MOVED BY COUNCILLOR ..............................................................

SECONDED BY COUNCILLOR............................................................

Change to Horizon Utilities Dividend Policy

WHEREAS it is in the best interests of Horizon Utilities Corporation (the “Corporation”) to adopt a dividend policy (the “Horizon Dividend Policy”) that provides for dividends on the Class 1 and Class A common shares of the Corporation;

AND WHEREAS the Corporation adopted the Horizon Dividend Policy as of March 1, 2005 in accordance with, and attached as Schedule C to, its Shareholders Agreement dated March 1, 2005 (the “Horizon Shareholders Agreement”);

AND WHEREAS subparagraph 5.1(i) of the Horizon Shareholders Agreement requires the approval of the respective municipal Council for each of Hamilton and St. Catharines for any change to the Horizon Dividend Policy;

AND WHEREAS the Corporation last changed the Horizon Dividend Policy effective January 1, 2006 (the “Revised Horizon Dividend Policy”) in accordance with subparagraph 5.1(i) of the Horizon Shareholders Agreement;

AND WHEREAS the Board of Directors has reviewed the affordability of dividends in relation to earnings and cash flow and subject to other prudential considerations;
AND WHEREAS the Board of Directors is recommending that the Revised Horizon Dividend Policy be amended, effective January 1, 2007, by deleting the following sentence under the section titled Payment of Dividends - Regular Dividends:

“Quarterly dividends will, subject to meeting the above criteria, be targeted at $1.0MM and paid March 1\(^{st}\) (or shortly following the approval of the annual audited financial statements of the preceding year), June 1\(^{st}\), September 1\(^{st}\) and December 1\(^{st}\).”;

and replacing it with a new sentence which reads as follows:

“Quarterly dividends will, subject to meeting the above criteria, be targeted at up to $1.5MM and paid March 1\(^{st}\) (or shortly following the approval of the annual audited financial statements of the preceding year), June 1\(^{st}\), September 1\(^{st}\) and December 1\(^{st}\).”.

AND WHEREAS the shareholders of Horizon Utilities Corporation have approved the recommendation of the Board of Directors to so amend the Horizon Dividend Policy provided that such amendment will be authorized subject to the further approval of the respective municipal Council for each of Hamilton and St. Catharines;

RESOLVED that the Council of the City of Hamilton approve the amendment to the Horizon Dividend Policy and that such amendment will be authorized subject to the approval of the respective municipal Council of the City of St. Catharines and, thereafter, effective as of January 1, 2007.
HORIZON UTILITIES CORPORATION
Dividend Policy
(effective January 1, 2006)

The dividend policy of Horizon Utilities Corporation (Horizon) is predicated on the mandate of the Board of Directors which includes maximizing shareholder value. Such value is generally realized by the shareholder through dividends or the appreciation of shareholder investment. It is the intention of the Board of Directors of Horizon to use its best efforts to declare and pay dividends from available earnings and cash flow, subject to certain conditions precedent outlined below, as follows:

(a) Regular Dividends at a target dividend payment rate (DPR) of up to 60% of annual net earnings;

(b) Special Dividend periodic payments to maintain the approved capital structure of Horizon (currently approved at 50% to 55% of debt in total capitalization after consideration for any off-balance sheet contingencies);

Conditions Precedent to the Payment of Dividends

Dividends will be paid to the extent that such would not otherwise cause:

(i) non-compliance with relevant statutes and regulations;

(ii) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;

(iii) an impairment in the operations and maintenance of electricity distribution infrastructure;

(iv) an impairment in financial prudence including capital investment in electricity distribution infrastructure to sustain reliability;

(v) a deterioration in the credit rating of Horizon or otherwise not support an “A” range or equivalent rating from credit rating agencies that rate Horizon and/ or its securities;

(vi) an impairment in the maintenance and growth of approved businesses, or logical extensions of existing or related businesses, in line with a Board approved business plan.

Payment of Dividends

Regular Dividends

Each year, at its meeting to approve the annual budget for the next fiscal year, the Board of Directors will forecast the annual dividend by applying the DPR to budgeted earning for the next fiscal year. Quarterly dividends will, subject to meeting the above criteria, be
targeted at $1.0MM and paid March 1st (or shortly following the approval of the annual audited financial statements of the preceding year), June 1st, September 1st and December 1st. The first dividend of the fiscal year, targeted for payment on March 1st, will also include any adjustment to bring the total annual dividend for the preceding year to the full DPR level.

