable in accordance with its terms.

2.02 Number and Class of Shares Issued to Each Shareholder/Limited Partner

Each of the Shareholders/Limited Partners represents and warrants to each of the other Shareholders/Limited Partners and the Corporate General Partner, and acknowledges and confirms that the other Shareholders/Limited Partners and the Corporate General Partner are relying on such representations and warranties, that such Shareholder/Limited Partner is, as of the date of this Agreement, the registered and beneficial owner of that number and class of Shares that are opposite its name in Paragraph K of the Preamble hereof and that such Shares are held free and clear and are not subject to any charges, security interests, pledges or encumbrances of any kind.

2.03 No Other Shares to Shareholder/Limited Partner

The Corporate General Partner represents and warrants to the Shareholders/Limited Partners, and acknowledges and confirms that the Shareholders/Limited Partners are relying on such representations and warranties, that:

- (a) the Shares listed in Paragraph K of the Preamble hereof are the only issued and outstanding Shares as of the date of this Agreement; and

- (b) except as provided in this Agreement, no Person has any agreement or option or right capable of becoming an agreement for the purchase, subscription or issuance of any the unissued Shares of the Corporate General Partner or any securities convertible into Shares.

ARTICLE III. SHAREHOLDER'S FINANCIAL OBLIGATIONS TO CORPORATION

3.01 Shareholder/Limited Partner's Guarantees and Indemnity of Corporate General Partner's Indebtedness

- (a) unless authorized by Unanimous Consent, or provided for in a duly approved Business Plan, in which case authorization by a majority of the Board shall be sufficient, no Shareholder/Limited Partner shall be obliged to enter into any Guarantee with respect to the indebtedness of the Corporate General Partner or with respect to the indebtedness of the Limited Partnership or to pledge his or its credit on behalf of the Corporate General Partner or on behalf of the Limited Partnership.
- (b) if any Shareholder/Limited Partner executes a joint and several Guarantee with the authorization contemplated in Section 3.01(a) herein, the Shareholders/Limited Partners acknowledge and agree that each of them shall be liable on account of any such indebtedness only pro rata according to the ratio of the number of Dividend Shares held by each Shareholder/Limited Partner to all of the issued Dividend Shares. Each Shareholder/Limited Partner specifically reserves for itself a right of action against any or all of the other Shareholders/Limited Partners to pay their respective pro rata contributions if any of the Shareholders/Limited Partners is called upon to satisfy any demand of any bank or other lending institution pursuant to such Guarantee in excess of the actual pro rata amount of a Shareholder/Limited Partner's liability.
- (c) if, during the continuance of this Agreement, any Shareholder/Limited Partner is called upon under the terms of any Guarantee which is authorized in accordance with the terms of this Section 3.01 (which Shareholder/Limited Partner in this Article is hereinafter referred to as the "**Contributing Shareholder/Limited Partner**"), the other Shareholders/Limited Partners shall forthwith contribute to the Contributing Shareholder/Limited Partner upon it or him having made the payment required under the Guarantee, an amount equal to its or his proportionate share of the call based upon the ownership of the Dividend Shares by the Shareholders/Limited Partners at the date the payment is required to be made pursuant to the Guarantee.
- (d) upon receiving a call under the terms of any Guarantee, the Contributing Shareholder/Limited Partner shall forthwith give notice to the other Shareholders/Limited Partners of the said call advising them of the details thereof and its intended response and requiring the other Shareholders/Limited Partners to contribute in accordance with the percentage of each Dividend Shares as

compared to the aggregate of the total issued Dividend Shares. If the other Shareholders/Limited Partners fail to make the required respective contributions in accordance with the terms of the notice, the Contributing Shareholder/Limited Partner shall, upon payment, have a lien against the Dividend Shares of the other Shareholders/Limited Partners as required by the notice and the other Shareholders/Limited Partners covenant and agree to pay to the Contributing Shareholder/Limited Partner the required contribution forthwith upon demand together with interest thereon at a rate equal to the Prime Rate at the time the contribution was made, plus five (5%) percent per annum.

- (e) if, during the continuance of this Agreement, the Guarantee of a Shareholder/Limited Partner is required and such Shareholder/Limited Partner executes such Guarantee, then the other Shareholders/Limited Partners and the Corporate General Partner shall indemnify and save harmless such Shareholder/Limited Partner for any amount that it or he may be required to pay as demanded or claimed from it together with any costs or expenses incurred in excess of the proportion which the Shareholder/Limited Partner would have been obligated to contribute pursuant to the terms of this Agreement.
- (f) the provisions hereof shall not merge with the termination of this Agreement but shall survive for the benefit of those Persons claiming contribution and indemnity as aforesaid.

3.02 Distribution of Corporate General Partner's Funds to Shareholders/Limited Partners

Except when precluded or otherwise prohibited by the terms of any debt financing and to the extent permitted by law, including the Act and/or the MGA, and after making such provisions and transfers to reserves and/or the Landfill Closure Fund as may be required in the opinion of the majority of the Board to meet expenses or anticipated expenses (including both operating and capital expenses as projected by the Business Plan, and including the amount reasonably required to maintain in the Landfill Closure Fund pursuant to the Land Closure Trust Deed and this Agreement), the excess funds of the Corporate General Partner available for distribution shall be distributed annually firstly, by repayment of bank indebtedness (for clarity, this shall only include required payments of principal and interest pursuant to the terms of indebtedness and not repayment of the entire amount of indebtedness), secondly, by way of repayment of Advances on a pro rata basis and thirdly, by way of dividends authorized as follows:

- (a) if such dividends are contemplated by or Materially consistent with the Business Plan, authorized by approval of the majority of the Board; or
- (b) if such dividends are not contemplated by or are not Materially consistent with the Business Plan, authorized by Unanimous Consent.

3.03 Subordination of Shareholder/Limited Partner's Loans to Corporate General Partner's Third Party Indebtedness

The Shareholders/Limited Partners shall subordinate and postpone all Advances in favour of permanent financing or other borrowing by the Corporate General Partner to the extent required by the Board, and shall subordinate and postpone any advances or loans in favour of permanent financing or other borrowing by the Limited Partnership to the extent required by the Board.

ARTICLE IV. CONSENT MATTERS REQUIRED

4.01 Conduct of Corporate General Partner

Unless authorized in the manner as noted below, the Shareholders/Limited Partners shall not cause or permit the Corporate General Partner (on its own behalf or on behalf of the Limited Partnership), and the Board shall not authorize the Corporate General Partner (on its own behalf or on behalf of the Limited Partnership), to:

(a) Operational Matters

- (i)** carry on a business or activity other than the Business, or permit the Limited Partnership to provide services other than the Waste Services, unless authorized as follows:
 - (1)** if the proposed change is contemplated by the Business Plan, authorized by a majority of the Board; or
 - (2)** if the proposed change is not contemplated by the Business Plan, authorized by Unanimous Consent; and
 - (3)** regardless of how authorized, any change must be made in compliance with the provisions of Section 4.09;
- (ii)** set rates, or permit the Limited Partnership to set rates, to be charged to Shareholders/Limited Partners or residents of the Municipalities for the provision of services or Waste Services, unless authorized as follows:
 - (1)** if the rates are specifically contemplated and approved of within the Business Plan, authorized by a majority of the Board; or
 - (2)** if the rates are not specifically contemplated and approved of within the Business Plan, authorized by Unanimous Consent;
- (iii)** make a Material change to any Core Policy unless the change has been approved by Majority Consent. In the event the Board desires to make a change to a Core Policy which it does not, acting reasonably, deem to be a Material change, and any of the Shareholders/Limited Partners, acting reasonably, disagree with the Board's determination, the

Shareholders/Limited Partners shall vote, with each having one vote, on whether the change is Material in their view. If the majority (or more) of the Shareholders/Limited Partners vote that the change to the Core Policy is Material, the change to the Core Policy will require Majority Consent of the Shareholders/Limited Partners in order to be effective;

- (iv) set rates, or permit the Limited Partnership to set rates, for Third Parties or enter into any new service or supply contracts or amend an existing service or supply or contract, or permit the Limited Partnership to enter into any new service or supply contracts or amend an existing service or supply contract, unless such rates and new or amended contracts, in the opinion of the Board, acting reasonably, are likely to result in a net positive rate of return for the Corporate General Partner and/or Limited Partnership. In the event such proposed rate or new or amended contracts would not, in the opinion of the Board, acting reasonably, be likely to result in a net positive rate of return for the Corporate General Partner and/or Limited Partnership, Unanimous Consent is required.