The payment of Regular Dividends is subject, in each instance, to the review and approval of the Board of Directors in accordance with this policy and subject to the Conditions Precedent noted above.

Special Dividends

Each year, at its meeting to approve the annual audited financial statements, the Board of Directors will review the current and forecast shareholder equity requirements of Horizon and compare such to the approved capital structure of Horizon. Subject to the Conditions Precedent, the Board of Directors shall declare and pay a dividend, if any, equal to the excess of actual shareholder equity over that required to support the approved capital structure of Horizon. Where a Special Dividend has been declared, the Board of Directors will endeavour to pay such dividend on March 1st of the year in which the audited financial statements of the preceding year have been approved.

Reporting to Shareholder

In the event that the Board of Directors does not approve a payment of a Regular Dividend, the Board will promptly report the circumstances underlying the non-payment to the shareholder and, thereafter, provide progress reports on a quarterly basis until such time as the payment of Regular Dividends resumes.
HORIZON UTILITIES CORPORATION
Dividend Policy
(effective January 1, 2007)

The dividend policy of Horizon Utilities Corporation (Horizon) is predicated on the mandate of the Board of Directors which includes maximizing shareholder value. Such value is generally realized by the shareholder through dividends or the appreciation of shareholder investment. It is the intention of the Board of Directors of Horizon to use its best efforts to declare and pay dividends from available earnings and cash flow, subject to certain conditions precedent outlined below, as follows:

(c) Regular Dividends at a target dividend payment rate (DPR) of up to 60% of annual net earnings;

(d) Special Dividend periodic payments to maintain the approved capital structure of Horizon (currently approved at 50% to 55% of debt in total capitalization after consideration for any off-balance sheet contingencies);

Conditions Precedent to the Payment of Dividends

Dividends will be paid to the extent that such would not otherwise cause:

(vii) non-compliance with relevant statutes and regulations;

(viii) a breach of contract or the immediate or anticipated failure to otherwise meet the terms of financing arrangements;

(ix) an impairment in the operations and maintenance of electricity distribution infrastructure;

(x) an impairment in financial prudence including capital investment in electricity distribution infrastructure to sustain reliability;

(xi) a deterioration in the credit rating of Horizon or otherwise not support an “A” range or equivalent rating from credit rating agencies that rate Horizon and/ or its securities;

(xii) an impairment in the maintenance and growth of approved businesses, or logical extensions of existing or related businesses, in line with a Board approved business plan.

Payment of Dividends

Regular Dividends

Each year, at its meeting to approve the annual budget for the next fiscal year, the Board of Directors will forecast the annual dividend by applying the DPR to budgeted earning
for the next fiscal year. Quarterly dividends will, subject to meeting the above criteria, be targeted at up to $1.5MM and paid March 1st (or shortly following the approval of the annual audited financial statements of the preceding year), June 1st, September 1st and December 1st. The first dividend of the fiscal year, targeted for payment on March 1st, will also include any adjustment to bring the total annual dividend for the preceding year to the full DPR level.

The payment of Regular Dividends is subject, in each instance, to the review and approval of the Board of Directors in accordance with this policy and subject to the Conditions Precedent noted above.

Special Dividends

Each year, at its meeting to approve the annual audited financial statements, the Board of Directors will review the current and forecast shareholder equity requirements of Horizon and compare such to the approved capital structure of Horizon. Subject to the Conditions Precedent, the Board of Directors shall declare and pay a dividend, if any, equal to the excess of actual shareholder equity over that required to support the approved capital structure of Horizon. Where a Special Dividend has been declared, the Board of Directors will endeavour to pay such dividend on March 1st of the year in which the audited financial statements of the preceding year have been approved.

Reporting to Shareholder

In the event that the Board of Directors does not approve a payment of a Regular Dividend, the Board will promptly report the circumstances underlying the non-payment to the shareholder and, thereafter, provide progress reports on a quarterly basis until such time as the payment of Regular Dividends resumes.