(b) **Financial Matters**

- (i) approve of any operating expenditure or capital expenditure for the Limited Partnership or the Corporate General Partner (on behalf of the Limited Partnership or otherwise) which is not specifically contemplated and approved of within the Business Plan (for clarity, when such expenditure is specifically contemplated and approved of within the Business Plan, approval by the Board shall be sufficient) unless:
 - (1) the expenditure is Materially consistent with and would not result in a Material change to the Business Plan or the financial projections thereunder, in which case approval by the Board shall be sufficient;
 - (2) if the expenditure is not Materially consistent with and would result in a Material change to the Business Plan, Majority Consent shall be required; or
 - (3) there is an emergency situation, determined reasonably, which requires the immediate expenditure of funds before the above-noted approvals which would otherwise be required can be obtained, in which case the majority of the Board may spend such funds, or cause the Limited Partnership or the Corporate General Partner (on behalf of the Limited Partnership or otherwise) to spend such funds that they feel are necessary, acting reasonably, in order to alleviate the emergency;
- (ii) approve of any distribution(s) of funds (including, without limitation, both distributions of profits and/or distributions or returns of capital

contributions) from the Limited Partnership to the Shareholders/Limited Partners, unless authorized as follows:

- (1) if such distributions are contemplated by or Materially consistent with the Business Plan and would not result in a Material change to the financial projections contained within the Business Plan, authorized by approval of the majority of the Board; or
- (2) if such distributions are not contemplated by or are not Materially consistent with the Business Plan and would result in a Material Change to the financial projections contained within the Business Plan, authorized by Unanimous Consent;

(iii) require any of the Shareholders/Limited Partners to provide an Advance to the Corporate General Partner or to provide any advance or loan to the Limited Partnership, unless authorized as follows:

- (1) if such Advance to the Corporate General Partner or advance or loan to the Limited Partnership are contemplated by the Business Plan, authorized by approval of the majority of the Board; or
- (2) if such Advance to the Corporate General Partner or advance or loan to the Limited Partnership are not contemplated by the Business Plan, authorized by Unanimous Consent;

if there is the required approval as noted above, the Board may require the Shareholders/Limited Partners to make such Advances to the Corporate General Partner, or to make such advances or loans to the Limited Partnership, as are approved in accordance with the above provisions, with such advances or loans to be in proportion to the Dividend Shares held by each of the Shareholders/Limited Partners as compared to the total outstanding Dividend Shares;

(iv) permit or require any of the Shareholders/Limited Partners to make additional capital contribution(s) to the Limited Partnership or to make withdrawals from their capital account(s), unless authorized as follows:

- (1) if such capital contribution(s) or withdrawal(s) are contemplated by the Business Plan, authorized by approval of the majority of the Board; or
- (2) if such capital contribution(s) or withdrawal(s) are not contemplated by the Business Plan, authorized by Unanimous Consent;

if there is the required approval as noted above, the Board may require the Shareholders/Limited Partners to make such capital contribution(s) to the

Limited Partnership as are approved in accordance with the above provisions, with such capital contributions to be in proportion to the formula outlined in the Limited Partnership Agreement for additional capital contributions;

- (v) cause any property of the Limited Partnership to be held by any Person other than the Corporate General Partner on behalf of the Limited Partnership or by the Limited Partnership itself unless authorized by Unanimous Consent;
- (vi) cause the Limited Partnership or the Corporate General Partner (whether on behalf of the Limited Partnership or otherwise) to sell or transfer any portion of, or all of, the assets used by the Corporate General Partner or the Limited Partnership to conduct the Business or for the Limited Partnership to provide the Waste Services, including any division or segment thereof, or cause the Limited Partnership or the Corporate General Partner (whether on behalf of the Limited Partnership or otherwise) to purchase any real property, unless authorized as follows:
 - (1) if such sale, transfer or purchase is contemplated by the Business Plan, authorized by approval of the majority of the Board; or
 - (2) if such sale, transfer or purchase is not contemplated by the Business Plan, authorized by Required Consent;
- (vii) subject to the provisions of the Act, give a guarantee on behalf of the Corporate General Partner or cause the Limited Partnership to give a guarantee to secure performance of an obligation of any Person, or to provide a loan to any Person, unless authorized as follows:
 - (1) if such guarantee or loan is contemplated by the Business Plan, authorized by approval of the majority of the Board; or
 - (2) if such guarantee or loan is not contemplated by the Business Plan, authorized by Required Consent;
- (viii) borrow money from any Third Party lender or mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporate General Partner or Limited Partnership owned or subsequently acquired, to secure any obligation of the Corporate General Partner or Limited Partnership, unless the borrowing, mortgage, hypothecation, pledge or creation of a security interest in question, is authorized as follows:
 - (1) if such borrowing, mortgage, hypothecation, pledge or creation of a security interest is contemplated by the Business Plan, authorized by approval of the majority of the Board; or

- (2) if such borrowing, mortgage, hypothecation, pledge or creation of a security interest is not contemplated by the Business Plan, authorized by Required Consent.

4.02 Proxy Committee

The Shareholders/Limited Partners hereby agree to set up a Proxy Committee made up of the Chief Administrative Officer of each Municipality for the purposes of providing any consent or decision from the Shareholders/Limited Partners as is required hereunder, and each Shareholder/Limited Partner hereby appoints its member of the Proxy Committee as its agent and attorney for the purpose of providing consent, direction and voting the Shares of the respective Shareholder/Limited Partner.

Where consent or a decision is required from the Shareholders/Limited Partners hereunder, the Corporate General Partner shall inform the Proxy Committee of the Corporate General Partner's request for consent or a decision, and the Proxy Committee members shall obtain the consent or decisions of their respective Municipal councils and shall meet and determine whether the required threshold of consent (whether Majority Consent, Required Consent or Unanimous Consent, as the case may be) has been met. If the required threshold to approve a decision or matter requiring consent hereunder has been met, the Proxy Committee will communicate to the Corporate General Partner that the required threshold has been met, including outlining the response of each Shareholder/Limited Partner. If the required threshold has not been met, the Proxy Committee will inform the Corporate General Partner of the reason(s) why the Municipal council(s) who did not approve of the decision decided against providing their consent, and the Proxy Committee will act as an intermediary between the Corporate General Partner and the various Municipal councils to work to reach a decision which is suitable to the respective Shareholders/Limited Partners such that the required threshold of consent is met.

4.03 Evidence of Consent

The execution of any written agreement signed by such number of members of the Proxy Committee representing such Shareholders/Limited Partners as constitute the required threshold of consent (whether Majority Consent, Required Consent or Unanimous Consent, as the case may be) shall be evidence of the required consent having been provided, and may be relied upon by the Corporate General Partner. For any matters where the required threshold of consent has been met and the signature or further action of any dissenting Shareholder(s)/Limited Partner(s) is required to implement the decision and such dissenting Shareholder(s)/Limited Partner(s) refuse to provide their signature or take such further action as may be required, such dissenting Shareholder(s)/Limited Partner(s) hereby irrevocably appoint the Proxy Committee member and the Municipal council of the consenting Shareholder(s)/Limited Partner(s) as their agent and attorney for the purpose of providing such signature or taking such further action on their behalf.

4.04 First Business Plan

Prior to the Limited Partnership taking over provision/operation of the Waste Services from the Commission, the Corporate General Partner shall prepare and present the Business Plan to the

Shareholders/Limited Partners. The Shareholders/Limited Partners shall, prior to the Limited Partnership taking over provision/operation of the Waste Services from the Commission, approve or amend (and subsequently approve) the Business Plan by Unanimous Consent (the "**First Business Plan**"). The Shareholders/Limited Partners shall also comply with all requirements of the MGA related to the approval of the Business Plan.

4.05 Annual General Meeting of Shareholders/Limited Partners

Notwithstanding and in addition to all requirements in the Act related to shareholders' meetings, the Corporate General Partner shall call a Shareholders/Limited Partners annual general meeting once a year (the "**Annual Meeting**") during which it will, without limitation:

- (a) present audited financial statements in accordance with IFRS Standards for the preceding year for approval by the Shareholders/Limited Partners;
- (b) present any policies implemented by the Board which are not Core Policies and any proposed amendments to the Core Policies;
- (c) present an updated Business Plan including all the requirements outlined herein and in the MGA for discussion and, if necessary, approval by the Shareholders/Limited Partners in accordance with the terms hereof;
- (d) review the Mandate and Roles Document with the Shareholders/Limited Partners and, if necessary, approve any amendments in accordance with the terms hereof;
- (e) consider Board appointments; and
- (f) provide a general operations report and update to the Shareholders/Limited Partners with respect to any key developments and future plans.

4.06 Subsequent Business Plans

- (a) After the First Business Plan has been approved, which First Business Plan shall contain cash flow projections and operating and capital budgets for, at a minimum, the following three (3) years, the Business Plan shall be updated each year to include, among all other necessary updates, a further year of cash flow projections and operating and capital budgets so that, at all times, the current Business Plan shall have, at the minimum, three (3) years of cash flow projections and capital and operating budgets.
- (b) The updated Business Plan shall be presented to the Shareholders/Limited Partners at the Annual Meeting. If, in the opinion of the Board, acting reasonably, the update to the Business Plan does not result in a Material change to the finances or operations of the Corporate General Partner or Limited Partnership, the updated Business Plan will not require the consent of the Shareholders/Limited Partners. If, in the opinion of the Board, acting reasonably, the updated Business Plan does result in a Material change to the finances or

operations of the Corporate General Partner or Limited Partnership, it will require approval by Required Consent.

- (c) In the event any of the Shareholders/Limited Partners feel, acting reasonably, that the Business Plan entails a Material change despite the opinion of the Board, they shall notify the other Shareholders/Limited Partners of the same, and the Shareholders/Limited Partners shall vote, through the Proxy Committee, with each Shareholder/Limited Partner having one (1) vote, on whether they are of the view that a Material change has occurred. If half or more of the Shareholders/Limited Partners vote that a Material change has occurred, the Business Plan will require approval by Required Consent notwithstanding the opinion of the Board.
- (d) In the event a Business Plan in which a Material change has occurred is not approved, the Corporate General Partner shall further amend the Business Plan until it is satisfactory to the Shareholders/Limited Partners to the extent that Required Consent can be obtained.
- (e) In addition to at the Annual Meeting, the Board may at any time make a request to the Shareholders/Limited Partners, through the Proxy Committee, to amend the Business Plan, which request shall be handled in the manner outlined above.

4.07 Mandate and Roles Document

Prior to the Limited Partnership taking over provision/operation of the Waste Services from the Commission, the Corporate General Partner shall prepare and present the Mandate and Roles Document to the Shareholders/Limited Partners. The Shareholders/Limited shall, prior to the Limited Partnership taking over provision/operation of the Waste Services from the Commission, approve or amend (and subsequently approve) the Mandate and Roles Document by Unanimous Consent.

The Mandate and Roles Document shall be a binding document that shall set out, among other things, the following:

- (a) the Core Policies of the General Corporate Partner and Limited Partnership;
- (b) the mandate of the Corporate General Partner and Limited Partnership; and
- (c) any other matters which the General Corporate Partner, with the approval of the Shareholders/Limited Partners as outlined herein, deem advisable to include in the Mandate and Roles Document.

At each Annual Meeting the Mandate and Roles Document shall be reviewed by the Shareholders/Limited Partners to determine if any amendments or additions are required. The Board of Directors may also make a request to the Proxy Committee at any time to amend or make an addition to the Mandate and Roles Document. Any amendment or addition to the

Mandate and Roles Document must be approved by Required Consent unless otherwise outlined herein.

4.08 Local Levels of Service

Notwithstanding anything in this Agreement to the contrary, the Parties hereby agree as follows:

- (a) with respect to the Waste Services provided to the Shareholders/Limited Partners and residents of the Municipalities by the Commission, upon the Limited Partnership taking over provision of such Waste Services, the Corporate General Partner shall ensure such Waste Services are provided to the Shareholders/Limited Partners and residents of the Municipalities by the Limited Partnership to at least the same standard, quality and level of service as was provided by the Commission prior to the Limited Partnership taking over provision of such Waste Services from the Commission, and at the same rates as previously charged by the Commission (unless otherwise agreed by Unanimous Consent), and the Shareholders/Limited Partners shall not approve any Business Plan in which the level of service to be provided to the Shareholders/Limited Partners and residents of the Municipalities is not of at least the same standard, quality and level of service, for the same rates, as was provided by the Commission prior to the Limited Partnership taking over provision of such Waste Services, unless otherwise agreed by Unanimous Consent; and
- (b) notwithstanding the above, every five (5) calendar years from the date of this Agreement, the Shareholders/Limited Partners shall review the rates and level of service provided to the Shareholders/Limited Partners and residents of the Municipalities by the Limited Partnership and shall, by Unanimous Consent, determine whether any adjustments to the rates or level of service shall be implemented moving forward. Any future Business Plan shall reflect such adjustments as are approved by the Shareholders/Limited Partners unanimously pursuant to this Section.

4.09 New Business or Services

Notwithstanding anything in this Agreement to the contrary, if there is a proposed Material change in the type of Business conducted by the Corporate General Partner or the services provided by the Limited Partnership, or any other proposed Material change as defined in the MGA, regardless of whether such proposed Material change has been included in the Business Plan or otherwise authorized by the Board or by the Shareholders/Limited Partners as per the terms of this Agreement, prior to any such change being implemented the following must occur:

- (a) the Corporate General Partner, Limited Partnership and the Shareholders/Limited Partners shall ensure compliance with the MGA, and any other applicable legislation, with respect to any and all provisions related to a Material change in the business operations of a controlled corporation, as that term is defined in the MGA. Without limiting the generality of the foregoing, current requirements under the MGA include:

- (1) the council of each Municipality shall:
 - (A) notify the residents of the municipality of the proposed material change; and
 - (B) provide an opportunity to residents of the municipality to make representations regarding such change; and
 - (2) following such representations, the council of each Municipality, through the Proxy Committee, shall provide a report to the Corporate General Partner and Limited Partnership summarizing the representations made during the engagement process with residents referenced in Section 4.09(a)(1) above; and
 - (3) following receipt of the reports referenced in Section 4.09(a)(2), the Corporate General Partner and Limited Partnership shall hold a meeting with the Shareholders/Limited Partners whereby the Shareholders/Limited Partners, through the Proxy Committee, shall have an opportunity to provide direction, with such directions to be agreed upon by Required Consent, to the Corporate General Partner and Limited Partnership on what action the Corporate General Partner and Limited Partnership are to take regarding the proposed Material change in services in response to the reports; and
 - (4) only once either the above has occurred, or such other legislative requirements as may from time-to-time exist have been complied with, and any and all other applicable legislation has been complied with, and subject to the approvals otherwise required under this Agreement, shall any proposed Material change which is considered a Material change pursuant to the MGA be formally approved and implemented by the Corporate General Partner and/or Limited Partnership.
- (b) for clarity, for the purposes of this Section, a proposed Material change shall include any change which is deemed material by the MGA or any other relevant legislation which may from time-to-time exist. Without limiting the generality of the foregoing, "material changes" for the purpose of this Section, as informed by the current provisions under the MGA, include:
- (1) a change in the type of services offered by the Corporate General Partner or the Limited Partnership; and/or
 - (2) a purchase, sale, transfer or issuance of shares in the Corporate General Partner or partnership units in the Limited Partnership that would result in a change to the controlling interest of either the Corporate General Partner or the Limited Partnership; and/or

- (3) a change in the geographic locations where the Corporate General Partner or the Limited Partnership offer services; and/or
 - (4) a change in the business, financing, operations or affairs of the Corporate General Partner or the Limited Partnership that would be considered important by a reasonable person taking into account all of the circumstances of the Corporate General Partner and the Limited Partnership;
- (c) for the purposes of this Section, unless otherwise required by the MGA or any other applicable legislation, including any amendments or additions thereto, at least thirty (30) days' notice must be provided (in accordance with the applicable provisions of the MGA) to the residents of each Municipality of the opportunity to make representations, and the following information must, if relevant to the proposed Material change, be made available to the residents not less than thirty (30) days' prior to the engagement process:
- (1) the services the Corporate General Partner and/or Limited Partnership intends to provide;
 - (2) the identity of the Shareholders/Limited Partners;
 - (3) the geographic locations in and/or outside of Alberta where the Corporate General Partner and/or Limited Partnership intend to provide services;
 - (4) a projected rate structure for the proposed services if such services are utility services (as defined in the MGA); and
 - (5) any market impact analysis contained in the Business Plan.

4.10 Master Transfer Agreement

The parties hereto agree and acknowledge that the Limited Partnership has entered into the Master Transfer Agreement whereby the Commission has agreed, upon certain conditions precedent being satisfied, to transfer all of the assets and employees of the Commission to the Limited Partnership. Until such time, the Limited Partnership shall operate the Waste Services pursuant to the Operating Agreement between the Limited Partnership and the Commission.

ARTICLE V. DIRECTORS OF THE CORPORATE GENERAL PARTNER

5.01 Board of Directors

- (a) the Board shall consist of a minimum of five (5) Directors, however the Board may consist of seven (7) Directors if agreed upon by Required Consent of the Shareholders/Limited Partners;

- (b) the Board shall consist of all independent, public-at-large directors, none of which may be councillors or employees of the Municipalities;
- (c) no Board member shall be permitted to have a Material interest in any contract or agreement which the Limited Partnership is involved in, and any Board member which has such interest shall immediately declare such interest to the Board and the Proxy Committee, and the Shareholders/Limited Partners shall remove such Board member as soon as reasonably possible;
- (d) notwithstanding anything in this Agreement to the contrary, the maximum term limit for any Board member is a total of nine (9) years;
- (e) the first Board (the "**First Board**") shall be appointed as follows:
 - (1) the Shareholders/Limited Partners, through the steering committee created for the purpose of governing the transition from the Commission to the Limited Partnership (the "**Steering Committee**"), shall unanimously approve of a competencies matrix for the selection of the First Board members, including the Chair of the Board (the "**Chair**"), along with the terms and remuneration for the First Board members;
 - (2) notwithstanding the above, unless otherwise approved by unanimous consent of the Shareholders/Limited Partners, First Board terms shall not exceed three (3) years and First Board members shall be appointed for staggered terms alternating between two (2) and three (3) year terms such that at no point shall there be a full turnover of the First Board in one year;
 - (3) notwithstanding the above, unless otherwise approved by unanimous consent of the Shareholders/Limited Partners, First Board members shall all be compensated the same amount except for the Chair, who may receive greater compensation than the other First Board members;
 - (4) the Steering Committee shall select a recruitment firm to seek out potential First Board members based on the competencies matrix, remuneration and terms agreed upon by the Shareholders/Limited Partners through the Steering Committee;
 - (5) the Steering Committee shall conduct interviews with potential First Board members identified by the recruiting firm and shall identify the potential individuals whom the Steering Committee desires to appoint as Board members;
 - (6) in the event the Steering Committee cannot agree unanimously upon the identity of the preferred candidates for the First Board,

the Steering Committee shall vote, with each Shareholder/Limited Partner having one vote, on the individuals who have been interviewed and candidates who receive the most votes shall be appointed to the First Board. In the event of a tie, the Steering Committee shall work together, each party acting reasonably, to determine a randomized method for breaking the tie; and

- (7) the Steering Committee shall appoint the Chair of the First Board. In the event the Steering Committee cannot agree unanimously upon the identity of the Chair of the First Board, each Steering Committee member shall select their preferred candidate for Chair of the First Board and the candidate with the most selections shall be appointed Chair. In the event of a tie, the Steering Committee shall work together, each party acting reasonably, to determine a randomized method for breaking the tie.
- (f) following the appointment of the First Board, all subsequent Board members shall be appointed as follows:
- (1) the then-current Board shall, using the competencies matrix from time-to-time approved by the Shareholders/Limited Partners by Unanimous Consent, come up with recommendations to the Shareholders/Limited Partners for replacement Board members as the then-current Board members' terms come to an end or they retire, die or are removed by the Shareholders/Limited Partners pursuant to the terms hereof;
 - (2) the Shareholders/Limited Partners, through the Proxy Committee, shall determine the remuneration of Board members and the Chair and the terms of Board members and the Chair;
 - (3) notwithstanding the above, unless otherwise approved by unanimous consent of the Shareholders/Limited Partners, Board terms shall not exceed three (3) years and Board members shall be appointed for staggered terms such that at no point shall there be a full turnover of the Board in one year;
 - (4) notwithstanding the above, unless otherwise approved by unanimous consent of the Shareholders/Limited Partners, Board members shall all be compensated the same amount except for the Chair, who may receive greater compensation than the other Board members;
 - (5) upon receiving the recommendation(s) from the then-current Board, the Shareholders/Limited Partners shall vote, with each Shareholder/Limited Partner having one vote, on whether or not to approve the recommended replacement Board member(s). If a

majority of the Shareholders/Limited Partners vote to appoint the replacement Board member(s), they shall be Appointed for the term recommended by the then-current Board (at all times subject to the term approved by the Shareholders/Limited Partners and the term limits outlined herein). This process shall apply to all replacement Board members, whether they are required due to term(s) coming to an end, retirement, death or removal of a Board member by the Shareholders/Limited Partners in accordance with the terms hereof; and

- (6) the Shareholders/Limited Partners shall appoint the Chair of the Board at all times. In the event the Shareholders/Limited Partners cannot agree unanimously upon the identity of the Chair, each Shareholder/Limited Partner shall select their preferred candidate for Chair. In the event of a tie, the Shareholders/Limited Partners shall work together, each party acting reasonably, to determine a method for breaking the tie.
- (g) the Shareholders/Limited Partners shall remove any Director who refuses to comply with the terms of this Agreement, and the Shareholders/Limited Partners shall have the right, by Unanimous Consent, to call a special meeting to remove any Director(s) who the Shareholders/Limited Partners, by Unanimous Consent, deem fit.

5.02 Vacancies on the Board

Notwithstanding anything in this Agreement to the contrary, a Director shall be removed from the Board if he or she:

- (a) dies;
- (b) resigns; or
- (c) is otherwise removed by operation of law.

5.03 Directors Quorum, Voting and Policies

Unless otherwise outlined in the Mandate and Roles Document, the Board shall be responsible for setting its own policies, including, without limitation, related to quorum, voting and minutes, as well as related to the appointment of Officers of the General Corporate Partner, however no Board member shall be permitted to also serve as an employee or Officer of the General Corporate Partner. The Board shall also be responsible for creating the policies related to the governance of the Corporate General Partner and Limited Partnership.

ARTICLE VI. SHAREHOLDERS

6.01 Special Meetings

Any Shareholder/Limited Partner may call a special meeting of the Shareholders/Limited Partners at any time.

6.02 Persons Entitled to Vote

Each Shareholder/Limited Partner of the Corporate General Partner shall be entitled to one (1) vote for each Voting Share held in the Corporate General Partner, except where otherwise noted herein.

6.03 Persons Entitled to be Present

The only persons entitled to be present at a meeting of Shareholders/Limited Partners shall be those entitled to vote thereat, the Shareholders/Limited Partners and the principals (including for clarity the municipal councils) of any Shareholders/Limited Partners, the Proxy Committee, the Directors and accountants of the Corporate General Partner and counsel to any of the foregoing, and others who, although not entitled to vote, are entitled or required under any provision of the Act, or the Articles or Bylaws, to be present at the meeting. Any other person may be admitted only on the invitation of the Chairman or with the consent of the meeting. The above persons shall also be entitled to attend at the Annual General Meeting of the Shareholders/Limited Partners.

6.04 Shareholder/Limited Partner Representation

The Shareholders/Limited Partners shall vote through their member of the Proxy Committee. Each Shareholder/Limited Partner shall immediately inform the others if their Proxy Committee member changes at any time during the currency of this Agreement.

6.05 Quorum

A quorum for the transaction of business at any meeting of the Shareholders/Limited Partners shall be enough Shareholders/Limited Partners to represent 2/3 of the Voting Shares entitled to vote at the meeting in person or by proxy. If a quorum is not present within one-half hour from the time appointed for such meeting, such meeting shall stand adjourned to the same place, day and time in the following week.

6.06 Voting

At any meeting of Shareholders/Limited Partners every question shall, unless otherwise required by the Articles, Bylaws or this Agreement, be determined by a majority of the votes cast on the question.

6.07 Communications Facilities

The Shareholders/Limited Partners hereby consent to a Shareholder/Limited Partner or any person entitled to attend a meeting of Shareholders/Limited Partners participating in the meeting by means of telephone or other communication facilities that permit all persons participating in the meeting to hear each other.

ARTICLE VII. SHARES

7.01 Restriction on Issuance of New Shares

The Parties agree that no additional Shares in the Corporate General Partner shall be allotted without Unanimous Consent, and agree that revisions to this Agreement and the Limited Partnership Agreement may need to be implemented to accommodate the same.

7.02 Restriction on Shareholder/Limited Partner Encumbering its Own Shares

The Shareholders/Limited Partners shall not in any manner or degree whatsoever pledge, charge, mortgage, hypothecate or otherwise encumber their Shares or Advances without the Required Consent of the Shareholders/Limited Partners and except in accordance with the terms of this Agreement.

7.03 Restriction on Shareholder/Limited Partner Transferring its Own Shares

The Shareholders/Limited Partners will not sell, transfer, convey or assign all or any portion of the Shares or Advances, except as permitted by this Agreement or as authorized by Unanimous Consent of all Shareholders/Limited Partners. Any sale, transfer, conveyance or assignment of all or any portion of the Shares and/or Advances of a Shareholder/Limited Partner contrary to the provisions of this Section 7.03 is null and void. Any Person to whom a sale, transfer, conveyance or assignment of any Shares or Advances is approved of hereunder will first need to agree to be bound by the provisions of this Agreement (or any amended version as required to accommodate such new Shareholder/Limited Partner) before they are permitted to own any Shares.

7.04 Warning to be Placed on Share Certificates

The Parties agree that the certificates for all Shares shall be endorsed with reference to this Agreement as follows:

"The rights of the holder and successors to the holder to sell, encumber, alienate or realize the Shares represented hereby are restricted by the terms of an Agreement between the shareholders of the Corporation and the Corporation dated the ____ day of _____, 20____, a copy of which Agreement is on the minute book of the Corporation."

7.05 Disposition

For the purposes of this Agreement, any transfer, sale, assignment, mortgage, encumbrance or other disposition of the Shares of a corporate Shareholder/Limited Partner shall be deemed to be a transfer by such corporate Shareholder/Limited Partner of its Shareholder's/Limited Partner's Interest hereunder notwithstanding whether such change shall be voluntary or involuntary on the part of such corporate Shareholder/Limited Partner.

7.06 Subdivision of Shares

The provisions of this Agreement relating to Shares shall apply *mutatis mutandis* to any shares or securities into which such Shares may be converted, changed, reclassified, redivided, redesignated, redeemed, subdivided or consolidated, to any Shares or securities that are received by the Shareholders/Limited Partners as a stock dividend or distribution payable in Shares or securities of the Corporate General Partner and to any shares or securities of the Corporate General Partner or of any successor or continuing company or corporation to the Corporate General Partner that may be received by the Shareholders/Limited Partners on a reorganization, amalgamation, consolidation or merger, statutory or otherwise.

7.07 Acknowledgement re: Proportionality of Shares

The Shareholders/Limited Partners agree and acknowledge that the initial distribution of shares, set out in paragraph K of the Preamble, reflects the following principles:

(a) Dividend Shares

- (i) *Equal Number of Shares* – One third (1/3) of the aggregate fifteen thousand (15,000) Dividend Shares shall be held by all of the Municipalities on an equal basis, regardless of population or volume of Waste contributed and that, as of the date of this Agreement, this results in five thousand (5,000) Dividend Shares being distributed as follows:

Shareholder/Limited Partner	# of Dividend Shares
Beaver	1,000
Holden	1,000
Ryley	1,000
Tofield	1,000
Viking	1,000
TOTAL	5,000

- (ii) *Proportionate Shares* – Two thirds (2/3) of the aggregate fifteen thousand (15,000) Dividend Shares shall be held by the Municipalities based on their respective population as compared to the region as a whole, determined in accordance with the Proportionate Population Formula, and

that, as of the date of this Agreement, this results in ten thousand (10,000) Dividend Shares being distributed as follows:

Limited Partner	Population	Percentage of Population	# of Dividend Shares
Beaver	5,905	59.63%	5,963
Holden	350	3.53%	353
Ryley	483	4.88%	488
Tofield	2,081	21.02%	2,102
Viking	1,083	10.94%	1,094
TOTAL	9,902	100%	10,000

- (b) **Voting Shares** – The number of Voting Shares as issued to each Shareholder/Limited Partner.

7.08 Adjustment of Share Distribution

- (a) upon the occurrence of a municipal census and every municipal census thereafter, the Shareholders/Limited Partners shall update the foregoing chart in Section 7.07(a)(ii) hereof, by recalculating the Proportionate Population Formula and multiplying the calculated percentage by the 10,000 Proportionate Shares. Upon each such recalculation of the Proportionate Population Formula, the Shareholders/Limited Partners shall redistribute the Proportionate Shares of Dividend Shares amongst themselves such that the percentage of Proportionate Shares of Dividend Shares held by each Shareholder/Limited Partner is equal to the percentage determined by the Proportionate Population Formula.
- (b) after the redistributions contemplated in Section 7.08(a) hereof, the Parties shall ensure that no more than the 10,000 Proportionate Shares of Dividend are held by the Shareholders/Limited Partners.

7.09 Dissolution/Acknowledgment

In the event of a Dissolution/Amalgamation, notwithstanding anything else to the contrary herein, the Shares formerly held by those affected by the Dissolution/Amalgamation shall be dealt with as follows:

- (a) As the Shareholders/Limited Partners have always intended that one third (1/3) of the Dividend Shares shall be held equally by each of the Shareholders/Limited Partners, one thousand (1,000) Dividend Units of the former Shareholder/Limited

Partner shall be cancelled and terminated, resulting in one third (1/3) of the Dividend Shares shall be held equally by each of the remaining Shareholders/Limited Partners;

- (b) Those Dividend Shares as issued to the former Shareholder/Limited Partner in Section 7.07(a)(ii) hereof shall be transferred to that Shareholder/Limited Partner that is the “new municipal authority” as a result of the Dissolution/Amalgamation, as that term “new municipal authority” is defined in the MGA; and
- (c) Those Voting Shares as issued to the former Shareholder/Limited Partner in Section 7.07(b) hereof shall be transferred to that Shareholder/Limited Partner that is the “new municipal authority” as a result of the Dissolution/Amalgamation, as that term “new municipal authority” is defined in the MGA.

ARTICLE VIII. DEFAULTING EVENT

8.01 Remedies to Non-Defaulting Shareholders/Limited Partners

Upon the occurrence of a Defaulting Event, the Non-Defaulting Shareholders/Limited Partners may do any one or more of the following:

- (a) pursue any remedy available to them in law or in equity, it being acknowledged that specific performance, injunctive relief (mandatory or otherwise) or other equitable relief may be the only adequate remedy for a default;
- (b) take such actions in their own names or in the name of the Defaulting Shareholder/Limited Partner or the Corporate General Partner, as may reasonably be required, to cure the default; or
- (c) waive the default provided, however, that any waiver of a particular default shall not operate as a waiver of any subsequent or continuing default.

8.02 Loan Default

In addition to any other rights of the Non-Defaulting Shareholders/Limited Partners herein provided for, if the Defaulting Shareholder/Limited Partner defaults by refusing or failing to make a contribution by way of Advance or loan as provided for herein for the operations of the Limited Partnership or for the use of the Corporate General Partner to operate the Limited Partnership, then any Non-Defaulting Shareholder/Limited Partner may make such contribution to the Corporate General Partner (hereinafter in this Article referred to as the "**Funding Shareholder/Limited Partner**") and, if so, is hereby irrevocably authorized by the Defaulting Shareholder/Limited Partner to make such contribution by way of Advance or loan (hereinafter in this Article referred to as the "**Default Loan**") on behalf of and for the account of the Defaulting Shareholder/Limited Partner, in which event the Defaulting Shareholder/Limited Partner shall pay or cause to be paid to such Funding Shareholder/Limited Partner:

- (a) the amount of the Default Loan; and

- (b) the reasonable costs of the Funding Shareholder/Limited Partner relating to obtaining monies to make the Default Loan; and
- (c) interest on the amount of the Default Loan outstanding from time to time calculated and payable monthly on the first day of each and every calendar month at a rate equal to the Prime Rate at the time the Default Loan is made plus six (6%) per cent per annum.

8.03 Payment of Dividends to Funding Shareholder/Limited Partner as Payment in Kind

The Parties agree that, so long as any portion of the Default Loan is outstanding or the Funding Shareholder/Limited Partner's reasonable costs or interest on the Default Loan remains outstanding, all:

- (a) dividends or other compensation payable by the Corporate General Partner to the Defaulting Shareholder/Limited Partner; and
- (b) distributions from the Limited Partnership by the Corporate General Partner, in its capacity as the general partner of the Limited Partnership,

shall be paid directly by the Corporate General Partner or the Limited Partnership to the Funding Shareholder/Limited Partner and such payment by the Corporate General Partner shall constitute and be deemed a valid payment to the Defaulting Shareholder/Limited Partner to the extent of the payment to the Funding Shareholder/Limited Partner. For the purpose aforesaid, the Defaulting Shareholder/Limited Partner hereby irrevocably directs the Corporate General Partner to pay all such compensation directly to the Funding Shareholder/Limited Partner until the full balance of the Default Loan, together with the costs and interest thereon due to the Funding Shareholder/Limited Partner, has been paid in full.

ARTICLE IX. CLOSING OF SHARE TRANSACTIONS

9.01 Location of Closing

The closing of any purchase and sale of an Interest of a Shareholder/Limited Partner hereunder shall take place at the offices of Messrs. Brownlee LLP, 2200, Commerce Place, 10155 – 102 Street, T5J 4G8, or at such other place as the Parties may agree upon in writing.

9.02 Parties' Actions upon Closing

On the closing date, the selling party shall provide to the purchasing party all documents and conveyances necessary to complete the sale of Shares contemplated herein and, in the case of a sale of all of the Shares of the selling party, all documents necessary to divest the selling party of its interest and all positions and offices held by appointees of the selling party in the Corporate General Partner, all said documents and conveyances to be provided against payment of the purchase price for the Shares in accordance with the terms of this Agreement. If the purchasing party is not in default and on the closing date the selling party shall neglect or refuse

to complete the transaction, the purchasing party, upon such default and upon payment by it of the purchase price to the credit of the selling party at the bank of the Corporate General Partner or with the solicitor for the Corporate General Partner, shall have the right to complete the transaction as aforesaid for and on behalf of and in the name of the selling party and the selling party hereby irrevocably constitutes and appoints the purchasing party the true and lawful attorney of the selling party to complete the said transaction and to execute any and all documents necessary in that behalf. If the selling party is not in default and at the time of closing the purchasing party shall neglect or refuse to complete the transaction the selling party shall have the right, upon such default (without prejudice to any other rights which he may have), to terminate the agreement of purchase and sale and to deal with its Shares as he sees fit.

9.03 Release of Guarantees

Upon the closing of any purchase and sale of Shares pursuant to this Agreement, in the event the selling party is contingently liable by way of indemnity or guarantee or otherwise for any of the obligations or liabilities of the Corporate General Partner or the Limited Partnership, then in such event the purchasing party shall provide indemnities to the selling party in form and content reasonably acceptable to such Person(s), where necessary, against such obligations or liabilities and shall use their best efforts to attempt to obtain releases from such contingent obligations or liabilities.

9.04 Repayment of Shareholder/Limited Partner's Advances Upon Closing

If there are Advances in favour of the selling party and/or any loans or advances to the Limited Partnership, then in such event, in addition to the purchase price, the purchasing party shall pay to the selling party the amount of such Advances and/or loans or advances to the Limited Partnership as at the closing date and the selling party shall assign to the purchasing party the Advances and/or loans or advances to the Limited Partnership and any evidence of indebtedness therefor from the Corporate General Partner or Limited Partnership. In the event the selling party is indebted to the Corporate General Partner or Limited Partnership for any sum of money as at the closing date, the purchasing party shall deduct an amount equal to the indebtedness of the selling party to the Corporate General Partner or Limited Partnership from the purchase price payable to the selling party and shall pay said sum directly to the Corporate General Partner or Limited Partnership to extinguish the debt of the selling party to the Corporate General Partner or Limited Partnership.

9.05 Compensation

The Parties agree that so long as any instalment of the purchase price payable by any purchasing party for Shares remains payable to the selling party all dividends and other compensation payable by the Corporate General Partner to such purchasing party with respect to the Shares so purchased shall be paid directly by the Corporate General Partner to the selling party and such payment by the Corporate General Partner shall constitute and be deemed a valid payment of dividends or other compensation to the particular purchasing party to the extent of the payment so made to the selling party. For the purpose aforesaid, the Shareholders/Limited Partners hereby irrevocably direct the Corporate General Partner to pay all such dividends or other

compensation directly to the selling party until the full balance of the purchase price together with the interest thereon due to the selling party has been paid. Any such payment shall be deemed a prepayment with respect to the balance evidenced by any promissory note and shall not affect the purchasing party's obligation to make monthly payments based on the original amortization, it being intended that the deemed prepayment effected by this Section apply to the last instalments of the purchase price due to the selling party.

ARTICLE X. GENERAL

10.01 Duration of Agreement

This Agreement shall continue in full force and effect until terminated by Unanimous Consent.

10.02 Dispute Resolution

Except where otherwise provided herein, any dispute which may arise between the Parties hereto shall be determined in accordance with the provisions of the Dispute Resolution Procedure attached as Schedule "A".

10.03 Mutual Indemnification

Each of the Shareholders/Limited Partners severally agrees to indemnify each of the other Shareholders/Limited Partners against and reimburse each of such other Shareholders/Limited Partners for any and all liabilities which such other Shareholders/Limited Partners may incur or become subject to and amount which such other Shareholder/Limited Partner(s) may pay or be required to pay which are in excess of such Shareholders/Limited Partners' proportionate share of the liabilities and obligations of the Shareholders/Limited Partners under the terms of this Agreement, provided that nothing contained in this Section 10.03 shall in any way be deemed to or shall require any Shareholder/Limited Partner to incur any liability or provide any funds other than as may be expressly provided for herein.

10.04 Time

Time shall be of the essence of this Agreement.

10.05 Non-Waiver

No provision of this Agreement shall be deemed to be waived unless such waiver is in writing. No consent or waiver, express or implied, by any Party to or of any breach or default by any Party in the performance by such other Party of his or its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance of obligations hereunder by such Party. Failure on the part of any Party to complain of any act or failure to act of another Party or to declare such other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by such Party of his or its rights hereunder.

10.06 Notices

Any notice, consent, approval or other communication required or permitted to be given under this Agreement shall be in writing and shall be effectively given if delivered personally, sent by prepaid courier service, or by facsimile, electronic mail or other telecommunication to the applicable address set out below:

(a) to the General Partner:

Box 322
Ryley, AB
T0B 4A0
Attention: General Manager
Email: _____

(b) to Beaver

PO Box 140
Ryley, Alberta
T0B 4A0
Attention: CAO
E-mail: bbeck@beaver.ab.ca

(c) to Holden

PO Box 357
Holden, Alberta
T0B 2C0
Attention: CAO
E-mail: vholden@telusplanet.net

(d) to Ryley

PO Box 230
Ryley, Alberta
T0B 4A0
Attention: CAO
E-mail: cao@ryley.ca

(e) to Tofield:

PO Box 30
Tofield, Alberta
T0B 4J0
Attention: CAO
E-mail: cneufeld@tofieldalberta.ca

(f) to Viking:

PO Box 369
 Viking, Alberta
 T0B 4N0
 Attention: CAO
 E-mail: don.mcleod@viking.ca.

Any such communication shall be conclusively deemed to have been given and received, if delivered or sent by courier service, on the day of delivery, and, if sent by facsimile, electronic mail or other telecommunication, on the day of faxing or dispatch, provided that in any event, such day is a Business Day and the communication is delivered, faxed, dispatched or sent prior to 4:30 p.m. on such day, and otherwise such communication shall be deemed to have been given and received on the next Business Day. Any such communication given in any other manner shall be deemed to have been given and received only upon actual receipt. Any Party may change its address for receipt of communications hereunder by giving notice to the other Parties hereto in the manner set out above.

10.07 Business Day

In any case where time limited by this Agreement expires on a day that is not a Business Day, the time shall be extended to and shall include the next succeeding Business Day.

10.08 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto, their heirs, executors, administrators, successors and permitted assigns.

10.09 Interest

If any Shareholder/Limited Partner is required by this Agreement to pay monies to any of the other Shareholders/Limited Partners, such monies shall bear interest at the Prime Rate plus three (3%) percent per annum calculated monthly until repayment, unless a different rate of interest is expressly provided for herein.

10.10 Further Assurances

The Parties and each of them do hereby covenant and agree to do such things and execute such further documents, agreements and assurances as may be necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.

10.11 Singular, Plural and Gender

Wherever the singular, plural, masculine, feminine or neuter is used throughout this Agreement the same shall be construed as meaning the singular, plural, masculine, feminine, neuter, body politic or body corporate where the fact or context so requires and the provisions hereof and all

covenants herein shall be construed to be joint and several when applicable to more than one Party.

10.12 Assignment of Agreement

This Agreement shall not be assignable by any of the Parties except as a direct result of disposition of a Party's Interest in accordance with the terms hereof.

10.13 Payment of Monies

The Parties acknowledge and agree that any payment of monies required to be made hereunder shall be made in Canadian funds and that any tender of monies or documents hereunder may be made upon the solicitors acting for the Party upon whom the tender is desired and it shall be sufficient that a negotiable bank draft is tendered instead of cash.

10.14 Unenforceable Terms

If any term, covenant or condition of this Agreement or the application thereof to any Party or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement or application of such term, covenant or condition to a Party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and shall be enforceable to the fullest extent permitted by law.

10.15 Amendments

This Agreement may only be altered or amended in any of its provisions when any such changes are reduced to writing and signed by the Parties provided, however, that it shall not be necessary to make a party to such Amending Agreement any Shareholder/Limited Partner who ceased to be a member of the Corporate General Partner and who has been fully repaid any monies owing by the Corporate General Partner.

10.16 Remedies Not Exclusive

No remedy herein conferred upon any Party is intended to be exclusive of any other remedy available to that Party, but each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing by law or in equity or by statute.

10.17 Preamble and Schedules

The Parties hereby confirm and ratify the matters contained and referred to in the preamble to this Agreement and agree that same and the various Schedules hereto are expressly incorporated into and form part of this Agreement.

10.18 Division

The division of this Agreement into Articles, Sections, paragraphs or sub-paragraphs forms no part of this Agreement and shall be deemed to have been inserted and done for convenience.

10.19 Headings

The headings in this Agreement have been inserted for reference and as a matter of convenience only and in no way define, limit or enlarge the scope or meaning of this Agreement or any provision hereof.

10.20 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. Each of the Parties hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Alberta.

10.21 Survival

The provisions of this Agreement which by their respective context are meant to survive closing of a purchase or sale and/or termination of this Agreement shall respectively survive such closing or termination, as the case may be, for the benefit of the Party or Parties relying thereon and shall not be merged therein or therewith.

10.22 Statutory Reference

Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto and promulgated thereunder with all amendments made thereto and in force from time to time and any final judicial decisions interpreting the same, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto.

10.23 Accounting Principles

The accounts of the Corporate General Partner shall be kept in accordance with IFRS Standards consistently applied.

10.24 Non-Merger

Unless subsequently agreed in writing, the provisions of this Agreement shall not merge on but shall survive execution of supplementary documents and otherwise howsoever.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

CLAYSTONE WASTE LTD.

BEAVER COUNTY

Per: _____

Per: _____

Per: _____

Per: _____

VILLAGE OF HOLDEN

VILLAGE OF RYLEY

Per: _____

Per: _____

Per: _____

Per: _____

TOWN OF TOFIELD

TOWN OF VIKING

Per: _____

Per: _____

Per: _____

Per: _____

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SCHEDULE "A"

1. Definitions

In this Schedule, in addition to terms defined elsewhere in the Agreement, the following words and phrases have the following meanings:

- (a) "**Arbitrator**" means the person appointed to act as such to resolve any Dispute;
- (b) "**Arbitration**" means a process whereby each of the Parties, with or without legal counsel, agrees to jointly engage and meet with an Arbitrator who will render a binding decision in respect of any Disputes;
- (c) "**Disclosed Information**" means the information disclosed by a Party for the purpose of settlement, negotiation, Mediation or Arbitration;
- (d) "**Dispute**" means any matter that the Parties are unable to resolve themselves, which includes but is not limited to a difference of opinion, differing interpretation or a divergence of interest. Notwithstanding this, an Event of Default is not a Dispute for the purposes of this Schedule;
- (e) "**Mediation**" means a process whereby a Representative of a Party, with or without legal counsel, agrees to jointly engage the services and meet with a Mediator to participate in a mediation, conciliation or similar dispute resolution process;
- (f) "**Mediator**" means the person appointed to facilitate the resolution of a Dispute between the Parties;
- (g) "**Representative**" means an individual who has no direct operational responsibility for the matters comprising the Dispute, who holds a senior position with a Party and who has full authority to settle a Dispute.

2. Principles of Dispute Resolution

The Parties acknowledge and agree that:

- (a) in any business relationship a difference of opinion or interpretation or a divergence of interest may arise;
- (b) The Parties are committed to resolving any disputes in a non-adversarial, informal and cost efficient manner;
- (c) the following process shall apply in respect of Disputes which are either referred to, or are required by the terms of this Agreement to be resolved in accordance with, the Dispute Resolution Procedure; and
- (d) the Parties shall make all reasonable efforts to resolve all Disputes by negotiation and agree to provide, without prejudice, open and timely disclosure of relevant facts, information and documents to facilitate these negotiations as further contemplated within this Schedule.

3. **Dispute Process**

In the event of any Dispute, the Parties agree that they shall undertake a process to promote the resolution of a Dispute in the following order:

- (a) first, by negotiation;
- (b) second, by way of Mediation; and
- (c) third, if agreed to mutually by the Parties, by Arbitration.

Negotiation, Mediation or Arbitration shall refer to, take into account, and apply the intentions and principles stated by the Parties within the Agreement.

4. **Negotiation**

A Party shall give written notice ("**Dispute Notice**") to the other Parties of a Dispute and outline in reasonable detail the relevant information concerning the Dispute. Within seven (7) days following receipt of the Dispute Notice, the Parties shall each appoint a Representative, who shall meet and attempt to resolve the Dispute through discussion and negotiation. If the Dispute is not resolved within thirty (30) days of the appointment of a Representative by each Party, the negotiation shall be deemed to have failed.

5. **Mediation:**

- (a) If the Representatives cannot resolve the Dispute through negotiation within such thirty (30) day period, then the Dispute shall be referred to Mediation.
- (b) In such event, any Party shall be entitled to provide the other Parties with a written notice ("**Mediation Notice**") specifying:
 - (i) the subject matters remaining in Dispute, and the details of the matters in Dispute that are to be mediated; and
 - (ii) the nomination of an individual to act as the Mediator.
- (c) The Parties shall, within thirty (30) days of the Mediation Notice, jointly nominate or agree upon a Mediator.
- (d) Where a Mediator is appointed, the Parties shall submit in writing their Dispute to the Mediator, and afford to the Mediator access to all records, documents and information the Mediator may reasonably request. The Parties shall meet with the Mediator at such reasonable times as may be required and shall, through the intervention of the Mediator, negotiate in good faith to resolve their dispute. All proceedings involving a Mediator are agreed to be without prejudice, and the cost of the Mediator shall be shared equally between the Parties.
- (e) In the event that
 - (i) the Parties do not agree on the appointment of a Mediator with thirty (30) days of the Mediation Notice;

- (ii) the Mediation is not completed within thirty (30) days after the appointment of the Mediator; or
- (iii) the Dispute has not been resolved within sixty (60) days from the date of receipt of the Dispute Notice;

any Party may by notice to the others, withdraw from the Mediation process and in such event the Dispute shall be deemed to have failed to be resolved by Mediation.

6. Arbitration:

- (a) If Mediation fails to resolve the Dispute, the Dispute shall be submitted to binding Arbitration. Any of the Parties may provide the other Parties with written notice ("**Arbitration Notice**") specifying:
 - (i) the subject matters remaining in Dispute and the details of the matters in Dispute that are to be arbitrated; and
 - (ii) the nomination of an individual to act as the Arbitrator.
- (b) Within fourteen (14) days following receipt of the Arbitration Notice, the other Party shall, by written notice, advise as to which matters stated in the Arbitration Notice it accepts and with which matters it disagrees and shall also advise whether it agrees with the resolution of the disputed items by Arbitration, and whether it agrees with the Arbitrator selected by the initiating Party or provide the name of one Arbitrator selected by that other Party. Should the Parties fail to agree to resolve any disputed items by Arbitration, this Dispute Resolution Process shall come to an end.
- (c) Subject to agreement of the Parties to resolve any disputed items by Arbitration as contemplated above the Parties shall, within thirty (30) days of the Arbitration Notice, jointly nominate or agree upon an Arbitrator.
- (d) Should the Parties fail to agree on a single Arbitrator within the fourteen (14) day period referred to above, then any Party may apply to a Justice of the Court of Queen's Bench of Alberta to have the Arbitrator appointed.
- (e) The terms of reference for Arbitration shall be those areas of dispute referred to in the Arbitration Notice, and the receiving Party's response thereto.
- (f) The Arbitrator shall conduct the Arbitration in accordance with the commercial arbitration rules (the "**Rules**") established from time to time by the ADR Institute of Canada Inc., unless the Parties agree to modify the same pursuant to any arbitration agreement. The Arbitration Act (Alberta) shall apply to all Arbitrations but if there is a conflict between the Rules and the provisions of the Act, the Rules shall prevail. Notwithstanding the foregoing, any such Arbitration shall be conducted in the English language.
- (g) The Arbitrator shall proceed to hear and render a written decision concerning any Dispute within:
 - (i) forty-five (45) days, if the subject matter of the Dispute is less than \$250,000.00; or

- (ii) ninety (90) days, if the subject matter of the Dispute is greater than \$250,000.00.
- (h) The Arbitrator has the right to award solicitor-client costs against the unsuccessful Party and to award interest but does not have the right to award punitive, consequential or other exemplary damages.
- (i) The Arbitrator's decision is final and binding but is subject to appeal or review by any court of proper jurisdiction only with respect to an allegation of fraud.
- (j) Judgment upon any award (an "**Award**") rendered in any such Arbitration may be entered in any court having jurisdiction thereof, or application may be made to such court for a judicial acceptance of the Award and an enforcement order, as the laws of such jurisdiction may require or allow.
- (k) The Parties acknowledge and agree that, where a Dispute involves a claim for injunctive relief, a Party may refer such matter to Arbitration in accordance with this Schedule or apply to the appropriate court for relief.

7. Participation

The Parties and their Representatives will participate in good faith in the negotiation, Mediation and, if applicable, Arbitration processes and provide such assistance and Disclosed Information as may be reasonably necessary.

8. Location

The place for Mediation and Arbitration shall be within the City of Edmonton, or such other location as the Parties may agree.

9. Selection of Mediator and Arbitrator

Without restricting any of the foregoing, if the Parties are unable to agree upon the appointment of a single Mediator or Arbitrator, respectively, within ten (10) days after receipt of the Mediation Notice or Arbitration Notice, as the case may be, any of the Parties may request that a single Mediator or Arbitrator, as the case may be, of suitable training, experience and independence, and who in respect of the subject matter of the Dispute has a reasonable practical understanding, be recommended for appointment by the executive director or other individual fulfilling that role for the ADR Institute of Canada, Inc. The executive director shall be requested to make this determination within five (5) days of receipt of the request.

10. Costs

Subject to clause 6(h) of this Schedule, in the case of an Arbitration, the Parties shall bear their respective costs incurred in connection with the negotiation, Mediation and, if applicable, Arbitration except that the Parties shall equally share the fees and expenses of the Mediator and Arbitrator and the cost of the facilities required for Mediation and Arbitration.

11. Disclosed Information

All Disclosed Information shall be treated as confidential and neither its delivery nor disclosure shall represent any waiver of privilege by a Party disclosing such Disclosed Information. Subject only to the rules of discovery, each Party agrees not to disclose the Disclosed Information to any other Person or for

any other purpose. Such Disclosed Information cannot be used in any subsequent proceedings without the consent of the Party who has made the disclosure. The Parties agree that any Representative, Mediator and, if applicable, Arbitrator shall not be subpoenaed or otherwise compelled as a witness in any proceedings for the purpose of testifying with respect to the nature or substance of any dispute resolution process that may arise in relation to any matter that is a subject of this Agreement. Nothing in this Dispute Resolution Procedure shall require a Party to disclose information that is subject to confidentiality provisions with third parties

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